**11. Report of the Portfolio Committee on Police on the 2019/20 Budget, Annual Performance Plan and 2017 – 2021 Strategic Plan of the Private Security Industry Regulatory Authority (PSIRA), Dated 09 July 2019**

The Committee examined the Budget, Annual Performance Plan for the 2019/20 financial year and the 2017-2021 Strategic Plan of the Private Security Industry Regulatory Authority (PSIRA).

The Committee reports as follows:

1. **INTRODUCTION**

The Private Security Industry Regulatory Authority (PSIRA) was established in terms of section 2 of the Private Security Industry Regulation Act (2001). The entity is mandated to regulate the private security industry and to exercise effective control over the practice of the occupation of security service providers in the public and national interest, and in the interest of the private security industry itself.

* 1. **Structure of the report**

The Report provides an overview of the 2018/19 Budget Hearings of the PSIRA and is divided into the following sections:

* Section 1: Introduction. This section provides an introduction to this Report as well as a summary of meetings held during the hearings.
* Section 2: Strategic Priorities of the PSIRA for the 2019/20 financial year. This section provides a summary of the strategic focus areas for the Authority for the year under review.
* Section 3: PSIRA Budget and Performance targets for 2019/20. This section provides an overall analysis of the operating expenditure and revenue of the PSIRA for the 2018/19 financial year. This section also provides a programme analysis of the Authority.
* Section 4: Committee observations. This section highlights selected observations made by the Portfolio Committee on Police on the annual performance targets and programme specific issues during the 2019/20 budget hearings and subsequent responses by the Authority.
* Section 5: Recommendations and additional information. This section summarises the recommendations made by the Portfolio Committee on Police, as well as the additional information requested from the Authority.
* Section 6: Conclusion. This section provides a conclusion to this Report.

1. **STRATEGIC PRIORITIES OF PSIRA FOR 2019/20** 
   1. **Legislative mandate**

The primary objectives of PSIRA 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 in the interest of the private security industry itself.

In terms of the Private Security Industry Regulation Act, 2001 (Act No. 56 of 2001), the Authority must:

1. Promote a legitimate private security industry which acts in terms of the principles contained in the Constitution and other applicable law;
2. Ensure that all security service providers act in the public and national interest in the rendering of security services;
3. Promote a private security industry that is characterized by professionalism, transparency, accountability, equity and accessibility;
4. Promote stability of the private security industry;
5. Promote and encourage trustworthiness of security service providers;
6. Determine and enforce minimum standards of occupational conduct in respect of security service providers;
7. Encourage and promote efficiency in and responsibility with regard to the rendering of security services;
8. Promote, maintain and protect the status and interests of the occupation of security service provider;
9. Ensure that the process of registration of security service providers is transparent, fair, objective and concluded timeously;
10. Promote high standards in the training of security service providers and prospective security service providers;
11. Encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;
12. Encourage equal opportunity employment practices in the private security industry;
13. Promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
14. 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;
15. Protect the interests of the users of security services;
16. Promote the development of security services which are responsive to the needs of users of such services and of the community; and
17. Promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry.

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## Strategic Goals and Objectives

The Authority identified three Strategic Goals for the 2019/20 financial year, which extends over the medium-term. These are:

* **Goal 1:** To ensure excellent service delivery (effective regulation) in the private security industry;
* **Goal 2:** Ensure effective training, registration and regulation within the private security industry; and
* **Goal 3:** Ensure good governance across the organisation.

The Authority identified seven strategic objectives for the 2019/20 financial year. These are:

1. Ensure effective financial management;
2. Ensure efficient and effective processes and systems;
3. To improve performance of the organisation;
4. Increased investigation and prosecution to enforce compliance with applicable legislation;
5. Increased awareness on the functions and role of PSIRA and its stakeholders;
6. Improve the integrity and the turnaround time of registration; and
7. Conduct research to inform development of policy and legislative direction of the private security industry.

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## Main policy focus areas

The main policy focus areas for the 2019/20 financial year include:

* Review funding model (Guarantee fund and Levies Act).
* Implementation of Organisational Redesign to ensure adequate capacity to support mandate.
* Continuous review of Training Standards for the Private Security Industry.
* Capacitating the Law Enforcement Programme: to reduce inspector/security business ratio of 1:120.
* Strengthening Corporate Governance: Industry Sector Committees.
* Transformation of the Private Security Industry.
* Continuous awareness of PSIRA brand.
* Development and Implementation of regulations.

## 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.

1. **PSIRA BUDGET AND PERFORMANCE TARGETS FOR 2019/20** 
   1. **Overall analysis**

In 2018/19, the Authority lifted a moratorium on the provision of training by private companies that had been in place for several years due to the high costs of obtaining security training accreditation. As a result, the Authority’s revenue is expected to increase at an average annual rate of 7.4%, from R267 million in 2018/19 to R331.2 million in 2021/22. The growth is mainly driven by the sale of training material and accreditation rights to private companies. The Authority’s expenditure over the period is expected to increase in line with its revenue.

The financial position of the Authority has been in flux during the 5th Parliament. At the end of the 2014/15 financial year, a deficit of R16.7 million was recorded. At the end of the 2015/16 financial year, performance improved and a surplus of R31.1 million was stated. Following this, the financial position deteriorated again to a R12.4 million deficit at the end of the 2017/18 financial year.

The instability of the financial position resulted from the outdated Annual Fee Funding Model of the Authority and needs to be reviewed through the introduction of the Private Security Industry Levies Act, 2002. The Act is not in operation and awaits proclamation by the President. It is believed that the Act will commence during the 2019/20 financial year.

**3.2 Expenditure estimates per programme**

The Authority is composed of three budget programmes, namely: Administration, Law Enforcement, and Communication, training and registration. The Programmes carry out the objectives and activities or the Authority. The expected revenue increases with R24.4 million in 2019/20 from R267.03 million in 2018/19 to R291.48 million in 2018/19.

The Administration Programme received an allocation of R122.9 million in 2019/20 against an allocation of R112.67 million in 2018/19, which is an increase of 9.09%. The Programme received 42.17% of the total budget for 2019/20. Over the medium-term, the allocation is expected to show an average annual growth rate of 8.1% and will receive an allocation of R142.15 million in 2021/22.

The Law Enforcement Programme received 42.84% of the total budget in 2019/20. The allocation increased from R112.2 million to R124.88 million in 2019/20, which is an increase of 11.25%. Over the medium-term, the average annual growth rate of the Programme is expected to 8.4% and will increase to R142.8 million in 2021/22.

**Table 1: PSIRA Expenditure Estimates 2018/19**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase/ Decrease 2019/20** | **Real Increase/ Decrease 2019/20** | **Nominal Percent change 2019/20** | **Real % change 2019/20** |
| **R’000** | **2018/19** | **2019/20** |
| **Programme 1: Administration** | 112 675.0 | 122 915.0 | 10 244.0 | 4 168.2 | 9.09 % | 3.70 % |
| **Programme 2: Law Enforcement** | 112 251.0 | 124 884.0 | 12 633.0 | 6 460.0 | 11.25 % | 5.75 % |
| **Programme 3: Communication, Training and Registration** | 42 104.0 | 43 678.0 | 1 574.0 | - 585.0 | 3.74 % | -1.39 % |
| **TOTAL** | **267 030.0** | **291 477.0** | **24 451.0** | **10 043.2** | **9.2 %** | **3.76 %** |

Source: PSIRA 2019/20 APP

The Authority’s geographic footprint will be improved in 2019/20, as new offices were opened in Bloemfontein (Free State) and Empangeni (KwaZulu-Natal) in 2018/19 at a total rental cost of R3.2 million per year. A total of 6 inspectors were deployed to these offices. As a result, the Authority intends to increase the number of inspections conducted on security businesses over the medium term from 6 100 in 2018/19 to 7 398 in 2021/22, and inspections on security officers from 32 600 in 2018/19 to 39 534 in 2021/22.

**3.3 Statements of financial performance**

The Authority projects a nominal increase of 9.2% in revenue. In 2018/19, the Authority stated a total revenue of R267.03 million, which is expected to increase to R291.48 million in 2019/20. It is further expected that revenue will increase at an average annual rate of 7.4% over the medium-term to R331.2 million in 2021/22. The expected increase is mainly driven by the lifting of the training moratorium, which will result in an increase in the sale of training material and accreditation rights to private companies. It is expected that revenue from the sale of market establishment will increase from R41.95 million in 2018/19 to R68.65 million in 2019/20, which is an increase of 63.6% (R26.7 million) when compared to the previous financial year. Over the medium-term, revenue from sales will continue to increase to R84.19 million in 2021/22, which is an average annual growth rate of 26.1%.

Because the statement of financial performance should read as a balance statement, the total expenses will balance the total revenue of R291.48 million expected in 2019/20 (9.2% increase). Compensation of employees is expected to increase from R158.43 million in 2018/19 to R163.59 million in 2019/20, which is a nominal increase of 3.26%. Expenditure on Goods and services is expected to increase by 14.39% in 2019/20 (from R104.54 million to R119.58 million). Expenses as a result of Depreciation3 is expected to increase significantly from R4.05 million in 2018/19 to R8.30 million in 2019/20 (104.66% increase). This item is expected to further increase over the medium-term to R12.54 million in 2021/22, which is an average annual growth rate of 45.7%.

**3.4**  **Statements of financial position**

The Authority projects a decrease in Total equity and liabilities from R96.9 million to R57.1 million in 2019/20. This represents a decrease of R39.7 million or 40.9% in 2019/20 when compared to the previous financial year. Over the medium-term the amount will increase to R86.3 million, but still represents an average annual growth rate of -3.8% (decrease).

In 2017/18, the AG raised a material uncertainty in regards to the financial position of the Authority. PSIRA incurred a net loss of R12 378 463 at year-end (31 March 2018) and, as of that date the Authority’s current liabilities exceeded its current assets by R13 863 393, which indicate that a material uncertainty exists that may cast significant doubt on the Authority’s ability to continue as a going concern. This is largely due to debt (annual fees) not collected by PSIRA. This is not due to a lack of trying, but some small businesses are unable to pay the fees. As such, it is important for PSIRA to review its Funding Model to enable the Authority to determine annual fees on the size of business. During the 2017/18 budget hearings with the Portfolio Committee, the Authority indicated that a Going Concern Turnaround Strategy was developed to enable it to build reserves. This strategy was implemented and has resulted in building a reserves amounting to R67 million. The Authority has also employed debt collectors to help with collecting money due to it.

1. **PERFORMANCE INDICATORS AND TARGETS**

The 2019/20 APP does not include new performance indicators, but most of the targets were increased.

**4.1. Programme 1: Administration**

The Administration Programme is responsible for the overall strategic management and service for the Authority. The Programme has three (3) Strategic Outcome Orientated Goals, namely:

* Effective financial management;
* Ensure efficient and effective processes and systems; and
* To improve performance of the organisation.

The table below summarises the performance indicators and targets for the Administration Programme, together with some comments and questions on the indicators.

Table 3: Programme Performance Indicators and Targets: Administration Programme

|  |  |
| --- | --- |
| **Performance Indicator** | **2019/20 Target** |
| **Sub programme: Finance and Administration** | |
| Unqualified audit opinion with no significant findings | Unqualified audit opinion |
| % Revenue collected | 72% revenue collected on billed annual fees5 |
| Establish and Implementation of the Guarantee Fund | Implementation and monitor the Guarantee Fund |
| **Sub programme: Business Information System** | |
| Critical IT infrastructure restored within the set timeline | Average of 8 hours |
| Implementation of business continuity and disaster recovery plan | Implementation and monitoring |
| **Sub programme: Human Capital** | |
| % of implementation of the performance management system (PMS) | 100% |
| % of employee training interventions implemented as per Annual Training Plan | 85% |

The Authority had a 2018/19 performance indicator to establish an internal training academy for employees, as this was removed from the 2019/20 APP. As such, the academy was presumably established and is operational.

**Programme 2: Law Enforcement**

The *Law Enforcement* Programme is responsible for enforcing compliance with minimum standards of occupational conduct by security service providers and legal services to ensure efficiency in the prosecution of contraventions of the PSIRA Act, 2001. The Strategic Outcome Orientated Goal of the Programme is to increase the monitoring and investigation of security service providers to enforce compliance with existing legislation.

|  |  |
| --- | --- |
| **Table 4: Programme Performance Indicators and Targets: Law Enforcement Programme Performance Indicator** | **2019/20 Target** |
| Number of security businesses inspected to enforce compliance with applicable legislation | 6 405 |
| Number of security officers inspected to enforce compliance with applicable legislation | 34 230 |
| % of investigations finalised against non-compliant Security Service Providers (SSPs) | 88% |
| % of criminal cases opened against non-compliant Security Service Providers (SSPs) | 95% |
| Number of security businesses licensed to possess firearms inspected | 1 425 |
| Number of security businesses inspected that are using dogs | 70 |
| % of cases of non-compliant Security Service Providers (SSPs) prosecuted per year | 90% |
| Number of new draft regulations compiled on approved research topics | 3 |
| % of debt collection files referred for litigation | 50% |

**Programme 3: Communication, Registration (CRM) and Training**

The *Communications, Registration and Training* Programme is responsible for stakeholder management, core business and communication, registration and customer relation management, industry training, research and marketing. The Programme has four (4) Strategic Outcome Orientated Goals, namely:

* Increased awareness on the functions and role of PSIRA and its stakeholders within the security industry;
* Improve the integrity and turnaround time of registration;
* Promote and ensure compliance with minimum professional standards by security service providers; and
* Conduct research and development of policy direction for the private security industry**.**

|  |  |
| --- | --- |
| **Table 5: Programme Performance Indicators and Targets: Communication, Registration (CRM) and Training Programme Performance Indicator** | **2019/20 Target** |
| **Sub programme: Communication and Stakeholder Management** | |
| Number of public awareness campaigns | 160 |
| **Sub programme: Registration** | |
| Average turnaround time of applications for registration meeting all the requirements for security businesses (working days) | Average 10 days |
| Average turnaround time of applications for registration meeting all the requirements for security officers (working days) | Average 15 days |
| **Sub programme: Industry Training** | |
| Number of capacity building activities for SSP training institutions | 14 |
| Increased number of training security service provided currently registered and accredited with PSIRA | 200 more accredited training SSPs |
| **Sub programme: Industry Research and Development** | |
| Number of completed research topics | 3 research topics |
| Number of completed surveys per year | 4 surveys |
| Number of policy documents completed | 3 policy documents |
| Number of research studies published | 2 publications |

1. **COMMITTEE OBSERVATIONS**

The Committee made the following observations during the 2019/20 budget hearings:

**Presentation:** The Committee welcomed the quality of the presentation of PSIRA and thanked them for their professionalism in interacting with the Committee. The Chief Financial Officer (CFO) in particular was commended for her presentation and plans for the Authority.

**Training Academy:** The Committee asked the Authority what progress has been made with respect to the PSIRA Internal Training Academy. The Committee has noted that it did not receive any information on the training courses and the accreditation thereof, despite requesting it from the Authority in the last Budget Report. Members in particular were concerned about the 360 training centre service providers which is used by PSIRA. The standards could not be the same and the question of PSIRA establishing its own training academy was noted.

**Training Plan:** The Committee noted that the PSIRA Training Plan should be reviewed annually and has to date not received a copy of the plan and the review of the plan. The Committee raised the issue of security guards at universities being trained in crowd control and the consequences of employing untrained security guards in crowd control situations.

**Fraudulent Training Certificates:** The Committee questioned if the PSIRA did not pick up the use of fraudulent training certificates being used by security officers. Members of the Committee were concerned that if the PSIRA ICT system could detect fraudulent and forged certificates.

**Guarantee Fund:** The Committee has noted that PSIRA Guarantee Fund will cover limited liability of Security Service Providers (SSPs) towards consumers in negligent cases that are not covered by the SSP insurance. The Committee required the location and other details of the Fund.

**Foreign owned security companies:** Members questioned the role of foreign owned security companies and whether they have been able comply with the local regulations. The other concern was the use of foreigners as security guards and whether they have been adequately trained, and whether they could be relied on in terms of their patriotism to South Africa. Members also questioned the role and use of labour-broking companies that are used by the PSIRA that routinely engage in corrupt practices.

**Exploitation of security guards:** The Committee expressed concern about the exploitation of security guards by security companies and often the rights of security guards are abused by security companies. Security guards have to work long hours, risk their lives and get paid very little y way of remuneration. Members also raise the issue of security guards having to work on national roads and arterial roads such as the R21 without toilets. This impaired the dignity of the security guards and the Members called in the industry to respect the dignity and human rights of security guards.

**SASSETA:** The Committee wanted to know if the PSIRA has negotiated with SASSETA with respect to approval of its training plan including the training for security officers who are involved in the management of crowd control, especially those responsible for managing security at universities. Members wanted to know if the Authority was satisfied with SASSETA

**Relationship with the South African Police Service (SAPS):** The Committee asked whether the Authority offers any training to security guards on crowd management. The Authority indicated that there is no accredited training offered to security guards on crowd management, as crowd management falls within the purview of the SAPS in terms of the Regulation of Gatherings Act, 1993 (Act 205 of 1993).

**PSIRA Capacity:** Members questioned whether the PSIRA had sufficient capacity in view of the demands placed on the Authority and the depth of their mandate. Given that the ratio of security inspector to security officers are 1:120, Members wanted to know if the PSIRA was sufficiently resourced. The Committee wanted to know if the PSIRA has considered the effectiveness and impact of the PSIRA on the security industry.

**Relationship with SAPS:** The Committee asked whether the Authority has a good relationship with the SAPS and whether it was satisfied with the quality of the investigations by SAPS. The Committee noted an increasing challenge in the SAPS interface and questioned whether the Authority is experiencing similar challenges. In particular, the Committee wanted to know how the PSIRA was going to contribute to the President’s call for a 50% reduction of violent crime.

**Private Security Industry Regulation Amendment Bill (2012):** The Committee noted the amendments proposed with respect to ownership in the private security sector industry and resolved to ask the PSIRA to follow up on the 2012 Amendment Bill which is with the President for assent.

**Firearms in the Private Security Industry:** Members expressed concerns about the management of firearms in the private security industry and wanted to know how it was being handled by the PSIRA, especially of the problems at the Central Firearms Registry.

1. **RECOMMENDATIONS AND ADDITIONAL INFORMATION** 
   1. **Recommendations**

The Committee made the following recommendations during the 2019/20 budget hearings:

1. The Committee recommends that the Authority should continue its engagements with the Minister of Police to ensure progress on the enactment of the Private Security Industry Regulation Amendment Bill, 2012.
2. The Committee recommends that the Authority makes clear its plans to develop its own Training Academy and accredit all training courses. The unit standards for training courses should be uniform and the training manual should be standardised across all training centres.
3. The Committee recommends that the Authority puts Information Communication and Technology (ICT) measures in place that will allow its ICT systems to detect fraudulent and forged training certificates.
4. The Committee recommends that the Authority must provide it with details of plans to implement the Guarantee Fund and the conditions attached to it, implementation date, and whether the Fund will cover limited liability of the Security Service Providers.
5. The Committee recommends that the Authority should ascertain how many foreign owned security companies are complying with the private security legislation and regulations.
6. The Committee recommends that the Authority must investigate instances of abuse of security guards and put measures in place to look after the welfare of security guards exploited by security companies.
7. The Committee recommends that the Authority must take proactive steps to negotiate with SASSETA on the approval of its training plan and unit standards applicable for the training of policing crowds.
8. The Committee recommends that the Authority work closely with the SAPS on training, operations and investigations into errant companies involved in crime and especially those where firearms have bene lost or stolen.
9. The Committee recommends that the Authority should continue its focus on the use and training of security dogs and handlers in the private security industry.
10. **CONCLUSION**

The Committee thanked the PSIRA for their professional interaction and noted that the Budget and APP hearings provided the Committee with the necessary information to support its vision and plans. The Committee further noted that while private security is providing safety for middle class areas, it is the poor areas around the country where crime is rife and that PSIRA should consider developing plans for safety in poor working class communities. The Committee welcomed the sharing of the performance information and targets set by the authority and noted that while it had a small establishment, it had a strong impact with respect to regulation of the Industry. The Committee further encouraged the Authority to focus specifically on the exploitation of security guards within this sector and bring non-compliant employers to book.

The Democratic Alliance reserved its rights on whether to accept the report or not. The Economic Freedom Fighters rejected the report. The majority of Members supported the report.

**REPORT TO BE CONSIDERED.**