



16 October 2015

## **SUMMARY AND ANALYSIS OF THE 2014/15 ANNUAL REPORT OF THE PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY**

### **1. INTRODUCTION**

The Private Security Industry Regulatory Authority (PSIRA) was established in terms of Section 2 of the Private Security Industry Regulation Act, No. 56 of 2001. Its mandate is to regulate the private security industry and to exercise effective control of security service providers in the public and national interest and the interest of the security industry itself. As far as governance is concerned, PSIRA is currently being managed in terms of the above mentioned Act, which replaced the Security Officers Act (1987). A Council is appointed by the Minister of Police in consultation with Cabinet and constitutes a Chairperson and three additional Councillors, who are independent of the private security industry. The Council is tasked with the governance of the PSIRA and forms the accounting authority of PSIRA and is accountable to the Minister of Police in the performance of its function. The Authority is listed as a public entity in Schedule 3A of the Public Finance Management Act (PFMA). As such, the Authority must adhere to the statutory duties and responsibilities as imposed by the PFMA.

With regards to funding and revenue generation, the entity generates its own revenue through the collection of annual levies, and through money received from any legitimate sources which has accrued to the entity in terms of the Act.<sup>1</sup> For over three years, the Authority was involved in a protracted **court case** over the regulatory fees and this created uncertainty around the Authority's ability to sustain its statutory mandate.<sup>2</sup> As pointed out in the Authority's 2015/16 APP, since the court ruling was in favour of the Security Industry Alliance (SIA), this means that the annual fees have not been reviewed for over 12 years now.<sup>3</sup>

In terms of **legislation development**, in 2012 and throughout 2013, the Portfolio Committee (PC) on Police embarked on a review of the PSIRA Act (2001). The Amendment Bill [B27D-2012], which seeks to strengthen regulatory oversight of the private security industry, made significant amendments to the 2001 Act and will have a great impact on the structure and reporting requirements of the Authority going forward. The Bill will also introduce significant changes to the ownership of private security businesses by foreign nationals and improve governance and address the funding of the entity through monies appropriated by Parliament. The Private Security Regulation Amendment Bill has been processed by Parliament and both House of Parliament adopted it and was assented to the President of the Republic for signature on 05

<sup>1</sup> Private Security Industry Regulatory Authority. 2015/16-2019/20 Strategic Plan. Pretoria

<sup>2</sup> Ibid

<sup>3</sup> Private Security Industry Regulatory Authority. Annual Performance Plan 2015/16-2017/2018. Pretoria



March 2014. To date, the Bill has not yet been enacted by the President and some of its provisions have been challenged by some actors in the security industry. The Private Security Industry Levies Act will also be tabled for review in order to align it with the funding model proposed by the Amendment Bill and to prepare it for enactment. In addition to the Bill, the Authority also formulated the Compliance and Enforcement Strategy that seeks to ensure regulatory compliance by private security companies through the inspection and training of security service providers.

The Annual Report of the Authority forms the main service delivery reporting instrument for the entity and how funds were utilised to ensure the achievement of these targets as outlined in its Annual Performance Plan (APP). As such, this paper will focus on the following aspects of the 2014/15 Annual Report:

- Strategic overview on the strategic priorities, legislative mandate and government priorities for the 2014/15 FY;
- Summary of historic concerns regarding the Authority together with the latest reporting progress;
- Performance overview on the Authority’s performance on predetermined targets against actual achievement thereof;
- Financial performance overview of the Authority for the 2014/15 FY;
- Summary of findings made by the Auditor-General of South Africa (AGSA) during the 2014/15 FY; and
- Analysis of the utilisation of Human Resources as part of the organisational structure.

## 2. VISION AND MISSION OF PSIRA

**Table 1: Vision and Mission of PSIRA**

Vision	Mission
The Vision of the Authority is to be recognised as an excellent regulator of private security in South Africa by all their stakeholders. The vision acknowledges the fact that PSIRA’s success must be judged by its impact on the society at large and specifically on ensuring that all the people of South Africa are and feel safe.	The Mission of the PISRA is: “To protect the constitutional rights of all people to life, safety and dignity through the effective promotion and regulation of the private security industry”.

Source: PSIRA 2014/15 AR

## 3. LEGISLATIVE MANDATE

In terms of the Private Security Industry Regulation Act, 2001 (Act No. 56 of 2001), the primary objects of the Authority are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and the interest of the private security industry itself. Pursuant to that, thee Authority is mandated to:



- a) Promote a legitimate private security industry which acts in terms of the principles contained in the Constitution and other applicable law;
- b) Ensure that all security service providers act in the public and national interest in the rendering of security services;
- c) Promote a private security industry that is characterized by professionalism, transparency, accountability, equity and accessibility;
- d) Promote stability of the private security industry;
- e) Promote and encourage trustworthiness of security service providers;
- f) Determine and enforce minimum standards of occupational conduct in respect of security service providers;
- g) Encourage and promote efficiency in and responsibility with regard to the rendering of security services;
- h) Promote, maintain and protect the status and interests of the occupation of security service provider;
- i) Ensure that the process of registration of security service providers is transparent, fair, objective and concluded timeously;
- j) Promote high standards in the training of security service providers and prospective security service providers;
- k) Encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;
- l) Encourage equal opportunity employment practices in the private security industry;
- m) Promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
- n) Ensure that compliance with existing legislation by security service providers is being promoted and controlled through a process of active monitoring and investigation of the affairs of security service providers;
- o) Protect the interests of the users of security services;
- p) Promote the development of security services which are responsive to the needs of users of such services and of the community; and
- q) Promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry.

#### **4. POLICY MANDATE: NATIONAL DEVELOPMENT PLAN**

Chapter 12 of the NDP outlines five priority pillars that are supposed to govern policing and security sector in South Africa. The five priority pillars address the following:

- Strengthening of the Criminal Justice System (CJS);
- Professionalisation of the Police;
- Demilitarization of the Police;
- Increasing the rehabilitation of prisoners and reducing recidivism and;
- Building safety using an integrated approach



The Council reported in its 2015/16 APP that, the review of its 2015-2019 Strategic Plan took cognisance of the above pillars and the key priorities as outlined in the NDP. In particular, the Authority was cognisant of the pillar pertaining to the building of safety using an integrated approach ensuring a safe and secure environment for all who live in South Africa.<sup>4</sup> The Authority further reported that, pursuant to the goals of the NDP, it will place emphasis on fostering collaboration with the private security industry and the South African Police Services (SAPS).<sup>5</sup>

## 5. INSTITUTIONAL GOVERNANCE AND MANAGEMENT

The Council of PSIRA consists of five members, of whom one is the Chairperson, another the Deputy Chairperson and the remaining three are ordinary members. Together the Council forms the accounting authority of PSIRA and thus takes ultimate responsibility for the Authority. According to section 51 of the PFMA, 1999, the accounting authority for a public entity must ensure that the public entity has and maintains the following (amongst others):

- Effective, efficient and transparent systems of financial risk management and internal control;
- A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77; and
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

The Council is appointed by the Minister of Police. Former Chairperson's (Mr Thula Bopela) contract lapsed in December 2014 and Mr DCM (Joy) Rathebe was appointed in an acting capacity until Professor NM Mazibuko was permanently appointed as the Council Chairperson. The Council is legally empowered to appoint sub-committees of the Council to advise the Council on matters relating to the Authority. Currently, the Council has three sub-committees, which are; (1) the Audit and Risk Committee, (2) the Stakeholder and Core Business Committee and (3) the Remuneration Committee. As the accounting authority of PSIRA, the Council appoints the executive management (EXCO) of PSIRA, which is responsible for the day-to-day operations of PSIRA like performance monitoring, review and general decision making responsibilities. The EXCO consists of the Director and three Deputy Directors, responsible for the three divisions, i.e. Finance and Administration, Law Enforcement and Communication and Training. The EXCO may also appoint sub-committees, including (amongst others) an IT steering Committee and a Performance Management Committee.

In response to the **PC on Police's 2014 BRRR Recommendations**, the Council undertook a review of the entire governance framework with specific focus on:

- The development of a Council Charter guided by the King III principles
- Segregation of roles between Council and Executive Management
- Review of Delegation of Powers

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<sup>4</sup> Ibid

<sup>5</sup> Ibid



- Development of Council Members

## 6. ORGANISATIONAL RESTRUCTURING

In 2014/15, the Authority's organizational structure was reordered. The programme structure of the Authority was reduced from four programmes in 2013/14, to three programmes in 2014/15. The new programme structure has an increased focus on the core business of the Authority in terms of training, registration of security service providers and client satisfaction (stakeholder management). The 2015/16 Strategic Plan reflects slight amendments that have been made to a couple of the sub-programmes within these three Programmes, as reflected in Table 2, below (including the development of sub-programmes under Programme 2). The three Programmes remain, otherwise, unchanged.

**Table 2: Programme structure in 2015/16 compared to the previous year (2014/15)**

2014/15 Programme Structure	2015/16 Programme Structure
<p><b>Programme 1: Administration</b>  <i>Sub-programmes</i></p> <ul style="list-style-type: none"> <li>• <i>Finance and Administration</i></li> <li>• <i>Business and Information Technology</i></li> <li>• <i>Human Capital</i></li> </ul>	<p><b>Programme 1: Administration</b>  <i>Sub-programmes</i></p> <ul style="list-style-type: none"> <li>• <i>Finance and Administration</i></li> <li>• <b><i>Business Information Systems</i></b></li> <li>• <i>Human Capital</i></li> </ul>
<p><b>Programme 2: Law Enforcement</b></p>	<p><b>Programme 2: Law Enforcement</b>  <b><i>Sub-Programmes:</i></b></p> <ul style="list-style-type: none"> <li>• <i>Enforcement</i></li> <li>• <i>Compliance</i></li> <li>• <i>Legal Services and Prosecution</i></li> </ul>
<p><b>Programme 3: Communication, Registration (CRM) and Training</b>  <i>Sub-programmes</i></p> <ul style="list-style-type: none"> <li>• <i>Communications and Stakeholder Management</i></li> <li>• <i>Stakeholder and Customer Relationship Management</i></li> <li>• <i>Industry Training</i></li> <li>• <i>Industry Research and Development</i></li> <li>• <i>Research and Development</i></li> </ul>	<p><b>Programme 3: Communication, Registration (CRM) and Training</b>  <i>Sub-programmes</i></p> <ul style="list-style-type: none"> <li>• <i>Communications and Stakeholder Management</i></li> <li>• <b><i>Industry Registration and Customer Relations Management</i></b></li> <li>• <i>Industry Training</i></li> <li>• <i>Industry Research and Development</i></li> </ul>

Source: PSIRA 2014/15 AR



## 7. STRATEGIC OVERVIEW: OUTCOME ORIENTED GOALS AND STRATEGIC FOCUS AREAS OVER THE MTSF

According to the 2015/16 APP, “as part of the strategic direction to the Authority, the Council reviewed the long term goals and objectives of the entity”,<sup>6</sup> of which the result of the situational analysis conducted necessitated the retention of all the planned strategic overview of the five years to 2020.<sup>7</sup> As such, the Authority’s 5-year Strategic Plan (2015/16-2019/20) notes that the following strategic priorities/goals will receive considerable attention and will be at the centre of the Authority’s operations during the 2015/16 FY and over the medium term period<sup>8</sup>:

- **Priority 1:** Excellent service delivery (effective regulation)
- **Priority 2:** Effective financial management
- **Priority 3:** Industry stewardship, stakeholder and customer relationship management
- **Priority 4:** Enabling environment with competent and skilled workforce
- **Priority 5:** Efficient and effective processes and systems

More so, pursuant to its mandate, the Authority also indicated in its Strategic Plan that, over the medium term, a focus will also be put on the following strategic objectives:

- Ensure good governance and a sound financial control environment;
- Ensure that PSIRA has in place effective and reliable IT Systems;
- To ensure that PSIRA has a competent, ethical and skilled workforce;
- To ensure effective regulation in the security industry;
- Enforce minimum standards of occupational conduct in respect of security service providers;
- Promote awareness amongst the public and the private security industry on the functions and role of PSIRA in the industry;
- Promote the protection and enforcement of the rights of Security Officers and other employees in the Private Security Industry;
- Promote the interest of the consumers of private security service;
- To ensure that the registration process is transparent and timeous;
- Promote high standards in the training of security service providers and prospective security service providers (SSP); and
- Ensure that PSIRA is a centre of excellence in private security research.

According to the Authority’s 2014/15 Annual Report, moving forward, significant efforts must be placed on improving the following areas:

- Review of administrative fines;
- Phase out introduction of training in new regulations;

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<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> Private Security Industry Regulatory Authority. 2015/16-2019/20 Strategic Plan. Pretoria



- Introduction of new identity cards to stamp out identity fraud and improve disclosure and protection of personnel;
- Benchmark on sustainable funding models in order to reduce regulatory fees and improve participation of the previously disadvantaged within the industry.

Table 3 below provides a summary of the responsibilities of each Programme as linked to the above strategic priorities and objectives.

**Table 3: Programme responsibilities and outcomes for 2015/16**

Programme Responsibilities		
Programme 1: Administration	Programme 2: Law Enforcement	Programme 3: Communications, Registration (CRM) and Training
Responsible for the overall strategic management and support service of the Authority	Responsible for enforcing compliance with minimum standards of occupational conduct by security service providers and legal services to ensure efficiency in the prosecution of the contraventions of the PSIRA Act.	Responsible for Stakeholder Management and Communications, Registration and Customer Relation Management, Industry Training, Research and Development.
Outcomes per Programme		
<p><b>Outcome 1:</b> Effective revenue management</p> <p><b>Outcome 2:</b> Sustainable funding model</p> <p><b>Outcome 3:</b> Compliance to Corporate Governance and IT Standards</p> <p><b>Outcome 4:</b> Competent and performing workforce</p>	<p><b>Outcome 5:</b> Increased monitoring and investigation of security service providers to ensure compliance with existing legislation.</p> <p><b>Outcome 6:</b> Increased compliance to minimum standards of occupational conduct of security service providers.</p> <p><b>Outcome 7:</b> Security business licensed to possess firearms in the private security industry is fully accounted for.</p> <p><b>Outcome 8:</b> Increased compliance to minimum professional standards in training of security service providers.</p>	<p><b>Outcome 9:</b> Effective and efficient registration process.</p> <p><b>Outcome 10:</b> Improve the integrity of PSIRA registration certificates</p> <p><b>Outcome 11:</b> Increased protection and enforcement of private security personnel rights.</p> <p><b>Outcome 12:</b> Increased awareness on the functions and role of PSIRA in the industry.</p> <p><b>Outcome 13:</b> Increased efficiency of resolving consumer complaints</p> <p><b>Outcome 14:</b> Research to strengthen core business and support external initiatives (Law Enforcement, Registration, Industry Training, Marketing, Brand Communication and Stakeholder Management).</p> <p><b>Outcome 15:</b> Research to strengthen core business and support external initiatives.</p>

Source: PSIRA 2015/16 APP



## Comments and questions

- The Committee had questioned the absence of clearly defined sub-programmes within the core programme of PSIRA, namely Law Enforcement (Programme 2). The Authority should be commended for responding accordingly to the Committee's concern and recommendation by establishing three sub-programmes in the 2015/16 FY as indicated in the above table.

- Previously, the Committee raised significant concern regarding the excessive cost incurred in entering into a new lease agreement for the Authority's corporate head office in Centurion to the cost of R87 million over a five-year period. The Committee further stated that the fact that the Authority specified an AAA-graded building was unacceptable for any entity finding itself in financial difficulty. In its response to the Committee's 2014 BRRR, the Authority reported that its Head Office Centurion Lease will lapse in July 2016 and the Feasibility Study is still not completed by National Treasury. The Committee should ask the Authority whether it has followed up with the Treasury on the issue since its last report. The Committee should ask the Authority whether the Minister has made his final decision on PSIRA Arcadia premises.

-In its response to the Committee's Recommendations emanating from the 2014 BRR Report, the Council indicated that it undertook a review of the entire governance framework. Was there any report of the review, and if so, was the Committee provided with such a report?

-The Authority indicated that Final new Annual fees regulations will be effective from April or May 2015. The Committee should ask the Authority to provide a feedback on the implementation of the new annual fees regulations. Are there any meaningful successes? What are the challenges that have been encountered so far?

- In relation to revenue generation, the Minister indicated that the new fees structure was supported by the majority of service providers within the industry and the entity has since collected over 60% of the annual fees. The Authority should explain to the Committee when is the remaining 40% going to be collected.

-More so, the new Council Chairperson indicated that the number of active (employed) security officers has decreased during the reporting period. This decrease was also reported on the number of registered armed response and cash-in-transit businesses. The Authority should explain the implications this has had on its revenue generation.

-The Committee should request the Authority to brief it on the functioning of the newly established National Training Compliance Forum

-The Committee should request the Authority to brief it on the progress on the launch of the new improved certificates, more especially in as far as improved compliance of security providers is concerned.



-The Authority conducted a comprehensive operating risk analysis process with all the programmes in November 2014 and compiled a risk register. The Committee should request the Authority to share that risk register with it for monitoring and follow-up purposes.

## 8. HISTORIC CONCERNS

The following section provides a summary of the key observations/concerns raised by the Portfolio Committee on Police regarding performance and financial issues in the past.<sup>9</sup>

- **Leadership and capacity of Council:** The Committee raised concerns around the apparent lack of leadership and the inadequate capacity of the Council of the Authority, as the Council is mandated with the governance of the Authority. The Auditor-General reported (2014) that the key personnel, specifically the Chief Financial Officer (CFO) was appointed during the 2013/14 financial year.<sup>10</sup> The Minister has also launched an investigation into the procurement, governance and finances of PSIRA.<sup>11</sup>
- **Determination of Salaries for the Senior Management Structure (SMS):** The Committee raised serious concerns on issues pertaining to the appointment of the SMS as well as the accompanying salary packages of the SMS members. The Committee further stated that the decision taken by the Minister of Police to request the Auditor-General of South Africa to launch an investigation into the salary packages of all Senior Managers in PSIRA was welcomed and supported. The Minister of Police has appointed a task team to review the salaries at PSIRA.<sup>12</sup> Despite these concerns, the PSIRA approved an 8.6 per cent salary increase across the board during the 2013/14 FY.<sup>13</sup>
- The second issue of concern raised by the Committee was related to the fact that the function of job grading was outsourced to a private company, namely PricewaterhouseCoopers. The job grading was done on the Patterson Grading system rather than the Equate Grading system used by the Department of Public Service and Administration (DPSA) for government employees. The use of private companies to grade jobs for public entities is highly irregular as the mechanism for oversight and accountability is largely lost through the process chosen by PSIRA.
- **Ethics Hotline:** Members of the Committee raised concern about the ethics hotline. The Authority outsourced this function to a private company (KPMG) for managing a complaints hotline pertaining to the private security industry. The Committee questioned the amount of complaints received through the hotline and whether the Authority considered the R47 000.00 spent on the hotline as value for money.
- **Research:** The Committee raised concerns regarding the lack of performance in the Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy), in which priority research projects to be completed was prioritised and only topics were identified. The Minister of Police stated in the 2013/14 Annual Report that the research aspects must be

<sup>9</sup> Committee Report on PSIRA Annual Report hearings, 2012

<sup>10</sup> Auditor General (2014)

<sup>11</sup> Annual Report PSIRA 2013/14

<sup>12</sup> Auditor General (2014)

<sup>13</sup> 2013/14 PSIRA Annual Report



improved through further benchmarking with other countries that were and are successful in these areas, with the objective of establishing global best practices in this regard.

- **Planning:** Members of the Committee expressed concern regarding the apparent lack of cohesion between the budget process and established priorities of the Authority and questioned why there is an apparent disjoint between the funding available and the priorities/performance targets set by the Authority and that this leads to priorities not being achieved as various targets were not met due to budgetary constraints. The Council indicated that the funding model on which the Authority operates is not ideal, but that the budgeting process will be reviewed and will enjoy increased focus in coming years.
- **New corporate head office in Centurion:** The Committee raised concerns and opposition to the relocation of PSIRA's corporate head office from Arcadia to Centurion. The Committee further stated that the AG of South Africa was requested to perform a performance audit on the lease agreement in order to establish whether value for money was ensured by the Authority. The specific issues raised by the Committee were:
  - **Lease agreement:** The Committee raised concerns regarding the excessive costs incurred in entering into a new lease agreement for the Authority's corporate head office in Centurion to the cost of R87 million over a five-year period. The Committee further stated that the fact that the Authority specified an AAA-graded building was unacceptable for any entity finding itself in financial difficulty.
  - **Cost of relocation:** The Committee expressed further concern regarding the R4, 7 million spent on procurement of new furniture and relocation costs incurred by the Authority in moving offices from Arcadia to Centurion and stated that these expenses were unacceptable and should not have been a priority for the Authority. The Committee also questioned why new furniture was procured for the new office and what happened to the old furniture.
  - **Disposal of building:** Concern were raised regarding the disposal of the condemned (previous) corporate head office of PSIRA in Arcadia (Pretoria), including the status of the sale, the fact that the building has not been sold, whether approval from the Minister was received to sell the building, the Round Robin Resolution taken by the Council and Authority was flawed as it is in contravention of the Public Finance Management Act (PFMA), and the legal requirements of dealing with a condemned building. The Auditor General reported that the Minister visited the premises and that PSIRA is in consultation with National Treasury to determine the way forward. It is further reported that, in May 2013, the sale of the building in Pretoria was declined. A feasibility study will be undertaken to determine whether it would be cost-effective to demolish the existing buildings on the property. The net book value of the buildings are R408 674.13 and the net book value of the land is R 2 623 000).
- **Contingent liability:** The Committee expressed concern regarding the fact that the Authority is not budgeting for contingent liabilities and further stated that the Authority has continuously ignored the recommendation made by the Committee to budget for contingent liabilities. This is mostly due to the ongoing court case with Security Industry Alliance (SIA) regarding the tariff increases. On 9 May 2013, the application by SIA to have the 2011 Annual Fee Regulation set aside was dismissed with costs. SIA has indicated that they will lodge an appeal to have the ruling overturned.



- **Use of Consultants:** The Committee expressed concern pertaining to the excessive use of consultants and questioned why these consultants are seemingly doing the work for which PSIRA employees are paid for. The Authority reported that there was no increase or decrease in consulting fees as it remained at R3.0 million in 2013/14 compared to 2012/13.

### Comments and questions

- The Authority should be commended for addressing some of the above Committee concerns, more especially on the issue of leadership and Council capacity. It is hoped that the appointment of the new Council Chairperson will bring a semblance of stability and strategic direction.
- However, the Committee should ask the Authority to provide a brief feedback on the current status on the above historical concerns raised by the Committee.
- In response to the Committee's concerns around the research environment within the entity, the Minister indicated that the entity has finalised two pieces of research assignments. But the Minister only mentioned one research assignment, notably regarding the involvement of the Private Security Sector in taxi violence in KwaZulu Natal. The Committee should request the entity to explain the second research assignment and share the findings of the research assignments

## 9. FINANCIAL PERFORMANCE

The section below provides an overview of the revenue estimates, actual revenue generated, expenditure and overall financial outlook of the Authority during the 2014/15 FY.

Table 4 below shows the revised revenue estimates for 2014/15 FY compared to the revenue estimates over the medium-term (2015/16 – 2017/18). The overall revenue was expected to increase significantly over the medium term from the revised estimates of **R185.9 million** in 2014/15 to **R220.6 million** in 2017/18 FY. This was going to represent a real percentage change of an increase of **2.45 per cent**. According to the estimates, Administrative fees were going to continue to be the main source of revenue generation for the Authority, if things stayed as they were- in other words, if there was no alternative revenue generation model.

**Table 4: Revenue estimates for 2014/15 compared to 2013/14**

Revenue	Revised estimates	Medium-term Revenue Estimates			Nominal Rand change	Real Rand change	Nominal % change	Real % change
		2014/15	2015/16	2016/17	2017/18	2014/15-2015/16	2014/15-2015/16	
R million								
Administrative fees	145 733	183 585	193 735	204 350	37 852	29 443.5	25.97	20.20
Other non-tax revenue	38 316	14 472	15 156	16 274	- 23 844	- 24 506.8	-62.23	-63.96
Transfers received	1 899	1 600	0.0	0.0	- 299	- 372.3	-15.75	-19.60
<b>Total</b>	<b>185 948</b>	<b>199 657</b>	<b>208 891</b>	<b>220 624</b>	<b>13 709</b>	<b>4 564.4</b>	<b>7.37</b>	<b>2.45</b>



Source: PSIRA 2015/16 APP

As stated in the 2015 ENE, the Authority expected its total revenue to grow moderately, at an average annual rate of 6 per cent over the medium term.<sup>14</sup> As shown above, the main contributor to this growth was expected to be revenue collected from administrative fees, in line with the anticipated increase in the number of registered security officers over the medium term.<sup>15</sup> Other contributors to this growth were to include the reissuing of certificates and identity documents to security companies and security officers, and the renewal of annual fees. The Authority did not anticipate any surplus over the medium term.

**Table 5: 2014/15 Revenue generation and expenditure**

<b>Restated</b>			
<b>Gross Revenue</b>	<b>2014/15</b>	<b>2013/14</b>	<b>%<sup>16</sup></b>
<b>Revenue</b>	127.1	126.7	100%
<b>Other Income</b>	4.9	3.9	126%
<b>Gross Revenue</b>	132.0	130.6	101%
<b>Gross Operating expenses</b>	148.7	137.1	108%

Source: PSIRA 2014/15 AR

It should be noted that the Authority does not get budget allocation from the National Treasury- it generates its revenue through different sources including, but not limited to; registration and annual fees, course reports and donations. As shown in Table 5 above, the Authority's gross revenue for the 2014/15 FY was **R132.0 million** compared to **R130.6 million** for the 2013/14 FY (originally reported **R170.3 million**). The Director of the Authority reported in the Annual Report that the revenue position of the Authority during the reporting period was stable at **R127.1 million** when compared to the **R126.7 million** recorded in the previous financial year. In particular, revenue from **course reports** increased by **24.9%** and **registration** by **9.1%** respectively when compared to the previous financial year. According to the Minister, the new fees were supported by the majority of service providers within the industry and the entity has since collected over 60% of the annual fees. However, there was a drop in **annual fees** of **4.5%**

As shown in Table 5 above, in essence, contrary to the estimates/projections of **R185.9 million** revenue alluded to above, during 2014/15 FY the Authority's gross revenue stood at **R132.0 million**, far below the projected revenue. What is interesting to observe is that, even though the 2014/15 FY revenue was a slight increase from the previous reporting period (2013/14), the gross operating expenses were much higher than the generated revenue-. More so, though revenue coming from other sources of income increased during the period under review, when compared

<sup>14</sup> National Treasury.2015 Estimates of National Expenditure

<sup>15</sup> Ibid

<sup>16</sup> These percentages are not clear. It is not clear as to what they are representing and therefore the Authority should explain them



to the previous reporting period, such an increase did not have any impact on the gross revenue of the Authority. In other words, the increase in other sources of income from **R3.9 million** previously to **R4.9 million** in the period under review did not help the Authority to reach the **R185.9 million** targeted revenue. The failure to meet the projected estimates can be attributed to the challenges that are going to be alluded to below such as decrease in a number of active security officers and businesses.

**Table 6: Unaudited Budget versus Expenditure per Programme for 2014/15 FY**

Programme Name	2014/15			2013/14		
	R'000	Budget	Actual	(over)/Under expenditure	Budget	Actual
Programme 1: Administration	83 211	76 704	6 507	83 217	63 651	19 566
Programme 2: Law Enforcement	66 221	56 044	10 177	55 691	56 999	(1 308)
Programme 3: Communication, CRM & Training	19 029	15 963	3 066	15 120	16 475	(1 355)
<b>Total</b>	<b>168 461</b>	<b>148 711</b>	<b>19 750</b>	<b>154 028</b>	<b>137 125</b>	<b>16 903</b>

Source: PSIRA 2014/15 AR

Allocation and projected expenditure for the Administration programme was R83.211 million for 2014/15 FY compared to R83.217 million in 2014/15 FY. Nonetheless, the Administration Programme also had the largest expenditure of the three programmes. The allocation and expenditure estimates for the Law Enforcement Programme (Programme 2) were estimated to increase from R56 million in 2013/14 FY to R66.2 million in 2014/15 FY. The Communication, Training and Registration Programme's allocation and expenditure were expected to increase from R15.9 million in 2013/14 FY to R19 million in 2014/15 FY.

In addition to the above, the Authority's Annual Report for the 2014/15 reporting period reported the following financial information:

### 9.1 Operating Expenses

- According to the Authority's Annual report, gross operating expenses for the 2014/15 FY was **R148.7 million** compared to **R137.1 million** for the year ended 31 March 2014 (originally reported R148.7 million).
- Employee costs increased by **R28.3%** over the financial years. However, if the actuarial gains and the performance bonus provision movements are excluded the increase is only 6.4% year on year.



## 9.2 Bad debts

- According to the Authority, debt arises from the annual fees, fines, penalties and interest that are billed to registered security service providers.
- The Authority reported in its 2014/15 financial year that there was a noticeable improvement in bad debts recovered during the year under review. An amount of **R1.9 million** was recovered when compared to **R0.4 million**<sup>17</sup> in the financial year ended 31 March 2014. Bad debts written off in the financial year ended 31 March 2015 was **R0** compared to **R24.6 million** written off during the financial year ended 31 March 2014.

## 9.3 Impairment of debtors

- The Authority reported that the impairment of debtors for the 2014/15 FY was **R5.0 million** compared to **R16.0 million** for the previous reporting period (originally reported **R27.8 million**).
- The restated impairment of debtors figure for the previous reporting period was as a result of identifying debtors, which had been written off in that year amounting to **R5.2 million** which were still active debtors accounts and by the identification of a material error in the calculation of the bad debts impairment provision of R6.4 million

## 9.4 Deficits

- The Authority posted a deficit of **R16.7 million** for the year ended 31 March 2015, compared to a deficit of **R6.5 million** for the year ended 31 March 2014. The deficit for the current financial year and the restated deficit for the prior year are as a result of passing credit notes for the period 1 January 2012 to 30 November 2014 to correct the overbilling of the annual fees, which were amended in the fees promulgated in the revised 2011 Annual Fees Regulations which were set aside by the Supreme Court of Appeal.

## 9.5 Credit Notes

- Credit notes totalling R115.6 million were passed, R31.5 million application to the financial year ended 31 March 2015, R39.6 million applicable to the financial year ended 31 March 2014 and R44.5 million applicable to the financial year ended 31 March 2013 and prior.

## 9.6 Rental of Equipment and Premises

- According to the annual report, lease payments for the current reporting period were **R13.7 million** compared to **R13.8 million** recorded during the previous financial year.

## 9.7 Consulting and Professional fees

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<sup>17</sup> This figure is questionable and needs to be verified. Is the Director referring to R400 000 thousand?



- Consulting and professional fees for the 2014/15 FY was **R3.5 million** compared to **R3.0 million** for the 2013/14 FY. Included in these amounts is Information Technology Consulting, which was R1.3 million for both 2015 and 2014. Other amounts included in consulting and professional fees are forensic investigation fees, debt collection fees, recruitment agency placement fees and strategic planning facilitation fees. An amount of **R0.5 million** paid for forensic investigation fees accounted for the current year increase.

## 10. CHALLENGES IN THE PERFORMANCE AND ORGANISATIONAL ENVIRONMENT IN 2014/15 FY

The Authority identified the following as challenges in its performance environment:

- **Unfavourable economic climate:** the Authority relies on the revenue generated through annual and registration fees to cover most of its operational costs. This mainly comes from registration fees of active (employed) security officers and operational (economic active) security businesses. Unfortunately, the number of active security officers decreased by **7.2%** from **487 058** thousand to **451 565** thousand during the 2014/15 FY. Likewise, during the reporting period, the number of registered active cash-in-transit businesses and armed response businesses decreased from **4 465** to **2 137** and from **4 550** to **3 136** respectively. According to the Authority's Council Chairperson, the reductions can be attributed to poor economic growth, which in turn is contributing to job losses within the private security industry. These decreases have adverse ramifications for the revenue and the operations of the Authority.
- **Financial losses:** the financial statements indicates that the Authority incurred a net loss of R16 727 505 during the reporting period, and as of that date, the Authority's current liabilities exceeded its total assets by R85 020 779. These conditions, along with other matters indicate the existence of a material uncertainty that may cast significant doubt on the public entity's ability to operate as a going concern.
- **Replacement of human capital with advanced technologies:** another challenge for the Authority emanates from the growing demand from consumers of the private security to have advanced technologies integrated in the security services provided to them. As such, more companies are replacing their human capital with improved technologies. This disrupts the Authority's revenue generation efforts since active security personnel remains the main source of revenue for the Authority.
- **Capacity Constraints:** the number of inspectors employed by PSIRA is not aligned to the size of the industry. The growth in the industry is not being matched by employment of inspectors due to funding constraints. At the end of the 2014/15 FY the Authority had 61 vacancies or 27% vacancy rate.
- **Overbilling and passing of credit notes:** the Authority's financial health and/or liquidity has been compromised by the passing of the credit notes for the overbilling of annual fees



## 11. REPORT OF THE AUDITOR-GENERAL

The Auditor-General Report on the Authority's performance for the 2014/15 FY highlighted a number of issues as indicated below. The Report also raised a number of issues that need the PC on Police's critical attention:

- **Unqualified Audit Opinion:** the Authority received an unqualified audit opinion. This reflects the Auditor General's satisfaction that the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2015.
- **Emphasis of Matter:** the AG Report drew attention to the fact, as reflected in the financial statements of the Authority, some corresponding figures for 31 March 2014 have been restated as a result of errors discovered during financial year ending 31 March 2015.
- **Going Concern:** the financial statements indicates that the Authority incurred a net loss of R16 727 505 during the reporting period, and as of that date, the Authority's current liabilities exceeded its total assets by R85 020 779. These conditions, along with other matters indicate the existence of a material uncertainty that may cast significant doubt on the public entity's ability to operate as a going concern.
- **Irregular Expenditure:** there was irregular expenditure to the tune of **R16 114 589** awaiting condonation. In particular, irregular expenditure of about R3.8 million was recorded in the 2014/15 FY due to deviation from supply chain procedures and prescripts. Another R513 450 irregular expenditure was also recorded in the reporting period owing to non-compliance to prescripts or legislations.
- **Fruitless and wasteful expenditure:** there was fruitless and wasteful expenditure to the tune of R109 869 thousand (R27 630) was incurred a result of late payments made to creditor, VAT paid to non-registered vendor, SARS penalties and interest and overpayment of leavypay on termination
- **Material impairments:** the financial statements indicate that provision for impairment to the amount of R8.9 million was raised on trade debtors, as a result of uncertainty regarding the recovery of the amounts due.
- **Predetermined Performance Targets:** a total of 31% of the targets under Programme 3 were not well defined and verifiable. This was due to management not ensuring that proper systems, processes and sufficient technical indicator descriptions are in place. As a result, 31% of the performance targets were not specific in clearly identifying the nature and required level of performance and measurable as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).
- **Reliability of Reported Performance Information:** some important targets under Programme were not reliable when compared to the source information or evidence provided. This was due to:
  - Firstly, the reported achievement for the indicator **percentage of new registration certificates rolled out to security officers** was not valid, accurate and complete-ly due to insufficient systems and processes to provide adequate and reliable appropriate audit evidence.
  - Secondly, the reported achievement for the indicator **percentage of new registration certificates rolled out on active business** was not valid, accurate and complete-



mainly due to insufficient systems and processes to provide adequate and reliable appropriate audit evidence.

- Thirdly, the reported achievement for the indicator ***average turnaround time taken to resolve complaints received from customers through the call centre*** could not be verified. This was also due to insufficient systems and processes to provide adequate and reliable appropriate audit evidence.
- **Non-compliance with legislation:** effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not maintained at all times as required by section 51(1)(a)(i) of the PFMA. More so, the financial statements submitted for auditing were in some instances not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, disclosure items, expenditure and revenue identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
- **Revenue Management:** effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and Treasury Regulations 31.1.2(a) and 31.1.2(e).
- **Expenditure Management:** the accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure as required by section 51(1)(b)(ii) of the PFMA
- **Consequence Management:** effective and appropriate disciplinary steps were not taken against officials who incurred and, or permitted irregular expenditure, as required by section 51(1)(e)(iii)
- **Procurement Management:** in some instances, quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
- **Leadership:** Management did not sufficiently monitor compliance with internal controls to ensure that performance information reported is accurate and reliable
- **Governance:** the audit committee did not approve the internal audit plan timely. As a result, internal audit work pertaining to the current financial year commenced late.

### Comments and questions

- The Authority should explain why its gross operating expenses exceeded its gross revenue during the reporting period
- In light of the unfavourable economic climate that is leading to reduction in a number of active security officers and businesses, which alternative revenue generation strategy has been adopted by the Authority to respond to market uncertainties?
- According to the Minister, the new fees were supported by the majority of service providers within the industry and the entity has since collected over 60% of the annual fees. Talking to realistic timeframes, the Authority should explain to the Committee when the remaining 40% of annual fees will be collected.



- The Authority should explain to the Committee how the R16.7 million deficit recorded during 2014/15 FY has affected its operations
- The vacancy rate of 27% is too high. The Committee should ask the Authority to explain when it is going to fill the 61 vacant positions.
- The Authority should explain the irregular expenditure of about R3.8 million that was recorded in the 2014/15 FY due to deviation from supply chain procedures and prescripts and another one of about R513 450 recorded owing to non-compliance to prescripts or legislations. The Committee should ask the Authority to explain the measures taken to avoid future deviations from SCM procedures and systems and non-compliance to prescripts and legislation.
- On the fruitless and wasteful expenditure, the Authority should explain whether the VAT paid to non-registered vendor has been recovered and whether the SARS penalties and interest have been successfully disputed or not.
- The Authority should explain whether it has budgeted for the contingent liabilities as per the Committee recommendation
- More importantly, the Authority should explain to the Committee how it is going to address issues raised in the AG's Report, more especially around shortcomings on leadership, governance, consequence management, revenue management, procurement and expenditure management
- Non-compliance with legislation and failure to set clearly defined, measureable and realistic predetermined performance targets are equally concerning for the Committee and have been discouraged in a number of Committee Reports. The Authority should explain to the Committee how it is planning to turn the tide against recurrence on those incongruities.

## 12. OPERATIONAL OVERVIEW

The section below provides a summary of actual achievements against planned performance targets for the 2014/15 FY.

In the past, the PSIRA had significant criticism on the quality of its performance indicators. Its performance indicators were found not to be in line with the SMART criteria. Although in 2013/14 FY the Auditor General did not raise any material findings on the usefulness of the reported performance information, as alluded to above, during the reporting period he pointed out that the following two important shortcomings:

- **A total of 31% of the targets under Programme 3 were not well defined and verifiable.** This was due to management not ensuring that proper systems, processes and sufficient technical indicator descriptions are in place. As a result, 31% of the performance targets were not specific in clearly identifying the nature and required level of performance and measurable as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).
- Some important targets were not reliable when compared to the source information or evidence provided. This was due to: firstly, the reported achievement for the indicator **percentage of new registration certificates rolled out to security officers** was not valid, accurate and complete- mainly due to insufficient systems



and processes to provide adequate and reliable appropriate audit evidence. Secondly, the reported achievement for the indicator **percentage of new registration certificates rolled out on active business** was not valid, accurate and complete- mainly due to insufficient systems and processes to provide adequate and reliable appropriate audit evidence. Thirdly, the reported achievement for the indicator **average turnaround time taken to resolve complaints received from customers through the call centre** could not be verified. This was also due to insufficient systems and processes to provide adequate and reliable appropriate audit evidence

Notwithstanding the foregoing observation, as a result of the significant findings made by the AG in the 2013/14 FY, the entity introduced some performance indicators and amended a number of its indicators and targets for the 2014/15 FY. Generally, the bulk of indicators and targets seem to be better defined and they seem to be measurable- thus meeting the SMART criteria. However, it needs to be noted that targets for some performance indicators seem to set too low. For instance, the private security industry is huge and there are many more security officers than the police. Therefore, the target of 24 500 number of security officers inspected to assess compliance with the PSIRA Act seems to be too low- considering numbers in the sector.

## 12.1 PROGRAMME 1: ADMINISTRATION

### Performance in Summary

**Planned Targets: 10**

**Achieved: 9**

**Not Achieved: 1**

**Overall Achievement: 90%**

**Expenditure: spent R76.704 million out of R83.211 million allocation = 92.1%**

The purpose of the Administration Programme is to provide leadership, strategic management and administrative support to the Authority. The programme aims to ensure effective leadership, management and administrative support to the Entity through continuous refinement of organisational strategy and structure in line with appropriate legislation and best practice. The Programme has three sub-programmes, namely: Finance and Administration, Business Information Technology and Human Capital.

During the reporting period the Programme had the following strategic outcomes:

- Effective revenue management
- Sustainable funding model
- Compliance to Corporate Governance and IT Standards
- Efficient and secure IT systems
- Competent and performing workforce



Most of the performance indicators and targets set for the Administration Programme remained unchanged during the reporting period. However, some performance indicators were reworded and one performance indicator in unqualified audit opinion was omitted.

**Table 7: Targets for Programme 1: Administration**

<b>Sub-programme 1.1: Finance and Administration</b>					
<b>Strategic goal: Ensure good governance and sound financial control environment</b>					
<b>Strategic Outcome</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2013/14</b>	<b>Planned Target 2014/15</b>	<b>Actual Achievement 2014/15</b>	<b>Deviation from planned target to actual achievement for 2014/15</b>
Effective revenue Management	<b>Annual</b> adjustment of administration fees with CPI	The administration fees were reviewed and implemented in March 2014	Adjustment of admin fees with CPI	Adjusted administration fees were published in March 2015	<b>Target achieved</b>
	<b>Reviewed</b> annual fees in place	N/A	Annual fees reviewed	The new annual fees were reviewed and became effective on 01 April 2015	<b>Target Achieved</b>
Sustainable Funding Model	<b>Funding</b> policy in place	N/A	Develop a funding policy in March 2015	Funding policy in place	<b>Target Achieved</b>
Compliance with the relevant acts and regulations which will result in resolving the internal and external audit findings	<b>Reduced</b> external audit findings	N/A	95% of audit findings resolved by tracking against CAP	97% of audit findings resolved	<b>Target Achieved +2%</b>
<b>Sub-programme 1.2: Business Information System</b>					
<b>Strategic goal: ensuring that PSIRA has in place effective and reliable IT systems</b>					
<b>Strategic Outcome</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2013/14</b>	<b>Planned Target 2014/15</b>	<b>Actual Achievement 2014/15</b>	<b>Deviation from planned target to actual achievement</b>



					for 2014/15
Efficient and secure IT systems	Critical IT infrastructure restored within set timeline on the Business Continuity Plan)	N/A	120 hours	36 hours	<b>Target achieved +84 hours</b>
	% of improved IT user satisfaction achieved	2 surveys were conducted	70% of users satisfaction rating	Average of 76.10% of users satisfaction rating	<b>Target achieved</b>
	Review IT business continuity	Policies were approved by Council on 31 March 2014	Review IT business continuity in place	Reviewed policy approved by council	<b>Target Achieved</b>
<b>Sub-programme 1.3: Human Capital</b>					
<b>Strategic goal: Creating enabling environment with competent and skilled workforce</b>					
Strategic Outcome	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual achievement for 2014/15
Competent and performing workforce	Frequency of conducting employee performance assessments	Only 95% of assessment conducted midyear and end of financial year	Bi-annually	Performance assessments were successfully conducted	<b>Target achieved</b>
	% of employees achieving a performance rating of 3 and above	N/A	95%	79%	<b>Target not achieved</b>
	% training programmes completed in line with the Annual Work Skills Plan	N/A	85%	91%	<b>Target achieved</b>

Source: PSIRA 2014/15 APP

In terms of performance, the Administration Programme managed to achieve 9 out of 10 planned targets. In other words, the Programme achieved 90% success rate on its performance targets and spent 92.1% of its budget at the end of the 2014/15 FY. However, it should be noted that the targets were reduced from eleven in 2013/14 FY to ten in 2014/15 FY.



In terms of its achievements, the Authority reported the following:

- Adjusted administration fees were published in March 2015
- The new annual fees were reviewed and became effective on 01 April 2015
- Funding Policy was put in place
- 97% of audit findings were resolved
- IT Reviewed policy was approved by the Council
- Performance assessments were successfully conducted

#### **Comments and questions**

- The Authority should explain why the targets in this programme were reduced from eleven to ten
- The Authority indicated that a funding policy has been developed by March 2015.
- The target to have 95% of employees achieving a performance rating of 3 and above was not achieved and the Authority should explain that.
- The Authority should explain under expenditure in this programme.
- The Authority should explain the continuous misstatements and errors in its financial reports. This was raised by the AG as a concern, as it is the fourth consecutive year in which the financial reports contain errors. The Authority should explain what steps will be taken to remedy the situation.
- The Committee should ask the Authority to provide it with a copy of its funding policy.
- The Authority should provide a brief synopsis of its Business Continuity Plan as approved by the Council on 31 March 2014.
- The Authority should elaborate on its IT User Satisfaction Surveys. What do these surveys measure, by whom is it conducted and who is it intended for.
- The Committee should urge the Authority to reinstate the target of achievements of the PFMA checklist, as this is a valuable management tool to ensure that the Authority complies with the provisions of the Act.

## **12.2 PROGRAMME 2: LAW ENFORCEMENT**

### **Performance in Summary**

**Planned Targets: 9**

**Achieved: 7**

**Not Achieved: 2**

**Overall Achievement: 77.7%**

**Expenditure: spent R56.04 million out of R66.2million allocation = 84.6%**

The purpose of the Law Enforcement Programme is to ensure that there are effective regulations in the security industry and enforcement of law and compliance to the regulations. The programme aims to ensure that Security Service Providers comply with the regulations by doing



regular inspections for both security officers and security businesses. It also aims to ensure that those who are not complying with the regulations are charged and prosecuted.

The Programme has three sub-programmes, namely: Enforcement, Compliance and Legal Services and Prosecution.

During the reporting period the Programme had the following strategic outcomes:

- Increased monitoring and investigation of security service providers to ensure compliance with existing legislation
- Increased compliance to minimum standards of occupational conduct of SSP's
- Ensure that all firearms licenced to SSP are accounted for

Most of the performance indicators and targets set for the Law Enforcement Programme remained unchanged during the reporting period. However, some performance indicators were reworded and one performance indicator in unqualified audit opinion was omitted

**Table 8: Performance indicators and targets in Programme 2: Law Enforcement for 2014/15**

<b>Strategic goal: To ensure excellent service delivery (effective regulation) in the security industry</b>					
<b>Strategic Outcome</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2013/14</b>	<b>Planned Target 2014/15</b>	<b>Actual Achievement 2014/15</b>	<b>Deviation from planned target to actual achievement for 2014/15</b>
Increased monitoring and investigation of security service providers to ensure compliance with existing legislation	Number of inspections conducted at security businesses	4 283	3 870	4 114	<b>Achieved</b>
	Number of inspections conducted on security officers	22 790	22 270	23 555	<b>Achieved</b>
	% of investigations finalised in respect of non-compliant SSP's	<b>N/A</b>	60%	79%	<b>Achieved</b>
	% of criminal cases opened against non-compliant SSP's	<b>N/A</b>	75%	86%	<b>Achieved</b>
	Reviewed law enforcement strategy in place	<b>N/A</b>	Review of law enforcement strategy	Strategy reviewed	<b>Achieved</b>



	Number of security businesses licensed to possess firearms inspected	N/A	900	1 035	<b>Achieved</b>
	% of inspected SSP's complying with the minimum standards per year	N/A	60%	50%	<b>Not achieved</b>
	% of inspected SSP's complying with the minimum standards per year	N/A	60%	42%	<b>Not achieved</b>
	% of cases of compliant SSP's prosecuted per year	N/A	80%	85%	<b>Achieved</b>

Source: PSIRA 2014/15 AR

In terms of performance, the Law Enforcement Programme managed to achieve 7 out of 9 planned targets. In other words, the Programme achieved 77.7% success rate on its performance targets and spent 84.6% of its budget at the end of the 2014/15 FY. However, it should be noted that the targets were reduced from fourteen in 2013/14 FY to nine in 2014/15 FY.

In terms of its achievements, the Authority reported the following:

- 4 114 inspections were conducted at security businesses against 3 870 target
- 23 555 inspections were conducted on security officers against 22 270 target
- 79% of investigations were finalised in respect of non-compliant SSP's against 60% target
- 86% of criminal cases were opened against non-compliant SSP's against 75% target
- Law enforcement strategy was reviewed
- 1 035 security businesses were licensed to possess firearms inspected against 900 target
- 85% % of cases of compliant SSP's were prosecuted per year against 80% target

In terms of its challenges, the Authority reported that the following targets were not met:

- Percentage of inspected SSP's complying with the minimum standards per year
- Percentage of inspected SSP's complying with the minimum standards per year



### Comments and questions

- The Authority should explain why the targets in this programme were reduced from fourteen to nine.
- The Authority should tell the Committee about the progress on criminal cases opened against non-compliant SSP's.
- The Authority should explain under expenditure in this programme.
- The Committee should ask the Authority to provide it with a copy of its reviewed law enforcement strategy.

Furthermore, in terms of the Law Enforcement Programme, the following operational aspects are noteworthy:

#### 1) Compliance Inspections

According to the Law Enforcement Division's operational policy, each compliance inspector must conduct a minimum of **14** security business inspections and **62** security officer inspections per month. During the reporting period (2014/15), a total of **27 669** compliance inspections of security service providers or inspections as part of investigations by the Enforcement Department were conducted, compared to **27 073** recorded during the previous financial year (2013/14). Furthermore, the **27 669** compliance inspections conducted, 23 555 compliance inspection were conducted at security officer deployed at different sites, compared to **22 790** inspections for the previous financial year.

Of the **27 669** compliance inspections conducted during the year under review, **4 114** compliance inspections were conducted at security businesses compared to **4 283** inspections for the 2013/2014 financial year. The Authority planned to conduct 3 870 inspections at security businesses during the 2014/15 FY, which it exceeded by 4 114 inspections. This achievement was due to filling of inspector vacancies during the financial year. This was also due to assistance from inspectors in the Law Enforcement Programme in conducting inspection a part of their investigations.

Similarly, the target set for the number of inspections concluded of security officers were also exceeded. The 23 555 compliance inspections conducted during the year under review were conducted at different sites, compared to 22 790 inspections for the 2013/2014 FY. The Authority originally targeted 22 270 compliance inspections of security officers to be conducted. This is 23 555 inspections was above its target. PSIRA stated that this was also attributed to filling of inspector vacancies

#### 2) Site Investigations

Site investigations form part of the Authority's operational plan in order to, among others, verify the accuracy of information provided by security businesses to inspectors, as well as to conduct



security officer inspections. These site investigations are at times also conducted in co-operation with the South African Police Service (SAPS), especially in cases where unregistered security officers are found, illegal immigrants are used or firearms are used in contravention with the requirements of the Private Security Industry Regulations. During the year under review, several site investigations and inspections were conducted by the Authority's inspectors, and some were done in conjunction with the SAPS:

- Head Office: 952;
- Eastern Cape: 670;
- KwaZulu-Natal: 1 000; and
- Western Cape: 730.

During the 2014/15 FY, a total of 1 548 investigations were finalised, compared to 2 015 investigations in the 2013/2014 FY. In terms of predetermined performance targets, the Authority planned to finalise 60% investigations during 2014/15. It managed to finalise 79% investigations, which is 19% additional investigations. The Authority attributes this achievements to the appointment of additional inspectors in the Law Enforcement Programme.

The table below provides a breakdown of the investigations conducted in regards to security business/officer and region.

**Table 9: Investigations conducted on Security Businesses & Security Officers**

Region	Number of Security Business Investigations	Number of Security Officer Investigations	Total
Head Office <i>of which</i>	564	177	741
<i>Gauteng</i>	475	173	648
<i>Mpumalanga</i>	16	3	19
<i>Limpopo</i>	21	1	22
<i>North West</i>	22	0	22
<i>Free State/N.Cape</i>	8	0	8
<i>Northern Cape</i>	22	0	22
Western Cape	333	22	355
Eastern Cape	162	38	200
KwaZulu-Natal	148	104	252
<b>Total</b>	<b>1 207</b>	<b>341</b>	<b>1 548</b>

Source: 2013/14 PSIRA Annual Report, p. 20

### 3) Number of enforcement criminal cases opened

During the year under review, a total of 1 100 improper conduct dockets against security businesses were compiled compared, to 1 490 dockets for the 2013/2014 financial year. Most of these dockets were opened by Head Office (379), followed by KwaZulu-Natal (322), the Western Cape (241), and Eastern Cape (158).



#### **4) Minimum wages**

One of the Authority's objectives is to promote the protection and enforcement of the rights of security officers and other employees in the private security industry, particularly to ensure that security businesses pay the prescribed minimum wages as determined by the Department of Labour in order to ensure that employee security officers are not exploited. As at 31 March 2015, there were 266 Improper Conduct dockets pending against security service providers for allegations of failing to pay the statutory minimum wage to employee security officers. Complaints relating to other labour matters are continuously referred to the Department of Labour for further investigation.

#### **5) Criminal Investigations**

Regulatory inspections are also conducted to investigate unregistered security service providers as well as other criminal contraventions of the Act. During the year under review, a total of 471 criminal cases were opened by inspectors of the Authority. Most of these cases were finalised by the Head Office (239), followed by KwaZulu-Natal (99), the Western Cape (70) and Eastern Cape (63). Of the 471 cases, 140 were successfully finalised and 7 unsuccessfully finalised. PSIRA planned to have 75% of criminal case opened against non-compliant SSP' cases and it achieved 86% (11% exceeded).

#### **6) Firearm Applications Enquiries**

The Authority provides information to the Office of the Central Firearms Register (CFR) pertaining to security service providers applying for firearm licenses. This information includes, amongst others:

- The registration status of the security business;
- The number of security officers employed by the business and their registration and training status; and
- The annual amounts due to the Authority.

During the 2014/15 FY, a total of 1 062 firearm application enquiries were received from the CFR and finalised compared to 1 119 for the 2012/13 FY. Of the 1 062 processed, the CFR was informed that 36 security service providers owed annual amounts or fines to the Authority, 112 of the applicants failed to inform the Authority of changes, 72 responsible persons for the firearms were not linked to a business or registered, 22 businesses' registrations were suspended/withdrawn, 26 businesses/CFR provided incorrect information, business was de-registered by CIPC and 6 directors/members/partners/owners of the businesses were not registered or trained. A total of 784 applicants were cleared by the Authority for consideration by the CFR.



As part of the Authority's performance, the previous financial year target to establish a Firearm Regulatory Committee was achieved. The general responsibilities and functions of the Committee is as follows:

- The Firearm Regulatory Committee serves to uphold the objectives of the Authority in promoting legitimate private security and in particular relating to firearm control.
- To facilitate the establishment and implementation of effective internal systems to enhance assistance in the control of firearms in the industry. This includes, but is not limited, to:
  - The enhancement of the security service provider's database to include details of all security businesses licensed for firearms;
  - Regular updating of the security business database in respect of applications for licenses granted/ withdrawn by the Office of the Central Firearm Register of the SAPS; and
  - Submitting regular reports on those businesses licensed to the Central Firearm Register in respect of changes i.e. registration status, number of security officers employed, address changes, etc.
- To facilitate the establishment of a standing Committee between the Authority and the Office of the Central Firearm Register of the South African Police Service in order to:
  - Guide and co-ordinate the decisions and actions of the Authority and the Central Firearm Register in the performance of their respective regulatory functions
  - Facilitate the establishment of a mechanism to standardise the control of firearms in the private security industry, as well as the types of firearms used in the industry;
  - Establish the minimum requirements needed for the issuing of licenses and guidelines for the withdrawal of licenses;
  - Oversee co-operation and co-ordination between the Authority and SAPS in respect of Law Enforcement operations;
  - Facilitate and improve communication and liaison between the Office of the Central Firearm Register and the Authority; and
  - Generally share information from each other's databases in respect of security service providers and licensed institutions.
- Facilitate the training of inspectors to enhance proper firearm control. This includes competency in the use of firearms and verification of ammunition.

#### **Comments and Questions**

- The Authority should explain the decrease in the number of firearm application enquiries
- The Authority should elaborate on the decrease in compliance inspections conducted at security businesses from 4 283 previously to 4 114 in the period under review.
- Similarly, the Authority should explain why during the 2014/15 FY, a total of 1 548 investigations were finalised, compared to 2 015 investigations in the 2013/2014 FY. What accounts for the decrease?
- The Authority should elaborate why during the year under review, a total of 1 100 improper conduct dockets against security businesses were compiled compared, to 1 490 dockets for the 2013/2014 financial year. Why this decreasing trend?



- More so, the Authority should explain why it is always three province that record high performance numbers. Is this due to their size, staff and resource allocation?

### 12.3 PROGRAMME 3: COMMUNICATIONS, REGISTRATIONS AND TRAINING

#### Performance in Summary

**Planned Targets: 16**

**Achieved: 13**

**Not Achieved: 3**

**Overall Achievement: 81.25%**

**Expenditure: spent R15.963 million out of R19.029 million allocation = 83.88%**

The purpose of the Communication, Registrations and Training Programme to provide effective stakeholder engagement and ensure that training standards are adhered to and the registration process is done in accordance with the PSiRA Act. The programme also aimed at; ensuring effective and meaningful stakeholder communication; ensuring that all training institutions are aligned to the required standard of training; ensuring that the registration process is effective and authentic and providing continuous research to support core business initiatives and policy development. The Programme has four sub-programmes, namely: Communications and Stakeholder Management, Industry Registration (CRM, Industry Training and Industry Research and Development).

During the reporting period the Programme had the following strategic outcomes:

- Increased compliance to minimum professional standards in the training of SSP's
- Effective and Efficient Registration Process
- Improve the integrity of PSiRA registration certificates
- Increased protection and enforcement of Private Security Industry Personnel Rights
- Increased awareness on the functions and role of PSIRA and the industry
- Increased efficiency of resolving consumer complaints
- Research to strengthen core business and support external initiatives)

Most of the performance indicators and targets set for Programme 3 remained unchanged during the reporting period. However, some performance indicators were reworded and one performance indicator in unqualified audit opinion was omitted.



**Table 10: performance indicator and targets in Programme 3 for 2014/15**

<b>Sub-programme 3.1: Communications and Stakeholder Management</b>					
<b>Strategic goal: promote awareness amongst the public and the private security industry on the functions and the role of PSIRA in the industry</b>					
<b>Strategic Outcome</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2013/14</b>	<b>Planned Target: 2014/14</b>	<b>Actual Achievement 2014/15</b>	<b>Deviation from planned target to actual achievement for 2014/15</b>
Increased awareness of the functions and role of PSIRA in the industry	Number of public awareness programmes on PSIRA's role and functions	43 Public Awareness Programmes	18 Public Awareness Programmes	66 Public Awareness Programmes	<b>Achieved (+48)</b>
	Number of public awareness programmes in PSIRA's role and functions for security businesses	N/A	6 Industry Awareness Programmes	28 Industry Awareness Programmes	<b>Achieved</b>
	Number of public awareness programmes on PSIRA's role and functions for security officers	N/A	6 Industry Awareness Programmes	13 Industry Awareness Programmes	<b>Achieved</b>
	Average turnaround time taken to resolve complaints received from consumers through the call centre	<b>N/A</b>	Average 24 hour	Average 14 hours	<b>Achieved (+10 hours)</b>  (AG concern)
	Number of awareness programmes on the sectoral determination	<b>N/A</b>	12 Awareness Programmes	17 Awareness Programmes	<b>Achieved (+5)</b>
	Number of formalised partnerships with	<b>N/A</b>	1 MOU	1 MOU done	<b>Achieved</b>



	employee-based stakeholders				
<b>Sub-programme 3.2: Industry Training</b>					
<b>Strategic Goal: promote awareness amongst the public and the private security industry on the functions and the role of PSIRA in the industry</b>					
Strategic Outcome	Performance Indicator	Actual achievement 2013/14	Planned Target: 2014/15	Actual achievement 2014/15	Deviation from planned target to actual achievement
Increased efficiency of resolving customer complaints	Date of implementation of security training	N/A	March 2015	Established various sector subcommittee to review the current kills programme	<b>Not achieved</b>
	% of accredited training SPP's complying with the minimum professional standards as stipulated in training policy	N/A	5%	7%	<b>Achieved (+2%)</b>
	Training compliance forums established	<b>N/A</b>	Established 1 national forum	1 national forum established	<b>Achieved</b>
	Number of capacity building activities for SSP training institution	N/A	4 capacity building activities	6 capacity building activities	<b>Achieved (+2)</b>
<b>Sub-programme 3.3: Registration</b>					
<b>Strategic Goal: : promote awareness amongst the public and the private security industry on the functions and the role of PSIRA in the industry</b>					
Strategic Outcome	Performance Indicator	Baseline 2014/15	Target: 2015/16	Target:2016/17	Deviation from planned target to actual achievement
	Average turnaround time of applications for registration meeting all the requirements for security	Average of 15 days	Average of 20 days	Average of 15 days	<b>Achieved</b>



Improve the integrity of PSIRA registration certificates	businesses (working days)				
	Average turnaround time of applications for registration meeting all the requirements for security officers (working days)	Average of 19 days	Average of 20 days	Average of 17 days	<b>Achieved</b>
	% of new registration certificates rolled out (on active security officers)	<b>N/A</b>	20% (90 000)	14% (64 106)	<b>Not achieved (AG concern)</b>
	% of new registration certificates rolled out (on active security businesses)	<b>N/A</b>	20% (1 800)	13% (1 234)	<b>Not achieved (AG concern)</b>
<b>Sub-programme 3.4: Research and Development</b>					
<b>Strategic Goal: promote awareness amongst the public and the private security industry on the functions and the role of PSIRA in the industry</b>					
<b>Strategic Outcome</b>	<b>Performance Indicator</b>	<b>Actual achievement 2013/14</b>	<b>Planned Target: 2014/15</b>	<b>Actual achievement 2014/15</b>	<b>Deviation from planned target to actual achievement</b>
Research to support external functions	Number of completed areas of research that are of high priority	2 research topics	2 Research topics	2 Research topics	<b>Achieved</b>
	Number of completed surveys	4 surveys	4 Surveys	4 Surveys	<b>Achieved</b>

Source: 2014/15 PSIRA AR

In terms of performance, the Programme 3 managed to achieve 13 out of 16 planned targets. In other words, the Programme achieved 81.25% success rate on its performance targets and spent 83.88% of its budget at the end of the 2014/15 FY. However, it should be noted that the programme's targets were reduced considerably during 2014/15 FY compared to the previous reporting period. Also note that the Auditor General raised concerns about the indicators in this Programme.



In terms of its achievements, the Authority reported the following:

- 66 Public Awareness Programmes were conducted
- 28 public awareness programmes were conducted in PSIRA's role and functions for security businesses
- 13 public awareness programmes were conducted on PSIRA's role and functions for security officers
- 17 awareness programmes on the sectoral determination were conducted
- 1 MOU to formalise partnerships with employee-based stakeholders was completed
- 7% accredited training SPP's complying with the minimum professional standards as stipulated in training policy
- 1 Training Compliance Forum was established
- 6 capacity building activities for SSP training institution were held
- 4 surveys were completed
- 2 research projects were completed

However, the following targets were not met:

- Date of implementation of security training percentage of new registration certificates rolled out (on active security officers)
- Percentage of new registration certificates rolled out (on active security businesses)

### Comments and questions

- The Authority should explain why the targets in this programme were reduced considerably in 2014/15 FY when compared to the previous reporting period.
- The Authority should explain why the target on the number of industry compliance forums conducted provincially was omitted.
- The Authority should explain why the target on the number of consumer awareness programmes on the role and functions of PSIRA (direct and indirect consumers) was omitted.
- The Authority should explain why the target on the number of advertising campaign on the role and functions of PSiRA was omitted.
- The Authority should explain why the target on the number of trade exhibitions and community outreach programmes to promote the role and functions of PSiRA was omitted.
- The Authority should explain why the target on annual Pan-African Forum on Private Security Industry was omitted.
- The Authority should explain why the target on the number of internal stakeholder initiatives aimed at strengthening teamwork, operational efficiencies and brand positioning of the Authority was omitted
- The Authority should explain whether the previous target on the establishment of consumer complaints office in relations to the quality of service rendered by security service providers was achieved.



- The Authority should explain why the target on number of partnerships established with learning institutions was omitted

### 13. HUMAN RESOURCE MANAGEMENT

The PSIRA currently employs 217 (according to the Annual Report it is 220) permanent personnel within its three Programmes, of which its core Programme Law Enforcement has the highest number of personnel (128 personnel). The Authority also employs personnel on fixed term contracts and interns, which increases the total staff of the Authority to 233 staff members (as seen by the table below).

**Table 11: Staff Composition 2014/15**

Programme	Permanent Employees	Employees on Fixed term contract	Number of Interns	Total
Law Enforcement	125	3	3	131
Finance and Administration	63	5	3	71
Communication and Training	29	1	1	31
<b>Total</b>	<b>217</b>	<b>9</b>	<b>7</b>	<b>233</b>

Half of the Authority's expenditure is directed to personnel costs (56 per cent). The Authority spent R83.8 million of its R132.0 million gross revenue on personnel. The bulk of personnel expenditure goes to the Law Enforcement Programme (72 per cent) as it employs the largest amount of personnel.

**Table 12: Personnel cost per Programme 2014/15**

Programme	Total Expenditure for the Entity	Personnel Expenditure	Personnel Exp. As a % of total Exp.	Total Number of Staff	Average Personnel Cost PP
Law Enforcement	61 965 000	44 408 659	72%	135	328 953
Finance and Administration	68 651 00	28 950 255	42%	70	413 575
Communication and Training	18 095 027	10 464 185	58%	31	337 554
<b>Total</b>	<b>148 711 027</b>	<b>83 823 099</b>	<b>56%</b>	<b>236</b>	<b>378 324.24</b>

Source: 2014/15 PSIRA Annual Report

The table below shows the personnel vacancies of the Authority per programme as recorded at 31 March 2015. The total vacancy rate for the Authority is 27%, with the highest vacancy rate currently experienced in the Finance and Administration Programme (29%). It is stated (by PSIRA) that the high vacancy rate is as a result of the fact that the approved new structure could



not be fully implemented due to a lack of funds. The core Programme of the Authority (Law Enforcement) currently lacks 26 personnel.

**Table 11: Personnel vacancies, 1 April 2013 to 31 March 2014**

Salary Bands	2013/14 Number of employees	2014/15 Approved Posts	2014/15 Number of employees	2014/15 Vacancies	% of Vacancies
Law Enforcement	128	154	128	26	17%
Finance and Administration	54	89	63	26	29%
Communication and Training	32	38	29	9	24%
<b>Total</b>	<b>211</b>	<b>281</b>	<b>220</b>	<b>61</b>	<b>27%</b>

Source: PSIRA 2014/14 Annual Report

#### Comments and questions

- The Authority must explain a detailed strategy to fill the vacant positions and indicate whether they have the necessary funds available to fill these. If not, the Authority must indicate what impact it will have on service delivery.
- The AG raised several concerns on the financial reporting of the Authority, and stated that the vacancies in the finance division should be filled urgently with skilled personnel. The Authority should indicate what steps are being taken to address the situation. The fact that almost half the division's positions are vacant, impacts negatively on the performance of the entire Authority.
- Similarly, the Authority stated in what manner the interns are applied within the Authority and whether these interns are paid.

## 14. CONCLUSION

The Private Security Industry Regulatory Authority (PSIRA) is currently listed as a public entity in Schedule 3A of the Public Finance Management Act (PFMA) and as such does not receive any funding from the State. As a regulatory authority, it receives the entirety of its revenue from the industry that it is mandated to regulate in the form of annual registration fees and other services provided to the industry. Hence the reason for PSIRA to establish and maintain absolute trust in the industry it is mandated to regulate.

The current financial position of the Authority is worrisome and strategies are needed on how to better implement the alternative funding model policy. Reliance on annual and registration fees is not sustainable in the long run. Another significant threat to the financial health of the Authority is the exorbitant cost of the lease agreement of its head office building, and significant debt impairment coupled with slow collection of debt. The Authority should be commended for receiving unqualified audit opinion. However, the Authority needs to urgently address a number of issues raised in the AG's report, more especially around leadership and governance issues, predetermined targets, irregular expenditure, fruitless and wasteful expenditure.



## **References**

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