

# BRIEFING ON THE MATTER BETWEEN THE SOUTH AFRICAN POLICE SERVICES AND THEIR SERVICE PROVIDER FORENSIC DATA ANALYSTS

BRIEFING TO THE PORTFOLIO COMMITTEE ON POLICE

10 MARCH 2021



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# INTRODUCTION

- This presentation details the process undertaken by National Treasury to provide support in finding a solution to the long standing dispute between the South African Police Service (SAPS) and its service provider, Forensic Data Analysts (FDA), with respect to the fair value assessment of the IP for 3 FDA systems which are being used by SAPS and had been in use for several years
- These are the Firearm Permit System (FPS), Visual Analysis-Anacapa Matrix Intelligence Solution (VA-AMIS) and Property Control Exhibit Management (PCEM)
- Furthermore this presentation chronicles the actions taken by National Treasury as well as provides the culmination thereof in the attached independent valuation report

# BACKGROUND

- On the 31 January 2020 the National Treasury was requested to join a meeting between SAPS and SITA that was dealing with the long outstanding matter of the purchase of the IP of 3 systems owned by FDA
- The FDA joined the meeting later
- Discussions included consideration of a purchase price and a support and maintenance services plan for the 3 systems
- A tentative or in-principle agreement was reached on the purchase price of R460 million including VAT for the IP of the systems, and a total of R120 million for support and maintenance over a period of 2 years on proviso of final decision-making by respective executive authorities
- The executive authorities were not in support of the proposed fair value agreed to in the meeting and requested that an amicable solution be found and
- Further that National Treasury should embark on further consultations with FDA and relevant parties on this matter

# INDEPENDENT EVALUATION CONDUCTED

- NT facilitated numerous engagements with all parties
- It was universally agreed that NT should commission an independent evaluation of the 5 technical assessment reports prepared by previous service providers appointed by FDA and SAPS to assess the fair value of the IP for the 3 systems

	Review	Methodology Applied	Value
1	Lewis	Royalty Relief Method Cost of Developing Software Method	R643m
2	Williams	Economic Business Method	R462m
3	Doubell	Cost Method Market Value Method Premium Pricing Technique Royalty Income Method	R563m
4	Mindworx	Actual cost of development method	R250m
5	Kisch	Royalty Savings Method	R849m

# INDEPENDENT EVALUATION SCOPE OF WORK

- Each of the previous assessments had recommended a vastly different fair value for the systems
- The independent evaluation to consider the technical reports and recommendations proposed by previous service providers
- These to be used to assess the appropriateness and accuracy of the application of the methodologies employed in the reports to determine the proposed fair values of the IP for the systems
- Independent assessor to provide a report with recommendations on his proposed fair value for the systems having considered the technical evaluation of the systems undertaken and service delivery implications for SAPS.

# PROCESS

- Mr Don MacRobert, a retired previous partner at ENSAfrica, who is an IP expert and registered Patent Lawyer with more than 50 years' experience, conducted the evaluation on a pro-bono basis, commencing on 7 May 2020
- National Treasury provided auxiliary support that had direct bearing on the success of the process including impressing on responsible government institutions (i.e. SAPS and SITA) to settle invoices owed and the service provider refraining from switching off the systems
- The evaluation report was received by National Treasury on 18 May 2020
- It was forwarded to the responsible government institutions and subsequently to FDA
- National Treasury met with the responsible government institutions and presented the recommendations as well as emphasised the urgency to finalise the matter

# EVALUATION RECOMMENDATION

- The total fair value for the systems determined as R560 million.
- Justification for this recommendation provided
- Identified the limitations of each of the assessments previously conducted by appointed service providers.
  - Highest valuation disregarded given that the method applied is novel and not yet fully adopted (R849m)
  - Lowest valuation disregarded given that only a single method has been applied and not tested against other available methods (R250m)
  - The three remaining valuations were taken into account (R462m, R563m & R643m)
  - The valuation amount was tested by the independent evaluator by conducting an evaluation applying the Royalty Relief Method

# CONCLUSION OF THE NATIONAL TREASURY PROCESS

- Noting that there has been correspondence between SAPS and FDA
- Noting that third party correspondence received by NT was redirected to SAPS and SAS
- On presenting the independent evaluation report, National Treasury has delivered on the commitment originally made and considers the support role assigned to National Treasury as completed
- the determination on whether or not to procure the 3 systems assessed in this process is for the accounting officer of SAPS to make
- Section 38(1)(b) of the Public Finance Management Act (PFMA) (1999) places responsibility on the accounting officer of a department to ensure effective, efficient, economical and transparent use of the resources of the department. Section 38(1)(l) further requires the accounting officer to take into account all relevant financial considerations, including issues of propriety, regularity and value for money, when policy proposals affecting the accounting officer's responsibilities are considered, and when necessary, bring those considerations to the attention of their executive authority.



**THANK YOU**

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