Financial Intelligence Centre

2022/23 ANNUAL REPORT

Increasing transparency to enhance the fight against financial crime

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SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

To the Minister of Finance, Mr Enoch Godongwana, MP

I have the honour of submitting to you the annual report of the Financial Intelligence Centre for the financial year 1 April 2022 to 31 March 2023.

Adv Xolisile J Khanyile
Director and Accounting Authority

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PART A

GENERAL INFORMATION

FIC GENERAL INFORMATION

Registered name:	Financial Intelligence Centre
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ABBREVIATIONS AND ACRONYMS

ACTT	Anti-Corruption Task Team
AFU	Asset Forfeiture Unit
AML/CFT	Anti-money laundering and combating the financing of terrorism
AML/CFT/CPF	Anti-money laundering, counter the financing of terrorism and combating proliferation financing
BASA	The Banking Association South Africa
CTR	Cash threshold report
DNFBPs	Designated non-financial businesses and professions
DPCI	Directorate for Priority Crime Investigation
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EWG	Expert working group
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIC Act	Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
FIU	Financial intelligence unit
FSCA	Financial Sector Conduct Authority
FC	Forensic Capability division
GLA Act	General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022)
GRAP	Generally Recognised Accounting Practice
IAWG: IFFs	Inter-Agency Working Group on Illicit Financial Flows
ICT	Information and communications technology
IDC	Inter-Departmental Committee on Anti-Money Laundering and Combating the Financing of Terrorism
IFTR	International funds transfer report
IFWG	Intergovernmental Fintech Working Group
ML	Money laundering
MoU	Memorandum of understanding
NPO	Non-profit organisation
PF	Proliferation financing
PA	Prudential Authority
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
POC Act	Prevention of Organised Crime Act, 1998 (Act 121 of 1998)
POCDATARA Act	Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004)
RMCP	Risk management and compliance programme
SAMLIT	South African Anti-Money Laundering Integrated Task Force
SARB	South African Reserve Bank
SAR	Suspicious activity report
SIU	Special Investigating Unit
SSA	State Security Agency
STR	Suspicious and unusual transaction report
TF	Terrorist financing
TPR	Terrorist property report
UNSC	United Nations Security Council
VDR	Voluntary disclosure report

FOREWORD BY THE MINISTER

Whether it is diverting funds earmarked for service delivery and economic growth, or draining our collective energies, financial crime is an obstruction to the wellbeing of all South Africans, and it must be beaten.

An entity at the core of this fight is the Financial Intelligence Centre (FIC). The financial intelligence it produces, the pioneering partnerships the FIC has built with the private and public sectors to expedite follow through on arrests and convictions, and other seminal approaches is helping to make inroads on financial crime.

The focus of the FIC annual report this year is on increasing transparency. This is pivotal in the country's arsenal in the fight against financial crime. It is only by having insight on how criminals cycle their proceeds through our financial system that we can better understand how to disrupt and deter their criminal activities.

Our legislative regime and the implementation of measures for combating money laundering, terrorist financing and proliferation of weapons of mass destruction were found wanting by the Financial Action Task Force (FATF) in its most recent mutual evaluation of South Africa. The global anti-money laundering and combating of terrorist financing watchdog identified strategic deficiencies, which ultimately led to South Africa being grey-listed as a 'jurisdiction under increased monitoring'. These deficiencies must be addressed by January 2025.

We acknowledge the urgent measures that must be taken to address the deliberate weakening of our institutions, and law and order in our country. These steps must form part of the country's broader fight against financial and other crimes, state capture, and the deliberate weakening of the institutions of law and order. I believe that strategic collaboration among all the role players across government, including entities such as the FIC, will help us exit the grey-listing timeously.

Such collaboration and partnerships are already under way through information sharing, which is at the core of the FIC-driven public-public collaboration of the Fusion Centre and the public-private partnership of the South African Anti-Money Laundering Integrated Task Force.

In addition, the Government amended the legislative basket on anti-money laundering and combating of terrorism financing in late 2022, including the Financial Intelligence Centre Act. With these changes under the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022, the country is better prepared to meet the need for increased effectiveness in stamping out financial crime. Also amended were the Schedules to the FIC Act. It is important to note that the legislative changes were concluded after thorough consideration and consultation over several years, as well as through extensive public hearings.

Furthermore, earlier this year the FIC expanded the range of institutions in its compliance fold, enabling it to receive transactional and other information from a much broader spectrum of industries and sectors. This too has added to the 'greater transparency' focus.

In support of the crucial role of the FIC, and the urgency of the work that needs to be done, the entity has been allocated additional budget to grow its resource capacity and capability.

In line with this, the FIC has recently established a new division, Forensic Capability, which will begin to take shape during the next financial year. This capability is a reassuring development as it expands the FIC's reach beyond financial intelligence production. Ultimately, this division will assist in gathering information and conducting forensic analysis to help ensure there is increased success in bringing matters to court and to expedite asset forfeitures.

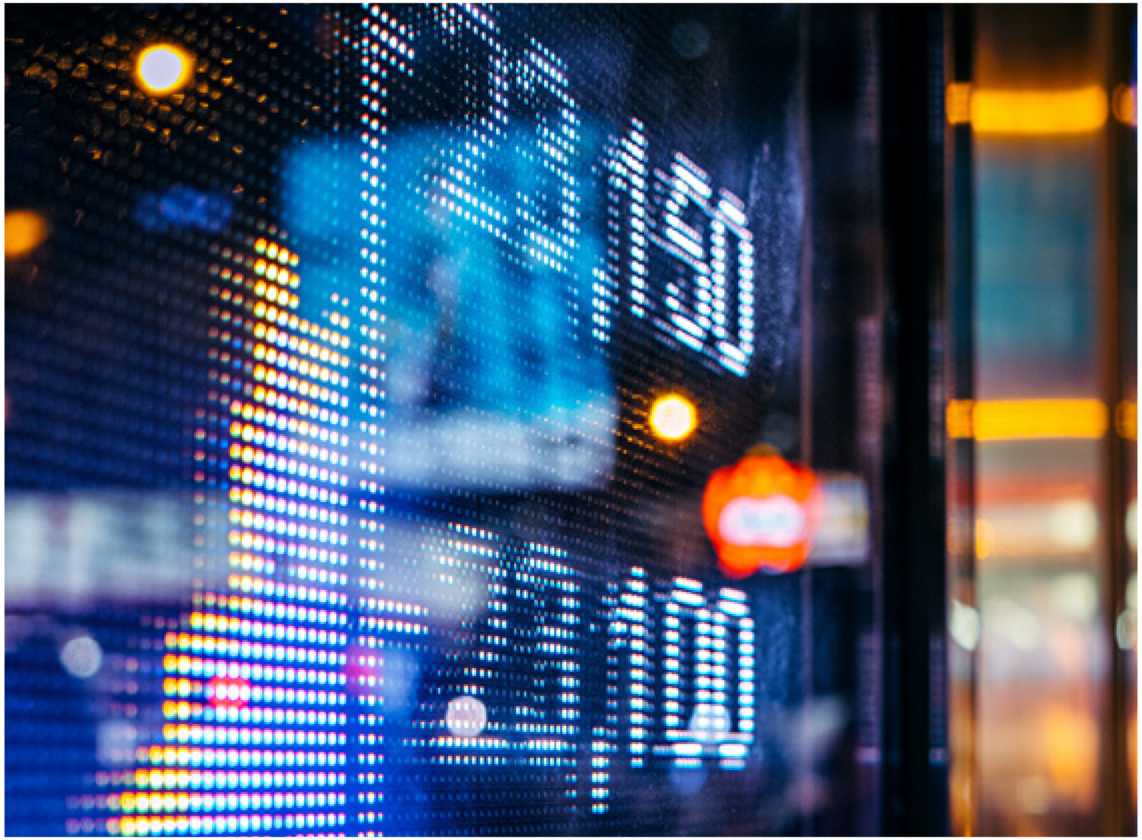
In view of its achievements and the steps that lie ahead, I am confident that we are progressing well against financial crime and towards socio-economic stability and sustainability. While financial crimes and the criminals behind them build seemingly insurmountable walls to fortify lawlessness and exploitation, it is up to us to continually work at breaking down these walls.

Appreciation and conclusion

In closing, I give heartfelt recognition to the hard work and commitment of the employees and leadership of the FIC. Theirs has been a job well done in 2022/23. We also know, however, that much work continues to lie ahead.

Congratulations and sincere thanks go to outgoing FIC Director, Advocate Xolisile Khanyile. During her term, she steered the FIC in taking far-reaching and innovative strides. Under her leadership, new partnerships were conceived and effected domestically and internationally. Advocate Khanyile was awarded the Financial Crime Fighter of the Year accolade from the Global Coalition to Fight Financial Crime in December 2022. The award was in her capacity as the chair of the Egmont Group of Financial Intelligence Units, the Director of the FIC and as the chair of the South African Anti-Money Laundering Integrated Task Force. We thank Advocate Khanyile for her dedication and ground-breaking efforts.

Mr Enoch Godongwana, MP
Minister of Finance



DIRECTOR'S OVERVIEW

> In the fight against financial crime it is critical to have a legislative environment that is conducive to increasing transparency.

Criminals thrive in an environment where they can successfully hide their unlawful activities and ill-gotten gains. They create false identities for themselves and their associates. They cover their tracks and create complex networks that challenge conventional crime-fighting methodologies. They exploit gaps in legislation to escape prosecution and can seamlessly operate across domestic and international borders.

This is why it is no easy task to detect, deter and disrupt financial crime. And it is also why it is crucial to have a legislative environment that is conducive to increasing transparency and that makes it easier to follow the money trail to help identify financial crime.

In this context, it is very rewarding to look back at the 2022/23 financial year and see the progress that South Africa has made in enhancing the fight against financial crime and in aligning our anti-money laundering and combating the financing of terrorism (AML and CFT) regime with international standards.

It is particularly rewarding to see the pivotal role that the Financial Intelligence Centre (FIC) has played in achieving this progress against financial crime.

Considering the laws that were enacted and amended, the result of long and thorough processes spanning many years, 2023 was indeed a watershed year for South Africa. The Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act), the keystone of the FIC, received its fair share of amendments. We describe in this report, the numerous legislative changes that result in the establishment of a stronger AML, CFT and combating of proliferation financing (CPF) regulatory framework.

Making financial information more transparent and money flows easier to follow is central to combating money laundering and terrorist financing.

Overview of strategy and performance

As a result of legislative developments during 2022/23, including the General Laws (Anti-Money Laundering and Combating of Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022), the FIC has emerged as a bigger, stronger and more effective financial intelligence unit with expanded powers and objectives.

The FIC's objectives have been expanded to include the identification of persons involved in money laundering (ML), terrorist financing (TF) and proliferation financing (PF) activities, the production of forensic evidence relating to the flow of financial transactions and the sharing of information with the office of the Auditor-General.

New powers for the FIC, effective from 31 December 2022, include that of entering into public-private partnerships for the purpose of achieving any of its objectives; requesting information or access to any database held by any organ of state, and accessing information contained in a register that is kept by an organ of state.

Altogether, the expanded objectives and broadened access to information sources will enrich our work and help us improve upon the products and services we offer to law enforcement and other competent authorities. For the country, this will improve effectiveness and expedite the fight against financial crime.

During the year under review, the FIC and other supervisory bodies continued to supervise and enforce compliance with the FIC Act.

The FIC successfully implemented its strategic and annual performance plan during the year under review and achieved and exceeded many of its performance targets while carrying out its mandate to assist in:

- Identifying the proceeds of crime
- Combating money laundering
- Combating financing of terrorism and related activities.

The FIC continued playing a pivotal role in its provision of financial intelligence to law enforcement and other competent authorities for their investigations, prosecutions and applications for asset forfeiture (the FIC does not itself conduct investigations). We produced 3 424 proactive and reactive intelligence reports and contributed to the recovery of R5.82 billion in criminal proceeds during 2022/23. Throughout this report, we carry case studies which reflect how our financial intelligence has assisted law enforcement and other competent authorities in the pursuit of financial crime.

During the year under review, the FIC, as part of South Africa's joint effort, provided considerable time and effort to addressing the deficiencies and recommendations of the Financial Action Task Force (FATF) regarding South Africa's AML, CFT and CPF regime.

FATF recognised the significant and positive progress made by the country in actioning the 67 recommended actions highlighted in the mutual evaluation report. It assessed that the country needed to make further and sustained progress in addressing the eight areas of strategic deficiencies related to the effective implementation of the AML, CFT and CPF regime. As a result, the decision was made by FATF to place the country under increased monitoring, commonly known as grey listing, in February 2023.

In the mutual evaluation of South Africa in 2019, FATF pointed out that the country had high volumes of proceeds-generating crimes such as environmental crimes, bribery and corruption. FATF evaluators also highlighted that state capture had hollowed out law enforcement authorities such as the South African Police Service (SAPS), the Directorate for Priority Crime Investigations (DPCI) (the Hawks) and the National Prosecuting Authority (NPA). There is much work that lies ahead so that these and other agencies can develop and acquire the necessary forensic and financial literacy skills to follow up on the intelligence provided by the FIC.

In response to the grey listing, government has reiterated the country's commitment to strengthening the effectiveness of its AML, CFT and CPF regime and to resolve the remaining strategic deficiencies identified by FATF.

The FIC has a part to play and will continue its work in this regard as part of the collective effort to exit the country from the grey list. In this report, we provide detail on the role of the FIC in the lead up to the FATF mutual evaluation, outcomes of the mutual evaluation, the country's subsequent grey listing, and the work that lies ahead in the coming period.

Joint approach to fighting crime

During 2022/23, the FIC continued stabilising and growing partnerships and collaboration with a wide range of national and international role players in the pursuit of a seamless and integrated approach to fighting financial crime.

Memoranda of understanding (MoUs) were concluded with the financial intelligence units of Greece, Uruguay, Japan, Bhutan and Pakistan. This brought to 100 the total number of international MoUs the FIC had in place as at 31 March 2023.

Since its establishment, the FIC has entered into 42 MoUs with domestic institutions, two of which were signed during the 2022/23 financial year. These MoUs commit both parties to working together to ensure that the financial system is safe, stable and sustainable for all citizens.

The FIC's collaborative approach is essential for its engagements with role players in the criminal justice system, government departments and entities, the private sector, and non-governmental and non-profit organisations. The FIC's key partners and collaborators during the period under review, included:

- Government institutions and groups involved in the criminal justice system, including the South African Revenue Service (SARS), South African Reserve Bank (SARB), law enforcement, prosecutorial authorities, and other investigative agencies.
- The Anti-Corruption Task Team (ACTT), where the FIC adds value by contributing financial intelligence on large projects and collaborating on the task team's shared priorities.
- Accountable and reporting institutions, including legal practitioners, banks, estate agents[1] and gambling institutions.
- The Inter-Agency Working Group on Illicit Financial Flows (IAWG: IFFs) whose aim it is to limit money flowing illicitly out of the country.
- The South African Anti-Money Laundering Integrated Task Force (SAMLIT), a FIC-led public-private partnership of domestic and foreign banks in South Africa, banking industry representatives and regulatory authorities, that share financial information and build expertise to solve financial crime.
- The Fusion Centre, which is a public-public collaboration in dealing with matters related to corruption and money laundering.
- The Intergovernmental Fintech Working Group (IFWG), which focuses on financial technology developments and their regulatory and policy implications for the financial sector and the economy.

[1] Item 3 of Schedule 1 of the FIC Act refers to estate agents. This definition of estate agents is narrower than that of property practitioners as defined in the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022.

- The Anti-Financial Crime Coalition that was created to fast-track the resolving of high priority crimes.
- Global bodies engaged in combating money laundering and the financing of terrorism, such as the Egmont Group of Financial Intelligence Units (Egmont Group), of which the FIC's Director is the chair, and FATF.
- The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which promotes the formulation of policies on the prevention of money laundering and terrorist financing in the region.
- Given that South Africa holds the BRICS (Brazil, Russia, India, China, South Africa) chair this year, the FIC is the 2023 chair of the BRICS Countering Terrorist Financing sub-working group, facilitating sharing of expertise and experience between the partners. Cooperation is also fostered on intelligence sharing, mutual legal assistance, terrorist financing, and contribution members' counter-terrorism measures and responses to threats posed by terrorism.

Collaboration and partnerships benefited the work and operations of the FIC as outlined in Part B, the performance section of this report. This is evidenced in a selection of case studies, also in Part B. The case studies provide insights on how financial intelligence provided by the FIC helped law enforcement and other competent authorities in the pursuit of various financial crimes and criminals. They illustrate the significance of the collaborative relationship between the FIC and its partners and use of the financial intelligence produced by the FIC. Also, it shows how following the money in the pursuit of crime is becoming more and more important.

General financial review and spending trends

The FIC is funded from the national budget with funds voted as part of the National Treasury budget. For the 2022/23 financial year, the FIC had a final approved budget of R316.8 million (2021/22: R297.3 million).

In February 2023, the Minister of Finance announced the allocation of an additional R265.3 million in funding. With this allocation, the FIC can increase its human resources and general capacity as required. We are pleased about the increased allocation, and this affords us a significant opportunity to build capability and contribute to the fight against financial crime.

Capacity constraints and challenges

Due to legislative developments and South Africa's grey listing, the FIC has experienced elevated workloads and high pressure consistently during the past two years. A high number of employee resignations further exacerbated this situation during the year under review.

Necessary capacity is urgently being added to the FIC, thanks to the additional funds allocated by the Minister. Recruiting new employees equipped with the requisite combinations of technical astuteness and scarce skills, however, remains a challenge.

Human capital

As at 31 March 2023, the FIC's workforce stood at 197 employees, of which 57.8 percent was made up of women and 82.2 percent from designated race groups.

These numbers have changed since that date, and will keep changing, as our human resources team continues focusing on recruitment and selection. Filling vacancies is a slow, gradual process given the shallow pool of highly specialised individuals who possess the necessary skills for the work required at the FIC.

To help build capacity and capability from within the organisation, the FIC provided 23 bursaries to employees and gave 10 graduates the opportunity to gain workplace experience at the FIC during the 2022/23 financial year.

Technology

While the COVID-19 pandemic national lockdown restrictions were lifted in South Africa in April 2022, workplaces have become irreversibly more digital over the past three years as a result of similar lockdowns implemented globally.

We therefore continued updating systems, platforms and our infrastructure to ensure the information and communications technology (ICT) environment was secure and up to date, enabling the FIC to function efficiently and effectively.

Bringing the additional accountable institutions on board as required by the amended Schedule 1 of the FIC Act, has necessitated that the FIC's ICT team implement the necessary infrastructure to enable the inclusion of these new institutions.

The ICT team also effected the support systems and processes crucial for the surveillance of individuals and entities (especially those associated with Al-Qaeda and the Taliban) listed by the United Nations Security Council (UNSC) resolution 1267.

The FIC collaborated with SARS on a technology system for implementing a platform for passengers to declare to Customs goods and currency and/or bearer negotiable instruments in their possession upon entering or leaving the country. During the year under review the system went live successfully. SARS will roll out the system further over the coming period.

The FIC continues playing a leading role in two far-reaching ICT projects, namely the ESAAMLG Information Exchange Platform and the Egmont Group ICT Renewal Project. Progress on these and other ICT projects are detailed in Part B of this report.

Audit report matters

The FIC relies on good corporate governance to deliver on its mandate and received an unqualified audit opinion with no findings for the 2022/23 financial year.

Supply chain management

The FIC's supply chain management processes and systems comply with the required Regulations and Practices in the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and National Treasury regulations. These policies and procedures are in place to ensure that the FIC procures goods and services in a fair, competitive, transparent and equitable manner. Material findings that arose from the 2021/22 audit called attention to procurement non-compliance, as contracts were awarded to bidders, based on points that were not calculated in accordance with the requirements of the Preferential Procurement Framework Act, 2000 (Act 5 of 2000) and Preferential Procurement Regulations 2017. These findings were addressed in the 2022/23 financial year and resolved.

New or proposed key activities

The new Forensic Capability division, which expands the FIC's reach beyond intelligence analysis to include forensic reporting and presenting court testimony, will become operational in the 2023/24 financial year.

Discontinued key activities / activities to be discontinued

No activities were discontinued during the year under review.

Events after the reporting date

The FIC is not aware of any events after the reporting date of 31 March 2023, which are likely to have a material impact on the FIC's financial results or operations.

Economic viability

The FIC derives its income from the national budget, with funds voted as part of the National Treasury budget. This source of income, good corporate governance and financial management, and capable leadership ensure the entity's financial viability.

Going forward

Implementing the actions required to satisfy the increased scrutiny brought about by South Africa's grey listing will demand extraordinary inter-organisational cooperation.

We need to strengthen the collaboration between role players to improve their understanding of the value of our intelligence products, and increase the uptake of our intelligence reports. Also, we need to improve the quality of information we receive for interpretation and analysis.

This calls for renewed vigour in ensuring that law enforcement authorities, as key institutional partners, be capacitated to take up the financial intelligence we provide. Without this, valuable financial intelligence cannot help to curb financial crimes and terrorist financing.

The FIC will continue to focus upon building capacity in-house to support our partners in law enforcement, in addition to improving organisational performance in terms of its mandate, as set out in the FIC Act.

The FIC will work on establishing the Forensic Capability as a division within the FIC, as announced by the Minister of Finance. This new forensic unit will expand the FIC's reach beyond intelligence analysis to include forensic reporting for law enforcement to use in complex money laundering cases. The division will be available to testify on the financial flows and the forensic products that they share with law enforcement authorities.

Acknowledgements and appreciation

There has seldom been a dull moment during the financial year at South Africa's financial intelligence unit.

Interacting and working with our domestic and international partners and counterparts has been an enriching experience, especially given the high esteem in which the work of the FIC is held, locally and beyond our borders. This is thanks to the work of the world-class workforce at the FIC, whom I am honoured to call my colleagues.

In conclusion, I would like to thank the Honourable Minister Enoch Godongwana for his unwavering support and stabilising leadership. I offer a heartfelt thank you to my executive management team who were steadfast in their encouragement and commitment, during the good and the exacting times during what has been a very busy year. My thanks and appreciation go to each and every employee of the FIC for their support.

Adv Xolisile J Khanyile
Director and Accounting Authority
Financial Intelligence Centre

31 July 2023

HIGHLIGHTS OF THE YEAR

2022/23

The FIC exceeded 8 and achieved 8 of its 19 annual performance targets in 2022/23.

Contributing to the recovery of R5.82 billion in criminal proceeds.

Holding 54 engagements (against a target of 30) to improve the understanding and utilisation of FIC intelligence reports.

Blocking R92.2 million, in terms of section 34 of the FIC Act, as suspected proceeds of crime.

Producing 2 393 reactive intelligence reports and 976 proactive reports, of which 144 were high priority, plus a further 55 reports on illicit financial flows.

Positive outcomes in matters referred for administrative sanctions.

Participating in the Inter-Departmental Working Group, run by National Treasury, which is tasked with coordinating South Africa's action plan in response to the FATF mutual evaluation.

Through compliance inspections, positively changing compliance in 170 inspected entities.

Implementing the new reporting stream: International funds transfer reporting.

Exceeding the targeted number of compliance review reports issued and successfully addressing FATF-identified recommended actions.

Responding 100% to requests for technical assistance from countries within the ESAAMLG region.

Enhancing networks with stakeholders, various entities and financial information sharing partnerships such as SAMLIT and the Fusion Centre that led to positive outcomes as evidenced by the case studies.

Getting the go ahead to establish a forensic capability for state use within the FIC.

Implementing upgrades to software and hardware to keep South Africa's AML and CFT technology platform up to date.

Exceeding performance targets related to employment equity.

Collaborating with SARS on the development of an ICT platform for incoming and outbound international travellers to declare goods, currency and/or bearer negotiable instruments to Customs.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board and applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2023.

Yours faithfully

Adv Xolisile J Khanyile
Director

31 July 2023

STRATEGIC OVERVIEW

Vision

To be a highly capable public entity that produces financial intelligence for making South Africa's financial system intolerant to abuse.

Mission

The FIC promotes increasing levels of compliance with the FIC Act in an efficient and cost-effective manner, enabling it to provide high quality, timeous financial intelligence for use in the fight against crime and the protection of national security.

Values

The FIC seeks to achieve its mandate through the employment of capable staff who are committed to the highest standards of excellence and professional service delivery in the fulfilment of their responsibilities.

The FIC strives to:

- Demonstrate integrity, respect, honesty, trust, humility and loyalty in everything that we do.
- Conduct our work with pride and discipline, accepting accountability and being prepared to 'go the extra mile'.
- Strive for excellence and professionalism – not only identifying problems, but also providing solutions.
- Value individual staff and provide space for creativity and growth.
- Maintain strong relationships with stakeholders and partners.
- Ensure the security of organisational assets and information.

LEGISLATIVE AND OTHER MANDATES

The FIC is a statutory body established to give effect to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act).

The FIC is listed as a Schedule 3A public entity according to the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA).

The FIC Act works in concert with the following Acts:

- Prevention of Organised Crime Act, 1998 (Act 121 of 1998) (POC Act)
- Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004) (POCDATARA Act)
- South African Police Service Act, 1995 (Act 68 of 1995) (SAPS Act)
- Intelligence Services Act, 2002 (Act 65 of 2002).

The FIC Act places obligations on financial institutions and other business to assist in counteracting money laundering, financing of terrorism and proliferation of weapons of mass destruction. The POC Act criminalises money laundering and provides for the confiscation and forfeiture of the proceeds of crime. The POCDATARA Act provides measures to counter the financing of terrorism.

Key policy developments and legislative changes that took place during the 2022/23 financial year are discussed in more detail on page 24.

Objectives of the Financial Intelligence Centre

The FIC Act established the FIC to assist in:

- Identifying the proceeds of unlawful activities.
- Combating money laundering, the financing of terrorist and related activities and proliferation financing activities.
- Initiating analysis based on information in its possession or information received other than by means of reports.
- Identifying persons involved in money laundering activities and proliferation financing activities.
- Implementing financial sanctions in terms of resolutions adopted by the United Nations Security Council (UNSC), including requiring accountable institutions to freeze property and transactions in terms of these sanctions.
- Sharing information with investigating authorities, including the National Prosecuting Authority (NPA), law enforcement authorities, intelligence services, office of Public Protector (PP), the investigative division of the Auditor-General, the South African Revenue Service (SARS) and supervisory bodies.
- Producing forensic evidence based on the flow of financial transactions.
- Exchanging information with relevant bodies in other countries regarding money laundering and the financing of terrorist activities.
- Facilitating effective supervision and enforcement by supervisory bodies.

The FIC Act imposes certain duties on institutions and other persons who might be used for money laundering and terrorist financing purposes.

The FIC Act introduces a regulatory framework of compliance control measures requiring certain categories of business (defined as accountable institutions which are listed in Schedule 1 to the FIC Act) to fulfil the following compliance obligations:

- Implement a risk-based approach to customer due diligence including aspects such as ongoing due diligence, enhanced due diligence, screening for domestic and foreign politically exposed persons and establishing the beneficial ownership in legal structures.
- Develop a risk management and compliance programme (RMCP).
- Keep records of customers' information and transactions.
- Adhere to the governance obligations as outlined in the FIC Act.
- Undertake business risk assessments for money laundering (ML), terrorist financing (TF) and proliferation financing (PF).

- Train employees on how to comply with the FIC Act and the institution's RMCP.
- Register with the FIC.
- Submit regulatory reports to the FIC relating to
  i) Suspicious and unusual transactions
  ii) Cash transactions exceeding the prescribed threshold
  iii) Property that is linked to sanctioned persons, terrorist activity or terrorist organisations
  iv) Electronic cross-border transfers of funds.

The FIC Act assigns certain roles, responsibilities and powers to supervisory bodies to support the objectives of combating money laundering and preventing the financing of terrorism and related activities.

Supervisory bodies are responsible for ensuring that the accountable institutions they regulate comply with FIC Act requirements. For example, as outlined in Table 1, SARB's Prudential Authority (PA) is the supervisory body for the banking sector. This means SARB conducts inspections to assess the banking sector's compliance with the FIC Act and helps banks comply with the regulations.

To achieve its objectives, the FIC must carry out the following functions:

- Process, analyse, interpret, and retain information disclosed to and obtained by the FIC.
- Initiate analysis where appropriate, based on information in its possession.
- Inform, advise, cooperate with, and make its financial intelligence products available to investigating authorities, supervisory bodies, intelligence services, and other competent authorities to facilitate the country's administration and enforcement of laws.
- Exchange information with similar bodies in other countries.
- Monitor and give guidance to accountable and reporting institutions, supervisory bodies and individuals regarding their compliance with the FIC Act.
- Provide information and guidance to accountable institutions in meeting requirements to freeze property and transactions related to the resolutions of the UNSC.
- Supervise and enforce compliance of affected institutions with the FIC Act, that are not supervised by a supervisory body or where the supervisory body is unable to act.
- Implement a registration system for all affected institutions and individuals.
- Annually review the implementation of the FIC Act and submit a report, which includes information that demonstrates the implementation of the Act, to the Minister of Finance.

In executing its mandate, the FIC seeks to:

- Protect the integrity of the financial system by making it more difficult for criminals to hide their illicit proceeds in the formal financial sector and block the accumulation of resources for the financing of terrorism.
- Develop policy options for the Minister of Finance based on an assessment of the available financial intelligence.
- Contribute to the global framework against money laundering and the financing of terrorism.

By identifying the proceeds of crime and assisting in combating money laundering and the financing of terrorism, the FIC fulfils its primary role of protecting the integrity of South Africa's financial system and making it intolerant to abuse.

INSTITUTIONS REQUIRED TO REGISTER WITH THE FIC

The FIC Act requires all accountable institutions to register with the FIC. An accountable institution is an individual or an institution that, by virtue of the business it conducts, falls within the ambit of Schedule 1 of the FIC Act. Accountable institutions and their item numbers, required to register with the FIC are listed below:

Item 1	Legal practitioners (including attorneys, conveyancers, notaries, advocates practising with a trust account, commercial legal practices)*
Item 2	Providers of specifically mentioned services to trusts and companies, including accountants in so far as these services are provided*
Item 3	Estate agents**
Item 4	Authorised user of an exchange, as defined in the Financial Markets Act, 2012 (Act 19 of 2012)
Item 5	Manager registered in terms of Collective Investment Schemes Control Act, 2002 (Act 45 of 2022) (unit trusts)
Item 6	Business of a bank, as defined in the Banks Act, 1990 (Act 94 of 1990)
Item 7	Mutual banks as defined in the Mutual Banks Act, 1993 (Act 124 of 1993)
Item 7A	Co-operative banks as defined in the Co-operative Banks Act, 2007 (Act 40 of 2007)*
Item 8	Person in business of life insurance, as defined in Insurance Act, 2017 (Act 18 of 2017)
Item 9	Person who carries on the business of making available gambling activities as contemplated in section 3 of the National Gambling Act, 2004 (Act 7 of 2004)
Item 10	Foreign exchange dealer
Item 11	Credit providers*
Item 12	Financial services providers requiring authorisation in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002)
Item 13	Person who issues, sells or redeems traveller's cheques, money orders or similar instruments
Item 14	South African Postbank Limited
Item 19	A person who carries on the business as a money or value transfer provider
Item 20	Dealers in high value goods where an item equals R100 000 or more, including motor vehicle and Kruger rand dealers*
Item 21	South African Mint Company, to the extent that it distributes non-circulation coins in retail trade and where in respect of such transactions it receives payment in any form to the value of R100 000 or more*
Item 22	Providers of crypto assets, including exchanges providing services relating to crypto assets*
Item 23	A clearing system participant, as defined in the National Payment System Act, 1998 (Act 78 of 1998)*

Note: A group of companies or a legal entity may contain more than one accountable institution. Conglomerates must ensure that all accountable institutions in the group are registered.

* Affected or added as from 19 December 2022 due to legislative amendments

** Item 3 of Schedule 1 of the FIC Act refers to estate agents. This definition of estate agents is narrower than that of property practitioners as defined in the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022.

ORGANISATIONAL STRUCTURE

The FIC is a statutory body that operates outside the public service, but within the public administration, as envisaged in section 195 of the Constitution. The Director of the FIC, who is also the accounting authority, reports directly to the Minister of Finance and to Parliament.

The FIC consists of five divisions:

Office of the Director

Director: **Adv Xolisile J Khanyile**

The Director is responsible for the FIC's strategy and stakeholder relations and represents South Africa in international bodies such as the Financial Action Task Force (FATF), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the Egmont Group.

Figure 1: FIC organisational structure

Legal and Policy

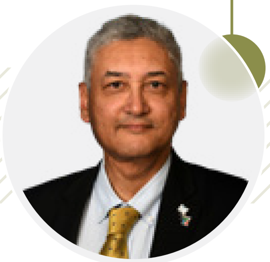
Executive Manager: **Pieter Smit**

The Legal and Policy division is responsible for administering the FIC Act. This includes assisting in drafting legislative amendments when necessary.

The division engages with international and regional inter-governmental bodies and coordinates the FIC's technical assistance to countries in eastern and southern Africa.

The Legal and Policy division provides strategic policy advice on money laundering and financing of terrorism, including improvements to the legislative framework.

The division provides in-house legal advice, governance and compliance and secretariat support to the Appeal Board.



Compliance and Prevention

Executive Manager: **Christopher Malan**

The Compliance and Prevention division is responsible for overseeing risk-based supervision and compliance with the FIC Act. This division coordinates the framework that ensures effective and efficient oversight by supervisory bodies and the FIC.

The division conducts inspections, both on its own and in support of supervisory bodies, to determine the level of compliance with the FIC Act. It administers the compliance enforcement, remedial action following inspections and defends appeals against administrative sanctions. It monitors and gives guidance to accountable and reporting institutions, supervisory bodies and others regarding FIC Act obligations. It also manages a registration system for accountable and reporting institutions.

The division develops and issues guidance in consultation with the Legal and Policy division, coordinates FIC Act supervision by engaging with supervisory bodies and enhances compliance awareness to combat money laundering and the financing of terrorism by engaging with affected entities. The division also conducts compliance reviews to increase awareness of FIC Act obligations.

Monitoring and Analysis

Executive Manager: **Priya Biseswar**

The Monitoring and Analysis division receives, interprets and analyses information and data to identify the proceeds of crime, money laundering and the financing of terrorism.

The division works closely with law enforcement authorities, intelligence agencies, the South African Revenue Service and other competent authorities, other financial intelligence units and the private sector to combat crime, and provides support for investigations on request. The division's work also contributes to enhancing international cooperation. During the reporting period, Senior Operations Manager: Pieter Alberts served as acting executive manager until Priya Biseswar's appointment on 1 February 2023.

Corporate Services

Executive Manager: **Macs Maboka**

The Corporate Services division provides the FIC with support services to enable the organisation to operate efficiently.

The division's primary functions are financial and administrative management, supply chain management, facilities management, human resources, information and communications technology and enterprise architecture, and project management.

PART B

PERFORMANCE INFORMATION

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The audit conclusion of the Auditor-General of South Africa on the FIC's performance against predetermined objectives is in Part F of this report.

Overview of public entity's performance

Service delivery environment

Overview of the external context within which the public entity operated

During the year under review, the FIC was able to implement its strategic plan and annual performance plan, and deliver fully on its mandate. The context within which the FIC operated was characterised by trying socio-economic conditions prevailing nationally.

Socio-economic conditions: Similar to the previous financial year, economic growth was sluggish, inflation continued to rise, the unemployment rate reached 32.9 percent (as at 31 March 2023) and the electricity supply crisis continued to impact negatively on the productivity and profitability of the country and on the everyday life of South Africans. The FIC invested in back-up electricity supply systems to handle loadshedding more adequately.

Pandemic restrictions lifted: On 4 April 2022, President Cyril Ramaphosa formally declared the end of the National State of Disaster which had been instituted on 15 March 2020 to inhibit the spread of the COVID-19 pandemic. Measures such as the wearing of masks, and limitations on gatherings and travel were lifted during May and June 2022.

Focus on recovery: Following the lifting of the pandemic-related restrictions, the nation's focus gradually shifted from dealing with the COVID-19 pandemic to recovering from its after effects, with government paying attention to the imperatives of growth, investment and employment, guided by the Economic Recovery and Reconstruction Plan.

Legislative changes: Various changes that impacted on the FIC's operations and mandate are discussed under the section, *Key policy developments and legislative changes*, page 24.

Grey listing: Before the 2023 financial year ended, the Financial Action Task Force (FATF) decided to list South Africa as a jurisdiction under increased monitoring, commonly referred to as grey listing. The announcement was made on 24 February 2023 and some of the implications of this for the FIC, as well as other relevant information, is provided on page 70 of this report.

External developments and/or challenges that may have impacted on the demand for the FIC services or on the ability to deliver those services.

- **Return to 'normal':** The lifting of the pandemic regulations had a positive effect on the FIC's ability to deliver its services. It allowed a return to the way things operated before the national lockdown was implemented, and stakeholder engagements could resume.
- **Increasing crime:** There was an increase in most types of crime, including financial and commercial crime. The FIC played a pivotal role in the fight against financial crime by providing financial intelligence and support to law enforcement authorities and, the demand for FIC's services may potentially increase in future.

There were no other significant external developments that affected the FIC.

Organisational environment

The organisational environment during 2022/23 was positive and the FIC was able to meet its performance targets as well as nurture its international and domestic partnerships and collaborations in enhancing the fight against financial crime.

Although the COVID-19 restrictions were lifted in April 2022, workplaces had become irreversibly more digital over the three years, when the national lockdown first came into effect. Since 2020 the FIC continued updating systems, platforms and infrastructure to ensure the information and communications technology (ICT) environment was secure and up to date, enabling the FIC to function as efficiently and effectively as possible.

During the year under review, the FIC was not fully capacitated in terms of its employee component. This was mainly due to financial constraints, employee resignations, and the fact that the expertise required by the organisation was in scarce supply nationally. The situation has started to improve, and should continue to improve, as more funding has been allocated to the FIC in the latest national budget. Recruitment of talent has been reinvigorated and work continues to fill vacancies.

Key policy developments and legislative changes

To ensure that South Africa's legal framework against money laundering and financing of terrorism continues to meet international standards, President Ramaphosa signed into law during the year under review, the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act.

The President also signed a proclamation for the commencement of sections 31 and 56 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act).

The Minister of Finance gazetted amendments to Schedules 1, 2 and 3 of the FIC Act following approval of Parliamentary processes. These changes introduce more transparency in the financial system and improve the FIC's capacity to gather financial and other information for analysis.

The legislative developments and changes, as summarised below, will lead to greater transparency and enhance the fight against financial crime.

General Laws Amendment Act

The General Laws Amendment Act, 2022 (Act 22 of 2022) (GLA Act) was assented to by the President on 22 December 2022, and the amendments came into effect on 31 December 2022 and 1 April 2023.

The GLA Act strengthens the fight against corruption, fraud and terrorism, and assists South Africa in meeting the international standards on AML and CFT. The GLA Act amended five different Acts, namely:

- Trust Property Control Act, 1988 (Act 57 of 1988)
- Non-profit Organisations Act, 1997 (Act 71 of 1997)
- Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
- Companies Act, 2008 (Act 71 of 2008)
- Financial Sector Regulation Act, 2017 (Act 9 of 2017)

Amendments to the Financial Intelligence Centre Act in terms of the General Laws Amendment Act

The amendments to the FIC Act are technical in nature and do not substantially change the principles on which the customer due diligence provisions are based.

However, the amendments do result in the establishment of a stronger AML, CFT and CPF regulatory framework and expand the objectives of the FIC:

- To include the identification of persons involved in money laundering activities, financing of terrorism and related activities as well as proliferation financing activities.
- To produce forensic evidence relating to the flow of financial transactions.

To enable the FIC to perform its functions effectively, the amendments extend the entity's power to:

- Enter into public-private partnerships for the purposes of achieving any of the objectives of the FIC.
- Request information or access to any database held by any organ of state as well as to have access to information contained in a register that is kept by an organ of state.
- Share information with the investigative division of the Auditor-General.

o Additional obligations for development and maintenance of a risk management and compliance programme

Section 42 of the FIC Act was amended to include the requirement that accountable institutions must consider proliferation financing risks when developing their risk management and compliance programmes (RMCPs).

The amendment provides for the manner and processes by which group-wide programmes of an accountable institution for all its branches and subsidiaries are implemented. This also extends to the exchange of information within its branches or subsidiaries relating to the analysis of suspicious and unusual transaction reports (STRs).

Section 42 also places an obligation on an accountable institution to implement additional measures to manage risks if its host country does not permit the implementation of measures required in terms of the FIC Act. Accountable institutions must describe, in their RMCP, how they determine whether clients are foreign or domestic political persons.

o Definition of beneficial owner

The definition of 'beneficial owner' in the FIC Act was amended to ensure that the definition encapsulates every natural person who is a beneficial owner of a client that is a legal person, partnership or trust.

To be consistent with the definition of beneficial owner, section 21B was amended to provide for instances where the partners in a partnership or, in the case of trusts, trustees or beneficiaries are legal persons. The amendment to section 21B(4) relates to the additional customer due diligence measures to be taken in respect of all parties to a trust namely founders, trustees and beneficiaries.

This brings the concept of beneficial ownership that is used in the South African legal framework in line with FATF Recommendations and will impede criminals from hiding their true identities and use companies and trusts to conceal proceeds of crime.

o Politically exposed persons – Schedules 3A, 3B and 3C of the FIC Act

Politically exposed persons are people who, through their prominent position or influence, may be susceptible to being involved in bribery or corruption.

The definitions in Schedules 3A, 3B and 3C of the FIC Act were amended to refer to 'domestic politically exposed person', 'foreign politically exposed person' and 'prominent influential person'.

Schedules 3A and 3B were further amended to provide for those individuals to be considered a domestic or foreign politically exposed person if that person currently holds or has held the position at any time.

o Targeted financial sanctions extended

The definition of "proliferation financing" was added, consistent with the term being introduced through the amendments contained in the Act.

The FIC Act section 26A now provides for the resolutions of the United Nations Security Council (UNSC) to become enforceable immediately on the adoption of a resolution.

The FIC Act section 26B prohibits, among others, any person from transacting with a person or entity identified in terms of a resolution of the UNSC. The amendment extends this prohibition to also include persons who are acting on behalf of, or at the direction of the designated person or entity.

Changes were also effected to the Money Laundering and Terrorist Financing Control Regulations in 2022/23, which impacted the areas mentioned below.

o Amendments to the MLTFC Regulations on cash threshold reporting

Under section 28 of the FIC Act, cash transactions that exceed the prescribed amount must be reported. On 14 November 2022, a new threshold amount of R49 999.99 was introduced, meaning all cash transactions of R50 000 and above must be reported. The previous threshold amount was R24 999.99.

The period within which reports on cash threshold transactions are to be reported was extended to three business days from the date on which the accountable or reporting institution, or any of his or her employees, becomes aware that a transaction exceeding the prescribed limit of R49 999.99 has taken place. In the past, the period within which reports needed to be submitted was two business days.

Cash threshold aggregation reporting (i.e. reports on transactions where a single client has performed multiple transactions with a combined value above the prescribed threshold amount within a defined period), is no longer a requirement.

The changes to the cash threshold reporting regulations form part of the FIC's process of improving its operational capabilities and is intended to bring about increased efficiency in the cash transaction reporting system.

o Reporting on international electronic funds transfers – Section 31 and 56 of the FIC Act

The President signed a proclamation notice on 13 December 2022, for the commencement on 1 February 2023 of sections 31 and 56 of the FIC Act. The implementation of these sections is a step forward in the fight against illicit movement of money into and out of South Africa.

Section 56 makes it a criminal offence to not report international electronic funds transfers exceeding R19 999.99. Transactions of R20 000 and above must be reported and non-compliance could result in an administrative penalty.

Section 31 requires certain categories of accountable institutions (those that may legally conduct transactions to transfer funds electronically into and out of South Africa) to report cross-border electronic funds transactions above the threshold of R19 999.99.

This affects accountable institutions that are authorised in terms of the regulations under the Currency and Exchanges Act, 1933 (Act 9 of 1933) (Exchange Control Regulations) to conduct authorised transactions under the regulations. Institutions with this authorisation are authorised dealers, authorised dealers with limited authority, and a small number of financial services providers that have a direct reporting dispensation under the Exchange Control Regulations. The Post Office is also allowed to make cross-border transactions, which it does through postal orders and money orders.

The regulatory reports that the accountable institutions have to submit to the FIC are called international funds transfers reports (IFTRs). These reports can provide insights on money flows associated with international crime syndicates, transnational money laundering and a range of other crimes with international footprint, such as trade-based money laundering, human and illicit goods trafficking, and tax evasion.

IFTRs will assist the FIC in its work of interpreting and analysing transaction information to develop financial intelligence. It will also help in cases where the FIC is requested by foreign jurisdictions to assist in the tracking and freezing of criminal and/or terrorist assets.

Changes to the FIC Act Schedules came into effect on 19 December 2022.

o Amended list of institutions that must comply with FIC Act – Schedules 1 and 3 of the FIC Act

Following a long and thorough consultation process that started in March 2017, changes to the Schedules to the FIC Act were implemented with effect from 19 December 2022.

Changes to Schedule 1 of the FIC Act entail that references to outdated legislation were rectified and that new sectors were added to the list of sectors that have compliance obligations under the FIC Act.

New institutions and persons that were added, are:

- **Item 1:** Advocates with a trust account
- **Item 2:** Providers of specifically mentioned services to trusts and companies, including accountants in so far as these services are provided
- **Item 7A:** Co-operative banks
- **Item 11:** Credit providers
- **Item 19:** A person who carries on the business as a money or value transfer agent
- **Item 20:** Dealers in high value goods where an item costs R100 000 or more

- **Item 21:** South African Mint Company
- **Item 22:** Providers of crypto assets, including exchanges providing services relating to crypto assets
- **Item 23:** Clearing system participants.

In addition, items under Schedule 3 (reporting institutions) were removed with effect from 19 December 2022 and those items, that is, motor vehicle dealers and Kruger rand dealers have since been included under the category of high-value goods dealers in item 20 of Schedule 1, if the transaction fits within that definition.

The expansion of the list of sectors required to comply with the FIC Act will improve the FIC's ability to obtain information concerning the financial activities of customers from a wider range of financial, non-financial institutions, and crypto asset service providers (CASPs).

Furthermore, this will enrich and help augment the quality of financial intelligence reports the FIC provides to law enforcement, supervisory bodies, and policy formulating entities.

The increased sectoral coverage enhances anti-money laundering, combating the financing of terrorism and countering proliferation financing (AML, CFT and CPF) supervision and monitoring, thereby addressing the scope of coverage weaknesses identified in the 2009 and 2019 FATF mutual evaluation of South Africa.

o Amendments to the list of supervisory bodies – Schedule 2 of the FIC Act

Schedule 2 of the FIC Act was also amended with effect from 19 December 2022.

Provincial law societies, the National Gambling Board, the Independent Regulatory Board for Auditors (IRBA) were removed as supervisory bodies under Schedule 2 of the FIC Act.

In addition, the Estate Agency Affairs Board (now the Property Practitioners Regulatory Authority) and the nine provincial gambling boards were removed as supervisory bodies in terms of section 50 of the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022), effective from 31 December 2022.

As a result of these amendments the FIC will supervise and enforce FIC Act compliance for AML, CFT and CPF in respect of all the designated non-financial businesses and professions (DNFBPs), which includes legal practitioners, trust and company service providers, estate agents, gambling institutions, high-value goods dealers and South African Mint Company. In respect of the financial institutions, Postbank, credit providers and crypto asset service providers (CASPs) will also be supervised by the FIC.

The FIC intends signing MoUs and maintaining working relationships with the previous supervisory bodies for the DNFBPs. Although the supervisory bodies have been removed, these institutions are still responsible for licensing entities in terms of their respective legislative mandates and are valuable allies to the FIC.

Table 1: New supervisory model under the FIC Act

Accountable institutions		Schedule 2 supervisory bodies
Item 4:	Authorised user of an exchange	Financial Sector Conduct Authority
Item 5:	Collective investment scheme managers	
Item 12:	Financial services providers	
Item 23:	Clearing system participants	South African Reserve Bank
Item 6:	Banks	• Prudential Authority
Item 7:	Mutual banks	
Item 7A:	Co-operative banks	
Item 8:	Life insurance business	
Item 19:	Money remitters	
Item 23:	Clearing system participants	
Item 10:	Dealers in foreign exchange	• Financial Surveillance department
Item 13:	Redeemers of travellers' cheques, money orders	
Item 19:	Money remitters	
Accountable institutions		
Item 1:	Legal practitioners	The FIC supervises and enforces compliance with the FIC Act of these affected institutions that are not supervised by a supervisory body.
Item 2:	Trust and company service providers	
Item 3:	Estate agents	
Item 9:	Gambling institutions	
Item 11:	Credit providers	
Item 14:	Postbank	
Item 20:	High-value goods dealers	
Item 21:	South African Mint Company	
Item 22:	Crypto asset service providers	

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The FIC provides financial intelligence reports to law enforcement authorities and other competent authorities for use in the fight against crime and the protection of the integrity of South Africa's financial system. The FIC is guided by four strategic outcomes in its work to realise its vision, mission and values:

- Enhanced compliance with the FIC Act
- Improved production and utilisation of financial intelligence reports and services to assist in the identification and combating of crime
- Continuous improvement in the effectiveness of legal and institutional AML/CFT frameworks
- Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate.

During the 2022/23 financial year, the FIC made progress towards achieving its five-year targets in relation to the outcome indicators. The FIC continued to enhance compliance with the FIC Act through maintaining registration of accountable and reporting institutions. As at 31 March 2023, a total of 45 392 institutions were confirmed as active registrations within the ambit of the FIC Act.

A total of 3 424 intelligence reports were produced which directly contributed to the recovery of more than R5.82 billion in criminal proceeds.

To continue improving the effectiveness of the legal and institutional AML and CFT framework, the FIC participated in eight policy-making meetings at regional and inter-governmental level, two ESAAMLG and six FATF, respectively.

Contribution toward the Medium-Term Strategic Framework

The Revised Medium-Term Strategic Framework (MTSF) 2019-2024 reflects government's plan of action over the remaining term of the sixth administration. As President Ramaphosa announced during the 2022 State of the Nation Address, the focus for the 2022/23 financial year remained on stabilisation and recovery priorities as identified in 2021: Overcoming the COVID-19 pandemic, a massive rollout of infrastructure, a substantial increase in local production; an employment stimulus to create jobs and support livelihoods; the rapid expansion of energy generation capacity; and enhancing state capability to deliver, (which includes having to combat corruption and fraud).

The FIC's work contributes to three of the seven national priorities of South Africa as identified in the MTSF:

Priority 1: A capable, ethical and developmental state
Priority 6: Social cohesion and safe communities
Priority 7: A better Africa and world.

CASE STUDY

ROBBERY:
Foreign robbers stash their cash in South African bank

Working with a financial intelligence unit in a foreign jurisdiction, the FIC established that their police service was investigating multiple cases of robbery. The *modus operandi* of the robbers was to deposit the proceeds of crime into a South African bank account immediately after each robbery.

The FIC conducted enquiries with the identified bank and was able to obtain relevant accountholder details, enabling the FIC to conduct profiling and obtain the necessary address details as well as the bank balance of the questioned account.

The FIC was able to share intelligence with the foreign financial intelligence unit.

CASE STUDY

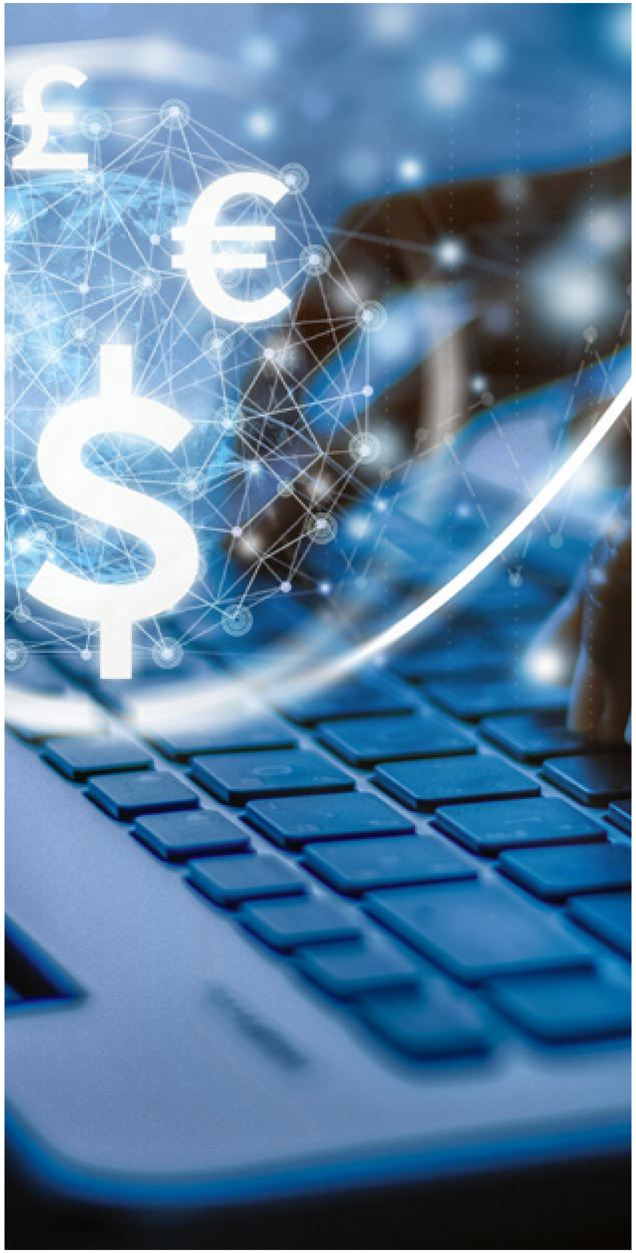
HUMAN TRAFFICKING:
Suspicious stripper activities uncovered

The FIC collaborated with the DPCI in identifying the source of payments made to multiple beneficiaries with the reference "sax slave" and "sex slave". It was alleged that the person might be involved in human trafficking.

Analysis of the person's bank statements showed receipt of multiple real-time payments, that were immediately transferred to various other beneficiaries. The payments were received from a Ukrainian foreign national, which open-source searches suggested was the spouse of the person.

The person also received crypto currency payments which are known to disguise the source of funds. Further open-source searches revealed adverse media reportage containing allegations that the person owned strip clubs in KwaZulu-Natal, where dancers (strippers) were allowed to engage in sexual activities with their clients.

The FIC disseminated proactive and reactive financial intelligence to the DPCI to investigate possible human trafficking.



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

Budget programme 1: Administration

Purpose

This budget programme provides strategic leadership and services to internal users to ensure that the organisation is managed efficiently, effectively and in an economical manner.

Strategic outputs

Administration-related objectives can be traced within the objectives and targets that are set in the other two FIC budget programmes.

Budget programme 2: Delivery of intelligence on financial crime and FIC Act-related regulatory services

This programme consists of three sub-programmes that are directly linked to strategic outcomes 1, 2 and 3.

Sub-programme 2.1: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on enhancing compliance with the FIC Act

Purpose

The sub-programme provides guidance to accountable and reporting institutions, and monitors the supervision by supervisory bodies of their responsibilities under relevant legislation. It focuses on enhancing compliance with the FIC Act through a number of key activities:

- Information gathering and reporting
- Risk-based approach to compliance management and oversight
- Carrying out of administrative activities
- Assisting in criminal prosecutions relating to non-compliance.

Strategic outputs

Sub-programme 2.1 contributes to the following institutional outcomes:

- Awareness of the FIC Act
- Supervision of the FIC Act
- Enforcement of the FIC Act.

Performance

During 2022/23, the FIC exceeded three of its targets under this sub-programme. One target was not achieved.

Highlights of the year include:

- Presenting 33 compliance awareness events that reached a total of 16 801 attendees
- Exceeding targeted number of compliance review reports issued and successfully addressing FATF-identified recommended actions
- Achieving 100 percent success rate in matters referred for administrative sanctions
- Extensive clean-up of registration data successfully implemented

Table 2: Outcomes, outputs, output indicators, targets and actual achievements of sub-programme 2.1

Delivery of intelligence on financial crime and FIC Act-related regulatory services									
Outcome	**Outputs**	**Output indicators**		**Audited actual performance 2020/21**	**Audited actual performance 2021/22**	**Planned annual target 2022/23**	**Actual achievement 2022/23**	**Deviation from planned target to actual achievements 2022/23**	**Reasons for deviations**
Enhanced compliance with the FIC Act	Awareness of the FIC Act	1.1.1	Number of compliance awareness initiatives conducted per annum	21	22	30	33	3	Target exceeded. The annual target of 30 was exceeded by 3 awareness events due to reprioritised, focused outreach through awareness to address FATF mutual evaluation identified recommended actions.
		1.1.2	Number of compliance review reports issued per annum	70	82	90	95	5	Target exceeded. 95 compliance reviews were issued exceeding the annual target of 90 due to focused, thematic reviews (RMCP analyses) in the last two quarters of the year, to address FATF-identified recommended actions.
	Supervision of the FIC Act	1.2.1	Number of FIC inspection reports issued per annum	381	404	430	402	(28)	Target not achieved. Every inspector has reached or exceeded his/her inspection targets. The resignation of the manager and inspectors within the FIC impacted the achievement of the annual target.
	Enforcement of the FIC Act	1.3.1	Percentage success rate of matters referred for administrative sanctions	100%	100%	90%	100%	10%	Target exceeded. Two matters were referred for sanctioning. Sanctions were issued on both matters, resulting in 100% (2/2) of the annual target being met.

CASE STUDY

FRAUD: Disappointment with sports field leads to discovery of fraud

There was public outcry when a sports field in the Queenstown area in the Eastern Cape was unveiled. The delivered product was visibly not aligned with the value of the tender. The matter drew significant media attention and suspicions of fraud arose.

Analysis of bank records showed that tender funds had been used as seed capital to fund other projects – to the detriment of the actual sports field project. Funds were dissipated in quick succession and the lifestyle expenses of the successful bidder were paid from the business bank accounts.

The FIC sourced the relevant information and conducted analysis into the suspicions raised, which were shared with law enforcement authorities. The successful bidder had avoided previous detection by carefully filtering his personal benefits through his business accounts.

Registration of accountable and reporting institutions

All accountable institutions (see list on page 20) must register with the FIC in terms of the FIC Act, and comply with regulatory obligations including:

- Implementing customer identification, verification and due diligence
- Appointing a compliance officer
- Training employees on FIC Act compliance and AML, CFT and CPF risk exposure
- Undertaking business risk assessments for AML, CFT and CPF
- Maintaining and implementing a risk management and compliance programme
- Filing regulatory reports relating to suspicious and unusual transactions, cash transactions exceeding the prescribed threshold and on property that is linked to sanctioned persons, terrorist activity or terrorist organisations and electronic cross-border transactions.

In the year under review, the number of institutions registered with the FIC totalled 45 392 (2021/22: 45 555). The slight decrease in the registration figures is due to an extensive clean-up of registration data, which the FIC carried out during the course of the financial year.

The clean-up entailed deregistering entities from the FIC's registration and reporting system where entities had gone out of business or had not updated their registration profiles with contactable user details, as detailed in Directive 4 of 2016.

This explains why the number of institutions registered with the FIC decreased, although legislative changes resulted in more sectors becoming accountable institutions as from 19 December 2022 (changes accountable institutions required to register with the FIC resulting from amendments to Schedule 1 and 3 of the FIC Act are outlined on page 25).

All FIC divisions were involved in the various aspects of bringing on board the additional accountable institutions as required by the amended Schedule 1. Provisions were activated, changes were communicated to all stakeholders, and ICT supporting systems and processes were implemented.

The newly added accountable institutions must register with the FIC and fulfil regulatory obligations. The regulators of the added financial service sectors i.e. the Financial Sector Conduct Authority and the South African Reserve Bank's Prudential Authority and its Financial Surveillance department, are required to regulate their sectors and ensure compliance with the provisions of the amended legislation. See Table 1 on new supervisory model.

Table 3: Institutions registered with the FIC

Schedule 1: Item number		Total registered institutions at 31 March 2022	Total registered institutions at 31 March 2023	Variance
1	Legal practitioners*	16 583	16 480	(103)
2	Trust and company service providers*	247	318	71
3	Estate agents**	10 083	9 060	(1 023)
4	Authorised users of an exchange	152	154	2
5	Unit trusts (collective investment scheme managers)	64	66	2
6	Banks	35	36	1
7	Mutual banks	5	5	0
7A	Co-operative banks*		4	4
8	Life insurance business***	160	87	(73)
9	Gambling	4 097	4 196	99
10	Foreign exchange	199	205	6
11	Credit providers	81	538	457
12	Investment advisors or intermediaries	8 922	9 233	311
13	Issuers of travellers' cheques and money orders	111	116	5
14	South African Postbank Limited	1	1	0
15****				
16****				
17****				
18****				
19	Money or value transfer services providers*	193	217	24
20	High-value goods dealers*	4 096	3 946	(150)
21	South African Mint Company*		1	1
22	Crypto asset service providers*		41	41
23	Clearing system participants*		30	30
	Voluntary disclosure reporters	34	20	(14)
	Business entity with reporting obligation in terms of section 29 of the FIC Act	493	638	145
Grand total		**45 555**	**45 392**	**(164)**

* New and/or amended items, due to amendments to Schedule 1 of the FIC Act.

** Item 3 of Schedule 1 of the FIC Act refers to estate agents. This definition of estate agents is narrower than that of property practitioners as defined in the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022.

*** Up to 19 December 2022, this sector was referred to as long-term insurers. Following the Schedule changes, it is now known as the life insurance sector.

**** Items 15 to 18 under Schedule 1 to the FIC Act were previously deleted.

Supervision and compliance inspections

The FIC and the supervisory bodies are responsible for ensuring that accountable institutions comply with the FIC Act and may conduct inspections (in terms of section 45B of the FIC Act) to assess the level of institutions' compliance.

During the 2022/23 financial year, a total of 946 compliance inspections were conducted. The supervisory bodies issued 544 inspection reports, while the FIC issued 402 inspection reports.

Many of the FIC's inspections were conducted as off-site inspections. Off-site inspections were introduced during 2021 due to the national lockdown and its accompanying restrictions at the height of the COVID-19 pandemic.

Off-site inspections proved to be as stringent and thorough as on-site inspections while offering excellent inspection coverage as well as financial savings and effective use of time.

Table 4: Ambit of FIC Act inspections

Compliance duty		Section	Regulations	Directives, guidance notes and PCCs		Administrative sanction	Criminal sanction
Customer due diligence		20A, 21, 21A to 21H	N/A	GN 7		Natural person = R5m Legal person = R10m	N/A
Record keeping		22, 22A, 23, 24	20	GN 7		Natural person = R5m Legal person = R10m	N/A
Reporting	CTR	28	22, 22B, 22C, 24	Dir 3	GN 5C		15 years or R100m
	TPR	28A	22, 22A, 23B, 23C, 24	Dir 5	GN 6A	Natural person = R5m Legal person = R10m	
	STR	29	22, 23, 23A, 24		GN 4B		
	IFTR	31	23D, 23E		Draft GN 104		
Risk management and compliance programme		42	N/A	GN 7		Natural person = R5m Legal person = R10m	N/A
Training		43	N/A	GN 7		Natural person = R5m Legal person = R10m	N/A
Governance of AML and CFT		42A	N/A	GN 7		Natural person = R5m Legal person = R10m	N/A
Registration		43B	27A	Dir 2, PCC 5D		Natural person = R5m Legal person = R10m	N/A
Targeted financial sanctions		26B	N/A	GN 6A, PCC 44, PCC 54		Natural person = R5m Legal person = R10m	15 years or R100m

Most of the inspections conducted by the FIC during 2022/23, were on sectors rated as high risk and on institutions that were previously inspected during 2020/21 and 2021/22 financial years.

The purpose of the follow-up inspections was to determine whether the institutions had improved their risk understanding and/or demonstrated a change in compliance behaviour.

Table 5: Compliance inspections by the FIC in 2022/23

Industry		Number of inspections
Item 1:	Legal practitioners	302
Item 2:	Trust companies	19
Item 3:	Estate agents	2
Item 9:	Gambling industry	18
Item 11:	Credit providers**	2
Motor vehicle dealers*		54
Kruger rand dealers*		3
Ithala SOC Limited (Bank)*		1
Ithala Development Finance Corporation Limited*		1
Total		**402**

* Inspections were conducted prior to Schedule amendments.
** Inspections of this sector were conducted prior to Schedule amendments, when the Schedule 11 item was listed as lenders against security of securities.

Table 6: Compliance inspections by supervisory bodies in 2022/23

Supervisory body		Number of inspection reports
1	South African Reserve Bank – Prudential Authority – Banks	12
2	South African Reserve Bank – Prudential Authority – Life insurers	1
3	South African Reserve Bank – Financial Surveillance department	43
4	Financial Sector Conduct Authority – Financial Service Providers Division	20
5	Financial Sector Conduct Authority – Collective Investment Schemes	0
6	Financial Sector Conduct Authority – Authorised users of an exchange	40
7	Property Practitioners Regulatory Authority	162
8	Independent Regulatory Board for Auditors	0
9	Provincial Licensing Authority: Gauteng Gambling Board	25
10	Provincial Licensing Authority: Mpumalanga Economic Regulator	18
11	Provincial Licensing Authority: Limpopo Gambling Board	0
12	Provincial Licensing Authority: Free State Gambling and Liquor Authority	6
13	Provincial Licensing Authority: KwaZulu-Natal Gambling and Betting Board	0
14	Provincial Licensing Authority: Eastern Cape Gambling and Betting Board	68
15	Provincial Licensing Authority: Western Cape Gambling and Racing Board	0
16	Provincial Licensing Authority: North West Gambling Board	148
17	Provincial Licensing Authority: Northern Cape Gambling and Racing Board	1
Total		**544**

Seventy-five percent (302 out of 402) of the FIC's compliance inspections conducted during 2022/23, focused on legal practitioners. The inspections were conducted in two ways:

- **43** — Full scope inspections, which covered all FIC Act compliance obligations
- **259** — Thematic inspections, which targeted specific areas of potential non-compliance.

Close to 21 percent of legal practitioners were compliant and required no further action. While the FIC Act inspections pointed to improvements in some aspects of compliance behaviour among the legal practitioners, it also revealed that a large proportion of them required further guidance and monitoring.

These inspections revealed non-compliance in some key areas, notably, legal practitioners struggled with conducting customer due diligence (section 21 of the FIC Act), maintaining proper records of customer due diligence (section 22 of the FIC Act), and developing and implementing RMCPs in accordance with section 42 of the FIC Act.

About 35 percent (106) of the legal practitioners inspected were referred to compliance units in the FIC for follow-up and/or assistance and guidance on complying with the FIC Act.

Nevertheless, there were some demonstrated positive changes in compliance behaviour among legal practitioners inspected. Due to the compliance concerns with the legal practitioners, they will be subjected to continuous supervision oversight.

Effective and evidenced remediation

In terms of the FATF action plans to address the deficiencies identified in the mutual evaluation of South Africa, all AML and CFT supervisory bodies including the FIC, must demonstrate that they monitor non-compliant accountable institutions and ensure that these institutions implement the prescribed remedial actions.

All AML and CFT supervisory bodies, including the FIC, must also demonstrate that sanctions issued against non-compliant accountable institutions are proportionate, dissuasive and effective. All enforcement action should aim to improve the dissuasive and deterrent effect which leads to demonstrable, positive change in compliance behaviour in their sectors.

To measure the effectiveness of remedial action and sanctions, the supervisory bodies must provide the following evidence:

- Data on remedial actions and follow-up per supervisor, per period and per deficiency identified
- Data on sanctions per supervisor (historical and current)
- Case studies that demonstrate the change in risk and compliance behaviour.

During the 2022/23 financial year, the FIC embarked on this process of following-up and measuring the effectiveness of remedial action as recommended by FATF.

The FIC prescribed remedial actions for 313 of the total 402 accountable institutions that were inspected during the year. There were no remedial actions prescribed in respect of 89 inspections, as these accountable institutions were found to be compliant.

The FIC followed up with the 313 non-compliant institutions and determined that 170 inspected entities (54 percent) changed their compliance behaviour and remediated their non-compliance.

Furthermore, a change in behaviour was also achieved through two administrative sanctions. One sanction was imposed after one of the 402 inspections conducted by the FIC in 2022/23 financial year. The other administrative sanction flowed from an inspection conducted in the previous financial year.

Going forward, the FIC will report on remediation as FATF regards it as an integral part of supervision and compliance.

CASE STUDY

FRAUD AND MONEY LAUNDERING: Scam takes travellers for a ride

An individual was implicated in a travel agency scam in South Africa. The travel agency had defrauded people of a combined amount of more than R30 million. The victims had paid for holidays that never materialised. The agency used influencers and bloggers to promote the fake holiday deals. Four hundred criminal cases were opened against the travel agency.

The FIC conducted enquiries with the banks to understand the financial footprint. Upon analysis of bank statements received, it was shown that there had been further movement of funds to another bank. This bank confirmed a positive balance in accounts, involving proceeds from the fraud.

A section 34 FIC Act intervention was issued against two bank accounts, and the FIC also deposed to an affidavit in support of a POC Act preservation order and was granted the preservation order for the full amount.

Enforcement of FIC Act and sanctions for non-compliance

Sanctions imposed

The FIC and various supervisory bodies may impose a penalty, referred to as an administrative sanction, if they find that an institution or person, with an obligation to submit regulatory reports, has not complied with the FIC Act and its directives. The sanction may include:

- A caution not to repeat the conduct that led to the non-compliance
- A reprimand
- A directive to take remedial action
- The restriction or suspension of certain business activities
- A financial penalty of up to R10 million for a natural person and R50 million for a legal person.

Funds derived from financial penalties are paid into the National Revenue Fund, as per section 45C(7)(a) of the FIC Act.

During the 2022/23 financial year, the FIC and FSCA each imposed sanctions on two institutions. The total financial penalty of the sanctions imposed by the FIC was valued at R872 388, of which R436 194 was payable and the remainder was suspended. The sanctions imposed were proportionate to the nature, seriousness and extent of the non-compliance, and took into account mitigating factors. The sanctions resulted in remediation of cash threshold transactions and a change in compliance behaviour.

Table 7: Sanctions issued by the FIC in 2022/23

Supervisory body	Name of the sanctioned institution	Nature of non-compliance	Details of the sanction
FIC	Citton Cars (Pty) Ltd	Section 28 read with Regulation 22B and 24(4) of the Money Laundering and Terrorist Financing Control Regulations – failure to report and/or timeously report 24 cash threshold transactions.	• A financial penalty of R629 508 for non-compliance with section 28 read with Regulation 22B and 24(4) of the Regulations. • R314 754 is payable, and the balance conditionally suspended for three years. • A directive to remediate the transactions as listed in Annexure B of the Notice of sanction. • A caution not to repeat the conduct that led to the non-compliance.
FIC	Southgate Wheels Auctions (Pty) Ltd	Section 28 read with Regulation 22B and 24(4) of the Money Laundering and Terrorist Financing Control Regulations – failure to report and/or timeously report 14 cash threshold transactions.	• A financial penalty of R242 880 for non-compliance with section 28 read with Regulation 22B and 24(4) of the Regulations. • A total of R121 440 is payable. The balance is conditionally suspended for three years. • A directive to remediate the transactions as listed in Annexure B of the Notice of sanction. • A caution not to repeat the conduct that led to the non-compliance.

The financial penalty of the sanctions imposed by FSCA totalled R70 000.

Table 8: Sanctions issued by FSCA in 2022/23*

Supervisory body	Name of the sanctioned institution	Nature of the non-compliance	Details of the sanction
FSCA	Robin Asset Management CC	Non-compliance with Directive 04/2016 – failed to update its registration related information with the FIC.	• A caution not to repeat the conduct which led to the non-compliance. • A financial penalty in the amount of R10 000 for non-compliance with directive 04/2016.
FSCA	Overall Financial Services CC (OFS)	Section 21(1) of the FIC Act – failure to perform customer due diligence. Section 28A read with section 26B of the FIC Act – failure to screen clients.	• A reprimand for non-compliance with section 21(1) of the FIC Act and Control Procedure 2 in its RMCP. • A financial penalty of R60 000 for non-compliance with section 28A read with section 26B of the FIC Act. • The payment of R50 000 of the total financial penalty was suspended for a period of three years on condition that OFS remains fully compliant with section 28A read with section 26B of the FIC Act.

Appeals on sanctions imposed by the FIC and supervisory bodies

Section 45E of the FIC Act establishes an appeal board to adjudicate on appeals emanating from sanctions issued by the FIC and supervisory bodies for non-compliance with the FIC Act.

During the financial year, the Appeal Board heard six appeals against sanctions imposed by the FIC (four) and the supervisory bodies (two).

Appeals on sanctions imposed by the FIC

Of the four appeals lodged against the sanctions imposed by the FIC, two were dismissed by the Appeal Board, and the Board reduced the sanction amounts in respect of the remaining two appeals. Ultimately, the FIC successfully defended all four appeals against its sanctions imposed.

Table 9: Appeals against sanctions imposed by the FIC in 2022/23

	Name of institution	Appeal Board judgment date
1	Scoin Trading (Pty) Ltd	1 April 2022
2	Brainwaves Projects 1195 Cc T/A Outeniqua Motors	22 November 2022
3	Melrose Motor Investments (Pty) Ltd	30 November 2022
4	Group Six Trust (IT26_87) t/a Audi Centre Mbombela	2 December 2022

Appeals on sanctions imposed by the supervisory bodies

The appeals against the sanctions imposed by FSCA and the PA, were settled with consent orders between the supervisory bodies and the institutions.

Table 10: Appeals against sanctions imposed by supervisory bodies in 2022/23

	Supervisory body	Name of institution	Appeal outcome
1	FSCA	Ravensberg Advisory and Consulting Services (Pty) Ltd	Appeal lodged on 2 March 2022. Appeal withdrawn on 13 May 2022.
2	SARB – PA	Nedbank	Appeal lodged on 6 April 2022. Issue settled between the parties and appeal withdrawn on 31 May 2022.

High Court appeals

Two appeals against the decisions of the Appeal Board were heard by the Pretoria High Court. Both appeals were dismissed.

Table 11: High Court appeals lodged and dismissed

	Name of the institution	Appeal Board judgment date
1	Volvo Group, Southern Africa (Pty) Ltd	14 March 2023
2	Sunward Motors (Pty) Limited	19 May 2022

ADMINISTRATIVE SANCTION UPHELD VOLVO vs FIC - CASE A277/2021 (ZAHCGD)

On 14 March 2023, a full bench handed down a decision in the Pretoria High Court in favour of the FIC in an appeal matter brought by Volvo Group, Southern Africa (Pty) Ltd (Volvo).

Volvo approached the High Court after the FIC Act Appeal Board dismissed its appeal against an administrative sanction, inclusive of a financial penalty, imposed by the FIC for non-compliance with the FIC Act.

Following an FIC Act compliance inspection of Volvo, the FIC found that between 1 April 2015 to 11 August 2018, Volvo had failed to report 208 cash transactions exceeding the threshold of R24 999.99. The unreported cash transactions amounted to R29 122 834.47. FIC In March 2020, imposed an administrative penalty of R5 824 567, as well as finding Volvo grossly negligent in regard to their non-compliance. The FIC directed Volvo to pay 30 percent of the penalty, with the balance suspended on condition that Volvo remediated within one month, the 208 cash transactions exceeding the threshold amount. Volvo failed to remediate within the time frame and lodged an appeal with the Appeal Board.

After an unsuccessful application to the Appeal Board, Volvo took their appeal to the Pretoria High Court. Volvo asserted at the High Court that they had not received physical cash payments from those who had deposited money into their account via a bank. Their High Court appeal was premised on the following grounds:

- The FIC had failed to prove that Volvo had not reported 208 cash threshold transactions. Volvo said it had failed to report 134 cash threshold transactions amounting to R20 162 644.
- The Appeal Board had erred in its finding that the FIC was not obliged to provide guidance to Volvo on how to remediate the unreported cash threshold transactions.
- That it was unjust and unreasonable for the FIC to impose the sanction, including financial penalty, where the bank, which had received Volvo's funds, had already reported on the 208 transactions. Volvo also said they were unable to decipher the information captured by the bank.
- In light of the national lockdown due to COVID-19, it was unreasonable for the FIC to expect Volvo to remediate the 208 transactions in one month.
- The Appeal Board's finding that Volvo was at fault for poor record-keeping.
- The Appeal Board erred in not requiring the FIC to prove or tabulate factors set out in section 45C of the FIC Act (the section in the FIC Act which relates to inspections) in determining the appropriate administrative sanction.

In argument at the hearing, Volvo further alleged that they were not a motor vehicle dealer as defined by the FIC Act. In addition, Volvo contended that it was not obliged to report to the FIC any cash deposited at a bank into their account. The High Court ruling in this regard has now largely settled this matter in law.

Volvo lost the appeal in the Pretoria High Court with costs. Some of the key decisions by the High Court were:

- Volvo is indeed a motor vehicle dealer in terms of the FIC Act due to the nature of its business.
- Multiple accountable institutions may have an obligation to submit cash threshold reports for the same transaction. Importantly, the High Court concluded that Volvo and the bank will individually, separately of each other report cash transactions above the threshold where both have an obligation to report.
- Volvo's submission that it did not understand its obligations were dismissed due to the various awareness campaigns conducted by the FIC and a responsibility on Volvo to acquaint itself with national legislation pertaining to the industry the motor vehicle dealer operated in.

ADMINISTRATIVE SANCTION UPHELD VOLVO vs FIC - CASE A277/2021 (ZAHCGD)

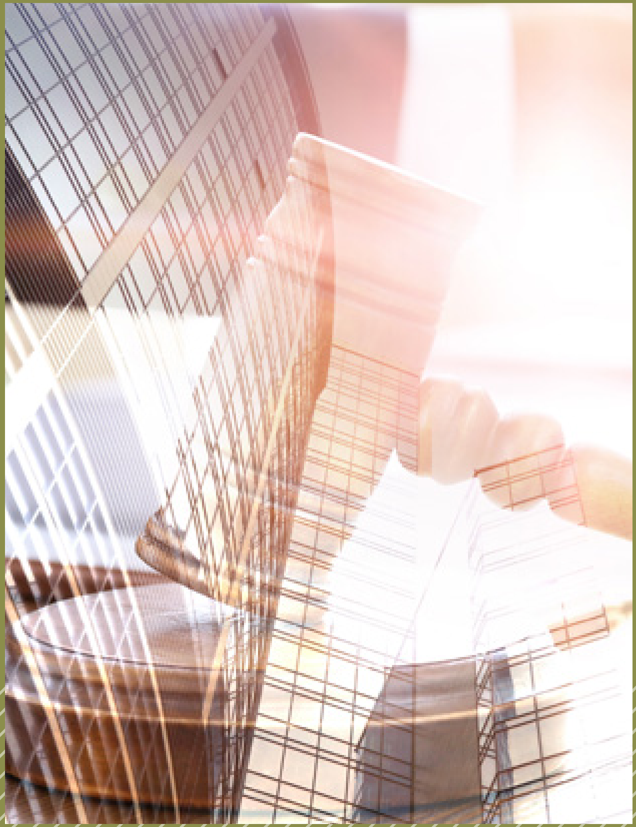
- In agreement with the Appeal Board, it is considered that even though Volvo remediated 74 reports after the first inspection, the remediation was of no consequence when the sanction and penalty was to be considered, since the FIC Act penalises non-compliance.
- The Appeal Board and the FIC had correctly defined the actions of Volvo as gross negligence, based on the facts in this matter.
- The court referred to case law, making it abundantly clear that "…no one is expected to know all of the law but people who venture into any area of the law should familiarise themselves with what the law requires".

At the time of the imposition of the financial penalty upon Volvo, motor vehicle dealers were listed in Schedule 3 of the FIC Act and their FIC Act obligations included:

- Registration with the FIC
- Reporting to the FIC of cash transactions of R24 999.99 and above
- Reporting to the FIC of suspicious and unusual transactions.

The FIC Act provides for the FIC to impose administrative sanctions under circumstances including where an institution has failed to comply with provisions of the FIC Act, registration and directives, and where there is a failure to comply with non-financial administrative sanctions imposed.

After assessment of this judgment, the FIC concluded that it could not disregard its obligation to impose administrative sanctions in order to punish non-compliance and similarly to achieve a change in compliance behaviour. Supervision is a central tenet to ensuring that institutions that are required to do so, comply and meet their FIC Act compliance obligations. This is pivotal to assisting in combating financial crime.



Regulatory reporting

Accountable and reporting institutions (identified in the FIC Act as being vulnerable to possible money laundering or financing of terrorism) submit regulatory reports to the FIC.

During the year under review, a total of 45 392 institutions, including voluntary disclosure reporters and other business entities, submitted approximately 5.3 million (2021/22: 5.12 million) regulatory reports, including:

- 4 249 189 cash threshold reports (CTRs) (2021/22: 4 589 703)
- 558 348 suspicious and unusual transaction (STRs) reports (2021/22: 533 277)
- 7 terrorist property reports (TPRs) (2021/22: 4)
- 503 062 international funds transfer reports (IFTRs), a new reporting stream started in February 2023.

The FIC interprets and analyses the information provided in the above-mentioned regulatory reports to develop financial intelligence reports. Law enforcement, prosecutors and other competent authorities use these intelligence reports for their investigations, prosecutions and applications for asset forfeiture.

Table 12: Regulatory reporting 2022/23

Schedule 1: Item no		Cash threshold and cash threshold aggregation reports*	Section 29 reports**	Terrorist property reports	Voluntary disclosure reports	International funds transfer reports	Total
1	Legal practitioners	1 796	505				2 301
2	Trust and company service providers	254	17				271
3	Estate agents***	3 802	252				4 054
4	Authorised users of an exchange	11 348	6 923				18 271
5	Unit trusts (collective investment scheme managers)	23	173				196
6	Banks	3 666 681	420 589	4		100 737	4 188 011
7	Mutual banks	25	39				64
7A	Co-operative Banks****						0
8	Life insurance business	170	402				572
9	Gambling	381 039	5 549	1			386 589
10	Foreign exchange agent or company	91 679	6 353				98 032
11	Credit providers	500	25				525
12	Investment advisors or intermediaries	7 784	30 996	2		99	38 881
13	Issuers of travellers' cheques and money orders	332	204				536
14	Postbank	12 808	23				12 831
15							
16							
17							
18							
19	Money or value transfer service providers****	57 740	65 156			402 226	525 122
20	High-value goods dealers****	12 450	19 678				32 128
21	South African Mint Company****						0
22	Crypto asset service providers****	3	151				154
23	Clearing system participants****						0
	Business entity with a reporting obligation in terms of section 29 of the FIC Act	755	1 311				2 066
	Individual reporting entity		2				2
	Voluntary disclosure reporters				4		4
	Stakeholders				14		14
Grand total		**4 249 189**	**558 348**	**7**	**18**	**503 062**	**5 310 624**

* Cash threshold aggregation reports terminated on 14 November 2022. Accountable institutions were authorised to file aggregation reports up to 13 November 2022.
** Section 29 reports include all STRs, suspicious activity reports and transactions relating to financing and suspicious financing of terrorism transactions regarding contraventions of the prohibitions relating to persons and entities identified by the UN Security Council.
*** Item 3 of Schedule of the FIC Act refers to estate agents, however, the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022, refers to property practitioners, encompassing a wider definition of property professionals and including estate agents.
**** New and/or amended items, due to amendments to Schedule 1 of the FIC Act.

REPORTING STREAM: Voluntary disclosure reporting explained

When a business or person employed by a business who is not an accountable or reporting institution listed in the FIC Act, comes across a suspicious and unusual transaction or activity, they must, in terms of their legal obligation under the FIC Act, register with the FIC and report a suspicious and unusual transaction or suspicious activity under section 29 of the FIC Act.

The voluntary disclosure regulatory reporting stream has been implemented by the FIC over the last three years to accommodate institutions that are not within the definition of a business and cannot report under section 29. Non-profit organisations are within this group. Furthermore, the Independent Regulatory Board for Auditors, which is a registered FIC stakeholder, also reports under the voluntary disclosure reporting stream.

The general public can also report suspicious and unusual transactions using this reporting stream, once they have registered with the FIC.

CASE STUDY

ILLICIT FINANCIAL FLOWS: Scheming criminal used 'mule accounts'

It was alleged that a person provided loans to South Africans in exchange for them opening bank accounts in their personal names and full access to their accounts as mule accounts for potential laundering and/or externalisation of illicit funds.

The person was linked to an illicit financial flow scheme involving multiple Chinese role players using mule accounts for suspected money laundering

Through financial intelligence, the relevant South African authorities were alerted to the participation of the person in an illicit financial flow scheme involving over R5.5 million.

Awareness initiatives to improve compliance

The FIC monitors the regulatory reports it receives from accountable institutions to ensure they are complete, accurate and submitted in the prescribed reporting periods as defined in the FIC Act.

Where regulatory reports are insufficient, incomplete or inaccurate, the FIC liaises with the relevant entities so that they can correct or submit outstanding information.

Non-compliance stems mostly from a lack of understanding of the FIC's regulatory reporting requirements. Therefore, the FIC continually engages with businesses across South Africa to ensure they understand the FIC Act's requirements and reporting obligations.

Engagements during 2022/23 included hosting awareness webinars, participating in events hosted by other institutions, providing compliance contact centre communication, publishing media releases, issuing guidance documents, and conducting compliance reviews.

Compliance awareness sessions

The FIC hosted 33 awareness sessions via webinar, exceeding the strategic target by three events. The webinars were attended by 16 801 people, which is more than double the number that attended in the previous year (2021/22: 7 102).

The FIC moved from face-to-face events to online webinars during the peak of COVID-19 pandemic. Webinars enable the FIC to extend its reach while saving costs related to venue hire, transport, hospitality and other logistical arrangements.

The awareness webinars hosted during 2022/23 were mainly aimed at DNFBPs to address the shortcomings that were identified in the mutual evaluation of South Africa. The focus was on improving the understanding of the risk-based approach, identification of money laundering and terrorist financing risks, and targeted financial sanctions as well as unpacking new guidance products issued by the FIC.

The FATF mutual evaluation report of South Africa that was published in October 2021 cited a lack of understanding among accountable institutions, particularly among DNFBPs, of their money laundering and terrorist financing risks. The report specifically stated that DNFBPs should refine and implement RMCPs to mitigate their money laundering and terrorist financing risks.

During the financial year, the FIC continued with the process of analysing RMCPs of the larger DNFBP institutions and where necessary, recommended improvements to these documents.

The FIC also participated in 18 awareness sessions hosted by other institutions. During these sessions, the FIC presented on money laundering and terrorist financing risks and compliance matters, FIC Act compliance supervision, industry bodies, higher learning institutions, banking, and gambling institutions.

Media articles

The FIC published 21 media articles on topics including regulatory reporting, management of money laundering (ML) and terrorist financing (TF) risks and general compliance with the FIC Act.

Compliance contact centre advice and guidance

Through its compliance contact centre, the FIC provides advice and guidance on aspects such as registration with the FIC and interpretation of the FIC Act. The service is aimed at improving compliance and awareness, but it also helps the FIC to understand the needs, challenges and concerns that institutions may have regarding compliance. The FIC can then respond accordingly. The requested information and advice also provides insight to the FIC on which guidance publications and topics to focus on during awareness events.

During 2022/23, the FIC responded to 3 942 (2021/22: 4 251) written and 10 256 (2021/22: 12 013) telephonic queries.

Webinars for non-profit organisations

FATF has identified non-profit organisations (NPOs) as being susceptible to being abused by criminals for financing of terrorism and/or money laundering purposes.

The FIC collaborated with the Department of Social Development (DSD) in delivering eight awareness webinars to DSD employees and NPOs on ML and TF risks, and how to prevent them falling prey to ML, TF and other financial crimes.

Guidance products

The FIC develops guidance products that provide practical information on complying with the FIC Act, improve understanding and application of a risk-based approach. Draft versions of the guidance products are published so that accountable institutions, supervisory bodies, and other affected entities can provide feedback.

The comments received are carefully considered and the guidance products updated where necessary before being finalised.

During 2022/23, the FIC prepared and released a total of 19 guidance products for consultation. Nine of these products completed the consultation process and were issued as final guidance products.

Table 13: Guidance products issued in 2022/23

	Guidance and Directives issued	Topic
	Published as final guidance products	
1	Guidance Note on risk management and compliance programme for DNFBPs.	To provide guidance to designated non-financial businesses and professions (DNFBPs) regarding their obligations to document their RMCP, and to provide a suggested template to assist these entities.
2	PCC 54 (previously draft PCC 115) on combating proliferation financing.	To provide guidance on the combating of proliferation financing. Raising of risk awareness regarding proliferation financing.
3	Guidance Note 5C on cash threshold reporting in terms of section 28 of the FIC Act.	To provide guidance on the cash threshold reporting obligation as it applies to accountable and reporting institutions.
4	PCC 56 (previously draft PCC 117) on the interpretation of property practitioner for purposes of application of the FIC Act.	To provide guidance to property practitioners on which persons are regarded as estate agents in terms of Schedule 1 of the FIC Act.
5	PCC 22A (previously draft PCC 22A) providing an update to withdrawn PCC 22 on CDD in relation to international privacy and data protection laws.	To clarify the compliance obligations of accountable institutions when dealing with clients resident in a foreign country who refuse to provide identification and verification information based on international or foreign privacy or data protection laws.
6	PCC 55 (formerly Draft PCC 116) on screening of employees.	To provide guidance to the accountable institutions on the screening employees for competence, integrity and against targeted financial sanctions.
	Published as final Directives	
7	Directive 6 on the risk and compliance return.	To direct accountable institutions, where the FIC is responsible for supervisory oversight, to submit an annual compliance return to the FIC.
8	Directive 7 on the risk and compliance return.	To direct accountable institutions, where the FIC is responsible for supervisory oversight, to submit an annual compliance return to the FIC.
9	Directive 8 on screening of employees.	To require accountable institutions to screen employees for competence, integrity and against targeted financial sanctions.

Table 13: Guidance products issued in 2022/23 (continued)

	Guidance and Directives issued	Topic
	Consultation completed, final publication pending as at 31 March 2023	
10	PCC 7A Chapter 4 on the risk management and compliance programme.	To provide guidance to accountable institutions on the development of an apex risk management and compliance programme.
11	Draft Guidance Note 102A on SARB EFT Directive 1 of 2022.	To provide guidance to relevant reporting entities in the application of the SARB EFT Directive 1 of 2022; in collaboration with National Payment System department of the SARB.
12	Draft PCC 119 on the new Schedule 1 item 20 – referred to as high value goods dealers.	To provide guidance on the interpretation of HVGDs and the ML, TF and PF risks associated with high value goods dealers.
13	Draft PCC 118 on the new Schedule 1 item 19 – referred to as money value transfer service providers (MVTS).	To provide guidance on the interpretation of MVTS and the ML, TF and PF risks associated with MVTS.
14	Draft PCC 120 on the new Schedule 1 item 22 – referred to as crypto asset service providers.	To provide guidance on the interpretation of CASPs and the ML, TF and PF risks associated with crypto asset service providers.
15	Draft PCC 6A on the new Schedule 1 item 2 – referred to as trust and company service providers (TCSPs).	To provide guidance on the interpretation of TCSP, and the ML, TF and PF risks associated with trust and company service providers.
16	Draft PCC 23A on the new Schedule 1 item 11 – referred to as credit providers.	To provide guidance on the interpretation of credit providers, and the ML, TF and PF risks associated with credit providers.
17	Draft PCC 47A on the new Schedule 1 item 1 – referred to as legal practitioners.	To provide guidance on the interpretation of legal practitioner, and the ML, TF and PF risks associated with legal practitioner.
18	Draft PCC 5D on the registration of accountable institutions.	To provide guidance on the registration of accountable institutions.
19	Draft Guidance Note 104A on international funds transfer reporting.	To provide guidance on IFTR (Section 31 of the FIC Act reporting requirement).

Compliance reviews

Compliance reviews are conducive to open and constructive engagement between the FIC and accountable institutions. During reviews, the FIC can strengthen its relationships with these institutions and remediate compliance deficiencies identified during inspections, reporting and registration.

Reviews also provide an opportunity for the FIC to increase institutions' awareness of their FIC Act obligations and to assist them, first hand, with improving the quality and quantity of regulatory reports they submit. During the year under review, the FIC conducted a total of 95 compliance reviews. As in the previous financial year, reviews were conducted through virtual meetings.

When selecting an institution or a group of institutions to be reviewed, the FIC takes into consideration the potential impact of such a review on improved compliance and reporting. The selection criteria for compliance reviews include factors such as the ML and TF risks in the sector, reporting inefficiencies or queries received through the public query process by the specific institution or in general by institutions within the sector.

Compliance reviews differ from inspections in these ways:

- Compliance reviews are not conducted under section 45B of the FIC, which governs the inspection regime for the FIC.
- FIC officials who conduct compliance reviews are not formally appointed as inspectors.
- The purpose of compliance reviews is not to test compliance but rather, to increase awareness and improve compliance through open, constructive engagement.
- Compliance requirements are explained and the institution's specific challenges (including its reporting history), are discussed during a review.

The FIC also makes use of a risk matrix when selecting certain institutions for conducting compliance reviews. The risk matrix is used to rate the institution in accordance with its risks related to ML and TF. It includes risk factors such as media coverage, the risk rating of the sector, the institutional type and compliance with the registration and reporting requirements.

During a compliance review, FIC officials may discuss compliance obligations such as customer identification, the requirements of an RMCP, registration, and reporting. After the review, the FIC completes a compliance review report and sends it to the reviewed institution. Where relevant, such a report contains recommendations for improving compliance.

From the compliance reviews conducted, it is evident that smaller accountable and reporting institutions continued to experience challenges which results in compliance failures, with some of the requirements that were introduced in the FIC Act in 2017, such as the development of an RMCP and the application of a risk-based approach in complying with the FIC Act.

To address the areas of non-compliance, as well as the shortcomings identified by the FATF mutual evaluation assessors, the FIC has requested all registered institutions to update their RMCPs to demonstrate an improved understanding of the ML and TF risks they face. The FIC also issued a communiqué providing guidance on the drafting of RMCPs by smaller institutions.

The most **common areas of non-compliance** that institutions need to address:

- Failing to rate clients regarding the risk of money laundering and financing of terrorism.
- Failing to draft an RMCP that complies with section 42 of the FIC Act.

Risk management and compliance programme

The FIC Act requires all accountable institutions to have in place a risk management and compliance programme (RMCP) in terms of section 42, which came into effect on 2 October 2017 and was amended in 2022.

What is an RMCP?

An RMCP is a documented plan that sets out how an accountable institution will deal with risks associated with money laundering and financing of terrorism in their institution. An institution's RMCP must contain policy documents, and detail all the processes, systems and controls used for aspects such as customer due diligence (identification and verification of clients), record keeping, reporting, how the risk-based approach will be applied and how employees will be trained accordingly. This applies to an institution's branches and subsidiaries. Institutions are also required to have adequate safeguards to protect the confidentiality of information exchanged.

Who must have an RMCP?

All accountable institutions as listed in Schedule 1 of FIC Act.

Why an RMCP is necessary

It is a legislative requirement that accountable institutions understand their exposure to ML and TF risks. An RMCP assists accountable institutions in identifying and assessing these risks in order to protect and maintain the integrity of their business and the integrity of the financial system of South Africa. Accountable institutions must provide copies of their RMCP, if requested to do so, to supervisory bodies such as the FIC and FSCA. Non-compliance could result in an administrative sanction, which may include a financial penalty.

Table 14: Compliance reviews conducted during 2022/23

Sector		Number of reviews
Item 1:	Legal practitioners	26
Item 2:	Trust and company service providers	2
Item 3:	Estate agents*	33
Item 9:	Gambling institutions	8
Item 11:	Credit providers	1
Kruger rand dealers**		9
Motor vehicle dealers**		16
Grand total		**95**

* Item 3 of Schedule of the FIC Act refers to estate agents, however, the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022, refers to property practitioners, encompassing a wider definition of property professionals and including estate agents.

** Following Schedule changes, now included in Item 20 in Schedule 1 in the FIC Act and listed as high-value goods dealers.

CASE STUDY

FRAUD AND CORRUPTION: Payment for goods that never arrived

Suspicion of corruption was raised when a member of a government department, who chaired that department's procurement committee, did not follow the correct procurement procedures.

It was found that the member submitted fraudulent invoices to the procurement department for payment of goods to be delivered to the government department. An accomplice (working in goods reception) falsified and signed delivery notes for the goods – which were never delivered.

Analysis of the relevant bank account noted that the funds were used and/or dissipated in quick succession after receipt. The FIC sourced all related information and conducted analysis into the suspicions raised. It was discovered that no STRs were filed on the account because it seemed as if the subject was receiving funds owing in the normal course of conducting business.

CASE STUDY

THEFT: Analysis reveals millions stolen from traditional council's account

Collaborating with the Asset Forfeiture Unit (AFU), the FIC received an affidavit of the administrator of a traditional council, wherein it was stated that a director of the traditional council was making payments to various entities from the council's account without authority to do so – including an unexplained investment of R7 million.

It was further stated in the affidavit that there was a High Court order interdicting the director from interfering with the duties of the deposing administrator or opening any accounts on the council's behalf. That did not, however, stop the director from opening accounts, with an amount of R10 million received into one of them, from which he made unauthorised payments, including the queried unexplained investment of R7 million.

Sub-programme 2.2: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on the improved production and utilisation of financial intelligence products

Purpose

The sub-programme is primarily mandated to produce financial intelligence that typically:

- Identifies crimes and perpetrators
- Identifies assets derived from proceeds of crime
- Provides operational intelligence that assists in decision-making and planning on topical or defined issues
- Provides strategic intelligence that contributes to shaping policy and positions.

This sub-programme provides unique intelligence-based services that entail the analysis, interpretation, and representation of financial information in a manner that can be converted into evidence by law enforcement and prosecutorial services. These services are performed to support law enforcement authorities' efforts to prove crime and involve in-depth planning and coordination. The sub-programme gathers and receives information internationally through a network of foreign information sources including financial intelligence units.

Strategic outputs

Sub-programme 2.2 contributes to the following institutional outcomes:

- Financial intelligence reports (i.e. proactive and reactive reports issued to stakeholders)
- Stakeholder engagements to improve the understanding and utilisation of FIC products and/or services
- Blocked funds involving crime and terrorism.

Performance

During 2022/23, the FIC excelled in this sub-programme, exceeding five and meeting one of its targets.

Highlights of the year include:

- Producing 2 393 reactive intelligence reports and 976 proactive reports of which 144 were high priority, plus a further 55 reports on illicit financial flows – 3 424 in total
- Contributing to the recovery of over R5.82 billion in criminal proceeds
- Blocking R92.2 million (in terms of section 34 of the FIC Act) as suspected proceeds of crime
- Holding 54 engagements (against a target of 30) to improve the understanding and utilisation of FIC intelligence reports
- Networking with stakeholders, various entities and financial information sharing partnerships such as SAMLIT and the Fusion Centre that led to positive results as evidenced by the case studies

Table 15: Outcomes, outputs, output indicators, targets and actual achievements of sub-programme 2.2

Delivery of intelligence on financial crime and FIC act-related regulatory services									
Outcome	Outputs	Output indicators		Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Improved production and utilisation of financial intelligence reports and services to assist in the identification and combating of crime	Financial intelligence reports	2.1.1	Number of proactive high-priority financial intelligence reports issued to stakeholders per annum	52	131	65	144	79	Target exceeded. More than anticipated high-priority matters identified and shared.
		2.1.2	Number of proactive medium to lower priority financial intelligence reports issued to stakeholders per annum	1 074	651	600	832	232	Target exceeded. More than anticipated medium to lower-priority matters were identified and shared.
		2.1.3	Percentage of reactive financial intelligence reports issued to stakeholders	134%	143%	100% responded to subject to an annual maximum of 1 650	145%	45%	Target exceeded. Addressed as many requests as possible. Next financial year, the target will be increased. Noting that the annual max was reached therefore YTD: 2 393/1650 = 145%
		2.1.4	Number of high priority financial intelligence reports issued to stakeholders on illicit financial flows per annum[2]	N/A	32	20	55	35	Target exceeded. More than anticipated matters were identified and shared
	Stakeholder engagements to improve the understanding and utilisation of FIC products and/or services	2.2.1	Number of conducted stakeholder engagements to improve the understanding and utilisation of FIC products and/ or services per annum	46	48	30	54	24	Target exceeded. Additional opportunities materialised.
	Blocked funds involving crime and terrorism	2.3.1	Percentage response to requests to block funds	100%	100%	100%	100%	None	Target exceeded. 100% = (77/77)

[2] All financial intelligence reports issued to stakeholders on illicit financial flows will be regarded as high priority matters and will be accounted for separately.

CASE STUDY

FRAUD: Recipient of mistaken bank payment attempts to keep money

The AFU enlisted the help of the FIC regarding a case opened with the SAPS by an individual. The individual had accidentally transferred money to a wrong beneficiary.

After realising his mistake, he called the wrong beneficiary on her mobile number informing her of his mistake, whereupon she agreed to meet but never did. The complainant alleges that he made several calls to her, which were unsuccessful whereafter she switched off her phone. This led him to believe that the beneficiary was intent on keeping the money.

The FIC issued a section 27 request to a bank to obtain the cell number, thus establishing the account holder and confirming the link to the transaction.

Part of the funds of the infracted transaction had been dissipated by an internal transfer and three cash withdrawals. The remaining balance was secured and placed on hold pending a directive to be issued on the account, which was subsequently done.

Producing crucial financial intelligence

The FIC interprets and analyses information provided by accountable and reporting institutions to develop various financial intelligence reports.

These intelligence reports are used by law enforcement, prosecutors and other competent authorities in their investigations, prosecutions and applications for asset forfeiture. The FIC does not itself conduct investigations.

In the production of proactive financial intelligence reports, the FIC prioritises work according to factors such as the type of crime, monetary value involved, the profile of the alleged perpetrator and that of the victim, actions required by the FIC and public interest.

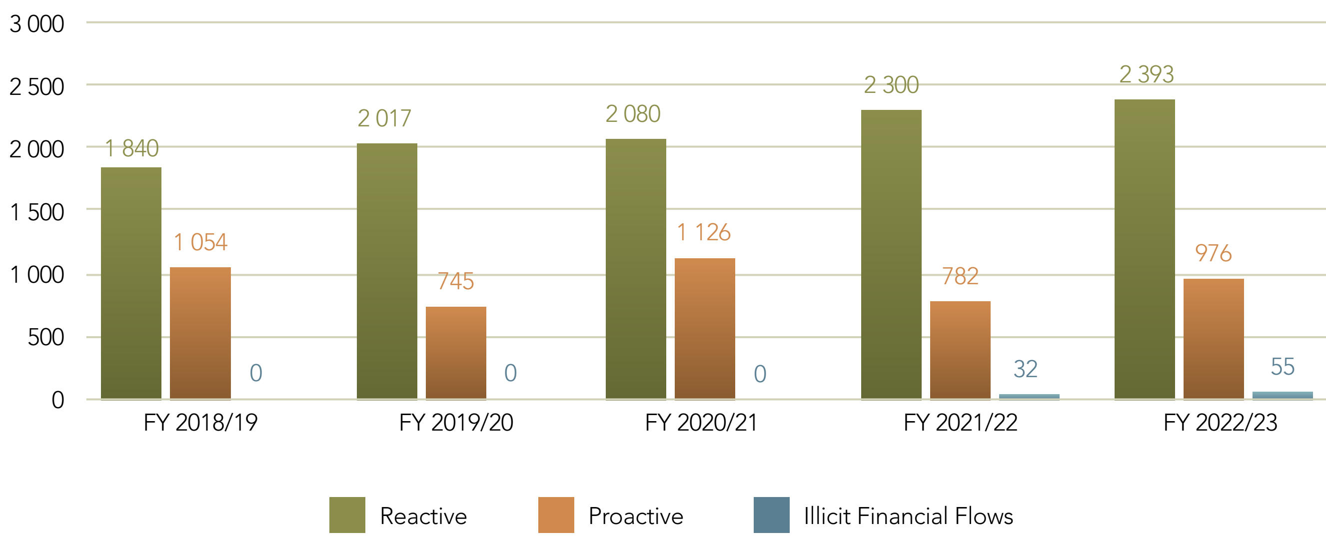
Prioritisation makes a positive impact on successes relating to high priority cases as complex intelligence matters require substantially more input and more time. Categorisation is split into (a) high priority and (b) medium to low priority matters.

During the 2022/23 financial year, the FIC produced 2 393 financial intelligence reports on request from law enforcement and other competent authority partners. Requested reports are called reactive reports.

The FIC also took the initiative to produce financial intelligence reports, without being requested, where it detected potential illicit activities. These are called proactive reports and they are crucial in identifying high priority strategic issues in the country. The FIC compiled 976 proactive financial intelligence reports, of which 144 were high priority. Fifty-five of the total number of reports of 3 424 focused specifically on proactive and reactive matters related to illicit financial flows. These reports were provided to law enforcement and other authorities in the criminal justice system for investigation.

Figure 2: Producing financial intelligence reports

Figure 3: Proactive and reactive financial intelligence reports produced 2018/19 to 2022/23



Throughout the year under review, the FIC continued with analysis of CTR data to decipher underlying crime patterns and trends, possible cash-intensive syndicates and/or cash-related financial crime concerns and indicators that could be proactively probed.

Many criminals prefer to use cash as it leaves little to no audit trail. It is therefore important for authorities to know what money is circulating within the country. The FIC's data technologists work at identifying outliers in CTRs and matching them with STRs. Such analysis may assist law enforcement authorities to draw conclusions and set operational priorities regarding ML and TF.

The FIC uses international funds transfer reports (IFTRS) as essential tools for monitoring and analysing the electronic cross-border movement of funds. This reporting stream came into effect early in 2023 and enhances the FIC's ability to detect and disrupt illicit cross-border financial activities.

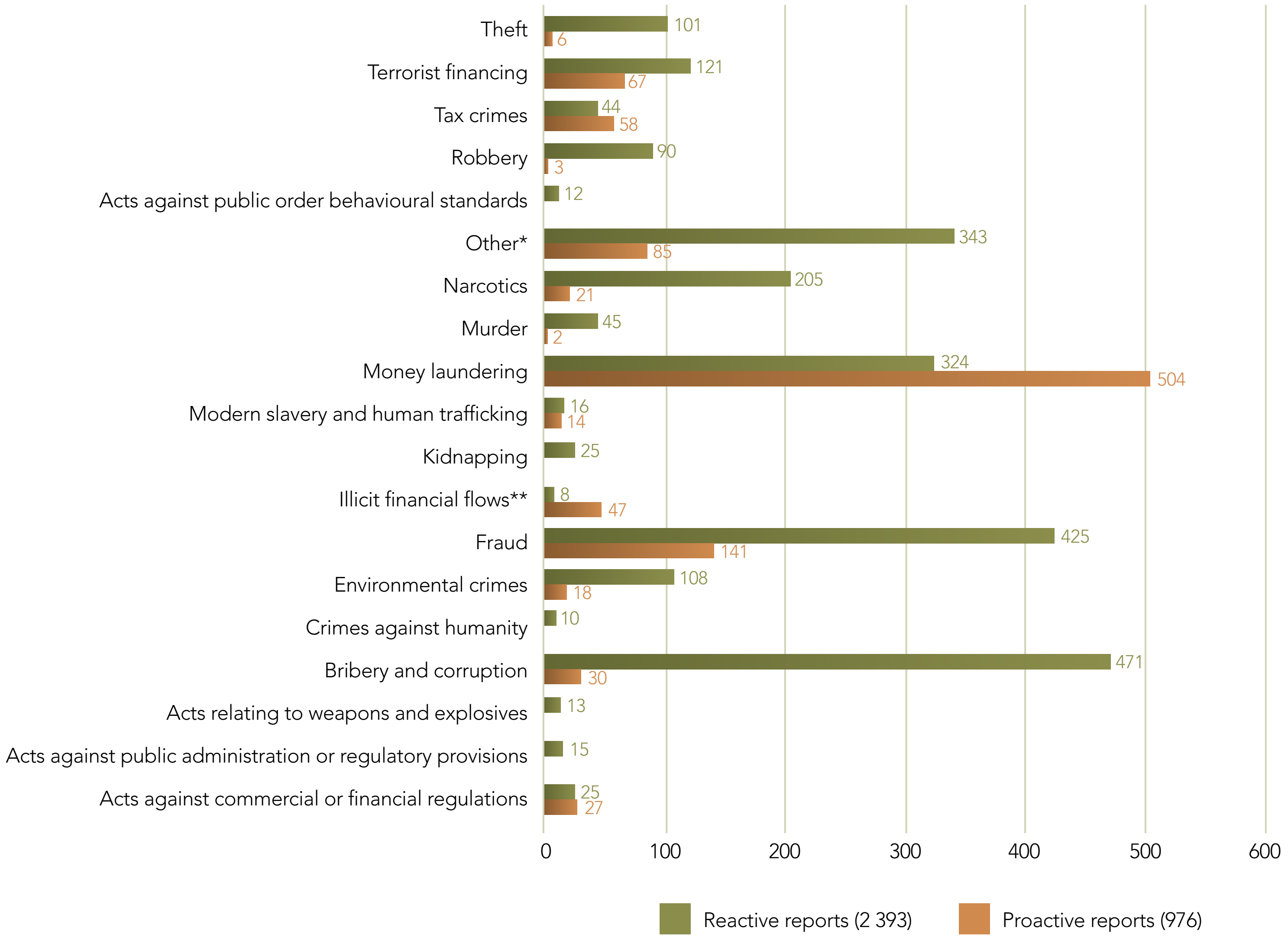
The significance of international funds transfer reports

International funds transfer reports (IFTRs) play a significant role in providing valuable insights into the movement of money across borders. These reports, which track and document electronic international fund transfers, can greatly enhance the quality of intelligence reports by contributing to a better understanding of financial flows and potentially enriching the intelligence analysis. This reporting stream adds value by assisting in:

- **Detecting suspicious transactions:** IFTRs help to identify transactions that may be linked to illicit activities such as money laundering, terrorism financing, or other forms of financial crime. By analysing these reports, the FIC can gain insights into the patterns, volumes, and destinations of cross-border funds, which can aid in identifying individuals or organisations involved in illegal activities.
- **Identifying networks and connections:** Through the analysis of IFTRs, the FIC's analysts can uncover connections between different entities, individuals, or groups operating across borders. By mapping out the financial relationships, they can identify networks involved in illegal activities, track the movement of funds between related parties, and gain a deeper understanding of the structure and hierarchy of these networks.
- **Monitoring threat financing:** IFTRs help the FIC to track the financing of potential threats, including terrorism and organised crime. The FIC's analysts can identify suspicious transactions or patterns of funding that may be associated with these crimes. This information can then be used by authorities to disrupt the flow of funds, investigate the individuals or groups involved, and prevent further illegal activities.
- **Economic and financial intelligence:** The analysis of IFTRs can provide valuable economic and financial intelligence. By studying the volume and direction of cross-border fund flows, the FIC can gather information on economic trends, investment patterns, capital flight, and emerging markets. This intelligence can inform policymakers, aid in economic forecasting, and contribute to a more comprehensive understanding of global financial dynamics.
- **Collaboration and information sharing:** IFTRs facilitate collaboration and information sharing between intelligence agencies, financial institutions, and regulatory bodies. By sharing these reports, relevant stakeholders can exchange knowledge, expertise, and insights, leading to a more coordinated and effective response to financial crimes and threats.

Note that while IFTRs are valuable sources of information, they should be complemented with other intelligence sources, financial reports and analytical techniques to ensure a comprehensive view of the financial landscape and potential threats.

Figure 4: Proactive and reactive financial intelligence reports produced by crime type in 2022/23



* Other includes crime types such as rape, assault, blackmail, extortion, as well as crime-related queries, surveys, due diligence requests and questionnaires.

** Illicit Financial Flows reports (55)

Most of the intelligence reports produced in 2022/23 related to money laundering, fraud and bribery and corruption. The figures shown in the tables below demonstrate how the FIC's intelligence reports have led to the recovery of monies and assets, and to bringing criminals to justice. Proceeds of crime recovered in cases where the FIC provided financial intelligence totalled R5.82 billion (2021/22: R5 billion). It is important to note, though, that the FIC has no control over the total sum of recoveries as the value of recovery depends on the facts associated with each criminal matter.

Figure 5: Value of suspected crime proceeds frozen in terms of section 34 of the FIC Act

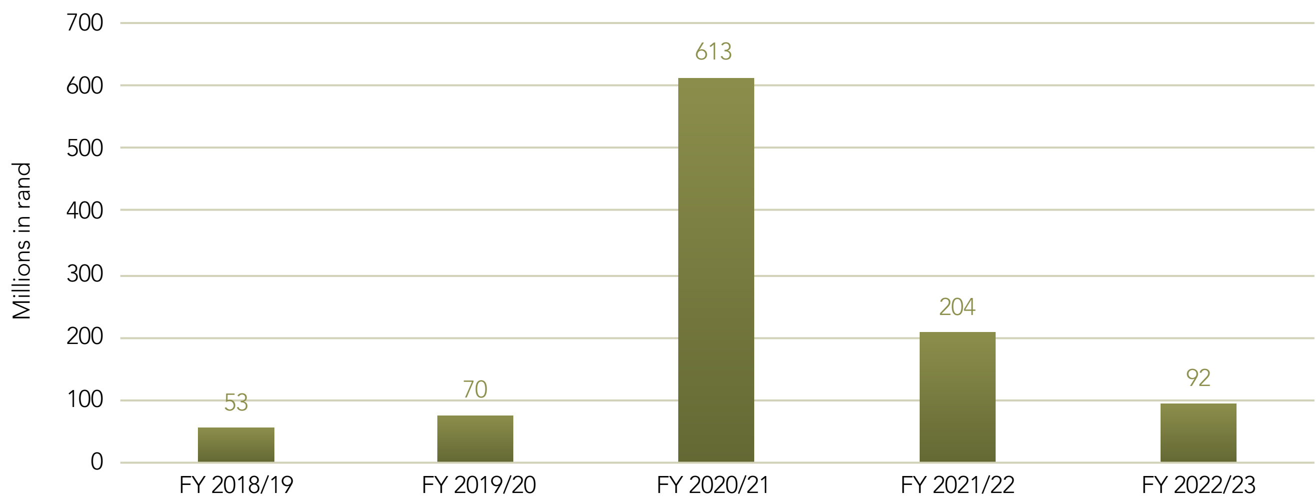


Figure 6: Value of the proceeds of crime recovered in cases where the FIC provided intelligence

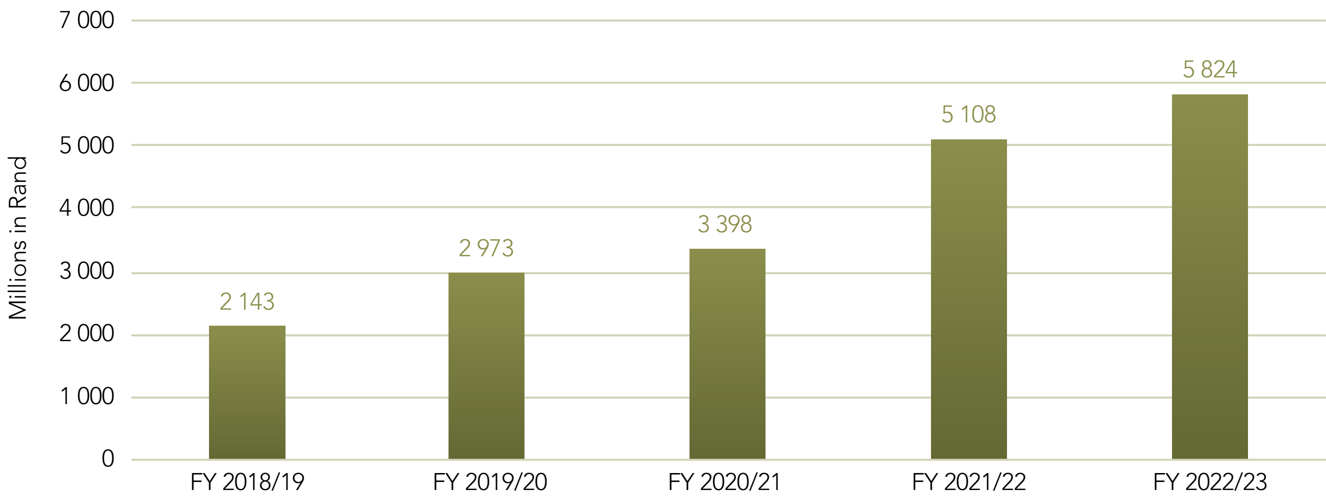
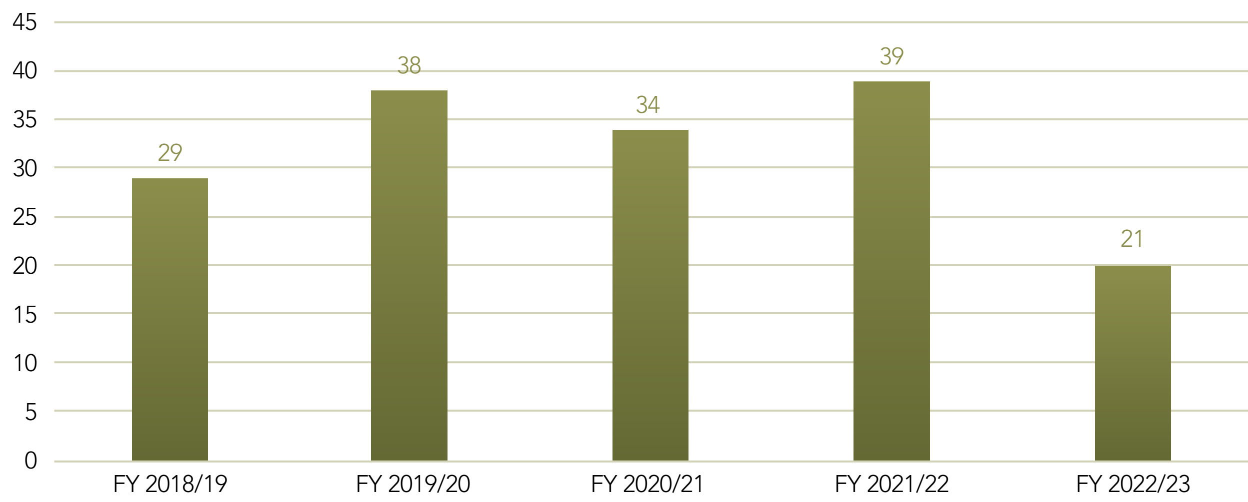


Figure 7: The FIC's contribution to prosecutions (number of court affidavits produced)



Blocking / freezing funds

The FIC has the power to block or freeze funds that are suspected to be the proceeds of crime. It can use a section 34 directive to instruct an institution not to proceed with a transaction for a period not longer than 10 days (in calculating the 10 days Saturdays, Sundays and proclaimed public holidays must not be taken into account). This allows the FIC to make the necessary enquiries concerning the transactions and, where necessary, to inform and advise an investigating authority or the National Director of Public Prosecutions.

The FIC also shares this information with the AFU, which can seize and take control of the funds if necessary. During 2022/23, the FIC blocked R92.2 million as suspected proceeds of crime. During the financial year, the FIC issued 100 section 34 directives.

Section 27A of the FIC Act

Section 27A of the FIC Act, introduced in amendments to the FIC Act in 2017, authorises a representative of the FIC to access records kept by or on behalf of an accountable institution in terms of sections 22, 22A or 24 of the FIC Act, on authority of a warrant issued by a magistrate or judge.

The FIC Act authorises the FIC to gain lawful access to financial records of identified pyramid and Ponzi schemes via a warrant. The AFU may use this evidence to apply for the preservation of the schemes' proceeds. The SAPS can use the evidence to investigate, arrest and charge perpetrators.

Public-public collaboration and public-private partnership

An integrated, collaborative approach to the gathering of information and data, and sharing of intelligence is key to safeguarding the country's financial system.

Therefore, two national initiatives were launched in 2019/20 to forge beneficial relationships between multi-disciplinary role players and to improve the use of financial intelligence.

The initiatives are namely the SAMLIT and the Fusion Centre. They focus on the timeous sharing of financial and other information to expedite the prevention, detection, investigation and resolution of criminal matters. Central to both initiatives is the effective use of financial intelligence provided by the FIC.

South African Anti-Money Laundering Integrated Task Force

Establishment and membership

Established in December 2019 by the FIC, SAMLIT is a public-private financial information sharing partnership involving 26 domestic and international banks registered in South Africa, the South African Banking Risk Information Centre (SABRIC) and The Banking Association South Africa (BASA). The regulatory authority members include the FIC, and SARB's Prudential Authority and the Financial Surveillance department.

Purpose

SAMLIT's formation has been in step with the approach taken by financial intelligence units across the globe. This entails creating financial information sharing partnerships with the private sector, thereby building trust and enhancing the fight against financial crime. This partnership is geared towards improving the quality of reported information exchanged between the public-private partners.

SAMLIT's steering committee, which is chaired by the Director of the FIC, oversees the implementation of partnership's strategic objectives and operational priorities.

SAMLIT operational arrangements

For the sake of speed and efficiency, various small, specialised groups were created to operationalise the work within SAMLIT, namely expert working groups and tactical operations groups.

1

Expert working groups

SAMLIT expert working groups (EWGs) conduct research on various crime types with a view to increasing knowledge and understanding on modes criminals use in the transaction environment. The EWGs develop indicators that the banking system can use in helping to identify criminal behaviour and activity.

During the financial year, expert working groups on illegal wildlife trade, corruption, modern slavery and human trafficking and terrorist financing were under way. The expert working group on modern slavery and human trafficking released its research report on the subject in this financial year.

EWG on illegal wildlife trade: Vietnam follows SAMLIT's EWG methodology

During the reporting period, the Wildlife Conservation Society of Vietnam invited a South African delegation and a representative of United for Wildlife of the United Kingdom to attend meetings with Vietnamese law enforcement, judicial agencies, and financial sector representatives.

The purpose of the visit was to discuss the seriousness and financial risks of illegal wildlife trade (IWT) and the usefulness of a public-private partnership in preventing money laundering related to illegal wildlife trading.

The Wildlife Conservation Society regards SAMLIT leading the way internationally in public-private partnerships to combat serious organised crime and money laundering. Because of their high regard for SAMLIT, the Vietnamese team requested the South African delegation to provide information on how SAMLIT worked and how it was contributing to effectiveness of outcomes in combating IWT.

The Wildlife Conservation Society partnered with several other Vietnam authorities to conduct an IWT risk assessment. Of importance was that the risk assessment leaned heavily on the methodology used by the SAMLIT IWT EWG. The Vietnam authorities translated into Vietnamese the EWG's 2021/22 report entitled: *Financial Flows Associated with Illegal Wildlife Trade in South Africa,* for distribution to their relevant authorities.

DPCI and the FIC have since fostered good working relations with the authorities in Vietnam which will enhance financial intelligence sharing and investigations.

EWG on financing of terrorism: Second report in the pipeline

Initially, this EWG focused on the 2019 insurgency in the Cabo Delgado province in northern Mozambique, looking at various factors and threats, especially cross-border flow of funds that could be in support of the insurgency.

Non-traditional funding mechanisms are often exploited by terrorists to circumvent the banking system, for example Hawalas, money remittances and crypto currencies.

The EWG published its first research report in 2020. It provided recommendations for financial institutions to enhance their control environments by screening clients against sanctions lists, giving frontline employees exposure to the FIC's training material to help detect activities related to the financing of terrorism and other methods.

The EWG is working on a second research report. Due to the increasing threat of terrorist financing globally, the EWG expanded its scope to similarly identify threats and vulnerabilities within the South African context.

The second report by the EWG will contain recommendations that will address matters related to FATF grey listing, as well as a financing of terrorism risk assessment framework.

2

Tactical operations groups

The role of tactical operations (TOGs) groups is to deal with unfolding crime swiftly and strategically. TOGs provide a platform upon which to draw in members on a case-by-case basis. The TOGs address specific financial crime investigations and are initiated by the FIC or at the request of SAMLIT members. Where cases are identified, SAMLIT members are able to quickly identify and share detail with the FIC, which can be analysed and passed on to law enforcement authorities. A comprehensive set of criteria has been developed to guide the selection and approval of the TOGs. At its core, matters selected to be addressed in the TOGs must be complex crimes that generate proceeds of crime and include elements of money laundering.

During 2022/23, there were 25 TOGs in operation supporting investigations through the provision of financial intelligence on cases related to illegal wildlife trade, terrorist financing, procurement fraud and corruption related to COVID-19, fraudulent financial schemes, state capture, illicit financial flows, tax refund fraud and kidnappings. Notable successes achieved in the financial year include those captured in case studies in this report.

EWG on narcotics: Financial flows associated with serious narcotics and drugs crimes

A UN research report estimates that globally, about 200 million people use cannabis and about 20 million people use cocaine, representing 4 and 0.4 percent of the global population respectively.

South Africa, like many countries in the world, experiences a high rate of narcotic consumption. According to the South African Drug Master Plan, the types of illicit drugs consumed in this country show similarities to the global picture. The Master Plan lists the use of cannabis, methaqualone (Mandrax), nyaope or whoonga (heroin and cannabis mix) and methamphetamine (tik) as the drugs most used.

Given the seriousness of the problem, the narcotics trade is regarded as a national priority crime in South Africa. There is a recognition that South Africa is used for the transhipment, production, and consumption of narcotics. It is therefore important to develop a better understanding on the financial flows associated with this predicate offence, to help deal with this crime.

With the aid of local law enforcement authorities, SARS, INTERPOL, the FIC and several accountable institutions, information and intelligence at both theoretical and operational levels has been gathered and shared. The first report on the topic is being finalised.

There are efforts to continue engaging with global bodies to:

a) Increase knowledge among financial institutions, law enforcement and prosecuting authorities about the financial flows linked with serious narcotics crimes

b) Assist financial institutions in building typologies and indicators regarding financial flows that may be associated with serious narcotics crimes

c) Encourage the prosecution of money laundering offences associated with serious narcotics predicate crimes where such evidence is available.

EWG on modern slavery and human trafficking: Research report published

In partnership with Refinitiv, the EWG published a research report focusing on financial flows and key indicators in the detection of financial transactions and behaviours related to modern slavery and human trafficking in South Africa.

The EWG identified that human trafficking generated an estimated US$150 billion worldwide, with a significant portion of these proceeds passing through legitimate financial services businesses. South Africa reports the highest incidence of modern slavery and human trafficking when compared to other southern African countries.

One of the conclusions reached in the report is that it is critical to improve understanding of the associated prevalent trafficking patterns and financial flows. Following the money to understand financial flows will assist in developing solutions to better support the prosecution of offenders, protect the vulnerable and provide support to victims.

CASE STUDY

KIDNAPPING: Kidnappers arrested, victims safe

Financial intelligence supplied to law enforcement authorities on two occasions led to the identification of suspects linked to kidnappings for ransom.

The suspects in these two matters were arrested and the victims were found. The TOG on kidnapping provided law enforcement authorities speedy access to financial intelligence, which was provided outside of normal working hours including during holidays and over weekends.

CASE STUDY

FRAUD: Illegal pyramid scheme stopped

The AFU obtained preservation orders for money held in two bank accounts during June 2022, for approximately R34 000, and in six bank accounts in August 2022 for approximately R1.2 million. These bank accounts were connected to a work from home pyramid scheme, which was found to be unlawful. By the end of the 2022/23 financial year, more than R9 million identified proceeds of crime was blocked in 60 bank accounts through preservation orders.

The Fusion Centre

The Fusion Centre, which was launched in late 2019 and became fully operational in 2020, is a public-public crime-fighting alliance. This multi-disciplinary initiative provides a national hub for centralised coordination in dealing with matters related to corruption, fraud, abuse of power and maladministration.

Collaborating institutions include the NPA, AFU, SIU, SARS, DPCI, SAPS' Detectives and Crime Intelligence, the National Intelligence Coordinating Committee and the State Security Agency. This partnership allows for a free flow of strategic and operational financial intelligence into the Fusion Centre. The model is a decentralised one, which allows for collaboration in all regions and provinces. Each entity operates within its own mandate and brings to the hub its expertise and experience.

The FIC hosts the Fusion Centre and provides the information technology infrastructure and support to ensure collaboration between the relevant law enforcement authorities. The FIC ensures that financial intelligence is produced and used by the Fusion Centre. In this way, South Africa applies resources for parallel financial investigations alongside traditional criminal investigations into ML, TF and/or related offences.

The Fusion Centre work is collaboration-based and:

a. Aligns the legislative framework to allow information sharing.

b. Enhances collaboration and coordination among agencies, enforces various laws simultaneously in individual matters.

c. Uses an intelligence-driven approach, expanding the scope of investigations.

d. Capitalises on existing relationships and expertise which allows for sharing resource costs.

e. Addresses deficiencies identified by FATF to assist in removing South Africa from grey list, with a focus on identifying and tackling ML and TF networks.

f. Assists in expediting resolution of cases, yielding high-quality investigation outcomes.

g. Increases the success rate of recoveries, interventions, and prosecutions.

h. Ensures stability and consistency in fight against financial crime.

As a provider of financial intelligence and technical support to the Fusion Centre, the FIC plays a pivotal role. Collaborating entities use the FIC's financial intelligence for their investigations and applications for forfeiture of assets.

Successes

Since 2020 up to 31 March 2023, the Fusion Centre has collaborated on:

Figure 8: Summary of the Fusion Centre's work

Number of incidents and cases registered with the Fusion Hub	Cases in court and court cases finalised with convictions and acquittals						Freezing of funds and recoveries per agency number of orders and value			
Total number of matters	Currently in court	Accused	Finalised in court	Convictions obtained	No of accused sentenced	Acquittals	FIC	AFU	SIU	SARS
552	51	186	48	45	58	3	25 R274 million	38 R320.3 million	29 R465 million	22 R740.8 million

* Since 2020 up to 31 March 2023, the FIC produced 492 financial intelligence reports in support of the 552 matters.

CASE STUDY

FRAUD: Fraudulent tax refunds

SARS was able to curb the activities of criminal syndicates that submit fraudulent tax claims. As a result of assistance from a SAMLIT TOG, SARS stopped R56 million in fraudulent claims for tax refunds and reversed tax refund payments of approximately R972 million.

The Anti-Financial Crime Coalition

Made up of the FIC, DPCI, NPA, the AFU and the National Prosecuting Service, the Anti-Financial Crime Coalition aims to enhance coordination and collaboration on high-priority financial crime, ML and TF cases.

The coalition achieves this through the development of impactful financial intelligence reports, facilitating access to systems and data, and implementing a comprehensive training programme for coalition members.

In addition, the coalition prioritises six investigations that receive attention with a focus on improving asset recoveries based on regulatory reports received by the FIC.

CASE STUDY

CORRUPTION: Corrupt traffic officials take payments in exchange for driver's and learner's licences

The FIC received a request from DPCI to assist in an investigation relating to fraud and corruption by traffic officials who requested amounts of R2 000 upwards from the public in exchange for helping would-be learners and drivers pass their learner's and driver's tests.

A reactive financial intelligence report was disseminated to law enforcement, outlining how multiple bank accounts held by the traffic officials displayed unusual transactional behaviour in the form of large cash and credit payments from members of the public, with unknown reference numbers.

National risk assessment

Chaired by the FIC, the Anti-Money Laundering Counter Terrorist Financing National Risk Assessment Inter-Departmental Working Group (IWG) (AML/CFT NRA IWG) completed its first integrated South African National Money Laundering, Terrorist Financing and Proliferation Financing Risk Assessment Report during September 2022.

In November 2022, the working group submitted its risk assessment report for endorsement to the AML/CFT Inter-Departmental Committee (IDC), chaired by National Treasury and Cabinet.

Following the completion of the NRA, a National AML, CFT and CPF Strategy was developed by National Treasury based on the findings and recommended actions contained in the NRA.

The NRA IWG gave presentations on the NRA to public and private sector stakeholders to assist them with developing their own operational implementation plans (aligned with the national AML, CFT and CPF strategy).

Trends and typologies

During the FATF mutual evaluation of 2019, assessors suggested that strategic intelligence reports include crime trends and typologies, and that these be proactively disclosed to law enforcement authorities.

In response, since 2020/21, the FIC has used data mining techniques to explore the vast and rich data reserves available in suspicious and unusual transaction reports and cash threshold reports, in order to better support the fight on high priority crimes. This means that the FIC analyses these regulatory reports and then produces financial intelligence reports about the patterns and trends uncovered in the analysed reports. Financial intelligence is shared with law enforcement authorities as well as other domestic and international stakeholders.

During 2022/23, the FIC also prepared provincial strategic reports that analyse emerging and prominent crime types per regions, including the profiles of suspected perpetrators.

Money Remitter Operational Task Team

During analysis of various financial transactions, the FIC identified several red flags that required additional scrutiny regarding money remittance payments within South Africa and into the rest of the African continent. A need was identified to establish an industry specific operational task team.

The overall objective of the task team was to formalise a partnership between the FIC and private sector i.e. money remitters and authorised dealers with limited authority, to address financial crime, based on the principal of information sharing, similar to that of SAMLIT.

The work of the task team has attracted attention from other remittance service providers. The membership of the group has grown from an initial four at the beginning of 2021, doubling to the current eight members.

Monthly task team meetings have been taking place and at which STR reporting, corridor behaviours i.e. transaction patterns, culture, legislation and other aspects unique to country 'corridors', and new trends were discussed. In addition, a public awareness campaign was also introduced. A compilation of eight typologies was published during 2022/23 on the FIC website to alert the public of current scams.

In partnership with the South African AML and CFT Money Remitter Operational Task Team, the FIC hosted a workshop in February 2023. The workshop focused on the prevention, detection and investigation of crimes associated to the industry and it was attended by several senior officers from the DPCI and crime intelligence units, as well as the State Security Agency.

Domestic memoranda of understanding

The use and value of the FIC's intelligence products depends on the development and maintenance of strong partnerships with stakeholders who understand how these products can be used to detect crime and support investigations. For this reason, the FIC partners with various domestic institutions and foreign partners via MoUs.

Since its establishment, the FIC has entered into 42 MoUs with domestic institutions, two of which were signed during the 2022/23 financial year. An MoU with the South African Banking Risk Information Centre (SABRIC) was signed on 24 November 2022 and one with the Anti-Financial Crime Coalition was signed on 23 December 2022.

All the domestic MoUs commit both parties to working together to ensure that the financial system is safe, stable and sustainable for all citizens.

More stakeholders to receive strategic intelligence

Sharing strategic analysis is important in the pursuit of continuous improvement and meaningful engagement between the FIC and its law enforcement stakeholders. The FATF mutual evaluation report emphasised this and recommended that STR and CTR strategic reports be shared with a wider spectrum of law enforcement authorities such as such as SAPS Crime Intelligence, DPCI, SARS and SARB.

The FIC therefore expanded its network of stakeholders with whom it shares strategic financial intelligence, during 2022/23. More stakeholders receive strategic intelligence reports on current financial intelligence threats, such as the abuse of minors' accounts and money mules. Stakeholders can use the financial intelligence to inform and support policy decisions within their own organisations and improve collaboration to address financial crimes among all stakeholders.

CASE STUDY

FRAUD: State institution scammed via compromised e-mail

A state institution contacted the FIC, indicating that they received two invoices from their attorneys for legal services rendered and shortly thereafter received a further e-mail from 'an entity' purporting be the same law firm, informing them that the bank details had changed.

The institution updated the banking details and subsequently made two payments of approximately R3.7 million into the new account provided. After the payment did not reflect in their attorneys' bank account, they realised they were victims of business e-mail compromise fraud.

The FIC immediately advised the institution to open a criminal case and contacted the AFU to assist. As a result of the quick and immediate intervention, and joint efforts between the FIC and the two banks, the FIC was able to secure approximately R3.4 million of the total infracted sum of R3.7 million (R300 000 had been withdrawn in cash) as well as issue a full intelligence report to DPCI with the profile of the suspects for prosecution.

Stakeholder engagements

The FIC held 54 domestic stakeholder engagements (against a target of 30) on the use of financial intelligence during 2022/23. Through these engagements, aimed mostly at law enforcement authorities, the FIC contextualised its mandate, with a view to improving understanding and use of FIC intelligence reports.

Combating illicit financial flows

Inter-Agency Working Group on Illicit Financial Flows

During the reporting period, the FIC continued to provide secretariat support and to chair the Inter-Agency Working Group on Illicit Financial Flows (IAWG: IFFs) which was established in 2017/18 to counteract the illegal movement of money out of South Africa.

The nine government bodies involved in this working group: The FIC, SARS, SARB's Prudential Authority and Financial Surveillance department, DPCI, SAPS, FSCA, AFU, NPA and SIU as well as any agency upon invitation.

Through the work of the IAWG: IFFs, South Africa can identify, counter and eradicate illicit financial flows adequately, making it more difficult for criminals to exploit systemic weaknesses. The working group has, throughout the years, assisted law enforcement authorities in disrupting criminal activities, freezing assets and recovering monies. The working group has developed a mechanism to deter and mitigate against the threat of cash couriers in the country.

Since inception, the working group has approved 13 matters for investigation and funds to the value of R507.6 million have been recovered. As at 31 March 2023, two matters had been finalised. Some cases are still under investigation and other matters are at a stage where they are ready to go to court. One criminal case is on the court roll. Another investigation is in its final stage.

The working group is in the process of establishing a sub-working group with the primary objective to identify, sanction and remove unlicensed cross-border money or value transfer services (MVTS) from the market. This is in response to FATF's recommendation that such MVTS be proactively identified and addressed either through sanctioning or removal from the marketplace (including through improved coordination between the SARB: Financial Surveillance department and the SAPS) or by bringing them into the AML/CFT framework through licencing or registration.

Sub-programme 2.3: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on the AML/CFT framework

Purpose

The sub-programme administers the FIC Act and provides advice on matters of strategy and policy relating to money laundering and financing of terrorism. It also engages on behalf of South Africa with international and regional inter-governmental bodies, which formulate and promote policies on combating money laundering and financing of terrorism and that set standards on these matters for countries.

Strategic outputs

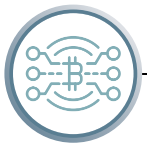
Sub-programme 2.3 contributes to the following institutional strategic outcomes:

- Support to countries within the ESAAMLG region to improve compliance with international standards
- Policy and legislation that is aligned with international standards.

Performance

During 2022/23, the FIC achieved its three targets under this sub-programme.

Highlights of the year include:



The FIC continued to play a significant role in informing the IFWG and its Crypto Assets Regulatory Working Group on the AML/CFT requirements in respect of CASPs as required by the FATF

Responding 100 percent to requests for technical assistance from countries within the ESAAMLG region

CASE STUDY

FRAUD: Analysis reveals recipients of looted municipal funds

DPCI requested assistance from the FIC after receiving a tip-off from Bank A regarding illegal activities in a municipality's bank account, with R7 million having been transferred out of the account to banks B and C in amounts of R4.5 million and R2.5 million, respectively.

At Bank B, the recipient of the R4.5 million was listed as unemployed and the account was opened two months prior to receiving the above-mentioned funds. An amount of R120 000 was used by means of a point-of-sale transaction shortly after receipt of the funds, but Bank B managed to secure the remainder of the funds for law enforcement to take further steps.

At Bank C, the recipient of the R2.5 million was a business entity with an account that was also relatively new and reflected negligible activity before receiving three large credits, one of which was the amount under investigation. The funds received into this account were quickly depleted, mostly by means of cash withdrawals.

Both banks responded speedily to requests for additional information, which led to the identification of the recipients of the funds from the municipality.

Table 16: Outcomes, outputs, output indicators, targets and actual achievements of sub-programme 2.3

Delivery of intelligence on financial crime and FIC Act-related regulatory services										
Outcome	Outputs	Output indicators		Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement 2022/23	Reasons for deviations
Continuous improvement in the effectiveness of legal and institutional AML/CFT frameworks	Support to countries within the ESAAMLG region to improve compliance with international standards	3.1.1	Percentage response to requests for technical assistance from countries within the ESAAMLG region	100%	100%	Responded to 100% requests for technical assistance	100%	N/A	Target achieved. 100% = (3/3)
	Policy and legislation that is aligned with international standards	3.2.1	Number of policymaking activities attended within regional and inter-governmental organisations per annum	Attended and participated in 5 FATF meetings and 2 ESAAMLG meetings	Attended 6 FATF meetings and 2 ESAAMLG virtual meetings	Attended and participated in 6 FATF meetings and 2 ESAAMLG meetings	Attended and participated in 6 FATF and 2 ESAAMLG meetings	N/A	Target achieved.
		3.2.2	Timeous implementation of UNSC targeted financial sanctions	N/A	New UNSC designations and changes to existing UNSC designations implemented within 24 business hours of changes being made to the UNSC Consolidated List	New UNSC designations and changes to existing UNSC designations implemented within 24 business hours of changes being made to the UNSC Consolidated List	All 96 UNSCR designations were effected on the FIC TFS website within 24 hours of the designations made by the UNSC	N/A	Target achieved.

Broadening international collaboration

South Africa is part of a global network of close to 200 countries working to prevent money laundering and to combat financing of terrorism. The network includes members of FATF, ESAAMLG, the Egmont Group and various regional bodies across the globe.

The FIC signs memoranda of understanding (MoUs) with financial intelligence units in jurisdictions around the world. These MoUs improve international cooperation and information sharing, and thus strengthen South Africa's capability for assisting and also requesting assistance from international partners in combating financing crime.

During 2022/23, the FIC concluded international MoUs with Greece, Uruguay, Japan, Bhutan and Pakistan. This brought to 100, the total number of international MoUs the FIC had in place, as at 31 March 2023.

Figure 9: Countries with which the FIC has memoranda of understanding

FIC's GLOBAL FOOTPRINT OF 100 MoUs

AB
Albania
Angola
Anguilla
Argentine Republic
Armenia
Australia
Bahamas
Bahrain
Bangladesh
Kingdom of Belgium
Bermuda
Botswana
Brazil
Burkina Faso

CDE
Cabo Verde
Canada
Cayman Islands
China
Cuba
Curaçao
Cyprus
Czech Republic
Denmark
Egypt
Ethiopia

FGH
Fiji
Finland
French Republic
Germany
Ghana
Gibralta
Guatemala
Guernsey
Hellenic Republic
Hong Kong

IJ
India
Indonesia
Isle of Man
Israel
Italian Republic
Japan
Jersey
Jordan

KL
Kenya
Khazakstan
South Korea
Latvia
Lebanese Republic
Kingdom of Lesotho
Lichtenstein
Lithuania
Luxembourg

M
Madagascar
Malawi
Malaysia
Mali
Malta
Mauritius
Moldova
Monaco
Montenegro
Mozambique

NP
Namibia
Netherlands
New Zealand
Nigeria
Panama
Peru
Poland
Portuguese Republic

QR
State of Qatar
Romania
Russian Federation
Rwanda

S
San Marino
Senegal
Serbia
Seychelles
Singapore
Sint Maarten
Slovenia
Spain
Sri Lanka
Swaziland
Sweden
Switzerland

TUVZ
Tanzania
Togolese Republic
Trinidad and Tobago
Turkey
Turks and Caicos Islands
United Arab Emirates
Uganda
United Kingdom
Ukraine
United States of America
Uruguay
Vatican City State
Zambia
Zimbabwe

Speaking engagements to share knowledge

The FIC uses speaking engagements and events for collaboration and knowledge-sharing with countries and organisations worldwide. During the year under review, the FIC was involved in a range of events and presentations (in-person and virtual) across the globe including, among others, the following:

- Two-day workshop on beneficial ownership in collaboration with the United Nations Office on Drugs and Crime Regional Southern Africa Office and Open Ownership
- ESAAMLG and United for Wildlife meeting
- Collaboration in Combating Economic Crime symposium and expo hosted by Future of Financial Intelligence Sharing in Berlin; the FIC Director presented on Sharing of Financial Intelligence and Collaboration in Combating Economic Crime
- Digital Transformation Conference hosted by FATF
- UNECA Capacity Building Workshop on the Measurement of SDG 16.4.1 hosted by United Nations Office on Drugs and Crime (UNODC); the FIC director presented on Illicit Financial Flows for South Africa – Drawing on Lessons from the Guideline
- Five-day inaugural FATF-INTERPOL Roundtable Engagement on tackling global financial crime through enhanced international collaboration and enabling greater asset recovery
- International Anti-Corruption Conference hosted by TRAFFIC; the FIC Director was a panellist in a discussion on illicit wildlife trafficking
- Roundtable discussion with Secretary Janet Yellen hosted by the US Secretary of Treasury
- BRICS Anti-Corruption meeting
- INTERPOL General Assembly held in New Delhi, India; the FIC Director presented on Strengthening Our Collaborative Response to Financial Crime and Corruption
- United for Wildlife Global Summit; the FIC Director presented on SAMLIT and IWT
- EU AML/CFT Global Facility and AML-THB Project Southern Africa Scoping Mission led by the European Union
- ACAMS Africa 2022 Conference hosted by the Association of Certified Anti-Money Laundering Specialists.

Egmont Group of Financial Intelligence Units

The Egmont Group is an international body consisting of 167 financial intelligence units. A key objective of the Egmont Group is to provide a secure platform for financial intelligence units to exchange information to assist in combating ML and TF. The Egmont Group recognises financial intelligence sharing is of paramount importance and has become the cornerstone of international efforts to counter ML and TF.

Leadership position

The FIC's membership of the Egmont Group extends beyond the exchange of information with counterparts around the world. The FIC's Director, Adv Xolisile Khanyile, was appointed as one of two Vice-Chairs to the Egmont Group in 2020 until the end of July 2022, when the Director was then appointed as Chair of the Egmont Group.

As Chair, Adv Khanyile has been at the helm of calling for financial intelligence units across its global membership to be better capacitated and for an increase in the use of the financial intelligence they produce. Across the jurisdictions, Adv Khanyile has fostered the establishment of public-public collaboration and public-private partnerships as key interventions to assist in the fight against financial crime.

Prior to her appointment as Chair, as Vice-Chair, Adv Khanyile had oversight over the Egmont Group's governance and external communications reference groups. In the governance reference group, Adv Khanyile oversaw the preparation and development of the Egmont Group's strategic plan for 2022 to 2025. Adv Khanyile also joined the reference group for the Egmont Centre of Financial Intelligence Unit Excellence and Leadership.

Egmont Group ICT Renewal Project

During 2022/23, the FIC continued participating in the Egmont Group ICT Renewal Project, which was launched in 2021 and is likely to last five years.

The renewal project is aimed at ensuring that the Egmont Group IT system can fulfil the needs of the various FIUs in terms of international information exchange.

The ICT Renewal Project includes the new Egmont secure web (ESW) which, at year-end was close to being fully configured. An employee from the FIC serves on the project. Also, the FIC has given inputs to the Egmont Group ICT Project Governance Model and has put forward the same project resource to offer regional support for ESW.

SA Intergovernmental Fintech Working Group and Crypto Assets Regulatory Working Group

The FIC is a proud member of the IFWG and contributes to the IFWG Crypto Assets Regulatory Working Group (CAR WG) and the IFWG Innovation Hub.

The IFWG was established in 2016, at first comprising members from National Treasury, the SARB, FSCA and the FIC. The National Credit Regulator and SARS joined the IFWG in 2019, and the Competition Commission in 2020.

The IFWG aims to develop a common understanding among regulators and policymakers of financial technology (fintech) developments as well as the regulatory and policy implications for the financial sector and the economy.

The overall objective of the IFWG is to foster responsible fintech innovation by supporting the creation of an enabling regulatory environment and reviewing both the risks and the benefits of emerging innovations, thus adopting a balanced and responsible approach to such innovation.

During 2022/23, the FIC continued to play a significant role in informing the IFWG and its CAR WG on the AML and CFT requirements in respect of CASPs as required by FATF. As of 19 December 2022, CASPs fell within the category of financial and other institutions listed in Schedule 1 to the FIC Act (item 22) (referred to as accountable institutions) that are required to comply with obligations of the FIC Act.

Furthermore, financial services being rendered on crypto assets as an intermediary and CASPs are required to be licenced and must apply to FSCA in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) as a financial services provider between 1 June 2023 and 30 November 2023.

The FIC also participated, and continues participating, in the IFWG Innovation Hub, which is a centralised innovation capability shared by South African financial sector regulators. It is designed to facilitate policy responses to financial sector innovation through greater engagement between regulators and the market.

The Innovation Hub consists of three innovation facilitators:

- **The Regulatory Guidance Unit** exists to help market innovators resolve specific questions regarding the policy landscape and regulatory requirements.
- **The Regulatory Sandbox** provides market innovators with an opportunity to test new products and services that push the boundaries of existing regulation, all under the responsible supervision of relevant regulators. The sandbox is a controlled environment enabling the testing of innovative products and services against regulation or legislation.

  The purpose of the sandbox is to respond to transformational innovation in the financial sector and expedite regulators' understanding of the potential risks and benefits of innovative financial products and services. In turn, this provides a stronger foundation for regulators to amend policy and regulations and enable the introduction of these products and services to the market.
- **The Innovation Accelerator** exists to provide a collaborative, exploratory environment for financial sector regulators to learn from and work with each other – and the broader financial sector ecosystem – on emerging innovations in the industry.

Regulating crypto assets and crypto asset service providers

According to the Financial Action Task Force (FATF), crypto assets are digital representations of value that are electronically traded or transferred and can be used in payment and investments. These digital assets are distinct from a country's 'real money' or legal tender.

Crypto assets offer significant economic opportunities, but they can be easily misused for financial crime or financing of terrorism and related activities due to their availability, ease of use, anonymity, and decentralised nature.

As reported in the previous year, the Intergovernmental Fintech Working Group (IFWG), of which FIC is a member, published a position paper that defines crypto assets and proposed regulatory measures for crypto asset service providers. The paper considered international best practice as well as the FATF's Recommendations. The position paper was published in June 2021 and can be accessed on https://www.IFWG.co.za

Since the publishing of the position paper in 2021, regulators have moved forward and implemented some of the recommendations set out in the position paper. This includes making CASPs accountable institutions in terms of Schedule 1 to the FIC Act.

Are crypto asset service providers regulated and why?

Yes. Crypto asset service providers now fall within the category of financial and other institutions listed in Schedule 1 to the FIC Act (item 22) (referred to as accountable institutions) that are required to comply with obligations of the FIC Act. The amendments to Schedule 1 entered into force on 19 December 2022.

Further, in October 2022, FSCA designated crypto assets as a financial product. This means that any person who provides any advice or intermediary services in respect of a crypto asset will also be an accountable institution in terms of Item 12 of Schedule 1 – this goes beyond the FATF requirement for VASPs.

What is the FIC's level of engagement with crypto asset service providers?

The FIC, the IFWG and the CAR WG have been engaging with crypto asset businesses regarding their joining the regulatory framework. The FIC also presented to the IFWG, CAR WG and the CASP sector and commenced consultations with CASPs on the implementation of the "travel rule" for CASPs. The travel rule is required to be implemented by CASPs to ensure that all transfers of crypto assets are accompanied by a set of information in respect of the sender and beneficiary of the crypto transaction. Implementation of the travel rule would ensure transparency with respect to these types of transactions.

INTERGOVERNMENTAL FINTECH WORKING GROUP

How the Regulatory Sandbox work

Developers of new technological (fintech) products apply to be allowed to operate in the sandbox.

Developers are allowed to do live business with real customers and make real money from it, without requiring a licence.

The regulators are then able to observe the fintech developers in the sandbox and gain valuable insights.

Regulators can, for instance, gauge whether certain fintech developments or products pose risks for consumers or pose risks from a money laundering perspective. In such instances, the regulators start looking for ways to manage those risks.

The regulatory sandbox is exciting because the FIC can observe and learn how technology can assist compliance with the FIC Act. This, as sandbox participants are not exempt from compliance with the FIC Act. Even those unlikely to ever be required to comply with the FIC Act, have to do so while they are in the sandbox. They are not subject to any sanction or penalty.

Some of the participants in the IFWG regulatory sandbox are CASPs.

Eastern and Southern Africa Anti-Money Laundering Group

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is a regional body subscribing to global standards to combat money laundering and financing of terrorism and proliferation.

ESAAMLG objectives are to adopt and implement the 40 Recommendations of the FATF; apply anti-money laundering measures to all serious crime; implement measures to combat the financing of terrorism and implement any other measures contained in the multilateral agreements.

Since its inception, the FIC has interacted with ESAAMLG countries. The primary focus of such interaction relates to international cooperation on cross-border criminal activities and provision of technical support to countries to improve the quality of information exchanged with them and their financial intelligence units.

Most requests for assistance come from counterpart financial intelligence units in the region, but from time to time the FIC also receives requests from other public institutions with AML and CFT mandates (often on recommendation of the local financial intelligence unit). This means that the FIC must be flexible in engaging with a wide variety of authorities from requesting countries. For example, the FIC assisted the Non-Bank Financial Institutions Regulatory Authority of Botswana on issues related to risk-based supervision.

In some instances, the FIC brings authorities from requesting countries in contact with South African colleagues including supervisory bodies, investigating and prosecuting authorities, for a broader exchange of information and experiences that will benefit those authorities.

ESAAMLG Regional Terrorist Financing Risk Assessment Project

The FIC's involvement in the ESAAMLG's Regional Terrorist Financing Risk Assessment Project is important as it will assist in promoting a common understanding and approach to threats and risk management of anti-money laundering, and financing of terrorism and proliferation financing.

The project aims to increase knowledge of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML and CFT policy formulation and development of national strategies.

Member countries have agreed to carry out national risk assessments to identify and understand their ML, TF and PF risks. This provides a foundation for conducting regular or ongoing ML, TF and PF threat and risk assessments by the South African authorities to mitigate identified threats and risks effectively. The FIC will also benefit from shared tools which have been used in other regions.

Hands-on technical assistance

The systems and policies for combating money laundering and financing of terrorism in countries in the region are still at a developmental stage. Several countries are yet to put in place adequate AML and CFT statutes and institutional capacity to implement the measures in a manner consistent with international standards.

Countries in the region have received assistance from the FIC over the past decade. During March 2023, Namibia FIC visited the FIC to gain insight into the FIC's records management system currently in use.

Most technical support requests by ESAAMLG countries relate to advice on:

- The development of operational capacity and capability of financial intelligence units
- Financial intelligence unit governance issues
- Building capacity for AML and CFT compliance supervision
- Stakeholder engagements such as facilitation of in-country workshops
- ICT matters, especially with operationalisation or optimisation of reporting systems.

ESAAMLG Information Exchange Platform

The FIC's ICT is the lead agency in the development of a ground-breaking information-exchange platform that will enable ESAAMLG members to share information swiftly and safely using artificial intelligence.

So far, 18 FIUs have signed MoUs to increase collaboration on the platform. Phase 1 of the platform development, which was the design of the prototype (user-centric design), reached completion in February 2023. Phase 2, which entails the development and implementation plan, was completed in March 2023.

A security analysis workshop was also held in March 2023, during which security requirements and technologies were defined and incorporated in the technical system specification. Work continues into the next financial year as this is a multi-year project.

Readiness assessments

Upon request, the FIC also undertakes assessments of the readiness of the financial intelligence units of candidate countries for Egmont Group membership, and provides mentorship to these countries. The FIC does this in respect of financial intelligence units that it co-sponsors in the Egmont Group membership process so that it can best assist those candidate financial intelligence units in their Egmont Group membership processes.

The FIC has assisted the financial intelligence units of Kenya, Lesotho and Zimbabwe for the past few years. Their membership processes were disrupted by the COVID-19 pandemic, but processes are back on track.

During the year under review, Lesotho and Zimbabwe's membership applications were considered by the Egmont Group, and it is expected that their membership will be confirmed by the Heads of FIUs before the end of 2023. Kenya's application has progressed to its final phase and is expected to be successful.

The FIC has undertaken to assist the Kingdom of Eswatini in its membership application. This application is in its early stages and the FIC will continue to render the required technical assistance to Eswatini's financial intelligence unit.

Financial Action Task Force

FATF is the international inter-governmental body responsible for setting standards on combating ML, TF and PF. FATF assesses member countries' compliance with these standards.

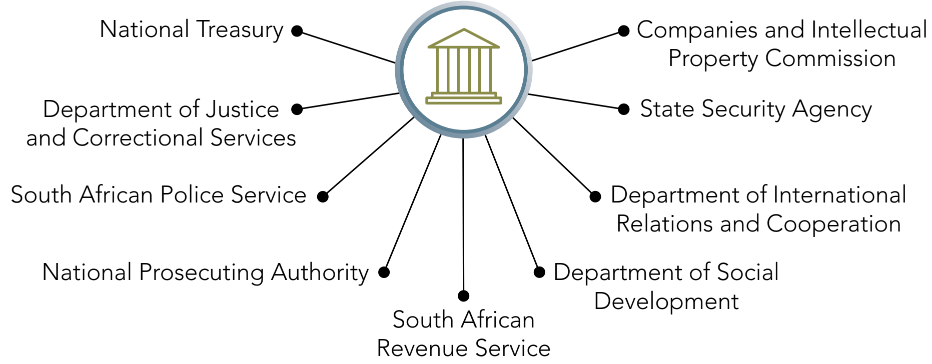
As part of assessing members' compliance with FATF standards, mutual evaluations are conducted from time to time. A mutual evaluation is an important opportunity for a country to have its AML, CFT and CPF framework reviewed by its peers.

FATF mutual evaluation – events from 2019 to 2022

South Africa and Mauritius are the only African member countries of FATF. During 2019, South Africa underwent its third mutual evaluation (the previous ones were held in 2003 and 2009) by an assessment team made up of ESAAMLG, FATF and International Monetary Fund.

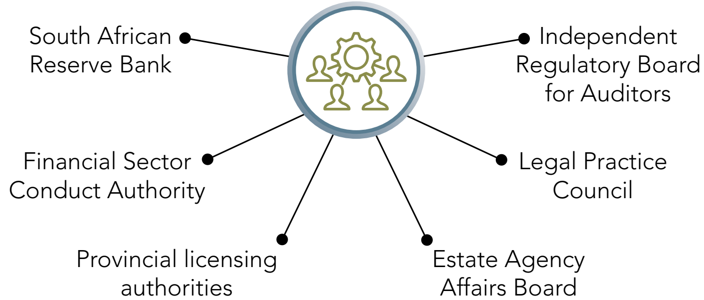
The mutual evaluation process included off-site and on-site engagement between the assessment team and the relevant South African authorities, private sector representatives as well as civil society. The various role players that provided information to the assessment team when the mutual evaluation was done, included government departments and entities, the private sector and supervisory bodies (as shown on this page).

Government departments and entities



Private sector

Supervisory bodies



Throughout the mutual evaluation process, South Africa was required to demonstrate whether its measures, laws and regulations were being implemented effectively across all public and private sector role players.

The FIC played a leading role in coordinating communication with the assessment team that compiled a mutual evaluation report reflecting South Africa's effectiveness in maintaining the integrity of its financial system. The report, entitled Anti-Money Laundering and Counter-Terrorist Financing Measures, South Africa, Mutual Evaluation Report October 2021, is available on the National Treasury website, https://www.treasury.gov.za/.

The draft mutual evaluation report was discussed at the June 2021 FATF working group and plenary meetings. The FATF plenary concluded that South Africa had "a solid legal framework for combating money laundering and terrorist financing, but significant shortcomings remained".

South Africa was thus placed on the FATF 'enhanced follow-up process' and was requested to report back at the October 2022 plenary on progress made in addressing the shortcomings identified in the mutual evaluation report.

In response, South Africa's Inter-Departmental Working Group (IDWG) developed an action plan that South African authorities should implement to remediate the deficiencies identified by FATF. The action plan involves various legislative changes, including changes to the FIC Act. In December 2022, the FIC Act was amended to satisfy the following recommendations in the FATF mutual evaluation report:

- Recommendations 7 (Targeted Financial Sanctions on Proliferation Financing)
- Recommendations 10, 22, 23 (Customer Due Diligence)
- Recommendation 12 (Politically Exposed Persons)
- Recommendation18 (Internal Controls and Foreign Branches and Subsidiaries)
- Recommendations 26, 27, 28 (Schedule 2 of FIC Act: Supervision and Enforcement)

The amendments to the FIC Act also had a positive impact on Immediate Outcome 3 and 4 (related to regulation and supervision) and Immediate Outcome 6 (regarding the use of financial intelligence).

Differences between 'technical compliance deficiencies' and 'immediate outcomes'

Technical compliance deficiencies – in terms of FATF's 40 Recommendations which relate to:

- Identify ML and TF risks, develop policies and domestic cooperation to mitigate these risks
- Pursue ML and TF as criminal offences
- Apply preventive measures for financial and non-financial institutions
- Establish institutional framework
- Provide transparency of ownership and control of legal persons and arrangements
- Promote international cooperation.

Immediate outcomes – effectiveness – whether public and private sector have achieved expected outcomes in application of laws and institutional infrastructure to combat ML and TF.

FATF grey listing in 2023

FATF granted South Africa a one-year period to address certain deficiencies identified in the mutual evaluation report, after which the country had to give feedback on progress made.

South Africa made significant progress during 2022 on many of the recommended actions specified in the FATF mutual evaluation, for example, developing national AML and CFT policies to address higher risks and amending the legal framework for terrorism financing, among others. And as agreed, at the end of 2022, the country duly reported to FATF on progress achieved.

After considering South Africa's progress report, FATF decided to list South Africa as a jurisdiction under increased monitoring. This is commonly known as being placed on the grey list, or simply as 'being grey listed'. The announcement was made on 24 February 2023.

Going forward to exit the grey list

South Africa has reiterated its commitment to strengthen the effectiveness of its AML and CFT regime and to resolve the eight strategic deficiencies identified by the FATF, namely:

1. Demonstrate a sustained increase in outbound mutual legal assistance requests that help facilitate ML and TF investigations and confiscations of different types of assets in line with its risk profile.
2. Improve risk-based supervision of designated non-financial businesses and professions and demonstrate that all AML and CFT supervisors apply effective, proportionate, and effective sanctions for non-compliance.
3. Ensure that competent authorities have timely access to accurate and up-to-date beneficial ownership (BO) information on legal persons and arrangements and applying sanctions for breaches of violation by legal persons to BO obligations.
4. Demonstrate a sustained increase in law enforcement authorities' requests for financial intelligence from the FIC for its ML and TF investigations.
5. Demonstrate a sustained increase in investigations and prosecutions of serious and complex money laundering and the full range of TF activities in line with its risk profile.
6. Enhance its identification, seizure and confiscation of proceeds and instrumentalities of a wider range of predicate crimes, in line with its risk profile.
7. Update its TF risk assessment to inform the implementation of a comprehensive national counter financing of terrorism strategy.
8. Ensure the effective implementation of targeted financial sanctions and demonstrate an effective mechanism to identify individuals and entities that meet the criteria for domestic designation.

These action items requiring attention by South Africa, were adopted by the FATF plenary on 24 February 2023. FATF has welcomed South Africa's commitment to address them and will closely monitor the country's progress. South Africa is expected to have resolved these deficiencies by the end of January 2025.

In an official statement on 24 February 2023, National Treasury noted that there are no action items that relate directly to preventive measures in respect of the financial sector. This reflects the progress made in applying a risk-based approach to the supervision of banks and insurers. National Treasury therefore expects that the grey listing will have limited impact on financial stability and the cost of doing business with South Africa. The cost of grey listing will, all things considered, be lower than the long-term costs of allowing South Africa's economy to be contaminated by the flows of proceeds of crime and corruption.

The FIC's role

Throughout the reporting period, the FIC spent a considerable amount of time and effort on addressing the deficiencies identified by FATF and to improve compliance. This included engaging with all the supervisory bodies (prior to the amendments to the FIC Act Schedules being implemented on 19 December 2022) to coordinate inputs on progress and, where necessary, to provide guidance to supervisory bodies on how to address the identified deficiencies.

The feedback received from the supervisory bodies was then combined and used as part of the country feedback to FATF – in particular on Immediate Outcomes 3 and 4 that address supervision and compliance.

Furthermore, the FIC liaised with foreign organisations to obtain advice on how to meet the requirements of the FATF and eliminate identified shortcomings. In this regard a range of meetings were held with the UK Technical Assistance Unit (UKTAU). The inputs received from UKTAU assisted with the drafting of a risk-based supervisory methodology document that sets out the approach and methodology followed by the FIC in conducting its supervisory functions in a risk-sensitive manner. It is important to document the risk-based supervisory work being conducted in the correct manner as it provides a guide to the supervisor and any person assessing the work independently. It also places the supervisor in a better position to detect any deviation from the stated methodology and if necessary, amend the methodology and processes being followed.

The FIC also liaised with the financial intelligence unit of Mauritius in November 2022. Mauritius was placed on the grey list by the FATF in 2020 but managed to be removed from the list in less than two years, which is very quick by international standards. During the engagements with the Mauritius FIU, valuable lessons were learned regarding the drafting of responses to the deficiencies identified by the FATF.

Although these efforts did not result in South Africa avoiding the FATF grey list, it nonetheless provided a good foundation for the compiling of information and feedback to the FATF. Lessons learned from engagements should contribute to further addressing the outstanding deficiencies identified by the FATF. The FIC continue its work in this regard.

FATF mutual evaluation report: Some key findings

a) The main domestic money laundering (ML) crime threats are consistently understood by the key authorities but the understanding of their relative scale, ML vulnerabilities, and the threats from foreign predicates is limited. Understanding of terrorist financing (TF) risks is underdeveloped and uneven. Some ML risks are being mitigated but some significant risks remain to be addressed. TF risks are not being adequately addressed.

b) South Africa has suffered from a sustained period of "State Capture", which helped to generate substantial corruption proceeds and undermined key agencies with roles to combat such activity. Government initiatives from 2018/19 were starting to address the situation by replacing key staff and increasing resources at key law enforcement and judicial agencies, for instance.

c) The FIC effectively produces operational financial intelligence that law enforcement authorities (LEAs) use to help investigate predicate crimes and trace criminal assets, but the LEAs lack the skills and resources to proactively investigate ML or TF.

d) A reasonable number of ML convictions is being achieved but only partly consistent with South Africa's risk profile. Cases largely concern self-laundering and few cases of third-party ML and foreign predicate offenses are prosecuted. The proactive identification and investigation of ML networks and professional enablers is not really occurring. Most ML convictions relate to fraud cases and there are fewer investigations and successful prosecutions relating to other high-risk crimes. In particular, ML cases relating to "State Capture" have not been sufficiently pursued.

e) South Africa has achieved some good results proactively pursuing confiscation of criminal proceeds, particularly using civil forfeiture powers but has had less success recovering assets from "State Capture" and proceeds which have been moved to other countries.

f) Use of cash is prevalent in South Africa and it has been assessed as high risk for ML and TF, including cross-border movement. Detecting and recovering cash proceeds of crime remains challenging and efforts to detect and confiscate falsely or undeclared cross-border movement of currency needs substantial improvement.

Brazil, Russia, India, China and South Africa partnership

The FIC is the current chair of the BRICS (Brazil, Russia, India, China and South Africa) Countering Terrorist Financing sub-working group that facilitates the sharing of experiences between the partners on issues pertaining to the countering of terrorist financing.

BRICS partners face similar as well as unique counter-terrorism challenges in terms of national experience as well as national, regional, and international threat perspectives. The sharing of expertise in dealing with terrorist financing during work sessions are regarded as a positive contribution to the development and enhancement of countries' approaches towards the countering of terrorism and the establishment of a sub-group to share expertise and enhance cooperation on countering the financing of terrorism.

Bilateral cooperation among the BRICS partners in areas such as intelligence sharing, mutual legal assistance, terrorist financing and police cooperation contribute to countries' counter-terrorism measures and responses to the threat posed by terrorism. The partnership has also included an emphasis on knowledge and information through public-private partnerships, to advance its focus on anti-corruption.

OECD Foreign Bribery Working Group

South Africa is one of the 30 countries that belong to the Organisation for Economic Co-operation and Development (OECD).

The OECD adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention) together with the 1997 Revised Recommendation of the Council on Combating Bribery in International Business Transactions.

To ensure that member countries implement and enforce the Anti-Bribery Convention, the OECD's Working Group on Bribery reviews the actions taken by such member countries. A peer review monitoring system is in place in terms of which two member countries are selected to conduct the evaluation of another member country. This is done in four phases. South Africa will be evaluated by Australia and Hungary in 2023.

In South Africa, the Department of Public Service and Administration is responsible for co-ordinating and facilitating the implementation of the Anti-Bribery Convention. An intricate network of interdepartmental structures that draw together 11 government departments and agencies as well as the FIC, in the anti-bribery convention effort.

The FIC provides support on all foreign bribery cases investigated by the DPCI and engages with other FIUs to assist with the facilitation of mutual legal assistance.

Budget Programme 3: Enablement of Financial Intelligence Capabilities

Purpose

The primary purpose of this budget programme is to enhance the ability to deliver services to internal clients and other identified stakeholders, thus making it possible for the FIC to remain a sustainable and capable organisation.

The programme focuses on the enablement of business and day-to-day support in areas such as recruitment, procurement, funding, information and communications technology, as well as projects such as infrastructure enhancement.

The programme has various internal units that enable the efficient, effective and economical functioning of the FIC.

The enabling units are coordinated through the Corporate Services division, yet are distinct from Administration in that the former provides delivery-related support, whereas the latter provides overall organisational support that does not necessarily form part of service delivery processes.

Strategic outputs

The programme's strategic outputs are:

- Good corporate governance
- Effective and efficient operating environment.

Performance

Under this programme, the FIC met four, and did not achieve two out of the six targets.

Highlights of the year include the following:

- Implemented the vital supporting systems and processes that enable the various legislative changes such as the inclusion of new accountable institutions (as specified in the amended Schedule 1 of the FIC Act) and international funds transfer reporting as per section 31 of the FIC Act
- Updated various systems, platforms and infrastructure to ensure the ICT environment is secure and up to date, and that productivity grows exponentially
- Provided a digital, cyber-safe remote working environment for users, even during loadshedding
- The multi-year line of business modernisation programme saw the implementation of software and hardware to keep South Africa's AML and CFT technology platform up to date
- Exceeded performance targets related to employment equity, 57.8 percent of the workforce is female (against a target of 51 percent), and 82.2 percent is from designated race groups (against a target of 80 percent)

Table 17: Outcomes, outputs, output indicators, targets and actual achievements of budget programme 3

Enablement of financial intelligence capabilities									
Outcome	**Outputs**	**Output indicators**		**Audited actual performance 2020/21**	**Audited actual performance 2021/22**	**Planned annual target 2022/23**	**Actual achievement 2022/23**	**Deviation from planned target to actual achievement 2022/23**	**Reasons for deviations**
Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate	Good corporate governance	4.1.1	Unqualified audit opinion without findings (clean audit report)	Received an unqualified audit opinion with no findings for 2019/20 (clean audit report)	Received unqualified audit opinion without findings for 2020/2120 (clean audit)	Receive unqualified audit opinion (clean audit)	Unqualified audit opinion with findings for (not clean audit)	Unqualified audit opinion with findings (not clean audit)	Target not achieved. Auditors found procurement non-compliance when SCM was audited for 2021/22.
		4.1.2	Percentage of female staff in line with Employment Equity (EE) Act	Q1 - 56.5% (113/200) Q2 - 55.61% (114/205) Q3 - 55.34% (114/206) Q4 - 55.61% (114/205)	Q1 - 55.45% (112/202) Q2 - 56.06% (111/198) Q3 - 56.91% (107/188) Q4 - 57.92% (106/183)	>51%	Q1 - 58.38% (108/185) Q2 - 59.55% (106/178) Q3 - 57.81% (111/192) Q4 - 57.87% (114/197)	N/A	Target achieved.
		4.1.3	Percentage of designated racial groups in line with EE Act	Q1 - 81.5% (163/200) Q2 - 81.46% (167/205) Q3 - 81.55% (168/206) Q4 - 81.95% (168/205)	Q1 - 81.19% (164/202) Q2 - 80.80% (160/198) Q3 - 80.31% (151/188) Q4 - 80.87% (148/183)	≥80%	Q1 - 81.08% (150/185) Q2 - 81.46% (145/178) Q3 - 81.77% (157/192) Q4 - 82.23% (162/197)	N/A	Target achieved.
		4.1.4	Percentage of disabled employees in line with the EE Act	Q1 - 2% (4/200) Q2 - 1.95% (4/205) Q3 - 1.46% (3/206) Q4 - 1.95% (4/205)	Q1 - 1.98% (4/202) Q2 - 2.02% (4/198) Q3 - 2.13% (4/188) Q4 - 2.16% (4/183)	≥2%	Q1 - 3.24% (6/185) Q2 - 2.81% (5/178) Q3 - 2.60% (5/196) Q4 - 2.54% (5/197)	N/A	Target achieved.
	Effective and efficient operating environment	4.2.1	Percentage of valid and compliant invoices paid within 30 days	Apr - 100% (50/50) May - 99.1% (105/106) Jun - 74.3% (101/136) Jul - 85.5% (106/124) Aug - 84.8% (112/132) Sep - 94.8% (92/97) Oct - 98.6% (140/142) Nov - 96.5% (109/113) Dec - 97.2% (137/141) Jan - 92.5% (37/40) Feb - 98.67% (74/75) Mar - 98.09% (154/157)	Apr - 100% (102/102) May - 100% (74/74) Jun - 100% (130/130) Jul - 98.3% (113/115) Aug - 95.3% (101/106) Sep - 100% (106/106) Oct - 100% (96/96) Nov - 97.7% (85/87) Dec - 99.3% (152/153) Jan - 100% (59/59) Feb - 97.5% (156/160) Mar - 100% (133/133)	100%	Apr - 87.61% (99/113) May - 90.17% (156/173) Jun - 91.67% (132/144) Jul - 99.19% (122/123) Aug - 100% (139/139) Sep - 100% (160/160) Oct - 99.20% (124/125) Nov - 99.28% (138/139) Dec - 100% (136/136) Jan - 52.86% (37/70) Feb - 95.60% (152/159) Mar - 99.52% (207/208)	Apr - (12.39%) May - (9.83%) Jun - (8.33%) Jul - (0.81%) Aug - 0% Sep - 0% Oct - (0.80%) Nov - (0.72%) Dec - 0% Jan - (47.14%) Feb - (4.40%) Mar - (0.48%)	Target not achieved. Invoices were paid late due to internal delays.
		4.2.2	Percentage uptime[3] for external facing ICT system	Q1 - 100% Q2 - 99.12% Q3 - 98.86% Q4 - 99.66%	Q1 - 98.81% Q2 - 99.93% Q3 - 99.90% Q4 - 99.94%	≥98%	Apr - 99.99% May - 99.93% Jun - 99.98% Jul - 99.95% Aug - 99.63% Sep - 99.92% Oct - 100% Nov - 99.97% Dec - 100% Jan - 99.99% Feb - 100% Mar - 99.98%	N/A	Target achieved.

[3] Uptime is calculated from monitoring applications that track whether the external facing ICT system was available when accessed by users during the period under review.

A transformed and equitable workforce

As at 31 March 2023, the FIC employee complement was 197. Against an employment equity target of 51 percent, the FIC has a female workforce of 57.8 percent. Furthermore, 82.2 percent of the FIC's workforce is from designated race groups, against a target of 80 percent. This demonstrates the FIC's resolve to maintain a transformed and equitable workforce.

The Corporate Services division works to ensure that the organisation has the skills it needs, and that existing employees are retained and constantly learning and improving their abilities and expertise.

The FIC's work is highly specialised and of a technical nature, often requiring employees with scarce skills, qualifications and expertise. Keeping the FIC capacitated with such individuals requires considerable effort and capital.

Information and communications technology

ICT plays a critical role as it enables the FIC to fulfil its mandate by receiving, processing and storing vast amounts of sensitive data every day.

Throughout the reporting period, the FIC continued updating systems, platforms and infrastructure to ensure the ICT environment was secure and up to date, enabling the FIC to function as efficiently and effectively as possible. Various processes were digitised and streamlined.

Although the COVID-19 restrictions were lifted in April 2022, the workplace has become irreversibly more digital over the past three years, globally. Many aspects of the FIC's work, even those areas traditionally 'non-digital', such as meetings, seminars, training and inspections, have been adapted to the virtual environment.

Information and communications technology projects

During the year under review, the FIC ICT team successfully executed the following ICT projects:

1. Inclusion of additional accountable institutions

While all the FIC divisions were involved in the various aspects of bringing on board the additional accountable institutions as required by the amended Schedule 1 of the FIC Act, the ICT team implemented the vital supporting systems and processes that enabled the inclusion of these new institutions.

2. Inclusion of resolution 1267 United Nations Security Council list in the targeted financial sanctions capability

All the FIC divisions were involved in the inclusion of the 1267 UNSC listing, ensuring incorporation of the listing into operations and overseeing compliance. The ICT team implemented the support systems and processes that are crucial for the surveillance of listed individuals and entities. The team addressed technical problems as per strategy to overcome areas of underperformance reported in the previous year.

Adopted under Chapter VII of the UN charter, UNSC resolution 1267 requires all states to implement an asset freeze, travel ban and an arms embargo against individuals and entities subject to UN sanctions due to their association with Al-Qaeda or the Taliban. As a signatory, South Africa must comply with the resolution.

It follows that accountable institutions which are registered with the FIC, must monitor and report individuals or entities that appear on the 1267 UNSC consolidated targeted financial sanctions list. In turn, regulators and/or supervisory bodies identified in Schedule 2 of the FIC Act must ensure that the institutions in their respective sectors comply with the monitoring and reporting obligations concerning UNSC resolution 1267.

3. Collaboration with South African Revenue Service

During the financial year, the FIC and SARS collaborated on the development of a technology platform for incoming and outbound local and foreign international travellers to declare goods, currency and bearer negotiable instruments. SARS piloted the traveller management system, the platform which will be used for the Customs declarations during the period. The system will, in due course, be rolled out at all South African air, rail, sea and land border posts.

4. Appeal board administration

The FIC fulfils the secretariat role at the appeal board. The ICT team implemented technical systems geared to improve the administration and execution of the secretariat responsibilities required by the appeal board.

5. Revised cash threshold reporting

The cash threshold report (CTR) threshold was revised through legislative amendments. In response, the ICT team improved the CTR system and processes, aligning them with the amendments made and the associated risks.

6. International funds transfer reporting implementation

Section 31 of the FIC Act came into effect on 1 February 2023, requiring certain categories of accountable institutions that may legally conduct transactions to transfer funds electronically into and out of South Africa, to report cross-border electronic funds transactions above the threshold of R19 999.99. The FIC ICT team provided the necessary ICT capability to ensure the on-boarding of the new reporting stream.

7. Cloud strategy – Implementation of infrastructure as a service and platform as a service

As part of cloud computing adoption, the FIC procured infrastructure as a service (IaaS) for on demand processing and storage, which comes with scalability, instead of procuring on-premise costly hardware. IaaS has been combined with platform as a service (PaaS) for accessing on demand software and applications. Access to the cloud provider's data centre is managed and maintained by the cloud service providers instead of FIC. These cloud services come with the benefit of improved availability, security, and efficiencies. The FIC's systems were migrated to the Cloud, in alignment with the FIC's cloud computing strategy. The benefits of the migration include cost savings, flexibility, increased collaboration and data loss prevention.

Enhanced ICT infrastructure

The FIC's programme to modernise its infrastructure continued in 2022/23. The multi-year line of business modernisation involves the implementation of software and hardware to keep South Africa's AML/CFT technology platform up to date. The modernisation programme provides a technology road map to ensure the FIC remains an efficient and effective organisation able to transition into the future landscape.

Cyber security

The ICT team continued monitoring the FIC ICT environment and reminding users of security protocols. At least once a month, users are made aware of cyber security measures and threats such as phishing, social engineering and fraudulent websites.

The use of the virtual private network and multifactor authentication continued to be enforced for all users to connect to the FIC network. A security assessment was performed of the FIC domain using an external service provider to increase the FIC's security score benchmark. In addition, internal and external network penetration tests were conducted to harden the ICT infrastructure.

Strategy to overcome areas of under performance

1. KPI 1.2.2 Number of FIC inspection reports issued per annum.

Action plan: Recruitment for the vacant positions and new newly funded positions are in progress.

2. KPI 4.1.1 Unqualified audit opinion without findings (clean audit report)

Action plan: During the year, management improved compliance controls in all affected SCM unit areas.

3. KPI 4.2.1 Percentage of valid and compliant invoices paid within 30 days

Action plan: Ongoing efforts by the finance business unit to ensure that payment processes are adhered to.

Changes to planned targets

No in-year changes were made to the 2022/23 indicators and targets.

REVENUE COLLECTION

The FIC is a statutory body established to give effect to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). It is listed in the PFMA as a Schedule 3A public entity. As such, the FIC uses public funds to fulfil its legislated mandate and does not collect revenue from other sources. No measures were instituted during the year to raise revenue or to ensure revenue collection.

CASE STUDY

ILLEGAL WILDLIFE TRADING: Seized rhino uncovers syndicate

The FIC received information through the SAMLIT IWT EWG about a rhino horn mule from South Africa being arrested at a foreign airport by customs officials, with luggage containing approximately 40kg of rhino horns. Subsequent tracking and tracing showed a minimal financial footprint in South Africa, indicating possible syndicate involvement.

The resultant collaboration between SAMLIT stakeholders and foreign law enforcement officials led to identification of the responsible syndicate in South Africa. Investigations are continuing by DPCI to assist the foreign financial intelligence unit.

CASE STUDY

CYBERCRIME: Suspected money mule blocked from accessing illicit crypto millions

Through enhanced due diligence, a crypto exchange remitter reported their client's use of a falsified bank statement to open a crypto account, leading to them placing a transactional hold on the account.

In response to the hold, the institution received instruction from an attorney to transfer the remaining account balance of over R1.2 million to an account held by the client. However, misleading bank details had been provided, with the account in question belonging to a third party. This led to the institution refusing the transfer. The FIC's analysis indicated the client was a suspected money mule, showing that he had used his account to receive multiple payments of more than R12.7 million from various other suspected mules and then externalised more than R11.7 million of the money in crypto currency to an exchange in the Seychelles.

It was concluded that the subject could be a conduit on behalf of a Chinese national using the crypto asset platform to facilitate the externalisation of illicit flow of funds. SARB's Financial Surveillance department was immediately notified, and they issued a directive locking down the R1.2 million being held, pending further investigation.

PART C

GOVERNANCE

INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance with regard to public entities such as the FIC is applied through the precepts of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and run in tandem with the principles contained in the King IV Code of Corporate Governance.

The FIC corporate governance model is underpinned by values of authenticity, ethics, integrity and accountability.

The FIC follows best practice in corporate governance through its oversight structures. These structures and/or committees are tasked with ensuring that the FIC meets its strategic objectives and operates in line with its mandate:

- Accounting Authority
- Executive management committee
- Management forum
- Audit and risk committee
- Human resources and remuneration committee
- Information and communications technology steering committee.

An automated risk and compliance management tool, which is in place at the FIC, helped ensure that the organisation remained fully compliant during the year under review.

PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of the FIC by interrogating the FIC's annual financial statements and other relevant documents which are required to be tabled, as well as any other documents tabled from time to time.

The Standing Committee on Finance reviews the FIC's strategic plan, the annual performance plan, annual financial statements and the audit reports of the external auditor.

The Standing Committee on Finance and the Joint Standing Committee exercise oversight over the service delivery performance of the FIC and as such, review the non-financial information contained in the annual reports and is concerned with service delivery and enhancing economic growth.

Meetings attended and issues raised

There were two engagements with the Joint Standing Committee on Intelligence (JSCI). At the first meeting in the financial year, the FIC presented its annual report for the prior year to the JSCI. The second engagement was when the JSCI conducted an oversight visit to the FIC's offices. The Standing Committee on Finance also conducted an oversight visit during the financial year.

ACCOUNTING AUTHORITY

The Director of the FIC is the Accounting Authority and reports directly to the Minister of Finance and to Parliament. The FIC does not have a board.

In addition to the day-to-day oversight responsibilities exercised by the executive management committee, findings of the Auditor-General of South Africa are resolved by the FIC's management forum. The FIC's committees are summarised, together with meeting details, in the table below.

Table 18: FIC committees during 2022/23

Committees	Number of meetings held	No of members	Name of members
Executive management committee	12	6	Xolisile Khanyile – Chairperson and Director of the FIC Macs Maboka – Executive Manager: Corporate Services Pieter Smit – Executive Manager: Legal and Policy Christopher Malan – Executive Manager: Compliance and Prevention Pieter Alberts – Acting Executive Manager: Monitoring and Analysis (stopped attending committee meetings on 31 January 2023) Priya Biseswar – Executive Manager: Monitoring and Analysis (appointed on 1 February 2023)
Management forum	7	17	Xolisile Khanyile – Chairperson and Director of the FIC Macs Maboka – Executive Manager: Corporate Services Pieter Smit – Executive Manager: Legal and Policy Christopher Malan – Executive Manager: Compliance and Prevention Priya Biseswar – Executive Manager: Monitoring and Analysis (appointed on 1 February 2023) Marine Burdette – Senior Operations Manager: Monitoring and Analysis. Oniel Rajnund – Senior Operations Manager: Compliance and Prevention Veronica MarshSmit – Chief Financial Officer Ettiene Cronje – Head: Programme Management Office Aaron Shongwe – Head: Information and Communications Technology Philemon Mashapa – Head: Performance Monitoring and Evaluation Motlatsi Ramoshu – Senior Operations Manager: Monitoring and Analysis Fikile Zitha – Senior Operations Manager: Legal and Policy (left the FIC on 31 October 2022) Grace Madilonga – Head: Human Resources Xolile Majija – Head: Corporate Legal Services, Governance and Compliance Pieter Alberts – Senior Operations Manager: Monitoring and Analysis Panna Kassan – Head: Communications
Audit and risk committee	4 scheduled 3 special	5	Bongani Mbewu – Chairperson Precious Sibiya – Member Protas Phili – Member Denisha Jairam-Owthar – Member Sphiwe Mayinga – Member

ACCOUNTING AUTHORITY

Table 18: FIC committees during 2022/23 (continued)

Committees	Number of meetings held	No of members	Name of members
Human resources and remuneration committee	4 scheduled	3	Bryan Chaplog – Chairperson Thandiwe January-McClean – Member Michael Olivier – Member
Information and communications technology steering committee	4	12	Macs Maboka – Chairperson and Executive Manager: Corporate Services Marine Burdette – Senior Operations Manager: Monitoring and Analysis Oniel Rajnund – Senior Operations Manager: Compliance and Prevention Carina Arpin – Manager Detection, Systems and Planning and Geographic Information Systems – Intelligence Support Veronica MarshSmit – Chief Financial Officer Ettiene Cronje – Head: Programme Management Office Aaron Shongwe – Head: Information and Communications Technology Khanyisa Ngozwana – Manager: Data Systems and Reporting Philemon Mashapa – Head: Performance Monitoring and Evaluation Matodzi Tshidzumba – Risk Manager: Office of the Director Fikile Zitha – Senior Operations Manager: Legal and Policy (left the FIC on 31 October 2022) Xolile Majija – Head: Corporate Legal Services, Governance and Compliance Grace Madilonga – Head: Human Resources

RISK MANAGEMENT

The FIC subscribes to the public sector's risk management framework and other international best practices to identify, analyse, assess, treat, monitor and communicate risks internally. This approach ensures that risks are identified and assessed every year, and details are shared with relevant stakeholders.

The objectives of the risk management function are to:

- Integrate risk concerns into the FIC's daily decision-making and implementation processes.
- Identify and manage risks within the risk appetite and risk tolerance parameters, which coincide with the FIC's strategy and objectives.
- Improve the FIC's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management action plans and recommendations, and monitoring them effectively.
- Comply with appropriate risk management practices in terms of the Committee of Sponsoring Organisations of the Treadway Commission framework and ISO 31000 standards, corporate governance guidelines and King IV.
- Create a risk awareness culture and embed risk-based approaches to decision-making at operational, tactical and strategic levels of the FIC.
- Promote good ethical conduct, integrity management and anti-fraud/corruption within the FIC.

The FIC has adopted an enterprise-wide risk management framework. This management framework codifies how risk is identified, measured, managed, reported and monitored across the organisation. The FIC recognises that in the complex financial sector environment in which it operates, risk management processes and strategies must evolve. The framework is therefore reviewed and modified on an ongoing basis, taking into account the risk appetite and risk tolerance of the organisation.

The FIC also performs risk assessments annually to identify new and emerging risks. In fulfilling its enterprise-wide risk management responsibilities, the FIC uses both top-down and bottom-up approaches to risk identification, assessment, mitigation, monitoring and reporting. The top-down approach entails risk processes to be reviewed by its management forum (as the operational risk committee), executive management, the Audit and Risk Committee and the Accounting Authority.

Key activities in mitigating strategic risks during 2022/23, included the following:

- The FIC dedicated considerable resources during the year to assist the country in avoiding being placed on the grey list; an action plan (based on FATF's recommendations) was developed and is being implemented to guide the country out of the grey list as stated by President Ramaphosa.
- The FIC re-prioritised and focused its outreach through awareness activities to address the FATF mutual evaluation recommended actions.
- The FIC participated in various meetings with internal and external stakeholders and provided extensive input into the country's mutual evaluation questionnaires and national risk assessment requirements.
- In collaboration with other public sector stakeholders, the FIC continued to participate in the FIC Act amendments roll out programme to the private sector.
- The FIC actively facilitated broader participation in the FATF, ESAAMLG and Egmont Group activities by internal and external stakeholders.
- The combined assurance providers ensured assurance on the internal controls and risk mitigations to be effective and adequate.
- The provision of awareness sessions, guidance, monitoring, and supervision of information to affected stakeholders and ongoing maintenance and enhancement of the systems linking information sources with the FIC.
- Requesting the supervisory bodies to include registration with the FIC as part of their licensing requirements.
- The FIC performed a strategic assessment on proceeds of crime in various geographical areas and shared the findings with relevant law enforcement authorities.
- The FIC held regular meetings with Fusion Centre members to discuss matters earmarked for action. In some of these matters the FIC assisted with section 34 directives resulting in preservation orders.
- The FIC participated in key national forums of anti-money laundering and combating of financing of terrorism in the country.
- Invested in additional virtual private network capabilities to enable employees to work remotely and access the primary data centre, or the disaster recovery centre should the need arise.
- The Department of Health repealed the COVID-19 regulations during the year under review, but the FIC continued to ensure that it provided a healthy and safe working environment for all the employees, contractors, and visitors.
- Business continuity management plans were strengthened to ensure that business operations could continue even during a pandemic.

Major risk categories

The enterprise risk management framework is continuously enhanced and updated to respond to risks and to ensure that the management of risks are embedded in the FIC's overall corporate governance structures, strategy and strategic planning, annual performance plan, reporting processes, policies, values and culture. The FIC has identified the following principal risk categories that are significant to the FIC, namely (i) strategic, (ii) regulatory and legal, (iii) operational, and (iv) reputational.

Risk profile

The FIC's corporate risk profile is a function of the inherent and residual risks of all the process level business risks identified and assessed in the various business units. The corporate risk profile gives a panoramic view of the performance and rating of the FIC's principal risks and risk landscape.

Table 19: Strategic risks mitigated in 2022/23

Principal risks
• Inadequate collection of information may result in non-compliance with the FIC Amendment Act
• Inadequate production and utilisation of the FIC products and services by the stakeholders
• Inadequate promotion of national interests in maintaining the integrity of the South African financial system
• Inadequate operating environment
• Inadequate resource and governance
• Inadequate resources and response to comply with the COVID-19 regulations and directives resulting in the FIC not being able to sustain its operations.

Risk governance and combined assurance

The FIC has a combined assurance model and risk maturity framework to determine the effectiveness of risk management within the entity, and in line with King IV, to ensure a more integrated approach to managing risks.

This methodology is carried out through a collaboration of functions between management, risk management, compliance, and internal and external audit. These assurance providers participate in the annual review of the enterprise risk management framework and the development and assessment of the single risk universe of the FIC.

INTERNAL AUDIT

The FIC appointed an external service provider to manage the internal audit function for the period 1 August 2017 to 31 July 2022. The contract was subsequently extended by 12 months and runs until 31 July 2023.

The FIC subscribes to risk-based audit methodology. The internal audit service provider submits a three-year rolling plan to the FIC through the Audit and Risk Committee for each financial year. Findings are tracked quarterly by management and reported to the Audit and Risk Committee.

COMPLIANCE WITH LAWS AND REGULATIONS

The FIC's governance and compliance follows a three-pronged approach which is informed by its operations. These are: (i) the regulatory universe, which deals with compliance with legislation, (ii) the external reporting obligations, which deals with all the FIC's reporting obligations to external stakeholders, and (iii) policy compliance, which ensures all organisational policies are in place in terms of the FIC's policy and procedure development framework.

During the year under review, the FIC conducted two quarterly reviews in all three areas and the outcomes were reported in all relevant governance committees internally and the Audit and Risk Committee for external and independent assurance. The FIC was found to be compliant in all areas against which it was assessed.

The FIC has a crisis management team in accordance with its business continuity management strategy.

During the year under review, the FIC conducted workshops to keep employees abreast of business continuity management and plans for business impact analysis. The FIC carried out 12 ICT disaster recovery exercises to assess readiness to respond to disasters.

FRAUD AND CORRUPTION

The FIC implemented an ethics, integrity management and anti-fraud and corruption framework in 2022/23, together with a fraud and corruption risk register.

The FIC has a policy in place to enable whistle-blowers to report any misconduct or unethical behaviour anonymously. The FIC uses the National Anti-Corruption Hotline operated by the Public Service Commission for reporting misconduct or unethical behaviour. Awareness sessions were held to inform employees about the prevention of fraud and corruption.

The Public Service Commission communicates reported matters to the FIC within a week, following which, each matter is reviewed and investigated (if deemed necessary) within 40 days. On each matter reported, the FIC in turn reports back to the Public Service Commission within 40 days as mandated by the MoU between the FIC and the Public Service Commission.

Those who report to the hotline retain anonymity. Reference numbers are issued so they can follow-up on reported matters should they wish to do so. No FIC-related corruption matters were reported to the hotline during the period under review.

MINIMISING CONFLICT OF INTEREST

Employees sign a code of conduct agreement. The supply chain management unit also implements terms of reference. Declaration of conflict of interest has been embedded in supply chain processes, including at the bid adjudication and evaluation committees levels.

All employees are required to adhere to the FIC's policy and procedure on gifts, donations and sponsorships. The policy is geared at preventing internal fraud and corruption.

During the period under review, the FIC organised awareness sessions on conflict of interest and conducting business with the state. All employees are required to declare their interests, irrespective of whether these generate regular income or not.

The FIC has and continues to update and align its policies and procedures to comply with the Public Administration Management Act, 2014 (Act 11 of 2014).

CODE OF ETHICS AND CONDUCT

The FIC's code of ethics and conduct requires all employees to observe the highest standards of integrity in carrying out the FIC's legal mandate. The code sets down common ethical standards that FIC employees must adhere to on a consistent basis to ensure that their actions are in accordance with the FIC's primary values and standards.

The code was developed to be as comprehensive as possible, but not an exhaustive set of rules regulating standards of conduct. The Accounting Authority has a duty to ensure that the conduct of employees conforms to the basic values and principles governing public administration and the norms and standards prescribed by the relevant government legislation and policies.

The Accounting Authority must ensure that employees are acquainted with these measures, and that they accept and abide by them. The FIC has outlined the process of dealing with breaches of the code in the ethics, integrity management and anti-fraud/corruption strategic framework and in the disciplinary policy.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The FIC is committed to and endeavours to comply with the provisions of the Occupational Health and Safety Act,1993 (Act 85 of 1993) (OHS Act) general safety regulations and the Compensation for Occupational Injuries and Diseases Act, 1997 (Act 61 of 1997) (COID Act) to enable a high level of protection for the health and safety of the FIC's employees, contractors, customers, the public and the environment.

Furthermore, the FIC is required to comply with the provisions of the Disaster Management Act, 2002 (Act 57 of 2002) (DMA) when the need arises.

The FIC's Health and Safety Committee has a charter, policy and procedures, and appointed evacuation officers, fire fighters, incidents investigators, health and safety representatives, and first aid officers. The FIC's Health and Safety Committee's responsibilities include:

- Making recommendations to the FIC or, where the recommendations fail to resolve the matter, to an inspector in terms of the OHS Act regarding any matter affecting the health or safety of persons at the workplace or any section thereof.
- Discussing any incident at the workplace or section thereof in which or in consequence of which any person was injured, became ill or died, and may in writing report on the incident to an inspector from the Department of Labour.
- Performing other health and safety functions as may be prescribed.
- Keeping records of each recommendation made to the FIC in terms of subsection (1) (a) and of any report made to an inspector in terms of subsection (1) (b) of the OHS Act.

During the 2022/23 financial year, there were no incidents of employees or visitors being injured at the FIC premises.

REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2023

The Audit and Risk Committee (hereinafter referred to as ARC) is an independent statutory committee appointed by the Accounting Authority. It derives its duties from section 77 of the PFMA read together with National Treasury Regulations 27.1. Further duties are delegated to the ARC by the Accounting Authority. This report includes both these sets of duties and responsibilities.

ARC terms of reference

The ARC has adopted formal terms of reference that have been approved by the Accounting Authority. The ARC has conducted its affairs in compliance with its terms of reference and has discharged all its responsibilities contained therein.

ARC members and meeting attendance

The ARC consists of five independent, non-executive members. The committee meets at least four times a year as per the approved terms of reference.

The ARC comprises the following members:

Name	Qualifications	Contract commencement date	Contract end / termination date
Bongani Mbewu*	BCom (Acc); BCom (Hons); CIA; CCSA; CGAP; CRMA; MPhil (Int Audit)	1 August 2021	31 July 2024
Denisha Jairam-Owthar	Ph.D (ICT); MBA in Technology Management; BCOMPT (Accounting Sciences). Certifications in: Artificial Intelligence and Robotics, Cybersecurity, Digital Transformation, Data Science(University of California Los Angeles, Berkeley)	1 August 2021	31 July 2024
Precious Sibiya**	BAcc; Postgraduate Diploma in Accountancy (UKZN), CA (SA)	1 August 2021	31 July 2024
Protas Phili	BCom (Acc); Postgraduate Diploma in Accountancy; Advanced Certificate in Auditing; MCom (Tax); CA(SA)	1 August 2021	31 July 2024
Sphiwe Mayinga	MBA (GIBS), LL.M, LL.B, B.Proc, PG Dip. BM,SLDP, MAP Admitted Attorney	31 December 2021	31 July 2024

* Chairman up to 31 March 2023
** Appointed Chairman from 1 April 2023

The meetings held and attendance at the meetings during the year were as follows:

Members	Meeting held 2022 and 2023						
	2022						2023
	28 April	27 May	28 July	29 July	17 August	27 October	26 January
Bongani Mbewu*	√	√	√	√	√	√	X
Denisha Jairam- Owthar	√	√	√	√	√	√	√
Precious Sibiya**	√	√	√	X	√	√	√
Protas Phili	√	√	√	√	√	√	√
Sphiwe Mayinga	√	√	√	√	√	√	√

√ Present
X Absent with apology
* Chairman up to 31 March 2023
** Appointed Chairman from 1 April 2023

ARC role and responsibilities

The ARC reports that it has complied with its responsibilities arising from section 51 (1)(a)(ii) of the PFMA and National Treasury Regulation 27.1. The ARC also reports that it has adopted appropriate formal terms of reference as its ARC charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The ARC is responsible for, and fulfilled the following responsibilities, among others:

- Reviewed the accounting policies adopted by the entity and proposed changes in accounting policies and practices, and recommended any changes considered appropriate.
- Reviewed and recommended disclosed financial information.
- Considered the processes introduced to improve the overall governance and ethics of the entity and reviewed reports from management and the internal auditors relating to governance, risk and control processes.
- Monitored ethical conduct by the entity, its executive and senior management.
- Monitored the entity's compliance with applicable legislative requirements.
- Reported any fruitless, wasteful and irregular expenditure in terms of the PFMA.
- Ensured cooperation between internal and external auditors by clarifying and overseeing the appropriateness and implementation of the combined assurance plan.
- Considered the King Code of Governance recommendations and their applicability to the entity.
- Assisted management in carrying out its risk management and ICT responsibilities; and
- Received and dealt appropriately with any complaints and/or allegations of wrongdoing, including fraud. No such complaints were received during the year under review or to the date of this report.

The internal and external auditors had direct access to the Chairman of the ARC and its members.

The ARC's agendas provided for confidential one-on-one in-committee meetings with the members.

The effectiveness of internal controls

The internal audit function is outsourced, and the outsourced internal audit representatives attended all ARC meetings.

Based on the assessment of the work done during the year under review, the ARC believes that the internal audit function has provided professional, independent and objective assurance that the internal controls are adequate and effective to assist the organisation to achieve its goals and objectives.

Internal audit reports were concluded and discussed with management, and action plans were monitored for implementation at every ARC meeting.

Enterprise risk management

The ARC reviewed and recommended for Accounting Authority approval, various risk management policies and plans. The ARC has also reviewed the strategic risk register and is generally satisfied with how risks are being managed within the FIC. Based on the processes and assurances obtained, we believe that the risk management processes are generally adequate.

Quarterly reporting

The ARC has had sight of the quarterly reports submitted to the Executive Authority, the Minister of Finance, during the year under review and can confirm that the entity reported to the National Treasury on a quarterly basis as is required by the PFMA.

Evaluation of annual financial statements

The ARC has reviewed the accounting policies and the annual financial statements of the entity and is satisfied that they are appropriate and comply with the standards of Generally Recognised Accounting Practice (GRAP). The ARC noted that there were no material adjustments to the annual financial statements resulting from the external audit.

Evaluation of the finance function

The ARC is satisfied that the chief financial officer has the appropriate qualifications and experience. Moreover, the ARC is satisfied with the overall skills and competence within the finance function.

External auditor's report

We reviewed the entity's implementation plans for audit issues raised in the prior years and we are satisfied that the matters have been adequately resolved.

The ARC reviewed the Auditor-General of South Africa's management report and management's responses thereto.

The ARC concurs and accepts the conclusions of the Auditor-General of South Africa on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General of South Africa.

Precious Sibiya CA (SA)
Chairman of the Audit and Risk Committee
31 July 2023

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table was completed in accordance with compliance requirements as per the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) (B-BBEE Act) and as determined by the Department of Trade, Industry and Competition.

Table 20: B-BBEE compliance performance information 2022/23

	Criteria	Response Yes / No	Discussion (measures taken not taken to comply)
1	Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Not applicable	The FIC's mandate and work does not extend to issuing of licences, concessions or authorisations
2	Developing and implementing a preferential procurement policy?	Yes	The FIC has in place SANAS accredited B-BBEE verification
3	Determining qualification criteria for the sale of state-owned enterprises?	Not applicable	Selling of state-owned enterprises does not fall within the scope of the work of FIC.
4	Developing criteria for entering into partnerships with the private sector?	Not applicable	FIC does not enter into partnerships with the private sector
5	Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Not applicable	FIC does not award grants, incentives or investment schemes

PART D

HUMAN RESOURCE MANAGEMENT

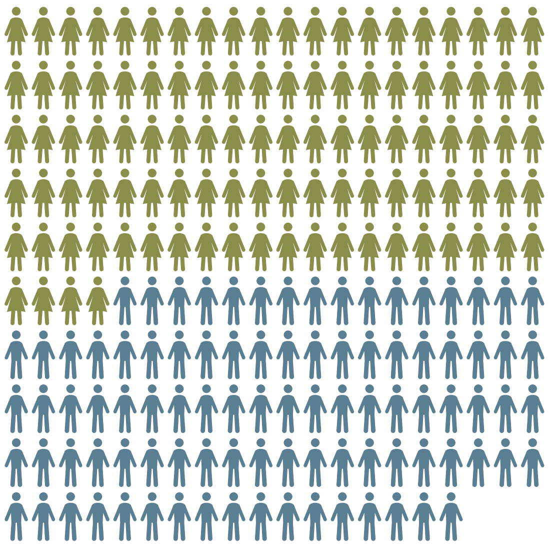
INTRODUCTION

The FIC continues its journey in implementing its talent management strategy through a phased approach despite challenging labour market and operational environment post-lockdown. The FIC saw high numbers of voluntary resignations as compared to the previous financial years. However, the FIC's accelerated recruitment efforts have decreased the employee turnover rate from 14.4 percent during the previous year, to 13.4 percent in the financial year under review. The vacancy rate increased from 13.4 percent at the beginning of financial year to 19.9 percent by the end of financial year. The increase in the vacancy rate was largely because of the increase in the headcount due to additional funding towards the creation of positions during the third and fourth quarter. Although the FIC's closing headcount has increased from 183 as at March 2022 to 197, voluntary resignations during the period affected recruitment efforts.

As part of its commitment to maintaining a transformed and equitable workforce, the FIC achieved all of its transformation targets and in two areas exceeded target. Its employment equity targets were as follows:

Female employees:

114 employees out of a total of 197 are female

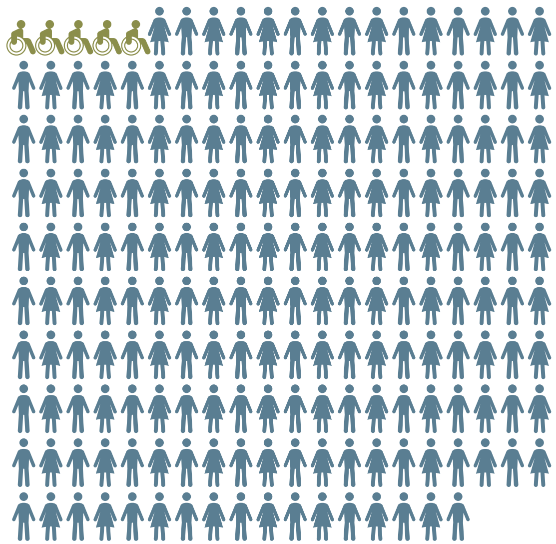


51% Target

57.8% Actual

Employees with disabilities:

5 employees out of a total of 197 have disabilities

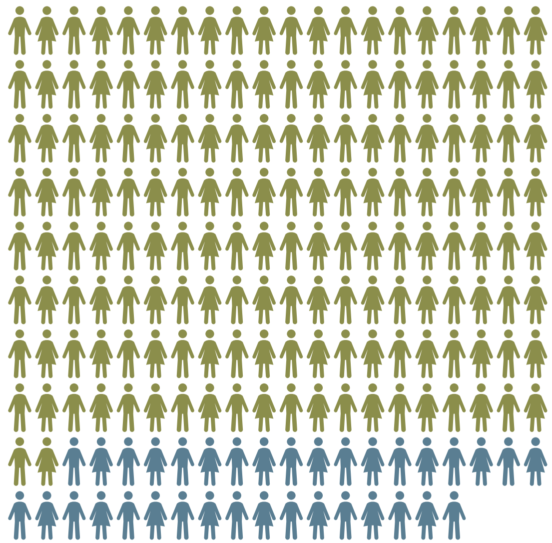


2% Target

2% Actual

Employees from designated race groups:

162 employees out of a total of 197 are African, Coloured and Indian



80% Target

82.2% Actual

During 2022/23, HR ensured that it remained responsive to the FIC's organisational needs and the FIC's people management priorities:

Employee relations:

The organisation continued to engage its employees and its labour partners, through collective bargaining on matters of strategic and operational importance in relation to the employer-employee relationship.

Remuneration:

The FIC continued to strengthen its remuneration framework to remain relevant and competitive in the labour market. The FIC continued to implement remuneration and benefits programmes during the 2022/23 financial year, aimed at strengthening its value proposition.

Talent reviews:

Through the implementation of the FIC's talent management strategy by way of conducting talent reviews, 10 employees were promoted, one employee was laterally transferred from one division to another. These talent reviews provided the FIC with essential insights into the composition of the FIC's talent pool in relation to the strategic and operational demands for the short- to medium-term. For succession planning purposes, through talent reviews, it was identified that the FIC has 31 critical positions across all divisions with 33 percent succession cover.

Learning and development:

A total of 209 employees attended various technical skills learning interventions. These were aimed at ensuring that employees remained motivated and abreast of advances in their areas of expertise. The FIC is also dedicated to long-term development with the aim of extending employees' careers at the FIC. With this in mind, the FIC provided 23 bursaries to employees and 10 graduates were provided the opportunity to gain workplace experience at the FIC.

Employee wellness:

The FIC continued to provide employee wellness interventions support. During the financial year, four personal development sessions were offered to employees covering themes such as managing working relationships, sexual harassment, substance abuse and maintaining a healthy self-esteem.

The FIC will continue to assess HR risks and challenges with a view to optimising people performance and improving the employee experience. Attracting and retaining talent remains a key focus, which is summarised into the following strategic HR priorities:

- Implementing critical competencies, especially in data management and analytics
- Implementing the critical elements of the FIC's remuneration framework
- Implementing employee value proposition
- Management development
- Implementing critical elements of the talent management strategy
- Enhancing the FIC's learning and development service offering.

HUMAN RESOURCES OVERSIGHT STATISTICS

Table 21: Personnel cost by programme

Total expenditure for the entity (R)	Personnel expenditure (R)	Personnel expenditure as a percentage of total expenditure	Number of employees	Average personnel cost per employee (R)
297 362 280	176 179 004	59.25%	232	759 392

Personnel expenditure includes terminations during the reporting period but excludes year-end accrual adjustment and compensation for occupational injury and disease.

Table 22: Personnel cost by salary band

Level	Personnel expenditure (R)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R)
Top management	15 898 800	9%	6*	2 271 257
Senior management	19 084 874	11%	12	1 908 487
Professional qualified	31 578 231	18%	30	1 052 608
Skilled	95 915 362	54%	135	710 484
Semi-skilled	13 701 737	8%	49	274 035
Total	**176 179 004**	**100%**	**232****	**759 392**

* Includes a senior manager who was acting in this position until end January 2023.
** Reflects the number of active and terminated number of employees paid during the reporting period.

Table 23: Performance rewards

Programme	Performance rewards (R)	Personnel expenditure (R)	Percentage of performance rewards to total personnel cost
Top management	369 717	11 491 983	3.22%
Senior management	1 076 735	23 491 690	4.58%
Professional qualified	1 303 293	31 578 231	4.13%
Skilled	4 575 700	95 915 362	4.77%
Semi-skilled	537 939	13 701 737	3.93%
Total	**7 863 384**	**197 570***	**21%**

* The amount indicated is for the 2021/22 performance bonuses, which were paid during the 2022/23 financial year.

Table 24: Training Costs

Programme	Personnel expenditure (R)	Training expenditure (R)	Training expenditure as a percentage of personnel cost	Number of employees trained	Average cost of training per employee (R)
Employee training	297	601 806	0.34%	209	2 879
Bursaries	362 280	377 175	0.21%	24	15 716
Totals		**978 981**	**0.56%**	**233**	**4 202**

The main reasons for a reduction in training and development spend during the 2022/23 financial year was because of challenges posed by high personnel turnover.

Table 25: Employment and vacancies – 2022/23

Programme	Number of employees	Approved posts	Number of employees	Vacancies	Percentage of vacancies
Top management	4	5	5	0	0.0%
Senior management	12	12	11	1	2.0%
Professional qualified	24	27	23	4	14.8%
Skilled	112	158	117	41	25.9%
Semi-skilled	31	44	41	3	6.1%
Unskilled	0	0	0	0	0.0%
Total	**183***	**246**	**197****	**49**	**19.9%**

The FIC vacancy rate has increased significantly during the period under review as compared to the last financial year. The FIC has retention measures which are being implemented on an ongoing basis.

* Opening balance as at 1 April 2022.
** Closing balance as at 31 March 2023.

Table 26: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	4	1	1	4
Senior management	12	0	1	11
Professional qualified	24	2	3	23
Skilled	112	26	20	118
Semi-skilled	31	17	7	41
Unskilled	0	0	-	0
Total	**183**	**46**	**32**	**197**

Table 27: Reasons for employees leaving

Reason	Number	Percentage of total number of employees leaving
Death	1	3.1%
Resignation	28	87.5%
Dismissal	0	0.0%
Retirement	2	6.3%
Ill health	1	3.1%
Expiry of conduct	0	0.0%
Other	0	0.0%
Total	**32**	**100%**

The main reasons for employees leaving the FIC include pursuing opportunities for career growth and/or better earning opportunities. The FIC's HR framework is reviewed on an ongoing basis to address turnover.

Table 28: Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	1
Final written warning	0
Dismissal	0

Table 29: Equity target and employment equity status (male)

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	1	1	0	0	1	0
Senior management	4	2	0	1	1	1	2	1
Professional qualified	4	4	1	2	1	2	2	2
Skilled	35	25	1	16	4	13	11	8
Semi-skilled	3	14	0	1	-	1	-	2
Unskilled	-	-	-	-	-	-	-	-
Total	**47**	**46**	**3**	**21**	**6**	**17**	**16**	**13**

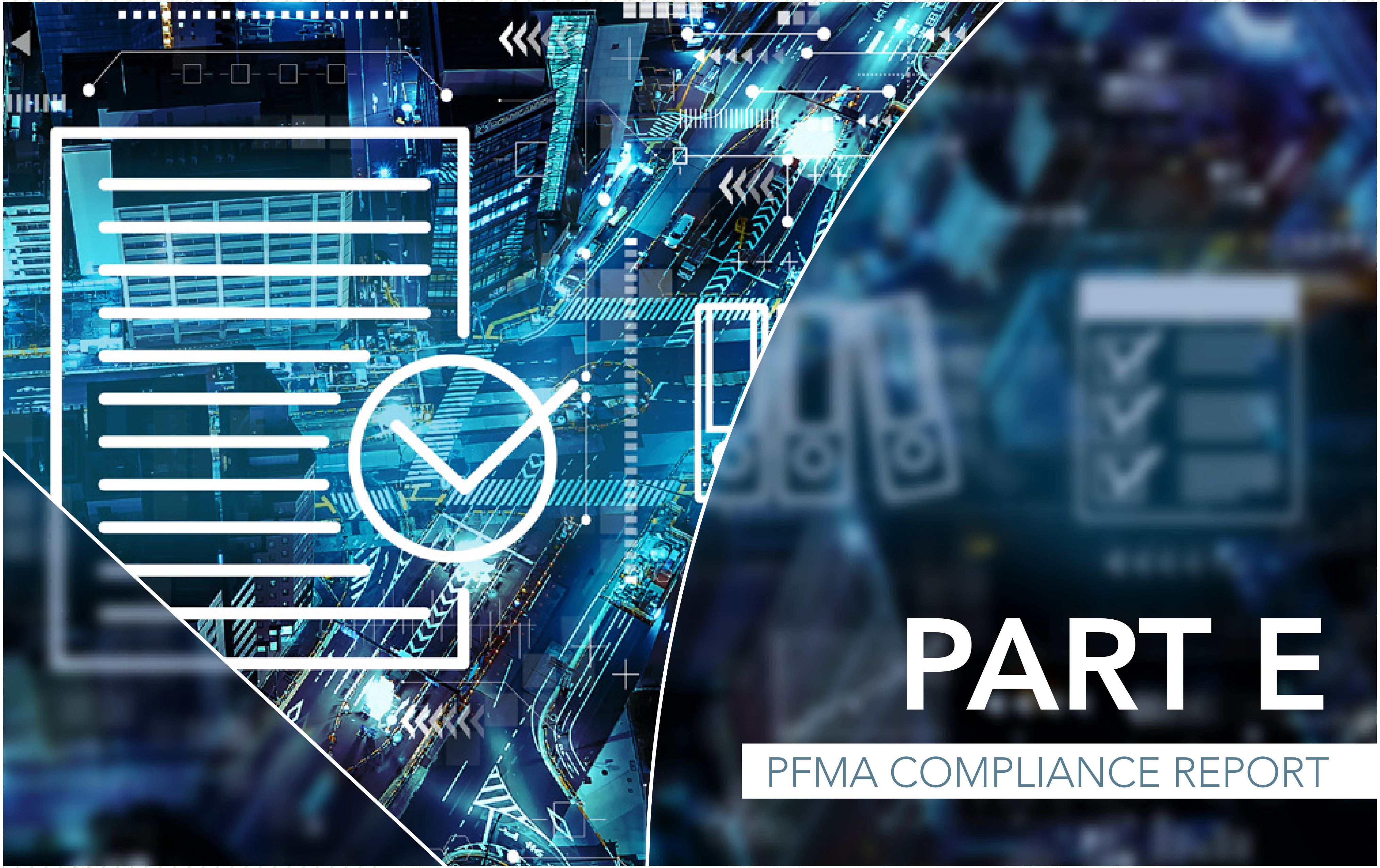
Table 30: Equity target and employment equity status (female)

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	1	0	1
Senior management	2	2	0	2	1	1	2	2
Professional qualified	8	7	1	2	1	3	6	3
Skilled	39	29	5	15	5	15	5	16
Semi-skilled	25	14	1	1	0	1	4	3
Unskilled	-	-	-	-	-	-	-	-
Total	**75**	**53**	**7**	**20**	**7**	**21**	**17**	**25**

Table 31: Equity target and employment equity status (people with disabilities)

Levels	Disabled employees			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	1	-	-
Skilled	4	2	-	3
Semi-skilled	-	-	2	-
Unskilled	-	-	-	-
Total	**4**	**3**	**2**	**3**

Ongoing effort is being made to attract people with disabilities. The equity targets are for 1 October 2021 to 30 September 2022 as submitted to the Department of Labour.



PART E

PFMA COMPLIANCE REPORT

IRREGULAR EXPENDITURE

Table 32

Reconciliation of irregular expenditure	2022/23 R	2021/22 R
Confirmed irregular expenditure	1 439 107.80	2 260 424.71
Less irregular expenditure condoned	-	-
Less irregular expenditure not condoned and removal approved	-	(723 946.08)
Closing balance	**1 439 107.80**	**1 536 478.63**
a) Reconciling notes to the annual financial statements disclosure Irregular expenditure		
Irregular expenditure that was under assessment in 2021/22 confirmed in current year	-	733 459.71
Irregular expenditure that relates to 2021/22 and identified in 2022/23	274 173.80	-
Irregular expenditure - identified and confirmed in the year	-	1 526 965.00
Payment made on multi-year contract	1 164 934.00	-
Total	**1 439 107.80**	**2 260 424.71**
b) Details of current and previous year irregular expenditure (under assessment determination and investigation)		
Irregular expenditure under assessment	0	0
Irregular expenditure under determination	40 283.93	0
Irregular expenditure under investigation	0	0
	40 283.93	**0.00**
c) Details of current and prior year irregular expenditure condoned		
Irregular expenditure condoned	0	0
	0	**0**
d) Details of current and prior year irregular expenditure removed - not condoned		
Irregular expenditure not condoned and removed	0	723 946.08
	0	**723 946.08**
e) Details of current and prior year irregular expenditure recovered		
Irregular expenditure recovered	0	-
	0	**0**
f) Details of current and prior year irregular expenditure written off (irrecoverable)		
Irregular expenditure written off	0	-
	0	**0**
g) Details of current and parevious year disciplinary or criminal steps taken as a result of irregular expenditure. Disciplinary steps taken		
Relevant units were instructed to strengthen their capacity and oversight over contract management		

FRUITLESS AND WASTEFUL EXPENDITURE

Table 33

Reconciliation of F&W expenditure	2022/23 R	2021/22 R
F&W expenditure incurred and confirmed in prior year	0	5 953
Less F&W expenditure written off	0	(5 953)
Less F&W expenditure recoverable	0	0
Closing balance	**0**	**0**
a) Reconciling notes to the annual financial statements disclosure F&W expenditure		
F&W expenditure that was under assessment in 2021/22 confirmed in current year	0	0
F&W expenditure that relates to 2021/22 and identified in 2022/23	0	5 953
F&W expenditure for the current year - identified and confirmed in that year	0	0
Total	**0.00**	**5 953**
b) Details of current and previous year F&W expenditure (under assessment determination and investigation)		
F&W expenditure under assessment	0	0
F&W expenditure under determination	0	0
F&W expenditure under investigation	0	0
Total	**0.00**	**0.00**
c) Details of current and prior year F&W expenditure RECOVERED		
F&W expenditure recovered	0	0
	0	**0**
d) Details of current and prior year F&W expenditure WRITTEN OFF		
F&W expenditure written off	0	(5 953)
	0	**(5 953)**
e) Details of current and prior year DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF F&W expenditure. Disciplinary steps taken		
Relevant employees who have left the FIC's employment	0	0

INFORMATION ON LATE AND/OR NON-PAYMENT OF SUPPLIERS

Table 34

Description	Number of invoices	Consolidated value R'000	Reasons for non-compliance
Valid Invoice Received	1 807	124 730	
Invoices paid within 30 days or agreed period	1 602	107 390	
Invoices unpaid within 30 days period	114	14 493	These invoices are not due and payable yet
Invoice paid after 30 days or agreed period	87	2 666	There were delays in the approval of invoices as well as administrative delays by business units and within Finance with their administrative processing of invoices and or payments.
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0	
Invoices older than 30 days or agreed period (unpaid and indispute)	4	182	Three of the invoices h ave not been paid due to services not being rendered by the SP. The fourth invoice has not been paid due to billing that cannot be reconciled to the contract or any other supporting procurement document.

CONTRACT VARIATIONS AND EXPANSIONS

Table 35

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion(s) or variation(s) (if applicable) R'000	Value of current contract expansion or variation R'000
Internal audit services (1 year)	Oma Chartered Accountants Inc's	Expansion	FIC-2022/23-0239	5 174	N/A	941
Additional infrastructure-as-a-service, licences for Power BI premium, Azure virtual desktop services and Azure Sentinel services in terms of the Microsoft Enterprise Agreement for Azure services (3 years)	Microsoft	Variation	FIC-2022/23-0129 FIC-2022/23-0130, FIC-2022/23-0131	4 764	N/A	8 668
Additional functionality for the Common Data Platform (CDP) to be delivered as part of the current CDP project	Altron Karabina	Variation	FIC-2022/23-0259	8 231	N/A	2 714
Payroll services (5 months)	Mondtes Holdings	Expansion	FIC-2022/23-0271	454	401	193
Internal communications publishing platform services (6 months)	Corporate LAN Advertising (Pty) Ltd	Expansion	FIC-2022/23-0287	142	N/A	71
Solutions architect for phase 2 of the Line of Business (LOB) solutions modernisation programme (1 year)	Intellehub	Expansion	FIC-2022/23-0279	5 433	N/A	2 313
Security Information and Events	Altron TMT (Pty) Ltd (ACS)	Expansion	FIC-2022/23-0196	1 637	356	237
Job evaluation / grading and professional services (6 months)	Korn Ferry Hay Group	Expansion	FIC-2022/23-0236	800	N/A	200
In-depth profiling and analytical services	Experian/Compuscan, Datasearch and Lexisnexis Windeed	Expansion	N/A	3 678	N/A	2 315
Total				**30 313**	**758**	**17 653**

PROCUREMENT BY OTHER MEANS

Table 36

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Microsoft enterprise license agreement (3 years)	Microsoft	Sole source	FIC-2022/23-0246	15 275
Boardeffect software solution (3 years)	SurTech Solutions RSA (Pty) Ltd	Sole source	FIC-2022/23-0266	1 390
UNODC goAML enterprise edition support (5 years)	UNODC	Sole source	FIC-2023/24-0317	5 472
Experian, LexisNexis Windeed and Dilligence and Refinitiv paid subscription services, systems and databases (3 years)	Experian, LexisNexis & Refinitiv	Multiple source	FIC-2023/24-0309 FIC-2023/24	7 913
SAS software licences (3 years)	SAS Institute (Pty) Ltd	Sole source	FIC-2023/24-0296	1 876
Who Owns Whom platform & licences (3 years)	Who Owns Whom	Sole source	FIC-2023/24-0304	1 332
Attendance of conferences, workshops, seminars, webinars and industry specialised training (3 years)	Various suppliers	Multiple source	N/A	1 000
Platform-as-a-service in terms of the Microsoft enterprise agreement for Azure services (3 years)	Microsoft	Sole source (Utilisation of Microsoft Corporate Azure Agreement)	FIC-2022/23-0139	14 682
Total				**48 939**

PART F

FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2023

The reports and statements set out below comprise the annual financial statements presented as at 31 March 2023

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL INTELLIGENCE CENTRE

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Financial Intelligence Centre set out on pages 111 to 135, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Intelligence Centre as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Context for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Irregular expenditure

7. As disclosed in note 27 to the financial statements, the entity incurred irregular expenditure of R1.4 million. This irregular expenditure relates to non-compliance with applicable procurement legislation.

Other matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

9. The supplementary information set out on pages 23 to 29, 31 to 47, 49 to 62, and 64 to 78 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on it.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 27 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Financial Intelligence Centre. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

11. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2 – delivery of intelligence on financial crime and FIC Act-related regulatory services	Page 30	**Sub-programme 2.1: focusing on enhancing compliance with the FIC Act.** Provides guidance and awareness to accountable and reporting institutions and monitors the supervision by supervisory bodies of their responsibilities under relevant legislation.
	Page 48	**Sub-programme 2.2: focusing on the improved production and utilisation of financial intelligence products** This sub-programme provides unique intelligence-based services that entail the analysis, interpretation, and representation of financial information in a manner that can be converted into evidence by law enforcement and prosecutorial services. These services are performed to support law enforcement agencies' efforts to prove the crime and involve in-depth planning and coordination. The sub-programme gathers and receives information internationally through a network of foreign information sources known as financial intelligence units.
	Page 63	**Sub-programme 2.3: focusing on the AML/CFT framework** The sub-programme administers the FIC Act and provides advice on matters of strategy and policy relating to money laundering and terrorist financing. It also engages on behalf of South Africa with international and regional intergovernmental bodies, which formulate and promote policies on combating money laundering and terrorist financing and that set standards on these matters for countries.

18. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

21. I did not identify any material findings on the reported performance information of the selected programme.

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements.

Report on compliance with legislation

24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

27. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

28. The accounting authority is responsible for the other information included in the annual report, which includes the Director's report and the audit and risk committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

29. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

30. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

33. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1 Treasury Regulation 31.3.3 Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
Preferential Procurement Regulations, 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4

Legislation	Sections or regulations
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction Note 03 2019/20	Par 5.5.1(vi); Paragraph 5.5.1(x);
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b) ; 3.3.1; 3.2.2 Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Par. 4.3.2; 4.3.3
Competition Act No 89 of 1998	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
NT SCM Instruction 4A of 2016/17	Paragraph 6
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
PFMA SCM Instruction Note 01 of 2021/22	Paragraph 4.1
Public Service Act	Section 30 (1)
Employment of Educators Act	Section 33 (1)

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority of the Financial Intelligence Centre (FIC) is pleased to submit the report, together with the FIC's annual financial statements, for the year ended 31 March 2023.

The Accounting Authority acknowledges responsibility for the preparation and integrity of the financial statements and related information included in the annual report. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on her in terms of the PFMA and other applicable legislation, she has developed and maintains a system of internal controls, designed to provide reasonable assurance regarding the achievement of objectives.

1. Establishment, mandate and operations of the FIC

The FIC is established in terms of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). The mandate of the FIC is to assist in identifying the proceeds of crime, combat money laundering and the financing of terrorism.

The FIC Act works in concert with the Prevention of Organised Crime Act, 1998 (Act 121 of 1998), the Protection of Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004).

The FIC Act established the FIC and placed obligations of financial institutions and other businesses deemed vulnerable to money laundering and terrorist financing. The Prevention of Organised Crime Act introduced the crime of money laundering. The Protection of Constitutional Democracy Against Terrorist and Related Activities Act introduced measures to address the financing of acts of terrorism.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Internal controls

Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with best business practice, as well as policies and procedures established by the Accounting Authority and independent oversight by the Audit and Risk Committee.

The system contains self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

4. Accounting policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as per the prescribed framework by National Treasury, and directives issued by the Accounting Standards Board.

5. Corporate governance General

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and Risk Committee

The Audit and Risk Committee comprised five members for the year ended 31 March 2023 and met eight times during the year, in accordance with its approved Charter that requires a minimum of four meetings.

Internal audit

The FIC has outsourced its internal audit function, which reports functionally to the Audit and Risk Committee.

6. Review of the financial statements

The financial results are contained in the Annual Financial Statements. In my opinion, the Annual Financial Statements fairly reflect the operations of the FIC for the financial year ended 31 March 2023 and its financial position as at that date.

7.Subsequent events

The Accounting Authority is not aware of any matter or circumstance arising between 31 March 2023 and the date of this report, not dealt with in the Annual Financial Statements, which would significantly affect the operations or results of the FIC.

8.Bankers

Standard Bank of South Africa Limited.

9.Auditors

Auditor-General of South Africa.

Adv X J Khanyile
Director: Financial Intelligence Centre
Accounting Authority
31 July 2023

STATEMENT OF

FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Current assets			
Inventories	3	72	88
Receivables from exchange transactions	4	941	472
Prepayments	5	15 577	12 815
Cash and cash equivalents	7	93 579	75 041
		110 169	**88 416**
Non-current assets			
Property, plant and equipment	8	30 054	35 724
Intangible assets	9	21 319	18 333
Deposits	6	903	815
		52 276	**54 872**
Total assets		**162 445**	**143 288**
LIABILITIES			
Current liabilities			
Finance lease obligation	10	119	681
Operating lease liability	15	-	45
Payables from exchange transactions	11	15 534	16 665
Provisions	12	-	7 863
Third party deposits	13	10	30
Income received in advance	14	20 134	31 593
		35 797	**56 877**
Non-current liabilities			
Finance lease obligation	10	-	119
Operating lease liability	15	29 484	26 003
		29 484	**26 122**
Total liabilities		**65 281**	**82 999**
Net assets		**97 164**	**60 289**
Accumulated surplus		**97 164**	**60 289**

STATEMENT OF

FINANCIAL PERFORMANCE

AS AT 31 MARCH 2023

	Notes	2023 R'000	2022 R'000
REVENUE			
Non-exchange revenue	16	328 279	310 144
Exchange revenue	17	5 449	2 634
		333 728	**312 778**
EXPENDITURE			
Employee related costs	18	(168 167)	(180 936)
Depreciation and amortisation	19	(15 325)	(16 702)
Impairment of financial assets	21	(11)	(421)
Finance costs	20	(38)	(89)
General expenses	22	(113 344)	(113 074)
Total expenditure		**(296 885)**	**(311 222)**
Profit on disposal of assets	30	32	168
Surplus for the year		**36 875**	**1 724**

STATEMENT OF
CHANGES IN NET ASSETS
AS AT 31 MARCH 2023

	Accumulated surplus R'000	Total net assets R'000
Balance at 1 April 2021	**58 565**	**58 565**
Surplus for the year ended 31 March 2022	1 724	1 724
Balance at 1 April 2022	**60 289**	**60 289**
Surplus for the year ended 31 March 2023	36 875	36 875
Balance at 31 March 2023	**97 164**	**97 164**

CASH FLOW STATEMENT

AS AT 31 MARCH 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
RECEIPTS			
Cash receipts from grants		316 820	297 259
Interest income		5 010	2 054
Insurance		665	(28)
		322 495	299 285
PAYMENTS			
Suppliers		(290 629)	(300 829)
Finance costs		(38)	(89)
		(290 667)	(300 918)
Net cash flows from operating activities	23	**31 828**	**(1 633)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4 343)	(4 471)
Proceeds from sale of property, plant and equipment		448	1 121
Purchase of other intangible assets		(8 714)	(6 931)
Net cash flows from investing activities		**(12 609)**	**(10 281)**
Cash flows from financing activities			
Finance lease payments		(681)	(630)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**18 538**	**(12 544)**
		75 041	**87 585**
Cash and cash equivalents at the end of the year	7	**93 579**	**75 041**

ACCOUNTING POLICIES

1. Significant accounting polices

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA). Management used assessments and estimates in preparing the annual financial statements, based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Offsetting

Assets, liabilities, revenue and expenses have not been offset except where offsetting is required or permitted by GRAP.

1.2 Materiality

In determining materiality for the preparation of financial statements, consideration is given to the nature of the activities of the FIC and the areas where significant judgment is exercised.

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Non-financial materiality

The non-financial materiality is derived from legislation that requires the FIC to report certain incidents, or alternatively legislation requires disclosure in the annual report.

Financial materiality

In determining financial materiality the FIC applies all relevant National Treasury Practice Notes and adjusts the financial statements for any errors identified during the external audit process, irrespective of the amount.

1.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of the asset.

The carrying amount of an item in property, plant and equipment is recognised on disposal or when no future economic benefits or service potential is expected from its use. The gain or loss arising from the derecognition is included in the surplus or deficit when the item of property, plant and equipment is derecognised.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The FIC recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits or service potential embodied within the part that will flow to the FIC and the cost of such item can be measured reliably. All other costs are recognised in the statement of financial performance as and when the expense is incurred.

1.3 Property, plant and equipment (continued)

At each financial position date, the FIC assesses whether there is any indication or aspect about the residual value and useful life of an asset that has changed since the preceding reporting period. If any such indications exist, the expected useful life and/or residual value is revised accordingly.

The recoverable service amount of property, plant and equipment is the greater of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the asset's remaining service potential determined by the depreciated replacement cost approach.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to its recoverable service potential, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

The review of the estimated useful life, residual value and depreciation method is performed annually. The estimated useful lives are as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	5 to 20 years
Motor vehicles	Straight-line	10 to 15 years
Office equipment	Straight-line	2 to 25 years
Computer hardware	Straight-line	3 to 15 years
Leasehold improvements	Straight-line	Over the lease period
Security equipment	Straight-line	10 to 20 years

1.4 Intangible assets

Intangible assets comprise identifiable, non-monetary assets without physical substance. An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the FIC and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent to initial recognition, intangible assets shall be carried at their respective costs less any accumulated amortisation and any accumulated impairment losses. The cost of intangible assets with finite useful lives are amortised over the estimated useful lives. All other licences are amortised over the underlying contract period.

The review of the estimated useful life, residual value and amortisation methods are performed annually.

Amortisation is calculated on a straight-line basis to allocate the depreciable amount of the intangible asset on a systematic basis over the useful life. Amortisation commences when the asset is ready for its intended use. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

The estimated useful lives are as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 to 20 years
Computer licences	Straight-line	1 to 7 years

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits or service potential embodied in the specific assets to which it relates. All other expenditure is expensed.

An intangible asset is derecognised when the asset is disposed of or when there is no further economic benefit or further service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying amount, and is recognised as a surplus or deficit in the Statement of Financial Performance.

1.5 Financial instruments

Classification

The financial instruments recognised in the statement of financial position consist of cash at bank and cash equivalents, receivables, trade and other payables and lease liabilities

Initial recognition and measurement

Financial instruments are recognised in the statement of financial position when the FIC becomes a party to the contractual provisions of a financial instrument. Financial instruments are initially recognised at fair value that includes transaction costs.

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at amortised costs using the effective interest rate method according to the following:

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method of the difference between that initial amount and the maturity amount minus any reduction for impairment or uncollected amounts.

Financial liabilities held at amortised cost

Finance lease liabilities are included in financial liabilities held at amortised cost.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and by allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Receivables

Receivables are stated at amortised cost, which due to their short-term nature, closely approximate their fair value.

Long-term receivables

Long-term receivables are initially recorded at fair value and subsequently measured at amortised cost.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost, which due to their short term nature, closely approximate their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash with banks that are readily convertible to a known amount of cash and are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

1.6 Taxation

Tax expenses

The FIC is exempt from income tax in terms of the provisions of section 10(1)(cA) of the Income Tax Act, 1962 (Act 58 of 1962).

1.7 Leases

Leases are classified as either finance or operating leases.

Finance leases - lessee

Finance leases are leases that substantially transfer all risks and rewards associated with ownership of the asset to the FIC. Title may or may not transfer.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The cash equivalent cost is the lower of the fair value of the asset and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability, using the effective interest rate method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets subject to finance lease agreements are capitalised at their cash cost and depreciated on the straight-line basis over the duration of the lease contract.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised on a straight-line basis as a reduction of the lease payments over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventory

Inventory is stated at cost on initial recognition and measured at the lower of cost or current replacement costs, and comprises mainly printing and stationery supplies consumed or distributed in the rendering of services.

1.9 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

The cost of short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts that the FIC has a present obligation to pay as a result of services provided by employees. Providing for the employee benefits has been calculated at undiscounted amounts based on the current salary rates, because of their short-term nature.

Retirement benefits

The FIC contributes to a defined contribution fund in respect of employees. The contributions are included in employee costs in the year to which they relate.

Termination benefits

Termination benefits are recognised as an expense when the FIC is committed, without a realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the FIC has made an offer encouraging voluntary redundancy; it is probable that the offer will be accepted and the number of acceptances can be reliably estimated.

1.10 Provisions

Provisions are recognised when:

- The FIC has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.11 Exchange revenue

Exchange revenue comprises finance income and other income.

1.12 Non-exchange revenue

A transfer is recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

1.13 Transfer from the National Treasury

The transfer from the National Treasury is recognised when the resources that have been transferred meet the criteria for recognition as an asset.

1.14 Finance income

Finance income comprises interest received on funds invested. Interest is recognised on a time proportion basis as it accrues, using the effective interest rate method. Exchange revenue comprises finance income and other income.

1.15 Finance cost

Finance cost comprises interest expenses on borrowings, changes in fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the statement of financial performance using the effective interest rate method.

1.16 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are converted into South African rands at the rate of exchange ruling at the date of such transaction. Balances outstanding on the foreign currency monetary items at the end of the reporting period are translated into South African rands at the rates ruling at that date.

Foreign exchange differences on settlement of foreign currency monetary liabilities during the reporting period are recognised in the Statement of Financial Performance.

1.17 Comparative figures

Comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless another Standard of GRAP requires or permits otherwise. Comparative information is reclassified when the presentation or reclassification of current period items are amended, disclosing the nature, amount and reason for the reclassification.

1.18 Accounting for non-exchange transactions

Recognition of revenue from non-exchange transactions. An inflow of resources from a non-exchange transaction, recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As a present obligation of a recognised liability, in respect of an inflow of resources from a non-exchange transaction, recognised as an asset, is satisfied, the carrying amount of the liability is reduced and an amount equal to the reduction is recognised as revenue.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Non-exchange transactions are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Non-exchange transactions that become receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income of the period in which it becomes receivable.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation. The expenditure must have been recognised in the statement of financial performance or liability recognised in the statement of financial position (where expenditure is not reflected in the statement of financial performance).

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with an entity.

An entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

1.22 Contingent liabilities

A contingent liability is:

- A possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the FIC; or
- A present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable; or
- A real present obligation, that may not be recognised, either because the timing or measurement is not known.

Contingent liabilities are not recognised as liabilities because they are either:

- Possible obligations, as it has yet to be confirmed whether the FIC has a present obligation that could lead to an outflow of resources embodying economic benefits or service potential; or
- Present obligations that do not meet the recognition criteria of a liability.

Contingent liabilities are continuously reviewed to determine if the outflow of resources have become probable. A provision is raised in the financial statements in the period in which the outflow of resources becomes probable.

1.23 Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements, where applicable. Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

Standard / Interpretation	Effective date	Expected impact
GRAP 1 (amended) – Presentation on Financial Statements	1 April 2023	Unlikely to have a material impact
GRAP 25 – Employee Benefits	1 April 2023	Unlikely to have a material impact
GRAP 104 – Financial Instruments	1 April 2023	Unlikely to have a material impact

3. Inventory

	2023 R'000	2022 R'000
Consumables on hand	72	88

Consumables comprise of stationery on hand

4. Receivables from exchange transactions

	2023 R'000	2022 R'000
Sundry debtors	427	512
Payroll receivables	489	202
Employees and previous employees	118	52
Accrued interest	286	127
Impairment of debtors	(379)	(421)
	941	**472**
Reconciliation of impairment		
Opening balance	**(421)**	**(52)**
Adjustment of amount due by debtor	53	-
Bad debts written off	-	52
Increase in provision for bad debts – refer to note 21	(11)	(421)
	(379)	**(421)**

5. Prepayments

	2023 R'000	2022 R'000
Subscriptions	137	55
Membership and professional fees	1 273	2 732
Employee training	10	46
Computer licences and support	10 921	6 985
E-tolls	4	2
Insurance	305	287
Office rental	2 890	2 703
Motor vehicle repairs and maintenance	4	5
Travel – international	9	-
Office consumables	24	-
	15 577	**12 815**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000
6. Deposits		
Rental – Byls Bridge Office Park	769	694
Municipal – Byls Bridge Office Park	134	121
	903	**815**

The FIC lease agreement for the FIC head office premises commenced on 1 December 2018 and terminates on 30 November 2023. There is an option to renew the lease contract for a further 60 months.

Refundable deposits were paid for electricity usage and rental of the office. These deposits will be refunded at the end of the lease term and are disclosed at amortised values. Refer note 17.

7. Cash and cash equivalents

	2023 R'000	2022 R'000
Cash and cash equivalents consist of:		
Cash on hand	3	5
Cash at bank – Standard Bank	41 431	44 888
Call deposit – Corporation for Public Deposits	52 145	30 148
	93 579	**75 041**

The cash balance includes R20 133 410 (2022: R31 592 601) that was received from the Criminal Assets Recovery Account (CARA) and is ring-fenced for the funding of the line of business (LOB) solutions modernisation programme. Refer to note 14.

In terms of Treasury Regulations 31.3.3 the FIC opened a cash call account with the Corporation for Public Deposits for the placing of surplus funds. The cash on this call account amounts to R52 144 573 (2022: R30 148 266).

8. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	9 274	(7 357)	1 917	9 309	(7 028)	2 281
Motor vehicles	2 459	(690)	1 769	2 552	(1 008)	1 544
Office equipment	13 993	(9 852)	4 141	13 001	(8 116)	4 885
Computer hardware	68 832	(58 706)	10 126	66 989	(54 128)	12 861
Fixtures and fittings	6 196	(5 016)	1 180	6 198	(4 743)	1 455
Security equipment	332	(303)	29	332	(299)	33
Leasehold improvements	41 042	(30 150)	10 892	40 828	(28 163)	12 665
Total	**142 128**	**(112 074)**	**30 054**	**139 209**	**(103 485)**	**35 724**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment continued

Reconciliation of property, plant and equipment

2023

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	2 281	-	(10)	(354)	1 917
Motor vehicles	1 544	588	(311)	(52)	1 769
Office equipment	4 885	1 121	(18)	(1 847)	4 141
Computer hardware	12 862	2 411	(52)	(5 095)	10 126
Fixtures and fittings	1 455	-	-	(275)	1 180
Security equipment	32	-	-	(3)	29
Leasehold improvements	12 665	223	-	(1 996)	10 892
	35 724	**4 343**	**(391)**	**(9 622)**	**30 054**

2022

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	2 299	334	(1)	(351)	2 281
Motor vehicles	1 837	567	(809)	(51)	1 544
Office equipment	4 944	1 703	-	(1 762)	4 885
Computer hardware	18 326	808	(137)	(6 136)	12 861
Fixtures and fittings	1 403	278	-	(226)	1 455
Security equipment	66	-	-	(33)	33
Leasehold improvements	13 782	780	(6)	(1 891)	12 665
	42 657	**4 470**	**(953)**	**(10 450)**	**35 724**

	2023 R'000	2022 R'000
Assets subject to finance lease (included in property, plant and equipment)		
Office equipment	107	747

The leased office equipment is encumbered as set out in note 10.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reassessment of property, plant and equipment

The useful life of certain assets has been reassessed, resulting in increase in the carrying value of property, plant and equipment with R724 941. Refer to note 31. Included in the reassessed assets were zero value assets with an initial cost of R143 369.

Disposals

The net disposal of R391 737 includes assets with a net carry value of R38 022 that were stolen from employees during various robbery incidents. Assets to value of R24 108 were also written off. The cost of the stolen assets were claimed from the insurance company. The FIC also sold two fleet vehicles during the year. Carrying value of these vehicles included in disposals were R311 838.

9. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	60 812	(39 662)	21 150	53 330	(35 125)	18 204
Computer licences	812	(643)	169	1 064	(935)	129
Total	**61 624**	**(40 305)**	**21 319**	**54 394**	**(36 060)**	**18 333**

Reconciliation of intangible assets

2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	18 204	8 024	(25)	(5 053)	21 150
Computer licences	129	690	-	(650)	169
	18 333	**8 714**	**(25)**	**(5 703)**	**21 319**

2022

	Opening balance	Additions	Amortisation	Total
Computer software	17 028	6 621	(5 445)	18 204
Computer licences	626	310	(807)	129
	17 654	**6 931**	**(6 252)**	**18 333**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Other information

Project in progress – Intangible asset

Included in the carrying value of software is one project, CMAS (compliance monitoring and assessment system), a sub project of the LOB programme, amounting to R9 025 230. The project is near completion with full implementation expected in due course.

Reassessment – Intangible assets

The useful life of certain assets has been reassessed, resulting in an increase in the carrying value of intangible assets of R857 248. Refer to note 31.

	2023 R'000	2022 R'000
10. Finance lease obligation		
Minimum lease payments due		
Within one year	120	719
- In second to fifth year inclusive	-	120
	120	839
Less: future finance charges	(1)	(39)
Present value of minimum lease payments	**119**	**800**
Non-current liabilities	-	119
Current liabilities	119	681
	119	**800**

The finance lease, secured over the leased assets, comes to an end 31 May 2023. Refer to note 8. The annual effective interest rate for the lease was 7.75 percent. Refer to note 20.

	2023 R'000	2022 R'000
11. Payables from exchange transactions		
Trade payables	7	8 740
Accrued leave payables	7 823	7 861
Payroll payables	10 364	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12. Provisions

Reconciliation of provisions

2023

	Opening Balance	Additions	Paid during the year	Total
Provision for bonuses	7 863	-	(7 863)	-

2022

	Opening Balance	Additions	Paid during the year	Total
Provision for bonuses	11 263	7 863	(11 263)	7 863
Legal	870	-	(870)	-
	12 133	**7 863**	**(12 133)**	**7 863**

	2023 R'000	2022 R'000
13. Third party deposits		
Opening balance	30	60
Additions	40	10
Paid to National Reserve Fund	(48)	(30)
Refunded to applicants	(12)	(10)
	10	**30**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000
14. Income received in advance		
Criminal Assets Recovery Account (CARA)		
Opening balance	31 593	44 478
Funds utilised during the year	(11 459)	(12 885)
	20 134	**31 593**

The funds were received and is ring-fenced for the funding of the LOB solutions modernisation programme. Refer to note 7.

15. Operating lease asset (liability)

	2023 R'000	2022 R'000
Non-current liabilities	29 484	26 003
Current liabilities	-	45
	29 484	**26 048**
Minimum lease payments:		
Within one year	32 851	30 012
Within 2 to 5 years	154 257	142 274
5 years+	30 040	72 900
	217 148	**245 186**

15.1 Centurion leased premises

The lease agreement for the FIC head office premises commenced on 1 December 2018 and terminates on 30 November 2023. There is an option to renew the lease for a further 60 months.

15.2 Cape Town leased premises

The FIC entered into a 36-month lease agreement for its office premises located in Cape Town. The lease commenced on 1 November 2019 and terminated on 31 October 2022 Management exercised the option to extend the lease for a further 24 months. The extension commenced on 1 November 2022 and will terminate on 31 October 2024.

16. Non-exchange revenue

	2023 R'000	2022 R'000
Transfer from National Treasury	316 820	297 259
Income CARA – refer to note 14	11 459	12 885
	328 279	**310 144**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000
17. Exchange revenue		
Interest bank	5 169	2 050
Other income	192	484
Interest finance assets - refer to note 6	88	100
	5 449	**2 634**
18. Personnel costs		
Salary cost	149 842	155 072
Performance bonus	-	7 863
Unemployment insurance fund	405	409
Compensation for Occupational injuries and Diseases	310	130
Provident fund	13 496	13 715
Group life	4 114	3 747
	168 167	**180 936**
19. Depreciation and amortisation		
Property, plant and equipment	9 622	10 450
Intangible assets	5 703	6 252
	15 325	**16 702**
20. Finance costs		
Finance charges - leased assets - refer to note 10	38	89
21. Impairment loss		
Impairment of debtors		
Trade and other receivables - refer to note 4	11	421

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2023 R'000	2022 R'000
22. General expenses			
Audit and Risk Committee member fees	22.1	1 006	1 108
Advertising		790	784
Auditors remuneration	22.2	2 136	3 283
Bank charges		95	109
Cleaning		1 328	1 182
Computer expenses		22 562	19 697
Legal fees		7 577	3 217
Consumables		549	319
Professional fees		2 085	3 168
Insurance		505	519
Conferences and seminars		193	149
Internal audit		1 193	1 291
Marketing		11	-
Media, subscription and publications		3 530	3 382
Motor vehicle expenses		139	110
Postage and courier		8	7
Printing and stationery		116	82
Recruitment and placement fees		734	487
Personal protection equipment		37	143
Remuneration committee member fees	22.3	425	524
Repairs and maintenance	22.4	716	679
Research and development costs		2 592	6 079
Rent and operating costs		35 956	35 278
Security		2 776	3 029
Membership fees		3 074	3 492
Telephone, fax and internet		2 020	3 378
Employee training		1 074	1 220
Travel – local		658	315
Travel – international		3 120	411
Training academy – interns		346	2 407
Subsistence and accommodation – local		358	140
Subsistence and accommodation – international		2 229	477
Contractors and temporary workers		10 182	13 389
Parking – employees		3 224	3 219
		113 344	**113 074**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000
22. General expenses continued		
22.1 Audit and Risk Committee member fees		
B Mbewu	189	255
Dr D Jairam-Owthar	195	220
P Phili	228	260
PN Sibiya	194	225
T Kgokolo	-	54
S Mayinga	200	94
	1 006	**1 108**
22.2 Auditors remuneration		
Auditor-General of South Africa	2 136	3 283
22.3 Remuneration Committee member fees		
B Chaplog	149	173
J Olivier	138	183
TJ Mclean	138	168
	425	**524**
22.4 Repairs and maintenance		
Payments made to service providers	435	258
Material purchased for general upkeep of assets	281	421
	716	**679**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000
23. Cash generated from (used in) operations		
Surplus	36 875	1 724
Adjustments for:		
Depreciation and amortisation	15 325	16 702
Loss / (gain) on sale of assets	(32)	(168)
Income amortised – CARA	(11459)	(12 885)
Allowance for impairment	11	421
Other income – movement in debtors	473	(63)
Income amortised – deposits	(88)	(100)
Net interest	(159)	4
Performance bonus provision	-	7 863
Operating lease – smoothing	3 436	5 580
Prepayment releases	36 593	27 814
Changes in working capital:		
Inventories	16	(36)
Receivables other (refund of expenses)	(794)	(293)
Prepayments paid	(39 355)	(32 080)
Provisions – bonuses paid	(7 863)	(12 133)
Third party deposits	(20)	(30)
Increase / (decrease) in trade and other payables	(1 131)	(3 953)
	31 828	**(1 633)**

24. Employee benefit obligation

Defined contribution plan

Employees of the FIC as well as certain contract workers and interns are members of Liberty Life Umbrella Provident fund. This fund is a defined contribution fund and it is governed by the Pension Fund Act, 1956 (Act 24 of 1956) as amended. Employees are able to elect the rate at which they contribute towards the provident fund. The current contribution rates available for selection are as follows: 10 percent, 15 percent,17.5 percent and 20 percent.

	2023	2022
FIC contribution to scheme	**17 610**	**17 462**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Related parties

25.1 National executive

The FIC has been established by National Treasury in terms of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001).The Minister of Finance is the executive authority and the FIC is ultimately controlled by the national executive.

Non-exchange transfers

	Notes	Opening balance R'000	Funds received R'000	Funds recognised R'000	Closing balance R'000
National Treasury	25.1.1	-	316 820	(316 820)	-
CARA	25.1.2	31 593	-	(11 459)	20 134
		31 593	**316 820**	**(328 279)**	**20 134**

25.1.1 The FIC received a non-exchange transfer from National Treasury as detailed in note 16 for its activities to assist in Identifying the proceeds of crime and combat money laundering and the financing of terrorism. There were no amounts owing to or by the FIC to National Treasury. Refer to note 16.

25.1.2 Funds received from CARA are ring-fenced for the funding of the LOB solutions modernisation programme. Refer to notes 14 and 16.

25.2 State controlled entities

As a national public entity fully funded by government, any other entity of national government is a related party. All FIC transactions with such entities are at arm's length and on normal commercial terms, except where employees of national departments or national public entities participate in the FIC's processes and did not recover any costs from the FIC for services rendered, and the FIC did not recover any costs for services provided.

	2023 R'000	2022 R'000
Services rendered at no cost		
South African Police Service	**137**	**111**

During the year under review, members of the South African Police Service had been allocated office space at the FIC head office at no cost. These members were also provided with the use of 15 x Microsoft 365 licences.

During the year under review, no related party services were received.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Related parties continued

25.3 Key management personnel

2023

Name	Position	Notes	Cash component R'000	Performance bonus R'000	Provident fund R'000	Total R'000
Adv X J Khanyile	Director	25.3.1	3 615	-	-	3 615
C Malan	Executive Manager: Compliance and Prevention		2 065	171	297	2 533
P Smit	Executive Manager: Legal and Policy		2 020	100	408	2 528
P Biseswar	Executive Manager: Monitoring and Analysis	25.3.2	331	-	51	382
P Alberts	Acting Executive Manager: Monitoring and Analysis	25.3.3	1 659	120	217	1 996
M Maboka	Executive Manager: Corporate Services		2 038	99	375	2 512
V MarshSmit	Chief Financial Officer		1 626	84	411	2 121
			13 354	**574**	**1 759**	**15 687**

25.3.1 Included in the cash component of R3 614 559 for Adv XJ Khanyile is a once-off allowance of R22 000 and leave paid to value of R329 352.

25.3.2 P Biseswar joined the FIC in February 2023 as Executive Manager: Monitoring and Analysis.

25.3.3 P Alberts acted as Executive Manager: Monitoring and Analysis from November 2021 to 31 January 2023. An acting allowance of R486 639 was paid for the 10 months and a backdated adjustment for five months of R7 410 (for the prior year) have been included in the cash component of R1 659 212.

2022

Name	Position	Cash component R'000	Performance bonus R'000	Provident fund R'000	Total R'000
Adv X J Khanyile	Director	3 068	-	-	3 068
C Malan	Executive Manager: Compliance and Prevention	1 960	204	326	2 490
P Smit	Executive Manager: Legal and Policy	2 073	186	278	2 537
M Masiapato	Executive Manager: Monitoring and Analysis	1 271	193	109	1 573
P Alberts	Acting Executive Manager: Monitoring and Analysis	792	-	103	895
M Maboka	Executive Manager: Corporate Services	1 983	161	353	2 497
V MarshSmit	Chief Financial Officer	1 580	182	389	2 151
		12 727	**926**	**1 558**	**15 211**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. Risk management

Financial risk management

The FIC's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The FIC's risk to liquidity is a result of the funds available to cover future commitments. The FIC manages liquidity risk through an ongoing review of future commitments. FIC ensures that adequate funds are available to meet its expected and unexpected financial commitments.

Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in a financial loss to the FIC. The FIC's exposure to credit risk to loans and receivables is limited.

Market risk

The FIC's activities expose it primarily to the risks of fluctuations in interest rates and foreign currency risk. Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk

The FIC's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the FIC to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Cash flow interest rate risk

Cash at the bank earns interest at a rate linked to the prime interest rate. Management accepts the risk exposure on receivables due to the amounts being negligible.

Fair value interest rate risk

Finance lease payments are fixed, resulting in no risk exposure.

Foreign exchange risk

Management accepts the risk as a result of changes in rate of exchange and therefore has not hedged foreign currency risk. These transactions are not of a material nature.

	2023 R'000	2022 R'000
27. Irregular and fruitless and wasteful expenditure		
Irregular expenditure	1 439	2 260
Fruitless and wasteful expenditure	-	6
Closing balance	**1 439**	**2 266**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27.1 Irregular and fruitless and wasteful expenditure for the current financial year include:

- Amounts incurred and confirmed in that financial year; and/or
- Payments made as it relates to multi-year contracts.

27.2 Irregular and fruitless and wasteful expenditure for the previous financial year include:

- Amounts confirmed in that financial year
- Amounts that were under assessment in that financial year and confirmed in the current financial year
- Amounts that were not identified and are identified and confirmed in the current financial year.

28. Contingencies

28.1 Accumulated surplus

In terms of Section 53(3) of the PFMA, a public entity may not accumulate surplus funds without written approval from National Treasury. The calculation of the surplus has been defined in National Treasury instruction No. 12 of 2020/2021 and amounts to R58 723 000. This surplus has to be declared to National Treasury during the period 1 August 2023 to 30 September 2023 and a formal request to retain these funds has to be submitted to the National Treasury during the same period. The FIC will submit a request to retain the calculated surplus during the period 1 August 2023 to 30 September 2023 as instructed in the instruction note.

On 17 October 2022, National Treasury granted approval for the retention of R19 138 000 of the surplus for the year ended 31 March 2022.

The FIC transferred R20 000 000 into the CPD call account with the South African Reserve Bank.

28.2 Litigation and claims

During the 2022/23 financial year the FIC joined proceedings in the following matters where the status of the cases are at various stages.

28.2.1 The FIC is opposing an appeal launched at the Johannesburg High Court against the decision of the Appeal Board upholding a sanction issued by the FIC. The matter is yet to be set down for hearing. The FIC's lawyers consider it unlikely that the action against it will be successful, and that the case should be resolved within the next financial year.

28.2.2 The application compelling the FIC's involvement in the disclosure of certain confidential information, has been withdrawn. The FIC lodged an application for a court order against the applicant to pay the FIC's legal costs. The matter is ongoing.

28.2.3 An application was brought before the Equality Court and subsequently the High Court and other interlocutory applications. The FIC has instructed its legal advisors to lodge a misjoinder application so as to be removed from these proceedings. The FIC's legal team is of the view that it is unlikely that the applicant will be successful in its claim against the FIC.

	2023 R'000	2022 R'000
29. Capital commitments		
Approved and committed capital expenditure	129	73

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R'000	2022 R'000
30. Gain / (loss) on disposal of assets		
Profit on disposal of property, plant and equipment	57	168
Loss on disposal of intangible assets	(25)	-
	32	**168**

31. Change in estimate: Useful life of assets reviewed

Property, plant and equipment	Initial estimate for 2023 R'000	Revised estimate for 2023 R'000	Increase / (decrease) current year R'000	Increase / (decrease) future years R'000
Computer hardware	2 257	1 678	(578)	605
Office equipment	220	103	(118)	120
Security equipment	32	3	(29)	29
	2 509	**1 784**	**(725)**	**754**

Intangibles	Initial estimate for 2023 R'000	Revised estimate for 2023 R'000	Increase / (decrease) current year R'000	Increase / (decrease) future years R'000
Computer software	1 898	1 041	(857)	857

Property, plant and equipment

The change in the estimated useful life of property, plant and equipment in the current year resulted in an increase in the carrying value of property, plant and equipment of R724 941, and a decrease in the depreciation of R724 941. The effect of the change on future years will be an increase in depreciation of R753 792 reversing the credit of R724 941 created in the current year. Refer to note 8.

Intangible assets

The change in the estimated useful life of intangible assets in the current year resulted in an increase in the carrying value of intangible assets of R857 248 and a decrease in the amortisation of R857 248. The effect of the change on future years will be an increase in amortisation of R857 248 reversing the credit of R857 248 created in the current year. Refer to note 9.

PART G

MATERIALITY AND SIGNIFICANCE FRAMEWORK

BACKGROUND

This document was developed to give effect to the May 2002 amendment to the Treasury Regulations, whereby the following new requirement was placed on public entities:

Section 28.1.5 –

"For purposes of material [sections 50(1), 55(2) and 66(1) of the Public Finance Management Act (PFMA)] and significant [section 54(2) of the PFMA], the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority."

South African Auditing Standards 320.03 defines materiality as follows:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have if it is to be useful."

Accordingly, we will be dealing with this framework under two main categories: the quantitative and qualitative aspects.

QUANTITATIVE ASPECTS

Materiality level

The FIC has assessed the level of a material loss as R1 518 000, based on audited financial statements. This is the average of: 0.5 percent of income and expenses and 1 percent of assets.

Nature of the FIC's business

The FIC continues to be an operational cost-driven organisation that utilises public funds to fulfil the legislated mandate. Thus, calculation of the materiality value involves expenditure as one of the factors and this is balanced with the total income and the value of the institution's assets.

The FIC is a statutory body that has been formed to give effect to the FIC Act, and has been listed as a PFMA Schedule 3A public entity. It was accordingly decided to give preference to a relatively low level of materiality due to the FIC being so closely governed by various acts and the public accountability and responsibility it has to its stakeholders.

QUALITATIVE ASPECTS

Items or transactions may be material on qualitative grounds, rather than the amounts involved.

These qualitative grounds may include, among others, the following:

- Any new ventures that the FIC may enter into.
- Unusual transactions entered into that are not of a repetitive nature and that should be disclosed purely due to the nature thereof where knowledge thereof may affect the decision-making of the user of the financial statements.
- Transactions entered into that could result in reputational risk to the FIC.
- Any fraudulent or dishonest behaviour of an employee of the FIC at senior or management level.

APPLICATION OF THE FIC MATERIALITY AND SIGNIFICANCE FRAMEWORK TO THE PFMA

PFMA section	Quantitative aspects	Qualitative aspects
Section 50 (1) The accounting authority for a public entity must – • on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or the legislature.	Any facts discovered which in aggregate exceed the materiality figure, which will be calculated on an annual basis as defined in this document. The FIC assessed this value as R1 518 000.	Any item or event of which specific disclosure is required by law. Any fact discovered by which its omission or misstatement, in the opinion of the FIC, could influence the decisions or actions of the executive authority or the legislature.
Section 55 Annual report and financial statements The annual report and financial statements referred to in subsection (1)(d) must – a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned. b) include particulars of: i. any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. ii. any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure. iii. any losses recovered or written off.	• Losses through criminal conduct – all losses that are legally confirmed and if the amount exceeds the materiality level. • All losses through irregular, fruitless and wasteful expenditure where transactions or actions have been determined as such.	The following will be taken into account in measuring materiality for presentation: • Disclosure requirements. • Compliance with legislative requirements, regulations and policies. • Nature of transaction
Section 66 (1) Restrictions on borrowing, guarantees and other commitments 1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction is authorised by this Act, and in the case of public entities, is also authorised by other legislation not in conflict with this Act.	All transactions not in compliance with S66 (1).	
Section 54 (2) Information to be submitted by accounting authorities. Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction: a) establishment or participation in the establishment of a company; b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; c) acquisition or disposal of a significant shareholding in a company; d) acquisition or disposal of a significant asset; e) commencement or cessation of a significant business activity; f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Unless exempted in terms of Sec 54(4) the following will apply: d) Asset acquisition or disposals that exceed R10 000 000 in value. e) Any commencement or cessation of significant activity, irrespective of amount.	Unless exempted in terms of Sec 54(4) the following will apply: (a – c) & (f) Any of the transactions or actions to be entered into in (a)–(c) will qualify to be included as these are not the normal business of the FIC.

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