



**PSIRA**

Private Security Industry Regulatory Authority

# ANNUAL REPORT

2015 | 2016

**SAFE homes**

**SAFE businesses**

**SAFE communities**





**PSiRA**  
Private Security Industry Regulatory Authority

# ANNUAL REPORT

## 2015 | 2016

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## Part **A** General Information

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# ABBREVIATIONS

<b>APP</b>	Annual Performance Plan	<b>IT</b>	Information Technology
<b>ATR</b>	Annual Training Report	<b>KPI</b>	Key Performance Indicator
<b>BEC</b>	Bid Evaluation Committee	<b>NATJOINT</b>	National Joint Operational and Intelligence Structure
<b>BSC</b>	Bid Specifications Committee	<b>NC</b>	National Certificate
<b>BIT</b>	Business Information Technology (Unit)	<b>NPA</b>	National Prosecuting Authority
<b>CANSA</b>	Cancer Association of South Africa	<b>NQF</b>	National Qualifications Framework
<b>CFR</b>	Central Firearms Registry	<b>PFMA</b>	Public Finance Management Act
<b>CIPC</b>	Commission for Intellectual Properties and Companies	<b>PMSCs</b>	Private Military and Security Companies
<b>CRM</b>	Customer Relationship Management	<b>PROVJOINT</b>	Provincial Joint Operational and Intelligence Structure
<b>CSI</b>	Corporate Social Investment	<b>PSiRA</b>	Private Security Industry Regulatory Authority
<b>DHA</b>	Department of Home Affairs	<b>QCTO</b>	Quality Council for Trades and Occupations
<b>DoH</b>	Department of Health	<b>RPL</b>	Recognition of Prior Learning
<b>DoL</b>	Department of Labour	<b>SAPS</b>	South African Police Service
<b>EAP</b>	Employee Assistance Programme	<b>SAQA</b>	South African Qualifications Authority
<b>ETQA</b>	Education and Training Quality Assurance Body	<b>SASSETA</b>	Safety and Security Sector Education and Training Authority
<b>EXCO</b>	Executive Committee	<b>SATAWU</b>	South African Transport and Allied Workers Union
<b>FCA</b>	Firearms Control Act	<b>SCM</b>	Supply Chain Management
<b>FETC</b>	Further Education and Training Certificate	<b>SLA</b>	Service-Level Agreement
<b>HCM</b>	Human Capital Management	<b>SOP</b>	Standard Operating Procedure
<b>IDRC</b>	International Development Research Centre	<b>WSP</b>	Workplace Skills Plan

*\* All photos (except stock photography) used courtesy of PSiRA Communications Unit.*



## STRATEGIC OVERVIEW

The strategic mandate of the Private Security Industry Regulatory Authority (PSiRA) originates from the Private Security Industry Regulation Act (56 of 2001) and its regulations. The primary objectives of PSiRA are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service providers in the public and national interest and in the interest of the private security industry itself.

### **The Framework for the five-year Strategic Plan 2015/16 – 2019/20**

PSiRA developed its five-year Strategic Plan for the period 2015/16 to 2019/20 in accordance with National Treasury guidelines. The various key performance indicators (KPIs) that are set out in the Strategic Plan took the National Development Plan and other key policies and regulations into consideration, and also included technical indicator descriptions.

The following priorities should be focused on:

- **Priority 1:** Excellent service delivery (effective regulation).
- **Priority 2:** Effective financial management.
- **Priority 3:** Industry stewardship, stakeholder and customer relationship management.
- **Priority 4:** Enabling environment with competent and skilled workforce.
- **Priority 5:** Efficient and effective processes and systems.

### **Vision**

PSiRA's success must be judged by its impact on society at large and specifically by ensuring that all the people of South Africa are and feel safe.

### **Mission**

PSiRA's mission is *"To protect the constitutional rights of all people to life, safety and dignity through the effective promotion and regulation of the private security industry"*.

### **Values**

PSiRA's values framework incorporates three values that are further sub-divided into ten sub-values, which are enhanced by a spirit of collegiality and adherence to the Batho Pele principle.

# VALUES FRAMEWORK FOR PSIRA



## Integrity

Ethical Conduct

Fairness

Transparency

## Excellence

Accountability

Professionalism

Performance

Accessibility

## Ubuntu

Respect

Compassion

Diversity

## LEGISLATIVE MANDATE

The Private Security Industry Regulatory Authority's (PSiRA) primary objectives are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service providers in the public and national interest and the interest of the private security industry itself.

PSiRA's mandate is to:

- Promote a legitimate private security industry, which acts in terms of the principles contained in the Constitution and other applicable laws;
- Ensure that all security service providers act in the public and national interest in rendering security services;
- Promote a private security industry that is characterised by professionalism, transparency, accountability, equity and accessibility;
- Promote stability of the private security industry;
- Promote and encourage trustworthiness of security service providers;
- Determine and enforce minimum standards of occupational conduct in respect of security service providers;
- Encourage and promote efficiency and responsibility in terms of rendering security services;
- Promote, maintain and protect the status and interests of the occupation of security service provider;
- Ensure that the process of registration of security service providers is transparent, fair, objective and concluded timeously;
- Promote high standards in the training of security service providers and prospective security service providers;
- Encourage ownership and control of security businesses of those who were historically disadvantaged through unfair discrimination;
- Encourage equal opportunity employment practices in the private security service industry;
- Promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
- Ensure that compliance with existing legislation by security service providers is promoted and controlled through a process of active mentoring and investigation of the affairs of security service providers;
- Protect the interests of the users of security services;
- Promote the development of security services that are responsive to the needs of users of such services and of the community; and
- Promote the empowerment of persons who were historically disadvantaged through unfair discrimination in the private security industry.

# FOREWORD BY THE MINISTER OF POLICE



The regulation of the Private Security Industry remains an important aspect towards the achievement of the National Development Plan (NDP) goals.

In the year under review, the Authority has had an exciting and challenging year in ensuring that the fundamental are on track. Most exciting to some of these achievements are the stabilization of governance in the regulator through the establishment of a governance framework that is aimed at ensuring that the roles and responsibilities of Council and the executive management are clarified.

The Council completed the review of its governance framework which covered the Council Charter as well the terms of reference for the various committees of Council. The Ministry looks forward to more collaborative efforts with the Industry to establish a segmented regulatory approach that focuses on all Private Security Industry sectors. The Council must appoint technical committees to focus on various segmented sectors of the industry. This work should translate into future regulatory policies for specific sectors of the Private Industry.

The Authority has started to entrench itself as a major player in the industry. It has established a number of relationships in the industry that are aimed at ensuring that there is collaboration and buy-in on policies and approach to a successful private security industry. We have seen in the year under review the establishment of the Association

of African Private Security Owners of South Africa (TAAPSOSA), a step which is fully supported by the Ministry and the industry. It is the beginning of a transformation trajectory in the industry that is aimed at facilitating dialogue and consensus building on key transformation issues affecting the industry.

The transformation of the security industry cannot be over emphasized. We have for the first time in the year under review seen an agreement being reached between the regulator and the industry on the annual fees increase. The Ministry further commends some of the key achievements such as the signing of the Memorandum of understanding with the Provident Fund for the Private Security industry and the launch of the Pan African Forum for the Private Security Industry Regulators. All these initiatives are aimed at fostering good working relations in the industry while at the same time facilitating collaboration among the different role players in the country and beyond.

The funding of the Authority has been a challenge in the previous years, it posted a deficit due to the significant funding provisions made to refund the Industry excess annual fees billed between 2012 and 2014. We are proud to announce in this reporting period that the Authority has credited all service providers and also managed to clear the



**Hon Nathi Nhleko, MP**  
Minister of Police

technical insolvency which bedevilled its financial position at the end of the previous financial year. The Authority has not only cleared the technical insolvency but has also managed to post a surplus and achieved reasonable financial reserves to maintain its sustainability. The Authority further undertook a benchmarking exercise overseas in the year under review to explore best practices on regulatory and funding models. We commend the efforts made by the PSiRA Council and management for the meticulous and effective way in which they ran this self-funding public entity.

One important milestone was the successful review of the Code of Conduct for Private Security Service Providers. We commend these efforts to strengthen regulation within the Industry. The Code of Conduct has extended powers to Presiding Officers to enquire into the financial prejudice suffered by security officers and benefits of any Security Service Provider as a result of the contravention of the Code of Conduct. These reviews also adjusted penalty fines from R10 000.00 up to R1 million. This is one important milestone towards strengthening law enforcement and compliance with the regulatory governance framework.

The Ministry notes the significant improvement in financial compliance and the controls that were been put in place. The entity has once again achieved an Unqualified Audit Opinion by the Auditor General of South Africa (AGSA). This achievement continues to boost and affirm the confidence the industry has in the management and Council of the entity. The

entity has also achieved over 94% of its planned predetermined objectives. The achievement against the core-business of the entity has also translated in an improvement in the service delivery in particular the monitoring of security service providers through increased visibility of its law enforcement activities. In this regard, the Authority increased security business inspections by 31% and security officer inspections by 30% compared to the previous financial year.

The Ministry wishes to take this opportunity to thank, the Council, executive management and all the men and woman at the entity who have made all this achievement possible. We encourage them to continue to work hard to make a difference in the lives of our people.

A handwritten signature in black ink, appearing to be 'N. Nhleko', written in a cursive style.

**Hon Nathi Nhleko, MP**  
Minister of Police

# OVERVIEW BY THE CHAIRPERSON OF THE COUNCIL



The 2015/2016 financial year has been both challenging and rewarding. As the challenges faced by the Authority during the past few years have been addressed by a continuous and robust organisational turnaround strategy, it has been rewarding to note the progressive improvement of service delivery, industry stewardship, stakeholder and customer relationship management as well as effective financial management.

## **Strategic Plan and Operations**

PSiRA derives its mandate from the PSiR Act, 2001, the National Development Plan and the PSiRA Strategic Plan. Central to the governance and operations of PSiRA are the values of integrity, excellence and ubuntu. Based on its mandate and core values, PSiRA has adopted a developmental, supportive and multi-pronged problem-solving approach in striving for compliance as well as excellent and appropriate service. Both Council and the Executive management team have introduced and adopted innovative projects to ensure compliance, financial and programme sustainability and quality service.

## **Unqualified Audit Opinion**

I am pleased to announce that we have received an unqualified audit by the Auditor-General of South Africa (AGSA) for the year under review. The Accounting Authority has reviewed PSiRA's cash flow forecast for the year to 31 March 2017 and is satisfied that the organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

## **Strengthening governance and oversight**

The current internal and external environmental challenges call for an effective governance structure and ethical conduct that is proactive in discharging the Authority's mandate. As Council of PSiRA, we acknowledge and appreciate the strategic milestones achieved thus far; however, we remain cognisant of the fact that we must strengthen our governance structures. Throughout this financial year, Council critically reflected on the strategic focus and growth of PSiRA. As part of the governance framework review and in line with the strategic growth of PSiRA, new committees on finance and investment as well as ethics were established.

## **Service delivery, stakeholder engagement and relations**

Our commitment to deliver excellent service to stakeholders and the public in general has led to the Registration (CRM) unit achieving its target of registering both individual and business applications within 20 days. Another significant milestone was the issuing of new registration certificates to more than 320 000 individual security officers and 2 691 security businesses during the year under review.



In order to ensure security providers' compliance with legislation, a strategy was developed, which includes enforcement and prosecution as well as a focus on regulatory compliance by means of inspection and education. This has resulted in the overall performance of compliance inspections surpassing the Annual Performance Plan's target by 125%. PSiRA was also closely involved in 26 successful compliance operations with different stakeholders, including the South African Police Service, the Department of Home Affairs and the Department of Labour.

Engagements with stakeholders in the private security industry in particular, as well as other partners were reinforced through compliance fora, regional and continental conferences such as the Pan African Forum, print media campaigns, trade exhibitions, community outreach programmes, capacity-building workshops and social media. In addition to these objectives, PSiRA also focused its resources on internal matters like building the organisation and improving resources and systems to ensure a streamlined service to stakeholders.

### **Skills development and capacity building**

Skills development and capacity building through talent development remains a core element of enhancing governance and maximum utilisation of technology and efficiency in the operations. During the year under review, PSiRA offered 53 different types of training to its employees.

PSiRA is a knowledge-based entity, hence the establishment of the research unit and the collaboration with the University of South Africa (UNISA), University of Witwatersrand (WITS) and the University of Cape



**Professor Ntombifikile Mazibuko**  
Chairperson of the Council

Town (UCT). A Memorandum of Understanding was signed with UNISA and PSiRA collaborated with WITS in presenting a post-graduate Private Security Services Law Course. Eight PSiRA staff members were awarded certificates. Other scholars and researchers in safety and security studies from universities in Africa were actively involved in the research projects and launching thereof.

On behalf of the Council, I extend a word of appreciation to all employees of the organisation, across all levels of their positions, for their dedication and commitment to realising organisational goals.

A handwritten signature in black ink, appearing to read 'N. Mazibuko'.

**Professor Ntombifikile Mazibuko**  
Chairperson of the Council

# DIRECTOR'S REPORT



## Strategic gains

The growth of the private security industry continuously poses new challenges in both the internal and external environments. During the year under review, we addressed these challenges by deploying innovative strategies to improve service delivery and ensure effective regulation, thereby making a difference to the users of security services, the service providers and other industry stakeholders.

This can be seen in the number of registered security officers increasing by **8.2%** from **451 565** to **488 666**, while the registered security businesses increased by **6.1%** from **8 195** to **8 692**.

Another milestone for the year was receiving an unqualified audit from the Auditor-General of South Africa (AGSA).

## Financial performance

During the year under review, revenue increased by **R81.45 million** from **R134.99 million** in the 2014/2015 financial year to **R216.44 million** in the 2015/2016 financial year. This is an increase of 8% above budget, mainly due to the new pricing structure of annual fees and sales of goods due to the renewal of certificates and ID cards. **R1 749 410** annual fees and **R96 665** fines were collected by PSiRA inspectors.

Expenditure was 7% below budget, mainly due to cutting the costs of printing, advertising, travel and

accommodation, and venue hire costs. The year-to-date surplus was **R31.1 million**, which has contributed to the turnaround in the negative solvency situation that was present at 31 March 2015.

## Service delivery

During the year under review, PSiRA intensified its service delivery efforts in the areas of law enforcement, registration and training, and stakeholder and customer relationship management. This has resulted in PSiRA conducting **5 375** compliance inspections at security businesses compared to **4 114** inspections for the 2014/2015 financial year. A further **30 698** compliance inspections were conducted of security officers, compared to **23 555** for the previous financial year.

The Law Enforcement Regulatory Sub-committee was established to manage legal registrations and improper conduct of private security providers. In terms of fraud risk management, the Forensic and Ethics Unit received **169** cases for investigation, **57** of which were reported through the KPMG Hotline and **112** through the internal help desk and hotline.

The Firearm Regulatory Sub-Committee was also established to improve firearm control in the private security industry in collaboration with the Office of the Central Firearm Registry of the South African Police Service. During the year under review, the newly launched firearm inspection programme's overall performance was **114%** above the Compliance Department's Annual Performance Plan's target.



**Mr Manabela Chauke**

Director

The Registration Sub-Committee was established to consider individual and business applications that do not meet the requirements for registrations in terms of sections 21 and 23 of the Private Security Industry Regulation Act, resulting in **1 186** businesses, **439** individuals and 1 non-SA citizen being registered.

### **Research and Development**

Two priority research topics were undertaken during the year under review, covering the topics of improving the regulation and control of the use of firearms, as well as enhancing the training standards in the private security industry in South Africa. Two surveys were also conducted to understand sentiments of PSiRA staff members regarding the role they play in regulating the private security industry.

### **Industry training**

A new Memorandum of Understanding was signed between PSiRA and SASSETA on 1 April 2015, followed by all training programmes being reviewed and draft training regulations being compiled, approved by Council and forwarded to the Minister.

A Training Sub-Committee was established to mainly liaise with SAQA, SASSETA and the Quality Council for Trades and Occupations and advise the Executive Committee on the proposed promulgation of the new training regulations.

The internship programme recruited 17 graduate interns for posts in all of its business units, thereby offering them meaningful hands-on work experience and exposure to the workplace.

### **Challenges ahead**

Our industry has a bright future and we have to focus on addressing the continuous challenges we face. High staff turnover has been a problem, but the development of a retention and success strategy should address this in the coming financial year. Further strict cash flow controls need to be maintained and close relationships with our industry stakeholders also need to be expanded.

I wish to express my sincere gratitude to the Council, management and staff for their dedication and commitment to achieving our strategic goals.

A handwritten signature in black ink, appearing to read 'M. Chauke', written in a cursive style.

**Mr Manabela Chauke**

Director

# ORGANISATIONAL STRUCTURE



**Parliament of the  
Republic of South Africa**  
Representing the South African Public



**Minister  
of Police**  
Being the Executive Authority



**Council**  
Being the Accounting Authority

Authority's  
Director

Committees

- Audit
- HR and Remuneration
- Stakeholder & Core Business

Senior  
Researcher: Research  
and Development

- Research & Development

Deputy Director:  
Law Enforcement

- Enforcement
- Compliance
- Legal Services

Deputy Director:  
Finance and  
Admin

- Financial Accounting
- Accounts Receivable
- Supply Chain Management
- Asset and Facilities Management
- Business Information Systems

Deputy Director:  
Communications,  
Training and CRM

- CRM/Registrations
- Communications and Stakeholder Management
- Events and Marketing Management
- Industry Training

Senior Manager:  
Human Capital

- Recruitment and Placement
- Labour Relations Management
- Learning and Development
- HR Admin and Compensation Management
- Performance Management

Manager:  
Forensic Ethics

- Investigations

## COUNCIL MEMBERS



**Mr Joy Rathebe**  
Deputy Chairperson



**Professor Ntombifikile Mazibuko**  
Chairperson of the Council



**Maj General Cynthia Philison**  
Council Member



**Mr Benjamin Ntuli**  
Council Member



**Ms Zanele Mthembu**  
Corporate Secretary



**Adv Nontokozo Mthembu**  
Council Member



# EXECUTIVE MANAGEMENT



**Mr Manabela Chauke**  
Director



**Ms MC Sebogodi**  
Deputy Director:  
Finance and administration



**Mr Philani P Mthethwa**  
Deputy Director:  
Law Enforcement



**Ms Mpho Mofikoe**  
Deputy Director:  
Communications, Training  
and Customer Relationship  
Management (CRM)



## OVERVIEW OF THE PUBLIC ENTITY'S PERFORMANCE

PSiRA's compliance strategy is, amongst others, the communication of risk to the industry and to others such as the public and clients. Such information strategies involve mandatory disclosures to provide information on issues of compliance.

### Law Enforcement Operations Report

#### LAW ENFORCEMENT

One of PSiRA's objectives is to ensure that compliance with legislation by security service providers is promoted and controlled through a process of active monitoring and investigation of the affairs of security service providers. In order to give effect to PSiRA's mandate in ensuring a well-regulated private security industry, PSiRA has developed and implemented a compliance and enforcement strategy that also provides for two departments, namely a Compliance Department and an Enforcement Department. This strategy includes enforcement and prosecution as well as a focus on regulatory compliance through inspection and education.

#### Compliance Department

In general, compliance means conforming to a rule, such as a specification, policy, standard or law. In the private security industry context, compliance describes the goal that the industry needs to aspire to in order to ensure that it and its personnel are aware of and take the necessary steps to comply with the relevant rules and regulations governing the occupation of security service providers.

PSiRA's compliance strategy is, amongst others, the communication of risk to the industry and to others, such as the public and clients. Such information strategies involve mandatory disclosures to provide

information on issues of compliance. It is hoped that by disclosing such information, the industry will undertake co-operative compliance, given the disclosed known risk.

In certain scenarios, the enforcement approach may also be found to be counterproductive, especially where security service providers are motivated by a sense of social and public responsibility to comply and where they genuinely display a law-abiding nature.

#### COMPLIANCE INSPECTIONS

In terms of the revised Law Enforcement Division's operational policy and 2015/2016 Annual Performance Plan (APP), each compliance inspector must conduct a minimum of 16 security business inspections and 73 security officer inspections per month. In certain cases, the targets of individual inspectors are reduced under special circumstances, such as special investigations, annual leave, sick leave, testifying in improper conduct enquiries, etc.

During the period 1 April 2015 to 31 March 2016, a total of **36 073** compliance inspections of security service providers were conducted, or inspections were conducted as part of investigations by the

Enforcement Department, compared to **29 449** inspections during the previous year.

The regional breakdown was as follows:

Region	Number of inspections
Head Office	18 336
- Gauteng	15 134
- Mpumalanga	837
- Limpopo	980
- North West Province	426
- Free State	810
- Northern Cape	149
Western Cape	6 494
Eastern Cape	4 112
KwaZulu-Natal	7 131
<b>TOTAL</b>	<b>36 073</b>

Of the **36 073** compliance inspections conducted, **5 375** were conducted at security businesses, compared to **4 114** inspections during the previous year.

The regional breakdown is as follows:

Region	Number of inspections
Head Office	2 548
- Gauteng	1 624
- Mpumalanga	259
- Limpopo	248
- North West Province	149
- Free State	201
- Northern Cape	67
Western Cape	1 062
Eastern Cape	632
KwaZulu-Natal	1 133
<b>TOTAL</b>	<b>5 375</b>

Furthermore, of the **36 073** compliance inspections conducted, **30 698** were conducted at different sites where security officers were deployed, compared to **23 555** inspections the previous year.

The regional breakdown is as follows:

Region / Province	Number of security officer inspections
Head Office	15 788
- Gauteng	13 510
- Mpumalanga	578
- Limpopo	732
- North West	277
- Free State	609
- Northern Cape	82
Western Cape	5 432
Eastern Cape	3 480
KwaZulu-Natal	5 998
<b>TOTAL</b>	<b>30 698</b>

Of these **30 698** inspections, the regional breakdown in respect of the number of in-house security officer inspections conducted, is as follows:

Region / Province	Number of security officer inspections
Head Office	783
- Gauteng	654
- Mpumalanga	1
- Limpopo	1
- North West	17
- Free State	108
- Northern Cape	2
Western Cape	87
Eastern Cape	35
KwaZulu-Natal	107
<b>TOTAL</b>	<b>1 012</b>

## Part A General Information

A regional breakdown regarding the type of inspection conducted at security businesses from 1 April 2015 to 31 March 2016 is as follows:

Head Office	Gauteng	Mpumalanga	Limpopo	North West	Free State	Northern Cape	TOTAL
Total number of routine/regulatory/training/infrastructure/accreditation/inspections conducted	1 624	259	248	149	201	67	<b>2 548</b>
First-time inspections	146	44	17	13	22	12	<b>254</b>
Triggered inspections / investigations	719	19	56	19	35	9	<b>857</b>
Infrastructure inspections	829	93	121	60	45	30	<b>1 178</b>

Coastal Regional Offices	Western Cape	Eastern Cape	KwaZulu-Natal	TOTAL
Total number of routine/regulatory/training/infrastructure/accreditation/inspections conducted	1 062	632	1 133	<b>2 827</b>
First-time inspections	105	104	56	<b>265</b>
Triggered inspections / investigations	324	180	383	<b>887</b>
Infrastructure inspections	223	144	309	<b>676</b>

Note must be taken that 'first-time inspections' referred to above, refers to businesses that have not been inspected since their registration dates. These businesses are newly registered businesses. 'Triggered inspections' refers to complaints sourced via the help desk, telephonic, written or personal complaints, internet, newspaper articles, account administrators, etc. In terms of the Law Enforcement Division's operational policy, priority must be given to complaints and infrastructure inspections.

Compliance inspections are also conducted, depending on the particular area visited, on the basis of when last an inspection was conducted at a particular security service provider.

Statistical information pertaining to inspections conducted at large, medium and small businesses during the year under review is set out below. For the purpose of this statistical information, a small business is considered to employ less than 20 security officers, a medium business 21 to 50 security officers and a large business 51 and more security officers.

Region	Number of inspections			
	Small businesses	Medium businesses	Large businesses	Infrastructure & capacity
Head Office	754	221	395	1 178
Western Cape	614	99	126	223
Eastern Cape	396	42	50	144
KwaZulu-Natal	504	127	193	309
<b>TOTAL</b>	<b>2 268</b>	<b>489</b>	<b>764</b>	<b>1 854</b>

With reference to all the above statistics, the overall performance pertaining to the total number of compliance inspections conducted for the period under review, in relation to PSiRA's Annual Performance Plan's target, is 125%. The regional breakdown is as follows:

Region	Target	Number of inspections conducted	Performance
HEAD OFFICE: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	14 160	18 336	129%
Western Cape	5 160	6 494	126%
Eastern Cape	4 280	4 112	96%
KwaZulu-Natal	5 160	7 131	138%

Staff shortages in the Eastern Cape resulted in the office not meeting its annual inspection target.

The performance pertaining to the number of compliance inspections conducted at security businesses for the period under review, in relation to PSiRA's Annual Performance Plan's target, is 126%. The regional breakdown is as follows:

Region	Target	Number of inspections conducted	Performance
HEAD OFFICE: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	1 920	2 548	133%
Western Cape	780	1 062	136%
Eastern Cape	780	632	81%
KwaZulu-Natal	780	1 133	145%

Staff shortages in the Eastern Cape resulted in the office not meeting its annual inspection target.

## Part A General Information

The performance pertaining to the number of compliance inspections conducted at security officers' different sites during this period, in relation to PSIRA's Annual Performance Plan's target, is 125%.

The regional breakdown is as follows:

Region	Target	Number of security officer inspections conducted	Performance
HEAD OFFICE: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	12 240	15 788	129%
Western Cape	4 380	5 432	124%
Eastern Cape	3 500	3 480	99%
KwaZulu-Natal	4 380	5 998	137%

Staff shortages in the Eastern Cape resulted in the office not meeting its annual inspection target.

Statistical information pertaining to the different categories or classes of security businesses inspected during the period under review, is as follows:

### HEAD OFFICE

	Gauteng	Mpumalanga	Limpopo	North West	Free State	Northern Cape
<b>Total number of Security Business Routine/ Regulatory/Training/ Infrastructure/ Accreditation Inspections</b>	<b>1 624</b>	<b>259</b>	<b>248</b>	<b>149</b>	<b>201</b>	<b>67</b>
<b>Category or Class of Security Service Provider inspected</b>						
Commercial/industrial/residential/ guarding or patrolling	1 366	244	214	139	156	63
Assets in transit	126	4	2	3	3	1
Close protection services	206	10	2	2	4	1
Reaction or response services and monitoring signals from security equipment (control room)	461	36	15	8	65	5
Ensuring safety and order on premises (special events)	342	19	5	7	24	0
Car watch or related activities	285	25	1	4	8	0
Providing advice on the protection of persons/ property (consultants/ advisors)	129	20	1	4	8	0
Installing, servicing or repairing security equipment	217	17	15	2	26	1
Private investigators	135	17	0	4	5	0
Providing security training or instruction as well as accreditation	136	22	23	6	6	0

	Gauteng	Mpumalanga	Limpopo	North West	Free State	Northern Cape
Providing services of a locksmith	69	4	0	0	1	1
Making persons or their activities available to render security service (labour brokers)	79	1	0	0	2	0
In-house	18	0	0	0	7	1
Manufacturing, importing, distributing or advertising of monitoring devices	0	0	0	1	2	0

#### WESTERN CAPE / EASTERN CAPE / KWAZULU-NATAL

	Western Cape	Eastern Cape	KwaZulu-Natal
<b>Total number of Security Business Routine/ Regulatory/ Training/ Infrastructure/Accreditation Inspections</b>	<b>1 062</b>	<b>632</b>	<b>1 133</b>
<b>Category or Class of Security Service Provider inspected</b>			
Commercial/industrial/residential/guarding or patrolling	752	561	955
Assets in transit	32	7	11
Close protection services	16	27	60
Reaction or response services and monitoring signals from security equipment (control room)	85	174	152
Ensuring safety and order on premises (special events)	56	39	46
Car watch or related activities	17	89	5
Providing advice on the protection of persons/ property (consultants/advisors)	55	2	30
Installing, servicing or repairing security equipment	180	29	71
Private investigators	14	10	8
Providing security training or instruction as well as accreditation	45	29	41
Providing services of a locksmith	38	9	17
Making persons or their activities available to render security service (labour brokers)	1	0	0
In-house	33	7	8
Manufacturing, importing, distributing or advertising of monitoring devices	0	0	0

\* In terms of the statistical information presented above, it should be noted that certain security service providers may render more than one particular security service. One inspection conducted at a particular security business may therefore result in two or more categories or classes of security services being inspected. Certain categories or classes of security service providers were not subjected to any inspections during the period under review. Taking into consideration the number of security service providers registered in a particular province, the number of inspectors and the policy regarding the number of inspections to be conducted in a particular month, security businesses are on average subjected to one inspection every 18 to 24 months.



## SITE INSPECTIONS / INVESTIGATIONS

Site inspections form part of the Division's operational plan in order to, *inter alia*, verify the accuracy of information provided by security businesses to inspectors as well as conducting security officer inspections. These site inspections are at times also conducted in co-operation with the South African Police Service (SAPS), especially in cases where unregistered security officers are found, illegal immigrants are used or firearms are used in contravention with the requirements of the Private Security Industry Regulations. The following site inspections were conducted during the period under review:

Region	Total site inspections / Inv	Retail sector	Health sector	Educational sector	Industrial and corporate	Residential areas	Other
Head Office	2 803	481	552	271	652	546	301
Western Cape	1 021	236	157	83	212	247	86
Eastern Cape	958	155	218	162	213	148	62
KwaZulu-Natal	1 661	492	171	99	592	252	55
<b>TOTAL</b>	<b>6 443</b>	<b>1 364</b>	<b>1 098</b>	<b>615</b>	<b>1 669</b>	<b>1 193</b>	<b>504</b>

## HEAD OFFICE

The performance pertaining to site inspections conducted in terms of the Annual Performance Plan's (APP) target for the year under review, is as follows:

Sector	APP Target	Head Office	Western Cape	Eastern Cape	KwaZulu-Natal	TOTAL
Retail sector	15%	17%	23%	16%	30%	<b>21%</b>
Health sector	15%	20%	15%	23%	10%	<b>17%</b>
Educational facilities	10%	10%	8%	17%	6%	<b>10%</b>
Industrial and corporate areas	10%	23%	21%	22%	36%	<b>26%</b>
Residential areas	15%	19%	24%	15%	15%	<b>19%</b>

## ENFORCEMENT

While the compliance strategy provides for general persuasive, advisory and conciliating measures, PSiRA is mindful of the fact that the less frequent and less intensive inspections become, the less information it may have about security service providers' compliance behaviour. Under these circumstances, lenient enforcement and infrequent inspections may turn even compliant security service providers into evasive ones. In addition, a softer regulatory approach may motivate evasive security service providers to retain an uncooperative attitude towards compliance.

Enforcement therefore seeks to address security service providers who know that they have to comply, but choose to evade compliance. PSiRA enforces the law on those providers who do not comply with the Act and regulations.

In terms of the Law Enforcement Division's operational policy, all enforcement inspectors must finalise a minimum of 10 investigations per month. In certain cases, the target of individual inspectors are reduced under special circumstances, such as annual leave, sick leave, testifying in criminal and improper conduct cases, etc.

During the period under review, a total of **1 710** investigations were finalised overall.

The regional breakdown is as follows:

Region	Number of investigations
Head Office	854
- Gauteng	726
- Mpumalanga	49
- Limpopo	43
- North West Province	8
- Free State	21
- Northern Cape	7
Western Cape	395
Eastern Cape	147
KwaZulu-Natal	314
<b>TOTAL</b>	<b>1 710</b>

A further regional breakdown in respect of the above investigations, is as follows:

Region	Number of security business investigations	Number of security officer investigations	Total
Head Office	480	374	854
- Gauteng	387	339	726
- Mpumalanga	14	35	49
- Limpopo	43	0	43
- North West Province	8	0	8
- Free State	21	0	21
- Northern Cape	7	0	7
Western Cape	385	10	395
Eastern Cape	133	14	147
KwaZulu-Natal	196	118	314
<b>TOTAL</b>	<b>1 194</b>	<b>516</b>	<b>1 710</b>

With reference to the above statistics, the overall performance pertaining to investigations conducted for the period 1 April 2015 to 31 March 2016, based on the overall individual targets of the Enforcement Department, is 95%. The regional breakdown is as follows:

## Part A General Information

Region	Target	Numer of investigations concluded	Performance
HEAD OFFICE: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	840	854	102%
Western Cape	360	395	110%
Eastern Cape	240	147	61%
KwaZulu-Natal	360	314	87%

The investigation targets in Eastern Cape and KwaZulu-Natal were not met due to staff shortages in the Enforcement Department.

The position regarding investigations conducted or finalised in respect of all investigations conducted during the current and previous financial years, is as follows:

Region	Number of investigations finalised (all investigations for the year)	Number of Annexure A offences investigated and found in respect of these finalised cases	Number of criminal cases opened in respect of these investigations
Head Office	854	446	409
Western Cape	395	99	99
Eastern Cape	147	41	34
KwaZulu-Natal	314	143	133
<b>TOTAL</b>	<b>1 710</b>	<b>729</b>	<b>675</b>

The position in terms of enforcement complaints is as follows:

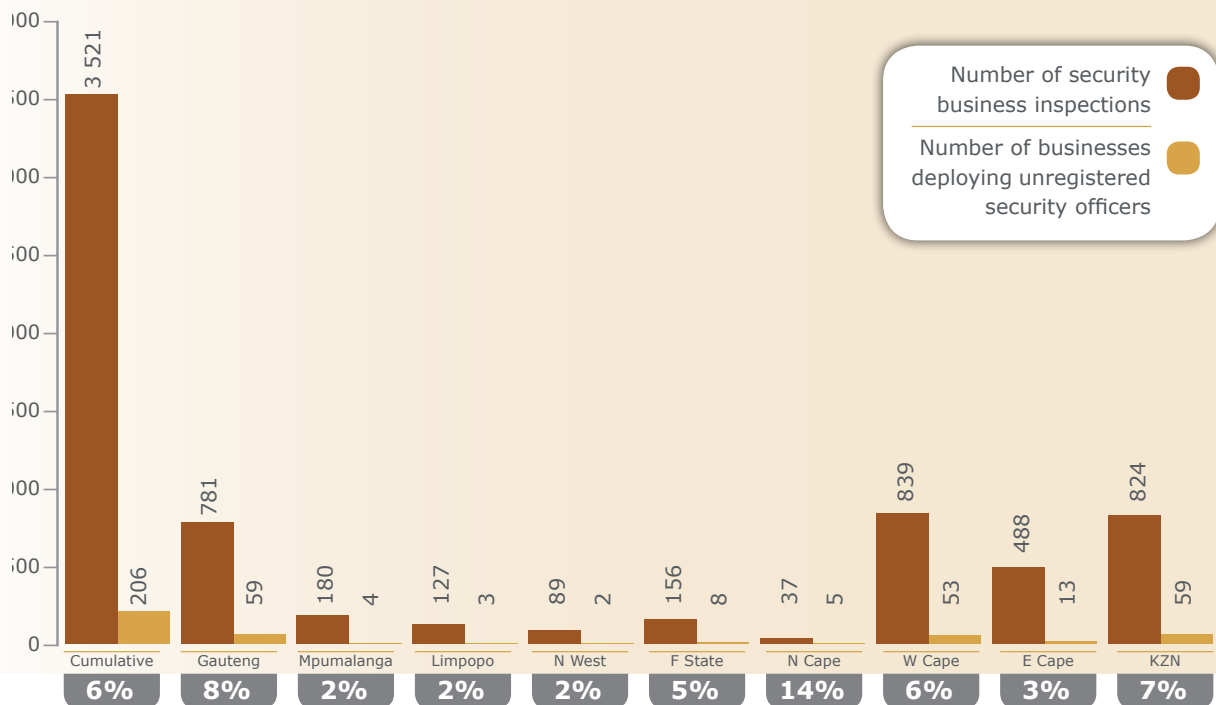
Region	Number of complaints carried over by Enforcement Department or Unit from March 2015	Number of new complaints received from April 2015 to March 2016	Total number of complaints finalised	Number of complaints carried over to April 2016
Head Office	364	1 115	966	513
Western Cape	15	326	310	31
Eastern Cape	9	153	147	15
KwaZulu-Natal	8	459	459	8
<b>TOTAL</b>	<b>396</b>	<b>2 053</b>	<b>1 882</b>	<b>567</b>

## COMPLIANCE ANALYSIS CONDUCTED

### SECURITY BUSINESS INSPECTIONS

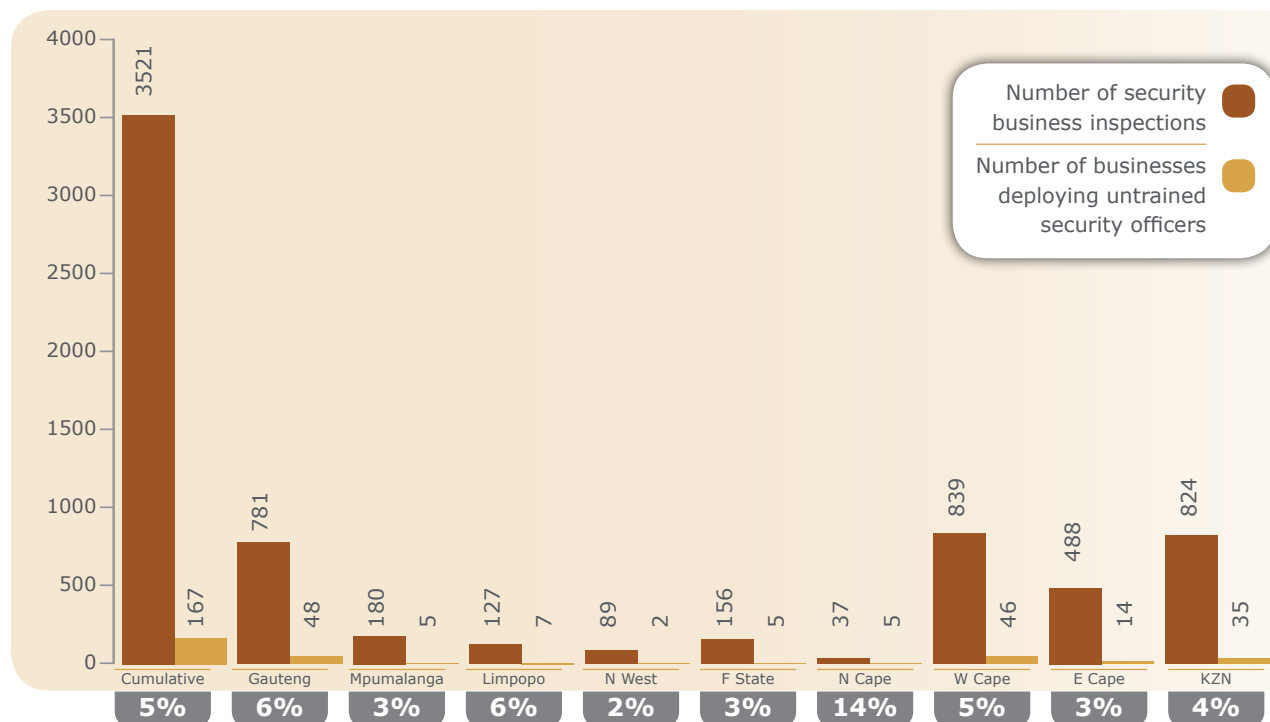
Subsequent to compliance inspections (excluding infrastructure inspections) conducted at security businesses as well as security officer inspections during the year under review, the following was found in terms of compliance:

**GRAPH 1. BUSINESSES DEPLOYING UNREGISTERED SECURITY OFFICERS**

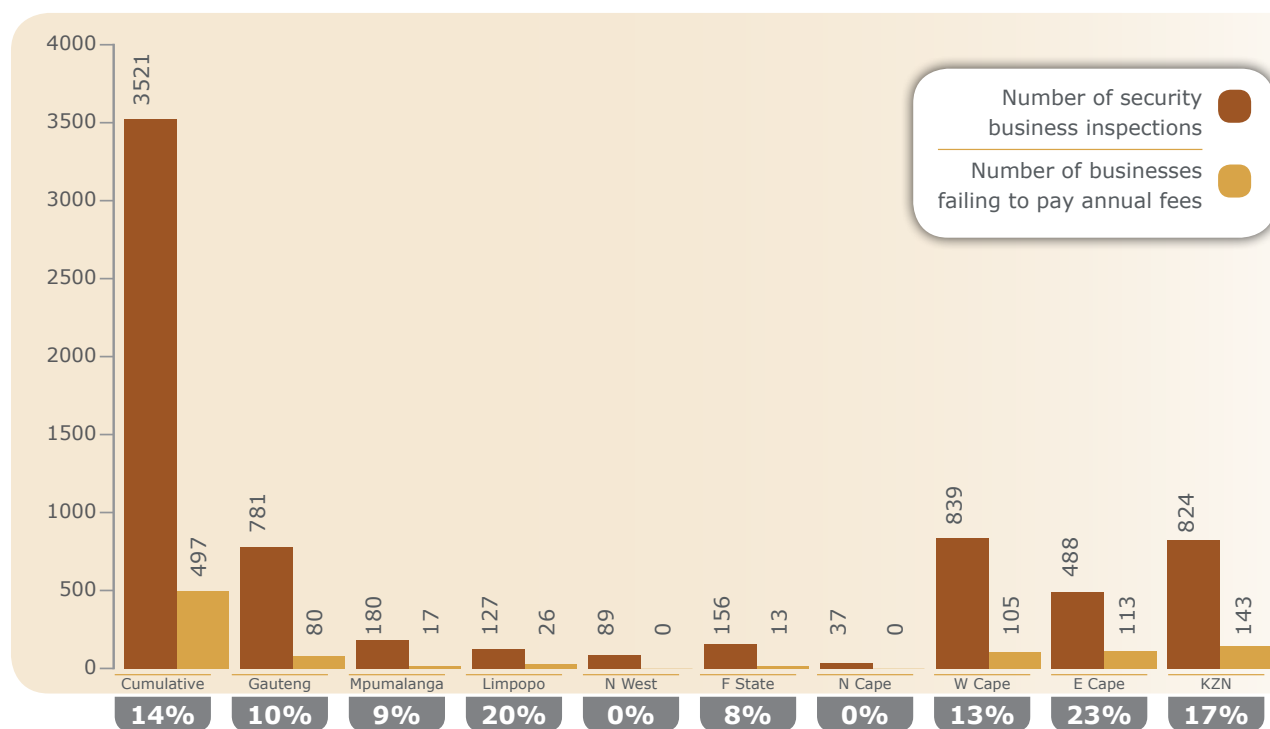


## Part A General Information

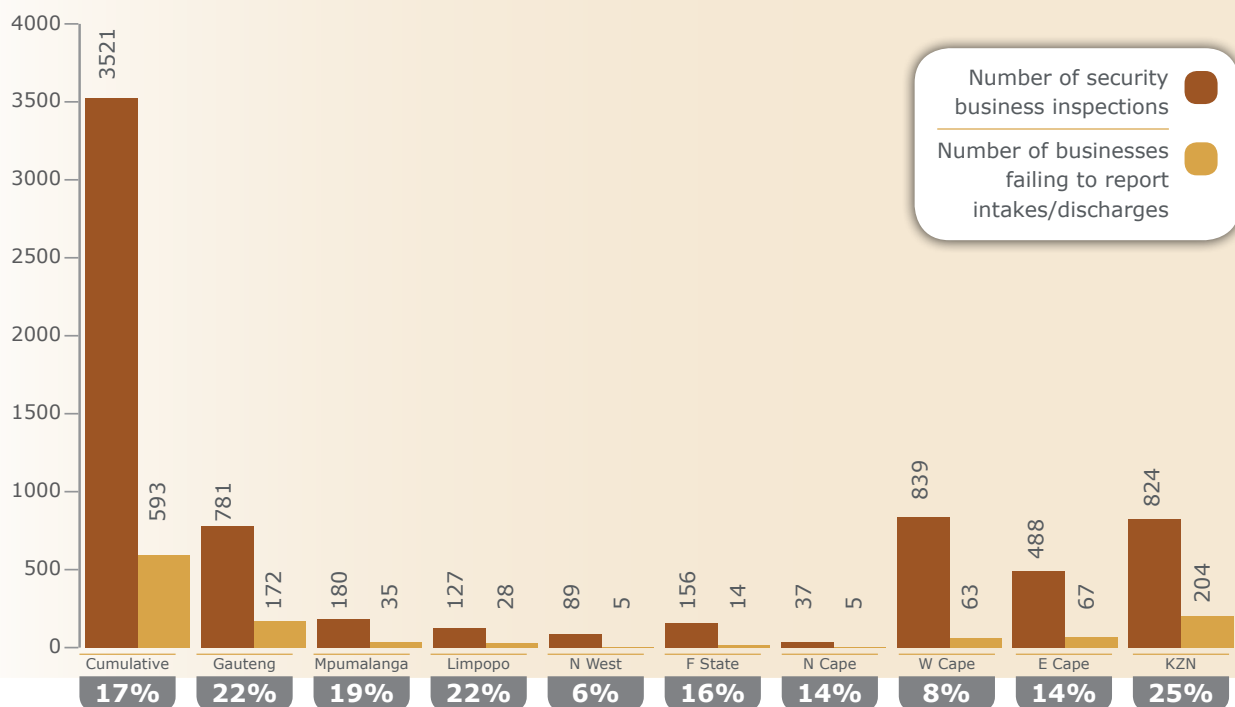
**GRAPH 2. BUSINESSES DEPLOYING UNTRAINED SECURITY OFFICERS**



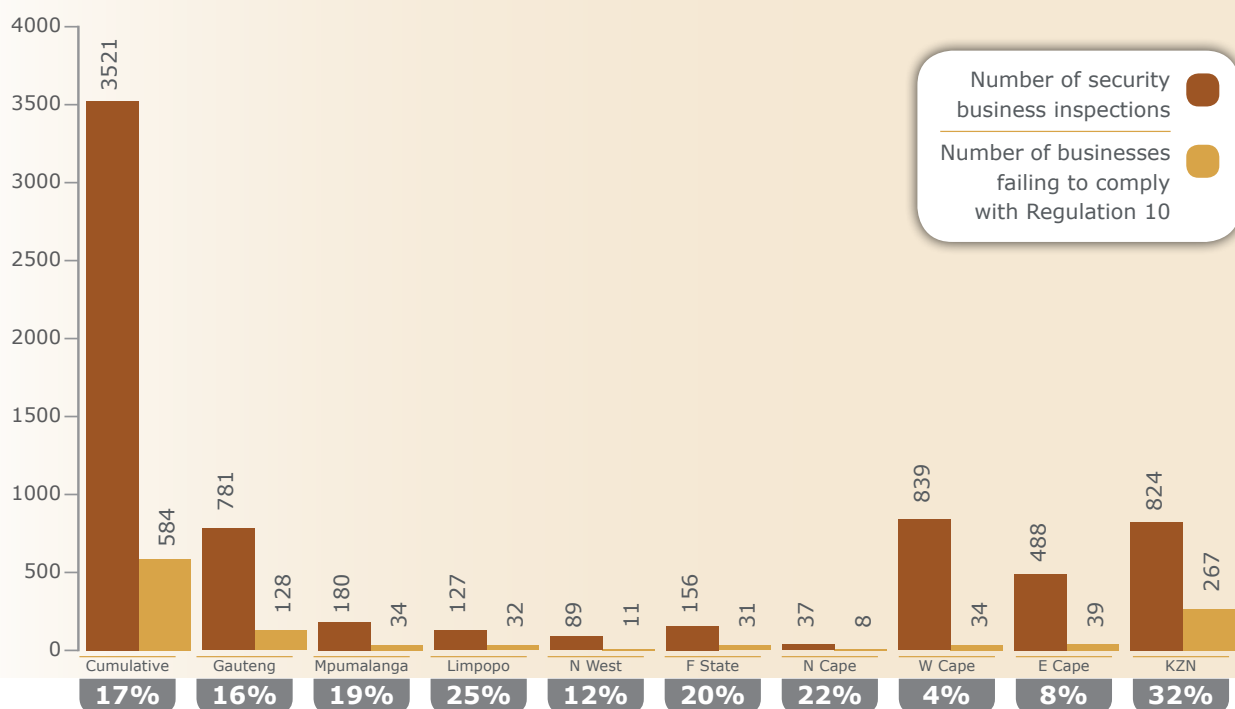
**GRAPH 3. BUSINESSES FAILING TO PAY ANNUAL FEES**



**GRAPH 4. BUSINESSES FAILING TO REPORT INTAKES / DISCHARGES**



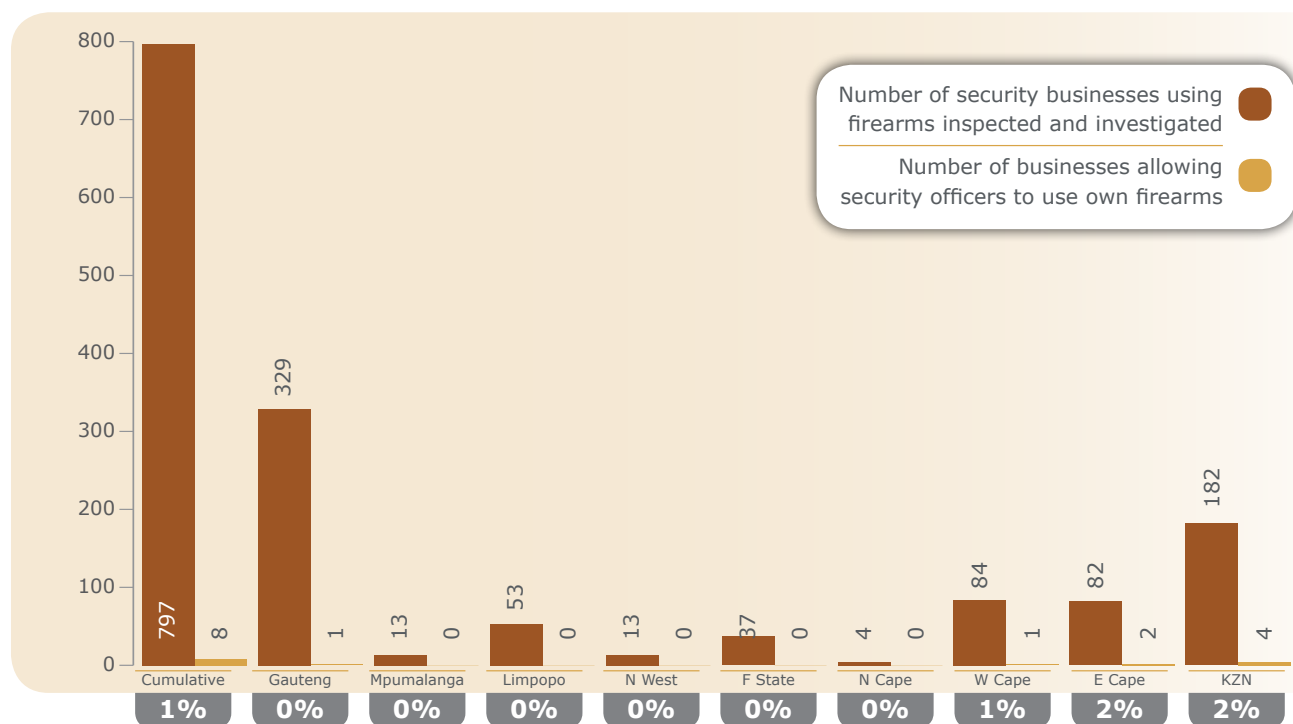
**GRAPH 5. BUSINESSES FAILING TO COMPLY WITH REGULATION 10 DOCUMENTATION**



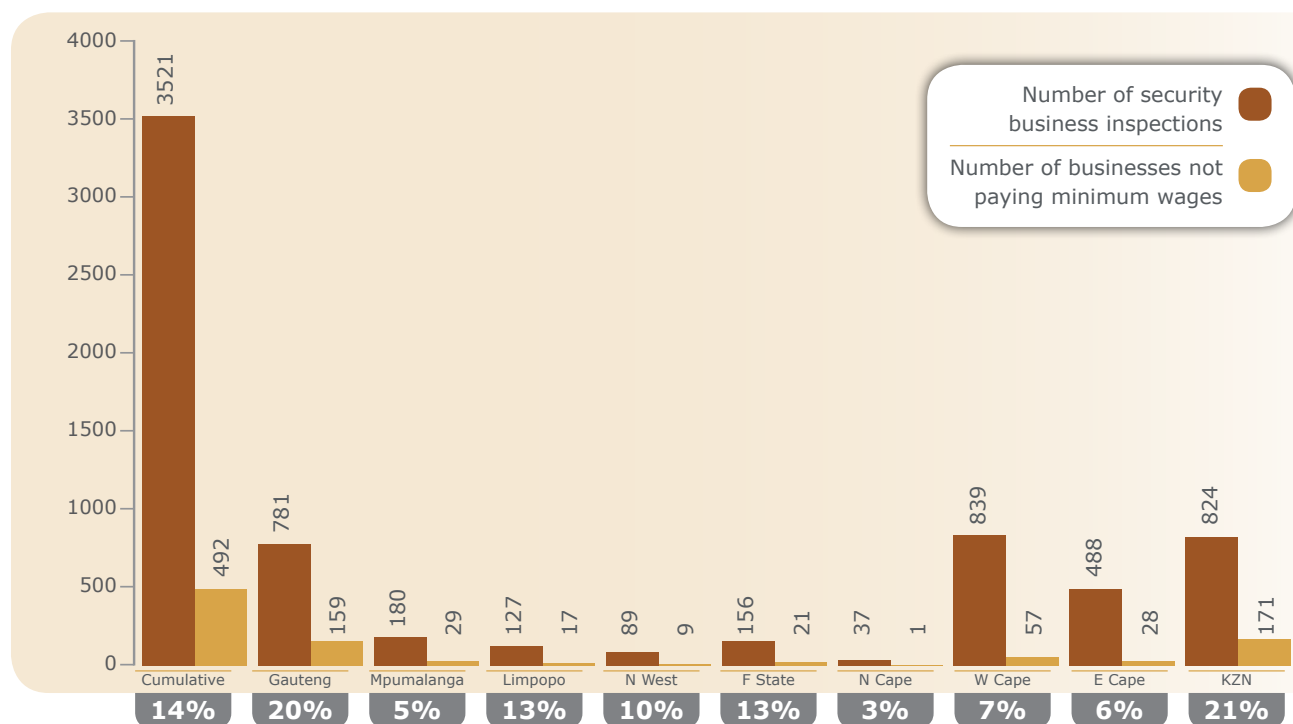


## Part A General Information

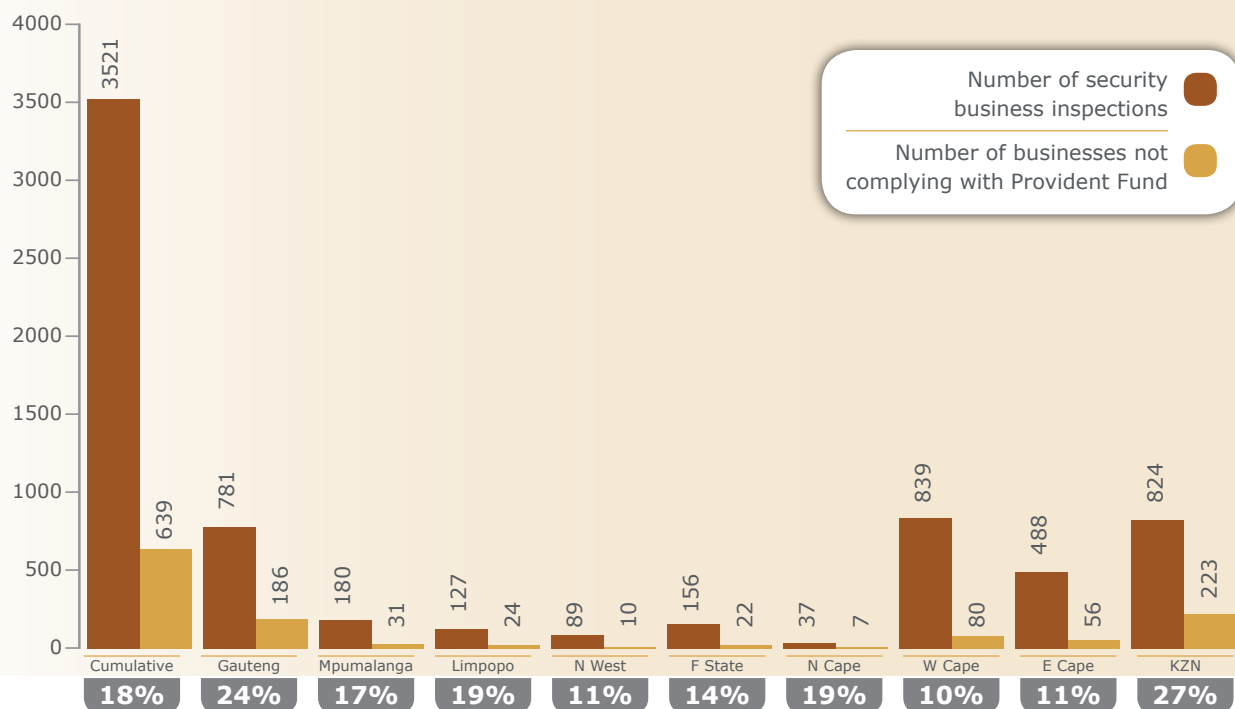
**GRAPH 6. BUSINESSES USING FIREARMS NOT COMPLYING WITH REGULATION 13(5) OR (6)**



**GRAPH 7. BUSINESSES NOT PAYING MINIMUM WAGES**

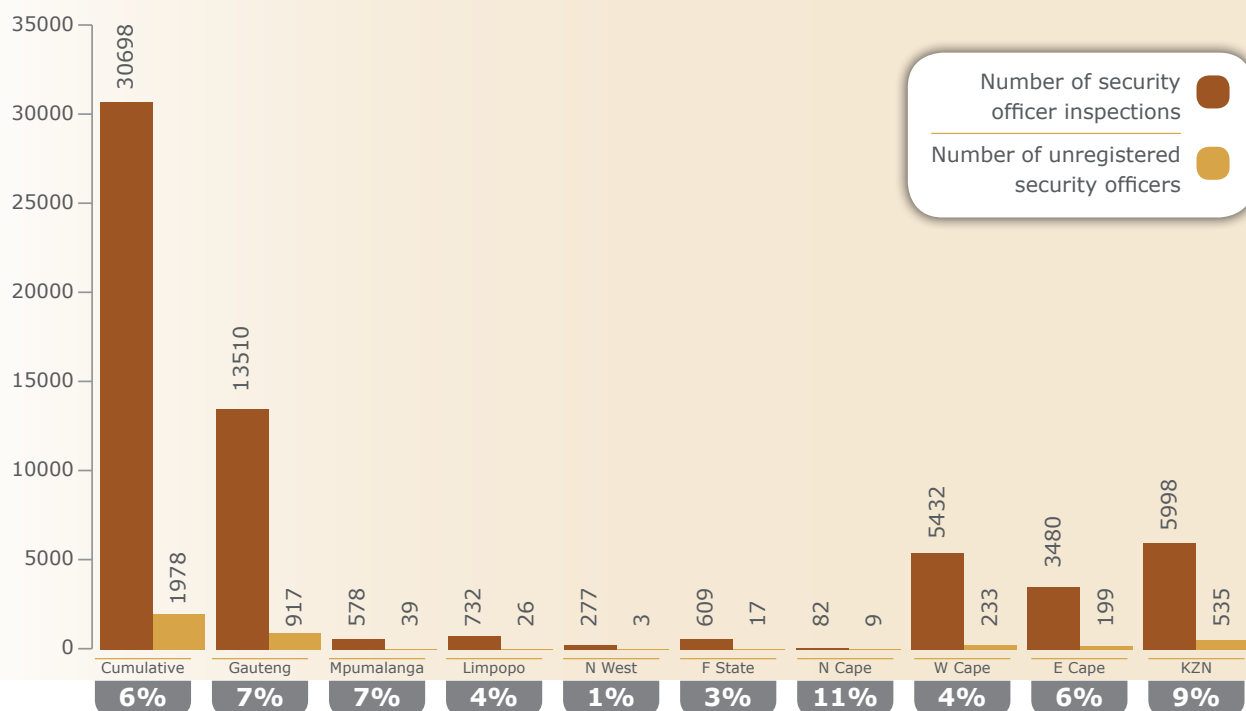


**GRAPH 8. BUSINESSES NOT COMPLYING WITH THE PROVIDENT FUND**

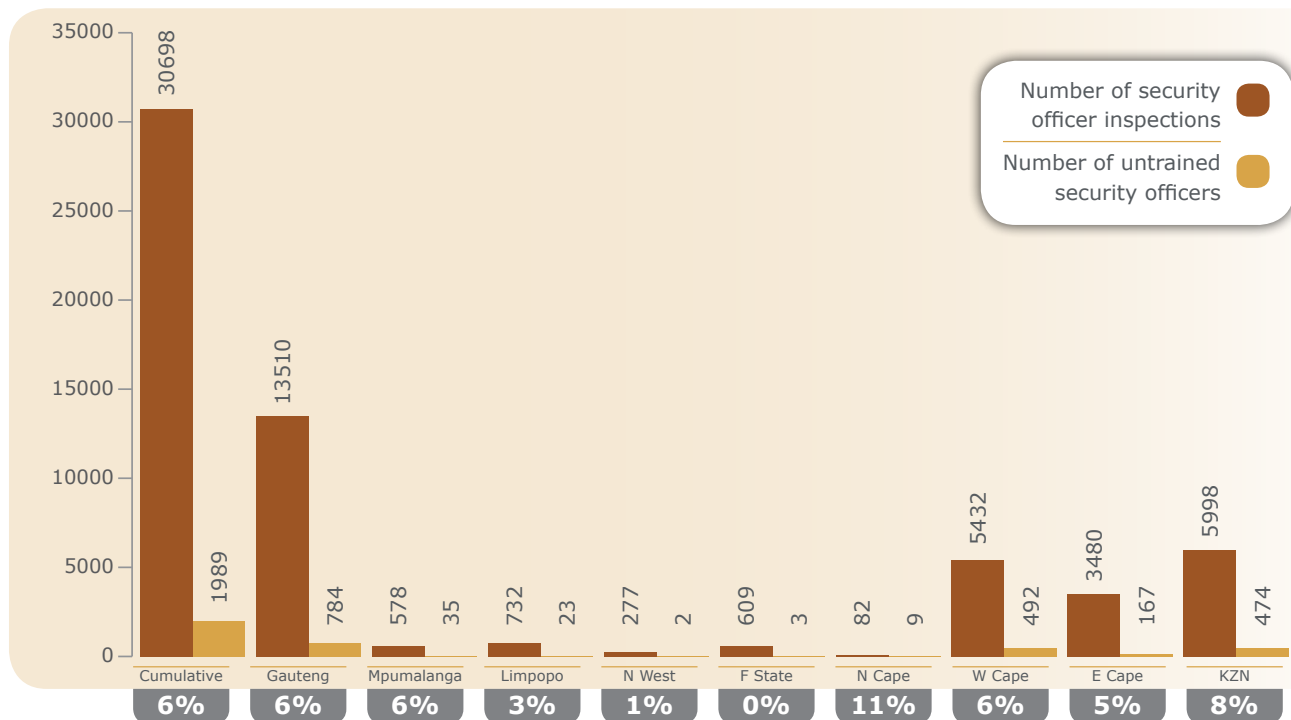


## SECURITY OFFICER INSPECTIONS

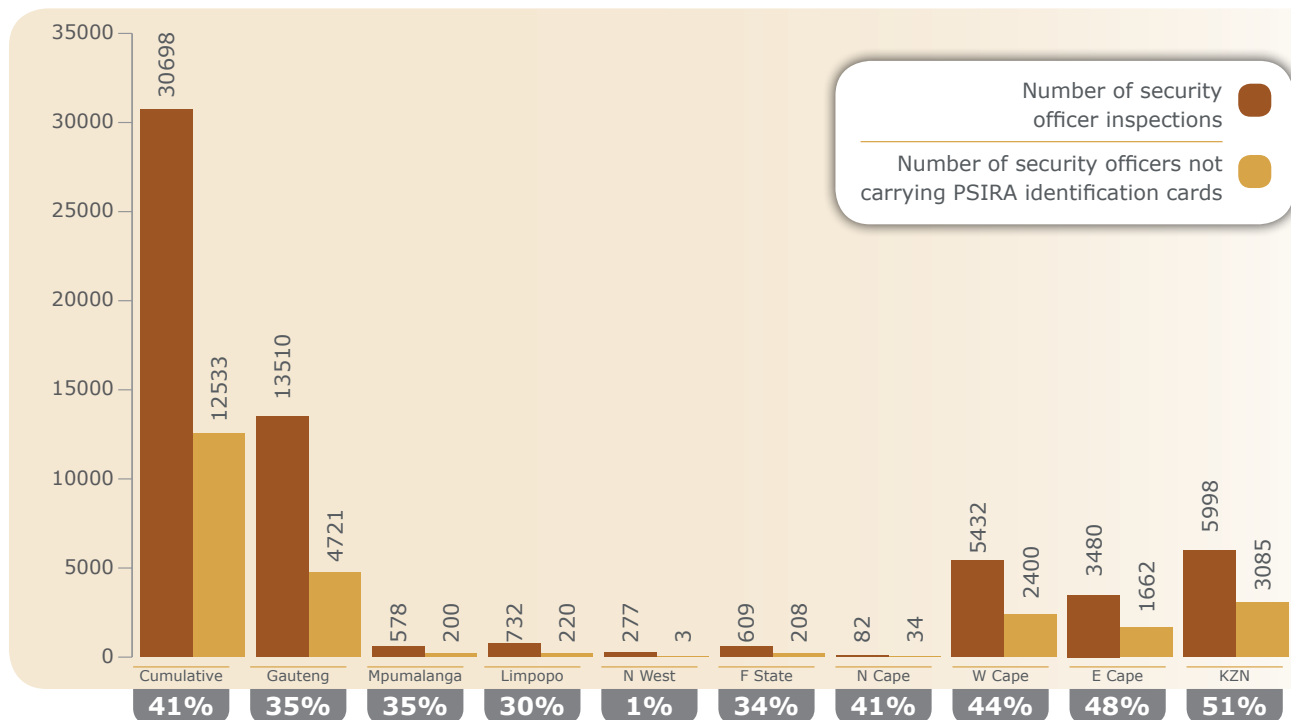
**GRAPH 9. UNREGISTERED SECURITY OFFICERS**



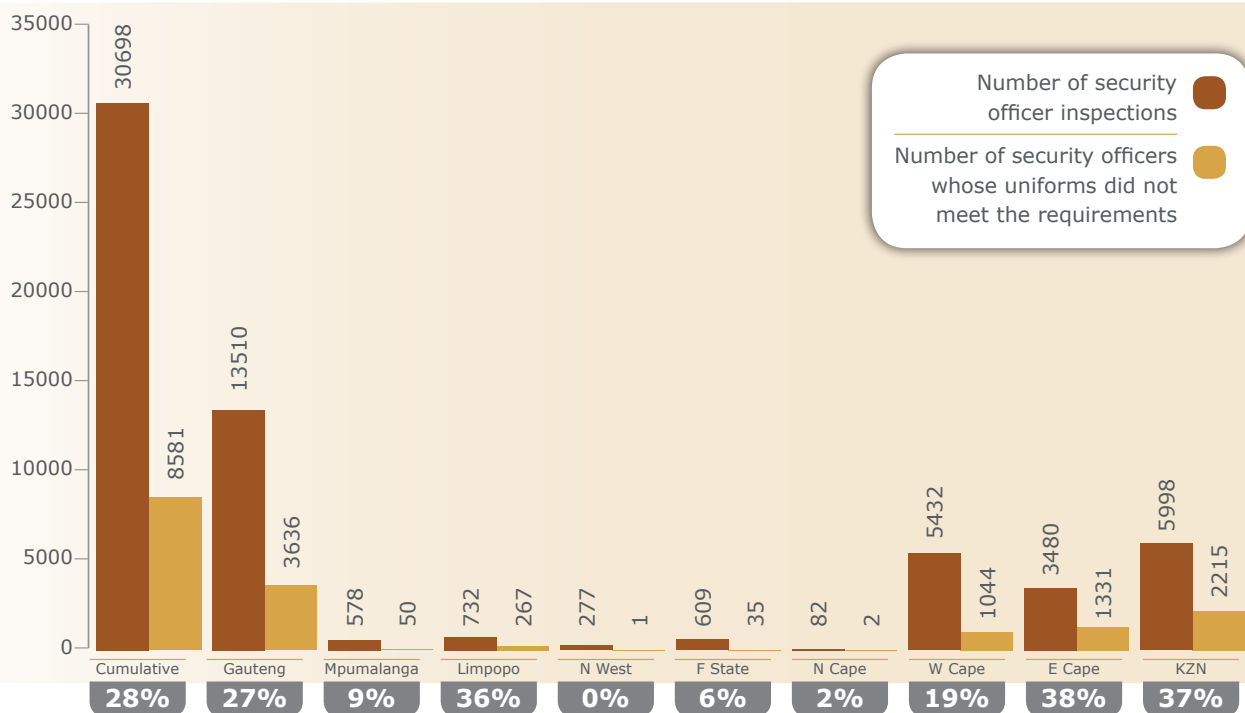
**GRAPH 10. UNTRAINED SECURITY OFFICERS**



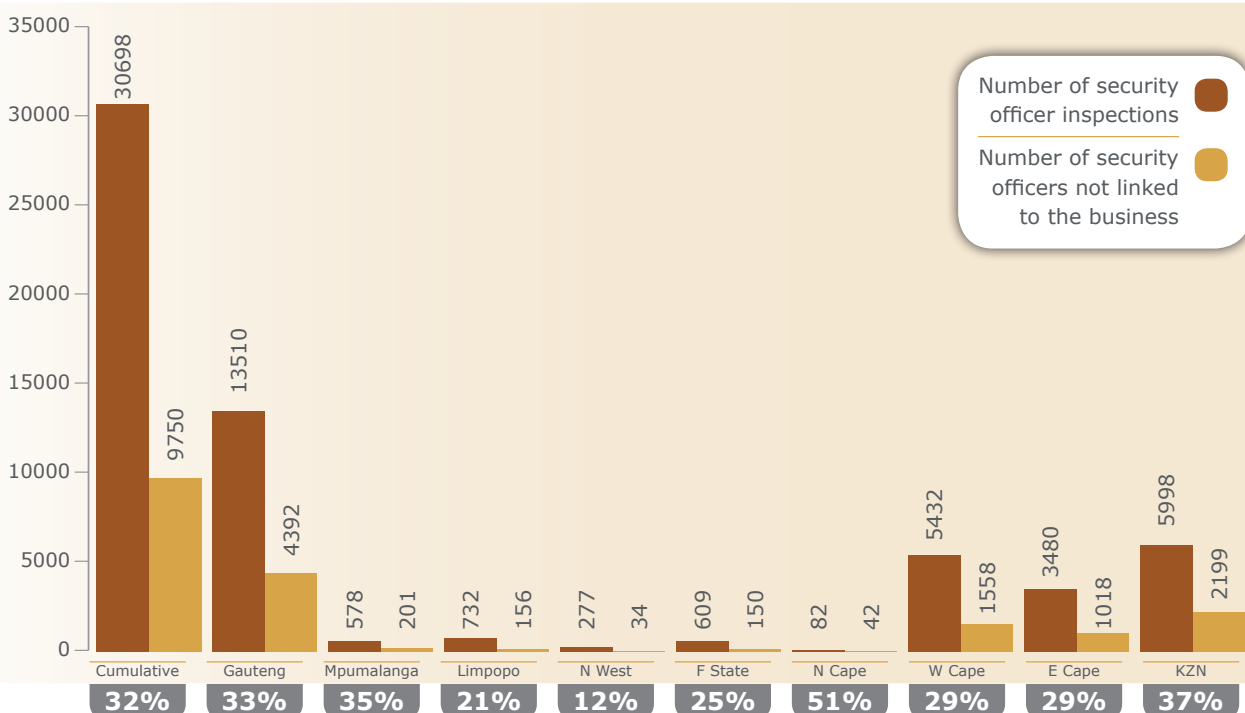
**GRAPH 11. SECURITY OFFICERS NOT CARRYING PSIRA IDENTIFICATION CARDS**



**GRAPH 12. SECURITY OFFICER UNIFORMS**

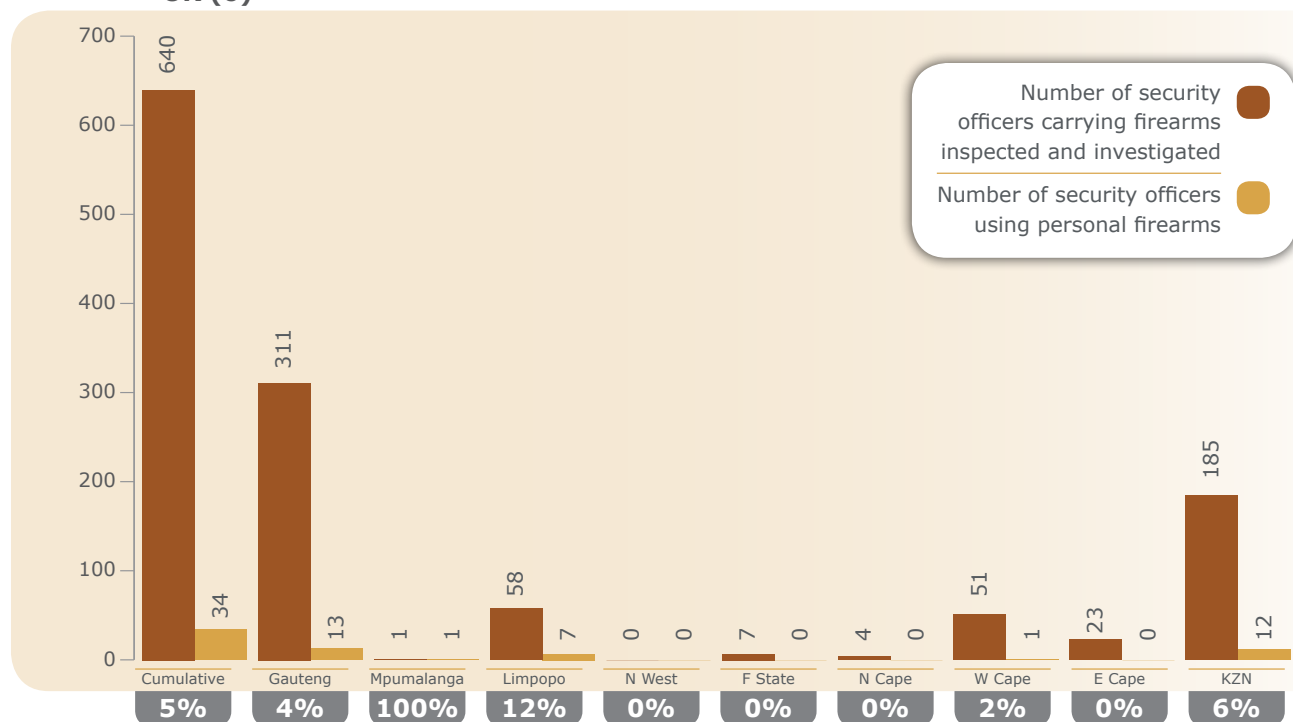


**GRAPH 13. SECURITY OFFICERS NOT LINKED TO THE BUSINESS**

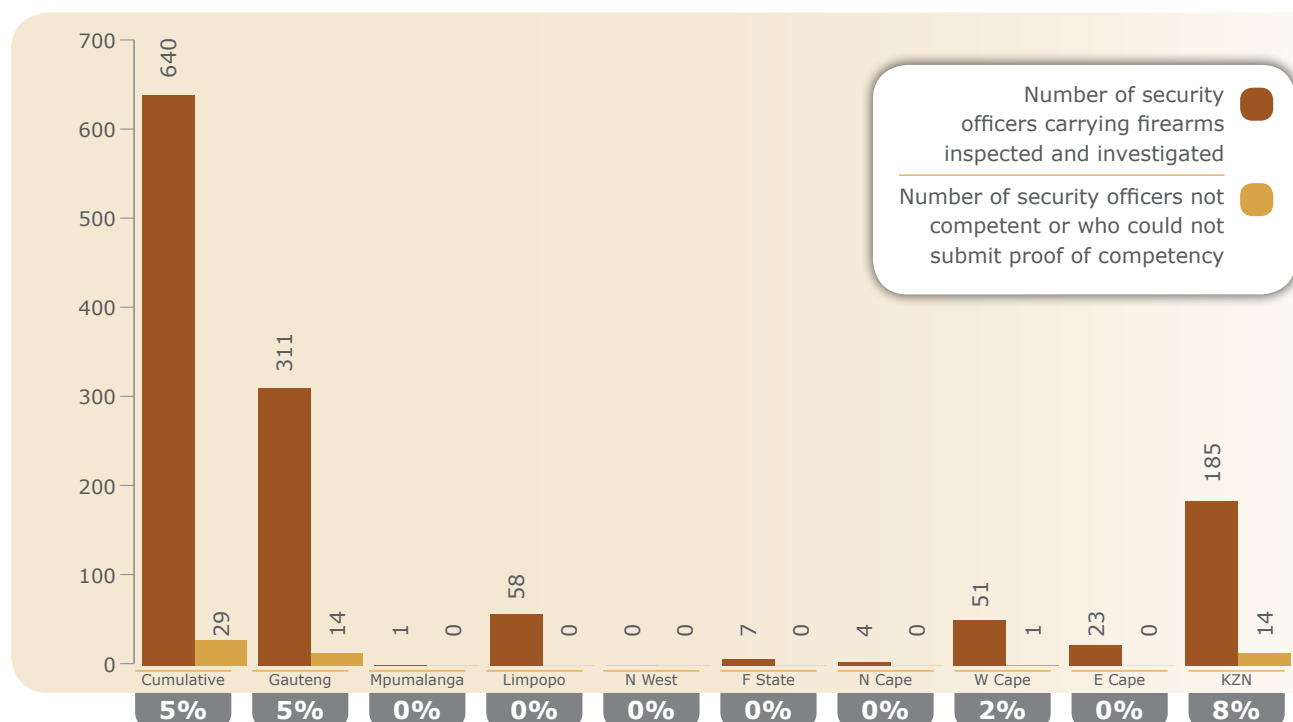


## Part A General Information

**GRAPH 14. SECURITY OFFICERS USING FIREARMS NOT COMPLYING WITH REGULATION 13(5) OR (6)**



**GRAPH 15. SECURITY OFFICERS CARRYING FIREARMS WHO ARE NOT COMPETENT IN HANDLING FIREARMS**



## OPERATIONS

PSiRA is also involved in a number of operations with different stakeholders, including the South African Police Service (SAPS). These operations are at times initiated by the Authority or are attended on invitation from stakeholders such as SAPS, Department of Home Affairs (DHA) and Department of Labour (DoL). The focus is on compliance in terms of the PSiR Act, which includes the deployment of registered and trained security officers, illegal immigrants and compliance with the Firearms Control Act. During the period under review, the following operations were undertaken:

Region	Number of operations	Stakeholders	Number of arrests	Unregistered	Foreigners	Firearms	Other
Head Office	19	SAPS / DoL / Metro / DoL / Tshwane Fire Dept	373	370	164	0	29 DoL inspections
Gauteng	17	SAPS / Metro / DHA / Tshwane Fire Dept.	336	333	164	0	1 DoL inspection
Mpumalanga	1	SAPS	37	37	0	0	0
Limpopo	0	-	0	0	0	0	0
North West	0	-	0	0	0	0	0
Free State	1	DoL	0	0	0	0	28 DoL inspections
Northern Cape	0	-	0	0	0	0	0
Western Cape	2	SAPS / Metro / Traffice Dept.	9	9	4	0	0
Eastern Cape	2	SAPS	0	0	0	0	0
KwaZulu-Natal	3	SAPS / Durban Metro / DoH	8	8	8	28	0
<b>TOTAL</b>	<b>26</b>	<b>-</b>	<b>390</b>	<b>387</b>	<b>176</b>	<b>0</b>	<b>29 DoL inspections</b>

Inspections were also conducted at Buffalo City Stadium (Eastern Cape), FNB Stadium (Gauteng) and on two occasions at the Orlando Stadium to verify compliance by the event security officers who were deployed.

## IMPROPER CONDUCT INVESTIGATIONS

During the period under review, a total of 1 650 improper conduct dockets against security businesses were compiled, compared to 1 144 dockets for the same period in the previous year. The regional breakdown for the period under review is as follows:

Region	Number of dockets
Head Office	691
- Gauteng	473
- Mpumalanga	53
- Limpopo	70
- North West Province	42
- Free State	32
- Northern Cape	20
- Other (KZN)	1
Western Cape	277
Eastern Cape	180
KwaZulu-Natal	502
<b>TOTAL</b>	<b>1 650</b>

A further regional breakdown as far as Code of Conduct dockets against large, medium and small businesses are concerned, is as follows:

Region	Number of dockets		
	Small businesses	Medium businesses	Large businesses
Head Office	271	147	273
Western Cape	147	59	71
Eastern Cape	128	23	29
KwaZulu-Natal	261	79	162
<b>TOTAL</b>	<b>807</b>	<b>308</b>	<b>535</b>

The Law Enforcement Division prepared the following number of improper conduct dockets during this period:

Region	Number of dockets prepared	Outstanding
Head Office	678	46
Western Cape	164	29
Eastern Cape	164	24
KwaZulu-Natal	460	59
<b>TOTAL</b>	<b>1 466</b>	<b>158</b>

A case list and progress report is kept in respect of all dockets opened and registered by the Law Enforcement Division. All progress in respect of the docket is captured on the progress report, from the original docket to the finalisation and outcome thereof.

## IMPROPER CONDUCT INVESTIGATION DOCKETS PERTAINING TO EXPLOITATION OF LABOUR

One of PSiRA's objectives is to promote the protection and enforcement of the rights of security officers and other employees in the private security industry, particularly to ensure that security businesses pay the prescribed minimum wages as determined by the Department of Labour and also comply with the Private Security Sector Provident Fund in order to ensure that employee security officers are not exploited.



As at the end of March 2016, there were 300 improper conduct dockets pending against security service providers for allegations of failing to pay the statutory minimum wage to employee security officers. The regional breakdown was as follows:

Region	Number of improper conduct dockets
Head Office	183
- Gauteng	112
- Mpumalanga	30
- Limpopo	14
- North West Province	13
- Free State	7
- Northern Cape	3
- Other provinces	4
Western Cape	54
Eastern Cape	12
KwaZulu-Natal	51
<b>TOTAL</b>	<b>300</b>

At the end of March 2016, there were 485 improper conduct cases pending against security service providers for allegations of failure to comply with the Private Security Sector Provident Fund. The regional breakdown was as follows:

Region	Number of improper conduct dockets
Head Office	226
- Gauteng	129
- Mpumalanga	23
- Limpopo	34
- North West Province	15
- Free State	14
- Northern Cape	6
- Other provinces	5
Western Cape	120
Eastern Cape	18
KwaZulu-Natal	121
<b>TOTAL</b>	<b>485</b>

The issue of general co-operation between PSiRA and the Department of Labour resulted in a process developed and implemented for the referral of complaints to the Department of Labour.

## CRIMINAL INVESTIGATIONS

Regulatory inspections were also conducted to investigate and detect unregistered security service providers as well as other criminal contraventions of the Act for the purposes of opening criminal cases against them with the South African Police Service.

As at 31 March 2016, a total of 1 489 outstanding criminal cases were pending with the South African Police Service, compared to 1 196 cases in March 2015.

During the period 1 April 2015 to 31 March 2016, a total of 686 criminal cases were opened by PSiRA inspectors.

The regional breakdown in respect of criminal cases opened during the period under review in the various PSiRA offices was as follows:

Region	Criminal cases opened
Head Office	408
- Gauteng	352
- Mpumalanga	37
- Limpopo	2
- North West Province	4
- Free State	10
- Northern Cape	3
Western Cape	104
Eastern Cape	37
KwaZulu-Natal	137
<b>TOTAL</b>	<b>686</b>

During this period, 397 criminal cases were finalised by the National Prosecuting Authority.

## Part A General Information

The regional breakdown is as follows:

Region	Success-fully finalised	Unsuccess-fully finalised	Total
Head Office	262	98	360
- Gauteng			
- Mpumalanga	229	56	285
- Limpopo	25	16	41
- North West Province	3	3	6
- Free State	0	9	9
- Northern Cape	3	9	12
- Northern Cape	2	5	7
Western Cape	3	0	3
Eastern Cape	0	34	34
KwaZulu-Natal	0	0	0
<b>TOTAL</b>	<b>265</b>	<b>132</b>	<b>397</b>

Subsequent to an audit conducted by SAPS on the outstanding criminal case list of all the provinces of the Compliance and Enforcement Department, it was found that a high number of cases on the historic list had been finalised. These cases were updated in the operational reports.

SAPS is conducting a further audit on the cases of certain of the regional offices.

As previously stated, 1 489 criminal cases were still outstanding with the South African Police Service countrywide on 31 March 2016. The regional breakdown is as follows:

Region	Outstanding criminal cases
Head Office	382
- Gauteng	280
- Mpumalanga	33
- Limpopo	19
- North West Province	16
- Free State	22
- Northern Cape	12
Western Cape	339
Eastern Cape	278
KwaZulu-Natal	490
<b>TOTAL</b>	<b>1 489</b>

There is a close working relationship between PSiRA and SAPS. The latter assists in investigations where PSiRA requires arrests to be made. SAPS also plays an important role in site inspection operations. PSiRA also conducts law enforcement operations with SAPS on a national basis and assists in general SAPS operations.

During the period under review, the following number of arrests were made:

Region	Number of arrests
Head Office	321
- Gauteng	276
- Mpumalanga	39
- Limpopo	0
- North West Province	0
- Free State	0
- Northern Cape	6
Western Cape	0
Eastern Cape	0
KwaZulu-Natal	3
<b>TOTAL</b>	<b>324</b>

A formal agreement between PSiRA and the South African Police Service was previously proposed and a draft agreement compiled and discussed. This agreement has, however, not been signed by both parties yet.

## FIREARMS

### FIREARM APPLICATIONS

PSiRA provides information pertaining to security service providers applying for firearm licences to the Office of the Central Firearms Registry (CFR) of the South African Police Service. This information includes, *inter alia*, the following:

- The registration status of the security business.
- Number of security officers employed by the business and their registration and training status.
- Annual amounts due to PSiRA.

During the period under review, a total of 1 115 firearm application enquiries were received from the CFR and finalised, compared to 1 062 application enquiries for the previous financial year. Of the 1 115 processed enquiries, the CFR was informed that 319 of the applicants owed annual amounts or fines; 114 businesses did not report changes; 126 responsible persons for the firearms were not linked to the business or registered; 11 businesses were not registered; in four cases the businesses' directors/members/partners or owners were not registered or trained and in two cases, the businesses were deregistered with the Commission for Intellectual Properties and Companies (CIPC). A total of 539 applicants were cleared by PSiRA for consideration by the CFR.

PSiRA, in conjunction with the CFR, previously compiled a draft policy agreement to allow for the establishment of a Security Industry Firearms Regulation Committee that will endeavour to establish closer co-operation between SAPS and PSiRA. This will include regular sharing of information to confirm whether businesses still qualify for licences after obtaining them, namely, whether registrations are still valid, the number of security officers employed, etc. PSiRA had previously made certain amendments to the draft policy document and submitted it to the

CFR for signature. PSiRA's relationship with CFR will, however, form part of the broader PSiRA/SAPS agreement to be signed.

The CFR database in respect of security service providers and the number of firearms licensed to each business was previously audited by PSiRA in November/December 2012. The outcome thereof was forwarded to CFR in January 2013 and further analysis was completed in February 2013. Further numerous requests for an updated version of the database have been unsuccessful during this financial year.

### FIREARM INSPECTIONS

In addition, PSiRA also launched, as part of its Annual Performance Plan (APP), a firearm inspection programme. The regional number of firearm inspections conducted during the period under review was as follows:

Region	Number of firearm inspections
Head Office	659
- Gauteng	437
- Mpumalanga	58
- Limpopo	58
- North West Province	44
- Free State	42
- Northern Cape	20
Western Cape	187
Eastern Cape	78
KwaZulu-Natal	212
<b>TOTAL</b>	<b>1 136</b>

The details of completed firearm inspections are tabled at the Firearm Regulatory Sub-Committee and also forwarded to SAPS.

With reference to all the above statistics, the overall performance pertaining to the total number of firearm inspections conducted for

the period under review, based on the APP target of the Compliance Department, is 114%. The regional breakdown is as follows:

Region	Target	Number of firearm inspections conducted	Performance
HEAD OFFICE: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	460	659	143%
Western Cape	180	187	104%
Eastern Cape	180	78	43%
KwaZulu-Natal	180	212	118%

Staff shortages in the Eastern Cape prevented the office meeting its annual target as well as the limited number of businesses licensed for firearms in the Eastern Cape regions.

## FIREARM REGULATORY SUB-COMMITTEE

The Director of PSiRA established a Firearm Regulatory Sub-Committee in order to improve firearm control in the private security industry. This committee is responsible for performing the following functions in terms of its terms of reference:

- To uphold the objectives of PSiRA in promoting a legitimate private security industry, and in particular, firearm control.
- To facilitate the establishment and implementation of effective internal systems to enhance assistance in the control of firearms in the industry. This includes, but is not limited, to:
  - The enhancement of the security service provider's database to include details of all security businesses licensed for firearms.

- Regular updating of the security business database in respect of applications for licences granted or withdrawn by the Office of the Central Firearms Registry of SAPS.
  - Submitting regular reports on those businesses licensed to the Central Firearm Registry in respect of changes, namely registration status, number of security officers employed, address changes, etc.
- To facilitate the establishment of a Standing Committee between PSiRA and the Office of the Central Firearm Registry (CFR) of the South African Police Service (SAPS) in order to:
    - Guide and co-ordinate the decisions and actions of PSiRA and the Central Firearms Registry in the performance of their respective regulatory functions;
    - Facilitate the establishment of a mechanism to standardise the control of firearms in the private security industry as well as the types of firearms used in the industry;
    - Establish the minimum requirements needed for the issuing of licences and guidelines for the withdrawal of licences;
    - Oversee co-operation and co-ordination between PSiRA and SAPS in respect of Law Enforcement operations;
    - Facilitate and improve communication and liaison between the Office of the Central Firearms Registry and PSiRA; and
    - Generally share information from each other's databases in respect of security service providers and licensed institutions.
  - To facilitate the training of inspectors to enhance proper firearm control. This includes competency in the use of firearms and verification of ammunition.

During the period under review, two meetings were held by the Firearm Regulatory Sub-Committee.

## CHARGE SHEETS AND SUMMONSES SERVED

The following number of charge sheets and summonses were served during the period under review:

Region	Charge sheets	Summonses
Head Office	552	241
Western Cape	349	300
Eastern Cape	161	93
KwaZulu-Natal	357	186
<b>TOTAL</b>	<b>1 419</b>	<b>820</b>

## ANNUAL FEES AND FINES COLLECTED

During the period under review, a total of R1 749 410.11 annual fees and R96 644.66 fines were collected by PSiRA inspectors.

## UNTRACEABLE SECURITY SERVICE PROVIDERS

Subsequent to the issuing of charge sheets and/or summonses during the year under review, 45 security service providers could not be traced by PSiRA inspectors and 2 following on from planned inspections. Steps taken to trace these security service providers include, *inter alia*, the following:

- Visits to known addresses of the businesses as well as those of the owners/directors/members, etc.
- Enquiries at neighbouring businesses.
- Calling all available numbers on PSiRA's database.

Action is taken against these untraceable providers for their failure to meet the infrastructure and capacity requirements.



## LEGAL SERVICES DEPARTMENT

### PROSECUTIONS

The functional areas in terms of prosecutions were:

- Charge sheets issued.
- Summons issued.
- Cases finalised at Code of Conduct enquiries.
- Cases settled without the need of enquiries.

The results for the year under review are as follows:

	Head Office	Eastern Cape	KwaZulu-Natal	Western Cape	Total
<b>Charge sheets issued</b>	525	167	421	374	<b>1 487</b>
<b>Summons issued</b>	197	103	195	319	<b>814</b>
<b>Cases finalised at Code of Conduct enquiries</b>	54	163	15	74	<b>306</b>
<b>Cases finalised without the need of Code of Conduct enquiries</b>	545	185	365	503	<b>1 598</b>

- A total of 1 487 charge sheets were issued.
- Only 814 summons were issued, due to some cases having been settled between the periods prior to issuing of summonses.
- Of the 1 487 charge sheets issued, 1 598 cases were finalised. The additional 111 cases were from the previous final year.

### LITIGATION

In terms of legal services, 12 cases were litigated during this period. In one of these cases, PSiRA was only cited as an interested party. No cases were dismissed in favour of PSiRA without costs and ten cases are still pending.

### APPEALS

Appeals against PSiRA's refusal to register a security service provider and withdrawal by PSiRA of registration due to a conviction of a scheduled offence:

- Total brought forward from 2014 / 2015 140
- Total received for 2015 / 2016 82
- Total matters on hand 222
- Dismissed 205
- Upheld 14
- Pending 3
- Matters referred back to PSiRA 0

Appeals against PSiRA's refusal to register a security service provider due to non-South-African residence:

- Total received 0
- Dismissed 0
- Upheld 0
- Pending 0

Appeals against conviction and/or sentence following the finalisation of improper conduct enquiries convened in terms of the Act

- Total received 11
- Dismissed 1
- Upheld 1

## APPLICATIONS FOR EXEMPTION

Applications for exemption

● Total received	2
● Dismissed	0
● Granted	1
● Pending	1

## REGULATORY SUB-COMMITTEE

The Director of PSiRA established a Regulatory Sub-Committee, which is a sub-committee of the Executive Committee. With regard to its terms of reference and delegation, the Regulatory Sub-Committee is responsible for performing the following functions:

- The suspension of registration of security service providers.
- The upliftment of suspension of registration of security service providers.
- The withdrawal of registration of security service providers.
- The confirmation, review and substitution of the findings, penalties and other orders at improper conduct enquiries, and putting into operation of suspended penalties at such enquiries.
- The conviction and the imposition of a penalty on a security service provider that has indicated to the Director that it intends to plead guilty to a charge of improper conduct, or will not oppose a suspended penalty.
- The application for a court order in respect of a security service provider as contemplated in section 27 of the Act.
- The withdrawal of accreditation certificates of security service providers providing security training.

During the period under review, 31 Regulatory Sub-Committee meetings were held and the following decisions taken:

Business registration	
Withdrawal (Annual Fees)	952
Withdrawals (Voluntary)	97
Withdrawals at Code of Conduct Enquiries	14
Upliftment: Suspension	72
Withdrawals (Reg.5)	26
Suspensions (Annual Fees)	535
Suspension (Voluntary)	0
Individual registration	
Withdrawals	28
Withdrawals at Code of Conduct Enquiries	6
Registrations suspended	57
Number of improper conduct confirmations of conviction sentences	
H/O	47
EC	12
WC	69
KZN	9

The above number of improper conduct confirmations refers to those convictions and sentences imposed by presiding officers and referred to the Sub-Committee for confirmation, and does not include all improper conduct cases finalised through settlements and other means.



## FORENSIC AND ETHICS UNIT

This report provides the Audit Committee with an overview of the Fraud Risk Management interventions undertaken for PSiRA during the 2015/2016 financial year.

The table below lists the number of interventions undertaken.

Category of cases	Received	Finalised	Pending	Total
Internal cases	5	5	0	0
External cases	107	68	44	112
KPMG cases	57	0	0	57
<b>Total cases</b>	<b>169</b>	<b>73</b>	<b>44</b>	<b>169</b>

The Forensic and Ethics Unit received 169 cases for investigation, 57 of which were reported through the KPMG Hotline and 112 through the internal helpdesk. Five internal cases against PSiRA staff members were all finalised - one staff member was dismissed, but appealed the verdict and no illicit activities were identified against two employees, while verdicts are pending against two other employees. Of the 107 external cases against service providers, 63 were finalised and 44 were brought forward to the 2016/2017 financial year.

Categories	Cases received	Cases referred
Number of KPMG cases	57	
Number of helpdesk cases	112	
Cases finalised		68
Cases carried over		44
Forensics Unit		12
Law Enforcement		43
Dept. of Labour		2
<b>Totals</b>	<b>169</b>	<b>169</b>

There were 57 KPMG cases and 112 helpdesk cases reported, of which 43 were referred to Law Enforcement and 12 undertaken by the Forensic and Ethics Unit, while two cases were referred to the Department of Labour and 68 cases were finalised.

## FORENSIC AND ETHICS UNIT'S PERFORMANCE

The Forensic and Ethics Unit conducted investigations into allegations of misconduct by PSiRA's employees, as well as matters relating to suspicions of fraudulent activities by the service providers and media-reported matters bearing potential risk to PSiRA.

## FRAUDULENT ACTIVITIES BY SECURITY SERVICE PROVIDERS

The Forensic and Ethics Unit has a responsibility to monitor and evaluate the level of compliance to the Act, Act 56 of 2001.

The Act requires security service providers to comply with the Act in practice, and in response to low levels of compliance, criminal charges and code of conduct hearings are instituted against non-compliant service providers.

## MECHANISM IN PLACE TO REPORT FRAUD AND CORRUPTION

PSiRA's fraud hotline is posted on its website. The Forensic and Investigation Unit (FIU) is in charge of the fraud hotline by which fraud, corruption, theft and other acts of dishonesty committed by its employees can be reported. In terms of the code of conduct for staff and other policies, a duty/responsibility is placed on employees to report any suspicious activities either to the Director, or FIU, or via the hotline.

## **FRAUD HOTLINE**

The fraud hotline is PSiRA's confidential and independent reporting hotline that affords employees, clients, suppliers, managers and other stakeholders the opportunity to raise concerns about conduct that is contrary to PSiRA's values. The hotline is managed by KPMG.

Investigations were initiated based on the tip-offs via the fraud hotline, which led to disciplinary hearings against employees and security service providers in terms of the Code of Conduct, 2003.

## **MINIMISING CONFLICT OF INTEREST**

Management, employees and PSiRA's business partners are guided by the Code of Business Ethics, which is supported by its Declaration of Interest Policy, which relates to minimising conflict of interest.

Supply Chain Management (SCM) employees, as well as the Bid Specifications Committee (BSC) and the Bid Evaluation Committee (BEC) are required to declare any conflict of interest by signing a declaration of interest document. Staff members in the Procurement Department also declare business interests through an approved human capital management process that adheres to PSiRA's Internal Conflict of Interest Policy.

In cases where a potential conflict may arise, the respective members are requested to excuse themselves from the specific meeting in order not to influence the process. Management is required to sign Declaration of Interest forms.

## **CODE OF CONDUCT**

During the year under review, an approved Code of Conduct for staff was in place, which applies to the Council, management teams and employees to guide their conduct, and for them to exercise care and diligence in the course of their work at PSiRA.

To demonstrate PSiRA's commitment to transparency and accountability, the Code of Conduct is available on the PSiRA website and is subjected to annual review in line with legislative amendments.

Common issues relating to fraudulent activities by security service providers include:

- Tendering fraudulent Regulation 8 certificates to obtain employment within the industry;
- Rendering security services whilst not registered with PSiRA; and
- Submitting fraudulent course reports to PSiRA.

Common issues relating to misconduct by PSiRA employees include:

- Fraud
- Corruption
- Conflict of interest
- Theft
- Abuse of resources
- Contravening the Code of Conduct for staff, 2003

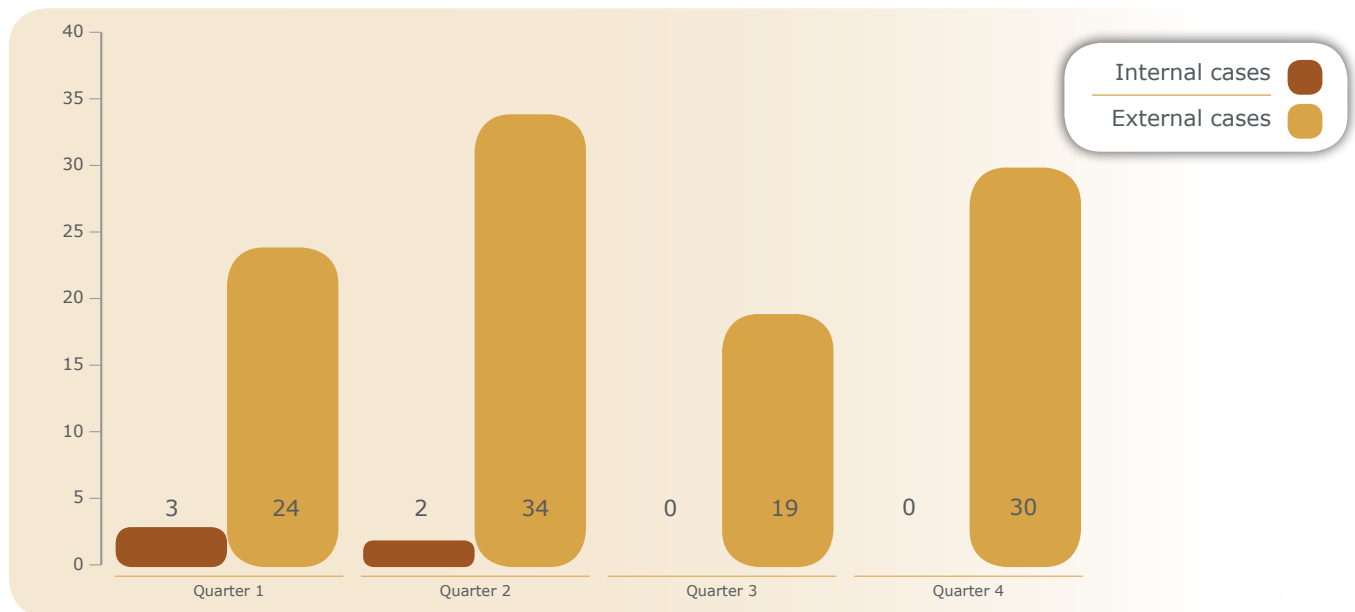
## **GENERAL CASES OF FRAUD, CORRUPTION, THEFT, ABUSE OF RESOURCES AND MISCONDUCT**

There were successes in the management of cases of fraudulent activities, industry corruption and unethical behaviour reported through KPMG's fraud hotline. The Forensic and Ethics Unit also investigated reports and complaints received via its helpdesk and hotline and instituted disciplinary hearings. Sanctions issued were communicated to other staff members via emails.

## Part A General Information

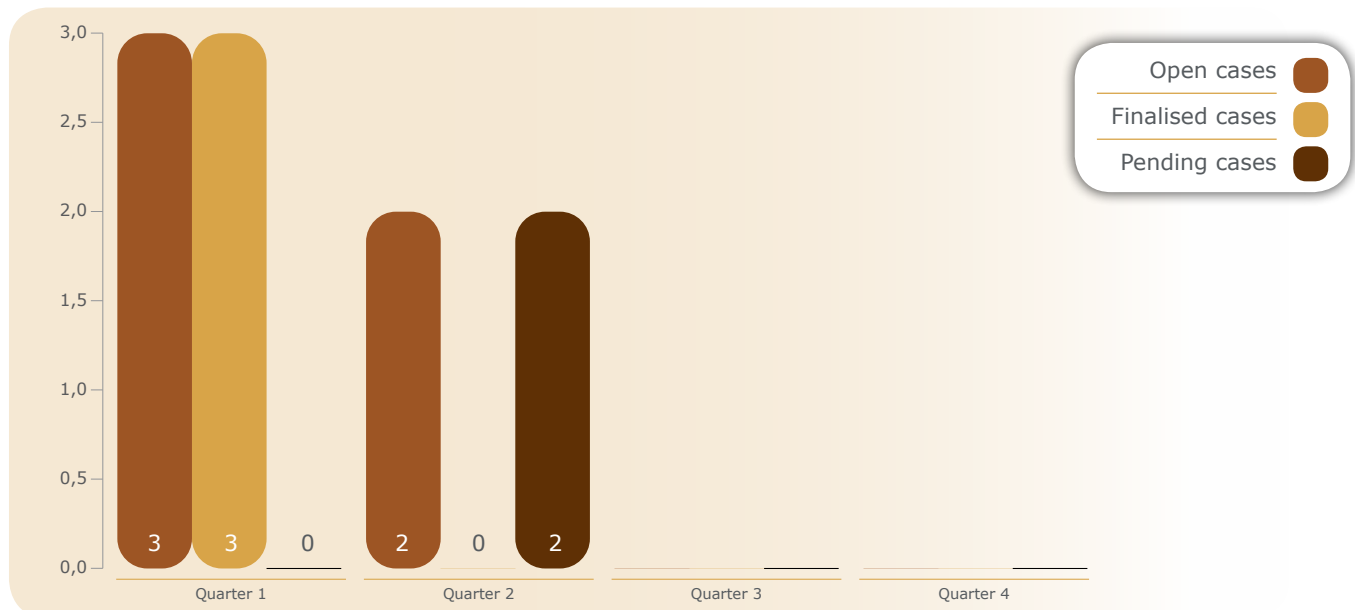
The graphs below illustrate the number of complaints received during the year under review.

**GRAPH 16. TOTAL CASES REPORTED**



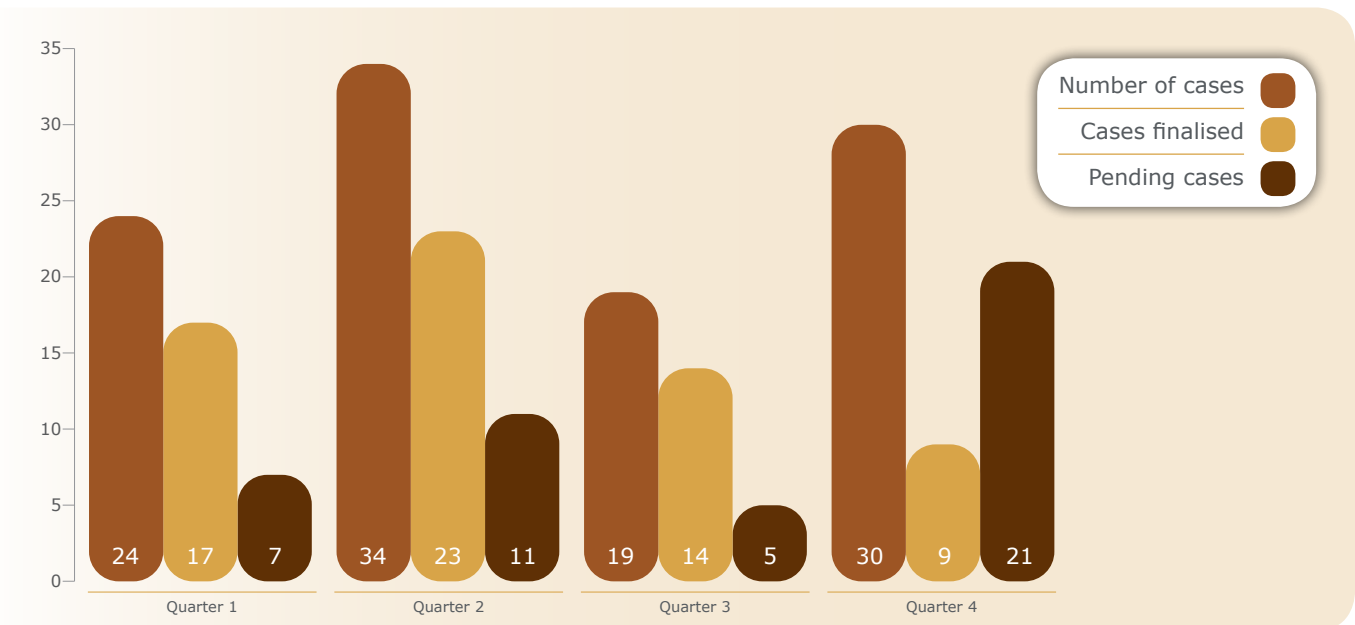
The Forensic and Investigation Unit received 112 cases, of which 107 were external and five internal.

**GRAPH 17. INTERNAL CASES REPORTED**



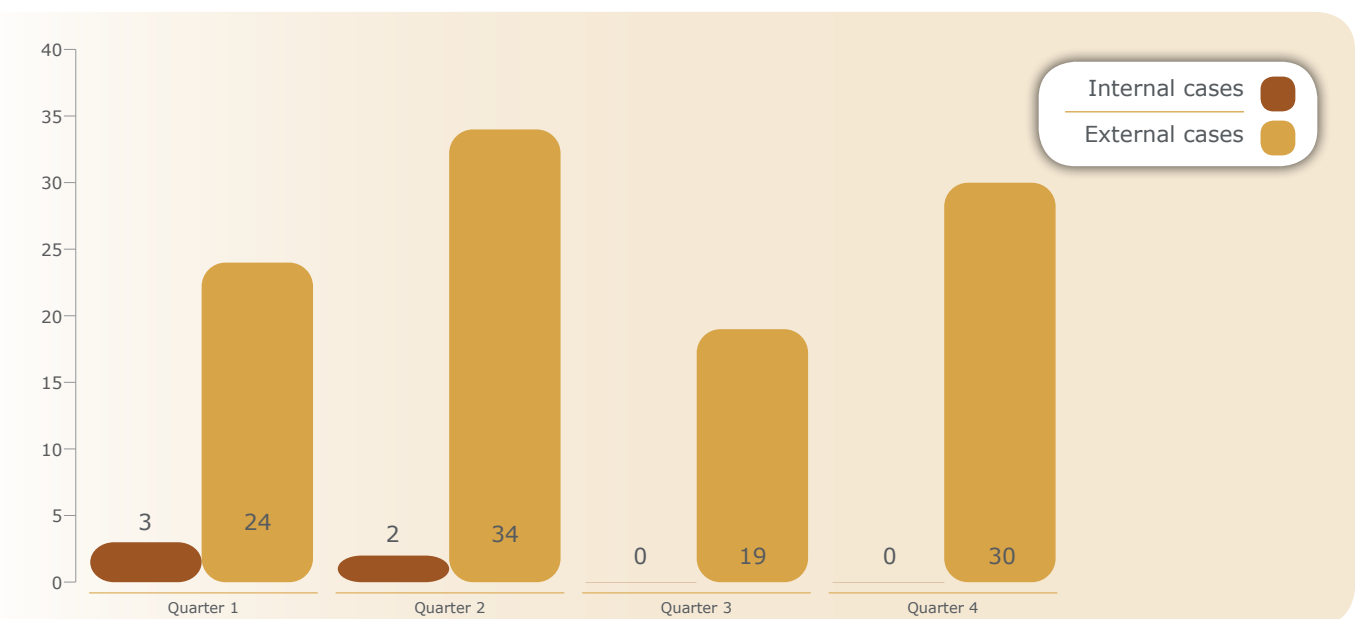
The Forensic and Investigation Unit received five internal cases, of which one employee was dismissed, but appealed the verdict, two employees' verdicts are pending and no illicit acts were identified against two employees.

**GRAPH 18. EXTERNAL CASES**



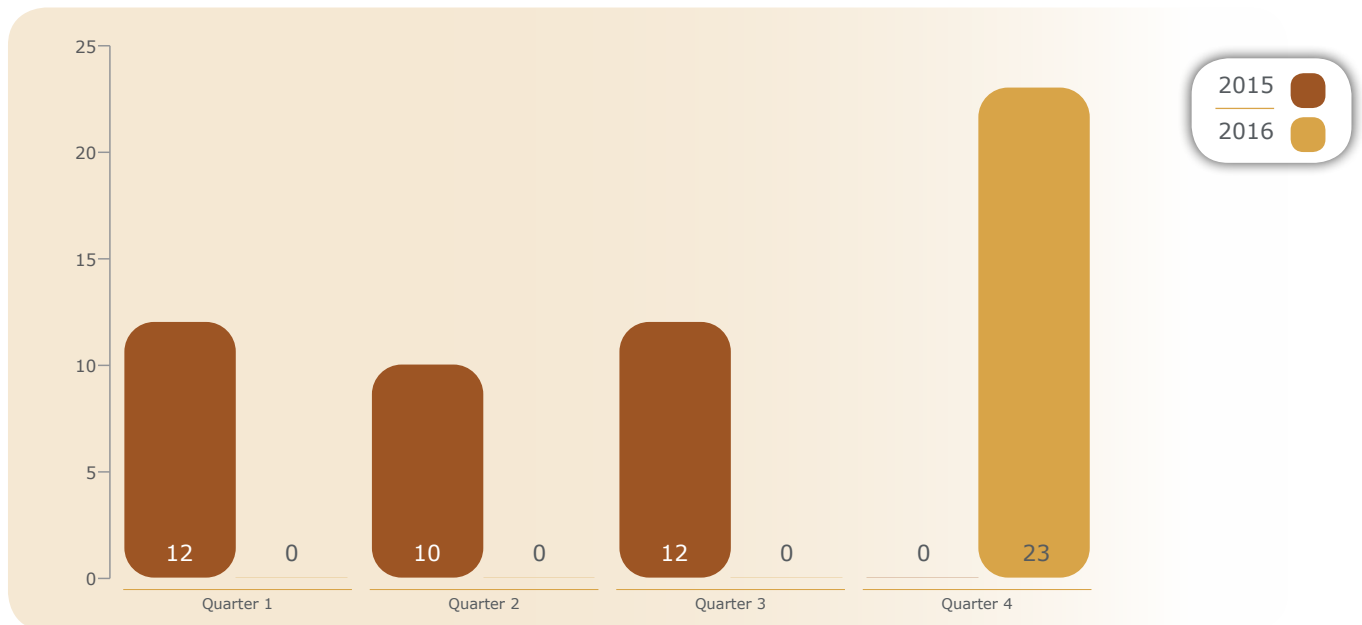
107 external cases were received, of which 63 cases were finalised and eight criminal cases registered, while 44 investigations are still pending.

**GRAPH 19. TYPES OF CASES**



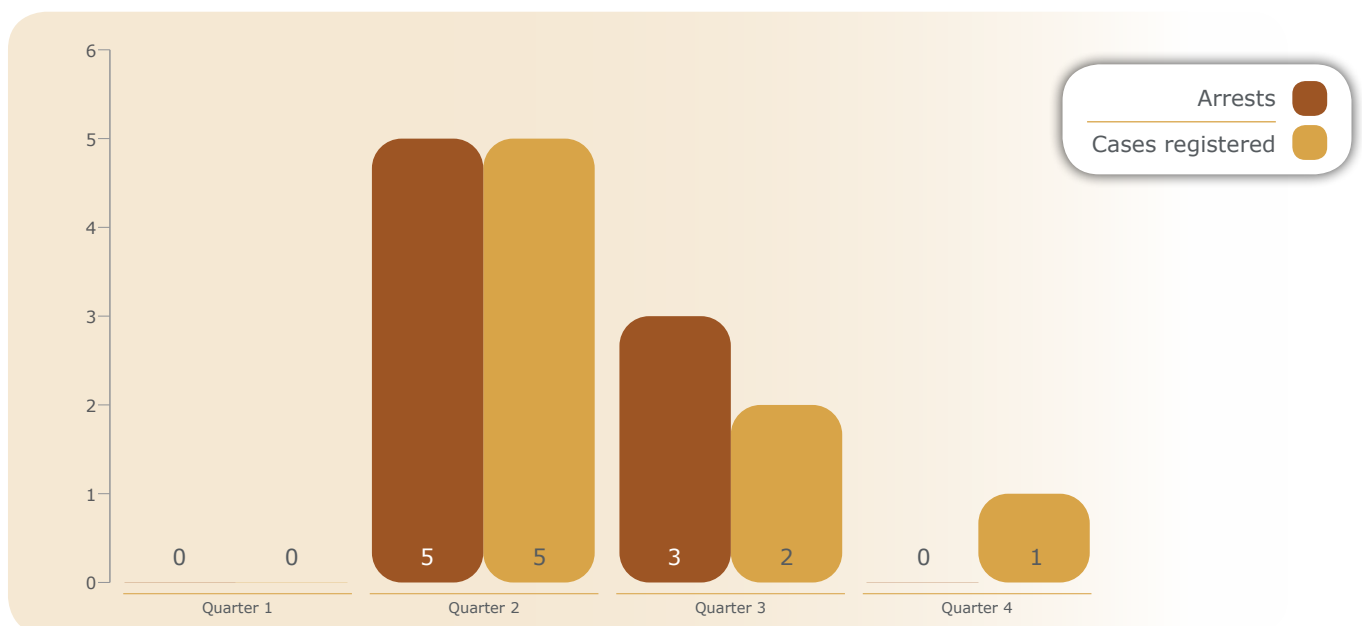
The Forensic and Investigation Unit received 112 cases – of which five were Code of Conduct cases against staff members, one an allegation of corruption against the staff member and four allegations of fraud against staff members, as well as 107 fraud cases against the industry.

**GRAPH 20. KPMG REPORTED CASES**



During the year under review, 57 complaints were reported through KPMG, of which 43 were industry-related and were referred to the Law Enforcement division, two complaints were referred to the Department of Labour, two were identity fraud complaints, while two were against staff members (undertaken by the Forensic and Investigation Unit) and eight involved fraudulent Regulation 8 certificates.

**GRAPH 21. CRIMINAL CASES REPORTED**



The Forensic and Ethics Unit reported eight criminal cases against security service providers and eight arrests were made. No criminal case was reported against any staff member.

# Registration/Customer Relations Management (CRM)

## OVERVIEW

The Registrations / Customer Relations Management (CRM) Unit's core function is to ensure that all individual and business applications received, are processed and considered for registrations without undue delays. The Unit's performance target for the 2015/2016 financial year was to successfully register both individual and business applications that meet all requirements within 20 days. The Unit has successfully achieved its set targets for the year under review. Another significant milestone is the issuing of the New Registration Certificate to more than 320 000 individual security officers and 2 691 security businesses.

### The renewal of certificates project

PSiRA embarked on a process of renewing certificates for all security officers and businesses. The renewal process started on 1 December 2014, when all the registered security officers and businesses were required to visit our offices and receive new certificates. A total of **255 125** individual certificates were renewed and **2 691** businesses also renewed their certificates during the 2015/2016 financial year.

As part of our commitment to improve service delivery and address the current footprint challenges, the mobile renewal of certificates project was further extended to the following remote areas and even to areas where we do not have footprint: Bloemfontein (visited twice), Kimberley (visited twice), East London, Ermelo, Leandra, South African Reserve Bank in Pretoria Central (visited twice), South African Reserve Bank Pretoria North, South African Reserve Bank in Bloemfontein, SA Mint, Royal Bafokeng Boshoeck mine in North West, Witbank Omega Risk, Pretoria Omega Risk, Rustenburg, Mafikeng, Kuruman, Upington, Giyani, Lephalale, Welkom and Rand Water offices in Alberton.

## REGISTRATION STATISTICS

During the year under review, the number of registered security officers on our database increased by 5.16% from **1 979 969** to **2 082 187** as at 31 March 2016. The industry is dominated by males representing **69%** and females **31%** of the total registration.

Financial year	Total number of security officers (employed and unemployed)	Male	Female
2014/2015	1 979 969	1 371 249	608 720
2015/2016	2 082 187	1 434 645	647 542

The number of registered active/employed security officers increased by **8.2%** from **451 565** to **488 666** during the year under review. The increase in the number of active or employed security officers can be attributed to individual inspections conducted by inspectors and compliance by security businesses in reporting the number of security officers which they employ.

Men are the most active or employed security officers in the country, as they constitute **79%** of the workforce, compared to women who represent **21%**.

Financial year	Total number of security officers (employed)	Male	Female
2014/2015	451 565	358 679	92 886
2015/2016	488 666	385 759	102 907

## Part A General Information

There were **8 692** registered security businesses in PSiRA's database during the 2015/2016 financial year, compared to **8 195** registered security businesses in the previous financial year, which shows an increase of **6.1%** of registered security service providers. The slow growth in the number of new security companies registering with PSiRA is attributed to the very slow economic growth in the country and the lack of job opportunities in the industry.

Province/ Region	Number of active registered businesses 2014/2015	Number of active registered businesses 2015/2016
Gauteng	3 177	3 460
Mpumalanga	523	528
Eastern Cape	688	697
Western Cape	905	964
Limpopo	805	811
North West	356	383
Free State	218	214
Northern Cape	688	132
KwaZulu-Natal	1 396	1 503
<b>Total</b>	<b>8 195</b>	<b>8 692</b>

**GRAPH 22. STATISTICAL COMPARISON OF INDIVIDUAL APPLICATIONS RECEIVED, REGISTERED, REJECTED, NOT FINALISED, PROVISIONALLY REJECTED AND WITHDRAWN DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS.**





- A total number of **108 903** individual applications were received and processed during the year under review compared to **117 402** applications received the 2014/2015 financial year. This shows a decline of **-7.24%** in the number of applications received during the 2015/2016 financial year. The decline can be attributed to slow growth of the economy and fewer job opportunities in the private security.
- **106 731** individual applications were registered during the 2015/2016 financial year compared to **89 187** of the previous financial year. This shows an increase of **19.67%** in the number of individual applications registered during the 2015/2016 financial year. The increase is as a result of people seeking employment in the security sector.
- **3 042** individual applications were rejected during the 2015/2016 financial year compared to **2 590** of the previous financial year. This shows an increase of **17.45%** in the number of individual applications rejected during the 2015/2016 financial year. The increase in the number of rejected applications is as a result of non-compliance by applicants, in most cases due to criminal records.
- **6 098** individual applications were not finalised during the 2015/2016 financial year compared to **13 437** of the previous financial year. This shows a decrease of **-54.6%** in pending individual applications during the 2015/2016 financial year. Enhanced business processes and the employment of interns have also played a role in ensuring that the number of pending applications is scaled down.
- Of the **6 098** individual applications which were

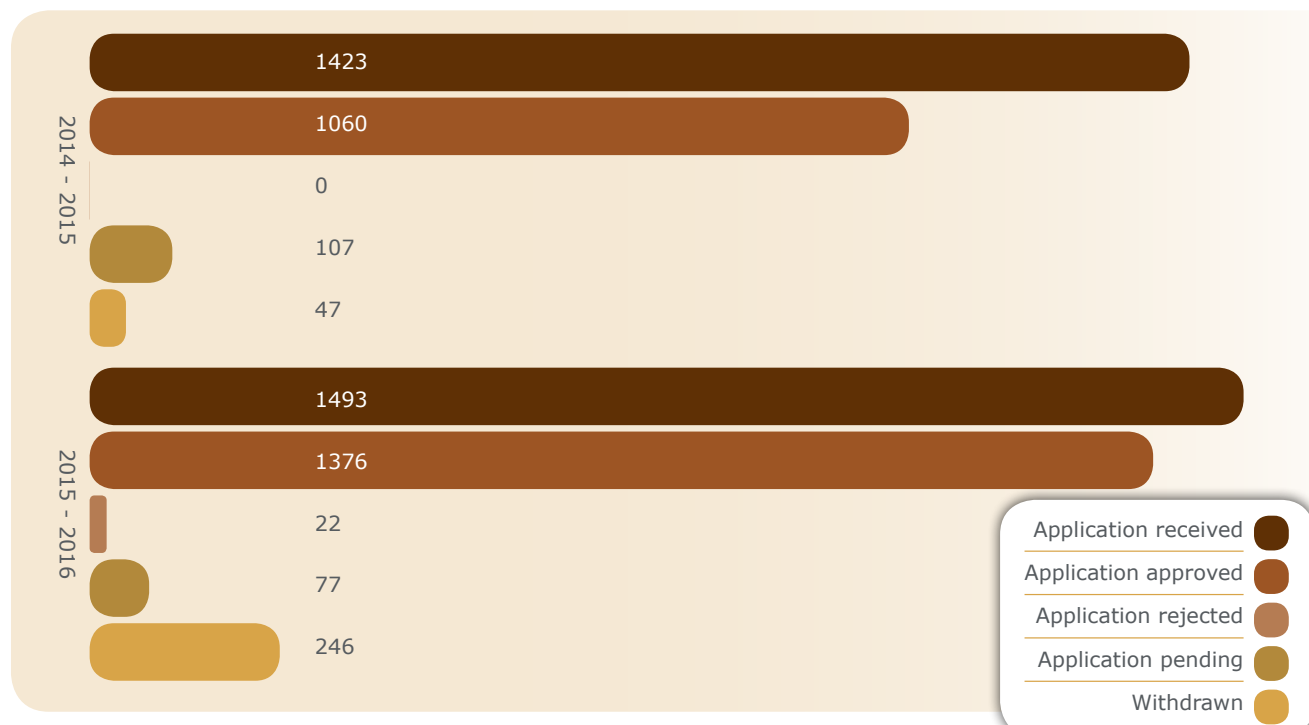
pending or not finalised during the 2015/2016 financial year, some of these applications were new applications, some were still waiting for adjudication by the Registration Sub-Committee, some were sent correspondence to provide the committee with further particulars and some have pending criminal records and have to provide PSiRA with the final results of their criminal cases.

- There were also **1 065** individual applications withdrawn by PSiRA during the 2015/2016 financial year, compared to 259 withdrawn during the 2014/2015 financial year. This shows an increase of **311.20%** in the number of individual applications withdrawn due to non-compliance to PSiRA laws and some committing criminal offences while registered, resulting in their registrations being revoked.

#### **BUSINESS APPLICATIONS RECEIVED DURING THE 2015/2016 FINANCIAL YEAR**

There was a **6.1%** increase in the number of active registered businesses during the year under review. A total of **8 692** businesses were registered during 2015/2016 in comparison to **8 195** during the 2014/2015 financial year. The slow increase was due to shrinking markets and some corporates resorting to in-sourcing their security services.

**GRAPH 23. STATISTICAL COMPARISON OF BUSINESS APPLICATIONS RECEIVED, REGISTERED, REJECTED AND NOT FINALISED/PENDING DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS**



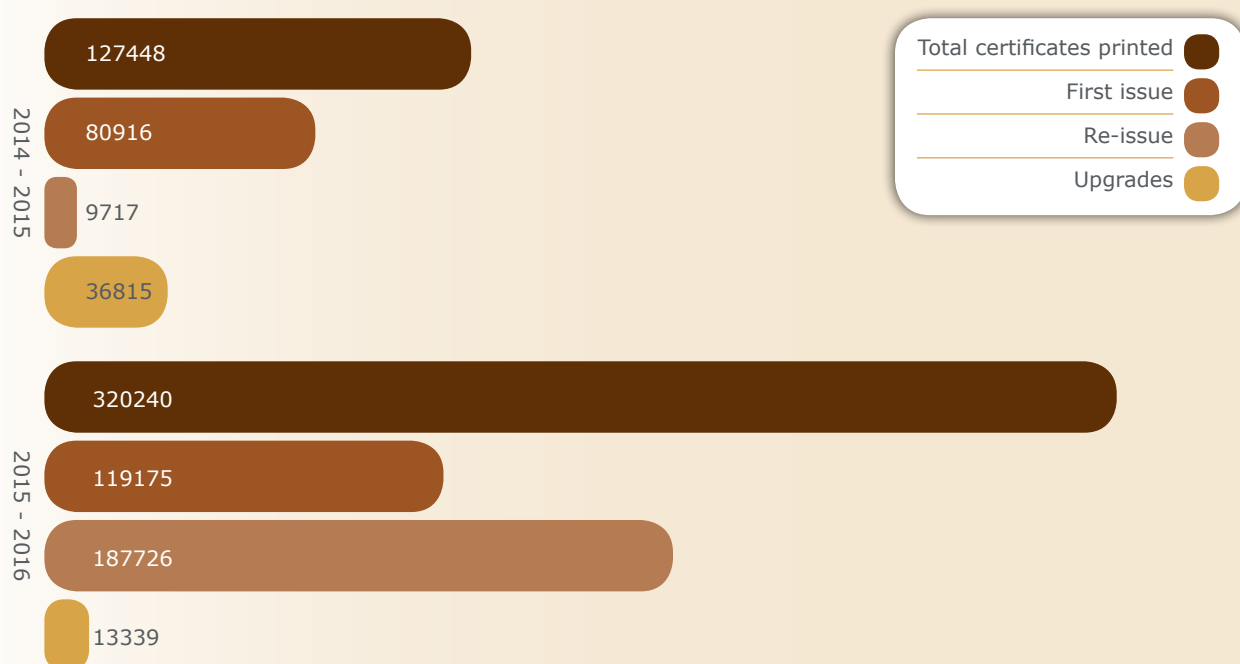
- During the 2015/2016 financial year, PSiRA received a total number of **1 493** business applications for registration, compared to **1 423** business applications received in the previous financial year. This shows an increase of **4.92%** in the number of business applications received in the 2015/2016 financial year. The increase is also attributed to the stakeholder engagements that took place throughout the financial year in terms of requirements for registration with PSiRA.
- There were **1 376** businesses registered during the 2015/2016 financial year compared to **1 060** business applications registered during the previous year. This shows an increase of **29.81%** in the number of business registered during the 2015/2016 financial year. Sound business processes and teamwork played a role in exceeding the previous year's number of registered security businesses.
- Only **22** businesses were rejected due to non-compliance during the 2015/2016 financial year,

- compared to none during the previous financial year.
- There were **77** business applications still pending on our system during the 2015/2016 financial year, compared to **107** businesses during the previous financial year, which shows a decrease of **-28.0%** in the number of business applications still pending on our system during the 2015/2016 financial year.
- The decrease in the number of businesses pending registration on our system is attributed to effective business processes and internal controls that are in place within the Registration/CRM Unit.
- There were **246** businesses withdrawn during 2015/2016 financial year, compared to 47 businesses withdrawn during 2014/2015 financial year. This shows an increase of 423.4% of the number of businesses withdrawn.
- The withdrawals were due to non-compliance regarding the newly introduced annual fees payments, which many businesses were unable to comply with, as well as other regulatory requirements that were dealt with by the Legal Services Unit.

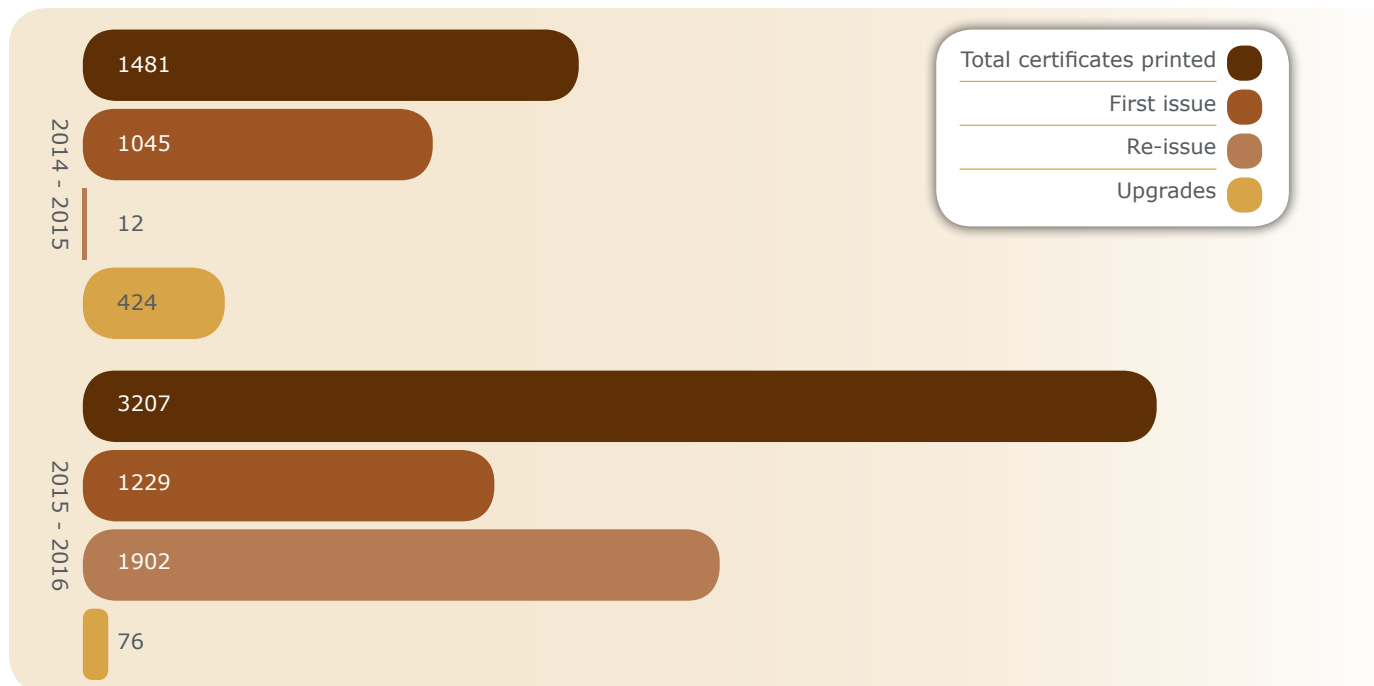
**GRAPH 24. STATISTICAL COMPARISON OF ID CARDS ISSUED DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS**



**GRAPH 25. STATISTICAL COMPARISON OF INDIVIDUAL CERTIFICATES ISSUED DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS**



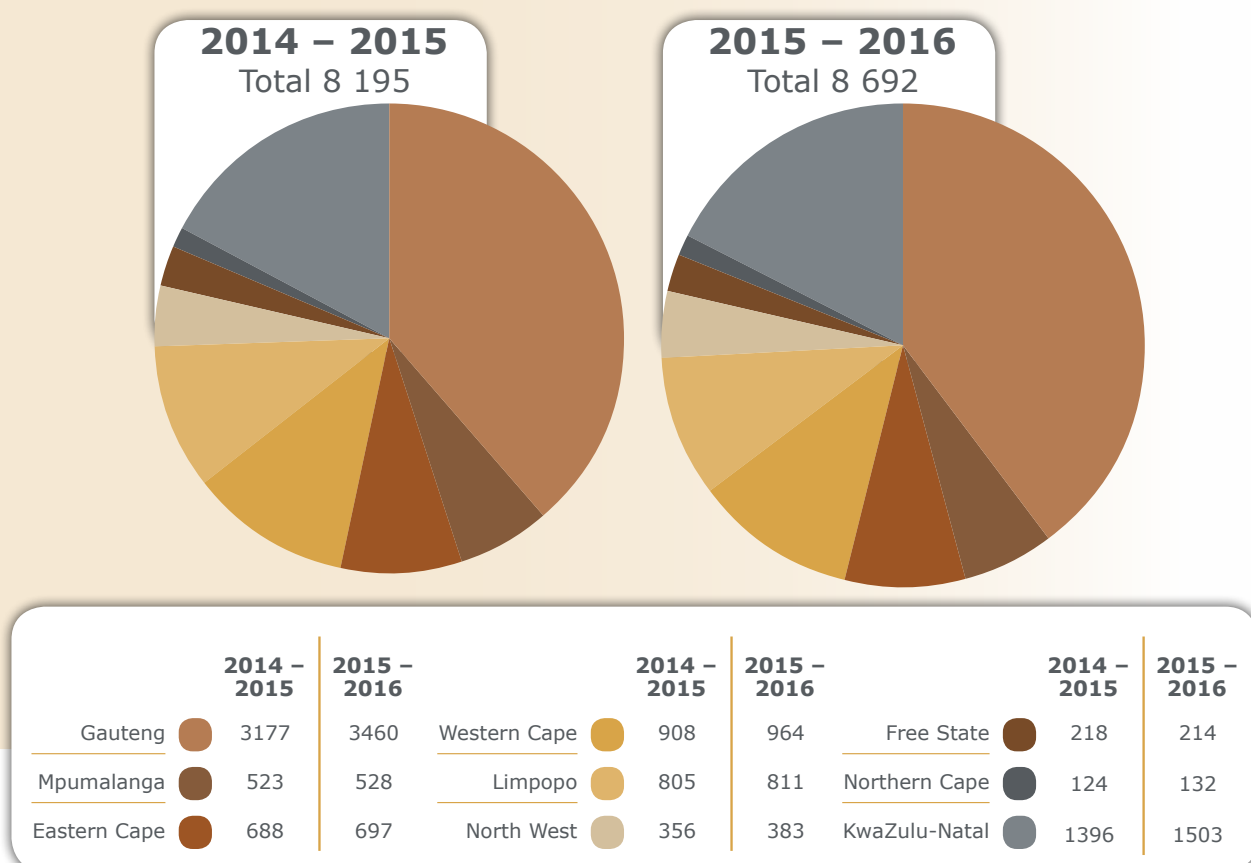
**GRAPH 26. STATISTICAL COMPARISON OF BUSINESS CERTIFICATES ISSUED DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS**



**COMPARISON OF THE NUMBER OF ACTIVE SECURITY OFFICERS DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS PER PROVINCE**

Province	Number of active security officers during 2014/2015	Number of active security officers during 2015/2016
Gauteng	179 849	191 795
Mpumalanga	28 458	31 490
Eastern Cape	39 087	43 517
Western Cape	47 643	52 296
Limpopo	34 166	35 633
Northwest	25 714	26 970
Free State	15 449	16 629
Northern Cape	4 514	4 929
KwaZulu-Natal	76 686	85 407
<b>TOTAL</b>	<b>445 407</b>	<b>488 666</b>

**GRAPH 27. PROVINCIAL BREAKDOWN OF ALL REGISTERED SECURITY BUSINESSES DURING THE 2014/2015 AND 2015/2016 FINANCIAL YEARS**



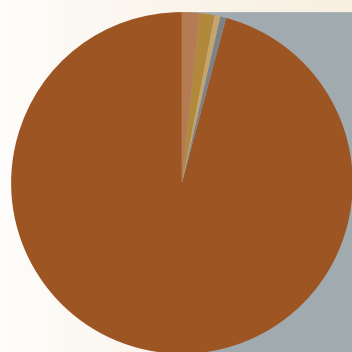
**REGISTRATION INFORMATION PERTAINING TO THE NUMBER OF DIFFERENT TYPES OF SECURITY SERVICES THAT THE 8 692 REGISTERED SECURITY BUSINESSES OFFER TO CONSUMERS**

Category of security services	Number of businesses as per 2014/2015 financial year	Number of businesses as per 2015/2016 financial year
Security Guards	6 940	6 847
Security Guards – Cash-in-Transit	2 137	2 474
Body Guards	2 683	2 465
Security Consultant	2 564	2 308
Reaction Services	3 136	3 433
Entertainment / Venue Control	2 897	2 558
Manufacture Security Equipment	971	876
Private Investigator	1 698	1 509
Training	1 913	1 683
Security Equipment Installer	2 108	1 868
Locksmith / Key Cutter	622	542
Security Control Room	2 503	2 187
Special Events	3 018	2 648
Car Watch	1 790	1 502
Insurance	118	99
Security and Loss Control	70	101
Fire Prevention and Detection	70	55
Consulting Engineer	28	25
Dog Training	11	15
Alarm Installers	59	71
Anti Poaching	7	8
Rendering of Security Service	2 172	1 846

	2014/2015	2015/2016
Registered active security businesses	8 195	8 692
Registered active guarding businesses	6 940	6 940
Registered active cash-in-transit businesses	2 137	2 474
Registered active armed response businesses	3 136	3 433
Registered active (employed) security officers	451 565	488 666

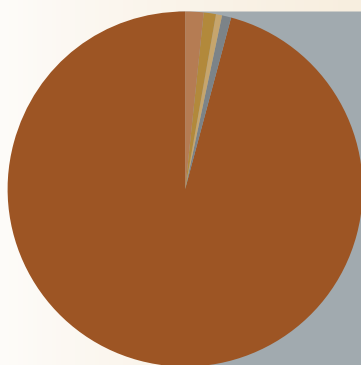
**GRAPH 28. REGISTRATION STATISTICS COMPARISON BETWEEN THE 2014/2015 FINANCIAL YEAR AND THE 2015/2016 FINANCIAL YEAR**

April – March  
**2014/2015**



Registered active security businesses	8 195
Registered active guarding businesses	6 940
Registered active cash-in-transit businesses	2 137
Registered active armed response businesses	3 136
Registered active (employed) security officers	451 565
All registered (active and inactive) security officers	1 979 969

April – March  
**2015/2016**



Registered active security businesses	8 692
Registered active guarding businesses	6 847
Registered active cash-in-transit businesses	2 474
Registered active armed response businesses	3 433
Registered active (employed) security officers	488 666
All registered (active and inactive) security officers	2 256 110

## REGISTRATION SUB-COMMITTEE

The Director of PSiRA established a Registration Sub-Committee, which is a sub-committee of the Executive Committee. The Registration Sub-Committee is responsible for considering individual and business applications that do not meet the requirements for registration in terms of section 21 and 23 of the Private Security Industry Regulation (PSiR) Act.

One of the core mandates of the Registration Sub-Committee is to consider applications for registration in terms of section 23 (6) of the Private Security Industry Regulatory Act 56 of 2001, which clearly states that “despite the provision of section 23 (1) and (2), the Authority may on good cause shown and on grounds not in conflict with the purpose of this Act, and the objects of the Authority, register any applicant as a security service provider”.



During the period under review, only five Registration Sub-Committee meetings were held and the following decisions taken:

Year	Business applications		Individual applications		Non-SA citizens	
	Registered	Rejected	Registered	Rejected	Registered	Rejected
2014/2015	782	0	576	3 049	2	21
2015/2016	1 186	22	439	1 228	1	2

## Industry Training

### TRAINING

The Training Department's staff complement in March 2016 was as follows:

<b>Administrator</b>	1
<b>Help desk administrators</b>	6

### COURSE REPORTS

During the period under review, the position regarding course reports in the Training Department was as follows:

Course reports on hand at end-March 2015	840
Course reports received during the period April 2015 to March 2016	405 074
Course reports processed during the period April 2015 to March 2016	400 513
Course reports returned during the period April 2015 to March 2016	622
Course reports carried over to April 2016	4 779

The average turnaround time for processing course reports excluding weekends was five days and including weekends, seven days.

### INTERACTION BETWEEN PSIRA AND THE SAFETY AND SECURITY EDUCATION AND TRAINING AUTHORITY (SASSETA)

A new Memorandum of Understanding (MoU) was signed between PSiRA and SASSETA on 1 April 2014. A joint communiqué on the MoU was also compiled and approved by PSiRA's Director and circulated to the industry.

A Training Compliance Forum was launched in March 2015 to take the process of the implementation of the MoU forward. Ten sub-committees representing the different categories or classes of security service providers were also appointed to review the existing skills programmes. These sub-committees met in November 2015 and all skills programmes were reviewed. Subsequent to the review and development of the training skills programmes, draft training regulations were compiled, approved by Council and forwarded to the Minister. The publication thereof for comment is expected early in the new financial year.

At a previous meeting held with SASSETA, it was agreed to establish a task team to deal with the issues relating to the implementation of the MoU and develop its terms of reference. The task team did not materialise. This still needs to be addressed.

## TRAINING SUB-COMMITTEE

The Director of PSiRA established a Training Sub-Committee, which is also a Sub-Committee of the Executive Committee. The Training Sub-Committee is responsible for performing, *inter alia*, the following functions:

- Develop policy on the promotion of high standards in the training of security service providers and prospective security service providers based on the principles of the National Qualification Framework as contemplated in the National Qualifications Framework Act and Skills Development Amendment Act.
- Liaise with SAQA, SASSETA and the Quality Council for Trades and Occupations in respect of the development of qualifications within the private security industry.
- Liaise with SAQA, SASSETA and the Quality Council for Trades and Occupations on the Education and Training Quality Assurance functions in respect of the security-related qualifications registered on the NQF and advise the Executive Committee on the registration/delegation as an ETQA Body.
- Ensure the registration of PSiRA as a Professional Body as contemplated in the National Qualifications Framework Act.
- Draft, review and if necessary, update the proposed skills programmes for all the categories or classes of security service providers.
- Review draft training regulations in line with developed policy on the promotion of high standards in the training of security service providers.
- Advise the Executive Committee on all aspects relating to the proposed implementation of the new training regulations, including proposed promulgation of the regulations.
- General communication and consultation with stakeholders on progress in the promulgation of the draft training regulations in conjunction with the Communications Department.
- Consideration of recognition of prior learning application.
- Consideration of instructor applications.

During the period under review, five Training Sub-Committee meetings were held and the following decisions taken:

Instructor applications			
Total received	Approved	Rejected	Additional information requested
94	82	7	5
Recognition of prior learning			
Total received	Approved	Rejected	Additional information requested
35	32	0	3

## Communications and Stakeholder Management

The Communications Unit is tasked with implementing and driving the communication strategy, with specific reference to PSiRA's vision and strategic focus amongst all stakeholders, by means of an effective marketing approach.

In the year under review, PSiRA continued to maintain an appropriate environment to facilitate improved stakeholder access, media management, internal and external communications, as well as customer care and marketing to all its relevant stakeholders with specific focus on:

- Promoting and profiling the mandate of PSiRA in the industry and also to the public at large;
- Building the reputation and the brand of PSiRA for the public and the private security industry;
- Helping the industry and the public to understand PSiRA's policies and its strategic direction;
- Facilitating relevant platforms for networking with key stakeholders; and
- Creating platforms for PSiRA to engage with the media in order to have the public at large fully informed of PSiRA's role and responsibilities.

### ACHIEVEMENTS

#### STAKEHOLDER MANAGEMENT

During the year under review, the unit continued to pro-actively and consistently engage with stakeholders in developing, maintaining and fostering coherent partnerships. We successfully built win-win partnerships with key industry stakeholders.

In 2015/16, we managed to conclude three MoUs with key identified stakeholders. We are particularly pleased to report that throughout the year, we

had constructive engagements with all our target stakeholders, which resulted in 76 stakeholder engagements conducted. Stakeholder engagements were conducted in all nine provinces.

Of these engagements, 22 were conducted with businesses, 30 with security officers and the rest with direct and indirect consumers of private security services.

PSiRA hosted a total of 17 Provincial Industry Compliance Forums (PICFs). The forums were held in Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, Eastern Cape, Western Cape, Free State and Northern Cape.

The Forums were established with the objective of strengthening stakeholder management, educating and enforcing compliance in the industry and the public at large. PICF meetings are held every quarter in all the provinces, except in the Northern Cape. Members include employer and employee associations, relevant government departments, business chambers and NGOs/NPOs.

#### CONSUMER EDUCATION

During the course of 2015/16, PSiRA conducted radio and television interviews, the majority of which had phone-in facilities for the public, and reached millions consumers of private security services. Advertisements were also placed in the mass media to create awareness of the obligations and the rights of consumers of private security services.

In total, 24 workshops were conducted for consumers of security services, with particular focus on government departments and state-owned entities.

## **REVIEW OF ANNUAL FEES CONSULTATION SESSIONS**

During the year under review, PSiRA also conducted industry consultations regarding the review of annual fees in all nine provinces. The participation of the private security industry stakeholders regarding the proposed increase in annual fees was publicised via various media platforms, for example the national newspapers, public hearings in identified provinces, postings on the PSiRA website, emails and text messages. The industry was given an opportunity to submit their initial written comments and representations on the proposed annual fee review, followed by oral presentations from the industry and relevant stakeholders. The due date for submission of representations from interested parties was 11 March 2016. All comments and submissions from interested parties, stakeholders and industry participants were taken into account.

## **PRIVATE SECURITY PAN AFRICAN FORUM**

During the year under review the Authority successfully launched the Pan-African Forum on 31 March 2016, at Boksburg in Gauteng. The forum aims to engage the various role players on the extent of the private security industry in selected African countries (Botswana, Namibia, Swaziland, Ghana, Nigeria, Kenya, Tanzania and Malawi), the regulatory framework in selected countries, the extent of the private security industry in crime prevention partnerships, and the exploration of consumer protection in relation to private security services.

The forum further encourages dialogue among various African countries on utilising research findings in influencing policies at the sub-regional, regional and international levels.

## **TAKING SERVICES TO THE PEOPLE**

PSiRA implemented the mobile office system, which is aimed at taking services closer to the people. The programme targets areas where PSiRA does not have offices to ensure accessibility. The services that are available are applications for new registration, collection of new certificates or updating registration and enquiries.

The PSiRA team criss-crossed the nine provinces, doing registrations in the most remote areas of our country. Partnerships were also established with businesses, as some venues were donated in kind to accommodate security officers.

## **COMPLAINTS AND HELPDESK**

PSiRA has a full-time Complaints and Helpdesk at each of our Arcadia and Kwazulu-Natal offices. The purpose of these offices is to deal with general enquiries and to register complaints that need further investigation by inspectors.

During the year under review, PSiRA managed to improve the turnaround time taken to resolve complaints received from consumers through the regional customer care consultants from more than 30 to 11 working days.

## **INVESTING IN OUR COMMUNITIES**

PSiRA also participated in the 'CellC Take a girl child to work' campaign, which took place on 28 May 2015. The campaign, which was launched in 2003, targets grade 10 to 12 learners with an aim of giving them an opportunity to visit a place of work to experience various career opportunities available to them. PSiRA hosted ten girl learners from Modilati Secondary School in Hammaskraal.

### **TRADE SHOWS AND EXHIBITIONS**

During the year under review, PSiRA participated in seven trade exhibitions. Community outreach programmes were conducted in different provinces to promote the role and functions of PSiRA. In line with the strategy, it further participated at the biggest trade exhibitions, namely the Institute for Municipal Financial Officers (IMFO) Conference and Exhibition, the Business Expo held at Macufe in Free State, the Ministry of Police Budget Vote, and the Business Week in partnership with Uthukela District Municipality.

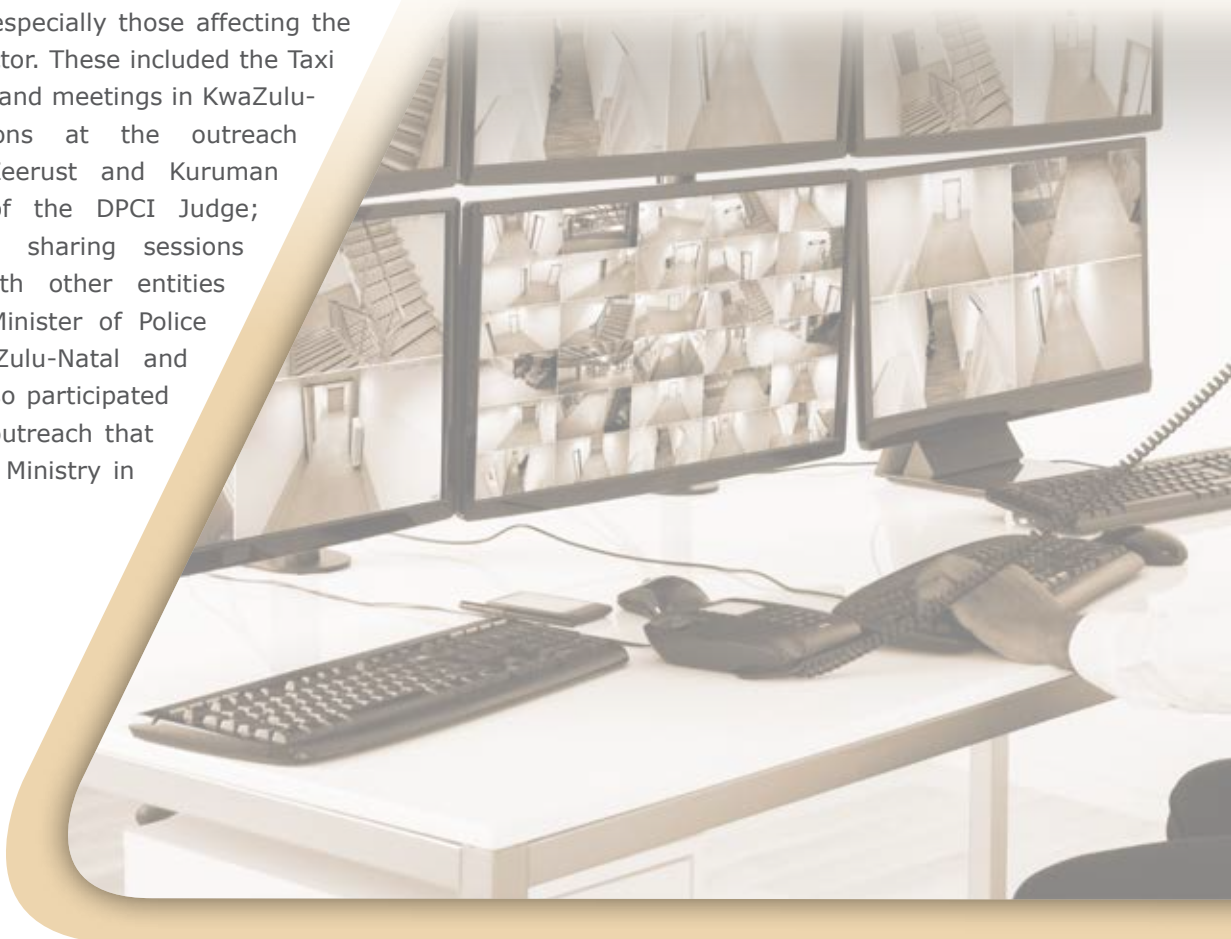
### **JOINT STAKEHOLDER ENGAGEMENTS WITH THE MINISTRY OF POLICE**

In addition to the above planned activities, PSiRA also participated in outreach initiatives undertaken with the Ministry, especially those affecting the private security sector. These included the Taxi Violence workshop and meetings in KwaZulu-Natal; presentations at the outreach programmes in Zeerust and Kuruman with the office of the DPCI Judge; public information sharing sessions in partnership with other entities reporting to the Minister of Police in Limpopo, KwaZulu-Natal and Gauteng. PSiRA also participated in the Youth Day outreach that was hosted by the Ministry in Limpopo.

### **GOING FORWARD**

PSiRA will strive to intensify stakeholder engagement programmes by focusing on all the primary stakeholders and building more capacity for our service providers.

PSiRA will also place more emphasis on ensuring that we improve on customer care systems to ensure that complaints received from consumers are handled appropriately, as the growing needs of our customers remain critical.





## STAKEHOLDER AWARENESS AND ACTIVITIES UNDERTAKEN FROM 1 APRIL 2015 TO 31 MARCH 2016

Annual Target 2015/2016	Quarter 1 (Apr - Jun)	Quarter 2 (Jul - Sep)	Quarter 3 (Oct - Dec)	Quarter 4 (Jan - Mar)
<b>Key Performance Indicator (KPI): Number of public awareness programmes on PSIRA's role and functions</b>				
22 public Awareness Programmes	<b>3 Industry Compliance Forums held in the following provinces:</b> <ul style="list-style-type: none"> <li>• PICF Gauteng</li> <li>• PICF KZN</li> <li>• PICF Limpopo</li> </ul>	<b>3 Industry Compliance Forums held in the following provinces:</b> <ul style="list-style-type: none"> <li>• PICF North West</li> <li>• PICF Mpumalanga</li> <li>• PICF Western Cape</li> </ul>	<b>7 Industry Compliance Forums held in the following provinces:</b> <ul style="list-style-type: none"> <li>• PICF Gauteng</li> <li>• PICF Mpumalanga</li> <li>• PICF Limpopo</li> <li>• PICF KZN</li> <li>• PICF Free State</li> <li>• PICF Eastern Cape</li> </ul>	<b>4 Industry Compliance Forums held in the following provinces:</b> <ul style="list-style-type: none"> <li>• PICF Gauteng</li> <li>• PICF KZN</li> <li>• PICF Western Cape</li> <li>• PICF Limpopo</li> </ul>



Stakeholder session in Eastern Cape

Annual Target 2015/2016	Quarter 1 (Apr - Jun)	Quarter 2 (Jul - Sep)	Quarter 3 (Oct - Dec)	Quarter 4 (Jan - Mar)
	<p><b>Conducted consumer awareness on the following:</b></p> <ul style="list-style-type: none"> <li>Cell C Take a girl child to work-PSiRA hosted learners from Modilati Secondary School-28 May 2015</li> <li>Industry Circular targeted at in house security service providers circulated in May</li> <li>Profiling the role and function of PSiRA in regulating car guards-Hi Tech Security, 18 June 2015</li> <li>Profiling of PSiRA Training standards and establishment of professional body in Hi-Tech Security Magazine-June 2015</li> <li>Advertorial on the Renewal of Certificate project in Hi-Tech Security Magazine-May 2015</li> <li>Ministry of Police Budget Vote 15 May 2015</li> </ul>	<p><b>Conducted consumer awareness on the following:</b></p> <ul style="list-style-type: none"> <li>Media statement for consumers in Hout Bay</li> <li>Leaflet for consumers distributed in Pretoria North-Project Khulisa</li> <li>Guide for consumers of private security for municipalities Presentation to City Power</li> </ul> <p><b>4 Awareness Programmes done:</b></p> <ul style="list-style-type: none"> <li>Department of Education-KZN</li> <li>Nongoma Municipality</li> <li>North West Department of Health</li> <li>Department of Safety and Security-Mpumalanga</li> </ul> <p><b>Media Statements</b></p> <ul style="list-style-type: none"> <li>Non-compliance with provident fund-New Age Newspaper 27 August</li> <li>Training and Registration of Car Guards-Northglennnews 1 July 2015</li> <li>Advertorial-New PSiRA certificate campaign in Daily Sun</li> <li>Advertorial –Consumer Awareness Campaign-Cape Argus</li> </ul>	<p><b>Conducted consumer awareness on the following:</b></p> <ul style="list-style-type: none"> <li>Presentation at the outreach programme with DPCI Judge-Zeerust</li> <li>Consumer Awareness campaign Platinum Mine</li> <li>Consumer Awareness-Mehletani Primary School-KZN</li> <li>National Dialogue on Crime and Violence</li> <li>Presentation at Department of Water Affairs-Limpopo</li> <li>Presentation at Government Pension Fund-Gauteng</li> <li>Presentation at KZN Security Managers Liaison Forum</li> <li>Advertorial-new PSiRA Certificate campaign in Isolozwe newspaper</li> <li>Advertorial Consumer Awareness Campaign-Mercury Newspaper</li> <li>Exhibition at IMFO Conference</li> <li>Exhibition at Business Expo</li> <li>Launch of Businesses Association of African Private Security Owners</li> </ul>	<p><b>5 Consumer Awareness campaigns conducted:</b></p> <ul style="list-style-type: none"> <li>Mpumalanga, Secunda Mall-15 March 2016</li> <li>Free State, Welkom, Goldfield Mall-15-16 March 2016</li> <li>Polokwane Mall of the North-15 March 2016</li> <li>KZN Pietermaritzburg Mall-22-23 March 2016</li> <li>North West Rustenburg, Waterfall Mall-18,19-20 March 2016</li> </ul> <p><b>4 Awareness Programmes done:</b></p> <ul style="list-style-type: none"> <li>Department of Health,Gauteng-05 February 2016</li> <li>Presentation at Security Officers Liaison Forum meeting, Chatsworth Training Academy-03 March 2016</li> <li>Presentation at Security Liaison Officer's Forum meeting, Centlec Power Station, Bloemfontein</li> <li>Inspection and Enforcement Services Workshop for Private Security Sector, Department of Labour, Bloemfontein</li> <li>Inaugural Launch of the PAN-African Forum, Birchwood Hotel, Boksburg</li> </ul>

Annual Target 2015/2016	Quarter 1 (Apr - Jun)	Quarter 2 (Jul - Sep)	Quarter 3 (Oct - Dec)	Quarter 4 (Jan - Mar)
<b>Key Performance Indicator (KPI): Number of public awareness programmes on PSiRA's role and functions (continued)</b>				
12 Industry Awareness Programmes	<b>6 Public Awareness programmes done</b> <ul style="list-style-type: none"> <li>Public information sharing session in partnership with other entities reporting to the Minister of Police held in Limpopo stakeholders in -02 June 2015</li> <li>Limpopo Youth Day Outreach-13-14 June 2015</li> </ul> <b>4 Radio Interviews on the role of PSiRA:</b> <ul style="list-style-type: none"> <li>06 May 2015-Ligwalagwala Fm</li> <li>08 May 2015-Ligwalagwala Fm</li> <li>15 June 2015-Cape Talk Radio</li> <li>24 June 2015-702 Talk Radio</li> </ul>	<b>6 Public Awareness Programmes done</b> <p>Radio interviews</p> <ul style="list-style-type: none"> <li>Lesedi FM</li> <li>Munghana Lonene Fm</li> <li>Thobela FM</li> <li>Lesedi FM</li> </ul> <p>Media Statements</p> <ul style="list-style-type: none"> <li>Media statement for Sowetan</li> <li>Media Statement for Beeld</li> </ul>	<b>3 public Awareness programmes done</b> <ul style="list-style-type: none"> <li>Post Newspaper: 28 October 2016</li> <li>Media statement: Daily dispatch</li> <li>TV interview: Carte Blanche</li> </ul>	<b>4 Public Awareness Programmes done:</b> <p>Radio Interviews</p> <ul style="list-style-type: none"> <li>Munghana Lonene FM</li> <li>Capricorn FM</li> <li>Thobela FM</li> </ul> <p>Circulars</p> <ul style="list-style-type: none"> <li>12 February</li> <li>2016-Consultation paper – Review of the Annual Fees for the Private Security Industry</li> </ul> <p>Media Advisory</p> <ul style="list-style-type: none"> <li>International Day for Consumer Rights</li> <li>Inaugural Launch Pan – African Forum Presentation</li> <li>25 February 2016, Role of PSiRA Ladysmith Municipality</li> <li>Business Week</li> </ul>
<b>Key Performance Indicators (KPIs): Number of public awareness programmes on PSiRA's role and functions for security businesses</b>				
12 Industry Awareness Programmes	<b>4 Industry Awareness Programmes done</b> <ul style="list-style-type: none"> <li>The Authority exhibited and made stakeholder presentations at Securex during 12-14 May 2015</li> <li>Presentation on amendment bill and functions of PSiRA -12 May 2015</li> <li>Presentation on the state of industry compliance -13 May 2015</li> <li>Presentation on the Role of Women and Transformation with the Private Security Industry-14 May 2015</li> </ul> <b>Presentation on the new fee structure</b> <ul style="list-style-type: none"> <li>Electronic Security Service Providers and installers-25 May 2015</li> </ul>	<b>4 presentations at the employer's workshops in partnership with PSSPF</b> <ul style="list-style-type: none"> <li>Cape Town</li> <li>East London</li> <li>Port Elizabeth</li> <li>Centurion</li> </ul>	<b>6 presentations at the employer's workshops in partnership with PSSPF</b> <ul style="list-style-type: none"> <li>Phalaborwa</li> <li>Polokwane</li> <li>Potchefstroom</li> <li>Bloemfontein</li> <li>Kimberly</li> <li>Midrand</li> </ul>	<b>8 Annual Consultative workshops</b> <ul style="list-style-type: none"> <li>01 March 2016-Gauteng</li> <li>02 March 2016-KZN</li> <li>03 March 2016-Western Cape</li> <li>04 March 2016-Eastern Cape Province</li> <li>07 March 2016-Limpopo</li> <li>08 March 2016-Mpumalanga</li> <li>10 March 2016-North West</li> <li>11 March 2016-Northern Cape</li> </ul>



Annual Target 2015/2016	Quarter 1 (Apr - Jun)	Quarter 2 (Jul - Sep)	Quarter 3 (Oct - Dec)	Quarter 4 (Jan - Mar)
<b>Key Performance Indicators (KPIs): Number of public awareness programmes on PSiRA's role and functions for security officers</b>				
12 Awareness Programmes	<b>3 Industry Awareness Programmes done</b> <ul style="list-style-type: none"> <li>• DESSUSA - 16 May 2015</li> <li>• SATAWU - 17 May 2015</li> <li>• Industry Circular on the rollout of the new certificate renewal project - 22 May 2015</li> </ul>	<b>12 Employee Stakeholder sessions done in partnership with PSSPF</b> <ul style="list-style-type: none"> <li>• Richards Bay</li> <li>• Newcastle</li> <li>• Lephalale</li> <li>• Upington</li> <li>• Pietermaritzburg</li> <li>• Thohoyandou</li> <li>• Kuruman</li> <li>• Phalaborwa</li> <li>• Vryburg</li> <li>• Polokwane</li> <li>• Kimberley</li> <li>• Centurion</li> </ul>	<b>16 Employee Stakeholder sessions done in partnership with PSSPF</b> <ul style="list-style-type: none"> <li>• 03 October 2015 - Nelspruit</li> <li>• 06 October 2015 - Piet Ritief</li> <li>• 07 October 2015 - Civic Centre, Springs</li> <li>• 10 October 2015 - Gauteng Province Legislature</li> <li>• 19 October 2015 - Betlehem</li> <li>• 20 October 2015 - Mangaung Municipality, Bloemfontein</li> <li>• 21 October 2015 - Welkom Civic Centre; Mafikeng Civic Centre</li> <li>• 22 October 2015 - Kroonstad Hall; JM Ntsime Mogwase</li> <li>• 23 October 2015 - Parys Community Hall; Rustenburg Library</li> <li>• 02 November 2015 - Bushbuckridge</li> <li>• 04 November 2015 - Witbank Civic Centre</li> <li>• 05 November 2015 - Secunda Hall</li> </ul>	
<b>Key Performance Indicators (KPIs): Number of awareness programmes on the Sectoral Determination</b>				
	<b>4 Awareness programmes done</b> <ul style="list-style-type: none"> <li>• Dept. of Education-KZN</li> <li>• Nongoma Municipality</li> <li>• Dept. of Health - North West</li> <li>• Dept. of Safety and Safety-Mpumalanga</li> </ul>		<b>22 Awareness programmes done</b> <ul style="list-style-type: none"> <li>• Stakeholder information sessions in partnership with PSSPF</li> </ul>	



Pan-African Forum

## Research and Development

The Research and Development Unit's mission is to conduct cutting-edge research with the aim of providing relevant insights on how PSiRA's legislative mandate could be enhanced. The Unit's role within PSiRA is to ensure that it remains the centre of excellence in private security research. During the 2015/16 financial year, the Research and Development Unit remained critical in so far as the strategic focus of PSiRA is concerned.

### **PRIORITY RESEARCH TOPICS**

In line with the Annual Performance Plan, the Research and Development Unit worked on two priority research topics and four research surveys. Their summaries are detailed below.

#### **Priority Research Topic 1: The Barrel of the Gun: Improving the Regulation and Control of the Use of Firearms within the Private Security Industry in South Africa**

This study on the use of firearms within the private security industry was undertaken with the aim of contributing towards PSiRA's effective regulation and control of the use of firearms within the South African industry. The research found that while the use and possession of firearms within the private security industry is governed by the Private Security Industry Regulation Act (No 65 of 2001) and the Firearms Control Act (No 60 of 2000), these legislations were not aligned. The study noted that as the private security sector continues to grow, the use and possession of firearms will continue to be on the increase. Thus far, PSiRA's role on the regulation and control of the use and possession of firearms remains limited, partly as a result of the outdated laws. The study also revealed that PSiRA's inspectors were generally incompetent to handle firearms, thus hampering the effective control

of the use and possession of firearms within the industry. The fact that PSiRA does not have access to the Central Firearms Registry database presented challenges in so far as tracking lost firearms was concerned. For the above reasons, the study made several recommendations, including the alignment of the legislation dealing with the use and possession of firearms in the South African private security industry as well as the establishment of an effective information-sharing system.

#### **Priority Research Topic 2: Training Standards in the Private Security Industry in South Africa**

This research focused on the role of training standards in the private security industry. The study underscored that the private security industry in South Africa plays a critical role in the provision of security in South Africa, particularly as a contributor to crime prevention. Hence, adequate training for incumbent and prospective private security actors remained crucial. Adequate training includes the training, integrity and accountability of those responsible for imparting the said training. The main research objective was to uncover the undercurrent that informs various factors associated with promoting high standards in the training of security providers and prospective service providers in South Africa. A key research finding pointed to the fact that legislation governing training, namely the Training Security Officers Regulations of 1992, was never amended to adapt to the Private Security Industry Regulation Act (No. 65 of 2001), nor had it ever been reviewed or amended to adjust training expectations for the dynamic private security industry in South Africa. The study noted that it was a welcome development that training standards in the private security industry are currently undergoing a transition, which intends to enhance training to become aligned to the

National Qualifications Framework (NQF). Among other things, the recommendation was made that determining training standards was not something that could be delegated to an external body or agency. It was therefore a welcome development that PSiRA had already drafted the Regulations for the Training of Security Service Provider, 2016 (not yet in force).

## RESEARCH SURVEYS

The Research and Development Unit conducted surveys pursuant to the 2015-2016 strategic objective and pursuant to developing industry stewardship and cultivating customer relationships. Two surveys were facilitated using the 'SurveyMonkey', which is an online platform. These surveys focused on 'The Enforcement of PSiRA's mandate: The role of Inspectors' and 'Regulating the Private Security Industry in South Africa: The perspective that matters', which sought to understand sentiments from PSiRA staff members regarding the role they play in regulating the private security industry. The main challenge of the Unit, while conducting surveys, was the unresponsiveness of the target groups, especially as they knew that the information was required by PSiRA. For this reason, some of the surveys will be outsourced to ensure that the target groups provide credible information without any fear of reprisal, which is currently the feeling on all PSiRA-initiated surveys.

## POLICIES

During the year under review, the Research and Development Unit produced the following policy documents:

- Advisory Document to the Minister of Police in terms of Section 4(c) of the Private Security Industry Regulation Act (No. 56 of 2001): *Policy*

*Guideline for Crime Prevention Partnerships Between the Government of the Republic of South Africa and Private Security Providers; and*

- Research and Development Policy and Strategy.

These policy documents were approved by the PSiRA Council.

## PARTNERSHIPS

### University of South Africa (UNISA)

During the 2015/16 financial year, PSiRA signed a Memorandum of Understanding with the University of South Africa (UNISA) in order to contribute to uplifting skills for all within PSiRA and the private security sector. This partnership was informed by the fact that both UNISA and PSiRA share the vision to improve governance through education, training and development as well as building capacity and skills development within PSiRA and the private security sector. Through collaboration with UNISA, PSiRA will develop skills for all within the private security sector by co-operating on the issues pertaining to skills research, learning programmes and capacity building.

### University of the Witwatersrand

During the year under review, PSiRA collaborated with the Mandela Institute, University of the Witwatersrand, in presenting a post-graduate certificate course, namely the Private Security Services Law course (NQF Level 8), which is aimed at giving practitioners and graduates a sophisticated understanding of South African private security services law. During the year, eight participants attended this course, which was facilitated by the Research and Development Unit's staff. PSiRA organised a ceremony for the presentation of the certificates to the successful candidates.





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# LEGISLATION AND GUIDELINES

The Private Security Industry Regulatory Authority (PSiRA) is listed as a public entity in Schedule 3A to the Public Finance Management Act. As a public entity, PSiRA must adhere to the statutory duties and responsibilities imposed by the Public Finance Management Act. In addition, it is guided on best practices by the King III Report.

The King III Report has broadened the scope of corporate governance in South Africa, as its core philosophy revolves around leadership, sustainability and corporate citizenship.

These key principles are given prominence:

- Effective corporate governance is essentially about effective ethical leadership. Leaders need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviour regarding sustainable performance.
- Sustainability is the primary moral and economic imperative as it is one of the most important sources of both opportunities and risks for businesses. Decision-makers need to understand that nature, society and business are interconnected in complex ways. Incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organise themselves.
- Innovation, collaboration and fairness are key aspects of any transition to sustainability, as innovation provides new ways of doing things.
- Social transformation and regress are important and need to be integrated within the broader transition to sustainability. Integrating sustainability and social transformation in

a strategic and coherent manner will give rise to greater opportunities, efficiencies and benefits for both the entity and society, particularly the private security industry. PSiRA subscribes to the King III Code of Good Corporate Governance.

## GOVERNING BODY

PSiRA is governed by its Council, which was established in terms of the Private Security Industry Regulatory Act 56 of 2001. The Act prescribes that the Council should comprise a Chairperson, a Deputy Chairperson and three additional Councillors to be appointed by the Minister of Police after consultation with the Cabinet. Councillors are drawn from diverse backgrounds and offer a wide range of expertise and professional skills. These skills are supplemented by external members of the Audit and Risk Committee at Committee level.

During the year under review, the Minister of Police ensured that a full Council was in place, which constitutes the following members:

- Prof N.M. Mazibuko (*Chairperson*)
- Mr D.C.M. Rathebe (*Deputy Chairperson*)
- Mr B.S. Ntuli (*Council Member*)
- Maj Genl C.L. Philison (*Council Member*)
- Adv N. Mthembu (*Council Member*)

Good corporate governance requires regular reviews of the composition of the governing body. The term of office for Council members is three years. Retiring Council members are eligible for reappointment, subject to a maximum of two additional terms.

## **COUNCIL COMMITTEES**

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Council committees include:

- Remuneration and Human Capital Committee (RemCom).
- Stakeholder and Core Business Committee.
- Audit and Risk Committee.

These committees were established in terms of PSiRA's mandate, its strategic position and direction. The terms of reference of each committee are stated below.

### **REMUNERATION AND HUMAN CAPITAL COMMITTEE**

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#### **OBJECTIVES:**

- Consider and approve policies relating to human resources.
- Oversee the effective and continued implementation of performance management practices and policies.
- Oversee and ensure that performance management is linked to job outputs.
- Act as a performance assessment and moderating body.
- Oversee the implementation of practices and policies relating to recognition and reward.
- Periodically review the appropriateness of the organisational structure.
- Monitor the workplace environment to ensure that it is conducive to PSiRA delivering the desired outcomes.
- Act as a selection panel for the appointment of the Executive Committee (EXCO).

### **STAKEHOLDER AND CORE BUSINESS COMMITTEE**

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#### **OBJECTIVES**

- Manage and measure the gap between stakeholder perceptions and PSiRA's performance to enhance and protect its reputation.
- Deliberate on PSiRA's reputation and its linkage with stakeholder relationships.
- Provide guidance and oversight on strategy and policies in order to manage relationships with each stakeholder grouping.
- Provide guidance on stakeholder engagement processes, whether formal or informal.
- Promote transparent and effective communication with stakeholders in order to build and maintain trust and confidence.
- Promote industry research.

### **AUDIT AND RISK COMMITTEE**

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The committee comprises three independent members, who collectively have sufficient qualifications and experience to fulfil their duties. They also have sufficient understanding of financial reporting, internal financial controls, the external audit process, the internal audit process, risk management and information technology governance.

The roles and responsibilities of the committee include:

- Monitoring the internal control system to protect PSiRA's interests and assets.
- Reviewing the accuracy, reliability and credibility of statutory financial reporting and the annual financial statements, as presented by management prior to Council approval.
- Ensuring that an effective internal audit function is in place and the roles and functions of external audits are clear and co-ordinated to provide an objective overview of the operational effectiveness of PSiRA's systems of internal control, risk management,

governance and reporting. It also assesses the performance of the internal audit function.

- Ensuring that PSiRA has implemented an effective policy and plan for risk management that will protect it from undue loss.
- Reviewing any accounting and auditing concerns raised by an internal and external audit, as well as the annual financial statements.
- Obtaining assurance for information technology (IT) in relation to the management of IT assets, governance and controls, risk and disaster recovery.
- Reviewing the effectiveness of the system that monitors compliance with laws and regulations and the results of management's investigations and follow-up (including disciplinary action) of any instances of non-compliance.
- Instituting and overseeing special investigations as needed.

Four meetings were held during the year under review, which were attended by internal and external auditors, the Director, the Deputy Director

of Finance and Administration and other relevant officials. Details of this committee's activities are presented in the Audit Committee report.

## DELEGATION OF AUTHORITY

In terms of the Public Finance Management Act (PFMA), Council is the accounting authority of PSiRA, which is also listed in Schedule 3A of the PFMA. Council furthermore has the authority to lead and exercise general control over the performance of PSiRA's functions and the activities of the persons appointed to perform its function. Council delegates the management of day-to-day operations to the Director (Chief Executive Officer), appointed in terms of the Act. The Director is assisted by the Executive Management Committee (EXCO) as well as EXCO sub-committees. A clear and comprehensive delegation of authority is in place to assist with decision-making and furtherance of PSiRA's objectives.

## COUNCIL MEETING ATTENDANCE

Name	Designation	17 March 2016	26 January 2016	27 October 2015	28 August 2015	24 July 2015	29 May 2015	Total attendance
Prof N.M. Mazibuko	Chairperson	✓	✓	✓	✓	✓	✓	6
Mr D.C.M. Rathebe	Deputy Chairperson	✓	✓	✓	✓	x	x	4
Mr B.S. Ntuli	Council Member	✓	✓	✓	✓	✓	✓	6
Adv N. Mthembu	Council Member	x	x	x	✓	✓	✓	3
Maj Genl C.L. Philison	Council Member	x	✓	x	x	x	x	1



### SPECIAL MEETINGS

Name	Designation	24 March 2016	29 September 2016	Total Attendance
Prof N.M. Mazibuko	Chairperson	✓	✓	2
Mr D.C.M. Rathebe	Deputy Chairperson	✓	✓	2
Mr B.S. Ntuli	Council Member	✓	✓	2
Adv N. Mthembu	Council Member	✓	✓	2
Maj Genl C.L. Philison	Council Member	✓	✓	2

### COUNCILLORS' REMUNERATION

The remuneration of councillors is determined by the Minister of Police. The details regarding the remuneration of councillors are disclosed in the notes to the annual financial statements.

### AUDIT COMMITTEE MEETING ATTENDANCE

Name	Designation	22 January 2016	21 October 2015	29 July 2015	27 May 2015	Total Attendance
Mr AN Mhlongo	Chairperson	✓	✓	✓	✓	4
Ms N Tshobeni	Deputy Chairperson	x	✓	✓	✓	3
Mr C Motau	Member	✓	x	✓	✓	3
Mr B Mkhize	Member	✓	✓	✓	x	3
Mr T Mvelase	Member	✓	x	x	✓	2

# AUDIT & RISK COMMITTEE REPORT

We are pleased to present our preliminary report for the financial year ended 31 March 2016.

## AUDIT & RISK COMMITTEE MEMBERS AND ATTENDANCE

The attendance of the members listed below, was as follows:

Name of Member	Number of eligible meetings	Number of meetings attended
Mr AN Mhlongo	4	4
Ms N Tshobeni	4	3
Mr C Motau	4	3
Mr B Mkhize	4	3
Mr T Mvelase	4	2

## AUDIT & RISK COMMITTEE RESPONSIBILITY

The Committee reports that it has complied with its responsibilities arising from sections 76 and 77 of the PFMA and Treasury Regulations 3.1.13. The Committee also reports that it has appropriate terms of reference in the form of its Audit & Risk Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

## EFFECTIVENESS OF INTERNAL CONTROL

The systems of internal control are designed to provide effective assurance that assets are

safeguarded and that liabilities and working capital are efficiently managed.

In line with the PFMA and the Treasury Regulations, Internal Audit provides the Committee and management with the assurance that internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of internal auditors, we noted that there are matters that were reported that indicate deficiencies in the system of internal control.

A formal risk assessment was undertaken during the period. Consequently, internal audit used this data to prepare the three year rolling strategic plan and

the annual audit plan. Management is committed to address the issues raised by internal and external auditors, and this is reviewed by the Committee during its meetings.

Oversight activities by the Audit and Risk Committee were fulfilled satisfactorily.

The Audit & Risk Committee still considers the system of internal control to be satisfactory. Management has provided the Committee with assurance that they will continue with improvement efforts.

## **RISK MANAGEMENT**

The Committee fulfils an oversight role regarding risk management process within the organisation. The Committee monitored the significant risks faced by PSiRA, and it is satisfied that these risks were being mitigated. PSiRA has implemented a risk management strategy which includes the fraud prevention plan.

## **INTERNAL AUDIT**

The Committee is also responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal audit function is outsourced to an outside independent accounting firm. The partner / director responsible for the account act the Chief Audit Executive for the entity.

The Committee considered and approved the Internal Audit Charter and is satisfied that the internal audit plan was executed accordingly.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the organisations' operations. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Committee on a regular basis. The Chief Audit Executive has direct access to the Committee, primarily through its chairperson.

The Committee is satisfied that the internal audit function is operating effectively, and that it has addressed the risks pertinent to PSiRA in its audits. The Committee believes that internal audit has contributed to the improvement of internal controls within the entity.

## **QUALITY OF MANAGEMENT REPORTS**

the Committee is satisfied with the content and quality of the quarterly reports as prepared and issued by Management during the year under review in terms of the PFMA.

## **EVALUATION OF THE AUDITED FINANCIAL STATEMENTS**

The Audit Committee has:

- Reviewed and discussed with management the Audited Annual Financial Statements;
- Reviewed the appropriateness of accounting policies and practices;

The Audit Committee concurs with and accepts the conclusions of the Auditor-General (SA) on the Annual Financial Statements.



**A.N. Mhlongo**

Chairperson of the Audit Committee  
27 July 2016





## Part **C** Human Resources Management

Human Capital	80
Skills Development and Training	88
Labour Relations	90



# HUMAN CAPITAL



The Human Capital Management (HCM) Division ensures that relevant skills are acquired by applying an integrated approach to ensure that PSiRA's objectives and strategic goal of creating an enabling environment with a competent and skilled workforce are realised.

While HCM performs many of the functions traditionally associated with human resources, we do so with a strategic view of what it means to attract, develop and manage PSiRA's workforce. HCM recognises the high level of dedication to PSiRA and its clients. In turn, it is equally dedicated to making personnel's experience at the organisation a rewarding one through learning opportunities, a strong framework for career development, a health and wellness support system, and a commitment to diversity and inclusion.

HCM is constantly innovative in its pursuit of a high-performance workplace where all employees can thrive. To achieve these goals, it has ensured that a robust recruitment strategy is in place to attract professionals who are prepared to drive progress and interact confidently with people at all levels and in a variety of business areas. This strategy has resulted in the recruitment of people with strong analytical and communication skills, enthusiasm, integrity and creativity, who thrive in a fast-paced, collaborative environment.

In addition to its primary role that aligns with divisional, departmental and PSiRA priorities, HCM constantly advises and coaches managers and employees to prevent and resolve challenging workplace situations, such as grievances. Collectively, the teams work to protect and support PSiRA's culture.

To ensure the personal and professional growth of PSiRA's employees, HCM has a dedicated team responsible for learning and development. The learning and development sub-division has effectively managed individual development, diversity and inclusion, as well as leadership and management programmes that begin during the appointment stage and support the workforce throughout their careers in the organisation. In the attempt of augmenting the sector's knowledge, a number of personnel completed a very informative Private Security Law programme at the University of the Witwatersrand.

PSiRA has adopted and implemented the Balanced Score Card Performance Management System successfully, which has yielded the successful attainment of the strategic goals and the set Annual Performance Plans (APPs) during the financial year under review. To encourage its workforce, PSiRA rewarded its high-performing employees with performance bonuses. Ongoing talent assessments and regular performance feedback contribute to the development of our professionals, which is essential for maintaining our culture of excellence and innovation.

In order to inculcate the culture of performance, performance assessments will be done on a quarterly basis in the next financial year to ensure that poor performance is detected in the early stages.

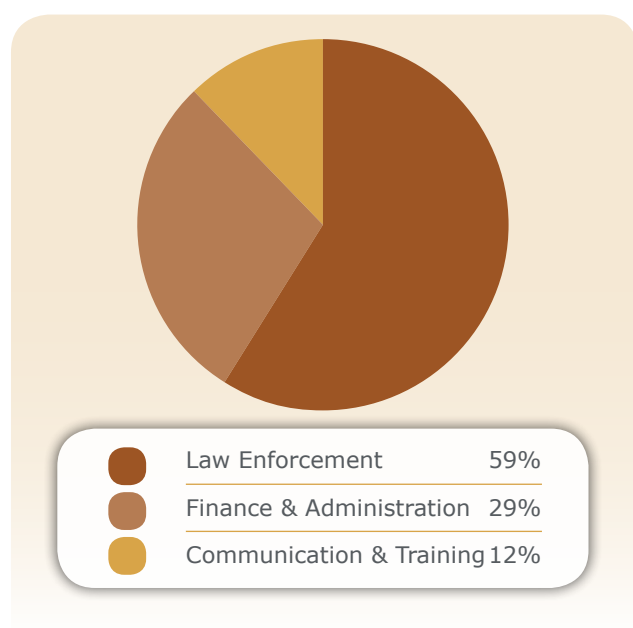
## CHALLENGES

During the year under review, PSiRA experienced high employee turnover in certain areas of its operation, especially in its Corporate Service Divisions. HCM has developed a retention and succession strategy to address this challenge.

### STAFF COMPOSITION ACCORDING TO PROGRAMMES (PERMANENT STAFF)

Programme	Number of permanent staff members
Law Enforcement	141
Finance and Administration	71
Communications and Training	29
<b>Total</b>	<b>241</b>

**GRAPH 29. STAFF COMPOSITION ACCORDING TO PROGRAMMES (PERMANENT STAFF)**



### CONTRACTS AND INTERNS COMPOSITION

Programme	Employees on fixed-term contract	Interns	Total
Law Enforcement	0	0	0
Finance and Administration	2	8	12
Communications and Training	4	11	15
<b>Total</b>	<b>6</b>	<b>19</b>	<b>25</b>

### EMPLOYMENT EQUITY

PSiRA is the designated employer in terms of the Employment Equity Act (Act No. 55 of 1998). It is also required to review its Employment Equity Committee, which represents all the genders, races and employees with disabilities across all its occupational categories. The duties of the Committee are, *inter alia*, to ensure that PSiRA's Employment Equity Plan is implemented and monitored effectively.

PSiRA has a five-year approved Employment Equity Plan for the period 1 October 2014 to 30 September 2017. The established Employment Equity Committee monitors the implementation of the plan on a regular basis.

In compliance with this Act, equal employment opportunities are provided to the designated population in the labour market by adhering to equal opportunity and affirmative action principles.

### EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The equity target and the employment equity status reflected in the table below exclude contract employees.

### Male employment equity target

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	0	0	0	0	0	0	0
Senior Management	5	0	0	0	0	0	1	0
Professional qualified	4	0	0	0	1	1	1	0
Skilled	36	0	0	1	0	1	7	0
Semi-skilled	30	0	0	1	0	1	9	0
Unskilled	2	0	0	0	0	0	0	0
<b>Total</b>	<b>78</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>0</b>

### Female employment equity target

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	1	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified	8	0	1	0	0	0	1	0
Skilled	25	1	2	0	1	0	3	0
Semi-skilled	81	2	6	2	2	2	6	0
Unskilled	10	0	0	0	0	0	0	0
<b>Total</b>	<b>124</b>	<b>5</b>	<b>9</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>0</b>

### Disabled staff employment equity target

Level	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	1	1	1	1
Unskilled	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>



## EXPLANATION OF VARIANCES

PSiRA, like other similar employers within the labour market, is experiencing an influx of other designated genders (mainly females) and races (mainly the African race) from the Economic Active Population (EAP) as compared to the designated genders, races (such as the Whites, Coloureds and Indians) and people with disability. PSiRA encourages applications from the designated groups by using various media such as the press, on-line career junctions and agencies to assist in attracting these candidates.

Attempts made to address the variances:

- The employment equity plan has been developed to radically address the imbalance in terms of representation.
- Preference has been given to the designated groups who have the pre-requisite knowledge, skills, ability and qualifications by acknowledging such persons' prior learning and relevant experience.
- Employment barriers, which adversely affect people from designated groups and which are not justified, given the inherent requirement of the job, have been identified and eliminated.

- Workplace infrastructure and facilities are aligned to accommodate the needs of employees with disabilities.
- Measures to retain and develop people from designated groups are considered by management.

## PERSONNEL EXPENDITURE

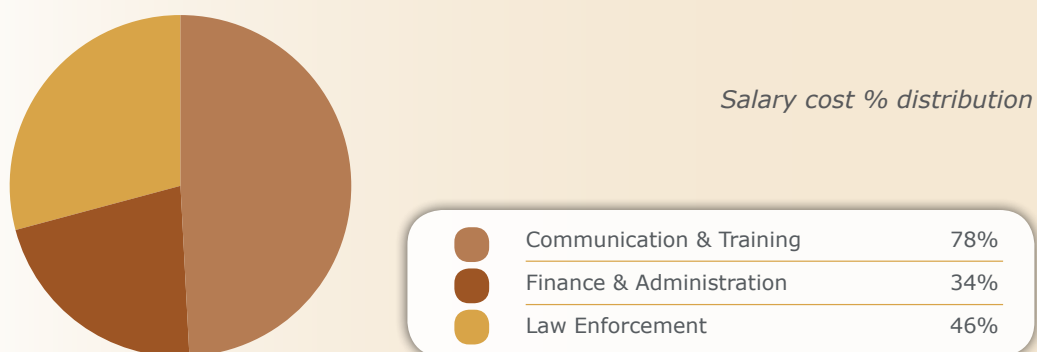
Personnel expenditure comprises about 52% of PSiRA's budget, which caters for the remuneration and benefits, which are paid to the employees. PSiRA views these expenses as fundamental factors to attract, motivate and retain high performers. It uses the Paterson Grading System to determine the post levels in its structure and different occupational levels within the structure are compensated in line with the Paterson Grading System and PSiRA's policies.

During the year under review, PSiRA has reviewed the salaries of staff by 7.5% across the board with the exception of the Executive members, whose packages were adjusted by 5.8%. The adjustment is always done on an annual basis as a cost of living adjustment.

### Personnel cost per programme 2015/16

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	Total Number of staff	Average personnel cost per person
Law Enforcement	68 895 163	53 785 052	78%	141	381 454
Finance and Administration	90 513 928	30 488 318	34%	83	367 329
Communications and Training	25 481 409	11 628 644	46%	44	264 287
<b>Totals</b>	<b>184 890 500</b>	<b>95 902 014</b>	<b>52%</b>	<b>268</b>	<b>337 690</b>

**GRAPH 30. PERSONNEL COST PER PROGRAMME 2015/16**



**Personnel cost per salary band 2015/16**

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top Management	6 424 718	<b>6.7%</b>	5	1 284 944
Senior Management	6 093 889	<b>6.4%</b>	7	870 556
Professional qualified	10 728 430	<b>11.2%</b>	14	766 316
Skilled	38 858 130	<b>40.5%</b>	76	511 291
Semi-skilled	32 578 007	<b>34.0%</b>	125	260 624
Unskilled	1 073 590	<b>1.1%</b>	14	76 685
Contracts and interns	145 250	<b>0.2%</b>	27	5 380
<b>TOTAL</b>	<b>95 902 014</b>	<b>100%</b>	<b>268</b>	<b>539 461</b>

## EMPLOYMENT AND VACANCIES

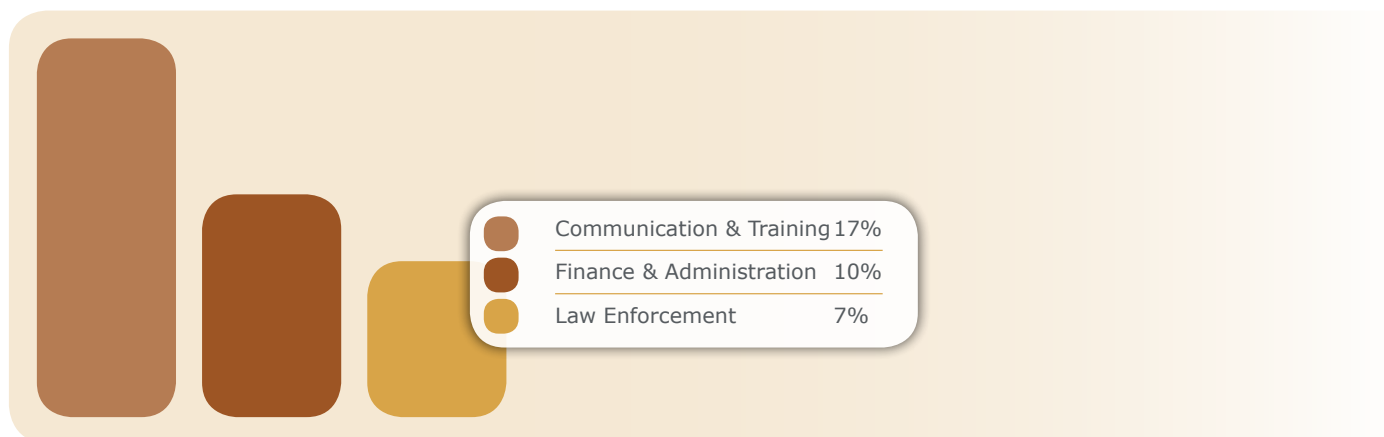
PSiRA, through its Human Capital Management Division, always makes a point of filling vacated posts within a reasonable time to avoid disruptions in its operations. The vacancy rate is calculated based on the approved posts as per the Annual Staffing Plan of the year under review.

The table below depicts the number of the posts vacated and filled during the past two financial years.

### EMPLOYMENT AND VACANCIES PER PROGRAMME

Programme	2014/2015 Number of employees	2014/2015 Approved posts	2015/2016 Number of employees	2015/2016 Vacancies	% of vacancies
Law Enforcement	128	152	141	11	7%
Finance and Administration	63	79	71	8	10%
Communications and Training	29	35	29	6	17%
<b>TOTAL</b>	<b>220</b>	<b>266</b>	<b>241</b>	<b>25</b>	<b>9%</b>

### GRAPH 31. VACANCY RATE PER PROGRAMME



### Employment and vacancies per occupational levels

Occupational levels	2014/2015 Number of employees	2015/2016 Approved posts	2015/2016 Number of employees	2015/2016 Vacancies
Top Management	4	5	5	0
Senior Management	6	8	7	1
Professional qualified	12	17	15	2
Skilled	65	82	73	9
Semi-skilled	125	139	127	12
Unskilled	8	15	14	1
<b>TOTAL</b>	<b>220</b>	<b>266</b>	<b>241</b>	<b>25</b>

### ANNUAL EMPLOYMENT TURNOVER

The total termination was rated at 9% of the staff composition from the permanently employed employees. The exit interviews showed that most of the employees who voluntarily resigned were leaving for higher positions. This is probably affected by the organisational flat structure that limits career growth or advancement in some levels within PSiRA's occupational structure.

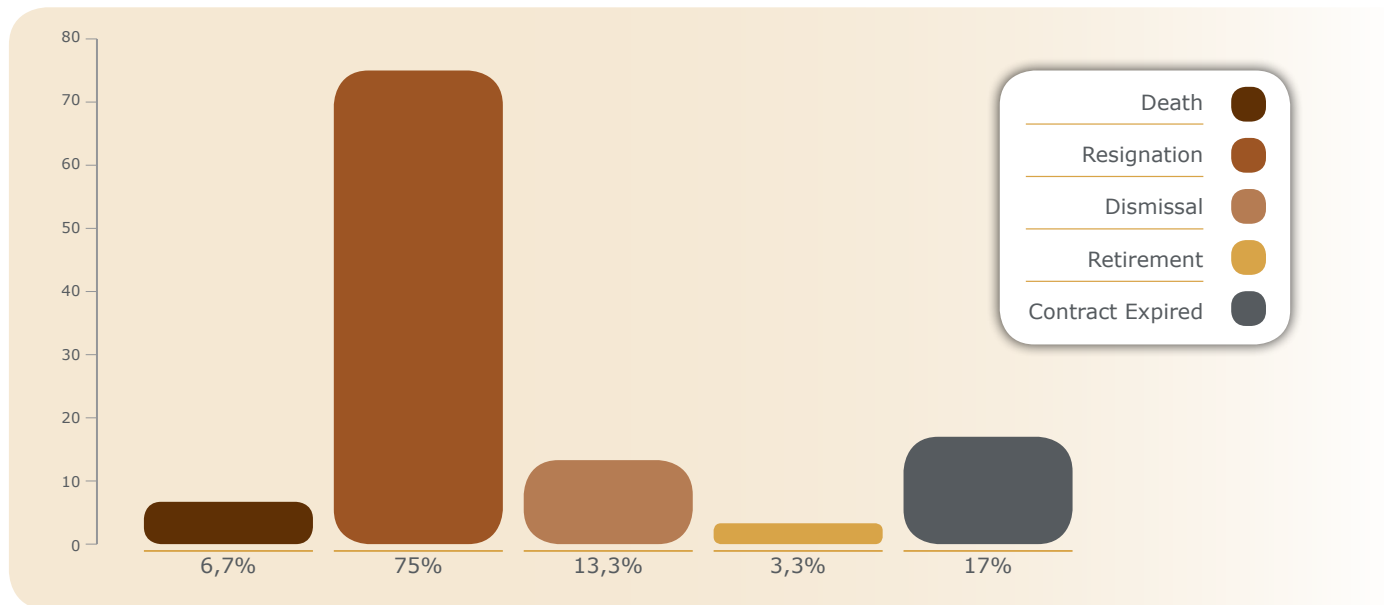
### Annual turnover per occupational level (only permanently employed staff)

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	4	1	0	5
Senior Management	6	1	0	7
Professional qualified	12	5	2	15
Skilled	65	18	10	73
Semi-skilled	125	13	11	127
Unskilled	8	6	0	14
<b>Total</b>	<b>220</b>	<b>44</b>	<b>23</b>	<b>241</b>

### Reasons for termination (Permanent and contract)

Termination Type	Number	%
Death	2	13%
Resignation	17	75%
Dismissal – Misconduct	4	13.3%
Contract expired	7	17%
<b>Total</b>	<b>30</b>	<b>100%</b>

**GRAPH 32. REASONS FOR TERMINATION (PERMANENT AND CONTRACT)**



#### VACANCIES PER PROGRAMME

##### Programme: Law Enforcement

Department/Region	Number of vacancies
Head Office	5
Port Elizabeth	2
Western Cape	1
Limpopo (Polokwane)	1
Johannesburg	1
<b>Total</b>	<b>10</b>

##### Programme: Finance and Administration

Department/Region	Number of vacancies
Finance and Accounts (HO)	3
Business Information System (HO)	1
Office Service and facilities	2
Office of the CEO	1
Human Capital	1
<b>Total</b>	<b>8</b>

##### Programme: Communication and Training

Department/Region	Number of vacancies
Registration	2
Communications, Events and Research and Training	5
<b>Total</b>	<b>7</b>
<b>GRAND TOTAL</b>	<b>25</b>

# SKILLS DEVELOPMENT AND TRAINING



PSiRA, through its Human Capital Management Division, annually identifies the training and development needs of its workforce by means of vigorous skills audit exercises and the performance management system, which sets personal development plans (PDPs) for every employee from the different occupational levels.

Upon identification of the skills gaps, the Human Capital Management Division developed a training development programme, which is rolled out throughout the financial year in order to capacitate employees to perform effectively and efficiently towards the attainment of strategic goals. In the year under review, PSiRA offered about 53 different types of training to its employees. Most of the training innovations were realised to enhance skills in the following areas:

- Private Security Management and Regulations
- Debt Collection and Management Principles
- Compliance and Monitoring
- Diversity Management
- Supervisory Skills
- Change Management
- Investigation

## Training and development per programme

Directorate/ Business unit	Total number of personnel	Personnel expenditure (R)	Training expenditure (R)	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee (R)
Law Enforcement	141	53 785 052	172 614	0.3%	36	4 795
Finance and Administration	71	30 488 318	354 003	1.2%	62	5 710
Communications and Training	29	11 628 644	88 002	0.8%	18	4 889
<b>TOTAL</b>	<b>241</b>	<b>95 902 014</b>	<b>614 619</b>	<b>0.6%</b>	<b>116</b>	<b>5 298</b>

## INTERNSHIP PROGRAMME

During the year under review, PSiRA advertised the internship posts in all of its business units and 17 interns were recruited. PSiRA has made it a norm to play its part in fulfilling its social responsibility to reduce unemployment of the youth and graduates in South Africa. Graduate interns are appointed and offered meaningful hands-on work experience and exposure in the workplace. During the past three financial years (2012/2013, 2013/2014 and

2014/2015), PSiRA has trained and retained some of the interns in permanent contracts. One of the interns, who was recruited in the 2012/2013 financial year through the South African Safety and Security Sectoral Education and Training Authority (SASSETA), was recently promoted to a Junior Management level in one of the key business units. This depicts PSiRA's commitment to promoting and empowering South African youth.

The following interns were appointed during the 2014/2015 financial year:

### PLACEMENT OF INTERNS

Internship Programme	Division /Region	Number of placements
Communication and Events, Training and Customer Relationship Management	Communications	4
	Registrations	2
	Johannesburg Satellite Office	1
	Arcadia Satellite Office	2
	Mpumalanga Satellite Office	1
	Limpopo Satellite Office	1
Finance	Supply Chain	2
	Debt Collection	1
	Business Information Systems	2
	Human Capital	1
<b>Total</b>		<b>17</b>

Graduation Ceremony



# LABOUR RELATIONS

## MANAGEMENT OF INDUSTRIAL RELATIONS

PSiRA recognises its human capital as its most important and valuable asset and thus endeavours to establish a harmonious and productive working environment, which is conducive for team effort in order to achieve its strategic objectives. To this effect, the Human Capital Management Division upholds the organisation’s Code of Conduct and Disciplinary Policy to ensure that the human capital’s performance and conduct are in adherence to its Code of Conduct, the required performance standards and its core values.

PSiRA has an effective grievance procedure in place, which seeks to promote effective communication and consultation between management and employees on matters of mutual interest. PSiRA recognises the grievance procedure as recourse for employees to freely express their disgruntlements on issues of mutual interest between themselves and with Management and to resolve their concerns in a flexible manner that promotes productivity and a harmonious work environment.

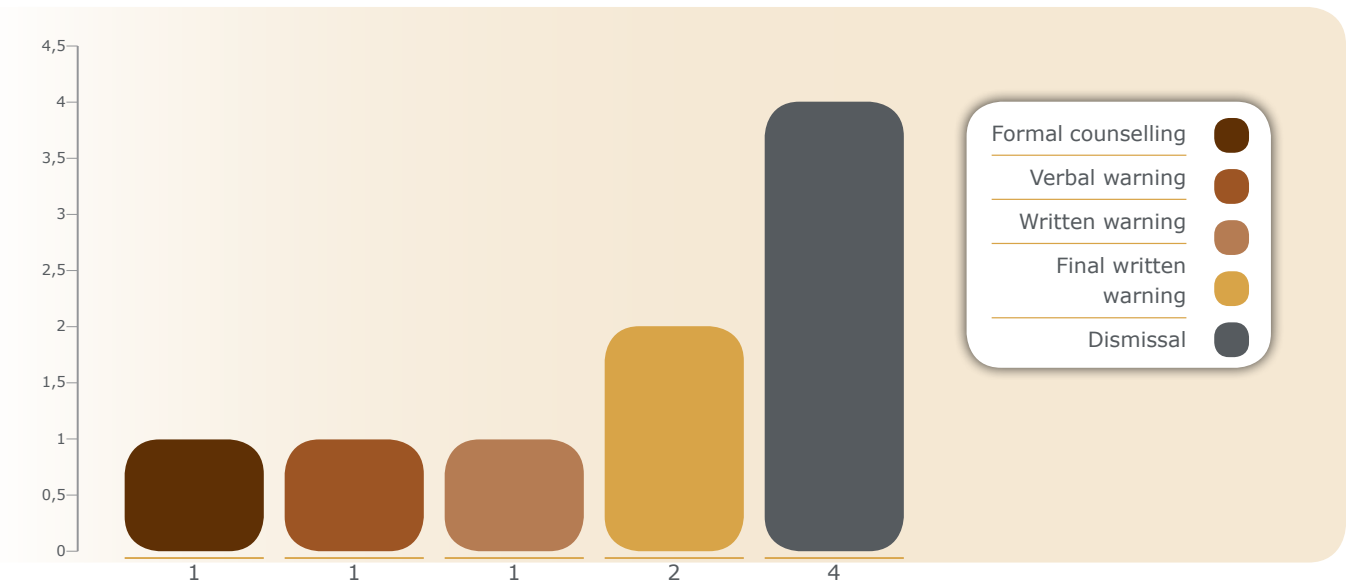
## DISCIPLINARY MATTERS FINALISED DURING THE YEAR UNDER REVIEW

Progressive disciplinary actions taken against PSiRA employees as corrective measures to enforce the Code of Conduct and its values for the staff members and the inspectors are tabled below:

### Disciplinary matters finalised

Disciplinary actions taken	Number of incidents
Counselling	1
Verbal warning	1
Written warning	1
Final written warning	2
Dismissal	4
<b>Total</b>	<b>9</b>

GRAPH 33. DISCIPLINARY MATTERS FINALISED





### UNION INVOLVEMENT

PSiRA recognises the right of freedom of association of its employees in terms of the Labour Relations Act and the Constitution of the Republic of South Africa. To this effect, there are two unions within PSiRA, namely the South African Transport and Allied Workers Union (SATAWU) and Solidarity. SATAWU is recognised as the official trade union, as it represents the interests of the majority of the employees, while a handful of employees are members of Solidarity and therefore not recognised as the majority union. PSiRA has a collective agreement with SATAWU, where both parties share a mutual consent to

consult with each other on conditions of service, such as salary negotiations and on mutual interest aspects, which relate to the development and implementation of policies. SATAWU shop stewards are allowed representation in appointing staff; disciplinary matters of their members and general consultation with their constituencies.

The Human Capital Management Division undertakes the administrative function of deducting the monthly membership subscription fees on behalf of SATAWU and Solidarity.

### PSiRA'S EMPLOYEE WELLNESS PROGRAMME

The employee wellness programme is provided by CAREWAYS and its main purpose is to provide assistance to PSiRA employees and their families who have socio-economic challenges. This programme is designed to ensure that the following is achieved:

- Promoting a workplace wellness programme.
- Providing care and support on HIV/Aids and other life-threatening diseases.
- Reducing behavioural crises associated with personal problems.

The table below depicts the number of presented problems by PSiRA employees and their families:

### REFERRAL REPORT

#### Category: Legal

Problems	No. of events
Vehicle related	1
Employment	1
<b>Total</b>	<b>2</b>

**Category: Couple and family**

Problems	No. of events
Couple relationship	5
<b>Total</b>	<b>5</b>

**Category: Personal emotional**

Problems	No. of events
Traumatic event	3
Depression	1
Anxiety	1
Manager referral	9
Bereavement	3
Self-referral	1
Stress	4
<b>Total</b>	<b>22</b>

**Category: Work related**

Problems	No. of events
Adapted work	1
Work stress	1
Peer relationships problems	1
Lower production	1
<b>Total</b>	<b>4</b>
<b>GRAND TOTAL</b>	<b>33</b>

### LEAVE UTILISATION

Leave administration is managed by means of the leave policy and the VIP/SAGE Employee Self Service (ESS). The Human Capital Management Division has a dedicated ESS Administrator who constantly manages the system to ensure that the correct balances of leave days are maintained. The table below projects the summary utilisation of leave within PSiRA.

Programmes	Number of employees	Annual leave	Sick leave	Family leave	Study leave	Totals	Average per employee
Law Enforcement	141	2 115	603	47	42	2 807	20
Finance and Administration	71	1 230	390	32	35	1 687	24
Communications and Training	29	435	253	25	22	735	25
<b>Total</b>	<b>241</b>	<b>3 780</b>	<b>1 246</b>	<b>104</b>	<b>99</b>	<b>5 229</b>	<b>22</b>



## Part **D** Performance Information Report

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Explanations for Major Variances	107

# PERFORMANCE INFORMATION

## PROGRAMME 1 : ADMINISTRATION

### SUB-PROGRAMME: FINANCE AND ADMINISTRATION

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved /not achieved)	Reason for deviation or over-achievement
<b>(a)</b>					
<b>Annual</b> Adjustment of administration fees	The adjusted administration fees were published in March 2015	Adjustment of administration fees	The adjusted administration fees were published	<b>Achieved</b>	
<b>Review of</b> annual fees	The new annual fees were reviewed and effective on 1 April 2015	Review of annual fees	Final report for annual fees was approved by EXCO	<b>Achieved</b>	
<b>(b)</b>					
<b>Annual review of</b> funding model	Funding policy in place	Develop a funding model	Funding model developed	<b>Achieved</b>	
<b>(c)</b>					
<b>%</b> audit findings resolved	97% of findings resolved	100% of audit findings resolved	98% resolved	<b>Partially achieved</b>	Positions not funded, but will be funded in 2016/17.
<b>Audit</b> opinion	N/A	Unqualified audit opinion	Unqualified audit opinion	<b>Achieved</b>	

**SUB-PROGRAMME: BUSINESS INFORMATION SYSTEM**

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
(a)					
Critical IT infrastructure restored within the set timeline on the Business Continuity policy	36 hours	96 hours	40:09 hours	<b>Over-achieved</b>	This illustrates that the system recovery will be completed at the set timelines.
% of IT user satisfaction achieved	Average of 76.10% user satisfaction rating	80% user satisfaction rating	89.03%	<b>Over-achieved</b>	Users are satisfied with the performance of BIT.
<b>Annual</b> review of IT governance	Annually	Implement IT Risk Management	IT Risk Management policy reviewed Risk Register reviewed and implemented	<b>Achieved</b>	N/A



# **SUB-PROGRAMME: HUMAN CAPITAL**

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
<b>(a)</b>					
<b>Frequency</b> of conducting employee performance assessments	Performance assessments were successfully conducted	Bi-annually	Employee assessments for 2014/15 done. Mid-year assessments were conducted Intervention plan has been developed and implemented	<b>Achieved</b>	
<b>%</b> of employees achieving a performance rating of less than 3 on performance score and receiving intervention programme	79% of employees achieved a rating of 3	100%	100%	<b>Achieved</b>	
<b>%</b> training programmes completed in line with the Annual Work Skills Plan	91%	95%	98%	<b>Over-achieved</b>	The appointment of the learning and development officer has contributed to this achievement.



## PROGRAMME 2 : LAW ENFORCEMENT

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
(a)					
<b>Number</b> of security businesses inspected to assess compliance with the PSiR Act	4 114	4 260	5 375	<b>Over-achieved</b>	An additional 10 compliance inspectors in the 4th quarter compared to 1st quarter as a result of appointments and additional positions approved during the year. This resulted in significantly more inspections(c).
<b>Number</b> of security officers inspected to assess compliance with the PSiR Act	23 555	24 500	30 698	<b>Over-achieved</b>	An additional 10 compliance inspectors in the 4th quarter compared to 1st quarter as a result of appointments and additional positions approved during the year. This resulted in significantly more inspections.
% of site inspections conducted in the retail sector	N/A	15%	21%	<b>Over-achieved</b>	Increased focus on the retail sector in view of high number of security officers deployed within the sector.
% of site inspections conducted in health service sector	N/A	15%	17%	<b>Over-achieved</b>	Increased focus on the health sector in the 4th quarter.
% of site inspections conducted at educational facilities	N/A	10%	10%	<b>Achieved</b>	
% of site inspections conducted at industrial and corporate facilities	N/A	10%	26%	<b>Over-achieved</b>	Significant number of security officers deployed in industrial and corporate facilities.
% of site inspections conducted in residential areas	N/A	15%	19%	<b>Over-achieved</b>	Increased focus on the residential sector in the 4th quarter.
% of investigations finalised in respect of non-compliant SSPs	79%	65%	77%	<b>Over-achieved</b>	Appointment of additional inspectors in Enforcement Department and increased co-operation with SAPs.

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
<b>(a)</b>					
% of criminal cases opened against non-compliant SSPs	86%	80%	93%	<b>Over-achieved</b>	Increased co-operation from SAPS at station level and improved PSIRA/SAPS interaction and general stakeholder interaction through PICFs, etc.
% of cases of non-compliant SSP's prosecuted per year	79%	75%	90%	<b>Over-achieved</b>	High number of cases finalised by way of settlements resulted in cases being finalised faster and the employment of a manager within the Department also assisted in improving the overall management of the turn-around time
<b>Reviewed</b> law enforcement strategy in place	Strategy reviewed	Review of law enforcement strategy	Reviewed law enforcement strategy approved	<b>Achieved</b>	
<b>(b)</b>					
<b>Number</b> of security businesses licensed to possess firearms inspected	1 035	1 000	1 136	<b>Over-achieved</b>	Appointment of additional inspectors in department and dedicated team appointed in 4 <sup>th</sup> quarter to conduct inspections.
<b>(c)</b>					
% of inspected SSPs (businesses) complying with the minimum standards per year	50%	70%	87%	<b>Over-achieved</b>	Average level of compliance over 3 months against pre-determined compliance areas. Improved compliance in view of increased inspections and stakeholder interaction, i.e. PICFs, etc.
% of inspected SSPs (officers) complying with the minimum standards per year	42%	70%	77%	<b>Over-achieved</b>	Average level of compliance over 3 months against pre-determined compliance areas. Improved compliance in view of increased inspections and stakeholder interaction, i.e. PICFs, etc.

## PROGRAMME 3: COMMUNICATIONS, REGISTRATION(CRM) AND TRAINING

### 3.1 COMMUNICATIONS AND STAKEHOLDER MANAGEMENT

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
(a)					
<b>Number</b> of public awareness programmes on PSiRA's role and functions	66 public awareness programmes	22 public awareness programmes	23 public awareness programmes	<b>Over-achieved</b>	Intensified and pre-planned stakeholder awareness campaign to celebrate " <b>International World Consumer Rights Day</b> " contributed to the over-achievement.
<b>Number</b> of public awareness programmes on PSiRA's role and functions in terms of security businesses	28 industry awareness programmes	12 industry awareness programmes	22 public awareness programmes	<b>Over-achieved</b>	Intensified consultation sessions undertaken for all businesses in all provinces contributed to the over-achievement.
<b>Number</b> of public awareness programmes on PSiRA's role and functions for security officers	13 industry awareness programmes	12 industry awareness programmes	30 industry awareness programmes	<b>Over-achieved</b>	The over-achievement is attributed to the successful partnership entered into between PSiRA and the Private Security Provident Fund for conducting roadshows in all provinces.
<b>Number</b> of industry compliance forums conducted provincially	N/A	12 provincial industry compliance forums	17 provincial industry compliance forums conducted	<b>Over-achieved</b>	The industry compliance forums were increased to respond to non-compliance pressing matters, which were raised in certain provinces that needed PSiRA's urgent attention.
<b>Number</b> of consumer awareness programmes on the role and functions of PSiRA (direct & indirect consumers)	N/A	9 consumer awareness programmes	13 consumer awareness programmes	<b>Over-achieved</b>	Consumer awareness campaigns intensified and extended to different provinces, where we do not have a footprint.

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
(a)					
<b>Number</b> of awareness programmes targeted at government departments, SOE and strategic partners on the role and functions of PSiRA (Strengthening partnership and compliance)	N/A	9 awareness programmes	11 awareness programmes	<b>Over-achieved</b>	Partnerships with the Department of Labour in Q4 to address non-compliance issues contributed to the over-achievement.
<b>Number</b> of published quarterly media profiles	N/A	4 media engagements	4 media engagements	<b>Achieved</b>	
<b>Number</b> of advertising campaigns on the role and functions of PSiRA	N/A	6 advertising campaigns	12 advertising campaigns	<b>Over-achieved</b>	Implementation of stakeholder awareness activities regarding the annual and administration fees.
<b>Number</b> of trade exhibitions and community outreach programmes to promote the role and functions of PSiRA	N/A	4 trade exhibitions / community outreach programmes	7 trade exhibitions / community outreach programmes	<b>Over-achieved</b>	Partnership with DPCI Judge office on the community outreach programmes contributed to the over achievement.
<b>Annual</b> Pan- African Forum on Private Security Industry	N/A	1 Forum Inaugural event (Crime Prevention Partnership Strategy)	Inaugural launch of the Pan-African Forum achieved	<b>Achieved</b>	
<b>Number</b> of initiatives implemented from the internal communication strategy	N/A	10 initiatives implemented	13 internal stakeholder initiatives implemented	<b>Over-achieved</b>	

### 3.2 STAKEHOLDER AND CUSTOMER RELATIONSHIP MANAGEMENT

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
(b)					
<b>Average turnaround time</b> taken to resolve complaints received from consumers through the call centre (working days)	Average of 14 hours	Average of 48 hours	Average of 23.85 hours	<b>Over-achieved</b>	Procedure guidelines attributed to the improved turnaround.
<b>Average turnaround time</b> taken to resolve complaints received from consumers through the regional customer care consultants (working days)	N/A	15 working days	15 working days	<b>Achieved</b>	Procedure guidelines attributed to the improved turnaround time.
<b>Establishment</b> of consumer complaints office in terms of the quality of service rendered by security service providers	N/A	Draft policy/regulations on processing of consumer complaints	Draft policy incorporating the concept of the establishment of the complaints office developed	<b>Achieved</b>	
(c)					
<b>Number</b> of awareness programmes on the sectoral determination	N/A	12 awareness programmes	25 awareness programmes done	<b>Over-achieved</b>	The over-achievement is attributed to the successful partnership entered into between PSiRA and the Private Security Provident Fund for conducting roadshows in all provinces.
<b>Number</b> of formalised partnerships with employee-based stakeholders		2 MoUs in place	2 MoUs in place	<b>Achieved</b>	

### 3.3 INDUSTRY TRAINING

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or over-achievement
(d)					
<b>Date of implementation</b> of security training policy	Established various sector sub-committees to review the current skills programme	Draft training regulations to support training policy	Draft training regulations to support training policy in place Industry circular on draft regulation as per training policy published in March 2016	<b>Achieved</b>	
<b>% increase</b> of accredited training SSPs complying with the minimum professional standards as stipulated in the approved regulatory training policy and draft regulation	7%	25%	48%	<b>Over-achieved</b>	Intensified stakeholder awareness through capacity-building workshops, industry circulars and media engagements contributed to the over-achievement.
<b>Number</b> of established Provincial Industry Training Compliance Forums	N/A	Establish 1 Provincial Industry Training Compliance Forum	2 Provincial Industry Training Compliance Forums	<b>Over-achieved</b>	Over-achievement is due to the growth and demands from stakeholders in the targeted provinces.
<b>Number</b> of stakeholder capacity-building activities/workshops undertaken with training providers in the security industry	6 capacity-building initiatives/workshops	4 capacity-building activities	6 capacity-building activities done	<b>Over-achieved</b>	The over-achievement is a result of increasing non-compliance complaints received from North West and Mpumalanga Provinces, which warranted the sessions to be conducted with SSPs in those provinces.

### 3.4 INDUSTRY REGISTRATION

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or overachievement
<b>(e)</b>					
<b>Average turnaround time</b> of applications for registration meeting all the requirements for security businesses (working days)	Average of 15 days	Average of 20 days	Average of 16 days	<b>Over-achieved</b>	Intensified operational efficiencies, registration manual in place and improved stakeholder awareness of the requirements attributed to the over-achievement.
<b>Average turnaround time</b> of applications for registration meeting all the requirements for security officers (working days)	Average of 17 days	Average of 20 days	Average of 15 days	<b>Overachieved</b>	Intensified operational efficiencies, registration manual in place and improved stakeholder awareness on the requirements attributed to the over-achievement.
<b>(f)</b>					
<b>%</b> of new registration certificates rolled out (on active officers)	-14%	20%	52%	<b>Over-achieved</b>	Successful implementation of the registration mobile project to extend service delivery to remote areas. Improved stakeholder awareness of the requirements attributed to the over-achievement.
<b>%</b> of new registration certificates rolled out (on active security business)	-13%	20%	31%	<b>Over-achieved</b>	Successful implementation of the registration mobile project to extend service delivery to remote areas. Improved stakeholder awareness of the requirements attributed to the over-achievement.
<b>Number</b> of targeted areas to expand service delivery of the authority	N/A	1 targeted area	0 targeted areas	<b>Not achieved</b>	Bloemfontein lease has been re-advertised in the Government Bulletin and other local papers. Thus far, only two bidders have responded before the closing date.

### 3.5 SUB-PROGRAMME: RESEARCH AND DEVELOPMENT

Key Performance Indicators (KPIs)	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Status (achieved / not achieved)	Reason for deviation or over achievement
(g)					
<b>Number</b> of completed areas of research that are of high priority	2 research topics	2 research topics	2 research topics	<b>Achieved</b>	
<b>Number</b> of completed surveys	4 surveys	4 surveys	1 survey	<b>Not achieved</b>	Non-responsiveness of the target group.
<b>Number</b> of partnerships established with Learning institutions	N/A	1 partnership	1 partnership	<b>Achieved</b>	Stakeholder engagement.
<b>Number</b> of completed policies	N/A	2 policy documents completed	2 policy documents completed	<b>Achieved</b>	



## EXPLANATIONS FOR THE MAJOR VARIANCES

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- |  |      |
|--|------|
| • Programme 1: Administration                | None |
| • Programme 2: Law Enforcement               | None |
| • Programme 3: Communication, Training & CRM | None |

The Annual Performance Report was reviewed by EXCO, the Audit Committee and approved by Council on 26 May 2016.

Approved by:



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**Manabela Chauke**

Director (PSiRA) / Accounting Officer  
31 May 2016





## Part **E** Financial Information

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## **Report of the Auditor-General to Parliament on Private Security Industry Regulatory Authority**

### **Report on the financial statements**

#### **INTRODUCTION**

1. I have audited the financial statements of the Private Security Industry Regulatory Authority (PSiRA) set out on pages 118 to 155, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### **ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice and, the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

#### **AUDITOR-GENERAL'S RESPONSIBILITY**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with

International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **OPINION**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of PSiRA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with South

# Financial Statements

## for the year ended 31 March 2016

African Standards of Generally Recognised Accounting Practice and the requirements of the PFMA.

### EMPHASIS OF MATTERS

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

### RESTATEMENT OF CORRESPONDING FIGURES

8. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during the year ended 31 March 2016 in the financial statements of PSiRA at, and for the year ended, 31 March 2015.

### MATERIAL IMPAIRMENTS

9. As disclosed in note 6 to the financial statements, provision for impairment to the amount of R28 860 133 (2015: R8 957 998) was raised on trade debtors, as a result of uncertainty regarding the recovery of the amounts due.

### SIGNIFICANT UNCERTAINTIES

10. With reference to note 22 to the financial statements, the entity is the defendant in several lawsuits and may also incur demolition costs for the Arcadia building. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

### Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### PREDETERMINED OBJECTIVES

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 2: Law Enforcement on pages 99 to 100; and
- Programme 3: Communications, Registration (CRM) and Training on pages 101 to 106.

13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).



# Financial Statements

## for the year ended 31 March 2016

14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. The material findings in respect of the selected programmes are as follows:

### **Programme 2: Law Enforcement**

16. I did not identify any material findings on the usefulness and reliability of the reported performance information.

### **Programme 3: Communication, Registrations (CRM) and Training**

#### **Usefulness of reported performance information**

17. I did not identify any material findings on the usefulness of the reported performance information.

### **RELIABILITY OF REPORTED PERFORMANCE INFORMATION**

18. The FMPPPI required auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to:

- The reported achievement for the average turnaround time taken to resolve complaints received from consumers through the regional customer care consultants (working days) indicator was not accurate. This was due to insufficient systems and processes to provide adequate and reliable appropriate audit evidence.

### **ADDITIONAL MATTERS**

19. We draw attention to the following matters. Our conclusion is not modified in respect of these matters:

### **ACHIEVEMENT OF PLANNED TARGETS**

20. Refer to the annual performance report on pages 94 to 107 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraph 18 of this report.

### **COMPLIANCE WITH LEGISLATION**

21. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT**

22. The accounting authority did not ensure that the entity maintained an effective, efficient and transparent systems of financial and risk management and internal controls as required by section 51 (1)(a)(i) of the PFMA.

# Financial Statements

for the year ended 31 March 2016

## FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORTS

23. The financial statements submitted for auditing were in some instances not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA.
24. Material misstatements of prior period error and commitments disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## EXPENDITURE MANAGEMENT

25. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R179,332 as disclosed in note 21 of the AFS, as required by section 51(1)(b)(ii) of the PFMA and Treasury Regulation 9.1 .1.

## CONSEQUENCE MANAGEMENT

26. Effective and appropriate disciplinary steps were not taken against officials who incurred and, or permitted irregular, fruitless and wasteful expenditure, as required by section 51 (1 )(e) (iii) of the PFMA.

## INTERNAL CONTROL

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are

limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

## LEADERSHIP

28. Inadequate oversight responsibility regarding financial and performance reporting and compliance to ensure accurate and complete reporting.

## FINANCIAL AND PERFORMANCE MANAGEMENT

29. Proper controls over daily and monthly processing and reconciling of financial and performance information were not implemented.
30. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

*Auditor - General*

Pretoria  
31 July 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Financial Statements

for the year ended 31 March 2016

## General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Schedule 3A Public entity
Nature of business and principal activities	Regulation of the Private Security Industry
Members	Prof N.M. Mazibuko Mr D.C.M. Rathebe Maj Genl C.L. Lindiwe Philison Mr B.S. Ntuli Adv N. Mthembu
Registered office	481 Belvedere Street Arcadia Pretoria 0082
Business address	420 Witch-Hazel Avenue Block B - Eco Glades 2 Office Park Highveld Ext 70 Centurion 0154
Postal address	Private Bag X817 Pretoria 0001
Controlling entity	Department of Police
Bankers	Nedbank Ltd
Auditors	Auditor-General of South Africa
Secretary	Mrs Z. Mthembu

## Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of PSiRA as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in accordance with the Public Finance Management Act (Act 1 of 1999).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting authority acknowledges that they are ultimately responsible for the system of internal financial control established by PSiRA and place considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, the accounting authority set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout PSiRA and all employees are required to maintain the highest ethical standards in ensuring PSiRA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in PSiRA is on identifying, assessing, managing and monitoring all known forms of risk across PSiRA. While operating risk cannot be

fully eliminated, PSiRA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed PSiRA's cash flow forecast for the year ending 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that PSiRA has adequate resources to continue in operational existence for the foreseeable future.

Although the accounting authority is primarily responsible for the financial affairs of PSiRA, they are audited by PSiRA's external auditors.

The external auditors are responsible for independently reviewing and reporting on PSiRA's annual financial statements. The annual financial statements have been examined by PSiRA's external auditors and their report is presented on pages 110 – 113.

The annual financial statements set out on pages 118 to 155, which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2016 and were signed on its behalf by:



**Prof N.M. Mazibuko**

Chairperson of the Accounting Authority

## Accounting Authority's Report

The council members submit their report for the year ended 31 March 2016.

### 1. Nature of Business

The Private Security Industry Regulatory Authority (PSiRA) is a Schedule 3A public entity established in terms of the Private Security Industry Regulation Act (Act no.56 of 2001) to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and in the interest of the private security industry itself. PSiRA is under the Executive Authority of Department of Police.

### 2. Going concern

At the time of preparation of Annual Financial Statements for the period under review, the Council members believed that PSiRA will be a going concern in the foreseeable future. For this reason they continue to adopt a going concern basis in the preparation of these annual financial statements. For further details on going concern, refer to note 24.

### 3. Accounting policies

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board.

### 4. Corporate governance

#### COUNCIL

The members of the council during the financial year and to the date of this report are as follows:

- **Prof N.M. Mazibuko** (Chairperson)
- **Mr D.C.M. Rathebe** (Deputy Chairperson)
- **Mr B.S. Ntuli** (Council Member)
- **Maj Genl Cynthia Philison** ( Council Member)
- **Adv N. Mthembu** ( Council Member)

The Council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Council supports standards of corporate governance and the on-going development of best practice

#### CHAIRPERSON AND DIRECTOR

The roles of Chairperson and Director are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

#### AUDIT AND RISK COMMITTEE

The members of the committee during the financial year and to date of this report were as follows:

- **Mr A.N. Mhlongo** (Chairperson)
- **Ms N. Tshobeni**
- **Mr C. Motau**
- **Mr B. Mkhize**
- **Adv T. Mvelase**

The activities of the Audit and risk committee are governed by the Audit and risk committee charter. Appointed by the Council, the committee met more than four times in the current year. The Audit Committee is chaired by an independent chartered accountant who is neither an executive nor a Council member of PSiRA. Committee meetings are attended by members of the Auditor General's office and the internal auditors as invitees.

#### INTERNAL AUDIT UNIT

The internal audit unit is outsourced. Its function is mandated by the Audit Committee. The unit measures and evaluates the effectiveness and application of policies, procedures, systems and processes designed to fulfil the requirements of the risk management policy, and general compliance with governance principles, regulation and the safeguarding of assets. In the year under review internal audit focused on the registration, supply chain management, human resources, law enforcement, financial management and performance management.

# Financial Statements

for the year ended 31 March 2016

## Statement of Responsibility and Going Concern

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At the time of preparation of annual financial statements, for the period under review, the Council believed that PSiRA will be a going concern in the foreseeable future. The Council, at the date of the signing of this report, believes that the going concern basis is still applicable to PSiRA.

### Responsibility for Annual Financial Statements

The members of the Council are responsible for the preparation of the Annual Financial Statements.

### Approval of PSiRA Annual Financial Statement

The Annual Financial Statements for the year ended 31 March 2016, set out on pages 116 to 153, have been approved by the Council in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 on 29 July 2016.



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**Mr M.S. Chauke**

Director

Date: 29 July 2016



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**Prof N.M. Mazibuko**

Chairperson

Date: 29 July 2016

# Financial Statements

for the year ended 31 March 2016

## Statement of Financial Position as at 31 March 2016

Financial year ending	Note	2016	2015
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	320,799	175,281
Trade and other receivables	6	43,989,120	35,819,461
Cash and cash equivalents	7	53,563,754	31,995,946
		<b>97,873,673</b>	<b>67,990,688</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	19,271,915	19,799,175
Intangible assets	4	97,003	222,593
		<b>19,368,918</b>	<b>20,021,768</b>
<b>Total Assets</b>		<b>117,242,591</b>	<b>88,012,456</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	103,330,467	97,756,807
Provisions	10	3,666,202	5,587,421
Operating Lease Liability	8	2,185,571	5,545,038
		<b>109,182,240</b>	<b>108,889,266</b>
<b>Non-Current Liabilities</b>			
Operating lease liability	8	34,154	2,219,725
<b>Total Liabilities</b>		<b>109,216,394</b>	<b>111,108,991</b>
<b>Net Assets/(Liabilities)</b>		<b>8,026,197</b>	<b>(23,096,535)</b>

# Financial Statements

for the year ended 31 March 2016

## Statement of Financial Performance

Financial year ending	Note(s)	2016	2015
<b>Operating Revenue</b>			
Revenue from exchange transactions			
Sale of goods	11	14,580,956	2,494,971
Rendering of services	11	926,916	549,834
Annual fees	11	131,279,596	72,268,430
Infrastructure re-assessment	11	72,017	27,250
Course reports	11	27,372,970	23,979,200
Registration fees	11	27,882,422	26,152,187
<b>Total revenue from exchange transactions</b>		<b>202,114,877</b>	<b>125,471,872</b>
<b>Revenue from non-exchange transactions</b>			
Grant received	12	2,406,301	777,778
Bad debts recovered	12	985,371	1,323,861
Interest received	13	3,299,609	2,122,688
Sundry Income	12	832,139	899,959
Fines and Penalties	11	6,803,351	4,393,382
<b>Total revenue from non-exchange transactions</b>		<b>14,326,771</b>	<b>9,517,668</b>
<b>Total revenue</b>	11	<b>216,441,648</b>	<b>134,989,540</b>
<b>Operating expenditure</b>			
Employee costs	17	(95,902,013)	(83,301,390)
Other operating expenses	16	(66,537,985)	(57,755,016)
Bad debts	6	(19,902,135)	(5,046,488)
Finance costs	15	(14,599)	(9,749)
Depreciation and amortisation	3&4	(2,533,769)	(2,598,384)
<b>Total operating expenditure</b>		<b>(184,890,501)</b>	<b>(148,711,027)</b>
<b>Operating surplus (deficit)</b>		<b>31,551,147</b>	<b>(13,721,487)</b>
Profit/(loss) on disposal of assets		(428,416)	(14,341)
<b>Surplus / (Deficit) for the year</b>		<b>31,122,731</b>	<b>(13,735,828)</b>

# Financial Statements

for the year ended 31 March 2016

## Statement of Changes in Net Assets

Financial year ending	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 April 2014</b>	-	(18,099,673)	(18,099,673)
Changes in net assets			
Deficit for the year	-	(13,735,828)	(13,735,828)
Revaluation Surplus	8,738,966	-	8,738,966
<b>Total changes</b>	<b>8,738,966</b>	<b>(13,735,828)</b>	<b>(4,996,862)</b>
Opening balance as previously reported	8,738,966	(34,827,177)	(26,088,211)
Adjustments			
Prior year adjustments	-	2,991,677	2,991,677
<b>Balance at 01 April 2015 as restated*</b>	<b>8,738,966</b>	<b>(31,835,500)</b>	<b>(23,096,534)</b>
Changes in net assets			
Surplus for the year	-	31,122,731	31,122,731
<b>Total changes</b>	<b>-</b>	<b>31,122,731</b>	<b>31,122,731</b>
<b>Balance at 31 March 2016</b>	<b>8,738,966</b>	<b>(712,769)</b>	<b>8,026,197</b>



# Financial Statements

for the year ended 31 March 2016

## Cash Flow Statement

Financial year ending	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts from customers</b>			
Sale of goods and services and other income		183,179,011	141,848,895
Grants		2,406,301	-
Interest income		3,299,609	2,122,688
		<b>188,884,921</b>	<b>143,971,583</b>
<b>Payments to suppliers</b>			
Employee costs		(89,716,593)	(81,259,448)
Suppliers		(75,276,586)	(64,245,309)
Interest paid		(14,599)	(9,749)
		<b>(165,007,778)</b>	<b>(145,514,506)</b>
<b>Net cash flows from operating activities</b>	18	<b>23,877,143</b>	<b>(1,542,923)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(2,310,083)	(1,016,818)
Proceeds from sale of property, plant and equipment	3	748	-
Purchase of intangible assets	4	-	(187,940)
		<b>(2,309,335)</b>	<b>(1,204,758)</b>
<b>Net cash flows from investing activities</b>		<b>(2,309,335)</b>	<b>(1,204,758)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>21,567,808</b>	<b>(2,747,681)</b>
Cash and cash equivalents at the beginning of the year		31,995,946	34,743,627
<b>Cash and cash equivalents at the end of the year</b>	7	<b>53,563,754</b>	<b>31,995,946</b>

# Financial Statements

for the year ended 31 March 2016

## Statement of Comparison of Budget and Actual Amounts

as at 31 March 2016

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Difference between final budget and actual
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	9,610,666	-	9,610,666	14,580,956	4,970,290	52%
Rendering of services	1,728,105	-	1,728,105	926,916	(801,189)	-46%
Annual fees	121,160,288	-	121,160,288	131,279,596	10,119,308	8%
Infrastructure re-assessment fees	575,000	-	575,000	72,017	(502,983)	-87%
Registration fees	35,196,551	-	35,196,551	27,882,422	(7,314,129)	-21%
Course Reports	20,353,878	-	20,353,878	27,372,970	7,019,092	34%
<b>Total revenue from exchange transactions</b>	<b>188,624,488</b>	<b>-</b>	<b>188,624,488</b>	<b>202,114,877</b>	<b>13,490,389</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Grant received	1,600,000	-	1,600,000	2,532,005	932,005	58%
Bad debts recovered	-	-	-	985,371	985,371	100%
Interest received	1,536,936	-	1,536,936	3,299,609	1,762,673	115%
Sundry Income	949,996	-	949,996	706,435	(243,561)	-26%
Fines and penalties	6,945,596	-	6,945,596	6,803,351	(142,245)	-2%
<b>Total revenue from non-exchange transactions</b>	<b>11,032,528</b>	<b>-</b>	<b>11,032,528</b>	<b>14,326,771</b>	<b>3,294,243</b>	
<b>Total revenue</b>	<b>199,657,016</b>	<b>-</b>	<b>199,657,016</b>	<b>216,441,648</b>	<b>16,784,632</b>	
<b>Expenditure</b>						
Employee related costs	(100,792,755)	-	(100,792,755)	(95,902,013)	4,890,742	5%
Depreciation and amortisation	(7,596,077)	-	(7,596,077)	(2,533,769)	5,062,308	61%
Finance costs	(57,000)	-	(57,000)	(14,599)	42,401	74%
Lease rentals on operating lease	(705,361)	-	(705,361)	(874,423)	(169,062)	-24%
Bad debts	-	-	-	(19,902,135)	(19,902,135)	-32%
Repairs and maintenance	(1,912,110)	-	(1,912,110)	(2,525,988)	(613,878)	29%
General expenses	(88,594,091)	-	(88,594,091)	(63,137,574)	25,456,517	
<b>Total expenditure</b>	<b>(199,657,394)</b>	<b>-</b>	<b>(199,657,394)</b>	<b>(184,890,501)</b>	<b>14,766,893</b>	
<b>Operating surplus</b>	<b>(378)</b>	<b>-</b>	<b>(378)</b>	<b>31,551,147</b>	<b>31,551,525</b>	
Loss on disposal of assets and liabilities	-	-	-	(428,416)	(428,416)	100%
<b>Surplus/(Deficit) for the year</b>	<b>(378)</b>	<b>-</b>	<b>(378)</b>	<b>31,122,731</b>	<b>31,123,109</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(378)</b>	<b>-</b>	<b>(378)</b>	<b>31,122,731</b>	<b>31,123,109</b>	

# Financial Statements

for the year ended 31 March 2016

## Statement of Comparison of Budget and Actual Amounts

as at 31 March 2016

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Difference between final budget and actual
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	300,000	-	300,000	320,799	20,799	-1%
Receivables from exchange transactions	22,000,000	-	22,000,000	43,989,120	21,989,120	-100%
Cash and cash equivalents	35,400,000	-	35,400,000	53,563,754	18,163,754	-51%
	<b>57,700,000</b>	-	<b>57,700,000</b>	<b>97,873,673</b>	<b>40,173,673</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	10,200,000	-	10,200,000	19,271,915	9,071,915	-85%
Intangible assets	18,300,000	-	18,300,000	97,003	(18,202,997)	99%
	<b>28,500,000</b>	-	<b>28,500,000</b>	<b>19,368,918</b>	<b>(9,131,082)</b>	
<b>Total Assets</b>	<b>86,200,000</b>	-	<b>86,200,000</b>	<b>117,242,591</b>	<b>31,042,591</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating Lease Liability	4,507,000	-	4,507,000	2,185,571	(2,321,429)	52%
Payables from exchange transactions	20,500,000	-	20,500,000	103,330,467	82,830,467	-404%
Employee benefit obligation	2,400,000	-	2,400,000	-	(2,400,000)	100%
Provisions	8,600,000	-	8,600,000	3,666,202	(4,933,798)	57%
	<b>36,007,000</b>	-	<b>36,007,000</b>	<b>109,182,240</b>	<b>73,175,240</b>	
<b>Non-Current Liabilities</b>						
Operating lease liability	7,993,000	-	7,993,000	34,154	(7,958,846)	100%
Employee benefit obligation	2,400,000	-	2,400,000	-	(2,400,000)	100%
	<b>10,393,000</b>	-	<b>10,393,000</b>	<b>34,154</b>	<b>(10,358,846)</b>	
<b>Total Liabilities</b>	<b>46,400,000</b>	-	<b>46,400,000</b>	<b>109,216,394</b>	<b>62,816,394</b>	
<b>Net Assets/(Liabilities)</b>	<b>39,800,000</b>	-	<b>39,800,000</b>	<b>8,026,197</b>	<b>(31,773,803)</b>	
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation Reserve	-	-	-	8,738,966	8,738,966	100%
Accumulated surplus	39,800,000	-	39,800,000	(712,769)	(40,512,769)	103%
<b>Total Net Assets</b>	<b>39,800,000</b>	-	<b>39,800,000</b>	<b>8,026,197</b>	<b>(31,773,803)</b>	

# Financial Statements

for the year ended 31 March 2016

## Statement of Comparison of Budget and Actual Amounts

as at 31 March 2016

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Difference between final budget and actual
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services and other income	208,015,000	-	208,015,000	183,179,011	(24,835,989)	12%
Interest income	1,537,000	-	1,537,000	3,299,609	1,762,609	-115%
Grant	1,600,000	-	1,600,000	2,406,301	806,301	-58%
	<b>211,152,000</b>	-	<b>211,152,000</b>	<b>188,884,921</b>	<b>(22,267,079)</b>	
<b>Payments</b>						
Employee costs	(96,230,000)	-	(96,230,000)	(89,716,593)	6,513,407	7%
Interest paid	(57,000)	-	(57,000)	(14,599)	42,401	74%
Other payments	(87,657,000)	-	(87,657,000)	(75,276,586)	12,380,414	14%
	<b>(183,944,000)</b>	-	<b>(183,944,000)</b>	<b>(165,007,778)</b>	<b>18,936,222</b>	
<b>Net cash flows from operating activities</b>	<b>27,208,000</b>	-	<b>27,208,000</b>	<b>23,877,143</b>	<b>(3,330,857)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(4,826,000)	-	(4,826,000)	(2,310,083)	2,515,917	52%
Proceeds from sale of property, plant and equipment	-	-	-	748	748	
Purchase of other intangible assets	(18,000,000)	-	(18,000,000)	-	18,000,000	100%
<b>Net cash flows from investing activities</b>	<b>(22,826,000)</b>	-	<b>(22,826,000)</b>	<b>(2,309,335)</b>	<b>20,516,665</b>	
Net increase/(decrease) in cash and cash equivalents	4,382,000	-	4,382,000	21,567,808	17,185,808	-392%
Cash and cash equivalents at the beginning of the year	31,018,000	-	31,018,000	31,995,946	977,946	-3%
<b>Cash and cash equivalents at the end of the year</b>	<b>35,400,000</b>	-	<b>35,400,000</b>	<b>53,563,754</b>	<b>18,163,754</b>	

## 1. Presentation of Financial Statements

The 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 122(3) of the Public Finance Management Act (Act 1 of 1999).

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. Going concern assumption

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

### 1.2. Capital Commitments

Items are classified as commitments where PSiRA commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

### 1.3. Significant judgements and estimates

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying PSiRA's accounting policies the following estimates, were made:

#### IMPAIRMENT TESTING

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

PSiRA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash

# Financial Statements

## for the year ended 31 March 2016

### Accounting Policies as at 31 March 2016

## 1. Presentation of Financial Statements *(continued)*

flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

### PROVISIONS

Provisions are measured as the present value, in the event that the time value of money is material, of the estimated future outflows required to settle the obligation based on information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

### POST RETIREMENT BENEFITS

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

### PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and

management judgements. In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history. The provision for impairment is disclosed in Note 6

### DEPRECIATION AND AMORTISATION

PSiRA's management determines the estimated useful lives and related depreciation / amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by PSiRA.

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, and expected future use and PSiRA's expectations about the availability of finance to replace the asset at the end of its useful life. Depreciation is disclosed in Note 3 and amortisation is disclosed in Note 4.

## 1.4. Property, plant and equipment

### INITIAL RECOGNITION AND MEASUREMENT

Property, plant and equipment are tangible non-current assets including assets that are for the supply of goods or services, or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to PSiRA and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially

# Financial Statements

## for the year ended 31 March 2016

### Accounting Policies as at 31 March 2016

recognised as assets on acquisition date and are initially recorded at cost when acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by PSiRA. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These major components are depreciated separately over their useful lives.

#### SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, land and buildings are measured using the revaluation model. Application of the revaluation model results in carrying land and buildings at re-valued amounts. Depreciation is eliminated against the gross carrying amount of buildings and the net amount is restated to the revalued amount of the asset. Revaluation increases / decreases are recognised in the revaluation reserve within the Statement of Changes in Net Assets. The revaluation model is applied, consistently for the entire classes of land and buildings. The frequency of revaluations depends on the changes of fair values of items of land and buildings but is conducted at least every three years. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent to initial recognition, items of plant and

equipment are measured at cost less accumulated depreciation and impairment losses.

#### DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable entity.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The useful lives of items of property, plant and equipment have been assessed as follows:

Category assets	Depreciation method	Useful life range in years
Land	Straight line	Indefinite
Buildings	Straight line	10 - 20 years
Furniture and fittings	Straight line	10 - 15 years
Motor vehicles	Straight line	5 - 8 years
Office equipment	Straight line	5 - 15 years
Computer equipment	Straight line	3 - 10 years
Leasehold improvements	Straight line	5 -10 years

#### IMPAIRMENT

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately



## **1. Presentation of Financial Statements** *(continued)*

to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

### **DERECOGNITION**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.5. Intangible assets**

#### **INITIAL RECOGNITION AND MEASUREMENT**

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Intangible assets are initially recognised at cost.

### **SUBSEQUENT MEASUREMENT**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

### **AMORTISATION AND IMPAIRMENT**

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. The annual amortisation rates are based on the following estimated average asset lives:

Category Assets	Useful life range in year
Computer software	3 years

### **DERECOGNITION**

An intangible asset will be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss from the derecognition of intangible asset shall be included in surplus or deficit when an asset is derecognised.

### **1.6. Financial instruments**

#### **INITIAL RECOGNITION**

PSiRA recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, PSiRA becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial

# Financial Statements

## for the year ended 31 March 2016

### Accounting Policies as at 31 March 2016

liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

#### INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### FINANCIAL ASSETS

PSiRA classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. PSiRA has not classified any of its financial assets as held to maturity, fair value through profit and loss or available for sale.

#### SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

#### FINANCIAL INSTRUMENTS AT COST

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

PSiRA assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

#### OFFSETTING

PSiRA does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

#### IMPAIRMENTS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. PSiRA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired

#### INVESTMENTS AT AMORTISED COST

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

The accounting policy for each category is as follows:

- **Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

## **1. Presentation of Financial Statements** *(continued)*

### • **Trade and other receivables**

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an impairment account.

Bad debts are written off in the year in which they are identified and approved as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current.

PSiRA derecognises the financial assets using trade date accounting

### • **Trade and other payables**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

### • **Commitments**

A commitment arises where an agreement has been entered into with an external party that will result a future obligation to make an outflow of resources. Such agreement is normally in the form of a purchase order or other contractual documentation.

## **1.7. Tax**

### **NORMAL TAXATION**

PSiRA is exempt from taxation in terms of section 10 of the South African Income Tax Act, 1962 ( Act No. 58 of 1962).

## **1.8. Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### **OPERATING LEASES - LESSEE**

#### **PSiRA as lessee**

### **RECOGNITION**

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of GRAP 3.

### **MEASUREMENT**

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

## **DERECOGNITION**

The operating lease liability is derecognised when PSiRA's obligation to settle the liability is extinguished. The operating lease asset is derecognised when PSiRA no longer anticipates economic benefits to flow from the asset.

## **1.9. Inventories**

### **INITIAL RECOGNITION AND MEASUREMENT**

Inventories comprise stationery and consumables, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

### **SUBSEQUENT MEASUREMENT**

Inventories are measured at the lower of cost or current replacement cost where they are held for distribution.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

## **DERECOGNITION**

The carrying amount of inventories is recognised as an expense in the period that the inventory was used.

## **1.10. Employee benefits**

### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which PSiRA pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to PSiRA during a reporting period, PSiRA recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, PSiRA recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

## **1.11. Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrues to PSiRA directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

# Financial Statements

for the year ended 31 March 2016  
Accounting Policies as at 31 March 2016

## 1. Presentation of Financial Statements *(continued)*

### RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) PSiRA retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to PSiRA and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

### MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

### 1.12. Revenue from non-exchange transactions

#### GRANTS

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received. Grants made with conditions are recognised as and when the conditions are met.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

### FINES AND PENALTIES

Fines and penalties are economic benefits or service potential received or receivable by PSiRA, as determined by the PSIR Act, as a consequence of the individual or other entity breaching the requirements of laws and regulations. Such fines are recognised as revenue when the invoice is raised after the approval of the judgement.

### INVESTMENT INCOME

Investment income is recognised on the time proportional basis using the effective interest method.

### BAD DEBTS RECOVERED

Bad debts recovered are realised where debts that have previously been written off as irrecoverable and the debts are subsequently rehabilitated or repaid. The amounts rehabilitated or repaid are raised as bad debts recovered.

### OTHER INCOME

Other income includes insurance proceeds and revenue from the sale of tender documents. Such other income is recognised on the receipt of funds.

### 1.13. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided

# Financial Statements

## for the year ended 31 March 2016

### Accounting Policies as at 31 March 2016

had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.14. Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- a) Public Finance Management Act (Act 1 of 1999); or
- b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- c) any provincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

#### 1.15. Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2015 to 31/03/2016.

This accounting policy applies only to the approved budget of the entity. The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

The statement of comparative and actual information has been included in the financial statements as the recommended disclosure when financial statements and the budget are on the same basis of accounting as determined by National Treasury. Comparative information is not required.

#### 1.16. Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions. Key management staff and their close family members are also regarded as related parties. Key management staff are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity.

PSiRA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## 2. Standards issued

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

### 2.1. Standards and interpretations issued and adopted in the current financial year

Standard/ Interpretation	Effective date	Impact
GRAP 5: Borrowing costs	01/04/2014 (revised 1 April 2015)	None
GRAP 100: Discontinuing operations	01/04/2014 (revised 1 April 2015)	None
GRAP 1: Presentation of Financial Statements	01 April 2015	None
GRAP 2: Cash Flow Statements	01 April 2015	None
GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors	01 April 2015	None
GRAP 4: The Effects of changes in Foreign Exchange Rates	01 April 2015	None
GRAP 6: Consolidated and Separate Financial Statements	01 April 2015	None
GRAP 7: Investments in Associates	01 April 2015	None
GRAP 8: Interest in Joint Ventures	01 April 2015	None
GRAP 9: Revenue from Exchange Transactions	01 April 2015	None
GRAP 10: Financial Reporting in Hyperinflationary Economies	01 April 2015	None
GRAP 11: Construction Contracts	01 April 2015	None
GRAP 12: Inventories	01 April 2015	None
GRAP 13: Leases	01 April 2015	None
GRAP 14: Events after the reporting date	01 April 2015	None
GRAP 16: Investment Property	01 April 2015	None
GRAP 17: Property Plant and Equipment	01 April 2015	None
GRAP 18: Segment Reporting	01 April 2015	None
GRAP 19: Provisions, Contingent Liabilities and Contingent Assets	01 April 2015	None
GRAP 21: Impairment of Non-cash- generating Assets	01 April 2015	None
GRAP 23: Revenue from Non- exchange Transactions	01 April 2015	None
GRAP 24: Presentation of Budget Information in Financial Statements	01 April 2015	None
GRAP 25: Employee benefits	01 April 2015	None
GRAP 26: Impairment of Cash- generating assets	01 April 2015	None
GRAP 27: Agriculture	01 April 2015	None
GRAP 31: Intangible Assets	01 April 2015	None
GRAP 103: Heritage Assets	01 April 2015	None
GRAP 104: Financial Instruments	01 April 2015	None
GRAP 105: Transfer of Functions Between Entities Under Common Control	01 April 2015	None
GRAP 106: Transfer of Functions Between Entities Not Under Common Control	01 April 2015	None
GRAP 107: Mergers	01 April 2015	None



## Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

### 2.2. Standards and interpretations issued, but not yet effected

In the current year the entity has not adopted the following standards that are not effective for the current financial year :

Standard/ Interpretation	Effective date	Impact
GRAP 20: Related Party Disclosures	No effective date	None
GRAP 32: Service Concession Arrangements: Grantor	No effective date	None
GRAP 108: Statutory Receivables	No effective date	None
IGRAP 17: Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	No effective date	None

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,800,000	-	<b>8,800,000</b>	8,800,000	-	<b>8,800,000</b>
Buildings	4,600,000	(460,000)	<b>4,140,000</b>	4,600,000	-	<b>4,600,000</b>
Furniture and fixtures	4,098,646	(2,618,944)	<b>1,479,702</b>	5,553,518	(3,381,059)	<b>2,172,459</b>
Motor vehicles	212,438	(31,866)	<b>180,572</b>	-	-	-
Office equipment	4,782,771	(2,520,740)	<b>2,262,031</b>	4,129,593	(2,301,623)	<b>1,827,970</b>
Computer equipment	4,980,027	(2,900,478)	<b>2,079,549</b>	5,404,036	(3,672,733)	<b>1,731,303</b>
Leasehold improvements	1,754,377	(1,424,316)	<b>330,061</b>	1,754,377	(1,086,934)	<b>667,443</b>
<b>Total</b>	<b>29,228,259</b>	<b>(9,956,344)</b>	<b>19,271,915</b>	<b>30,241,524</b>	<b>(10,442,349)</b>	<b>19,799,175</b>

### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	8,800,000	-	-	-	-	<b>8,800,000</b>
Buildings	4,600,000	-	-	-	(460,000)	<b>4,140,000</b>
Motor vehicles	-	212,438	-	-	(31,866)	<b>180,572</b>
Furniture and fixtures	2,172,459	218,774	<b>(265,905)</b>	-	(645,626)	<b>1,479,702</b>
Office equipment	1,827,970	892,854	<b>(36,838)</b>	-	(421,955)	<b>2,262,031</b>
Computer equipment	1,731,303	986,016	<b>(126,422)</b>	-	(511,348)	<b>2,079,549</b>
Leasehold improvements	667,443	-	-	-	(337,382)	<b>330,061</b>
	<b>19,799,175</b>	<b>2,310,082</b>	<b>(429,165)</b>	-	<b>(2,408,177)</b>	<b>19,271,915</b>

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## Property, plant and equipment (*continued*)

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	2,623,000	-	-	6,177,000	-	<b>8,800,000</b>
Buildings	2,297,354	-	-	2,561,966	(259,320)	<b>4,600,000</b>
Motor vehicles	5,536	-	<b>(2,768)</b>	-	(2,768)	-
Furniture and fixtures	2,786,540	33,633	-	-	(647,714)	<b>2,172,459</b>
Office equipment	1,627,606	565,695	<b>(963)</b>	-	(364,368)	<b>1,827,970</b>
Computer equipment	2,045,277	417,490	<b>(10,610)</b>	-	(720,854)	<b>1,731,303</b>
Leasehold improvements	1,004,825	-	-	-	(337,382)	<b>667,443</b>
	<b>12,390,138</b>	<b>1,016,818</b>	<b>(14,341)</b>	<b>8,738,966</b>	<b>(2,332,406)</b>	<b>19,799,175</b>

The asset classes of land and buildings are carried at revalued amounts. Land and buildings were revalued on 31 March 2015. The Land and Buildings were revalued by independent valuers. The fair values were determined by using either the comparative sales or the income capitalisation methods. Accumulated depreciation for the revalued buildings has been eliminated against the gross carrying value of buildings.

The entity reassessed the useful lives of items of property, plant and equipment at the end of the reporting period, in line with the accounting policy and GRAP 17 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. Refer to note 30 for more details.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit:

	2016	2015
Proceeds from Insurance claims	<b>34,927</b>	<b>49,780</b>

#### 4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,688,890	(4,591,887)	97,003	5,986,535	(5,763,942)	222,593
<b>Reconciliation of intangible assets - 2016</b>						
	Opening balance		Additions		Amortisation	Total
Computer software	222,593		-		(125,590)	97,003
<b>Reconciliation of intangible assets - 2015</b>						
	Opening balance		Additions		Amortisation	Total
Computer software	300,635		187,940		(265,982)	222,593

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 5. Inventories

Consumable stores

2016

2015

320,799

175,281

## 6. Trade and other receivables

Trade debtors

71,398,175

41,816,319

Provision for impairment of trade debtors

(28,860,133)

(8,957,998)

Deposits

556,595

551,296

Other receivables

497,351

367,235

Prepayments

397,132

2,042,609

**43,989,120**

**35,819,461**

### Trade and other receivables

Trade and other receivables from exchange transactions

63,300,000

38,424,990

Trade and other receivables from non-exchange transactions

8,098,175

3,391,329

**71,398,175**

**41,816,319**

### Ageing of trade receivables

Current ( 0 - 30 days)

5,272,616

1,288,299

31 - 60 Days

2,734,344

1,079,027

61 - 90 days

1,541,508

745,308

91 - over

61,849,707

38,703,685

**71,398,175**

**41,816,319**

### Reconciliation of provision for impairment of trade and other receivables

Opening balance

8,957,998

3,911,510

Current year provision

19,902,135

5,046,488

Amounts written off as uncollectible

-

-

**28,860,133**

**8,957,998**

All trade debtors have been impaired when no payment have been received from the debtor within the last 24 months(2015: 24 months)

## 7. Cash and cash equivalents

### Favourable cash balances:

Cash on hand

681,913

520,859

Short-term deposits

47,899,380

29,266,972

Deposits and current accounts

4,982,461

2,208,115

**53,563,754**

**31,995,946**

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 8. Operating lease obligation

Non-current liabilities  
Current liabilities

2016

2015

34,154

2,219,725

2,185,571

5,545,038

**2,219,725**

**7,764,763**

### 8.1. Lease payments: non-cancelable leases - Building.

PSiRA has regional offices in Johannesburg, Durban, Port Elizabeth and Mthatha, and its head office in Centurion, where it leases premises for the purpose of providing services to the security industry.

#### Kwa-Zulu Natal: 26 Mathews Road, Greyville

5 year contract expiring 31 May 2017 - escalation of 7% per annum

#### Pretoria Corporate Offices: Eco Glades 2 Office Park, Centurion

5 year contract expiring 31 July 2016 - escalation of 10% per annum

The timing of lease payments have been deferred over the term of the lease. The deferred payment arrangement is based on the percentage of total lease payments under the agreement. The amounts payable for the initial two years is fixed at 7%, increasing to 26%, 29% and 31% in the outer years.

### 8.2. Lease payments: Office Equipment.

5 year contracts expiring in 2019 - escalation of 0% per annum

### 8.3. Lease payments: Operating costs buildings

#### Pretoria Corporate Offices: Eco Glades 2 Office Park, Centurion

5 year contract expiring 31 July 2016 - escalation of 10% per annum

#### Summary for all the operating lease obligations

Not later than one year

One to five years

2,185,571

5,545,038

34,154

2,219,725

**2,219,725**

**7,764,763**

#### Total Operating Lease obligation

Lease payments : Buildings

Lease payments: operating costs of buildings

2,096,112

7,334,315

123,613

430,448

**2,219,725**

**7,764,763**

## 9. Trade and other payables

### Current trade and other payables

	2016	2015
Overpayment on Annual fees by debtors	80,363,013	80,363,013
Trade payables and accruals	7,477,023	5,310,849
Credit Balances in Debtors	11,232,637	10,550,677
Accruals for salary related expenses	2,918,908	68,703
13th Cheque	1,196,572	1,014,412
Unknown deposits	142,314	449,153
	<b>103,330,467</b>	<b>97,756,807</b>

Trade payables include cash receipts or deposits into PSiRA's bank account, with incorrect or unidentifiable references. In some instances these deposits relates to registration fees, course reports or fines and settlements that cannot be allocated as yet. These cash receipts are disclosed as unknown deposit. Overpayment on annual fees by debtors relates to credit notes processed against overbilling of annual fees from the inception of the revised Annual Fees Regulations which were implemented from 1 January 2012. The processing of credit notes for resulted in credit debtors balances for Security Businesses that were paying revised fees during this period.

## 10. Provisions

### Reconciliation of provisions - 2016

Performance bonus			3,666,202	5,587,421
	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	5,587,421	2,025,884	(3,947,103)	3,666,202

### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision	1,185,770	4,401,651	-	5,587,421



# Financial Statements

for the year ended 31 March 2016

## Notes to the Financial Statements

### 11. Revenue

	2016	2015
Sale of goods	14,580,956	2,494,971
Rendering of services	926,916	549,834
Annual Fees	131,279,596	72,268,430
Infrastructure re-assessment	72,017	27,250
Course Reports	27,372,970	23,979,200
Registration fees	27,882,422	26,152,187
Grant received	2,406,301	777,778
Bad debts recovered	985,371	1,323,861
Interest received	3,299,609	2,122,688
Sundry Income	832,139	899,959
Fines and Penalties	6,803,351	4,393,382
	<b>216,441,648</b>	<b>134,989,540</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	14,580,956	2,494,971
Rendering of services	926,916	549,834
Annual Fees	131,279,596	72,268,430
Infrastructure re-assessment fees	72,017	27,250
Course Reports	27,372,970	23,979,200
Registration fees	27,882,422	26,152,187
	<b>202,114,877</b>	<b>125,471,872</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

Grants received	2,406,301	777,778
Fines and penalties	6,803,351	4,393,382
	<b>9,209,652</b>	<b>5,171,160</b>

### 12. Other income (Non-Exchange Revenue)

Bad debts recovered	985,371	1,323,861
Sundry Income	832,139	899,959
	<b>1,817,510</b>	<b>2,223,820</b>

### 13. Finance Income (Non-Exchange Revenue)

#### Interest revenue

Interest received	3,299,609	2,122,688
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Included in the amount above is the interest received, from grant funds received, to the amount of R46 442 (2015: R16 854)

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 14. Auditors' remuneration

	2016	2015
Internal Audit Fees	889,165	883,848
External Audit Fees	2,112,409	2,295,333
	<b>3,001,574</b>	<b>3,179,181</b>

## 15. Finance Costs

	2016	2015
Interest paid	<b>14,599</b>	<b>9,749</b>

## 16. General expenses

Advertising	2,522,096	1,489,939
Auditors remuneration	3,001,574	3,179,181
Bank charges	1,086,074	720,912
Cleaning	619,122	669,294
Consulting and professional fees	2,381,402	3,548,539
Consulting and professional fees - Council members	184,715	139,512
Consulting and professional fees - Audit committee members	256,068	362,177
Consumables	82,069	17,120
Finger Print costs	7,244,041	5,566,396
Functions and workshops	1,718,653	699,663
Insurance	422,734	480,008
Lease rentals on operating lease	874,423	655,484
Legal Fees	692,959	1,047,897
Postage and courier	948,833	979,116
Printing and stationery	3,856,859	2,456,892
Donations	42,000	-
Property Rental	13,463,232	12,998,690
Repairs & Maintenance	2,525,988	2,552,201
Vehicle license fees	-	1,167
SARS Penalties	117,336	90,236
Security	4,805,245	4,338,735
Software expenses	1,758,878	1,583,718
Subscriptions and membership fees	61,453	64,650
Sundry Expenses	553,996	478,989
Telephone and fax	6,637,659	5,980,819
Training	766,637	677,625
Travel - local	4,742,543	3,568,998
Travel - overseas	1,127,552	-
Uniforms	17,671	13,111
Water, Electricity and Levies	4,026,173	3,393,947
	<b>66,537,985</b>	<b>57,755,016</b>

Attendance fees and travel allowances paid to Audit committee and council members not employed by PSiRA has been reallocated from Employee costs. Comparative figures have been restated, refer to note 28.

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 17. Employee related costs

	2016	2015
Basic salaries	71,041,817	57,350,845
Performance bonus - provision	2,025,884	4,401,651
Medical aid	5,591,034	5,131,998
Unemployment insurance fund	418,363	376,047
Skills development levy	818,272	667,903
Pension contribution	6,542,774	6,567,997
13th Cheques	3,914,221	3,844,688
Travel and other allowances	5,496,670	5,705,138
Actuarial loss recognised	-	(950,000)
Workmens compensation	52,978	205,123
	<b>95,902,013</b>	<b>83,301,390</b>

Attendance fees and travel allowances paid to Audit committee and council members, not employed by PSiRA, have been reallocated from Employee costs. Comparative figures have been restated, refer to note 28

## 18. Cash generated from (used in) operations

Surplus (deficit)	31,122,731	(13,735,828)
<b>Adjustments for:</b>		
Depreciation and amortisation	2,533,769	2,598,384
(Gain) / Loss on disposal of assets	428,416	14,341
Debt impairment	19,902,135	5,046,488
Movements in operating lease assets and accruals	(5,545,038)	(4,468,619)
Movements in retirement benefit assets and liabilities	-	(1,838,000)
Movements in provisions	(1,921,219)	4,401,651
<b>Changes in working capital:</b>		
Inventories	(145,518)	449,719
Receivables from exchange transactions	(28,071,794)	9,759,823
Payables from exchange transactions	5,573,661	(2,993,104)
Unspent conditional grants and receipts	-	(777,778)
	<b>23,877,143</b>	<b>(1,542,923)</b>

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 19. Events after the reporting date

PSiRA entered in to new lease agreements for the Centurion head office and Johannesburg, Port Elizabeth and Mthatha regional offices.

Due to the number of refund applications received, PSiRA decided to process credit notes of R80 363 013 to all affected security businesses.

## 20. Irregular expenditure

	2016	2015
Opening balance	17,391,624	16,114,589
Add: Irregular Expenditure - current year	-	1,277,035
Less: Amounts written-off	(17,391,624)	-
	-	<b>17,391,624</b>

### Analysis of expenditure awaiting condonation per age classification

#### Details of irregular expenditure – current year

#### Amount was incurred due to none adherence to prescripts and applicable legislation, as follows:

Single Supplier	-	108,052
Less than three quotes	-	67,993
Deviation from supply chain procedures and prescripts	-	853,370
Non-compliance to the prescripts or legislations	-	247,620
	-	<b>1,277,035</b>

### Disciplinary steps taken / criminal proceedings

No losses were identified and no disciplinary steps have been taken against officials at the date of approval of the financial statements.

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 21. Fruitless and wasteful expenditure

Opening Balance  
Fruitless and wasteful expenditure - written off  
Fruitless and wasteful expenditure - transferred to Trade debtors for recovery

### Details of fruitless and wasteful expenditure - current year

SARS Penalties  
VAT paid to non registered vender  
Leave pay overpaid on termination  
SARS Interest  
Flight costs  
Interest on creditors accounts  
Overpayment on Salary  
Unclaimed loss of asset

	2016	2015
Opening Balance	179,332	109,869
Fruitless and wasteful expenditure - written off	(176,332)	(109,869)
Fruitless and wasteful expenditure - transferred to Trade debtors for recovery	(3,000)	-
	-	-
SARS Penalties	128,814	90,236
VAT paid to non registered vender	-	5,476
Leave pay overpaid on termination	-	4,408
SARS Interest	13,301	2,470
Flight costs	26,530	-
Interest on creditors accounts	1,298	7,279
Overpayment on Salary	3,000	-
Unclaimed loss of asset	6,389	-
	<b>179,332</b>	<b>109,869</b>

During the current year fruitless and wasteful expenditure of R179 322 (2015: 109 869) was incurred as a result of late payments made to creditors & SARS penalties and interest, as well as additional flight costs incurred due to poor planning.

A written warning was issued with regards to the late payment to SARS that resulted in Interest and penalties being payable. Processes and procedures are in place to prevent interest on Supplier accounts due to late payment. Interest on Petrol card as well as Credit card will continue as the account is settled at the end of the month whilst interest is charged from date of the transaction.

# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

## 22. Contingencies

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### Litigation

#### Contingent liabilities

PSiRA is a defendant in a number of legal actions. The cases are yet to be brought before the court. It is not possible at this stage of proceedings to determine the losses that PSiRA would suffer in the event that the Court found against PSiRA. Estimated liability amounts to R857 000.

#### Contingent assets

PSiRA is a complainant in a number of legal actions. The cases are yet to be brought before the courts. The estimated probable inflow is R35 000 excluding costs.

#### Arcadia Building

The valutors report for the valuation of land and buildings at 31 March 2015 disclosed that the demolition costs for the Arcadia Office building, which has been declared unsuitable for occupation, would amount to R1 500 000. The property was valued as the expected sale value of the property voetstoots, see Note 3. PSiRA will only incur the demolition costs in the event that the property is developed by PSiRA and in which event, the land value will increase by a commensurate amount.

## 23. Risk management

### Liquidity risk

PSIRA's risk to liquidity is a result of the funds available to cover future commitments. PSIRA manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses PSiRA's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period as at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>Contractual undiscounted cash flows as at reporting date:</b>	Less than 1 year	Between 1 year and 2 years	Between 2 and 5 years	Total
Operating lease obligation	2,185,572	34,154	-	2,219,726
Trade and other payables	103,330,467	-	-	103,330,467
	<b>105,516,039</b>	<b>34,154</b>	<b>-</b>	<b>105,550,193</b>

### Interest rate risk

Interest rate risk relates to fluctuation of the fair value or future cash flows of financial instruments, as a result of changes in market conditions. PSiRA is exposed to interest rate risk as it invests funds in the money market at a fixed and floating interest rate. This is managed by investing PSiRA's surplus funds in short term investments, thereby taking advantage of the maximum rate applicable from time to time from money markets. Such investments are held with a registered bank in the Republic of South Africa.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. PSiRA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to security service provider applicants on a ongoing basis. If there is no independent rating, risk control assesses the credit quality of the security service provider applicant, taking into account its financial position, business plans, past experiences and other factors. In addition, security service providers are required to lodge surety with respect to annual fees. This is a requirement for all applications for registration as a security service provider.



# Financial Statements

for the year ended 31 March 2016

Notes to the Financial Statements

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was as follows:

## Financial Instruments

Trade and other receivables

Cash and cash equivalents

2016	2015
43,989,120	35,819,461
53,563,754	31,995,946
<b>97,552,874</b>	<b>67,815,407</b>

## 24. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. In assessing the going concern, the accounting authority considers financial position, legal and statutory factors and potential sources of funding.

### Financial considerations

At reporting date, PSiRA had net assets of R8 026 197. PSiRA posted a net surplus of R31 122 731 for the current financial year.

### Legal and statutory considerations

The Private Security Industry Regulatory Authority was established in terms of Section Two of the Private Security Industry Regulation Act (56 of 2001) "Act" in 2002. There is a process underway to amend the Act. The amendment seeks to strengthen mechanisms of regulation, at the same time, retaining the form of the entity which regulates the industry. Further, the Amendment Bill seeks to introduce funding of the Authority through appropriation by Parliament. This will ensure that PSiRA has sufficient resources to carry out its legislative mandate.

### Assessment of going concern assumption

The Standard of Generally Recognised Accounting Practice – Presentation of Financial Statements (GRAP 1) paragraph .27 states "when preparing financial statements, management shall make an assessment of an entities ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease trading, or if there is no realistic alternative to do so."

PSiRA has a statutory mandate in terms of the Act and will continue to deliver on its mandate for the foreseeable future.

The going concern assumption in Public Entities is not predicated on the solvency test that is usually applied to business enterprises. The legislated ability to raise fees from the security industry may allow PSiRA to operate for extended periods in a net liability position.

The accounting authority is of the opinion that PSiRA will continue to operate in the foreseeable future.

# Financial Statements

for the year ended 31 March 2016

## Notes to the Financial Statements

### 25. Commitments

#### Capital Expenditure: Approved & Contracted

Property , Plant and equipment

#### Operational expenditure: Approved and contracted

Printing & Stationery

Training

Maintenance

Consultancy fees

Staff amenities

Travel Expenses

License fees

Telephone & Fax

	2016	2015
Property , Plant and equipment	-	212,438
Printing & Stationery	6,669	7,860
Training	13,222	77,132
Maintenance	24,587	-
Consultancy fees	256,445	-
Staff amenities	4,290	-
Travel Expenses	65,228	-
License fees	1,988,679	-
Telephone & Fax	485,081	-
	<b>2,844,201</b>	<b>297,430</b>

### 26. Related parties

PSiRA is a section 3A Public Entity listed in the PFMA. In terms of the PFMA, PSiRA is mandated to report to the Minister of Police as its Executive Authority. No transactions took place between PSiRA and the Department of Police during the period under review.

### Board and Executive Members Emoluments

The Executive Authority approves the remuneration of the Council. Remuneration of the Council is paid in line with Treasury guidelines.

	Remu- neration	Car allowance	Leave pay	Reimbursive and other allowances	Total
<b>Council members 2016</b>					
Prof N.M. Mazibuko (Chairperson) ***	1,647,904	-	-	22,421	1,670,325
Mr D.C.M. Rathebe (Dep. Chairperson)^	-	-	-	26,388	26,388
Mr B.S. Ntuli	117,892	-	-	28,363	146,255
Maj Genl. C.L. Philison**^	-	-	-	-	-
Adv N. Mthembu	66,823	-	-	4,661	71,484
	<b>1,832,619</b>	<b>-</b>	<b>-</b>	<b>81,833</b>	<b>1,914,452</b>
<b>Council members 2015</b>					
Mr T.O. Bopela (Chairperson) *	1,129,319	180,000	239,855	18,000	1,567,174
Mr D.C.M. Rathebe ( Dep. Chairperson)^	-	-	-	-	-
Mr B.S. Ntuli**	63,960	-	-	6,636	70,596
Maj Genl C.L. Philison**^	-	-	-	2,466	2,466
Adv N. Mthembu**	75,552	-	-	4,418	79,970
	<b>1,268,831</b>	<b>180,000</b>	<b>239,855</b>	<b>31,520</b>	<b>1,720,206</b>

\* Term ended December 2014

\*\* Appointed in September 2013

\*\*\*Appointed in April 2015

^ Non remunerated - government employee

# Financial Statements

for the year ended 31 March 2016

## Notes to the Financial Statements

	Meetings attended	Remuneration	Special Assignments and other meetings	Reimbursive and other allowances	Total
<b>Audit Committee 2016</b>					
Mr A.N. Mhlongo (Chairperson)**	Six	106,236	-	1,680	107,916
Ms N. Tshobeni***	Four	40,000	-	504	40,504
Mr C. Motau***	Five	44,000	-	-	44,000
Mr B. Mkhize***	Four	53,018	-	444	53,462
Mr T. Mvelase***	Two	16,000	-	-	16,000
		<b>259,254</b>	<b>-</b>	<b>2,628</b>	<b>261,882</b>
<b>Audit Committee 2015</b>					
Mr A.N. Mhlongo (Chairperson)**	Seven	144,648	-	4,620	149,268
Ms J. Meissner (Chairperson)*	Two	43,265	53,328	-	96,593
Ms N. Tshobeni***	Five	45,536	-	1,214	46,750
Mr C. Motau***	Four	15,344	19,352	-	34,696
Mr B. Mkhize***	Four	20,352	-	666	21,018
Mr T. Mvelase***	Four	20,352	-	-	20,352
		<b>289,497</b>	<b>72,680</b>	<b>6,500</b>	<b>368,677</b>

\* Resigned in May 2014

\*\* Appointed as Chairperson in August 2014

\*\*\* Appointed in June 2014

		Remuneration	Car, other allowances and benefits	Reimbursive allowance	Total
<b>Key Management Personnel 2016</b>					
Mr M.S. Chauke	Director	1,539,437	294,301	18,820	1,852,558
Ms M.P. Mofikoe	Deputy Director: Comm, Train & Reg	1,315,179	42,249	6,719	1,364,147
Mr P.P. Mthethwa	Deputy Director: Law Enforcement	1,157,145	139,560	15,187	1,311,892
Mr R. Kevan ***	Deputy Director: Fin & Admin	819,452	10,500	-	829,952
Mrs M.C. Sebogodi****	Deputy Director: Fin & Admin	525,674	60,349	-	586,023
Mrs Z. Mthembu**	Corporate Secretary	824,505	122,000	-	946,505
		<b>6,181,392</b>	<b>668,959</b>	<b>40,726</b>	<b>6,891,077</b>
<b>Key Management Personnel 2015</b>					
Mr M.S. Chauke	Director	1,304,490	290,951	15,601	1,611,042
Ms M.P. Mofikoe	Deputy Director: Comm, Train & Reg	1,201,714	18,000	-	1,219,714
Mr P.P. Mthethwa	Deputy Director: Law Enforcement	1,068,859	174,540	16,715	1,260,114
Mr R. Kevan***	Deputy Director: Fin & Admin	474,200	6,750	-	480,950
Mrs P.B. Mngomezulu*	Deputy Director: Fin & Admin	519,094	400,734	813	920,641
Mrs Z. Mthembu**	Corporate Secretary	599,650	242,370	1,760	843,780
		<b>5,168,007</b>	<b>1,133,345</b>	<b>34,889</b>	<b>6,336,241</b>

\* Appointed in March 2014 and resigned in October 2014

\*\* Appointed in August 2013

\*\*\* Appointed in November 2014 and resigned in October 2015

\*\*\*\* Appointed November 2015

## 27. Budget differences

### Material differences between budget and actual amounts

#### STATEMENT OF FINANCIAL PERFORMANCE

##### Revenue

Total Revenue is 8% above budget mainly due to the following:

- Annual Fees is 8% above budget. A new pricing structure was introduced which resulted in the increased revenue.
- Registration fees 21% below budget – The increased annual fees has created barrier for new companies entering the market.
- Course Reports income 34% above budget – Despite the number of Course report being less than the budgeted number, the increased fees charged contributed to the budget being exceeded. More course reports are being processed as a result of changed operational processes and improved communication between PSiRA and Training Providers on compliance requirement (turnaround reduced to 48 hours and each province allocated dedicated personnel in the Training Department)
- Sale of Goods 52% above budget due to the Renewal of Certificates and ID Cards project that was rolled-out during the year.
- Research grant received is 58% above budget due to the 2015 financial year grant only received in April 2015.
- Interest received is 115% above budget, mainly due to the increased cash inflows in 2015/16 financial year after the implementation of the new admin fee and annual fees
- Other Income is 26% below budget (includes Changes to Service Provider details, RPL, Sale of Tender documents)

##### Expenditure

Expenditure is 7% below budget mainly due to the following:

- Printing costs are 94% below budget - Order for the printing of Certificates changed from small to large quantities. Printing the certificate with Government Printer in bulk has reduced the cost of production.
- Advertising costs are 57% below budget – partnership and media barter deals has contributed to the reduction in expenditure (pushing for advertorials through PR)
- Travel and accommodation costs are 23% below budget – Deployment of an integrated approach in implementing stakeholder workshops planned (Utilisation of a central venue for both activities)
- Venue hire costs are 71% below budget - Deployment of an integrated approach in implementing stakeholder workshops planned (Utilisation of a central venue for both activities)
- Legal Fees are 73% below budget mainly due to timing difference, most cases are still pending and no invoices have been received.
- Consulting fees are 31% below budget - this is mainly due to the implementation of cost containment measures.
- Staff training expenses are 61% below budget - this is mainly due to the delay of the Management Development Programme that was budgeted to take place in 2015/2016 financial year.)

The items listed above are expenses that have been identified for cost containment measures in order to restore the entity's liquidity and solvency

- Depreciation and amortization being 61% below budget are mainly due to the delay in procurement of the new ERP system that was budgeted for implementation in 2015/2016 financial year)
- Telephone, fax and Diginet costs exceeded the budget by 50%. A new agreement has been entered into to ensure that charges for data is at beneficial levels.

#### **Surplus / Deficit**

- The year to date surplus is R31.1 million compared to the year to date budgeted deficit of R378. This is mainly due to the positive variance in YTD expenditure. The current positive results have contributed to the turnaround in the negative solvency situation that was present at 31 March 2015

#### **STATEMENT OF FINANCIAL POSITION**

##### **Current Assets**

- Budgeted Debtors was exceeded by R21.9m, which correlated with the amount that revenue exceeds budget. Of the annual fees billed for 2016 financial year, 85 % was collected.

##### **Cash and Cash Equivalents**

- The increase in cash and cash equivalents is mostly due to the successful implementation of the revised Annual Fees in April 2015 that were not contested by the Service Providers. The collection rate for 2016 financial year has been high compared to previous years. This has contributed to the healthy current liquidity position. The planned refunding of Services providers was postponed to the 2016/2017 financial year, which also contributed to the actual bank balances being 51% more than what was originally budgeted.

##### **Trade and Other Payables**

- Trade payables include an Overpayment of R80 million that was paid by the Service Providers during the period 1 January 2012 to 30 November 2014. The refunding of these overpayments did not commence as planned. The operating lease liability is well below budgeted figures as the new lease contracts were concluded after financial year-end.

##### **Statement of cash flow**

- Both the delay in implementing the ERP system and cost containment measures have resulted in the higher than budgeted increase in cash and cash equivalents.

## 28. Prior period errors

### a. Nature of error: Material misstatement

During 2014/2015 financial year Trade Debtors in the General Ledger did not reconcile to Trade Debtors in Compiere system. The difference was as a result on bad debts that were written-off in Pastel but were not written of in Compiere. Some of the debtors written off related were Security Businesses with a Suspended status. As per PSiRA Debt Management policy only withdrawn Security Businesses can be written off as bad debts. The Suspended bad debt written off balance was reinstated in 2015/2016 financial year.

#### Statement of Financial Performance

Annual Fees  
Bad debts recovered

#### Statement of Financial Position

Trade debtors  
Accumulated Surplus

**2015**

3,554,569  
(562,892)  
**2,991,677**

2,991,677  
2,991,677

### b. Nature of error: Material misstatement

Attendance fees paid to Audit committee members and Council members were disclosed as part of employee costs. Travel reimbursements were also disclosed under employee costs. Both expenses have been reallocated to consultancy fees and travel expenses respectively.

#### Statement of Financial Performance

Employee costs  
Other operating costs

-521,709  
521,709

## 29. Unspent conditional grants and receipts

Grants are received for specific projects and do not relate to funding for operational requirements.

### Movement during the year

	2016	2015
Balance at the beginning of the year	-	777,778
Income recognition during the year	-	(777,778)
	-	-

## 30. Change in estimate

### Property, plant and equipment

During the financial year the useful lives of assets have been reassessed as follows:

The useful life of computer equipment increased to 5 years.

The useful life of office equipment increased from 5 years to 10 years.

The useful life of office furniture increased from 5 years to 15 years.

The effect of this on current and future periods has been illustrated below:

	Increase in carrying value at end of year	Increase in depreciation for the year	Decrease in accumulated depreciation
Computer equipment	368 081	200 496	568 577
Office equipment	74 630	12 401	87 031
Office furniture	6 622	1 670	8 292

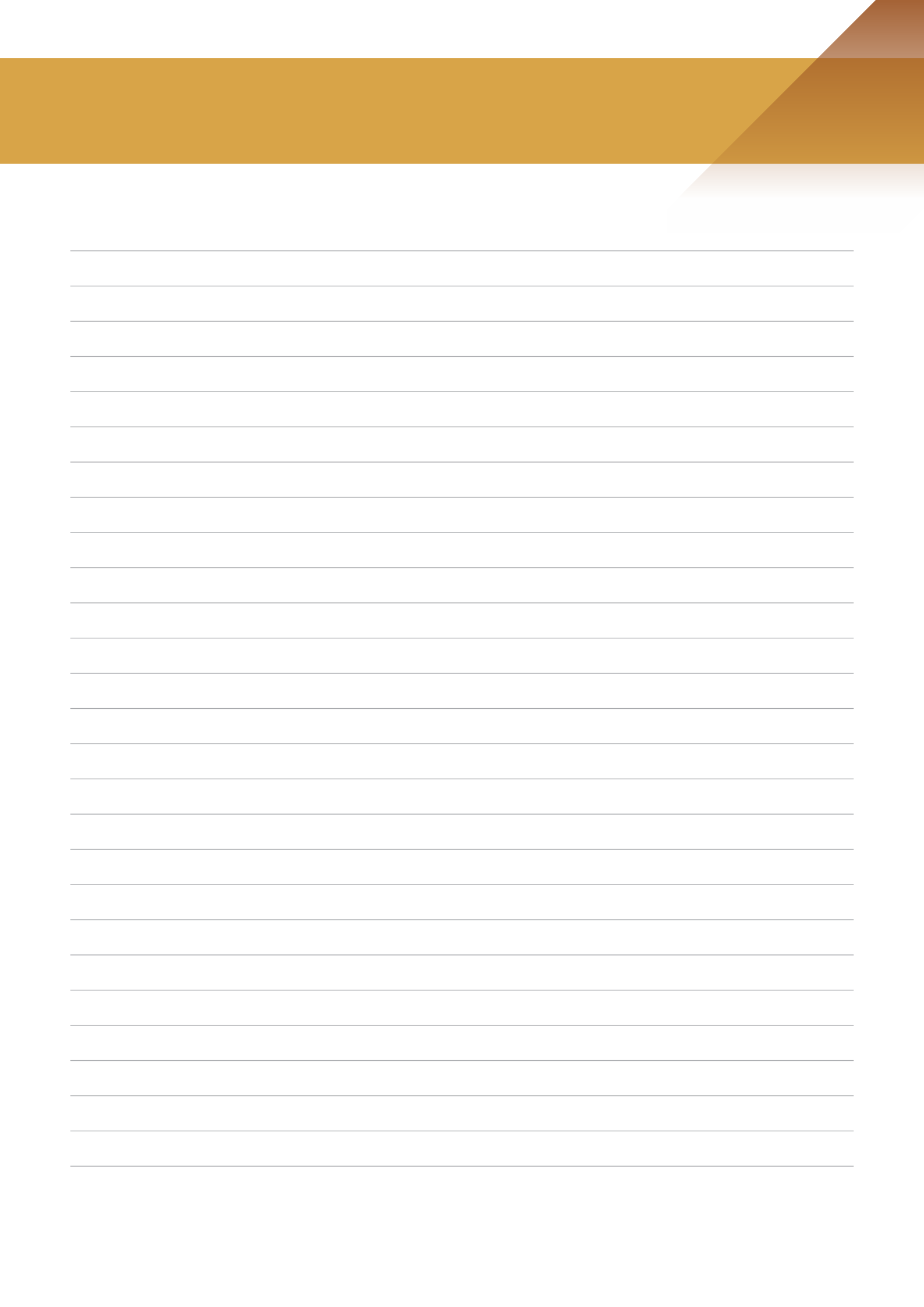


## NOTES



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## NOTES



## NOTES





**PSiRA**

Private Security Industry Regulatory Authority

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