

Fraudulent substitution of directors

White collar criminals targeting taxpayers via CIPRO and SARS

It has come to our attention that unauthorised amendments have been made to companies' records at the Companies and Intellectual Properties Registration Office (CIPRO). The amendments relate to the purported resignation of directors and their replacement with new directors. The change in directors is recorded on a form CM29 authenticated by CIPRO.

The "new" directors then use the form CM 29 to open "new" bank account in the name of the affected company and notify SARS of the change to the banking details. Refunds payable by SARS are then paid into the "new" bank account. The scheme has been extended to VAT refunds as well.

Frauds of this nature are difficult to detect as they occur without the company being aware of their commission. However, they arise in the case of companies that are due to receive refunds from SARS.

We recommend that companies and directors check that the records at CIPRO correctly record the current board members. This should be done regularly and certainly if refunds from SARS are anticipated, since reports indicate that, in some cases, several consecutive unauthorised amendments have been recorded in respect of the same taxpayer. It would be prudent in the case of anticipated refunds to confirm with SARS that the banking details recorded on the SARS database are correct.

Naturally, companies and directors should have their own risk management procedures in place, should it appear that the directors, members or banking details have been fraudulently altered. Among the measures that have been recommended is to contact SARS Forensic Investigation Unit immediately to report the matter and instruct an immediate block on all transactions on that taxpayer account.

Taxpayers should note further that the substitution of the directors might also enable the criminals to enter into contracts purportedly on behalf of the company to effect vehicle and equipment purchases.

The early detection and prevention of this type of sophisticated collusive fraud is difficult and costly and will require a coordinated response from SARS, CIPRO, the SAPS and the banking industry.



There will no doubt be concern as to who may be held liable for losses sustained through such frauds. In the absence of clear evidence of negligence on the part of any of the agencies it is likely that the losses will be borne by the unfortunate victims.

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