1. **REPORT OF THE PORTFOLIO COMMITTEE ON POLICE ON THE 2017/18 ANNUAL REPORT OF THE PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY (PSIRA), DATED 21 NOVEMBER 2018.**

The Portfolio Committee on Police, having considered the financial and service delivery performance of the Private Security Industry Regulatory Authority (PSIRA) for the 2017/18 financial year, reports as follows:

1. **INTRODUCTION**

The Authority 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. 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 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. The Authority is funded through levies and fees recoverable from the security industry, in accordance with section 16 of the Act and currently receives no funds from the State.

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 the predetermined performance indicators and targets as outlined in its Annual Performance Plan.

As part of its oversight function, the Committee considers the Annual Report of the Authority on an annual basis and believes that the engagements with the Authority have been robust throughout the 201718 financial year. Hearings were held with the Authority on 12 October 2018 during which the Authority presented on its performance for 2017/18, in terms of both service delivery targets, as well as financial statements. The Committee has also engaged with the Auditor-General of South Africa (AGSA) on the audit outcomes of the Authority on 09 October 2018.

This report is structured as follows:

Section 1: Introduction. The section provides an overview of the establishment of the Authority and the Committee’s oversight mandate.

Section 2: Governance. The section provides a summary of the establishment and mandate of the PSIRA Council as the Accounting Authority of the Authority.

Section 3: External and internal audit. The section provides a summary of the external and internal audit findings of the 2017/18 financial year by the AGSA and the Audit Committee.

Section 4: Financial overview 2017/18. The section provides an overview of the financial performance of the Authority.

Section 5: Performance against predetermined targets for 2017/18. The section provides an analysis of the Authority’s performance against predetermined performance indicators and targets.

Section 6: Committee observations and reporting requirements. The section provides the key observations made by the Committee during engagements on the 2017/18 Annual Report of the Authority.

Section 7: Committee recommendations and reporting requirements. The section provides the recommendation made by the Committee and also the reporting requirements of the Authority.

Section 8: Conclusion. The section provides closing remarks by the Committee.

1. **GOVERNANCE**

The Authority is governed and controlled by the PSIRA Council, which is appointed in terms of section 6 of the Private Security Industry Regulatory Act 56 of 2001 by the Minister of Police in consultation with Cabinet. The Council forms the Accounting Authority of PSIRA and is accountable to Parliament.

The current PSIRA Council constitutes the following members:

* Mr N Ngubane (Acting Chairperson);
* Mr T Oliphant;
* Maj Gen C Philison;
* Mr Z Zulu; and
* Mr J Makgokane.

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 of the PFMA; and
* An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

As the accounting authority of PSIRA, the Council appoints the executive management of PSIRA, which is responsible for the day-to-day operations of PSIRA, including performance monitoring, review and general decision making responsibilities. The executive management 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 executive management may also appoint sub-committees, including (amongst others) an Information Technology (IT) Steering Committee and a Performance Management Committee.

1. **EXTERNAL AND INTERNAL AUDIT**

## Report of the Auditor General of South Africa (AGSA)

## The PSIRA received an unqualified audit opinion from the AGSA with emphasis on matters and material findings on performance information.

The AGSA identified a material uncertainty relating to PSIRA’s ability to continue as a going concern. The Authority incurred a net loss of R12 378 463 during the 2017/18 financial year and its current liabilities exceeded its current assets by R13 863 393.

Matters of emphasis include:

* Material impairments: Provision for impairment to the amount of R55 768 534 (2017: R44 389 024) was raised on trade debtors, as a result of uncertainty regarding the recovery of the amounts due. This has been a repeat matter of emphasis since 2015.
* Uncertainty relating to the future outcome of exceptional litigation: PSIRA is the defendant in a number of legal actions and these cases are yet to be brought before the court. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

The AGSA evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of PSIRA for the 2017/18 financial year:

* Communications, Registration (CRM) and Training Programme: The AGSA made a material finding on the following indicator performance target:
* Sufficient and appropriate audit evidence could not be obtained for the reported achievement on the performance indicator measuring the average turnaround time of applications for registration that meets all the requirements for security businesses (working days).

In terms of compliance with applicable legislation regarding financial matters, financial management and other related matters, the AGSA made the following material findings:

* Fruitless and wasteful expenditure: Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R216 428 as disclosed in note 20 to the annual financial statements, in contravention of section 51(1) (b) (ii) of the PFMA.
* Revenue: Adequate, effective and appropriate steps were not taken to collect money due, as required by section 51(1) (b) (i) of the PFMA and Treasury Regulation 31.1.2(a) and (e). This is a repeat finding of the AGSA.

The AGSA identified the following internal control deficiencies:

In terms of leadership, the PSIRA Council (Accounting Authority) did not:

* Adequately review the annual performance report for accurate and complete reporting prior to submission for audit purposes and as a result contained numerous misstatements. This was mainly due to insufficient systems and processes that were not in place to provide adequate accurate, valid and complete audit evidence.
* Exercise adequate oversight responsibility regarding performance reporting and compliance as well as related internal controls.
* Monitor the implementation of the audit action plan developed to ensure that internal control deficiencies identified in the prior years were addressed.

It should be noted that although the Council oversees the system of internal control within PSIRA, the implementation of these systems rests with the Executive Management.

In terms of financial and performance management, PSIRA did not:

* Have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.
* Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.
* Have effective processes in place to prevent non-compliance with laws and regulations in respect of fruitless and wasteful expenditure. Non-compliance could have been prevented had compliance been properly reviewed and monitored.

## Report of the Audit and Risk Committee

The Audit Committee noted the concerns raised by the AGSA in terms of a ‘going concern’ risk. However, the Audit Committee established that the main reason for the deficit were the significant amount of the debt provision which resulted from 8% under collection of revenue targets together with 10% over expenditure on operations.

The Audit Committee noted that the current Annual Fee Funding model had reached its lifespan and needs to be reviewed by introducing the Private Security Industry Levies Act, 2002, through a proclamation by the President. The Audit Committee was presented with a turnaround strategy by Management on how the finances of the entity would be improved in the next 12 months, including the commencement of the Private Security Industry Levies Act, 2002 in the 2019/20 financial year. The Audit Committee expressed confidence that the strategy, if implemented properly, would yield the desired results.

The Audit Committee indicated that Internal Audit was robust in the review of Management’s turnaround strategy to improve the “Going Concern” status of the entity. The Committee indicated that it was adequately assured that, when implemented properly, the objectives as per the strategy would turnaround the entity.

Internal Audit revealed certain weaknesses, which were then raised with the Management of the entity. An Internal Audit Action plan was developed by Management to resolve the findings. The Audit Committee reported that it is satisfied with the progress made in this regard to enhance the effectiveness of the internal control environment.

The Audit Committee monitored the risks faced by PSIRA as contained in the Authority’s Strategic Risk Register and expressed its satisfaction with progress made by Management in implementing the controls to mitigate the risks to acceptable residual risk ratings. This excludes the financial sustainability risk which had since materialised in the 2017/18 financial year.

The Audit Committee reviewed the governance processes and reported that it is satisfied that the Audit Action plan from the governance and compliance review and audits is being implemented and continually reviewed in line with applicable prescripts, including the Information Communication Technology (ICT) Governance Framework requirements.

The Internal Audit function of the Authority is outsourced to Nexia SAB&T. The Authority reported that the Audit Plan was fully executed and audit reports submitted to the Audit and Risk Committee for review monitoring of the implementation of the management Audit Action Plan to ensure that the raised audit findings, including the AGSA’s findings in the previous financial year, were addressed and resolved by Management.

The Internal Audit function operates under the oversight monitoring and assessment of the Council’s Audit and Risk Committee.

1. **FINANCIAL OVERVIEW 2017/18**
   1. **Statement of financial performance**

During the year under review, the Authority collected R240.9 million (R240 893 230) in revenue, which is a 10% increase compared to the previous financial year (R218 032 940.00). However, the AGSA stated that adequate, effective and appropriate steps were not taken to collect money due, as required by section 51(1)(b)(i) of the PFMA relating to the general responsibilities of the accounting authorities and Treasury Regulations 31.1.2(a) and (e). The overall increase in revenue was mainly due to an 87% (R8.8 million) increase in the sale of goods (ID cards and certificates issued to security providers). The increase is also due to the annual revision of annual fees payable by security service providers.

The surplus fund of the Authority decreased drastically from R31.1 million in 2015/16, to R6.6 in 2016/17 and a net loss of R12.4 million in 2017/18.

The increase in expenditure was mainly due to an increase of 66% (R10 million) in bad debt provision emanating from failure by security businesses to pay their annual fees and an increase of 15% in operating expenditure. This resulted in PSIRA posting a net deficit of R12 million for the period under review.

The net deficit recorded for 2017/18 pushed the Authority to implement the Private Security Industry Levies Act, 2002 to address and eliminate the going concern challenges. It is believed that the levies funding model will bring a balanced and equitable contribution from all service providers.

The table below provides a breakdown of the Authority’s financial performance in 2017/18 compared to the previous financial year.

**Table 1: Statement of Financial Performance**

| **Financial year** | **2016/17** | **2017/18** |
| --- | --- | --- |
| **Operating Revenue** |  |  |
| Sale of goods | 10 147 213 | 18 991 211 |
| Rendering of services | 1 064 857 | 1 368 341 |
| Annual fees | 123 247 052 | 128 754 724 |
| Infrastructure re-assessment | 46 081 | 75 900 |
| Course reports | 33 129 330 | 38 136 200 |
| Registration fees | 32 429 195 | 34 857 290 |
| **Total revenue from exchange transactions** | **200 063 728** | **222 183 666** |
|  | | |
| **Revenue from non-exchange transactions** |  |  |
| *Grants received* | *-* |  |
| *Bad debt recoveries* | *758 848* | *394 457* |
| *Sundry income* | *2 698 290* | *2 147 917* |
| *Interest received* | *3 658 381* | *1 279 617* |
| *Fines* | *10 853 693* | *14 887 573* |
| **Total revenue from non-exchange transactions** | **17 696 212** | **18 709 564** |
| **Total Revenue** | **218 032 940** | **240 893 230** |
|  | | |
| **Operating Expenditure** |  |  |
| Employee costs | (122 000487) | (132 863 844) |
| Other operating expenditure | (77 236 8741) | (88 672 292) |
| Bad debts | (15 528 892) | (25 788 648) |
| Finance costs | (9 458) | (13 187) |
| Depreciation and amortisation | (3 356 664) | (3 641 553) |
| **Total operating expenditure** | **(211 118 632)** | **(253 176 246)** |
|  |  |  |
| **Operating surplus (deficit)** | **6 914 308** | **(12 378 016)** |
| Profit/(Loss) on disposable assets | (300 841) | (95 447) |
|  |  |  |
| **Surplus/ (Deficit) for the year** | **6 613 467** | **(12 378 463)** |

Source: 2017/18 Annual Report

The provision for debt impairment was raised from R44 million in 2016/17 to R56 million in 2017/18.

In terms of contingent liabilities, the Authority is a defendant in a number of legal actions. The cases are yet to be brought before the court. It is not possible at this stage of proceedings to determine the losses that PSIRA would suffer in the event that the Court found against PSIRA. Estimated liability amounts to R671 500.00 (2017: R741 000.00).

The Authority did not incur irregular expenditure during the 2017/18 financial year. This is the second consecutive year in which no irregular expenditure was incurred.

During the 2017/18 financial year, fruitless and wasteful expenditure of R216 428 (2017: R116 754) was incurred as a result of late payments made to SARS and other creditors, late cancellation of services, traffic fines, accommodation that was paid and not utilised as well as overtime paid due to a system error. Interest and penalties on late payment of employee taxes is under investigation.

1. **PEFORMANCE AGAINST PREDETERMINED TARGETS FOR 2017/18**

The Authority has achieved 81.8% of its predetermined performance indicator targets at the end of the 2017/18 financial year (18 targets achieved from a total of 22). However, there has been a steady decline in performance since 2015/16.

Over the three-year period, the total achievement of targets declined from 94.3% in 2015/16 to 85.7% in 2016/17 to where it is currently at 81.8% in 2017/18. A similar declining trend is visible in the Administration and Communication, Training and Registration Programmes. The performance of Programme 2: Law Enforcement is unstable over the three-year period.

***Graph 1: Comparative performance between 2015/16 and 2017/18***

While performance declined over the three-year period, the Authority’s expenditure increased from R184,9 million in 2015/16, R211.1 million in 2016/17 and R253.2 million in 2017/18. There is a misalignment between the declining performance and increasing expenditure of the Authority.

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## Administration Programme

The Administration Programme achieved three out of four performance targets, which is an achievement of 75%, showing a decline when compared to the achievement of 83.3% in the previous financial year. The Programme did not manage to collect 72% of its revenue during the 2017/18 financial year, which placed a significant pressure on the budget. At year-end, the Authority had a net loss of R12.4 million.

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### Human resource management

At the end of March 2018, the PSIRA had 277 permanent staff members, which is an increase compared to the staff establishment of 265 in the 2016/17 financial year (in 2015/16, the staff establishment was 241). The Authority further has 14 staff members employed on a fixed term

contract and 42 interns, most of which is located in the Law Enforcement Programme. In total, the Authority had 333 staff members as at the end of the 2017/18 financial year.

From the total 277 permanent personnel, 153 are employed in the Law Enforcement Programme (55%). Personnel expenditure comprised 52% of the total expenditure during the 2017/18 financial year. The Authority reported that salaries were increased by 7.5% across the board, with the exception of the Executives, whose packages were adjusted by 7.2%.

As at 31 March 2018, the vacancy rate for the Authority was 5% overall. The Authority had a total of 15 vacant posts distributed across the three programmes (P1: 6; P2: 6; P3:3).

At the start of the 2017/18 financial year, the Authority had 265 employees. During the year, 27 employees were appointed and 15 employees left the employ of the Authority, of which 13 were resignations (76%). The Authority had an employee turnover rate of 4.3% during the 2017/18 financial year.

* 1. **Law Enforcement Programme**

The Law Enforcement Programme achieved 100% of its seven predetermined performance targets at the end of the 2017/18 financial year. This is an improvement compared to the 83.3% achievement in the previous financial year.

* + 1. **Law Enforcement Operational Report**

During the 2017/18 financial year, the Law Enforcement Programme conducted 40 692 compliance inspections of security service providers, which is a significant increase when compared to the 35 646 inspections conducted during the previous financial year. Of the 40 692 compliance inspections conducted -

* 6 253 compliance inspections were conducted at security businesses compared to 6 001 inspections in the previous year; and
* 34 439 compliance inspections were conducted of security officers deployed at different sites, compared to 29 645 inspections in the previous year.

During 2017/18, 314 inspections were conducted at small businesses, 1 341 inspections at large businesses and 696 inspections at medium-sized businesses.

The Department has implemented targets for inspections for the different sectors (segmentation) of the industry. A total of 4 303 sector specific inspections were conducted in the following categories of security service providers:

* Guarding: 3 318
* Electronic security: 284
* Private investigator: 90
* Training industry: 277
* Locksmith: 146
* In-house: 188

During the period 1 April 2017 to 31 March 2018, more investigations were finalised than in the previous financial year (2017/18: 3 144; 2016/17: 2 571). A total of 2 350 improper conduct dockets against security businesses were compiled compared to 2 292 dockets in the previous year, of which 704 cases were pending against security service providers for allegations of failure to comply with the Private Security Sector Provident Fund.

A total of 1 902 firearm application enquiries were received from the Central Firearm Registry (CFR) and finalised. This is an increase when compared to the 1 509 applications the previous year. Of the 1 902 processed, the CFR was informed that 551 of the applicants owed annual amounts or fines, 161 businesses did not report changes, 172 persons responsible for the firearms were not linked to the business or registered, 5 owners/ partners/members/directors were not registered and/or trained and 18 businesses were not registered. Some 995 applicants were cleared by the Authority for consideration by the CFR. During 2017/18, 1 324 firearm inspections were conducted.

A total number of 2 288 689 security officers were confirmed registered with PSIRA as at 31 March 2018 compared to the 2 365 782 reported in the 2016/2017 financial year (77 093 less), due to the withdrawal of officers deceased, in correctional services facilities and retired.

There has been a decline of 6.06% in male registration and an increase of 2.46% in the registration of female security officers.

There were 1 301 new security businesses registered during 2017/2018 compared to the new registrations of 1 376 reported in 2016/2017. The Authority reported that the decline is attributed to the annual fee increase and the ripple effects of a decline in economic growth.

* 1. **Communication, Training and Registration Programme**

The Communication, Training and Registration Programme achieved eight out of 11 performance indicator targets, which is an achievement of 72.7%. The performance declined compared to the achievement of 90% on performance indicator targets. The Authority underperformed on the following three performance indicators:

* An average turnaround of 17 average working days of applications for registration meeting all the requirements for security businesses was reached against the target of 15 average working days. This was due to an increase in the volume of applications for registration.
* The Industry Registration subprogramme managed to achieve 39% training security service providers registered with PSIRA accredited for NQF qualifications against a target of 50%. The underachievement was reportedly due to the cumbersome accreditation process.
* The Research and Development subprogramme did not establish the partnership as targeted for the 2017/18 financial year. The partnership concluded with UCT during the previous financial year was extended to the 2017/18 year.

In 2017/18, there were 405 PSIRA accredited training centres, which is a 9.6% increase when compared to the 366 accredited training centres at the end of the previous financial year. The Authority reported that a total of 428 843 course reports were processed successfully during the 2017/18 financial year.

The Research and Development Unit undertook and finalised studies on the following:

* Regulatory locksmith within the South African private security industry - “More than just a key cutter: The regulation of the locksmith industry”.
* Private investigation – “The private eye under the microscope: Towards effective regulations of the private investigation industry within the South African private security industry”.
* Goods in transit - “Armoured security: Regulating high-value goods in transit”.
* Armed response security sector in South Africa – “When duty calls: The armed response security sector in South Africa”.

1. **COMMITTEE OBSERVATIONS**

The Committee made the following key observations during the 2017/18 Annual Report hearing:

**Governance**: The Committee noted the concerns raised by the AGSA especially regarding the inadequacy of internal control mechanisms. The Committee was of the view that the implementation of these responsibilities should have been prioritised by the Council, as the Accounting Authority of PSIRA. The Council indicated that it has noted all issues raised by the AGSA regarding the deficiencies within its governance structure and responsibilities. The Council further indicated that several steps have been taken to address the deficiencies, amongst which was the decision that the Council should not have a permanent Chairperson as in the past. The Council indicated that it will be in a position to report on further actions taken during the next financial year to strengthen the effectiveness of the Council. The Committee remained concerned about the effective functioning of the Board based on the adverse findings of the AGSA regarding the inadequacies of the Accounting Authority.

The Committee asked whether there were interactions between the Council and AGSA after the Authority received the report to address adverse findings. The Council indicated that engagements with the AGSA took place prior to the finalisation of the audit report and that findings were discussed. The Committee questioned whether the Council has evaluated the audit finding and whether an audit action plan was developed to address the adverse findings. The Council indicated that there was an action plan in place and that it was confident that the plan will address the challenges highlighted by the AGSA.

**Audit query response times:** The Committee questioned whether the Authority adheres to the timeframe given to respond to audit queries. The Authority indicated that the three-day turnaround time was not met due to delays from regional offices. The Authority explained that registration forms are filed through Metro File and that files have to be manually retrieved to provide supporting evidence to the AGSA. The Authority further indicated that in future the Enterprise Risk Plan will include the automation of these processes.

**Financial health:** The Committee highlighted the findings made by the AGSA regarding the financial sustainability of the Authority. The Committee expressed concern about the material uncertainty that was raised, which puts the Authority’s ability to continue as a going concern into question. The Authority incurred a net loss of R12.4 million recorded at year-end and its current liabilities exceeded its current assets by R13.8 million. One of the key concerns raised by the AGSA was about the non-implementation of timely remedial action to improve the revenue management at PSIRA, particularly focusing on debt collect period and austerity measures. The Committee stated that assurances must be given regarding the financial viability model of the Authority. The Authority indicated that it had planned and budgeted for the items and that austerity measures were put in place. The shortfall was caused by the deficiencies related to technical none cash items.

**Revenue collection:** The Committee requested the Authority to explain what steps have been implemented to address the underperformance on the performance indicator and target to achieve the collection of 72% revenue. The Authority explained that the industry is currently segmented into small, medium and large companies and that companies pay annual fees based on the number of its employees. As such, companies must disclose the number of employees, but is often fraudulently disclosed to decrease the sum of annual fees paid. The Authority further indicated that the current funding model can no longer be sustained. As such, consultations have started with National Treasury and the Minister of Police to implement the Private Security Industry Levies Act, 2002. The Minister of Police has written to the President to proclaim the implementation of the Act. The Civilian Secretariat for Police Service (CSPS) is also involved in the process, as the Act is a Money Act in terms of section 77 of the Constitution. The Act allows the Authority to bill companies on its revenue and no longer on the number of employees. The Authority stated that there are more small companies than large companies and that the small companies are currently funding the regulation of the private security industry. This approach will also assist in the transformation of the industry to allow new entries in the market to compete fairly with large companies.

**Debt collection:** The Committee raised concern about the ongoing challenge experienced in the collection of debt, which led to an increase in the debt impairment of the Authority from R44.3 million in 2016/17 to R55.7 million in 2017/18. This has been a matter of emphasis since 2015. The Authority was requested to explain why it was experiencing continuous challenges in collecting money from the debtors. The Authority noted that most of the debt is from small businesses that find it hard to pay the annual fees and that this will be addressed through the implementation of the Levies Act, as the Act allows for the collection of fees based on income and not the number of employees. The Committee asked what more can be done under the current legislation to enforce greater compliance to the payment of registration fees. The Authority indicated that the suspension of companies are not a sufficient deterrent. The Committee requested the Authority to indicate whether suspended companies are monitored to ensure that it was no longer operating. The Authority indicated that certain companies do operate illegally after suspension, but when it is identified, a criminal investigation is launched.

**Industry training**: The Authority was questioned about the progress made in the accreditation process for service providers offering training to security guards. The Committee requested the Authority to explain why it imposed a moratorium on the grades and training of security officers. The Committee questioned whether challenges regarding the accreditation of training service providers with SASSETA have been addressed. The Authority indicated that the moratorium was put in place when the Author started working with SASSETA. This brought the standard of training in line with the National Qualification Framework (NQF). There were lot of developments that took place in the upskilling of courses. The Authority explained that many service providers were not accredited to provide the type of training that conforms to the standard imposed by SASSETA. This meant that there was little growth in terms of training provided to security officers. The Authority stated that the lifting of the moratorium would lead to an increase in accredited training service providers. It was noted that the SASSETA needs to take a lead in terms of training programme that are offered. The Authority’s role was to ensure that the courses are in-line with training programmes that are required for the industry.

**Female security officers:** The Committee welcomed the increase in the registration of female security officers and requested the Authority to indicate in what sectors of the private security industry females are employed. The Committee wanted to establish whether the female and male security officers were performing the same functions. The Authority stated that the female security officers are executing the same functions that are performed by male counterparts such as guarding, patrolling and dog handling. The Authority further indicated that female security officers are employed largely in the electronics sector, like the monitoring of control rooms.

**Arcadia building:** The Committeerequested the Authority to indicate the current status of the Arcadia building. The Authority indicated that an action plan has been implemented and further indicated that the satellite office that was built on the Arcadia site has been moved to the Central Business District (CBD).

**Firearms application:** The Committee requested the Authority to indicate on what basis firearms applications are rejected. The Authority indicated that the information provided to the CFR by private security companies must be verified by PSIRA and in various cases, discrepancies are identified and based thereon, the application is denied.

**Complaints mechanism:** The Committee noted the lack of feedback when a complaint is lodged with the Authority’s complaints nodal point (email). The Authority indicated that the complaints mechanism is not properly functioning and is under review. The Authority further indicated that an increase in the number of complaints was registered, which is largely due to the increased number of awareness campaigns of the Authority.

**Record management system:** The Committee requested the Authority to explain the documentation system that is currently in place, considering the findings by the AGSA regarding inadequate record keeping. The Committee expressed concerns regarding the issues which were pointed out and further asked whether the problems were as a result of lacking ICT infrastructure. The Authority indicated that the challenges will be addressed.

**Litigation:** The Committee noted that the Authority is the defendant in a number of legal actions and further that no provision for any liability that may result was made in the financial statements. The Committee requested the Authority to explain the manner in which these cases will be finalised. The Authority admitted that it was facing a large number of cases, but indicated that most of the cases are dormant. The Authority indicated that plans are being developed to address the dormant cases.

**The Private Security Industry Regulation Amendment Bill:** The Committee requested the Authority to indicate whether any progress has been made on the PSIRA Amendment Bill. The Authority responded that there have been continuously engagements with the Office of the President and the Civilian Secretariat for Police Service (CSPS). The Authority further indicated that consultations are ongoing to decide whether the President will ascent to the Amendment Bill in its current form or whether it will be reintroduced in Parliament.

**Stakeholder** **participation:** The Committee requested the Authority to indicate what percentage of active security businesses attend stakeholder engagement sessions. The Authority explained that it has different forums for newly established businesses. The Authority indicated that engagements are well attended by newcomers to the industry.

**Partnerships:** The Committee requested the Authority to indicate whether it has partnerships with other institutions, especially the SAPS. The Authority indicated that it has published a research monograph on the importance of partnerships. In the South African context, the SAPS must take the lead in partnering with institutions within the safety and security sector. The research done by the Authority showed that partnerships play a critical role to address crime. The document was made available to the Civilian Secretary for Police Service to outline what needed to be done.

**Grievances regarding uncompetitive practices:** The Committee requested the Authority to indicate whether any grievances regarding uncompetitive practices have been lodged and investigated by the Authority. The Authority indicated that the private security industry is a highly competitive sector and that uncompetitive practices are often noted, especially in term of undercutting to secure tenders/contracts.

**Lifestyle audit:** The Committee questioned whether the Authoritywas conducting lifestyle audits on employees to prevent corruption. The Authority indicated that members of the Senior Management Structure (SMS) and Council have submitted individual declarations of interests and that the process will also be applied to the rest of the staff. Going forward, the Authority will consider implementing stricter measures like lifestyle audits.

**Community Policing Forum (CPF) Policy:** The Committee asked whether the Authority was consulted during the drafting of the CPF Policy. The Authority indicated that it was afforded the opportunity to make a contribution to the policy.

**Railway safety:** The Committee noted that the Passenger Rail Agency of South Africa (PRASA) contracts private security officers to secure the railway environment. The Committee questioned whether the Authority has investigated the accreditation of these security service providers. The Authority indicated that it is aware of the role played by private security in this environment and that the Authority has been contacted by PRASA to discuss the current security measures in place and the functions performed by private security providers.

1. **COMMITTEE RECOMMENDATIONS AND REPORTING REQUIREMENTS** 
   1. **Recommendations**

The Portfolio Committee on Police recommends the following:

1. The Council should put mechanisms in place to strengthen all aspects of internal control and governance.
2. The Authority should implement all aspects of the Audit Action Plan to ensure that the 2018/19 audit outcomes are improved.
3. The Authority should address matters relating to its financial health, especially regarding the material uncertainty and address concerns about its ability to continue as a going concern.
4. The Authority should prioritise the review of its Funding Model through the implementation of the Private Security Industry Levies Act, 2002.
5. The Authority should ensure that money owed to it is collected in terms of section 51(1)(b)(i) of the PFMA.
6. The Authority should focus on the accreditation of training service providers. It is of critical importance that security officers are well trained and able to receive course certificated on the NQF.
7. The Authority should further encourage the entrance of female security officers to the private security industry.
8. The Authority should prioritise the review of its complaints mechanism.
9. The Authority should ensure continuous consultation on the Private Security Industry Regulation Amendment Bill, as it enhances the regulatory mandate of the Authority.
10. The Authority should prioritise engagements with PRASA on the contracting of private security in the railway environment. Train sabotage and general crime in this environment is escalating. A partnership with the SAPS must be established to provide a holistic approach to safety in the railway environment.
    1. **Reporting requirements**

The Authority should submit the following reports to the Committee:

1. Quarterly reports on the progress made regarding the implementation of the Private Security Industry Levies Act, 2002.
2. Quarterly reports on the action plans to address deficiencies in the Council and the implementation of the Audit Action Plan.
3. Status report on the Arcadia building.
4. Report on engagements with PRASA and SAPS to address passenger safety in the railway environment.
5. **CONCLUSION**

The Committee believes that there is a positive improvement in the service delivery and financial performance of the Authority and indicated that the Authority should continue to make progress in the areas that requires attention. The Committee supports the efforts of the Authority to obtain a clean audit outcome from the AGSA in 2019/20. The Committee further highlighted the importance of the PSIRA Council as the Accounting Authority and that the review of the funding model should be prioritised.

**Report to be considered.**