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SUMMARY AND ANALYSIS OF THE 2011/12 ANNUAL REPORT OF THE PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY (PSIRA)

PREPARED FOR THE PORTFOLIO COMMITTEE ON POLICE

1. Introduction

The Private Security Industry Regulatory Authority (PSIRA) was established in terms of Section 2 of the Private Security Industry Regulation Act, No. 56 of 2001. Its mandate is to regulate the private security industry and to exercise effective control of security service providers in the public and national interest and the interest of the security industry itself. A Council is appointed by the Minister of Police in consultation with Cabinet and constitutes a Chairperson and three additional Councillors, who are independent of the private security industry. The Council is tasked with the governance of the PSIRA and forms the accounting authority of PSIRA and is accountable to the Minister of Police in the performance of its function. The Authority is listed as a public entity in Schedule 3A of the Public Finance Management Act (PFMA). As such, the Authority must adhere to the statutory duties and responsibilities as imposed by the PFMA. The Authority is funded through levies and fees recoverable from the security industry, in accordance with section 16 of the Act and currently receives no funds from the State.

The Annual Report prepared by the Authority and tabled before Parliament each year is the main reporting instrument for the entity to report on its achievements on predetermined targets and how funds were utilised to ensure the achievement of these targets as outlined in its Annual Performance Plan.

This paper will focus on the following aspects of the 2011/12 Annual Report:

- Overview of strategic priorities and measurable objectives;
- Analysis of the Authority's performance on predetermined targets against actual achievement thereof;
- Findings made by the Auditor-General of South Africa (AGSA);
- Analysis of the Financial Statements of the Authority for the year under review; and
- Analysis of the utilisation of Human Resources as part of the organisation structure.

2. Strategic Priorities and measurable objectives (Predetermined objectives)

In 2010/11 the Authority embarked on an organisational turnaround to improve service delivery and establish a standing as an effective regulator of private security in South Africa. The revised Strategic Plan has been guided by national policy priorities as set out by the Justice, Crime Prevention and Security (JCPS) Cluster, which is specifically aimed at improving effectiveness and integration of the Criminal Justice System (CJS) revamp in order to reduce the overall levels of crime in the country.

The Strategic Plan introduced seven strategic priorities for PSIRA based on a situational analysis of the industry environment. The following strategic priorities resulted from this process:

- Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy);
- Strategic Priority 2: Stakeholder and Customer Relationship Management;
- Strategic Priority 3: Financial management and funding;
- Strategic Priority 4: Excellent Service Delivery (Effective Regulation);
- Strategic Priority 5: Efficient and Effective Processes;
- Strategic Priority 6: Effective Organisational Structures with Skilled, Competent and Motivated Workforce; and
- Strategic Priority 7: Enabling Environment (Organisational Culture).

3. Performance against predetermined objectives

The Private Security Industry Regulatory Agency (PSIRA) determined a total of 46 measurable targets for the 2011/12 financial year. Of the total planned targets, 14 out of 46 were achieved during the period under review, which represents a success rate of 30.4 per cent. The remaining 32 targets were not achieved, which represents 69.5 per cent of total planned targets. Strategic Priorities 1 and 7 achieved none of their targets.

NOTE: There are discrepancies in the calculation of achieved targets for 2011/12, in that the Authority reported a different performance rating/grading structure. Instead of reporting targets 'achieved' or 'not achieved', the Authority graded the achievement in the following manner: The number 1 was given to targets 'not achieved'; 2 was given to targets 'partially achieved' and 3 was given to targets 'achieved'. It is the view of this analysis that targets are either achieved or not achieved and must be clearly reported in the Annual Report. Additionally, the Auditor-General counted those targets 'partially achieved' as 'achieved' and thus came to a success rate of 68 per cent (23 targets achieved). However, as stated above, the targets 'partially achieved' were not counted as achieved targets in this analysis. However, the 'partially achieved' targets will be identified in the tables below in order to facilitate a comprehensive understanding of the discrepancy identified through this analysis.

PSIRA performance in summary (2011/12)

Total targets set: 46
Targets achieved: 14
Success rate: 30.4%
Targets not achieved: 32 (69.5%)

3.1.1 Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy)

The objective of the first Strategic Priority: Industry Stewardship (Knowledge and Advocacy) is to ensure a full understanding of the industry and to begin to respond to industry needs and challenges, so as to be recognised as "the industry experts". A total of 7 targets were set for

2011/12, of which the Authority realised none. The Authority reported that the poor performance on this strategic priority was due to budgetary constraints experienced in the financial year under review.

Performance in summary
Total targets set: 7
Targets achieved: 0
Success rate: 0%
Targets not achieved: 7 (100%)

The table below indicates the performance of the Authority against predetermined targets set for Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy) together with the reasons for not achieving targets.

Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy)

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
Research capability	% of priority research areas completed	100%	**TARGET NOT ACHIEVED** Only research topics were identified during the year. Actual research not carried out.	Due to budgetary constraints, the senior researcher vacancy could not be filled.
Industry participation	Number of **industry forums** initiated/driven by PSIRA	4 (1 per quarter)	**TARGET NOT ACHIEVED** No industry forums established during the year.	Due to budgetary constraints.
	Level of participation (% of invited people attending).	80%	**TARGET NOT ACHIEVED** No industry forums established.	Due to budgetary constraints.
	Industry awards programme in place.	Dec 2011	**TARGET NOT ACHIEVED** Programme not pursued.	Due to budgetary constraints.
External communication	Quarterly media statements were issues on a regular basis	April 2011	**TARGET NOT ACHIEVED** Three quarterly media publications were issued ***(Partially achieved)***	Due to budgetary constraints.
	Quarterly publication regularly issued	Dec 2011	**TARGET NOT ACHIEVED** Quarterly publications not issued	Due to budgetary constraints.
	Website enhancement projects completed	Apr 2011	**TARGET NOT ACHIEVED** The website was designed and developed incorporating the new corporate identity. The project was completed in January 2012. ***(Partially achieved)***	No reason reported

Source: 2011/12 PSIRA Annual Report, p.59.

As mentioned above, Strategic Priority 1: Industry Stewardship (Knowledge and Advocacy) achieved none of the predetermined targets in 2011/12.

Comments and questions

The Authority must provide reasons for the failure to meet any of the predetermined targets and explain in detail what the nature of the reported 'budgetary constraints' are.

The Authority must also indicate why proper planning was not done in terms of aligning the Strategic Priorities of the Authority with the available budget in order to ensure that targets are met. Before targets are set, the Authority must ensure that funds are available to achieve the targets as predetermined and not 'blame' budgetary constraints for failure to achieve targets.

What progress has been made in achieving these targets in 2012/13?

What efforts are made by the Authority to keep up with challenges in the industry in becoming the 'industry experts' as stated in the objective of this priority?

The Authority must elaborate on the establishment of 'industry forums'. What is envisaged with these forums?

It should be noted that targets "partially achieved" does not count as a target achieved and reflects as a non-achievement throughout this analysis.

3.1.2 Strategic Priority 2: Stakeholder and Customer Relationship Management (CRM)

The objective of Strategic priority 2: Stakeholder and Customer Relationship Management, is to ensure meaningful and successful engagement with all stakeholders. A total of 8 targets were set for 2011/12, of which 3 were achieved representing a success rate of 37.5%.

Performance in summary
Total targets set: 8
Targets achieved: 3
Success rate: 37.5%
Targets not achieved: 5 (62.5%)

The table below indicates the performance of the Authority in predetermined targets set for Strategic priority 2: Stakeholder and Customer Relationship Management against actual performance together with reasons for variance:

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
CRM function effectiveness	Registrations turnaround time	1 month (30 days)	**TARGET NOT ACHIEVED** Average days to register security officers: 33.7 days Average days to register businesses: 39.9 days Combined average: 33.8 days ***(Partially achieved)***	No reason reported
	Basic Customer Relationship Management function/capability in place	Dec 2011	**TARGET ACHIEVED** CRM function in place. Six walk-in consultants appointed in the Pretoria, Polokwane, Nelspruit and Johannesburg offices.	-
	% of customer contracts going through CRM function	100% in fourth quarter	**TARGET NOT ACHIEVED** The Call centre and customer helpdesk was not implemented to monitor customer contracts	Deferred to the next performance cycle due to budgetary constraints.
Stakeholder integration	Department of Home Affairs (DHA) access in place	Apr 2011	**TARGET NOT ACHIEVED** Access to the Department of Home Affairs database not in place	Due to the unavailability of feedback from each stakeholder.
	SAPS integration in place (CFR)	Mar 2012	**TARGET NOT ACHIEVED** Draft SLA has been drafted, but not yet in place. ***(Partially achieved)***	
	Department of Labour (DoL) integration in place	Mar 2012	**TARGET NOT ACHIEVED** Draft MOU compiled for discussion/signature. ***(Partially achieved)***	
End-users interaction	Toll-free number/hotline available	Apr 2011	**TARGET ACHIEVED** Toll-free number/hotline established in Dec 2010.	
	End-user feedback mechanism in place	Mar 2012	**TARGET ACHIEVED** Helpdesk and user feedback **outsourced** to an external service provider.	

Source: 2011/12 PSIRA Annual Report, p.60

Comments and questions

Why was the Service Level Agreement (SLA) with the South African Police Service (SAPS) in terms of the Central Firearm Register (CFR) only drafted and not put in place as planned? The PSIRA must explain the 'unavailability' of the SAPS as reported as the reason for not fully achieving this target. Can the Committee see a copy of the draft SLA?

Similarly, the Authority must explain the reasons for all other 'unavailability of feedback from each stakeholder' (Departments of Home Affairs and Labour) in terms of 'Stakeholder integration'. Did the Authority follow-up with each stakeholder?

The PSIRA must provide the name of the company to which the 'End-user feedback mechanism' was outsourced and the cost of this service. (Helpdesk and user feedback outsourced to an external service provider).

What is the purpose and effect of the implementation of the toll free hotline? How many calls were received in 2011/12 and what was their nature?

It should be noted that targets "partially achieved" does not count as a target achieved and reflects as a non-achievement throughout this analysis.

3.1.3 Strategic Priority 3: Financial management and funding

The objective of Strategic priority 3: Financial management and funding is for PSIRA to be a financially stable and sustainable organisation (to increase revenue, decrease costs and achieve at least breakeven). A total of 7 targets were set for 2011/12 and 3 of these were achieved, representing a success rate of 42.8%.

Performance in summary
Total targets set: 7
Targets achieved: 3
Success rate: 42.8%
Targets not achieved: 4 (57.1%)

The table below indicates the performance of the Authority in predetermined targets set for Strategic priority 3: Financial management and funding against actual performance together with reasons for variance:

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
Revenue management	Debtors days:	45 days	**TARGET NOT ACHIEVED** 630 days	Average debtors days are high due to old debt not yet written off.

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
	Collection days	90% of billed	**TARGET NOT ACHIEVED** 84% of billed has been collected	No reason provided.
Working capital management.	Current ratio:	2:1	**TARGET NOT ACHIEVED** 0.75:1	Combination of delayed implementation of annual fees and unplanned office relocation
Budget management	Surplus/deficit:	Breakeven	**TARGET NOT ACHIEVED** Net deficit of R9.3 million	Combination of delayed implementation of annual fees and unplanned office relocation
	Budget variance.	+/- 5%	**TARGET ACHIEVED** 12% variance on operational budget	-
Compliance with PFMA regulations and accounting standards	External audit opinion:	Unqualified	**TARGET ACHIEVED** Unqualified	-
	Internal audit rating (average):	2	**TARGET ACHIEVED** Overall internal audit opinion on systems of internal controls is "acceptable". Internal audit rating is 2.	-

Source: 2011/12 PSIRA Annual Report, p. 61

Comments and questions

How will the Authority address the challenge in reducing the total of 'Debtor days'? The target was set at 45 days and 630 days were actually achieved, due to debt not yet written off.

Similarly, the Authority must satisfy the Committee on the plan to urgently and effectively address the challenge in improving the ratio on 'working capital management.'

Explain the effect of the unplanned office relocation on the funding of the PSIRA.

What steps were to improve revenue management in 2012/13? Has the situation improved with regard to debt collection and collection days?

3.1.4 Strategic Priority 4: Excellent Service Delivery (Effective Regulation)

The objective of Strategic priority 4: Excellent Service Delivery (Effective Regulation) is to enable effective compliance and enforcement of PSIRA legislation in order to achieve behavioural

changes in the industry. A total of 6 targets were set for 2011/12 of which the Authority achieved 4, which represents a success rate of 80%.

Performance in summary
Total targets set: 5
Targets achieved: 4
Success rate: 80%
Targets not achieved: 1 (20%)

The table below indicates the performance of the Authority in predetermined targets set for Strategic priority 4: Excellent Service Delivery (Effective Regulation) against actual performance together with reasons for variance:

Key performance area	**Key performance indicator**	**Target 2011/12**	**Actual 2011/12**	**Reason for variance**
Improved integrity of registrations database	Ratio of officers unaccounted Ratio of businesses unaccounted	20%	**TARGET NOT ACHIEVED** Programme deferred	The programme can be achieved mainly through renewal of registrations. Current legislation does not provide for renewal of registration.
Effective law enforcement process (improved compliance level)	Compliance model designed	Apr 2011	**TARGET ACHIEVED** Compliance model approved in March 2011	-
	All personnel trained on compliance mode;	Jun 2011	**TARGET ACHIEVED** All personnel trained on the 9th to the 12th August 2011	The training was moved to August as management had to revise the compliance strategy in light of limited number of inspectors.
	Compliance model implemented	Jul 2011	**TARGET ACHIEVED** Compliance model implemented in January 2012	-
	% of inspections resulting in contraventions	20% reduction	**TARGET ACHIEVED** 27% reduction resulting in non-compliance	-

Source: 2011/12 PSIRA Annual Report, p 62

Comments and questions

As this is the core business of the Authority, a success rate of 80% is commendable.

The Authority must expand on how current legislation impacts on the renewal of registration and how amended legislation will address the current situation, in light of the fact that the Private

Security Industry Regulations Amendment Bill, 2012 is currently before the Portfolio Committee on Police for consideration.

The PSIRA is requested to provide the Committee with a copy of the approved Compliance Model or alternatively explain what this model entails.

3.1.5 Strategic Priority 5: Efficient and Effective Processes and Systems

The objective of Strategic priority 5: Efficient and Effective Processes and Systems are to ensure that adequate processes and systems are in place to effectively carry out the mandate of PSIRA. A total of 6 targets were set of which 2 were achieved, representing a success rate of 33.3%.

Performance in summary
Total targets set: 6
Targets achieved: 2
Success rate: 33.3%
Targets not achieved: 4 (66.6%)

The table below indicates the performance of the Authority in terms of predetermined targets set for Strategic priority 5: Efficient and Effective Processes and Systems against actual performance together with reasons for variance:

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
Reengineered and standardised processes	Availability of process maps for 1st priority processes	Apr 2011	**TARGET NOT ACHIEVED** Three process maps were designed: (1) The annual billing solution, (2) waterfall deposit allocation solution and (3) the Bad debts solution feature ***(Partially achieved)***	Delayed appointment of the business analyst
	Availability of process maps for all processes.	Mar 2012		
Process efficiency	Reduction in turnaround time for prosecutions (from inspection to finalisation)	90 days	**TARGET NOT ACHIEVED** 118 days	Inadequate number of prosecutors in the legal services department
Business continuity	Business continuity plan implemented	Jun 2011	**TARGET NOT ACHIEVED** Programme deferred to next performance cycle	Deferred to the next performance cycle due to budgetary constraints
IT infrastructure	IT infrastructure in place	Mar 2012	**TARGET ACHIEVED** IT infrastructure in place, i.e. Oracle database management system, IT servicers and Local and Wide Area network refurbished.	

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
IT systems efficiency	Mean time to repair and planned downtime	2 hours	**TARGET ACHIEVED** Mean time to repair and planned downtime done in 1.5 hours	

Source: 2011/12 PSIRA Annual Report, p.63

Comments and questions

Can the Authority provide the name of the Business Analyst appointed to 'Reengineer and standardised processes' in the drafting of the three process maps that were designed, namely: (1) Annual billing solution, (2) Waterfall deposit allocation solution and (3) the Bad debts solution feature)?

Can the Authority briefly explain these 'maps' and also provide the Committee with copies of these three maps? Which process maps are still outstanding?

How will the inadequate number of prosecutors in the legal services department be addressed by the Authority? (The position(s) is currently vacant).

The newly established IT Department is apparently fairing well, regardless the fact that the division currently have a vacancy rate of 40%. Can the Authority indicate how this vacancy rate will be reduced and positions filled? Additionally, it is requested that the Authority must indicate what the current reliance is on outsourced IT providers?

It should be noted that targets "partially achieved" does not count as a target achieved and reflects as a non-achievement throughout this analysis.

3.1.6 Strategic Priority 6: Effective Organisational Structures with Skilled, Competent and Motivated Workforce

The objective of the Strategic priority 6: Effective Organisational Structures with Skilled, Competent and Motivated Workforce is to ensure that PSIRA has competent and skilled employees that are able to execute their tasks effectively. A total of 9 targets were set for 2011/12 of which only 2 were achieve, which represents a success rate of 22.2%.

Performance in summary
Total targets set: 9
Targets achieved: 2
Success rate: 22.2%
Targets not achieved: 7 (77.7%)

The table below indicates the performance of the Authority in terms of predetermined targets set for Strategic priority 6: Effective Organisational Structures with Skilled, Competent and Motivated Workforce against actual performance together with reasons for variance:

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
Performance management	Interim performance reviews completed for all employees	Sep 2011	**TARGET NOT ACHIEVED** No additional information provided.	No additional information provided.
	Annual performance reviews completed for all employees	Mar 2012	**TARGET NOT ACHIEVED** No additional information provided.	No additional information provided.
	% of employees with performance contracts	100%	**TARGET NOT ACHIEVED** 1.4%. The performance agreements for three executives developed and approved	No additional information provided.
Succession planning	% of critical positions with succession plan	100%	**TARGET NOT ACHIEVED** The strategy is in the development phase	The variance is due to lack of capacity in the HR department.
Learning and development	Learning and development strategy implemented	Sep 2011	**TARGET ACHIEVED** The training programme was approved on June 2011	-
Employee wellbeing	EAP implemented	Jun 2011	**TARGET ACHIEVED** The Employee Assistant program has been launched and an external service provider has been contracted on the 1st Oct 2011 to coordinate the process.	-
Employment equity	Gender equity in management positions	45%	**TARGET NOT ACHIEVED** Female in management level is 29%	The variance is due to budgetary constraints to fill vacant positions at managerial and non-managerial levels.
	Disability % in workforce	2%	**TARGET NOT ACHIEVED** 0.5%	
Efficient manpower level*	Personnel cost as a % of revenue*	50%	**TARGET NOT ACHIEVED*** 49%	No reason provided.

Source: 2011/12 PSIRA Annual Report, p.64

Comments and questions

The Authority must provide reasons for not achieving any targets in terms of 'performance management' as neither interim nor annual performance reviews were conducted in 2011/12. Additionally, performance contacts have only been done for three executives (1.4% of the 100%

targeted) – the Authority must explain why the rest have not been developed yet and thus not signed.

The target of 50% set for 'personnel cost as a % of revenue' was reported in the Annual Report as 'achieved' even though the actual achievement was only 49%. Can the PSIRA explain this?

3.1.7 Strategic Priority 7: Enabling Environment (Organisational Culture)

The objective of Strategic priority 7: Enabling Environment (Organisational Culture) is to ensure that the Authority has a culture of learning embracing excellence that supports its vision and strategy. A total of 4 targets were set for 2011/12 of which none were achieved, representing a success rate of 0%.

Performance in summary
Total targets set: 4
Targets achieved: 0
Success rate: 0%
Targets not achieved: 4 (100%)

The table below indicates the performance of the Authority in terms of predetermined targets set for Strategic priority 7: Enabling Environment (Organisational Culture) with Skilled, Competent and Motivated Workforce against actual performance together with reasons for variance:

Key performance area	Key performance indicator	Target 2011/12	Actual 2011/12	Reason for variance
Culture architecture	Culture architecture designed	Jun 2011	**TARGET NOT ACHIEVED**	The variance is due to the lack of capacity in the HR department
	Culture architecture cascaded into departments	Sep 2011	**TARGET NOT ACHIEVED**	The variance is due to the lack of capacity in the HR department
Organisational climate and employee morale	Employee satisfaction rating (survey results)	75%	**TARGET NOT ACHIEVED** 59%	The survey revealed that employees are generally not satisfied with recognition, rewards, communication and supervision.
Corporate identity	Launch of new corporate identity	Sep 2011	**TARGET NOT ACHIEVED** Corporate identity not launched	Due to budgetary constraints

Source: 2011/12 PSIRA Annual Report, p.65

Comments and questions

The Authority must satisfy the Committee that this 'priority' will be addressed and prioritised in the current financial year. The Authority must explain how the lack of capacity in the HR department impacted on the poor performance on this strategic priority and how this challenge be addressed and resolved in coming years?

The Authority must explain the findings of the survey that was conducted on 'Employee satisfaction rating' as it was found that employees are generally not satisfied with recognition, rewards, communication and supervision. What will be done to remedy the situation?

4. Auditor General

PSIRA received an unqualified audit opinion for 2011/12 with emphasis of matters. The 2011/12 Report of the Auditor-General pertaining to PSIRA reflects the following:

4.1 Report on Financial Statements

Significant Uncertainties

The AG made mention of significant uncertainties in terms of lawsuits in which the Authority is the defendant. These are stipulated in note 18 of the Financial Statements of the 2012 Annual Report:

1) De Beer v PSIRA (Defamation of character – claim of R1 million);
2) Mavana v PSIRA (Wrongful termination – CCMA found in favour of PSIRA, but applicant referred the matter to the Labour Court);
3) Mogapi v PSIRA (Wrongful dismissal); and
4) Security Industry Alliance v PSIRA (Dispute pertaining to the 2011 Annual Fee Regulations).

The Authority has made no provision for any liability (contingent liability) that may result from these legal actions in their financial statements.

Going Concern[1]

The Statement of Financial Performance for the year ended 31 March 2012 on page 80 of the Annual Report indicates that PSIRA incurred a net loss of R9,280 million (2011: R23, 763 million) during the year. The current liabilities exceed the current assets by R8,266 million as per the statements of financial performance. The AG reported that these conditions, along with other matters as set forth in the note 21 of the Financial Statements of the Authority, indicates the existence of a material uncertainty that may cast significant doubt on the public entities ability to operate as a going concern.

[1] Definition: 'Going concern' is a term uses for a company that has the resources needed in order to continue to operate indefinitely. If a company is not a 'going concern' it means that the company has gone bankrupt. Source: http://www.investopedia.com/terms/g/going concern.asp#axzz2B2rnL9wR

Material Losses
As disclosed in note 13 of the Financial Statements of PSIRA, material losses to the amount of R82,487 million were incurred of which R24,065 million was written off in the current year and the balance adjusted through a decrease in the impairment provision.

4.2 Report on other legal and regulatory requirements

Predetermined objectives
The reported performance of the Authority against predetermined objectives was evaluated by the AG against the overall criteria of usefulness and reliability. The material findings made by the AG are as follows:

Usefulness of information

- Performance targets are not specific
- Performance targets are not measurable
- Indicators not verifiable
- Performance indicators not well defined
- Performance targets are not time bound

4.3 Progress with Addressing Audit matters

The table below illustrate issues raised by the AG in 2010/11 and whether those were resolved or not resolved in the 2011/12 financial year.

Resolved in 2011/12	Not resolved in 2011/12
Compliance	
Expenditure management	Procurement and contract management
Budgets	Revenue management
	Strategic planning and performance
	Annual financial statements
Reported Performance Information	
Presentation on reported performance information	Usefulness of reported performance information

Source: Briefing by the Office of the AG

Comments and questions

The PSIRA must explain how they will resolve the issues already identified by the Office of the Auditor-General during the 2010/11 audit and that are still not resolved in 2011/12. The continuous failure to address these concerns might lead to a qualified audit report for the Authority in years to come.

4.4 Key concerns and recommendations:

- **Leadership:** The AG found that the accounting authority did not have a risk management strategy in place as per National Treasury prescripts.
- **Predetermined objectives:** The AG found that the Authority's focus was not on predetermined objectives and ensuring full compliance with laws and regulations, in terms of irregular expenditure. It is recommended that the accounting authority should ensure predetermined targets meet SMART criteria. Senior management should take responsibility to ensure performance information reported on is reliable and should be held accountable for reporting unreliable information.
- **Bad debt:** Similar to the previous financial year, a large amount was written off as bad debt – management is anticipating that this trend will decrease as most of these bad debts are historic of nature.
- **Supply Chain Management:** PSIRA should continuously monitor compliance with due procurement processes.
- **Financial Management:** Senior management should monitor and review day to day financial activities to ensure monthly financial information are accurate and reliable.
- **Information Technology:** Approve and implement an IT governance framework and monitor the effectiveness of IT systems.

5. Financial Statements

5.1 Issues identified as significant concern

Tariff increase: In January 2012, the PSIRA effected tariff increases of 75% for standard business fees and 900% for fees paid by the companies for each security officer hired. This was done regardless of the fact that National Treasury recommended an inflation-related adjustment of 9.1% across all categories. The PSIRA went ahead with the increases and ignored the suggestions proposed by the National Treasury. Moreover, the PSIRA did not seek the concurrence of the Minister of Finance for the increase of tariffs in terms of Section 2 (3)(a) of the Private Security Industry Levies Act No 23 of 2002, which states that

> *"The Minister [of Police] must—with the concurrence of the Minister of Finance, within a period of 60 days after receiving a notice referred to in subsection (2)(c), give the Council notice approving or rejecting the proposed imposition, variation or determination".*

The management of PSIRA indicated that whilst the Private Security Industry Levies Act No 23 of 2002 was promulgated, it was never enforced. Therefore, the PSIRA did not need to seek the concurrence of the Minister of Finance. Following the introduction of the tariff increases in January 2012, legal action was instituted by the Security Industry Alliance (SIA) against the PSIRA, Minister of Police and the chairperson of the Council, to set aside the 2011 Annual Fee Regulations. The SIA indicated that the proposed annual fee increases were too high and threatened the financial viability of their organisations. (The fees are set out in section 5.3 of this paper). The management of PSIRA has admitted that there is a high probability that the court will set aside the 2011 Annual Fee Regulations.

Expenditure: Various issues pertaining to expenditure is highlighted. These are: (1) Significant increase in consulting and professional fees between 2008/09 and 2009/10, which recorded a doubling of the expenditure. However, the Authority managed to reduce this expenditure from R10.641 million to R5.379 million in 2011/12; (2) A doubling of office and other rent between 2008/09 and 2009/10. This further escalated significantly in 2011/12 recording a total of R10.904 million compared to the R3.257 million spent in 2010/11; and (3) Employee related costs increasing by 47% from R39.2 million (in 2009/10) to R57.5 million (in 2010/11) and further increased by 10.8% in 2011/12 to R63.7 million.

Debt management: Debt is a source of pressure in the PSIRA budget. Debt arises from the annual fees, fines, penalties and interest that are billed to registered security service providers, but due to the lack of capacity in the revenue management department of PSIRA they use an agency to collect long-outstanding debt. For the year ended 31 March 2012, PSIRA wrote off uncollected debt to the amount of R82.5 million (2010/11: R75.5 million). The number of accounts written off as uncollectable is 6 005. PSIRA reported that bad debt write-offs results in the withdrawal of registration of the service providers who fail to pay in terms of the PSIRA Act.[2]

Lease agreement: The PSIRA entered into a lease agreement for a period of 5 years to the value of R61.243 million (Annual Report, 2010/11:85) for 5 070 m^2 office space and 160 parking bays The lease is structured such that the costs for the first 2 years are the same (R5.7 million per annum) with a steep increase (R15.058 million) in the third year, after which the premium increases by 10% in the fourth and fifth years. The lease should have been formulated such that there would be a constant escalation of 10% from the second year. This would have translated into a lease that commenced at R10.031 million in the first year, increasing to R14.687 million in the fifth year. Other concerns raised by the Public-Private partnership (PPP) unit within National Treasury which examined the lease include the following:

- The payment arrangement results in a huge increase of more than 268% in the first 18 months from R241 066.67 to R888 290.31 per month, which is not justifiable.
- The lease payments exclude operational costs which amount to R91 260.00, and it is not clear what this includes.
- Air-conditioning is part of the building and there is no justification as to why it should be paid separately, attracting a fee of R10 140.00.
- The 10% escalation is too high and significantly above the CPI. Lease expenditure of over R100 million could be incurred if the current lease is renewed for a further 5 years. The PSIRA could build its own facility for that kind of money.

In terms of Treasury Regulation 16A6 the procurement of the lease should have been done through a competitive bidding process. However in terms of Practice Note 8 of 2007/08, should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or

[2] PSIRA 2011/12 Annual Report, p. 12.

emergency cases or in case of a sole supplier, the accounting officer / authority may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer.

The PSIRA asserts that there was an urgency to relocate to new premises, as the building that it was occupying was not safe. This followed an Engineering Evaluation of the building in November 2010. However, it should be noted that while the engineer's report was finalised in November 2010 the decision to deviate from the normal procurement process was approved by the Council in February 2011. The lease agreement was only signed in April 2011. Therefore there was sufficient time for the PSIRA to procure a lease through a competitive process. This could have resulted in the PSIRA obtaining a more cost-effective lease.

The Office of the AG conducted an audit into the lease agreement and found that it did not constitute irregular expenditure. The Portfolio Committee on Police requested the Office of the AG to conduct a performance audit on the lease agreement to establish whether value for money was achieved through the process.

Office relocation costs: The Authority incurred significant expense during the relocation of offices from Arcadia to Centurion. The office relocation cost R4,726 million of which R4,009 was spent on fixed assets and R717 thousand was spent on the move and upgrading the new building in Centurion. The table below provides a cost breakdown for the relocation:

Name of supplier	Service or goods procured	Method	Contract Value	Purchase type
Stattafords Van Lines	Office removal from Arcadia to Centurion	Quote	R 97 474.56	Expense
Exys systems	Access control system	Quote	R495 908.00	Expense
Ngatia Trading CC	Installation of 2 Gate motors	Quote	R14 706.00	Expense
Sign-A-Rama	Signage	Quote	R41 164.00	Expense
TCB Machine Moving	Relocation & Installation	Quote	R7 353.00	Expense
Kayro's Decorating planet	Blinds	Quote	R4 713.90	Expense
Grundling Bus Services	Transport to Eco Glades 2	Quote	R2 500.00	Expense
Protea Coin	Security Systems Installation	Quote	R53 552.82	Expense
Total			**R 717 372.28**	
CN Business Furniture	Office furniture and equipment	Tender	R 3 171 290.68	Fixed assets
Khomanan X-ray systems	Access control system	Quote	R 199 619.30	Fixed assets
Gen IT Solutions	Local area network installation	Quote	R 638 285.22	Fixed assets
Total			**R 4 009 195.20**	
Grand Total			**R 4 726 567.48**	

Source: Provided by PSIRA: Outstanding matter, 29 August 2012.

Regional office lease agreement (KwaZulu-Natal): The Authority entered into a 5 year lease agreement for its KwaZulu-Natal Regional offices with a total value of the undiscounted lease payments amounting to R4 830 344 million over the period.

Salary package: Chairperson of the Council: The Chairperson of the Council has been appointed on a full-time basis on an annual remuneration of R1.39 million (Annual Report, 2010/11:83), which increased to R1 442 438 million in 2011/12 (3.5%). The remuneration of the Chairperson is much higher than what is offered by other entities in the same category (A1: R979,596 thousand) in terms of the Treasury Regulations. This is an additional amount of almost a half a million Rand per year (R462 842). Given the precarious financial position that the Authority currently finds itself in, it would be advisable for the Chairperson to be appointed on a part-time basis and be remunerated only for attending meetings.

Comments and questions

The PSIRA must explain why the Chairperson was appointed at a scaled much higher to that prescribed by Treasury for public entities with Chairpersons of a similar category.

5.2 Statement on Financial Performance

The table below illustrate the overall financial performance of the PSIRA in 2011/12. It is clear that the overall deficit for the year improved significantly in 2011/12 compared to 2010/11. The deficit improved from R23,045 million (2010/11) to R9,280 million (2011/12) representing an improvement of almost 60%.

Overall financial performance of PSIRA for 2011/12

	Note(s)	2010/11 Restated	2011/12	Increase/ Decrease (%)
Revenue	10	85 527 349	100 225 246	17.1%
Other income	*11*	*11 540 816*	*28 436 127*	*146.3%*
Operating expenses		(43 783 773)	(50 472 724)	15.2%
Employee related costs	12	(57 516 253)	(63 743 253)	10.8%
Debt impairment	*13*	*(19 342 273)*	*(24 065 516)*	*24.4%*
Operating deficit		**(23 574 134)**	**(9 620 857)**	**-59.1%**
Investment revenue		860 547	537 461	-37.5%
Loss on impairment and disposal of assets		(319 505)	(195 811)	-38.7%
Finance costs		(12 356)	(1 440)	-88.3%
Deficit for the year		**(23 045 448)**	**(9 280 647)**	**-59.7%**

Source: PSIRA 2011/12 Annual Report, p. 80

Various issues to note on the overall financial performance:

- Revenue increased by 17.1%

- Other income increased by 146.3%. Note 11 to the Financial Statements indicate a significant increase in *Sundry income* (2010/11:R3,25 million and 2011/12:R21,73 million)[3]. This represents an increase of 568.0% in 2011/12 compared to the previous year.
- Debt impairment increased by 24.4%

Comments and questions

The PSIRA must provide detailed information on what is defined as 'sundry income' as contained in 'Other income' because it increased by 568,0% in 2011/12 compared to 2010/11.

5.3 Revenue

The Authority, as an industry regulatory authority, receives no government funding and relies on various streams of revenue, which are as follows:

- Annual fees from Security Providers. These companies pay R4,250.00 per annum and R7.00 per month for each Security Officer employed.
- Annual fees from active Security Officers payable monthly. These officers pay R84.00 per annum through salary deductions.
- Revenue from services rendered, i.e.:
  - Registration fees
  - Disbursement fees – issuance of ID cards, Certificates
  - Processing of training (course) reports
  - Fines issued at code of conduct enquiries

Revenue of the PSIRA for 2011/12 compared to 2010/11

Revenue	2010/11	201112	Increase/ Decrease (%)
Sale of goods	5 278 467	6 276 889	18.9%
Annual fees	64 758 098	76 624 424	18.32%
Fines	*5 598 880*	*10 659 559*	*90.3%*
Infrastructure assessment fees	1 957 402	1 893 710	-3.2%
Registration fees	*7 934 502*	*4 770 664*	*-39.8%*
Total	**85 527 349**	**100 225 246**	**17.1%**

Source: PSIRA 2011/12 Annual Report, p. 108

The table above show that the revenue of PSIRA increased by 17.1% in 2011/12 compared to 2010/11. Issues to note:

- Significant increase of 90% in fines.
- Significant decrease of 39.8% in registration fees.

[3] Note 11 of Financial Statements, 2012 Annual Report, p.108.

Comments and questions

The Authority must explain the significant increase in revenue collected in terms of fines (90%) in 2011/12 compared to 2010/11. Although the Authority reported that this is mainly due to the finalisation of a backlog in code of conduct enquiries which generated an income of R10.6 million, the Authority must provide a detailed description of the fines collected coupled with the investigations conducted.

The Authority must indicate the reason for the 39.8% decrease in Registration fees. Is this related to the lawsuit brought against PSIRA by the Security Industry Alliance (SIA)? When will the court case be finalised?

5.4 Employee related costs/Salary expenses

The analysis of personnel cost per division of the Authority revealed various issues of concern regarding organisational aspects of the PSIRA. These include:

- The 100% decrease in salary cost within the '**Internal Audit and Risk Management**' division indicates that the position(s) are vacant (The AG made a significant finding on the lack of a Risk Management Strategy in terms of National Treasury prescripts);
- Appointment of a staff member in '**Asset Management**' to the cost of R1.328 million per annum (2011/12);
- All positions in the '**Prosecution**' division are currently vacant;
- The number of personnel employed in the '**Information Technology**' division increased from one to six in 2011/12 compared to the previous financial year;
- Three staff members were appointed in '**Events Management**' at an annual cost of R766,626 thousand;
- The Authority recorded an expenditure of R2,973 million on '**Fixed term contracts**' in 2011/12 compared to 2010/11 in which there was no expenditure recorded for fixed term contracts.

Personnel cost per division

Division/Department	Number of permanent staff members		Total Salary Cost 2011	Total Salary Cost 2012
	2011	2012		
Strategic and Governance issues				
Directorate	**2**	**5**	**817 389**	**2 900 495**
Council	2	2	1 814 870	1 871 456
Internal Audit and Risk Management	**-**	**-**	**66 631**	**-**
Subtotal	**4**	**7**	**2 698 890**	**4 771 951**
Finance and Administration				
Finance Management	14	14	3 799 215	4 317 111
Debt Collection	14	12	3 324 358	3 372 514

Division/Department	Number of permanent staff members		Total Salary Cost 2011	Total Salary Cost 2012
	2011	2012		
Asset Management	**1**	**1**	**371 016**	**1 328 185**
Facilities Management	**9**	**6**	**1 288 014**	**766 626**
Office Services	11	8	1 349 377	1 578 134
Subtotal	**49**	**41**	**10 131 980**	**11 362 570**
Law Enforcement				
Law Enforcement	29	43	12 224 991	13 706 846
Legal Services	7	11	2 139 733	2 159 351
Prosecution	**2**	**-**	**761 383**	**-**
Registration	21	26	4 278 753	4 238 131
Western Cape Branch	16	16	3 837 851	4 323 248
Eastern Cape Branch (PE)	9	7	2 239 801	2 946 487
KwaZulu-Natal Branch	22	17	5 706 586	4 659 120
Mthatha Branch	5	5	1 235 896	1 317 013
Johannesburg Branch	14	14	2 675 883	3 021 685
Nelspruit Branch	2	3	413 143	336 573
Polokwane Branch	2	3	409 991	472 849
Subtotal	**129**	**145**	**35 960 011**	**37 184 420**
Information Technology	**1**	**6**	**983 071**	**1 761 758**
Human Resources Department	**3**	**5**	**1 475 183**	**1 740 989**
Communication	**7**	**6**	**1 582 842**	**1 674 339**
Events Management	**-**	**3**	**-**	**766 626**
Other Employee related costs				
Accrual – Leave Pay			**97 736**	**409 119.43**
Accrual – 13th Cheque			92 454	123 440.16
Retirement Benefit Adjustment			4 382 000	504 000
WCA			112 086	271 175
Fixed term contracts			**-**	**2 973 602.41**
Subtotal			**4 684 277**	**4 281 337**
TOTAL	**189**	**241**	**57 516 253**	**63 743 990**

Source: PSIRA 2012 Annual Report, p. 50

Basic salaries paid by the Authority in 2010/11 were R37.021 million and increased by 18.6 per cent to R43.918 million in 2011/12.

Note: The Authority reports on personnel costs for those personnel appointed during the financial year in terms of the actual amount paid to them for the amount of months in the position and not the annual salary package. In other words, if someone is appointed 01 September, the costs only reflect the seven months up to the end of the financial year (31 March) and not the total for the year, which makes it impossible to reliably indicate the increases in personnel costs over a period on the information reported in the Annual Report of PSIRA.

Comments and questions

The PSIRA must indicate who is employed as Asset Manager and why the annual salary/employee cost is R1,328 million for one permanent staff member. When was this person appointed and what is the job description of this person?

The Authority must explain why the positions in 'Internal Audit and Risk Management' and 'Prosecution' are vacant and what efforts have been made to fill these positions (Members should consider the finding made by the AG in that the Authority does not have a Risk Management Strategy as per National Treasury prescripts and should interrogate what impact this vacancy had on this non-compliance to Treasury prescripts).

The Authority employs 214 personnel, of which 149 are employed at the Head Office in Johannesburg representing almost 70 per cent (69.6%) of the total. Can the Authority explain why the remaining 30% of staff are employed at the seven provincial offices? Are there not a disproportionate amount of permanent staff at Head Office in Johannesburg?

What is the duties of the three personnel members appointed in 'Events management' and why are these full-time positions necessary for PSIRA?

The Authority must provide full details on the appointment of 'Fixed term contact' employee(s), including how many staff is appointed on fixed term contracts, the duration of the fixed term and the positions in which these staff were appointed. Additionally, the Authority must explain why they have gone the route of appointing staff on contract. (The total remuneration for 'fixed term contract employees were R2,973 million in 2011/12).

Council and Senior Management Emoluments

In the 2009/10 Annual Report of PSIRA (Annexure A), the Authority provided a detailed report and full cost-breakdown of Council and Senior Management emoluments for the 2009/10 financial year. This included expenditure incurred in terms of council fees, salary, travel costs, bonuses and car allowances. This detailed cost-breakdown was omitted in both the 2010/11 and 2011/12 Annual Reports of PSIRA.

Comments and questions

The Authority must provide the Committee with all amounts paid to Council Members in 2011/12 in terms of allowances. For example, the travel cost of the current Vice-Chairperson of PSIRA was paid in 2009/10 to the amount of R29 361.00. Are council members still compensated for their travel or any other related costs?

The Committee should strongly recommend that the Authority report on Council and Senior management emoluments be reported on in the 2012/13 Annual Report as was done in previous years in terms of the following:

- Salary
- Bonuses
- Car Allowance
- Pension Contributions
- Medical Aid Contribution
- Acting Allowances
- Other contributions

The Authority **must** provide the Committee with an organisational structure (organogram) of PSIRA.

In terms of the organisational structure, the following concerns must be addressed:

1) Two permanent personnel are listed under 'Council' (p.50) and the Authority must indicate what personnel, except the Chairperson, are permanently paid on the Council? There could be two possible explanations: (1) Reference is made to Mr. A Wiid who resigned in May 2011; or (2) the Personal Assistant to the Chairperson/Council?

2) According to the Annual Report, the 'Directorate' consists of five permanent staff members. The Authority must indicate who these staff members are?

3) What is the difference between the job descriptions for the Deputy Director for Finance and the Chief Financial Officer?

4) Similarly, what is the difference in job description between the Deputy Director for Law Enforcement and General Manager for Operations?

5) Will the positions for Chief Information Officer, Chief Financial Officer and General Manager be filled in future?

5.5 Debt impairment

The table below indicates that the Authority recorded an increase of 24.4% in 'debt impairment in 2011/12 compared to 2010/11.

Debt Impairment	2011	2012	Increase/ Decrease (%)
Bad debt written off	74 781 996	82 487 251	10.3%
Decrease in debt impairment provision	(55 439 724)	(58 421 735)	5.3%
Total	**19 342 272**	**24 065 516**	**24.4%**

Source: PSIRA 2011/12 Annual Report, p.109

Comments and questions

The Authority indicated that a map for debt collection was developed (predetermined targets). Can the Authority explain how this will impact on improving the debt impairment and general debt management of the Authority?

5.6 Irregular expenditure

Irregular expenditure of R1,178 million was incurred in 2011/12 (in comparison to the R865 thousand in the previous financial year). A total of R3,612 million was condoned in 2010/11 which included condonation on the opening balance of R5,129 million. None of the irregular expenditure incurred in 2011/12 was condoned. The final balance on irregular expenditure still to be condoned was R3,561 million. Two incidents where irregular expenditure was identified were reported as follows:

- Cash collection service to the value of R400,531.00
- Domestic flights to the value of R778,373.00

Comments and questions

The PSIRA must provide full details on the two incidents in which irregular expenditure was incurred.

Explain why the figure provided for irregular expenditure incurred in 2010/11 in this Annual Report is stated as R865 thousand yet the 2010/11 Annual Report states that R384 thousand was incurred during that year? Why are there discrepancies in these figures? How trustworthy are the 'notes to the annual financial statements'?
Explain why the high balance of R3,5 million in irregular expenditure has not yet been condoned?

5.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure to the amount of R17 220 (thousand) was incurred in 2011/12. Of this amount, R1,440.00 was identified by PSIRA and R15,780.00 by the AG. This is a 39.3% increase compared to the R12,356 (thousand incurred in 2010/11). The amount was made up of the following:

- Salaries paid after contract end date (R15,780.00)
- Creditors (R1,440.00)

Comments and questions

The 39.3% increase on Fruitless and wasteful expenditure is a concern. The Authority must indicate what action was taken against those staff members who were responsible for Fruitless and wasteful expenditure.

5.8 Contingent liabilities

Contingencies are identifies in Note 18 of the financial statements. However, this note does not reflect the value of contingencies addressed during the financial year and accumulated contingencies. It has been requested previously that these values should be provided and it is reiterated.

Comments and questions

Why did PSIRA not make provision for contingent liabilities? What funds these contingent liabilities? Or is the Authority certain that they will win all the cases against them as defendants? And even so, how are legal costs paid?

The Authority must provide reasons as to why the liability value was not reported as previously requested by the Committee.

5.9 Consultants

In a response from PSIRA in August 2012, the Authority stated that an amount of R9,496,705 million was paid to consultants in the 2010/11 financial year. Among the cost-breakdown for services provided, an amount of R4,198,267 million was paid towards an Information Technology contract/service. The Authority further stated that the contract was terminated in August 2011.

Comments and questions

The Authority must provide reasons for the IT contract terminated and what services were rendered under this contract, as the contract already incurred significant expenditure of R4,198 million. This must be viewed in terms of Strategic Priority 5: Efficient and Effective Processes and Systems, in which the Authority reported that their IT infrastructure is in place.

The Authority **must** provide the Committee with a detailed cost breakdown for consultants used in the 2011/12 financial year, this should include the services provided by consultants, the company/name of the consultant as well the amounts paid to each consultant.

6. Operational review

6.1 Registration Department (Customer Relationship Management)

A total number of 80,315 individual applications were received during the 2011/12 financial year:

- 71,397 were registered as security guards;
- 1,552 were rejected because of criminal records and non-compliance to the PSIR Act; and
- 7,366 are currently pending and will be carried over to the next financial year.

Business applications: The information provided on page 18 of the Annual Report pertaining to the total number of business applications received during the 2011/12 financial year does not make sense and needs to be explained. PSIRA must provide the correct information.

6.2 Compliance and Enforcement Department

Compliance Inspections: During the period 1 April 2011 to 31 March 2012 a total of 7,669 compliance inspections were conducted on security service providers, or inspections which formed part of investigations by the Enforcement Unit, compared to 6,611 inspections conducted during the previous financial year.[4] The most inspections were performed at Small Businesses (employing less than 20 security officers), a total of 2,997 inspections were conducted at these classification of businesses.[5]

Enforcement Inspections: During the 2011/12 financial year, a total of 514 enforcement inspections were conducted by PSIRA.[6]

Improper conduct investigations: During the 2011/12 financial year, a total of 1,530 dockets were compiled against security businesses relating to improper conduct compared to the 1,446 dockets for the previous financial year (2010/11).[7]

Improper conduct investigations pertaining to Minimum Wages: A total of 524 dockets relating to improper conduct pending against security providers for allegations of failing to pay the statutory minimum wage to employees.[8]

Criminal Investigations: As at 31 March 2012, a total of 771 outstanding criminal cases were pending with the SAPS, compared to 648 cases in 2010/11. During the period 1 April 2011 to 31 March 2012, a total of 240 criminal cases were opened by inspectors of the Authority. During this period, 117 criminal cases were finalised by the SAPS and/or National Prosecuting Authority. The Authority reported that this is partly due to an audit conducted on pending cases on the Authority's records in the Western Cape and Eastern Cape regional offices.[9]

7. Human Resources

This section will focus on the utilisation and management of the human resources of the Private Security Industry Regulatory Authority (PSIRA), including employment vacancies, equity and the management of leave (annual).

[4] PSIRA 2011/12 Annual Report, p.23.
[5] Ibid, p.27.
[6] Ibid, p. 29.
[7] Ibid, p. 36.
[8] Ibid, p.37.
[9] Ibid, p. 38.

7.1 Employment and vacancies

The table below shows the personnel vacancies of the Authority per programme as recorded at 31 March 2012. The total vacancy rate for the Authority is 22%, with the highest vacancy rate currently experienced in Information Technology (40%).

Personnel vacancies, 1 April 2011 to 31 March 2012

Salary Bands	Number of posts per establishment	Number of the posts filled	Vacancies	Vacancy Rate %
Office of the Director	7	7	0	0%
Finance and Administration	51	41	11	21%
Law Enforcement	185	145	41	22%
Human Resources	7	5	2	14%
Information Technology	10	6	4	40%
Communications	10	7	3	30%
Events	4	3	1	25%
Total	**274**	**214**	**61**	**22%**

Source: PSIRA 2011/12 Annual Report, p.51

Comments and questions

The Authority must explain a detailed strategy to fill the vacant positions and indicate whether they have the necessary funds available to fill these. If not, the Authority must indicate what impact it will have on service delivery.

7.2 Employment Equity

The employment equity of the Authority is reported as follows:

- Gender distribution: Male employees make up 41% of the total and female employees make up the rest (59%);
- Representation of Women on Managerial level: Male employees constitutes 67% of managerial positions and female employees constitutes 33% of managerial positions; and
- Race distribution:

African	Whites	Coloured	Indian
77.59%	13.36%	6.03%	3.02%

7.3 Annual leave

The table below shows a breakdown of annual leave taken by personnel during the 2011/12 financial year.

Annual leave for 1 January 2011 to 31 December 2011

Salary Bands	Number of Employees per division	Annual Leave taken	Average Days per Employee
Directorate	7	56	8
Finance and Administration	41	678	17
Law Enforcement	145	2 241	21
Human Resources	5	57	11
Information Technology	6	39	7
Communications	7	82	11
Events	3	9	3
Total	**214**	**316**	**78**

Source: PSIRA 2011/12 Annual Report, p. 53

Comments and questions

The Authority must explain why it does not report on sick leave and incapacity leave taken by employees. They should report this in future report as it is an important indicator of the employment environment as well as a managerial tool.

8. Conclusion

The Private Security Industry Regulatory Authority (PSIRA) is currently listed as a public entity in Schedule 3A of the Public Finance Management Act (PFMA) and as such does not receive any funding from the State. As a regulatory authority it receives all revenue from the industry that it is mandated to regulate in the form of annual registration fees and other services provided to the industry.

The current financial position of the Authority is precarious due to various factors, mostly because the Authority makes financial commitments with little if any means to honour those commitments. Most significant concerns centre around operating expenditure, the exorbitant cost of a lease agreement of their head office building, and significant debt impairment coupled with slow collection of debt.

The performance of the Authority on predetermined targets is extremely poor, as targets are not specific, not measurable, not well defined and not time bound, as indicated by the Auditor-General. The Authority is not showing any improvement in performance, however it is reassuring that the strategic priority pertaining to law enforcement and actually regulating the private security industry performed best in achieving 80% of their predetermined targets.

It is clear from this analysis that the PSIRA must improve on performance of predetermined targets and must focus on increasing the effectiveness of the regulatory service and duty which it is legislated to perform over the private security industry of South Africa.

References

Private Security Industry Regulatory Authority (PSIRA) (2012). 2012 Annual Report.

Private Security Industry Regulatory Authority (PSIRA) (2011). 2011 Annual Report.

Annexure A

Council and Senior Management Emoluments

Council Members

	Office Held	Term	Council Fees	Salary	Travel	Other	Total (R) 2010	Total (R) 2009
Mr. T O Bopela	Chairperson	Appointed 4 January 2010	-	318,845	63,590	3,943	386,378	-
Ms Z Holtzman	Deputy Chairperson	Appointed 4 January 2010	-	-	29,361	-	29,361	-
Adv A Wiid	Council member	Appointed 4 January 2010	37,900	-	3,948	1,956	43,804	-
Mr A Dramat	Council member	Appointed 4 January 2010	-	-	7,778	-	7,778	-
Mr SK Mnisi	Council member	Appointed 23 February 2010	-	-	7,928	-	7,928	-
Adv NA Ramatlodi	Chairperson	1 April to 31 August 2008	-	-		-	-	49,070
Dr F Randera	Deputy Chairperson	1 April to 31 August 2008	-	-		-	-	33,735
Dr CT Ndlovu	Council member	1 April to 31 August 2008	-	-		-	-	22,500
Mr SL Majombozi	Council member	1 April to 31 August 2008	-	-		-	-	88,860
Ms M de Haas	Council member	1 April to 31 August 2008	-	-		-	-	105,284
TOTAL			37,900	318,845	112,605	5,899	475,249	299,449

Council and Senior Management Emoluments

Senior Management Staff

	Salary	Bonuses	Car Allowance	Pension Contribution	Medical Aid Contribution	Acting Allowance	Other	Other Contributions	Total (R) 2010	Total (R) 2009
Chief Executive Officer										
- Appointed 1 April 2004 - 22 July 2009	142,769	33,063	27,385	17,013	6,456	-	169,774	3,897	400,356	785,444
- Appointed 1 March 2010	61,762	-	5,798	7,720	1,479	-	-	739	77,498	-
Chief Financial Officer - Appointed 1 August 2007	476,030	46,489	96,000	58,851	7,551	30,286	18,000	7,420	740,627	639,282
General Manager: Operations - Appointed 1 July 2003	404,499	38,845	82,200	49,987	28,092	52,595	1,375	6,709	664,302	633,297
Chief Information Officer - Appointed 3 September 2007	431,683	46,035	138,000	53,273	66,980	-	-	7,166	743,138	680,177
General Manager: Human Resources - Appointed 20 August 2007 - 30 May 2008	-	-	-	-	-		-	-	-	118,970
TOTAL	1,516,744	164,432	349,383	186,844	110,558	82,881	189,149	25,931	2,625,921	2,857,170