

# **Budget Review and Recommendation Report of the Portfolio Committee on Police on the Private Security Industry Regulatory Authority (PSIRA) performance for the 2021/22 financial year dated 19 October 2022.**

The Portfolio Committee on Police, having considered the annual financial and service delivery performance of the Private Security Industry Regulatory Authority (PSIRA) for the 2021/22 financial year on 14 October 2022, 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, 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 Portfolio Committee the PSIRA BRRR hearing on 14 October 2022. The Portfolio Committee on Police, having considered the 2021/22 Annual Report of the Private Security Industry Regulatory Authority (PSIRA) reports as follows.

### **1.1 Mandate of the Committee**

The mandate of the Committee, therefore, is to fulfil its constitutional function to:

- Pass legislation; Scrutinise and oversee executive action and the organs of state including the South African Police Service (SAPS), the Civilian Secretariat for Police Service (CSPS), the Independent Police Investigative Directorate (IPID) and the Private Security Industry Regulatory Authority (PSIRA);
- Facilitate public participation and involvement in the legislative and other processes; and
- Engage, participate and oversee international treaties and protocols.

### **1.2 Purpose of the Budget Review and Recommendation Report**

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assess service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources;
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

**This report is structured as follows:**

**Section 1: Mandate of the Committee.** This sections sets out the mandate of the Committee, the purpose of this report (Budgetary Review and Recommendation Report) and the process to develop this report.

**Section 2: Overview of the Private Security Industry 2021/22**

**Section 3:** The section provides a summary of the AGSA Report for 2021/22

**Section 4: Financial overview 2021/22.** The section provides an overview of the financial performance of the Authority.

**Section 5: Performance against predetermined targets for 2021/22.** The section provides an analysis of the Authority's performance against predetermined performance indicators and targets.

**Section 6: Human Resources.** The section provides for an organisational development initiative.

**Section 7:** Role of Private Security in the July 2021 Unrest.

**Section 8: Committee observations.** The section provides the key observations made by the Committee during engagements on the 2021/22 Annual Report of the Authority.

**Section 9: Committee recommendations.** The section provides the recommendation made by the Committee.

**Section 10: Conclusion.** This section provides a conclusion of the report.

## **2. OVERVIEW OF THE PRIVATE SECURITY INDUSTRY 2021/22**

In 2021/22, 121 094 security officers and 2 051 security businesses were registered. There was a 5% increase in the number of registered active security officers and a 7% increase in the number of registered active security businesses in 2021/22 compared to the previous financial year. At the end of March 2022, South Africa had 586 042 registered active security officers and 11 540 businesses. According to the Authority, there has been a 20% increase in registered active security officers and 42% increase in the number of registered active security businesses over the last nine years.

In 2021/22, law enforcement investigations increased slightly by 0.6% compared to the previous financial year. During the year under review, the Authority conducted 37 595 inspections on security service providers. The number of improper conduct case dockets against non-compliant security service providers increased by 37.2%. During 2021/22, 1 318 cases were finalised by the Authority's Legal Services Division, which resulted mainly in the issuing of fines.

During 2021/22, 44 joint operations were conducted with South African Police Service, the Department of Employment and Labour, and the Department of Home Affairs. These resulted in the arrest of 825 security personnel, of which 462 were unregistered security service providers, 198 were undocumented foreign nationals employed as security officers and 15 were as a result of non-compliance with the Firearms Control Act, 2000 (No. 60 of 2000).

In terms of key partnerships, the Authority entered into a partnership with International Association of Security and Investigative Regulators (IASIR) and ProtaTECH. Further thereto, the Authority is engaging with the South African Aerospace, Maritime and Defence Export Council (SAAMDEC) to form a partnership in regulating the security services providers and the military equipment used in the private security industry.

## **3. REPORT OF THE AUDITOR GENERAL**

In 2020/21, PSIRA received its third consecutive clean audit. Unfortunately, this could not be maintained and the Authority received a qualified audit in 2021/22.

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatement of disclosure items identified by the auditors in the submitted financial statements was corrected, but the supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

The Office of the AG was unable to obtain sufficient appropriate audit evidence for principal liability due to the status of record keeping. PSIRA did not vouch and reconcile invoices of the project as and when they were received from the service provider and the AG was unable to confirm the principal liability by alternative means. Consequently, the AG was unable to determine whether any adjustments were necessary to principal liability stated at R23 454 516 in the financial statements.

Inadequate project monitoring which resulted in the expenditures incurred not being supported by adequate and complete documents. Adequate reconciliations were also not performed against reliable documentation to monitor the expenditure incurred on the project.

The table below show the audit outcomes for PSIRA over the past 13 years (2009/10 to 2021/22).

<b>Financial year</b>	<b>Audit outcome</b>
<b>2009/10</b>	Qualified
<b>2010/11</b>	Unqualified with material findings
<b>2011/12</b>	Unqualified with material findings
<b>2012/13</b>	Qualified
<b>2013/14</b>	Unqualified with material findings
<b>2014/15</b>	Unqualified with material findings
<b>2015/16</b>	Unqualified with material findings
<b>2016/17</b>	Unqualified with material findings

Financial year	Audit outcome
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).
2020/21	Unqualified with no material misstatements and findings (Clean audit).
2021/22	Qualified

In 2021/22, the AG did not raise any material findings on the usefulness and reliability of the reported performance information for the selected material performance indicators.

#### 4. STATEMENT OF FINANCIAL PERFORMANCE 2021/22

PSIRA's financial sustainability increased in 2021/22 compared to the previous financial year. At year-end, PSIRA closed with a surplus of R88.3 million, which is a significant improvement against the R33 million surplus recorded in the previous financial year.

According to the Authority, "the liquidity risk was mitigated mainly due to turnaround strategies implemented to improve revenue collection and cost containment measures. The Authority's current revenue model proved to have reached its lifespan as most Security Businesses billed are finding it difficult to pay the annual fees. PSIRA in collaboration with National Treasury are in a process to review the Private Security Industry Levies Act to address the financial sustainability of the Authority and to replace the current outdated funding model. The Levies Act will bring a balanced and equitable contribution of all service providers to the funding model. Most of the smaller security companies were hard hit by the Covid-19 pandemic and lockdown restrictions which led to some losing their work and this had an impact on our revenue.

The table below provides a breakdown of the Authority's financial performance in 2021/22 compared to the previous financial year.

**Table 1: Statement of Financial Performance**

Financial year	2021/22	2020/21
<b>Revenue</b>		
Total revenue from exchange transactions	379 568 755	288 259 392
Revenue from non-exchange transactions	28 147 231	29 354 507
<b>Total Revenue</b>	<b>407 715 986</b>	<b>317 613 899</b>
<b>Expenditure</b>	<b>(319 418 528)</b>	<b>(284 195 077)</b>
<b>Surplus/ (Deficit) for the year</b>	<b>88 297 458</b>	<b>33 418 822</b>

Source: 2021/22 PSIRA Annual Report

During the year under review, the Authority's total revenue increased from R317.6 million in the previous financial year to R407.7 million (+28%). PSIRA's expenditure increased from R284.4 million in 2020/21 to R319.4 million in 2021/22.

At the end of 2021/22, the debt impairment was R22.6 million which is a significant increase compared to the previous financial year in which debt impairment was R16.49 million.

PSIRA is a defendant in a number of legal actions. It is not possible at this stage to determine the actual losses that PSIRA would suffer in the event that the court found against PSIRA. Estimated liability amounts to R5 538 860 (R5.53 million) as at 31 March 2022, which is slight increase compared to the previous financial year (R5.39 million).

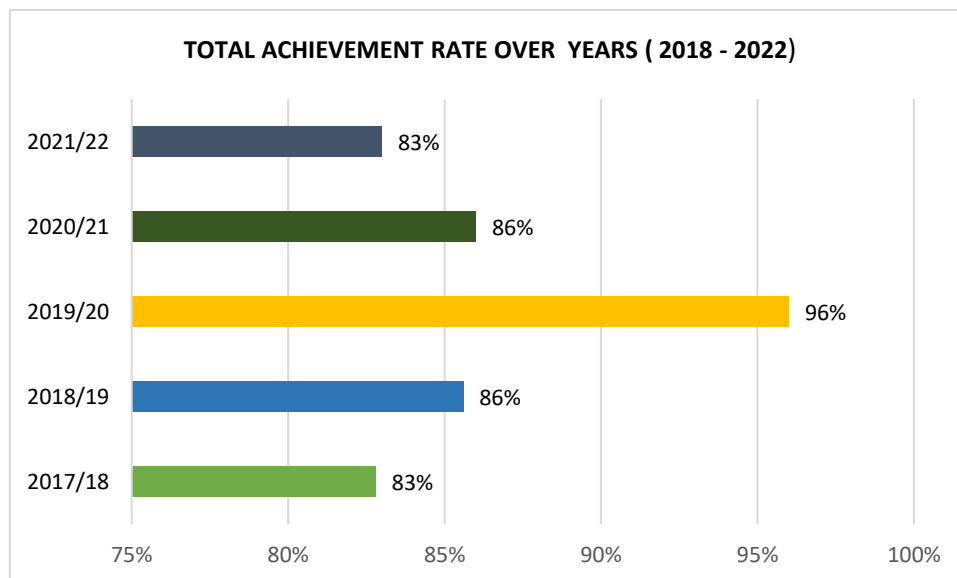
The Authority did not incur irregular expenditure during the 2021/22 financial year. This is the fifth consecutive year in which the Authority did not incur irregular expenditure and should be commended. At the start of 2021/22, the Authority had an opening balance of R162 178.00 in fruitless and wasteful expenditure due to historic amounts. In 2021/22, the Authority incurred no fruitless and wasteful expenditure. During this period, R82 899.00 (of historic amount) was recovered and R67 265.00 was written off, which gave the Authority a closing balance of R13 450.00 at the end of March 2022.

## 5. PERFORMANCE AGAINST PREDETERMINED TARGETS FOR 2021/22

The Authority has achieved 82.7% of its predetermined performance indicator targets at the end of the 2021/22 financial year (24 targets achieved from 29), which is a decrease in performance compared to an 86% achievement rate in 2020/21. Note: In 2020/21, the Authority split the Communication, Training and Registration Programme into two separate Programmes, namely Programme 3: Communication and Training and Programme 4: Registration.

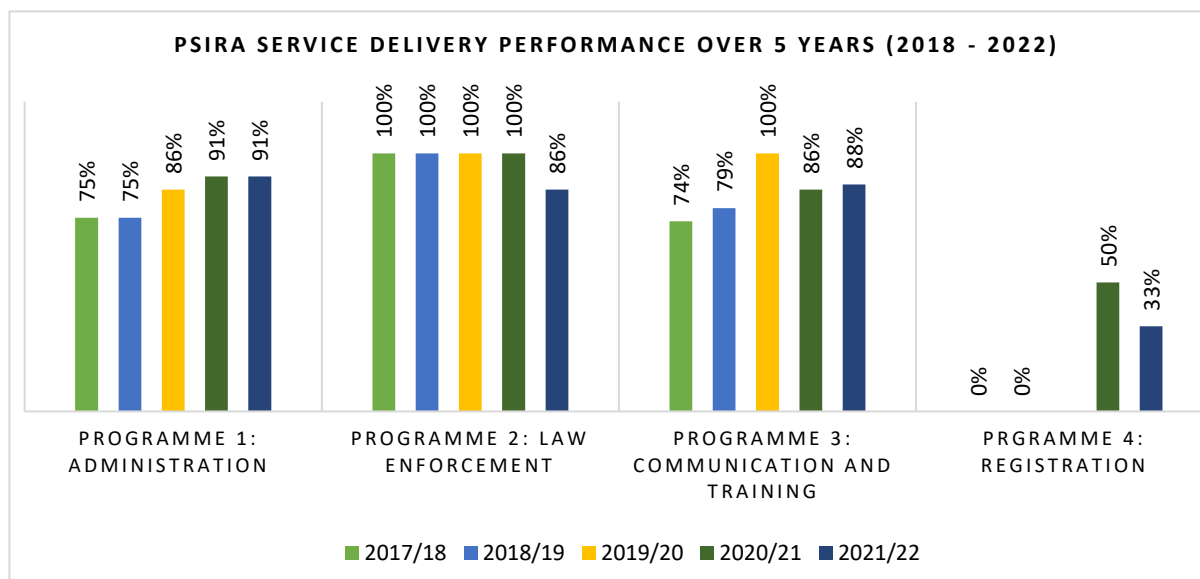
The graph below shows a visual representation of performance between 2018 and 2022. In 2019/20, the Authority recorded its best performance in five years.

**Graph 1: Comparative performance between 2017/18 and 2021/22**



The graph below illustrates PSIRA's performance rate between 2018 and 2022 per programme. The performance of the Administration programme increased over the past five years and has stabilised over the past two financial years. The Law Enforcement Programme has, for the first time in five years, not achieved 100% of its predetermined targets in 2021/22. The programme achieved six from seven targets. In 2021/22, the Communication and Training programme achieved its second highest performance rate over the five-year period, and improved compared to the previous financial year. The Registration programme was only established in 2020/21 and recorded lower performance in 2021/22 compared to the previous financial year.

**Graph 2: Comparative performance between 2017/18 and 2021/22 per programme**



### **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.

The Administration Programme achieved 10 out of 11 performance targets, which is an achievement rate of 91%, and the same as the previous financial year. The target missed was on the full (100%) implementation of the approved Strategic Risk Mitigation Plan. At the end of March 2022, 75% of the Plan was implemented. According to the Authority, delays were primarily encountered in the risk actions dealing with the appointment of the service provider for the development of an online assessment platform because the bidder did not meet the minimum requirements. The tender was re-advertised and was incorporated as an action in the 2022/2023 register. This led to a target in Programme 3: Communication and Training being missed in 2021/22.

### **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.

The Law Enforcement Programme achieved 86% (six from a total of seven) of its predetermined performance targets at the end of the 2021/22 financial year. It is the first time in five years in which the Programme did not achieve 100% of its targets. The Programme planned to achieve 40% of registered active businesses completing industry compliance self-assessments. At the end of March 2022, only 28% completion was achieved, thus missing the target by 12%. According to the Authority, the negative deviation was due to a poor response from the industry in completing the industry compliance self-assessments. In addition, there were also many duplications detected. In 2022/23, this target is set at 50%.

### **5.3. Communication and Training 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.

The Communication and Training Programme achieved seven out of eight performance targets for 2021/22, which is an 88% achievement rate, and an increase compared to an 86% achievement rate of the previous financial year. The Authority failed to develop three new accredited courses during the 2020/21 financial year. The courses identified for development included: 1) Assets in transit; 2) Special events, and 3) Armed reaction officers. According to the Authority, there was no interest shown in the request for quotations in the first half of the financial year to develop the identified courses.

In 2020/21, a concept document on online external assessment was approved and the initial target set for 2021/22, was to achieve 20% of learners completing online external assessments. A briefing session was held on 19 January and the closing date for submission was on 4 February 2022. The deviation was caused by a service provider not being appointed to develop an online assessment system. The tender was re-advertised because the bidders did not meet the minimum requirements. This forms part of the targets set in the 2022/2023 Annual Performance Plan.

#### **5.4. Registration Programme**

Purpose: Ensure the registration of industry businesses and security officers is done in accordance with the PSIR Act.

Measurable Objectives: The programme aims to ensure the private security industry is efficiently registered and transformed.

The Registration Programme achieved one out of three performance targets, which is an achievement rate of 33.3%, which is a decrease compared to the 50% achievement rate recorded in 2020/21.

The target for an average turnaround time of 12 working days for registration of applications meeting all the requirements for security officers was not achieved in 2021/22. The average turnaround time was 18 working days, which is a deviation of six days. According to the Authority, the deviation was caused through historical delays by external service providers not meeting the turn-around-time to conduct criminal record verifications which had a cumulative effect on the programme not being able to meet the turnaround time. Security guards must be South African citizens and have no criminal record. As such, applicants must be screened against the criminal record database of the SAPS.

In addition, implementation challenges with the launch of the digital platform also impacted the turnaround time.

The target for 30% of applicants registered through the online registration platform was not reached in 2021/22, because delays in the implementation of the online platform resulted in the target not being met. Implementation challenges also caused lower registration figures than expected.

### **6. HUMAN RESOURCES**

At the end of March 2022, the PSIRA had 319 permanent staff members, of which most are attached to Law Enforcement (173 staff), followed by Finance and Administration (107 staff), Communication and Training (25 staff) and Registrations (14 staff). PSIRA also employed 44 interns during the 2021/22 financial year (no interns were employed in the previous financial year). Personnel expenditure constitutes 58% of the Authority's total expenditure in 2021/22.

As at 31 March 2022, the average vacancy rate for the Authority was 6.58%, which is a significant increase compared to the 4.82% vacancy rate at the end of the previous financial year (in 2019/20, the vacancy rate was 1.85%). The highest percentage of vacancies were in the Law Enforcement Programme (9% vacancies). During the 2021/25 financial year, 33 personnel left the employment of PSIRA, of which 27 employees resigned, four staff members were dismissed for misconduct and two employees died.

### **7. ROLE OF PRIVATE SECURITY IN THE JULY 2021 UNREST**

Part of KwaZulu-Natal and Gauteng experience a significant level of civil unrest from 08 July to 17 July 2021. The unrest led to looting, destruction of property and the disruption of economic activity. During the violence, many people were injured and killed (estimated at 354 deaths) and over R50 billion was lost to the economy. On 05 August 2021, President Ramaphosa announced the appointment of an Expert Panel to review the response to the unrest. As part of the review, the Panel considered the role played by the private security providers.

Due to a lack of response from the South African Police Service (SAPS), businesses had to rely on private security providers to secure their properties. During the hearings, PSIRA stated that they received many calls from security service providers requesting that they contact police management and Ministers to request them to allow the security service providers to assist in defending infrastructure under attack. They were prepared to play a bigger role beyond just fulfilling the mandates of their direct client.

During the hearings, PSIRA addressed various accusations of the abuse of power by private security service providers. The Authority reiterated that private security guards are not allowed to search or arrest members of the public, but may do so within the property owned by a business client. Security officers are also not allowed to set up roadblocks on public roads or to investigate members of the

public. PSIRA indicated that security guards found guilty of unlawfully setting up a roadblock, arresting or assaulting members of the public will be held to account by the PSIRA and the SAPS.

During the hearings, PSIRA informed the Panel that steps were taken to investigate alleged breaches by security service providers (or members thereof) and to tighten controls in the regulatory system. PSIRA made the following recommendations for a more effective response to future events of the kind experienced in July 2021. The most salient of these were the following:

- There should be more sharing of information (in fact this should be institutionalized) between the state's security services and PSIRA.
- A crime prevention strategy between the SAPS and PSIRA needs to be developed; this could include SSPs being afforded minimum police-related powers in times of crisis and equipped with legal knowledge about the extent of their role, to be more effective.
- To maintain professionalism SSPs would have to be given the necessary training if they are to play a greater role in the maintenance of public order in times of crisis.
- There is a need for advocacy and training in Human Rights for all their affiliates.

## 8. COMMITTEE OBSERVATIONS

The Committee made the following key observations during the 2021/22 Annual Report hearing:

**Inspections:** The Committee wanted to know if PSIRA is conducting inspections frequently with the private securing companies to ensure that there is compliance with the law in terms of having security guards in possession of the prescribed certificates. PSIRA confirmed that the inspections are conducted and there were a number of arrests that took place, particularly on the companies that are utilising people that are not registered. In addition, both the business owners and security officers were arrested for operating illegally without being properly registered.

**Firearms:** PSIRA should indicate if inspections are conducted to check if security guards are complying accordingly based on PSIRA-prescribed regulations and the Firearms Control Act, 2000 on the usage of firearms which must be registered upon issuing of licenses. If not, PSIRA should provide the number of the security guards who were arrested for being in possession of unlawful firearms. PSIRA in its response, indicated that it was conducting inspections of all companies that are utilising firearms. For instance, there was an incident that happened where firearms were given to guards who were not licensed. PSIRA conducted a number of operations in the financial year under review and there have been arrests of security officers who were illegally in possession of firearms. PSIRA referred to a shooting incident that occurred in the Nkomazi municipality which led to the death and injuries of workers who were protesting outside the municipalities by security officers. PSIRA indicated that the investigation is underway and once this matter is finalised, a report will be submitted to the Committee.

**Action plan:** The Committee noted with concern that there was a regression in the audit opinion of the Authority, with a qualified audit opinion in 2021/22. It was pointed out that PSIRA has been constantly doing sterling work over the years although it could not obtain an unqualified audit outcome in the financial year under review. The Committee expressed its dismay even though it believed that PSIRA can turn around the situation to improve its performance.

The Committee wanted to know what measures will be put in place by PSIRA to turn around the current situation. An explanation was given by PSIRA about the processes that will be implemented in preventing the reoccurrence of the finding in striving to obtain a clean audit. The Audit Committee will provide support in reviewing the source documents required and the expert will make sure that the principal liability note in the financial statement is appropriately presented in the financial statement. PSIRA will use experts from various institutions such as the office of the Auditor-General South Africa and the Department of National Treasury.

PSIRA mentioned that a meeting has been arranged with AGSA to run through all the work that has been done. Towards the end of the third quarter, PSIRA will prepare an interim financial statement and request AGSA to assess if there are any financial control deficiencies. The Audit Committee will be constantly updated on the action plan. The Audit Committee and Council will look at the internal audit and AGSA interim report so that they are assured that the internal controls are enhance to eliminate the problem going forward. PSIRA stated that it has good financial management principles in place. The Committee wanted assurance from the PSIRA management that they are still able and

capable to address this problem. PSIRA assured the Committee and public that it remains an organisation which are managed properly. The governance processes are in existence and the financial controls have not collapsed as the Chairperson of the Audit Committee explained. PSIRA is still managing the organisation and will be able to turnaround the situation.

**Illegitimate security companies:** The Committee expressed concern about the number of “fly-by-night” companies in the security industry that are not registered but operating. PSIRA should explain what it is intending to do to ensure that the companies that are operating without authorisation are eliminated. PSIRA admitted that there are companies that are operating without being registered. The arrests were made on both the business owners and the security officers.

**Uniform:** PSIRA should indicate whether it has a code of conduct which regulates security companies regarding uniforms given by security companies to employees. PSIRA explained that it is an obligation for security companies to provide two sets of uniforms to the individual employee without charging any fee to them. Every security business must provide every security officer in its employ with sufficient, distinctive articles of clothing constituting a standard uniform of that security business.

## **9. COMMITTEE RECOMMENDATIONS**

The Portfolio Committee on Police recommends the following:

1. The Committee recommends that PSIRA should strengthen its inspection operations of security providers and prosecution to ensure that there is compliance from security service providers who break the law.
2. The Committee recommends that PSIRA should enforce effective compliance with regulating firearms to ensure that the firearms that are utilised by the security companies to comply with the laws of the country and are registered.
3. The Committee recommends that PSIRA should implement mechanisms that will assist them to improve its Audit outcome in order to prevent the reoccurrence of obtaining another qualified audit.
4. The committee recommends that every security service provider must comply with the PSIRA legal requirements on the provision of uniforms to security officers at no cost who are under their employ providing security services as per PSIRA Regulation.
5. The Committee recommends that PSIRA must strengthen its audit action plan and advised the Authority to utilise a combined assurance model and internal audit to ensure that audit matters that affected their audit outcome are addressed, with specific attention to risk assessments on its principal liability.

## **10. CONCLUSION**

The Committee Chairperson in her closing statement indicated that PSIRA was one of the important entities which played a crucial role in regulating the Private Security Industry. The Chairperson thanked the PSIRA Council, Deputy Minister of Police and PSIRA management for their presentation and accounting to Parliament. The Committee noted in its assessment that closer attention should be to paid to the Authority and the Chairperson instructed committee personnel to schedule PSIRA more often when drafting committee programs scheduled for portfolio committee meetings in future.

**Report to be considered.**