**Report of the Portfolio Committee on Police on the 2013/14 Budget, Annual Performance Plan and 2013/14-2017/18 Strategic Plan of the Private Security Industry Regulatory Authority (PSIRA), dated 14 May 2013:**

The Committee examined the Budget, Annual Performance Plan for the 2013/14 financial year and the 2013/14-2017/18 Strategic Plan of the Private Security Industry Regulatory Authority (PSIRA). The Committee reports as follows:

**1. INTRODUCTION**

The Private Security Industry Regulatory Authority was established in terms of section 2 of the Private Security Industry Regulation Act (2001). The entity is mandated 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 Private Security Industry Regulatory Authority is currently being managed in terms of the Private Security Industry Regulatory Authority Act (2001), which replaced the Security Officers Act (1987).

**1.1 Structure**

The Report provides an overview of the 2013/14 Budget Hearings of the PSIRA and is divided into the following sections:

Section 1: Introduction. This section provides an introduction to this report as well as a summary of meetings held during the hearings.

Section 2: Key concerns of the Committee during the 2012/13 financial year. This section provides a summary of the key concerns raised by the Committee during the previous financial year.

Section 3: Strategic Priorities of the PSIRA for the 2013/14 financial year. This section provides a summary of the strategic focus areas for the Authority for the year under review.

Section 4: PSIRA Budget and Performance targets for 2013/14. This section provides an overall analysis of the operating expenditure and revenue of the PSIRA for the 2013/14 financial year. This section also provides a programme analysis of the Authority.

Section 5: Committee observations. This section highlights selected observations made by the Portfolio Committee on Police on the annual performance targets and programme specific issues during the 2013/14 budget hearings and subsequent responses by the Authority.

Section 6: Recommendations and additional information. This section summarises the recommendations made by the Portfolio Committee on Police, as well as the additional information requested from the Authority.

Section 7: Conclusion. This section provides a conclusion to this report.

**1.2 Meetings held**

The Portfolio Committee on Police interacted with the Authority for the first time on its Budget, Annual Performance Plan and Strategic Plan of the Authority for the 2013/14 financial year. In preparation for meetings with the Authority, the Portfolio Committee on Police received an overview of the budget for the financial year under review by the Research Unit of the Parliament of South Africa on 25 March 2013. The Committee received the following briefing from the Authority:

Briefing on the Strategic and Annual Performance Plan and 2013/14 Budget, operating expenditure, revenue and performance targets.

**2. Key concerns raised by the Committee during the 2012/13 financial year**

The following section provides a summary of the key observations/concerns raised by the Portfolio Committee on Police regarding performance and financial issues identified during the 2011/12 and 2012/13 financial years:

**Leadership and capacity of Council:**The Committee raised concerns around the lack of leadership and the inadequate capacity of the Council of the Authority, as the Council is mandated with the governance of the Authority.

**Determination of Salaries for the Senior Management Structure (SMS):**The Committee raised a number of serious concerns on issues pertaining to the appointment of the SMS as well as the accompanying salary packages of the SMS members. The Committee further stated that the decision taken by the Minister of Police to request the Accountant-General of South Africa to launch an investigation into the salary packages of all Senior Managers in PSIRA is welcomed and supported.

The second issue of concern raised by the Committee was the fact that the function of job grading was outsourced to a private company, namely PricewaterhouseCoopers. The job grading was done on the Patterson Grading system rather than the Equate Grading system used by the Department of Public Service and Administration (DPSA) for government employees. The use of private companies to grade jobs for public entities is highly irregular as the mechanism for oversight and accountability is largely lost through the process chosen by PSIRA.

**Allowances to Council:**The Committee questioned what allowances are paid to Council members in 2011/12 and why this information is no longer included in the 2011/12 Annual Report as was done in 2009/10. The Authority stated that the information should not have been reported in 2009/10 and hence the reason for not including such in the subsequent years.

**Ethics Hotline:**Members of the Committee raised concerns about the ethics hotline. The Authority outsourced this function to a private company (KPMG) for managing a complaints hotline pertaining to the private security industry. The Committee questioned the amount of complaints received through the hotline and whether the Authority considered the R47 000.00 spent on the hotline as value for money.

**Research:**The Committee raised concern regarding the lack of performance in the Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy), in which priority research projects to be completed was prioritised and only topics were identified.

**Planning:**The Committee expressed concern regarding the apparent lack of cohesion between the budget process and established priorities of the Authority. The Committee further questioned the apparent disjoint between the funding available and the priorities/performance targets set by the Authority, which leads to priorities not being achieved as various targets were not met due to budgetary constraints. The Council indicated that the funding model on which the Authority operates is not ideal, but that the budgeting process will be reviewed and will enjoy increased focus in coming years.

**New corporate head office in Centurion:**The Committee raised concerns regarding the relocation of PSIRAs corporate head office from Arcadia to Centurion. The Committee expressed their strongest opposition against the process taken in the relocation of offices of the Authority. The Committee stated that the Auditor-General of South Africa was requested to perform a performance audit on the lease agreement in order to establish whether value for money was ensured by the Authority. The specific issues raised by the Committee were:

**Lease agreement:**The Committee raised significant concerns regarding the excessive cost incurred in entering into a new lease agreement for the Authoritys corporate head office in Centurion to the cost of R87 million over a five-year period. The Committee further stated that the fact that the Authority specified an AAA-graded building was unacceptable for any entity finding itself in financial difficulty.

**Cost of relocation:**The Committee expressed further concern regarding the R4,7 million spent on procurement of new furniture and the high relocation costs incurred by the Authority in moving offices from Arcadia to Centurion and stated that these expenses were unacceptable and should not have been a priority for the Authority. The Committee also questioned why new furniture was procured for the new office and what happened to the old furniture.

**Disposal of building:**Concerns were further raised regarding the disposal of the condemned (previous) corporate head office of PSIRA in Arcadia (Pretoria), including the status of the sale, the fact that the building has not been sold, whether approval from the Minister was received to sell the building, the Round Robin Resolution taken by the Council and Authority was flawed as it is in contravention of the Public Funds Management Act (PFMA), and the legal requirements of dealing with a condemned building.

**Contingent liability:**The Committee expressed concern regarding the fact that the Authority is not budgeting for contingent liabilities and further stated that the Authority has continuously ignored the recommendation made by the Committee to budget for contingent liabilities.

**Use of Consultants:**The Committee expressed concern pertaining to the excessive use of consultants and questioned why these consultants are seemingly doing the work for which PSIRA employees are being paid.

**Difference between satellite and regional offices:**The Committee questioned what the difference between satellite offices and regional offices are and expressed concern regarding possible labour brokering practices at these offices.

**Personnel expenditure:**The Committee raised concerns about the information reported on page 50 of the Annual Report regarding personnel expenditure for 2011/12.

**Business Applications:**The Committee raised concerns with the incorrect information contained in the Authoritys Annual Report regarding the mistake made in the number and status of business applications in 2011/12. The Authority apologised for the mistake and indicated that an erratum will be completed.

**The following recommendations were made by the Portfolio Committee on Police:**

1) **Financial statements:**The Portfolio Committee recommends that the financial statements of the Authority must be further interrogated by the Select Committee on Public Accounts (SCOPA).

2) **Consultants:**The Committee recommends that the Authority should rely less on consultants and that the expenditure on consultancy fees should be further reduced in the coming years.

3) **Annual Performance Plan 2013/14:**The Committee recommends that measurable outputs be identified for the events management office and included in the Annual Performance Plan of the Authority for the 2013/14 financial year as well as all subsequent years.

**The Committee further recommends that specific attention must be given to the following aspects of future Annual Reports:**

Quality control;

The correctness of financial statements; and

Adhering to Government resolutions in that all Departmental Reports (Annual Performance Plans, Strategic Plans and Annual Reports) must be produced in a cost effective manner.

**3. STRATEGIC PRIORITIES OF THE PSIRA FOR 2013/14**

The Strategic objectives of PSIRA are as follows:

1) To enable effective compliance and enforcement of PSIRA legislation in order to achieve behavioural changes in the industry;

2) Ensure effective communication with key stakeholders and provide excellent standard of private security training;

3) Ensure that PSIRA is a centre of excellence in private security research;

4) To be financially stable, sustainable and be able to increase revenue and decrease expenditure;

5) Ensure that PSIRA has cutting edge technology; and

6) Effective Organisational Structures with Skilled, Competent and Motivated Workforce.

The PSIRA published an extensive list of twenty-seven (27) key external and internal challenges which they are facing in their 2013/14 APP. These are the following:

1) Funding the operation of PSIRA to ensure effective service delivery;

2) Rapid growth and expansion of the security industry requiring both a broader regulatory geographical footprint as well as more resources to ensure effective coverage and enforcement;

3) Current limited number of Council members of PSIRA hinders progress on strategic areas of PSIRA;

4) Ever increasing risk to safety and security of South Africa and its citizens through the infiltration of security industry by sophisticated criminal syndicates;

5) Unregistered security companies and operators;

6) Need to provide improved access to PSIRA whilst improving service delivery to stakeholders in accordance with the principles of Batho Pele;

7) Lack of monitoring of interception devices;

8) Effective revenue management strategy to ensure correct billing and optimal collection of the revenue;

9) Review of business controls;

10) Staff morale that has not improved to satisfaction;

11) Lack of effective performance management tools;

12) Lack of capacity in the Supply Chain environment;

13) Lack of succession planning and staff retention strategies in key leadership positions;

14) Lack of monitoring of firearms;

15) Lack of research and development in the industry;

16) Participation of illegal foreign nationals in the private security industry creating a risk to safety on consumers if providers are not security vetted;

17) South African security companies operating outside of South Africa s borders;

18) Exploitation of labour within the industry;

19) Damaged reputation of PSIRA;

20) Identify fraud by local and foreign nationals within the industry;

21) Ignorance by end-users or customers;

22) The broad mandate of PSIRA not realistic given the resources available;

23) Legal challenges regarding the annual fees;

24) The technology complex industry requires research and development to enable specific industry sector regulatory policies;

25) Staff turnover;

26) Litigation; and

27) Stakeholder buy-in.

**4. PSIRA BUDGET AND PERFORMANCE TARGETS FOR 2013/14**

**4.1 Overall analysis**

The PSIRA is not funded by any government funding and its revenue streams are annual fees, registration fees, fines issued in terms of Code of Conduct enquiries, and other disbursement fees on a cost recovery basis. The table below shows that the Authority has been posting deficits since 2006/07 with the exception of 2007/08, when a surplus of R676 000 was made. These deficits are mainly ascribed to rising expenditure while revenue remained stagnant, as a result of the failure to review the annual fees on a regular basis. The operating expenditure of PSIRA increased by more than 300 per cent over the past decade and while their revenue has increased by 190.9 per cent over the same period it is clear that there is a disjoint between their revenue and expenses. PSIRA started to operate above their means a decade back as their expenditure increased disproportional to their income.

**Table 1: Historical Financial Performance for the past decade (2003/04  2011/12)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **R 000** | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** | **2008/09** | **2009/10** | **2010/11** | **2011/12** |
| **Revenue** | 44 409 | 48 888 | 53 840 | 58 533 | 95 017 | 84 420 | 95 914 | 97 927 | 129 199 |
| **Operating expenditure** | 32 636 | 41 361 | 50 302 | 60 492 | 94 341 | 96 804 | 98 167 | 121 679 | 138 479 |
| **Surplus/(deficit)** | 11 773 | 7 527 | 3 538 | -1 959 | 676 | -10 384 | -2 253 | -23 752 | -9 281 |

Source: PSIRA 2013/14 and 2012/13 Strategic Plan, p. 33 and 25.

The table below shows the expected financial performance of PSIRA for the 2013/14 financial year and also over the MTEF. It is expected that a surplus will be recorded for the first time in five years during the recently concluded 2012/13 financial year and that this surplus is expected to further increase in 2013/14 and decrease again slightly in 2014/15. The table further shows that the surplus is expected to decrease significantly over the MTEF. It is expected that in 2015/16, the surplus will be a mere R534 thousand and further decrease to R284 thousand in 2016/17.

**Table 2: Expected Financial Performance for 2013/14 over the MTEF**

|  |  |  |
| --- | --- | --- |
|  | **Budget** | **Budget: Medium-term estimates** |
| R thousand | **2012/13** | **2013/14** | **2014/15** | **2015/16** | **2016/17** |
| **Revenue** | 173 124 | 175 440 | 185 901 | 191 134 | 205 367 |
| **Operating Expenditure** | 169 341 | 166 038 | 176 800 | 190 600 | 205 082 |
| **Surplus/ (deficit)** | **3 783** | **9 402** | **9 101** | **534** | **284** |

Source: PSIRA 2013/14 Strategic Plan, p. 33

The table below shows the operating expenditure estimates (Compensation of employees and Goods and Services) of PSIRA for the 2013/14 financial year compared to the previous financial year per programme. The table shows that only Programme 4: Corporate Services received an increased estimation for 2013/14 and the other three programmes received a decreased allocation in real terms.

**Table 3: Operating Expenditure per programme**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2013/14** | **Real Increase / Decrease in 2013/14** | **Nominal Percent change in 2013/14** | **Real Percent change in 2013/14** |
| **R Thousand** | **2012/13** | **2013/14** |
|  |  |  |  |  |  |  |
| Programme 1: Law Enforcement | 66 029 573.0 | 68 388 540.0 | 2 358 967.0 | -1 267 698.0 | 3.57 per cent | -1.92 per cent |
| Programme 2: Financial Management and Administration | 56 451 627.0 | 47 002 052.0 | -9 449 575.0 | -11 942 108.1 | -16.74 per cent | -21.15 per cent |
| Programme 3: Communication and Training | 25 983 855.0 | 25 038 087.0 | - 945 768.0 | -2 273 545.3 | -3.64 per cent | -8.75 per cent |
| Programme 4: Corporate Services | 20 875 906.0 | 25 609 604.0 | 4 733 698.0 | 3 375 612.9 | 22.68 per cent | 16.17 per cent |
| **TOTAL** | **169 340 961.0** | **166 038 283.0** | **-3 302 678.0** | **-12 107 738.5** | **-2.0 per cent** | **-7.15 per cent** |

Source: PSIRA 2013/14 Strategic Plan

The Law Enforcement Programme received an estimated allocation of R68.3 million in 2013/14 compared to the R66 million allocation in 2012/13. This is a real decrease of 1.92 per cent. The Financial Management and Administration received the largest decrease in both nominal and real terms. In 2012/13, this Programme received R56.4 million compared to a R47 million allocation in 2013/14. This is a real decrease of 21.15 per cent. It is a concern that this Programme received a nominal decrease as the effective financial management of PSIRA has been a longstanding challenge. The Communication and Training Programme also received a real decrease of 8.75 per cent in 2013/14 compared to 2012/13. As mentioned above, the Corporate Services Programme is the only Programme receiving an increase in 2013/14. The Programme was allocated R20.8 million in 2012/13, which increased to R25.6 million in 2013/14. This is a nominal increase of 22.68 per cent.

The 2013/14 Estimates of National Expenditure (ENE), for the first time, prescribed that Departmental Votes must include a budget breakdown of all public entities associated with the Department. As such, the Online ENE for Vote 25: Police included a brief section on PSIRA as an entity accountable to the Minister of Police. However, the information contained in the section does not correlate with the information provided in the Annual Performance Plan and Strategic Plan of PSIRA. The table presented on page 20 of the Online ENE pertaining to the expenditure estimates of PSIRA per programme reports different figures to those in the APP. The Programmes are not listed in numerical order, with Programme 3 listed first followed by Programme 1, Programme 2 and Programme 3. Most concerning is the fact that the table shows a fifth allocation, which presumably represents a fifth Programme, namely Research and Development with an allocation of R896 thousand in the 2013/14 financial year, growing over the MTEF. This is not reflected in the latest APP or Strategic Plan of PSIRA.

It is important to remember that PSIRA is not funded by the State and relies on the generating their own revenue through taxes/levies. As such, the revenue presented in the APP is estimated revenue, as their income cannot be guaranteed.

The table below shows the revenue estimates for 2013/14 compared to the 2012/13 financial year. Several significant shifts in revenue are clearly noticeable. The overall revenue is expected to decrease slightly in real terms. The revenue from Annual Fees from Service Providers are expected to increase from R38.2 million in 2012/13 to R76.4 million in 2013/14. This represents a real percentage increase of 89.38 per cent. The estimates for 2013/14 show Annual Fees being paid by Services Providers for Security Officers in their employment for the first time to the value of R31.7 million. The revenue expected from Annual Fees payable by individual Security Officers is expected to decrease from R76.7 million in 2012/13 to R35.6 million in 2013/14. This represents a real decrease of 56 per cent.

**Table 4: Revenue estimates for 2013/14 compared to 2012/13**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Revenue** | **Budget** | **Nominal Increase / Decrease in 2013/14** | **Real Increase / Decrease in 2013/14** | **Nominal Percent change in 2013/14** | **Real Percent change in 2013/14** |
| **2012/13** | **2013/14** |
| Annual Fees  Service ProvidersOf which:*Business fees**Security Officers* | 38 208 750.0*38 208 750**0* | 76 410 502.0*44 631 375**31 779 132* | 38 201 752.0 | 34 149 679.9 | 99.98 per cent | 89.38 per cent |
| Annual Fees  Security Officers | 76 734 168.0 | 35 636 832.0 | -41 097 336.0 | -42 987 168.0 | -53.56 per cent | -56.02 per cent |
| Sundry Income | 1 284 100.0 | 3 219 221.0 | 1 935 121.0 | 1 764 404.7 | 150.70 per cent | 137.40 per cent |
| Training Income | 17 544 828.0 | 20 700 000.0 | 3 155 172.0 | 2 057 444.7 | 17.98 per cent | 11.73 per cent |
| Fine Income | 13 020 000.0 | 11 535 802.0 | -1 484 198.0 | -2 095 945.1 | -11.40 per cent | -16.10 per cent |
| Registration Fees (Security Officers) | 14 400 000.0 | 15 450 840.0 | 1 050 840.0 | 231 477.3 | 7.30 per cent | 1.61 per cent |
| Registration Fees (Security Providers) | 4 500 000.0 | 4 743 000.0 | 243 000.0 | - 8 522.7 | 5.40 per cent | -0.19 per cent |
| Penalties - Receivables | 6 600 000.0 | 5 523 996.0 | -1 076 004.0 | -1 368 943.2 | -16.30 per cent | -20.74 per cent |
| Investment income | 472 020.0 | 1 320 000.0 | 847 980.0 | 777 980.0 | 179.65 per cent | 164.82 per cent |
| Disposal of Assets | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
|  |  |  |  |  |  |  |
| **TOTAL** | **173 123 866.0** | **175 440 198.0** | **2 316 332.0** | **-6 987 314.9** | **1.3 per cent** | **-4.04 per cent** |

Source: PSIRA 2013/14APP

The table further shows that revenue collected from Sundry income is expected to increase significantly by 137 per cent in real terms. It is expected to increase from R1.284 million in 2012/13 to an expected R3.219 million in 2013/14. Revenue from Investment income is expected to increase significantly in 2013/14 compared to the previous financial year. This signifies the single largest increase within the expected income of the Authority. The expected revenue from Investment Income in 2012/13 was R472 thousand and is expected to increase to R1.320 million in 2013/14, which is a real increase of 164.82 per cent.

**4.2 Programme Analysis**

**4.2.1 Programme 1: Law Enforcement**

|  |  |
| --- | --- |
| Strategic goal 1 | To ensure excellent service delivery in the security industry |
| Strategic objective | To enable effective compliance and enforcement of PSIRA legislation in order to achieve behavioural changes in the industry. |

**New targets:**

Number of investigations finalised in respect of security service providers (Target: 600);

Frequency for conducting review of fines regulations (Target: Annually  This target was previously under Programme 2); and

Date for the establishment of Firearm Regulation Committee (Target: September 2013).

**Removed targets:**

Number of additional law enforcement inspectors recruited;

Percentage of inspectors trained on the Firearms Control Act;

Number of publications;

Date of the completion of firearms audits (Date Provided as Sept 2012);

Date for the completion of PSIRA/SAPS Firearm Registry integration (Target set for Oct. 2013);

Frequency of reporting to NAT JOINTS/ PROV JOINTS on private security related matters;

Frequency of reporting to SSA on security breaches in the Security Industry;

Number of provincial industry compliance forums established; and

Turnaround time for the completion of registration.

**Amended targets:**

Number of enforcement criminal cases opened against non-complaint security service providers (Target:1 920), was previously the Percentage of criminal cases opened;

The table below shows that the Law Enforcement Programme received a decreased allocation in real terms. In 2012/13 the allocation was R66 million and increased to R68.3 million in 2013/14. This represents a real decrease of 1.92 per cent.

**Table 5: Economic Classification for Law Enforcement Programme**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme 1:****Law Enforcement** | **Budget** | **Nominal Increase / Decrease in 2013/14** | **Real Increase / Decrease in 2013/14** | **Nominal Percent change in 2013/14** | **Real Percent change in 2013/14** |
| **2012/13** | **2013/14** |
| **Economic Classification** |
| Compensation of Employees | 42 667 364.0 | 45 382 407.0 | 2 715 043.0 | 308 400.2 | 6.36 per cent | 0.72 per cent |
| Goods and Services | 23 362 209.0 | 23 006 133.0 | - 356 076.0 | -1 576 098.2 | -1.52 per cent | -6.75 per cent |
| **TOTAL** | **66 029 573.0** | **68 388 540.0** | 2 358 967.0 | **-1 267 698.0** | **3.6 per cent** | **-1.92 per cent** |

Source: 2013/14 PSIRA APP

The table shows that the allocation for Goods and Services decreased in real terms by 6.75 per cent in 2013/14 compared to 2012/13. In 2012/13, Goods and Services received an allocation of R23.3 million and R23.0 million in 2013/14, which represents a nominal decrease of R356 thousand. Allocations towards Compensation of Employees received a slight real increase of less than one per cent.

**4.2.2 Programme 2: Finance and Administration**

|  |  |
| --- | --- |
| Strategic goal 2 | Ensure effective financial management and optimal revenue management. |
| Strategic objective | To be financially stable, sustainable and be able to increase revenue and decrease expenditure. |

**New indicators:**

Bi-annual (30 June 2013 and 31 March 2014) review on Bad debts;

**Amended indicators:**

Date for implementation of Pay-a-bill service via SAPO (New indicator in 2012/13 with target set for 31 March 2013. Target now set for 31 October 2013);

Percentage of revenue collected for billed accounts changed from 90% to 80% in 2013/14 compared to 2012/13.

**Removed indicators:**

Frequency of conducting Liquidity Pan (cash flow);

Percentage of achievement of PFMA checklist;

Percentage of Surplus/Deficit Budget variance;

Average internal audit rating; and

Date for go-live of an integrated ERP system (online account payment facility)  31 March 2013.

**Sub-programme: Business Information Technology**

|  |  |
| --- | --- |
| Strategic goal 3 | Efficient and Effective Processes and Systems. |
| Strategic objective | To ensure that PSIRA has cutting edge technology. |

The creation of a sub-programme devoted to Information Technology is welcomed and the new targets will hopefully address the historic challenged PSIRA had (and still have) regarding the implementation of IT Systems and the effectiveness of these systems.

**New indicators:**

Implementation date for presentation of Business Continuity Plan (Disaster Recovery) on 01 February 2014;

Frequency of monitoring and reviewing of IT Strategy  Annually to be done in May each year;

01 November 2013 set for the development and implementation of IT Policies: (1) Risk Management Policy; (2) Software licensing Policy and (3) Architectural Policy; and

A turnaround time of four (4) hours on the completion of online requests received through the Business Online Services.

The table below shows the estimated operating expenditure for the Finance and Administration Programme in 2013/14. The allocation towards operating expenditure received a decreased allocation of 21.5 per cent in real terms from R42 million in 2012/13 to R32 million in 2013/14. Both Compensation of employees and Goods and Services received a decreased allocation in real terms of 1.74 per cent and 27.83 per cent respectively.

**Table 6: Economic Classification for Programme 2: Finance and Administration**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme 2: Finance and Administration** | **Budget** | **Nominal Increase / Decrease in 2013/14** | **Real Increase / Decrease in 2013/14** | **Nominal Percent change in 2013/14** | **Real Percent change in 2013/14** |
| **2012/13** | **2013/14** |
| **Economic classification** |
| Compensation of Employees | 14 443 742.0 | 14 987 345.0 | 543 603.0 | - 251 180.4 | 3.76 per cent | -1.74 per cent |
| Goods and Services | 42 007 885.0 | 32 014 707.0 | -9 993 178.0 | -11 690 927.6 | -23.79 per cent | -27.83 per cent |
| **TOTAL** | **56 451 627.0** | **47 002 052.0** | -9 449 575.0 | **-11 942 108.1** | **-16.7 per cent** | **-21.15 per cent** |

Source: 2013/14 PSIRA APP

**4.2.3 Programme 3: Communication and Training**

|  |  |
| --- | --- |
| Strategic goal 4 | Stakeholder and Customer Relationship management. |
| Strategic objective | Ensure effective communication with key stakeholders and provide excellent standard or private security training. |

The Communication and Training Programme is currently one Programme, but could be separated into two sub-programmes, as it comprises two vastly different aspects of the Authority. The 2012/13 APP listed six performance indicators with corresponding targets, which has been replaced by twelve (12) entirely new indicators and targets.

New indicators/targets:

Development and implementation of Communications Policy in 2013/14;

A total of 12 public awareness campaigns to be conducted in 2013/14;

The new website on the new Corporate image of PSIRA to be launched on 30 May 2013;

The Internal Communication Strategy to be developed and implemented on 30 June 2013;

A total of four annual events to be profiled for participation, these are: (1) Workers Day, (2) Heritage Day, (3) 16 Days of Activism Against Women and Children Abuse, and (4) Human Rights Day;

A total of five research workshops hosted;

To establish four Industry Compliance Forums;

An average of 30 days turnaround time for the conclusion of application registration meeting all the requirements for Individual Security Officer;

Similarly, an average of 30 days turnaround time for the conclusion of application registration meeting all the requirements for Security businesses; and

The end of March 2014 set as target for the development and implementation of the policy for new training.

**Selected removed targets:**

The number of appropriate training programmes for all classes of security service providers; and

PSIRA to be registered as a Professional Body on terms of the NQF Act - target set for September 2012 in 2012/13 APP.

The table below shows that the Communication and Training Programme received a real decrease of 8.75 per cent overall. The R25.9 million allocation for operating expenditure in 2012/13 decreased to R25 million in 2013/14. Similar to the previous Programmes, the Goods and Services accounts expects a saving of 18.32 per cent.

**Table 7: Economic classification for the Communication and Training Programme in 2013/14**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme 3:****Communication & Training** | **Budget** | **Nominal Increase / Decrease in 2013/14** | **Real Increase / Decrease in 2013/14** | **Nominal Percent change in 2013/14** | **Real Percent change in 2013/14** |
| **2012/13** | **2013/14** |
| **Economic Classification** |
| Compensation of Employees | 13 293 857.0 | 14 092 265.0 | 798 408.0 | 51 090.9 | 6.01 per cent | 0.38 per cent |
| Goods and Services | 12 689 998.0 | 10 945 822.0 | -1 744 176.0 | -2 324 636.3 | -13.74 per cent | -18.32 per cent |
| **TOTAL** | **25 983 855.0** | **25 038 087.0** | - 945 768.0 | **-2 273 545.3** | **-3.6 per cent** | **-8.75 per cent** |

Source: 2013/14 PSIRA APP

**4.2.4 Programme 4: Corporate Services**

|  |  |
| --- | --- |
| Strategic goal 6 | To ensure that PSIRA has competent and skilled employees that is able to execute their tasks effectively. |
| Strategic objective | To ensure that PSIRA has competent, ethical and skilled workforce. |

**New indicators:**

Ten (10) courses implemented as per the training and development plan;

Six (6) policies to be developed in 2013/14 and then reviewed over the MTEF. These are:

o Employment Equity Policy

o Remuneration Policy

o Training and Development Policy

o Succession Policy

o Dress Code Policy

Bi-annual employee performance assessments to be conducted, where it was only applicable to the EXCO in the previous year;

Annual submission of recommendations and action plan to address employee concerns; and

One (1) person with a disability to be appointed in 2013/14.

**Removed targets:**

The Approval of the HR Retention Strategy by Council on 30 September 2012;

Thirty (30) days turnaround time for the conclusion of Disciplinary Hearings; and

Seven (7) day turnaround time for the conclusion of grievances.

The table below shows that the Corporate Services Programme received a substantial increase in the expected expenditure for 2013/14. As mentioned earlier, this is the only programme receiving an increased allocation. It is very interesting to note that the allocation for Compensation for employees declined by 7.67 per cent in real terms from R5.5 million in 2012/13 to R5.4 million in 2013/14. This is in stark contrast to the allocation for Goods and Services which increased from R15.3 million in 2012/13 to R20.1 million in 2013/14. This is a nominal increase of almost R5 million and represents a nominal increase of 31.8 per cent.

**Table 8: Economic Classification for the Corporate Services Programme according to the 2013/14 APP**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme 4:****Corporate Services** | **Budget** | **Nominal Increase / Decrease in 2013/14** | **Real Increase / Decrease in 2013/14** | **Nominal Percent change in 2013/14** | **Real Percent change in 2013/14** |
| **2012/13** | **2013/14** |
| **Economic Classification** |
| Compensation of Employees | 5 550 915.0 | 5 412 029.0 | - 138 886.0 | - 425 887.5 | -2.50 per cent | -7.67 per cent |
| Goods and Services | 15 324 991.0 | 20 197 575.0 | 4 872 584.0 | 3 801 500.5 | 31.80 per cent | 24.81 per cent |
| **TOTAL** | **20 875 906.0** | **25 609 604.0** | 4 733 698.0 | **3 375 612.9** | **22.7 per cent** | **16.17 per cent** |

Source: 2013/14 PSIRA APP

**5. COMMITTEE OBSERVATIONS**

**5.1 General**

The Committee made the following general observations during the budget hearings:

**Erratum on incorrect figures:**The Committee was dissatisfied that the erratum on incorrect financial and personnel figures reported in their 2011/12 Annual Report has not yet been sent to the Minister to be tabled in Parliament. The Authority was unable to provide an explanation for the non-compliance to guidelines regarding the reporting of incorrect data in official documents. The Committee requested that the erratum must be tabled in Parliament no later than Friday, 03 May 2013. At the date of the adoption of this report, the requested erratum has not been received nor tabled.

**External and internal challenges:**The Committee questioned the Authority on the inclusion of internal and external challenges, as the majority of the challenges fall within the mandate and core business of the Authority, thus within their control. The Committee specifically listed the lack of succession planning, damaged reputation of PSIRA and ignorance by end-users/clients.

**Estimates of National Expenditure:**The Committee expressed concern regarding the discrepancies in financial figures reported in the budget contained in the ENE and the budget included in the APP. The Committee requested an explanation for this discrepancy. The Authority explained that the figures reported in the ENE are rounded. However, the Committee rejected the explanation of rounding as it did not make sense to the Committee. For example, the estimates for the Communication and Training Programme are reflected as R24.143 million in the ENE and as R25.038 million in the APP and that this is not rounding of figures. The Authority acknowledged that it was a mistake. The Authority submitted a report on the comparison of the figures reported in the two documents, however the Authority did not provide any narrative on the figures and thus remains uncertain which of the figures are correct.

**Additional programme - Research and Development:**The Committee further questioned the Authority on the allocation of R896 thousand towards Research and Development in the budget published in the ENE and whether this is a new programme as it is not indicated in the APP. Following a lengthy discussion, the Authority stated that it is a new programme of the Authority (fifth programme) and could not provide a clear reason for it not being reflected as such in the 2013/14 APP. The Authority further indicated that the allocation is currently located in the Corporate Service Programme of the Authority, but will be moved out in the coming year (2014/15).

**Lack of economic classifications:**The Committee expressed concern regarding the lack of a proper financial breakdown of the Authoritys budget in terms of economic classifications. The Committee indicated that the operating expenditure of the Authority must be presented per economic classification. The Committee further expressed dissatisfaction towards the inadequate budget information provided during the presentation of the Authority to the Committee, as the presentation contained only one slide on the total allocations per programme. The Authority took note of the dissatisfaction.

**Staff establishment:**The Committee further expressed dissatisfaction on the lack of information on the staff establishment of the Authority in the APP. The Committee stated that this information must be included for the entire organisation as well as per separate programme of the Authority. This will allow the Committee to conduct proper oversight over the allocations made to the compensation of personnel. The Authority took note of the concern.

**Decrease in Goods and Services account:**The Committee asked the Authority to indicate which items within the Goods and Services account the projected cost savings will be implemented during the 2013/14 financial year (all programmes except Corporate Services). The Committee expressed concern that needed resources might be jeopardised through these savings. The Authority was unable to provide an explanation and could not indicate what the items are on which savings are projected.

**Targets:**The Committee expressed concern regarding the removal of several performance targets, notably those regarding firearms. The Committee expressed further concern towards the large number of targets with percentage measures, instead of specific numbers (preferred by Treasury), which increased the effectiveness of performance measurement. The lack of SMART targets has been raised by the Committee as well as the Auditor-General over the past years.

**5.2 Programme 1: Law Enforcement**

**Exploitation of workers:**The Committee asked whether the Authority has any role to play in the investigation of workers being exploited by security companies, in terms of extended working hours and low salaries. The Authority indicated that they only investigate non-compliant companies and can report exploitation, but that this issue is governed by the Labour Relations Act.

**Unregistered companies:**The Committee asked the Authority to provide details on the number of unregistered companies investigated in the previous financial year and what strategy the Authority is employing to mitigate the challenge and risk these companies pose to security in general. The Authority stated that they are not able to provide the number of cases opened and taken to court on unregistered companies. The Committee stated that this is an important function of the Authority and that is should be a measurable performance target in the Authoritys APP. The Committee requested that this target must be developed and included in the 2014/15 APP and also reported on in the Authoritys Annual Report.

**Inspection capacity:**The Committee questioned whether the Authority has adequate inspector capacity to effectively regulate and conduct inspections on companies. The Authority stated that it does not have sufficient capacity and currently has fifty-two (52) inspectors of which only forty-eight (48) are operational. The Authority further stated that this impacts negatively on the ability to investigate a large number of companies within the private security environment. This is also the reason why the target for inspections is set relatively low at 3000 inspections on security companies and 18 000 security officers in 2013/14.

**Low staff morale:**The Committee questioned the Authority about the inclusion of low staff morale as an internal challenge to the service delivery environment of the Authority and asked the Authority to explain the reason for the low staff morale and what the Authority is doing to increase staff morale. The Authority stated that surveys are continuously conducted to gauge the morale of staff.

**Firearms/Firearms Regulatory Committee:**The Committee expressed concern that the Memorandum of Understanding (MOU) with the South African Police Service (SAPS) on the regulation and management of firearms within the private security environment is not yet signed, and that the Firearms Control Act (FCA) came into operation in 2000. The Committee also questioned why the target for training of inspectors on the FCA was removed from the APP. The Authority stated that when the MOU is in place it will allow the Authority to work in conjunction with the SAPS when firearms need to be confiscated from a security company that is no longer in business. The Authority further stated that the target for training on the FCA was removed because Inspectors are now trained once they are appointed, making the target unnecessary. The Authority stated that the Firearms Control Committee will be established by September 2013 and will greatly assist in the monitoring of firearms with the private security industry.

**Consultants:**The Committee asked the Authority to indicate their projected expenditure on consultant services for the 2013/14 financial year and the items it will be spent on. The Authority indicated that the allocation will be spent on Information Technology, Legal Services, Recruitment, Payroll, Debt collection and review of financial statements. However, the Authority was unable to provide the total amount projected for the financial year under review. The Authority indicated that the response will be provided in writing. The response was received in which the Authority stated the following allocations regarding consultancy fees for the 2013/14 financial year compared to the actual spending of the previous financial year (2012/13):

|  |  |  |
| --- | --- | --- |
| **Description** | **2012/13 (Actual R spent)** | **2013/14 (Projected R)** |
| **CONSULTANCY FEES** | **7 769 448** | **3 090 270** |
| Information Technology | - | 1 486 004 |
| Personnel Agencies | 809 004 | 224 004 |
| Personnel Agencies | - | - |
| Debt Collection fees | 300 000 | 804 000 |
| Other | 6 660 440 | 1 044 000 |
| Placement fees | - | - |
| **LEGAL FEES** | **2 227 800** | **1 850 196** |
| Legal fees  general | 1 341 600 | 1 269 600 |
| Disciplinary hearings | 120 000 | 24 000 |
| Code of Conduct enquiries | 745 200 | 549 996 |
| Transcription fees | 12 000 | 6 600 |

**Contingency liability budget:**The Committee expressed concern regarding the recurrent exclusion of a budget for contingent liability, especially considering the fact that the Authority is currently engaged in a major lawsuit regarding the increase of annual registration fees. The Committee asked what the Authority will do if the court rules against them in the case. The Authority indicated that they will have to do a revised budget if the ruling is against the Authority. The Committee expressed their dissatisfaction with this, as simply revising the Authoritys budget is not the answer and that the Authority should budget for a contingent liability as done by most other Departments and entities. The Authority further stated that a Budget Committee was established to discuss the possible scenarios of the outcome of the court case in order to plan for the event that the outcome is against the Authority. In a written response subsequent to the hearings, the Authority stated that if PSIRA does not win the SIA case, it will mean a R57 million short fall in the 2012/13 budget (unclear whether they meant to indicate the 2013/14 budget).

**Investment income:**The Committee asked the Authority to explain the large increase in Investment Income from R472 020.00 in 2012/13 to R1.320 million in 2013/14. The Committee also asked the Authority to indicate whether the income is from an investment and if so, what the amount invested is. The Authority stated that it is income generated from an investment at a Treasury authorised institution. The Committee was not satisfied with the answer and requested the Authority to answer the question. The Authority eventually stated that the investment amounted to R20 million at Nedbank.

**Sale of building:**The Committee requested details on the sale of the Authoritys previous corporate head office in Pretoriaand why the Authority did not include the possible revenue in the Sale of Assets. The Authority stated that the approval of the sale must still be approved by the Minister. The Committee expressed concern regarding the slow progress made in the sale as the Authority stated in late 2012 that the sale was nearly complete. The Committee had to remind the Authority that the PFMA requires that the sale of assets exceeding R10 million must be approved by the responsible Minister.

**Appointment of PSIRA Council:**The Committee questioned the status of the Council of PSIRA, as the APP states that the Council was reappointed for a second term. The Authority stated that the Chairperson was appointed for a second term and that the contracts for the Deputy-Chairperson and one Member were extended for six months.

**5.3 Programme 2: Finances and Administration**

**Surplus/deficit:**The Committee questioned why the Authority is planning for a R1 million deficit in 2013/14 in their presentation, while according to the APP, the Authority is projecting a R9 million surplus. The Authority could not explain the discrepancy.

**Appointment of CFO:**The Committee requested details on the appointment of the new Chief Financial Officer (CFO) of the Authority. The Authority stated that the previous CFO resigned in December 2012 and that the post was advertised. Due to the fact that the Authority needed a CFO immediately, as a result the current CFO, Mr. Mongwenyana was appointed on a temporary basis. He also applied for the position and was appointed permanently.

**Pay-a-bill service:**The Committee asked why the target for the Pay-a-Bill service was amended and whether this means that the original target was missed. The Authority stated that the target set for 31 March 2013 was missed, hence the new target for 31 October 2013. This was due to difficulties during negotiations with the South African Post Office on the fees payable by the Authority. The Authority stated that the negotiations were resumed and that the service will be available in October 2013.

**ERP System:**The Committee questioned the removal of the target for the go-live of an integrated ERP system (online account payment facility) set for 31 March 2013 and whether the system was implemented. The Authority indicated that the ERP system encompasses three phases and that the first phase was concluded on 31 March 2013, but that the next two phases must first be completed before the system will be active. The Committee expressed their dissatisfaction towards the exclusion of the target when the system is not fully implemented and stated that the performance target for the remaining phases must be reinstated in the 2014/15 APP.

**Software licensing policy:**The Committee requested the Authority to provide the software licensing policy of the Authority, as the Authority could not explain how the policy is applied. The Authority submitted a software licensing schedule, but did not supply the policy as requested nor an explanation on how the policy is applied.

**5.4 Programme 3: Communication and Training**

**Awareness campaigns:**The Committee requested more details on the twelve (12) awareness campaigns planned for the 2013/14 financial year, specifically the nature of these events as well as the cost associated with the events. The Authority stated that the awareness campaigns have no cost associated with it as it mainly consists of radio interviews, however the Authority later stated that pamphlets will also be printed on the planned awareness campaigns and that this will incur some costs. The Committee requested that the Authority must provide a list of the twelve awareness campaigns as well as a complete breakdown of the costs of these campaigns. The Authority erroneously provided the Committee with a list of the four events, which is already listed in the APP. The Committee will again request the information on the awareness campaigns.

**Communications policy:**The Committee expressed dissatisfaction with the key performance indicators for the development and implementation of a Communication Policy with a target to approve and implement the policy over the course of the entire 2013/14 financial year. The Committee indicated that it should not take a full financial year for the Authority to develop and implement a communications policy.

**Target for launch of website:**The Committee indicated that the newly included key performance indicator for the date of the launch of the website on the new corporate identity is strange as it should not be a performance indicator.

**Registration with the National Qualifications Framework (NQF):**The Committee raised concern regarding the exclusion of the target for PSIRA to register as a Professional Body in terms of the NQF Act and asked an explanation for this exclusion. The Authority stated that it is very difficult to register as a professional body in terms of the NQF Act, as it requires the Authority to employ specialist trainers and that the budget of the Authority does not allow for the employment of specialist trainers.

**Research:**The Committee expressed concern regarding the proposal from the Authority that Research and Development will constitute a new programme in the 2014/15 financial year, as the 2013/14 APP does not include any performance targets for outputs/papers in terms of research. The Committee also reiterated the lack of performance reported in the 2011/12 Annual Report. The Committee requested the topics for research papers identified in the last financial year. The Authority stated that two of the topics are: (1) Guarding and electronic security, and (2) Crime prevention initiatives. The Committee requested that the Authority must provide details on the proposed research projects. In a written response, the Authority stated that the Research and Development Unit was established in the 2012/13 financial year and that a Senior Researcher was appointed on 01 September 2012. This person was entrusted to fully establish the unit. During the 2012/13 financial year, the two above mentioned research topics were identified and will be completed at the end of the 2013/14 financial year. The Authority further reported that a researcher was appointed on 01 April 2013.

**Industry Compliance Forums:**The Committee welcomed the inclusion of target for the establishment of four (4) Industry Compliance Forums in the 2013/14 financial year.

**5.5 Programme 4: Corporate Services**

**Lack of policies:**The Committee expressed concern regarding a target set for six (6) policies to be developed and reviewed in the 2013/14 financial year. These include: (1) Employment Equity, (2) Remuneration, (3) Training and Development, (4) Succession, (5) Staff Retention, and (6) Dress Code. The Committee requested a reason why the Authority does not have these policies yet, as the Authority has been in existence for a number of years. The Authority indicated that some of the policies have been in existence, like the Remuneration Policy and this it will only be reviewed. The Committee stated that the Authority cannot conflate the development and review of policies into one performance target and that the Authority should separate these into two targets.

**Targets on disciplinary procedures:**The Committee questioned the removal of all performance targets relating the grievances and disciplinary procedures, especially considering the reported low morale of staff members. The Committee indicated that the targets for the conclusion of disciplinary hearings as well as the turn-around time for the conclusion of grievances should be reinstated in the 2014/15 Annual Performance Plan.

**Employment equity:**The Committee questioned why the Authority has set a target to employ only one person with a disability in the 2013/14 financial year and also to elaborate on what challenges the Authority experiences in terms of employment equity. The Authority stated that the private security environment is not conducive for persons with a disability and that it will take a large capital expenditure to procure a vehicle appropriate for an investigator with a disability. The Committee stated that the Authority does not only employ investigators, but also other staff members.

**6. RECOMMENDATIONS AND ADDITION INFORMATION**

This section provides a summary of the recommendation made by the Committee and also a summary of the additional information requested during the 2013/14 budget hearings.

**6.1 Recommendations**

The Committee made several recommendations to the Authority during the budget hearings. These included the following:

1) The Authority must report on the complete economic classification of expected operating expenditure in their Annual Performance Plan in coming years;

2) The Authority must report on the number of unregistered companies investigated by the Authority, with the number of cases opened and the number of cases that were tried in court in their Annual Report and also develop a measurable target on this to be included in the 2014/15 Annual Performance Plan;

3) The Committee raised significant concern regarding the lack of planning made for a contingent liability in their budget, especially in the light of the fact that a court case is pending against them and their budget projected on the increased annual registration fees. The Committee recommended that simply providing a revised budget is not the answer and that the Authority must build a contingent liability into their budget; and

4) The Authority must include a measurable performance target for the remaining implementation phases of the ERP system.

5) The Committee recommends that all members of the Senior Management Structure (SMS) of PSIRA, including Members of the Council, receive additional training on the requirements set out in the Public Finances Management Act (PFMA).

6) The Committee recommends that all data and figures reported in official documentation of the Authority must be quality controlled prior to these submitted to Parliament.

7) The Committee recommends that the Authority must increase their focus on the core business of PSIRA and focus less on many peripheral issues currently focussed on.

**6.2 Additional information**

The Committee requested additional information through written responses and reports to supplement the information gathered during hearings on the 2013/14 Annual Performance Plan, Strategic Plan and 2013/14 Budget of the PSIRA:

1) The Committee recommended that the erratum on the incorrect financial and personnel figures must be tabled before Parliament before the end of Friday 03 May 2013;

2) The total expected expenditure on consultant fees for the 2013/14 financial year;

3) The number of private security providing companies registered with the Authority *;*

4) Comprehensive report on the software licensing policy of the Authority, together with an explanation of the discrepancy in projected figures reported in the 2012/13 and 2013/14 APPs;

5) The Committee requested a complete breakdown in terms of economic classifications of the operating expenditure of the Authority;

6) Comprehensive report on the savings projected within the Goods and Services account of the Authority;

7) Comprehensive report on events planned by the Authority in the 2013/14 financial year including the estimated expenditure for planned events, like: promotional merchandising and full details on the role of PSIRA at these planned events;

8) The Authority must provide a dead-line for the implementation of its Communications policy; and

9) The number of training courses provide by PSIRA, together with the number of members trained in 2012/13 and planned for 2013/14.

The information received by the Authority on 03 May 2013, is not comprehensive or explanatory in nature. Some information requested by the Committee during the 2013/14 budget hearing is still outstanding and will be taken up with the Authority.

**7. CONCLUSION**

The Portfolio Committee on Police concluded that the budget hearing meeting was frustrating as answers were not forthcoming from the Authority. However, the Committee indicated that it will continue to fulfil its Constitutional mandate which is guided by the Parliamentary rules in conducting the oversight on the functioning of state owned entities, including PSIRA, in order to ensure the proper and effective functioning and compliance with the legislative mandate and policy requirements of the Authority.

**Report to be considered**