

SIU
Presentation
to
Portfolio Committee
on
Transport

28 May 2008



POISED TO STRIKE
against corruption

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Summary



- **About the SIU**
 - SIU mandate and legal scope
 - Threats to departments
 - Integrated forensic solutions
 - SIU methodology
- **Background DoT investigation**
- **Key Focus Areas**
 - Stolen Vehicles
 - Illegal Licences
- **Achievements**
- **Challenges**

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About the SIU



- **Started out:** Heath Commission 1995
- Set up into **SIU Act 74/1996** – Report to President and Parliament.
- **Early years:** primarily criminal investigators and lawyers
- **Last 5 years:** developed multi-disciplinary forensic capability:
 - Forensic investigators, lawyers, forensic accountants, cyber forensics experts, data analysts and project management professionals
- **Definite focus** on corruption, fraud, maladministration, misconduct causing losses to State

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SIU mandate & legal scope



- **Major functions of the SIU:**
 - investigate corruption and maladministration
 - institute civil legal action to correct any wrongdoing
- **Primary purpose of SIU:** enable state to recover money lost as a result of unlawful or corrupt action
- **SIU also able to:** use civil law to prevent huge losses (e.g. set aside contracts) and facilitate systemic improvements
- **Special powers:** subpoena, search, seizure and interrogate witnesses under oath – **not** power of arrest, prosecution
- **Cooperation:** work closely with SAPS, DSO and NPA when encounter criminal conduct to ensure arrest and conviction

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Threats to Departments



- Major challenge to protect integrity of systems and processes, e.g. social grants, service delivery, issuing drivers' licences, procurement, tax collection
- Other departments also facing combined threats of fraud, corruption and maladministration
- Both *opportunistic* and *more organised* gap exploitation
- Often triple threat of compliance, process and people
- Any forensic solution should focus on above to make an impact

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Integrated forensic solutions



- Fraud, corruption and maladministration usually detected as a result of escalating loss or weakened service delivery
- Dealing effectively with the problem requires:
 - a holistic approach, integration of forensic disciplines and
 - strong cooperation between the departments and other key agencies, e.g. AG, SCOPA, State Attorney, SAPS, NPA, etc
- Critical part of cleaning up problem is a complete and integrated forensic solution:
 - Forensic audit and investigations
 - Remedial legal action: civil, criminal and disciplinary
 - Systemic improvements and Risk management
- SIU able to provide this complete forensic service to Departments
- Measures success through statistical and systemic impact

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Best practice forensic methodology

- ✱ **Best practice methodologies**
 - ✱ Qualified professionals with international exposure
 - ✱ Developed best practice forensic investigation methodologies

- ✱ **Best in class integrated forensic structure**
 - ✱ Centres of Expertise house specialists in law, cyber forensics, forensic accounting and data analysis
 - ✱ Recruit from private sector
 - ✱ Driven by professional approach
 - ✱ Invited to participate in international think tank on best practice for forensic investigations

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Background DoT investigation

- ✱ Initial SIU investigation in Limpopo
 - ✱ found about 10% of all licences issued to be invalid
- ✱ DoT investigation extended nationally on 1 March 2005
- ✱ 3 year service level agreement with Department
 - ✱ Currently SLA in second term
 - ✱ Legal accountability to President
- ✱ 83 full-time members are on project, deployed nationally
- ✱ DoT fund cost of investigation – R20m pa

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Key focus areas



- * President issued Proclamation R5 of 2005 (further extended) to investigate following key focus areas:
 - * **Driving licences:**
 - * Driving licences, including professional driving permits and learner's licences, issued by examiners at DLTCss
 - * The conversion of forged driving licences, invalid driving licences and foreign licences to the South African Credit Card Form driving licence
 - * The **registration of stolen vehicles** on e-NaTIS

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Focus Area: Stolen vehicles Background



- * Motor vehicle crime one of major crimes in SA
 - * Primarily driven by organised crime syndicates
 - * Black market determines supply and demand for specific vehicles
 - * Acquired primarily through theft and hijacking
 - * Disposed of locally and in neighbouring countries
 - * Stolen vehicles also used to commit other crimes
- * Last year 99 897 vehicles stolen (2007 SAPS statistics)
 - * In 2005 insurance claims for stolen vehicles of R9 billion (source: SAIA)
 - * Average annual loss 95 000 vehicles

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Stolen Vehicles (cont.)



Demand Acquisition Legalisation Distribution Recovery

Demand driven by:

- Local and international black market needs
- Spare parts (chop shops)
- To commit other crimes
- Insurance fraud

Acquisition:

- Major crimes: Theft and Hijacking
- Mostly organised crime
- 95 000 vehicles stolen p.a.

Legalisation

- e-NaTIS process**
 - Create duplicate licence disc
 - Create fictitious e-NaTIS transactions record
 - e-NaTIS record and/or identity theft
- Vehicle Identity**
 - Change vehicles profile
 - Clone existing vehicle on e-NaTIS or scrapped vehicles
 - Issue new clearance certificates
- Distribution**
 - 50% destined for local market
 - 30% exported
 - 20% spare parts (chop shops)

47% recovered

- LEA Investigations
- Crime prevention
- Tracking agencies

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Analysis-driven intervention



DEVELOPING A DATA DRIVEN PRO-ACTIVE APPROACH

Current LEA approach

- Focused on the distribution end
- Recovery driven by:
 - Individual complaints
 - Organised crime investigations
 - Tracking agencies
- Current approach focuses less on demand side

e-NaTIS data driven

- Focuses on demand side
- Extensive reliance e-NaTIS interrogation
- Determine query trends and patterns
- Generate exceptions for investigation
- Investigations analysis driven
- Cooperation between forensic analysis-audit and investigation/LEA agencies
- SIU will perform data-interrogation

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Effect of illegally issued licences



- * Incompetent and/or dangerous drivers contribute to high death toll – **500 000 collisions** annually
- * Collisions cost the economy R38 billion annually
- * Corruption and fraud compromise integrity of system
- * Loss of confidence in RSA drivers licences abroad

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The critical demand for licences



- * The problem of irregular licences is **not limited to irregular conduct only**
- * Also a **critical demand for licences**
 - * **2,1 million** applications annually
 - * **1,1 million** licences issued
 - * **3 – 9** months waiting period for appointment
- * **350** DLTCs nationally
 - * DLTCs capacity and processes unable to meet growing demand for valid licences

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Key objectives of licencing investigation



- * A **forensic audit and investigation** aimed at understanding:
 - * The nature and seriousness of problems experienced in the licencing system
 - * The underlying causes of these problems, including systemic gaps and other constraints
- * Effectively **addressing the problem** through:
 - * Remedial legal action, i.e.:
 - * criminal and disciplinary action
 - * cancellation of invalid licences
 - * Process and structural improvements
- * **Overall objective** is building an effective licencing process
- * SIU provides **holistic solution** to the problem

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The licencing process



	Application	Fitness Testing: vision	Payment 1	Competency Test	Payment 2	Issuing
Learner's Licence (LL)	LL1	Eye test	First payment	Theory	Second payment	ISSUE LL2
Driving Licence (DL)	DL 1	Eye test	First payment	Road and yard test	Second payment	ISSUE TDL
Conversions	DL1, original confirmator letter	Eye test	Payment	-	First payment	ISSUE CCF

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SIU approach and key results (since inception to March 08)



Aims	Key actions	Key results	Key achievements
Identification of invalidly issued licences	Audit of licence/conversion files	1,487,000 files uplifted 1,193,185 files analysed	91,596 invalid licences identified
Cancellation of invalidly issued licences	Recommend cancellation of invalidly issued licences/conversions	44,315 invalid licences/conversions	5,092 licences have been cancelled

SIU approach and key results cont.



Aims	Key actions	Key results	Key achievements
Creation of a strong deterrent for corrupt officials and private individuals	Visible criminal and disciplinary investigations and prosecutions	5394 criminal cases referred to SAPS	82 officials and 1269 private individuals arrested 771 prosecutions instituted 6 DoT officials convicted 36 officials (other departments) convicted 729 private individuals convicted
	Disciplinary investigations and prosecutions	627 disciplinary cases referred for action	42 officials dismissed/resigned

DLTCs case study #1



One of worst case examples

- **SIU found:**
 - 11 175 invalid licences
 - 7 officials selling licences
 - Document management system in chaos
 - Driving school agents manipulate licencing process
- **Following SIU's intervention:**
 - 2 officials dismissed and 4 resigned
 - 5 officials prosecuted
 - 1 official convicted and sentenced to 5 years imprisonment
 - Management and operational capacity improved
 - Document management system significantly improved
 - Improved compliance monitoring

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DLTCs case study #2



- SIU received information about DLTCs officials living beyond their means
- Initial SIU audit did not reveal serious irregularities
- An in-depth e-e-NaTIS interrogation revealed red flag exceptions
 - SIU found many instances of licences illegally issued to individuals without conducting testing or following NRTA procedures (i.e. complete application forms etc.)
 - Officials living beyond their means linked to this practice
- To date 2 officials have been suspended
- Success due to innovative analyses technique

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Main causes of illegal licences

- * Results of SIU audit and analyses highlighted key causes of the irregular licences:
 - * Conduct of officials and licencees (**people**)
 - * Licencing processes (**processes**)
 - * Legislative framework and DLTCs structure (**structure**)
- * SIU intervention focuses on these critical areas



Breakdown of main causes

People	Processes	Structure
<ul style="list-style-type: none"> *Backlog and desperate need drive fraudulent conduct *Corrupt officials and criminal middlemen exploit systemic weaknesses *Negligent/incompetent DLTCs officials 	<ul style="list-style-type: none"> *Inefficient business processes *Inadequate compliance monitoring by DoT Inspectorate *Weak management and oversight at DLTCs *Lack of standard operating practices (SOP) 	<ul style="list-style-type: none"> *70% of DLTCs managed by municipalities and 30% by provinces *No agreed minimum performance standards for municipalities *DLTCs have no financial autonomy resulting in inadequate resourcing *Legislative gaps

Demand outstrips supply.... escalating backlogs... system abuse

Focus on licencing processes



SIU's main aims are to:

- ✱ Review and improve the effectiveness of **business processes** at DLTCs through:
 - ✱ Re-engineering of business processes (pilot project in the Western Cape)
 - ✱ Address the **underlying constraints** at DLTCs:
 - ✱ Capacity constraints
 - ✱ Legislative gaps
 - ✱ Inadequate compliance monitoring by the Inspectorate
 - ✱ Weak management and oversight at DLTCs

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Western Cape pilot project



Problem	Intervention	Progress/success	Impact
<p>Inefficient business processes</p> <p>Blockages in the process flow slow down service delivery</p> <p>No SOPs in place</p>	<p>Business process review started during 2007</p> <p>Reviewed business processes and underlying constraints at selected DLTCs nationally</p> <p>Designed best practice model</p> <p>WC pilot sites selected</p> <p>Testing of proposed model started in January 2008</p> <p>SOPs being developed</p>	<p>Simulated testing show significant increase in throughput</p> <p>Introducing changes to the process flow that will enhance efficiency</p>	<p>Efficient business processes will reduce backlogs and speed up service delivery</p>

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Capacity constraints



Problem	Intervention	Progress	Impact
<p>Capacity constraints</p> <p>Income generated by municipal DLTCs accrue to municipalities</p> <p>Funds not ring-fenced for DLTCs resourcing</p>	<p>Need to determine a formula to scientifically calculate demand at DLTCs level</p> <p>Drafting of a DLTCs specific SLA</p>	<p>Proposal for development of demand calculator submitted to DoT</p> <p>SLA in process of being developed</p>	<p>Demand calculator and SLA will ensure a better determination of adequate resources of DLTCs</p>

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Review National Road Traffic Act



Problem	Intervention	Progress/Success	Impact
<p>Legislative gaps</p> <p>Legislation is needed to provide for demand calculator and minimum performance standards</p> <p>Ambiguous NRTA provisions create opportunities for abuse/non-compliance</p>	<p>SIU serve on Driver Technical Committee (DTC)</p> <p>SIU reviewed NRTA and Regulations and identified gaps</p> <p>SIU drafted proposed amendments to NRTA</p> <p>DoT drives amendment process</p>	<p>Proposed amendments submitted to DoT for comment</p>	<p>Closing legislative gaps will reduce opportunities for abuse/non-compliance</p>

Monitoring and oversight



Problem	Intervention	Success	Impact
Inadequate compliance monitoring by DoT Inspectorate	<p>Reviewed NRTA in relation to powers and duties of Inspectorate</p> <p>SIU recommended that DoT address powers and lack of capacity of Inspectorate</p>	Proposed amendments to NRTA drafted and submitted to the DTC for comment	Increased capacity, and powers will improve compliance
Weak management and oversight at DLTCs	<p>Reviewed job descriptions of all DLTCs staff</p> <p>Reviewed management practices</p> <p>Drafted job descriptions for:</p> <ul style="list-style-type: none"> - Staff members - Management Reps, which include audit compliance duties 	Proposed job descriptions submitted to DoT	Role clarification and pre-determined key performance indicators will increase quality and quantity of delivery

Invalid licence categories



Reasons for invalidity		Invalid licences	Invalid conversions	Total	% of Invalid licences
NON-COMPLIANCE (NON FRAUD)	Administrative infractions	18312	3453	21765	24%
	Not fit to drive	16404	478	16882	29%
	•Eye test	15381	322	15703	
	•Other medical	1023	156	1179	
	Incompetent	9843	244	10087	75%
	•Failed test	3929	244	4173	
	•Inadequate testing materials	5914	-	5914	
	Other	15993	3624	19617	
TOTAL	60552	7799	68351		
FRAUD/ CORRUPTION	Selling of licences	4171	19074	23245	25%

Major achievements



- * Contributed to a better **understanding** of the problem
 - 8% of 1,1 million licences analysed invalid
 - 1.9% of licences analysed fraudulently obtained
 - 25% of all invalid licences identified were fraudulently obtained
 - 2.3% of all licences analysed drivers unfit or technically incompetent
 - 29% of all invalid licences identified drivers unfit or technically incompetent
 - 1.8% of all licences analysed administrative infractions
 - 24% of all invalid licences identified administrative infractions
- * **Significant impact** through removing corrupt/incompetent officials from the system
- * **Successful prosecutions** deter would-be offenders
- * Recommended **systemic improvements** will promote a sustainable, effective licensing system

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Conclusion



- * **Still significant challenges:**
 - **Removal** of illegal driving licencees from the system
 - Fast tracking of **legislative amendments**
- * Can be accelerated with high-level support

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Thank you