



17 November 2020

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**ANNUAL REPORT ANALYSIS OF THE PRIVATE SECURITY INDUSTRY REGULATORY  
AUTHORITY (PSIRA) 2019/20**

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**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. The Authority is mandated 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.

The private security industry is worth between R50 and R55 billion and is one of the largest employers in South Africa. The industry has grown significantly over the past decade and as such needs effective and efficient regulation.

In 2019/20, the performance of PSIRA increased in all aspects when compared to the previous financial year. The Authority –

- received its second clean audit opinion from the Auditor General since the Authority's establishment 18 years ago;
- improved achievement on predetermined performance targets from 86% to 96%;
- maintained its financial sustainability by recording a surplus at year-end.

The key challenge for PSIRA remains its outdated funding model, which it cannot address before Presidential assent to the Private Security Industry Regulation Amendment Bill, 2012<sup>1</sup> and the reintroduction of the Private Security Levies Act, 2002.<sup>2</sup>

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<sup>1</sup> Parliament passed the Amendment Bill on 05 March 2014 and submitted to the President for assent. The President has not yet signed the Bill.

<sup>2</sup> Parliament approved the Private Security Industry Levies Act, 2002 and the President signed it into law, but it was never operationalised. As this is a Moneys Bill in terms of section 77 of the Constitution, it must be re-introduced in Parliament by National Treasury as the custodian of all Money Bills.



Due to the COVID-19 pandemic, the Minister of Finance extended the time-line for departments to submit their Annual Reports to Parliament from September to mid-November 2020. The Minister of Police tabled the PSIRA Report on 12 November 2020. The Portfolio Committee had also met with the Authority earlier (13 October 2020) to discuss their fourth quarter performance for the 2019/20 financial year.

This paper provides a summary of the financial and service delivery performance of PSIRA during the 2019/20 financial year. Due to the time limitation, the paper does not provide a comprehensive analysis of the 2019/20 Annual Report. The paper is completed in preparation for the engagement of the Portfolio Committee on Police on the 2019/20 Annual Report hearing scheduled for 18 November 2019.

## 2. OVERVIEW OF THE PRIVATE SECURITY INDUSTRY 2019/20

The figure below shows that South Africa has 2 495 899 registered security officers and 10 289 registered security businesses. However, the mandate of PSIRA largely extends to active officers and businesses. In terms thereof, less than a quarter of the total number of security officers are actively registered (548 642 officers) and 9 744 registered security businesses are active.

**Total Security Service Providers as at 31 March 2020**

					
Total number of <b>registered</b> security businesses	Total number of <b>registered and active</b> security businesses	Total number of <b>registered inactive</b> security businesses	Total number of <b>registered</b> security officers	Total number of <b>registered and active</b> security officers (employed and independent operators)	Total number of <b>registered inactive</b> security officers
<b>10 298</b>	<b>9 744</b>	<b>554</b>	<b>2 495 899</b>	<b>548 642</b>	<b>1 947 257</b>

Source: PSIRA 2019/20 Annual Report, page 59

Since 2014, active security businesses increased from 8 144 to 9 744 in 2020 (19.6%) and active security officers increased from 487 058 to 548 642 (12.6%) over the same period. The number of both active security guards and businesses increased with 3% in 2020 compared to 2019.

In 2020, the private security industry remained male dominated, comprising of 71% male officers and 29% female officers. Compared to the previous year, the number of female officers increased to 29% (from 22%) and male officers decreased from 78% (to 71%). In terms of age profile, the most guards are between 30 and 40 years of age (216 615 guards), followed by 40 to 50 years (158 894 guards).

The largest concentration of active security officers and businesses are located in Gauteng, KwaZulu-Natal and the Western Cape. While the number of active security guards in provinces remained relatively unchanged, Gauteng had an increase of 5 395 guard in 2020 compared to the previous financial year (2018/19:197 369; 2019/20: 369 202 764).



### 3. REPORT OF THE AUDITOR GENERAL

PSIRA received its first **clean audit** in 2018/19, which continued in 2019/20. This means that the Authority did not record any financial misstatements and there were **no material findings** on reporting on performance objectives or non-compliance with legislation. Importantly, the AG did not identify any significant deficiencies in internal control.

As in previous financial years, the AG identified two **matters of emphasis** that the Authority should address, both of which were previously identified. These are –

- **Material impairment:** Provision for an impairment to the amount of R40 759 816 was raised on trade debtors. This is a slight deterioration from the R38 770 242 provided for in 2019.
- **Uncertainty relating to litigation:** PSIRA is a defendant in several legal actions. The estimated liability amounts to R1 950 000, which is an increase from R1 050 000 in contingent liabilities in the previous financial year (2018/19).

The table below shows the audit outcomes for PSIRA over the past decade (2009/10 to 2019/20). PSIRA has made significant gains to clear previous material findings, especially in terms of its financial sustainability.

Financial year	Audit outcome
2009/10	Qualified
2010/11	Unqualified with material findings
2011/12	Unqualified with material findings
2012/13	Qualified
2013/14	Unqualified with material findings
2014/15	Unqualified with material findings
2015/16	Unqualified with material findings
2016/17	Unqualified with material findings
2017/18	Unqualified with material uncertainty relating to the entity's ability to continue as a going concern.
2018/19	Unqualified with no material misstatements and findings (Clean audit).
2019/20	Unqualified with no material misstatements and findings (Clean audit).

### 4. STATEMENT OF FINANCIAL PERFORMANCE 2019/20

PSIRA's financial sustainability decreased in 2019/20 compared to the previous financial year. At year-end, PSIRA closed with a surplus of R2.163 million against R3.286 recorded in the previous financial year. *(Note: In 2017/18, PSIRA recorded a R12.4 million deficit).*

During the year under review, the Authority collected R316.144 million in revenue compared to the R286.168 million revenue of the previous financial year (10% increase). The overall increase in revenue was mainly due to a significant increase in non-exchange transactions. The main driver of this increase was revenue collected from Fines and Penalties. The expenditure of PSIRA increased from R282.622 million in 2018/19 to R313.909 million in 2019/20.



The table below provides a breakdown of the Authority's financial performance in 2019/20 compared to the previous financial year.

**Table 1: Statement of Financial Performance**

Financial year	2019/20	2018/19
<b>Operating Revenue</b>		
Total revenue from exchange transactions	287 850 900	248 132 892
Revenue from non-exchange transactions	28 293 272	37 324 886
<b>Total Revenue</b>	<b>316 144 172</b>	<b>286 168 075</b>
<b>Total operating expenditure</b>	<b>(313 909 695)</b>	<b>(282 622 608)</b>
<b>Operating surplus (deficit)</b>	<b>2 234 47</b>	<b>3 545 467</b>
Profit/(Loss) on disposable assets	(71 488)	(258 901)
<b>Surplus/ (Deficit) for the year</b>	<b>2 163 029</b>	<b>3 286 566</b>

Source: 2019/20 Annual Report

The Authority lowered its provision for **debt impairment** from R24.13 million in 2018/19 to R15.78 million in 2019/20.

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 to determine the losses that PSIRA would suffer in the event that the Court found against PSIRA. The estimated liability amounts to R1 950 000 in 2019/20 compared to R1 050 000 in 2018/19.

The Authority did not incur **irregular expenditure** during the 2019/20 financial year. This is the third consecutive year in which the Authority did not incur irregular expenditure.

During the 2019/20 financial year, **fruitless and wasteful expenditure** increased significantly from R20 958 in 2018/19 to R92 595. According to PSIRA, R82 800 was for the retention fee for fundraising.

## 5. PERFORMANCE AGAINST PREDETERMINED TARGETS FOR 2019/20

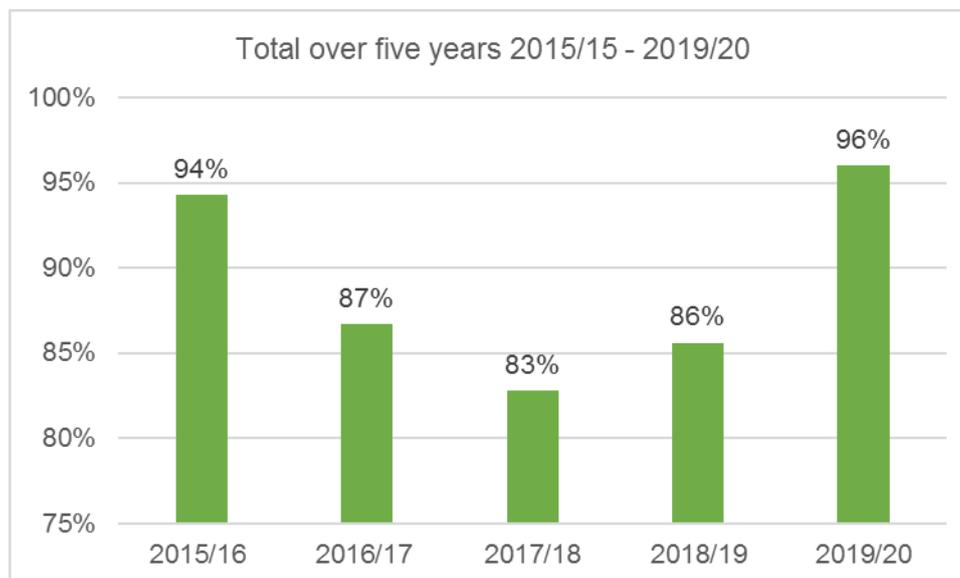
Achieved 24 from 25 targets  
96% Achievement rate

The Authority has achieved 96% of its predetermined performance indicator targets at the end of the 2019/20 financial year (24 targets achieved from 25). The Finance and Administration Programme underperformed on one performance target (failed to achieve target on employee training).

The graph below shows a visual representation of performance between 2015 and 2020. In 2019/20, the Authority recorded its best performance in five years.



**Graph 1: Comparative performance between 2015/16 and 2019/20**



## 5.1. Administration Programme

**Purpose:** Provide leadership, strategic management and administrative support to the Authority.

**Measurable Objectives:** The programme aims to ensure effective leadership, management and administrative support to the Authority through continuous refinement of organisational strategy and structure in line with appropriate legislation and best practice.

Achieved 6 out of 7 performance targets  
**85.7% Achievement Rate**

The Administration Programme achieved six out of seven performance targets, which is an achievement rate of 85.7%, which is similar to the previous financial year.

According to the Authority, it achieved 83% of the planned 85% training interventions as per the Annual Training Plan (two training programmes were not completed). According to the Authority, this was due to the shutdown of training institutions due to the COVID-19 National Lockdown. However, the lockdown came into effect on 27 March 2020, which was five days before the end of the 2019/20 financial year. Why did the Authority leave two training programmes to the last week of the financial year? At the end of the third quarter (2019/20), the Authority was ahead of its training schedule for employees (achieved 63% against a target of 50%).

### Comments and questions

- 1) The implementation of the Guarantee Fund is dependent in the operationalisation of the Levies Act to provide seed capital to fund the Guarantee Fund. Is it realistic to successfully



establish the Fund based on the complex nature of the Levies Act that has to be re-submitted to Parliament as a Money Bill?

- 2) What percentage of debt is for Small Security Businesses with 0 to 5 security officers employed and struggling to get contracts, which is affecting revenue collection. Provision for bad debts has decreased. PSIRA should indicate the number of small security businesses in operation. What is the average amount owed by these companies?

## 5.2. Law Enforcement Programme

**Purpose:** Ensure that there are effective regulations in the security industry and enforcement of law and compliance to the regulations

**Measurable Objectives:** The programme aims to ensure that Security Service Providers comply with the regulations by doing regular inspections for both security officers and security businesses and ensure that those who are complying with the regulations are charged and prosecuted.

Achieved 9 out of 9 performance targets  
**100% Achievement rate**

The Law Enforcement Programme achieved 100% of its nine predetermined performance targets at the end of the 2019/20 financial year, most of which were exceeded. It is the second consecutive year in which the Programme achieved 100% of its performance targets.

Selected highlights of the Law Enforcement Programme include:

- PSIRA inspected 7 155 security businesses in 2019/20 compared to 683 in 2018/19. The Committee should note that, according to PSIRA, there were 9 744 registered active security businesses in 2019/20, which means that PSIRA inspected 73.4% of all security businesses (unless some businesses were inspected more than once).
- Total enforcement investigations increased from 3 725 in 2018/19 to 3 838 inspections in 2019/20.
- Total cases opened based on criminal investigations increased from 1 056 cases in 2018/19 to 1 150 cases in 2019/20.
- PSIRA issued 1 634 regulation 3(4) notices on improper conduct prosecutions.

## 5.3. Communication, Training and Registration Programme

**Purpose:** Provide effective stakeholder engagement. Ensure that training standards are adhered to and the registration process is done in accordance with the PSIR Act.

**Measurable Objectives:** Ensure effective and meaningful stakeholder communication. Ensure that all training institutions are aligned to the required standard of training. Ensure that the registration process is effective and authentic. Continuous research to support core business initiatives and policy development.



Achieved 9 out of 9 performance targets  
**100% Achievement rate**

The Communication, Training and Registration Programme achieved 100% of its performance target for 2019/20. The performance improved compared to the 79% achievement rate of the previous financial year.

### Comments and questions

- 1) The Authority should explain why the accreditation process for security training service provided is cumbersome and what can be done to make the process more efficient.
- 2) The current legislation on NQF accreditation is non-binding, which explains a reluctance by training service providers to be accredited. The Authority should indicate the manner in which this can be addressed. Are there any incentives that the Authority can offer to incentivise NQF-accreditation?
- 3) Can the Authority indicate the success rate of security officers attending the security training courses at accredited training service providers?
- 4) What security-related courses draw the most interest?
- 5) The Private Security Industry Regulation Amendment Bill [B27D-2012] takes a stronger regulatory position on involvement of private security outside the SA border. The Amendment Bill amends the principal Act, in that it repeals section 39 of principal Act and inserts a new clause (36A) providing far greater restrictions and detailed prohibitions/requirements imposed on security services rendered outside the Republic. The amendment Bill shows the changing attitude of government to private security.

## 6. HUMAN RESOURCE MANAGEMENT

At the end of March 2020, the PSIRA had 319 permanent staff members, of which most is attached to the Law Enforcement (176 staff), followed by Finance and Administration (97 staff) and Communication and Training (46 staff). PSIRA further had 12 employees on a fixed-term contract and 35 interns.

Personnel expenditure constitutes 58% (R172 958 461) of the Authority's budget which provides for remuneration and other additional benefits which are paid to employees.

As at 31 March 2020, the average vacancy rate for the Authority was 1.85% overall, which represents six vacancies. During the 2019/20 financial year, 16 employees resigned, one employee went on retirement, 26 employees' contracts expired and the Authority dismissed one employee on misconduct charges.



## 7. REFERENCES

Private Security Industry Regulatory Authority (PSIRA) (2018). *2018/19 Annual Report*.

Private Security Industry Regulatory Authority (PSIRA) (2019). *2019/20 Annual Report*.