

Budget Review and Recommendations Report of the Portfolio Committee on Police on the Private Security Industry Regulatory Authority (PSIRA) Performance for the 2022/23 Financial Year Dated 20 October 2023.

The Portfolio Committee on Police, having considered the annual financial and service delivery performance of the Private Security Industry Regulatory Authority (PSIRA) for the 2022/23 financial year on 13 October 2023, 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.

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.

The Committee was briefed on the Annual Report for 2022/23 by the Private Security Industry Regulatory Authority on 13 October 2023.

This report is structured as follows:

Section 1: Mandate of the Committee. This section 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 2022/23

Section 3: The section provides a summary of the AGSA Report for 2022/23

Section 4: Financial overview 2022/23 The section provides an overview of the financial performance of the Authority.

Section 5: Performance against predetermined targets for 2022/23. 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: Committee observations. The section provides the key observations made by the Committee during engagements on the 2022/23 Annual Report of the Authority.

Section 8: Committee recommendations. The section provides the recommendation made by the Committee.

Section 9: Conclusion

2. OVERVIEW OF THE PRIVATE SECURITY INDUSTRY 2022/23

At the end of March 2023, South Africa had 577 444 registered active security officers and 15 113 active security businesses. According to the Authority, there has been a 31% increase in the number of registered active security businesses in 2022/23 compared to the previous financial year. Over the last 10 years, active security businesses have grown by 86% from 8 144 security businesses in 2014 to 15 113 security businesses in 2022/23. In 2022/23, there has been a slight decrease of 1% in the number of active security officers compared to the previous financial year. Across 10 years, the number of security officers have grown by 19% from 487 058 security officers in 2014 to 577 444 security officers in 2023. In 2022/23, 77% of active security officers were males and 23% were females.

The table below provides a breakdown of security officers and businesses as at the end of 2022/23.

Total number of registered security businesses	19 019
Total number of registered and active security businesses	15 113
Total number of registered security officers	2 816 638
Total number of registered and active security officers	577 444
Total number of inactive security officers	2 239 194

In 2022/23, the Authority conducted 43 642 compliance inspections of security service providers were conducted or inspections as part of investigations by the Enforcement Department compared to 37 595 inspections for the same period the previous year. This is a 16% increase in the total number of compliance inspections when compared to the previous financial year. During the 2022/23 financial year, 4 250 investigations were finalised compared to 3 918 investigations for the same period the previous year (8% increase in the number of investigations compared to the previous year).

During 2022/23, 106 joint operations were conducted with South African Police Service, the Department of Employment and Labour, and the Department of Home Affairs.

During 2022/23, the Authority opened 1 680 cases of improper code of conduct cases against security businesses, of which 828 cases involved security businesses failing to pay the statutory minimum wage to security officers.

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. In 2022/23, the audit opinion has changed to an unqualified audit with emphasis of matters.

In terms of the emphasis of matters, the AG made a finding on trade receivables. Material impairments to the amount of R27 862 086 were provided for trade receivables and are potentially irrecoverable. Furthermore, material losses to the amount of R14 255 895 were incurred as a result of a write-off of irrecoverable trade receivables.

The AG did not make any material findings on the annual performance report of the Authority in terms of the reliability of achievements on performance indicators. In terms of material findings on compliance with legislation, the AG found that financial statements were not fully prepared in accordance with the prescribed reporting framework. Material misstatements of payable from exchange transactions, other receivables and risk management disclosure note identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

In terms of internal control deficiencies, the AG noted that management incorrectly interpreted the Generally Recognised Accounting Practice (GRAP) standards, which resulted in the incorrect accounting in disclosure line items in the annual financial statements. Additionally, the AG noted that management did not implement adequate procurement processes to ensure compliance with Supply Chain Management (SCM) laws and regulations.

The table below show the audit outcomes for PSIRA over the past 13 years (2009/10 to 2022/23).

Financial year	Audit outcome
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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).
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 2022/23

4.1. Financial position

PSIRA's financial sustainability increased in 2022/23 compared to the previous financial year. At year-end, PSIRA closed with a surplus of R69.7 million and an accumulated surplus of R192 million. This has to a large extent addressed the ongoing concern issues that were highlighted by the AG over the past three financial years.

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.

The table below provides a breakdown of the Authority's financial performance in 2022/23 compared to the previous financial year.

Table 1: Statement of Financial Performance

Financial year	2022/23	2021/22
Assets	363 440 941	264 348 149
Liabilities	162 794 633	133 401 373
Revenue		
Total revenue from exchange transactions	431 726 859	379 568 755
Revenue from non-exchange transactions	20 720 782	28 174 231
Total Revenue	425 447 641	407 715 986
Expenditure	(382 748 107)	(319 418 528)
Surplus/ (Deficit) for the year	69 699 543	88 297 458

Source: 2022/23 PSIRA Annual Report

During the year under review, the Authority's total revenue increased from R407.7 million in the previous financial year to R425.4 million. PSIRA's expenditure increased from R319.4 million in 2021/22 to R382.7 million in 2022/23.

At the end of 2022/23, the **debt impairment** was R27.8 million which is an increase compared to the previous financial year in which debt impairment was R22.6 million. Bad debt recovered is 45% below budget.

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 R4 920 000 (R4.9 million) as at 31 March 2023, which is a decrease compared to the previous financial year (R5.53 million).

The Authority incurred **irregular expenditure** valued at R451 101 during the 2022/23 financial year, and R82 000.00 in **fruitless and wasteful expenditure**.

4.2. Expenditure per programme

In 2022/23, the Authority spent R385.6 million of its R409.5 million budget, which is an underspending of R23.8 million at year-end. It should be noted that these funds are not surrendered back to National Treasury as funds are not appropriated to it by the State, but collected by the Authority as it is a revenue-generating public entity. The largest underspending was recorded in the Training and Communication Programme (less R11.9 million), followed by the Law Enforcement Programme (less R8.1 million), the Registration Programme (less R3.4 million) and the Administration Programme (less R268 000).

Table 2: Expenditure per programme

Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under expenditure R'000
Administration	213 866	212 598	268
Law Enforcement	134 720	126 523	8 197
Training and Communication	37 172	25 215	11 957
Registration	23 782	20 349	3 433
Total	409 5089	385 685	23 855

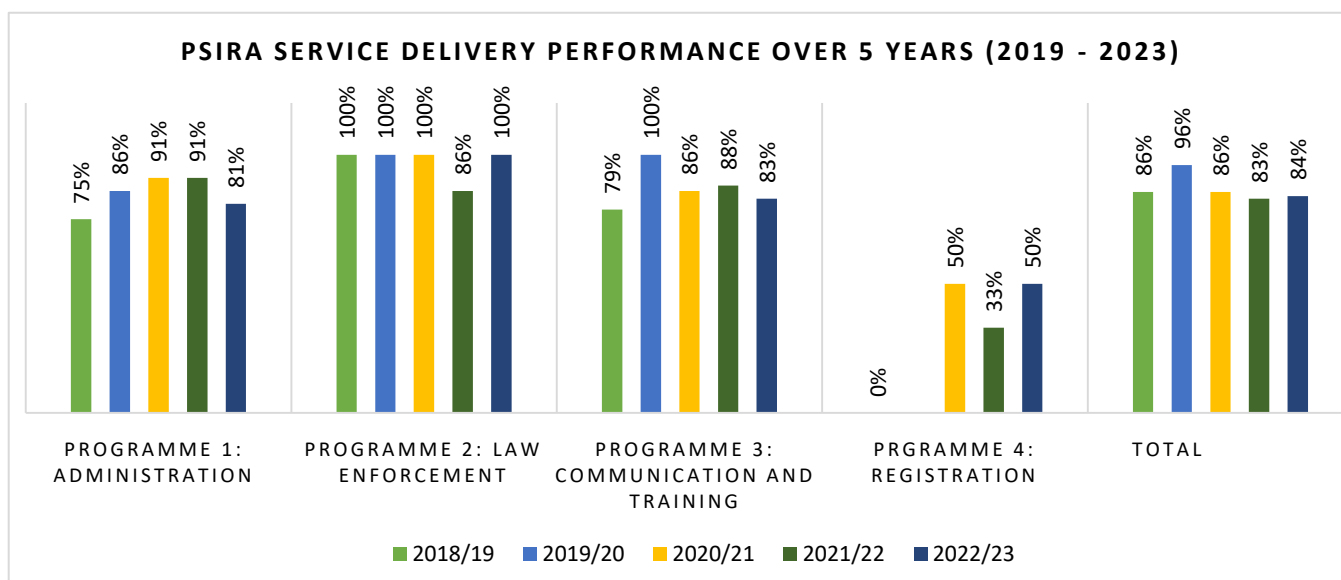
Source: 2022/23 PSIRA Annual Report

5. PERFORMANCE AGAINST PREDETERMINED TARGETS

5.1. Performance across five financial years

The graph below illustrates PSIRA's overall performance rate between 2018 and 2022 as well as performance per programme. The performance of the Administration Programme increased from 2018/19 to 2020/21, where after it stabilised in 2021/22, but decreased in 2022/23. The Law Enforcement Programme's performance remained at 100% for three financial years (2018/19 to 2020/21) and declined substantially to 86% in 2021/22. However, in 2022/23, the performance has reached 100% again. The Communication and Training Programme's performance rate has stabilised at an average of 85% between 2020/21 and 2022/23. The Authority should be cautioned not to stagnate in its performance in this Programme, but to improve performance. The Registration programme was only established in the 2020/21 financial year and has recorded fluctuating performance over the past three financial years.

Comparative performance between 2018/19 and 2022/23 per programme

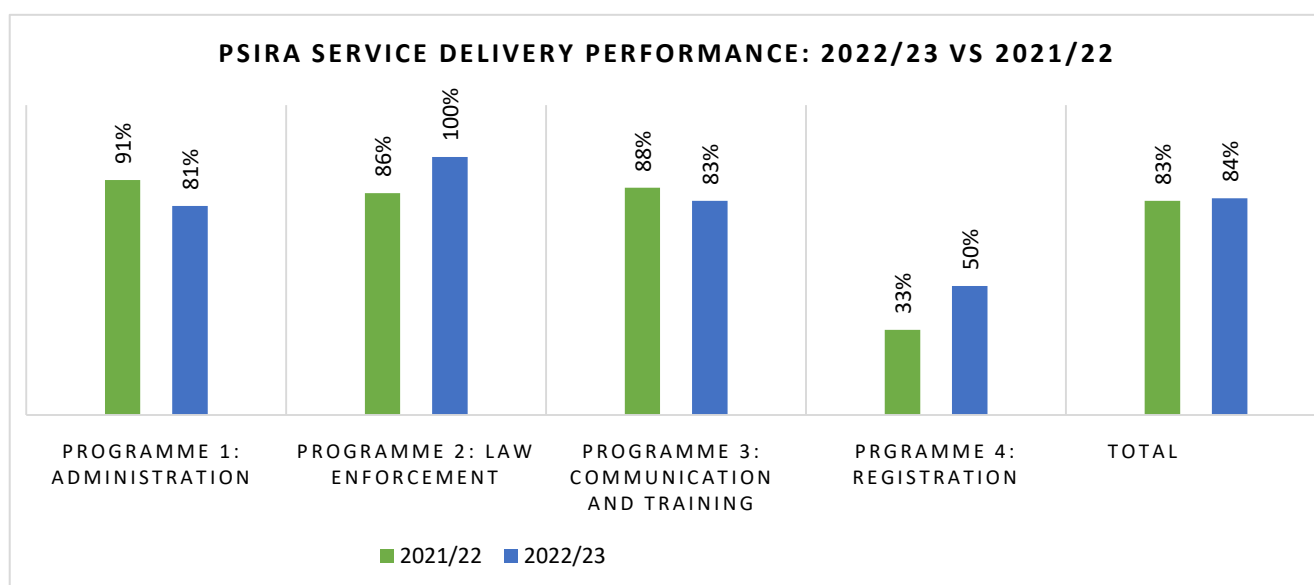


5.2. Overall performance in 2022/23

Achieved 21 from 25 targets
84.0% Achievement rate

The Authority has achieved 84% of its predetermined performance indicator targets at the end of the 2022/23 financial year (21 targets achieved from 25), which is a slight improvement in performance compared to an 83% achievement rate in 2021/22. *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 illustrates PSIRA's performance rate in 2022/23 compared to the previous financial year. The performance of the Administration programme decreased from 91% in 2021/22 to 81% in 2022/23. Similarly, the performance of the Communication and Training programme decreased from 88% in

2021/22 to 83% in 2022/23.



The performance of both the Law Enforcement Programme and Registration Programmes improved in 2022/23 compared to the previous financial year. Although the percentage achievement in the Registration Programme is low, it represents the achievement of one target from a total of two targets.

5.3. 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 9 out of 11 performance targets
81.8% Achievement Rate

The Administration Programme achieved nine out of 11 performance targets, which is an achievement rate of 81.1%, which is a decline in performance compared to the previous financial year. The two targets that were not achieved are:

- 90% implementation of the approved Strategic Risk Mitigation Plan. At the end of March 2023, 82% of the Plan was implemented (this is the second consecutive year in which this target was missed). 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 Authority did not submit the Draft Transformation Charter for the Private Security Industry for approval. Once approved the Transformation Charter not submitted to the Minister of Trade, Industry and Competition.

5.4. 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 6 out of 6 performance targets
100% Achievement rate

The Law Enforcement Programme achieved 100% of its predetermined performance targets at the end of the 2022/23 financial year. In terms of performance, the following should be noted:

- The Authority planned to inspect 5 325 security businesses to enforce compliance with applicable legislation. At year-end, 7 236 security businesses were inspected resulting in an overachievement of 1 911 inspections.
- The Authority planned to inspect 27 930 security officers to enforce compliance with applicable legislation. At year-end, 36 406 security officers were inspected resulting in an overachievement of 8 476 inspections.
- The Authority planned to inspect 1 650 security businesses licenced for firearms. At year-end, 2 285 security businesses licensed for firearms were inspected resulting in an overachievement of 635 inspections.

5.5. 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.

Achieved 5 out of 6 performance targets
83.3% Achievement rate

The Communication and Training Programme achieved five out of six performance targets for 2022/23, which is an 83.3% achievement rate, and a decline compared to an 88% achievement rate of the previous financial year. The Authority failed to have 20% of learners completing on-line external assessments. At year-end, no learners completed the self-assessment due to the delay in the appointment of the on-line assessment service provider due to non-responsiveness on tenders. It should be noted that in 2020/21, a concept document on online external assessment was approved and the initial target set for 2021/22. In 2021/22, the target to have 20% of learners complete on-line self-assessments was also not achieved due to the service provider not being appointed to develop online assessment system. The tender was re-advertised because the bidders did not meet the minimum requirements.

5.6. Registration Programme

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

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

Achieved 1 out of 2 performance targets
50% Achievement Rate

The Registration Programme achieved one out of two performance targets, which is an achievement rate of 50%, which is an increase compared to achievement rate recorded in 2021/22.

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 2022/23 (also not achieved in 2021/22). The average turnaround time achieved was 38 working days, which is a deviation of 26 days. In 2021/22, the average turnaround achieved was 18 working days. As such, the Authority is regressing on this target. According to the Authority, implementation challenges with the launch of the digital platform also impacted on the turnaround time.

6. HUMAN RESOURCES

At the end of March 2023, the PSIRA had 333 permanent staff members, of which most are attached to Law Enforcement (184 staff), followed by Finance and Administration (108 staff), Communication and Training (28 staff) and Registrations (13 staff). PSIRA also employed 31 interns during the 2022/23 and 23 employees on a fixed-term contract. Personnel expenditure constitutes 54% of the Authority's total expenditure in 2022/22.

As at 31 March 2023, the average vacancy rate for the Authority was 6.58%, which is the same as the previous financial year. The highest percentage vacancies were in the Finance and Administration Programme (14% vacancies). During the 2022/23 financial year, 29 personnel left the employment of PSIRA, of which 17 employees resigned, one staff member was dismissed for misconduct, one staff member retired and one staff member passed away.

7. COMMITTEE OBSERVATIONS

The Committee made the following key observations during the 2022/23 Annual Report hearing:

Training: The Committee questioned whether cash-in-transit was included as part of training programmes and if so, what are the new challenges they are dealing with in terms of training that involves the environment of cash-in-transit. PSIRA is intending to ensure that part of the online assessment in future will include cash-in-transit in the curriculum. However, they have indicated that the challenges in terms of cash-in-transit are not related squarely on training. Particularly, the cash-in-transit sector is in danger of creating monopolies in which a few companies transport excessive amounts of cash, which makes them more susceptible to robberies.

Criminal records: The Committee questioned whether PSIRA is frequently verifying the criminal records on those members that are registered after registration and also asked about the impact of criminality on the industry. The Committee wanted to know what sanctions can be imposed, both on individual members found to have a criminal record, as well as on the companies that employ individuals with criminal records. PSIRA stated that the issue of checking the criminal records after registration is assisting them as an organisation although there are some challenges impeding their mandate. The PSIRA Amendment Act provides for the renewal of registrations which will entail the reassessment of criminal records, but the Amendment Act has not yet been operationalised and as such the section cannot be fully enforced. Despite this, PSIRA is continuously checking the criminal records on all of those that are re-registering.

Arrests: The Committee noted that PSIRA mentioned that there were 991 arrests made for certain offenses, of which 859 was referred for prosecutions. The Committee wanted to know if there were any convictions secured and on what type of offences. In relation to this, the Committee requested PSIRA to elaborate on the outcomes on those cases. PSIRA explained that the offenses were related

to unregistered security guards and undocumented foreign nationals employed in the private security industry. The outcomes of these action by PSIRA are prosecutions. As it was mentioned in their report, they attained a 100% prosecution rate on the cases of security service providers that are non-compliant and fines were issued on those security companies. PSIRA indicated that in the previous financial year there was an amount of R14 million in fines imposed on non-compliant security service providers. There were approximately 203 security businesses registrations that were withdrawn due to non-compliance.

Compliance Inspections: The Committee wanted to know if PSIRA is conducting frequent inspections at private security companies to ensure that security officers are registered. The Committee further wanted to know what steps are taken against those service providers who are employing unregistered security officers. PSIRA indicated that they have conducted several inspections over the period under review to monitor compliance on the registration of security officers. PSIRA had established the Special Operation Unit that is working during weekends, public holidays, and at night to conduct operations, because most contraventions are committed during these periods as it is believed that PSIRA Inspectors are not working during weekends and at night. PSIRA admitted that they have a challenge of under reporting of security guards employed and, as a result, they have advised the security officers to check themselves online if they appeared as unlinked and report this via the PSIRA hotline.

Firearms: The Committee noted that PSIRA was in the process to intensify the law enforcement operations particularly on firearm compliance. The Committee wanted to establish if there were any convictions connected to firearm-related criminal cases. PSIRA indicated that they did not have the information at hand and requested to submit a written response.

Irregular Expenditure: The Committee referred to the AGSA report on the audit outcomes of PSIRA that there was irregular expenditure of R79 million related to the non-adherence to Supply Chain Management controls and procedures. The Committee wanted to know what are the corrective measures that are put in place to turn around the situation. PSIRA explained that the issue arose out of the contract that they have entered into with a service provider that was delivering services in terms of the UIF project. The UIF came to them with service providers that needed to be appointed to render these services as it was mentioned on the audit report. One of the issues that had been identified and highlighted was that PSIRA failed to conduct due diligence on the process in terms of appointing the service providers. The irregular appointment remains with them because they have a contract with the service providers. PSIRA said that most of the irregular expenditure was related to the contracts they had with those service providers under the UIF project.

Payment for services not rendered: Related to the above, the Committee referred to the AGSA finding that was made against PSIRA on the payment of the service provider for services that were not rendered. The Committee was extremely concerned about the payment of R30 million to a service provider for training that did not materialise. PSIRA explained that there was an issue of the repayment of R30 million which the auditors subsequently cleared, however they still have some issue because of delays in the finalisation of the project. PSIRA noted that they foresee a potential material loss of the repayment that was made to one of the service providers. PSIRA provided the details of the project that started in 2019 but was delayed due to the COVID-19 pandemic and subsequent lockdown. The project has since resumed.

PSIRA indicated their commitment to ensure that due diligence will be done on any future appointments of service providers and that they will not rely on third parties. PSIRA is closely monitoring the service provider in terms of the revised plan on training that should be completed by December 2023.

Appointment: The Committee asked PSIRA if it was normal procedure to allow another entity to dictate who should be appointed as the service provider. PSIRA responded that it was not normal to allow another entity to dictate for them on the appointment of service providers. The lapse occurred because they were supposed to conduct due diligence on what the UIF has followed in terms of the procurement process. PSIRA assumed that the UIF had followed the due process.

Transformation: The Committee noted that PSIRA did not perform well on the areas that deal with transformation. The Committee wanted to know the challenges they are experiencing and how this situation can be turned around to resolve the challenges. PSIRA had conducted the transformation

analysis for the entire sector and made some findings that sought to elevate the level of the proposed Transformation Charter. PSIRA said that the process was very challenging because the skills and expertise of putting together the Charter are not readily available. PSIRA attempted several times to go through a tender process, however they have identified some of the issues during the investigation on the sector transformation. PSIRA stated that they envisage completion by the end of 2025.

8. COMMITTEE RECOMMENDATIONS

The Portfolio Committee on Police recommends the following:

- 1) The Committee recommends that PSIRA should develop a curriculum that include training on the transportation of cash (cash-in-transit).
- 2) The Committee recommends that PSIRA should enhance its contract management system to follow appropriate supply chain management policies on the appointments of the service providers, to avoid the occurrence of being ordered by the other entities in terms of who should be appointed to render the services.
- 3) The Committee recommends that PSIRA should strengthen its system to enforce compliance with the security businesses as well as the security office as prescribed by the regulations of the industry.
- 4) The Committee recommends that PSIRA should strengthen its internal controls and take effective steps to prevent irregular expenditure.
- 5) The Committee recommends that PSIRA should constantly verify the criminal records of security officers to ensure that the industry does not employ people with criminal records.

9. CONCLUSION

The Committee greatly appreciates the work that was done by the entity and noted the improvement made on certain aspects. The Committee congratulated the entity for achieving an unqualified audit although there were findings that were made on their audit outcome. The Committee encourages PSIRA to put more efforts in place to achieve all the set targets. The Committee believes that the entity will work hard to improve the areas that were identified as a matter of concern by the AGSA. PSIRA should strive towards achieving a clean audit in the next financial year.

The Democratic Alliance (DA) reserves their rights on the report.

Report to be considered.