2012

Annual Report

PSiRA

Private Security Industry Regulatory Authority

Making your life safer > Safer homes > Safer businesses > Safer communities

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VISION, MISSION AND VALUES

Vision

VISION

To be recognised as an excellent regulator of private security in South Africa by all our Stakeholders

Mission

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

Values

- Integrity
  - Ethical Conduct
  - Fairness
  - Transparency
- Exellence
  - Accountability
  - Professionalism
  - Performance
  - Accessibility
- Ubuntu
  - Respect
  - Compassion
  - Diversity

LEGISLATIVE MANDATE

The Private Security Industry Regulatory Authority was established in 2002 in terms of section 2 of the Private Security Industry Regulation Act (56 of 2001) (PSIRA). The strategic mandate of PSIRA originates from this Act and regulations issued in terms of the Act.

PSIRA's primary object is to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest, as well as the interest of the private security industry itself. PSIRA is mandated to:

i) promote a legitimate private security industry that acts in terms of the principles contained in the Constitution and other applicable law;

ii) ensure that all security service providers act in the public and national interest when rendering security services;

iii) promote a private security industry that is characterised by professionalism, transparency, accountability, equity and accessibility;

iv) promote stability in the private security industry;

v) promote and encourage trustworthiness of security service providers;

vi) determine and enforce minimum standards of occupational conduct in respect of security service providers;

vii) encourage and promote efficiency in and responsibility with regard to the rendering of security services;

viii) promote, maintain and protect the status and interests of the occupation of security service provider;

ix) ensure that the registration process of security service providers is transparent, fair, objective and concluded timeously;

x) promote high standards in the training of security service providers and prospective security service providers;

xi) encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;

xii) encourage equal opportunity employment practices in the private security industry;

xiii) promote the protection and enforcement of the rights of security officers and other employees in the private security industry;

xiv) ensure that compliance with existing legislation by security service providers is being promoted and controlled through a process of active monitoring and investigation of the affairs of security service providers;

xv) protect the interests of the users of security services;

xvi) promote the development of security services that is responsive to the needs of users of such services and of the community;

xvii) promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry.

PSiRA
Private Security Industry Regulatory Authority

Making your life safer

Safer Homes
Safer Business
Safer Communities

Private Security Industry Regulatory Authority

2012 Annual Report

PART A

1. Council of the Authority

Chairman
Mr Thula Bopela

Vice Chairperson
Ms Zelda Holtzman

Council Member
Lieutenant General Anwar Dramat

2. Executive Management

Director
Manabela S Chauke

Deputy Director:
Law Enforcement
Philani P Mthethwa

Deputy Director:
Finance and Administration
Dzivhuluwani KN Ligege

3. FOREWORD BY THE CHAIRPERSON AND OVERVIEW BY THE DIRECTOR

Foreword by the Chairperson

It gives me great pleasure to announce, on behalf of the PSIRA Council and Management that although PSIRA has gone through a challenging year, it succeeded in obtaining from the Auditor-General's office an unqualified report again in the financial year 2011/ 2012. The AG's report says: ‘'In my opinion, The financial statements, present fairly, in all material respects, the financial position of the Private Security Industry Regulatory Authority as at 31 March 2012, and its financial performance and cash flows for the year ended in accordance with South African Standards on Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA).” As Chairman of the PSIRA Council I wish to thank all those in PSIRA, Management and staff, who have, through their dedication,” made this outcome possible”.

I wish to state also that 2011 has not been an easy year at PSIRA. When PSIRA gave notice that it was raising its annual fees, the Security Industry Alliance (SIA) took the Authority to Court. The fees had not been raised since 2001. An interdict was imposed on PSIRA regarding the implementation of the increase in fees. PSIRA sees this state of affairs as a temporary glitch, as the Court is yet to decide.

The Hon. Nathi Mthethwa, Minister of Police, has given notice to introduce certain changes to the PSIRA Act, a change that will impact on all foreign-owned security companies. A process of consultation will be embarked upon, involving the Minister's office and PSIRA, and it does not promise to be an easy undertaking. We look forward to exciting times ahead here at PSIRA.

PSIRA was unable to implement the full strategy that had been put in place in December 2011. The strategy had envisaged increased revenue from increased fees which would then enable us to expand our operations in the security industry, hiring of more staff and spreading PSIRA's footprint throughout the country. The Court challenge against the increased fees meant that PSIRA had to revise the strategy down. We could not do more with less. PSIRA hopes to win the Court case, and then implement the original strategy.

PSIRA Management has done a lot of work in work-shopping PSIRA employees to buy-in into the objectives of the organization. This exercise has gone very well and the results we have achieved so far are a reflection of high staff morale and commitment. Things can only get better at PSIRA because PSIRA Management are highly capable and committed people. PSIRA has also employed a researcher of note with international experience in the security industry.

PSIRA has also improved stakeholder relations, specifically the Central Firearms Registry of South Afican Police Service (SAPS), which promises to give the police and PSIRA a better grip on who owns firearms and where the firearms are. It is very important for PSIRA to have an accurate idea on who has the firearms because it is these very firearms that are used to commit robberies and kill South African citizens. Cooperation between PSIRA and the Department of Labour (DOL) to enhance the protection of security officers from exploitation by security companies has not shown any improvement.

The PSIRA Council wishes Management and Staff a successful year ahead.

Chairman
Mr Thula Bopela

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Overview by the Director

Introduction

I am honoured to present the 2011/2012 Annual Report of the Private Security Industry Regulatory Authority. The report provides a full view of the annual performance of the Authority against the planned objectives.

The report reviews the functional activities of the Authority, the annual financial report, the Audit Committee's report, as well as the report of the Auditor-General of South Africa.

The Authority's planned objectives must reflect the overall achievement of its primary object. The main purpose for the existence of the Authority is "to exercise effective control over the practice of the occupation of the security service provider" and central to this mandate, amongst others, "to promote a legitimate private security industry which acts in terms of the principles contained in the constitution and other applicable national laws". To this end, the review of the activities and performance of the Authority must be weighed against this vital national mandate. A few years ago the Authority had been subject to much public spat regarding its ability to fulfil its mandate effectively and efficiently. A new Council was appointed to do the clean-up; new management took over and immediately produced a turnaround strategy. In this report we review how far we have managed to change the Authority.

Review of Annual Fees

In April 2010 the Council published an informal proposal to review the annual fees payable by security service providers to the Authority. It must be noted that the annual fees have remained unchanged for the past nine years. The review proposed that the fees payable by security officers remain unchanged while the only significant change would be the manner in which the industry's annual fees were to be paid. It was proposed that annual fees be paid annually as opposed to monthly as per the previous dispensation.
The industry responded with the majority supporting the review, while some objected to the increment amounts, stating that they were astronomical.

Pending Court Challenge

The final reviewed annual fees regulation was published in December 2011 and implemented in February 2012. SIA launched a court challenge to have the regulations reviewed by the North Gauteng High Court. The matter is still to be heard by the court. It must be noted that most security service providers elected to contribute according to the new fee structure pending finalisation of the matter.

Compliance and Financial Controls

The Authority has received yet another unqualified audi opinion by the Auditor-General of South Africa. This achievement comes amid a shortage of resources. Once again, the combined selfless effort and commitment of management, staff and Council was responsible for this achievement. This positive achievement will go a long way towards restoring the integrity of the Authority's financial management to the industry it serves, as well as the public at large. While we celebrate this hard-earned positive opinion by AGSA, we remain focused on changing the lives of the ordinary people of our country. Despite having written off R 82 487 250 debt, we managed to reduce the deficit by 60% this past financial year. The fight against fraud and corruption also continues alongside the positives. The Authority dismissed 8 staff members for fraud and corruption. We note with concern the fact that the majority of cases involved members of the industry who colluded with staff.

Unplanned Relocation of PSIRA Head Office

In late 2010, structural engineers condemned the Authority's Head office building in Arcadia. In the interest of the safety of members of the public as well as our staff, this condemnation necessitated the unplanned relocation of Head office and the client service centre. Head office moved to Eco Park in Centurion during September 2011. Despite the challenges brought about by the relocation, such as interruption of service delivery, some members of the industry and staff, displayed a positive attitude. The new building brought forth a new corporate image and fresh energising atmosphere which now enables the Authority's staff to serve their customers in a professional manner.

Compliance and Enforcement

Effective regulation of the Private Security Industry is fundamental to the achievement of our mandate. In order to improve regulation, the Authority reviewed its Compliance Strategy by the Industry. We introduced a new compliance and enforcement strategy which simply means that those who are ready and willing to comply with industry regulations will be informed by our compliance programmes and those who choose to deliberately contravene the prescripts will face the full might of the law.

To this end, we established Compliance and Enforcement Units. The focus of the Enforcement Unit is primarily on criminal offences by those who play within the Industry, whilst our Compliance Unit monitors compliance with regulations.

In the past, compliance focused on security companies only. Our new compliance and enforcement strategy focuses on both individual security officers and companies.

Since the introduction of this strategy towards the end of this financial year, we conducted 2764 inspections on individual security officers. The industry begins to become more aware of their responsibility to comply with legislation, a trend that is very encouraging.

Closing Statement

Let me take this opportunity to thank Council, Management and Staff, Industry and Stakeholders who have made it possible for us to fulfill our mandate.

Director
Manabela S Chauke

4. STATEMENT ON CORPORATE GOVERNANCE

Overview

Effective corporate governance is essentially about ethical leadership. For an organization, the most fundamental challenge in governance is to integrate strategy, governance and decision-making with sustainability. Council acknowledges the importance of instilling good corporate governance at PSIRA. Against this background Council has embarked on a drive to improve PSIRA's application of good corporate governance across the entity.

Legislation and Guidelines

PSIRA is listed as a public entity in Schedule 3A to the Public Finance Management Act. As a public entity, PSIRA must adhere to the statutory duties and responsibilities imposed by the Public Finance Management Act. In addition, PSIRA is guided on best practices by King III.

King III has broadened the scope of corporate governance in South Africa with its core philosophy revolving around leadership, sustainability and corporate citizenship.

These key principles are given prominence:

- Effective corporate governance is essentially about effective ethical leadership. Leaders need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviour with regard to sustainable performance.
- Sustainability is now the primary moral and economic imperative and it is one of the most important sources of both opportunities and risks for businesses. Nature, society and business are interconnected in complex ways that need tobe understood by decision-makers. Incremental changes towards sustainability are not sufficient, we need a fundamental shift in the way companies and directors act and organise themselves.
- Innovation, fairness and collaboration are key aspects of any transition to sustainability – innovation provides new ways of doing things.
- Social transformation and redress is important and needs to be integrated within the broader transition to sustainability. Integrating sustainability and social transformation in a strategic and coherent manner will give rise to greater opportunities, efficiencies and benefits for both the entity and society, particularly the private security industry. PSIRA subscribes to the King III Code of Good Corporate Governance.

Governing Body

PSIRA is governed by its Council which was established in terms of the Private Security Industry Regulatory Act 56 of 2001. The Act prescribes that the council should consist of a chairperson, a vice-chairperson and three additional councillors to be appointed by the Minister of Police after consultation with cabinet. Councillors are drawn from diverse backgrounds and offer a wide range of expertise and professional skills. At committee level these skills are supplemented by external members of the Audit and Risk Committee.

Following the resignation of Mr George Mnisi in June 2011, council comprised three councillors by the end of 2012.

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

Council Committees

Committees of Council include:

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

These committees were established in view of the scope of the Authority's mandate, its strategic position and direction.

The terms of reference of each committee are stated below:

a. Stakeholder and Core Business Committee

Objective

- Manage and measure the gap between stakeholder perceptions and PSIRA's performance to enhance and protect its reputation.
- Deliberate on PSIRA's reputation and its linkage with stakeholder relationships.
- Provide guidance and oversight on strategy and policies for the management of relationships with each stakeholder grouping.
- Provide guidance on stakeholder engagement processes, whether formal or informal.
- Strive to achieve an appropriate balance between the various stakeholder groupings, in the interest of PSIRA.
- Promote transparent and effective communication with stakeholders in order to build and maintain trust and confidence.
- Promote industry research.

b. Remuneration and Human Capital Committee

Objective

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

c. Audit and Risk Committee

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

The roles and responsibilities of the committee include:

- Monitoring the internal control system to protect the interests and assets of PSIRA.
- Reviewing the accuracy, reliability and credibility of statutory financial reporting and the annual financial statements, as presented by management prior to Council approval.
- Ensuring that an effective internal audit function is in place and the roles and functions of external and internal audits are clear and coordinated to provide an objective overview of the operational effectiveness of PSIRA's systems of internal control, risk management, governance and reporting. It also assesses the performance of the internal audit function.
- Ensuring that PSIRA has implemented an effective policy and plan for risk management which will protect its ability.
- Reviewing any accounting and auditing concerns raised by internal and external audit, and the annual financial statements.
- Obtaining assurance for information technology in relation to the management of IT assets, governance and controls, risks and disaster recovery.-
- Review the effectiveness of the system that monitors compliance with laws and regulations and the results of man agement's investigation and follow-up (including disciplinary action) of any instances of noncompliance.-
- Institute and oversee special investigations as needed.

Five meetings were held during the year, which were attended by internal and external auditors, the Director, the Deputy Director of Finance and Administration and relevant officials. Details of activities of this committee are presented in the Audit Committee's report.

Delegation of Authority

In terms of PFMA, Council is the accounting authority of PSIRA. The entity is also listed in Schedule 3A to the PFMA. Furthermore, Council has the authority to lead and exercise general control over the performance of the functions of PSIRA and of the activities of the persons appointed by it to perform its functions. Council delegates the management of the day-to-day operations of PSIRA to the Director (Chief Executive Officer) appointed in terms of the Act. The Director is assisted by the Executive Management Committee (Exco) as well as Exco subcommittees. A clear and comprehensive delegation of authority is in place to assist with decision-making and furtherance of the objectives of PSIRA.

Council Meeting Attendance

Member of Council	10 June 2011	23 March 2012
Mr Thula O Bopela	√	√
Ms Zelda Holtzman	√	√
Lt Gen Anwar Dramat	√	√
Mr SG Mnisi (resigned June 2011)	√	*n/a*

√ - In attendance

A - Apology

Councillors' remuneration

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

Executive Management Committees

There exists an Executive Management Committee (Exco) led by the Director, with the Deputy Directors of Finance and Law Enforcement as members. In addition to this committee, Exco is supported by three subcommittees as follows:

- IT Steering Committee. The role and responsibilities of the IT Steering Committee is to ensure effective and efficient management of IT resources. In addition, the committee facilitates good governance in IT, the alignment of IT resources with the PSIRA's strategy, as well as the management of IT risks. The committee met once during this year to establish its IT governance charter.

- Regulatory Committee. The role and responsibility of this committee is to ensure that, post registration, service providers comply with the Private Security Industry Regulatory Act, as well as regulation issued in terms of the Act. The committee considers recommendations for the suspension, or the withdrawal of service providers who do not comply with the requirements of the Act. During the year the committee met six times.

- Registration Committee. The role and responsibility of this committee is to consider applications for registration as security service providers. This committee ensures that the registration process complies with the enabling Act and applicable regulation issued under the Act. During the year the committee met four times.

Integrated Risk Management (IRM)

Council, through the Audit and Risk Committee, acknowledges its overall accountability for ensuring an effective risk management process. Exco is accountable to council for designing, implementing and monitoring the system and process of risk management and integrating it into the day-to-day activities of PSIRA.

Exco has implemented a risk monitoring system that enables management to appropriately respond to all significant risks that could impact on PSIRA objectives.

Responsibility for the management of risk resides with line management in all operating units. Those accountable for the management of risk must also ensure that the necessary controls remain in place and are effective at all times.

Internal Control

Council is held responsible for ensuring effective controls. Management is charged with the responsibility to establish and maintain an effective internal control environment, which is developed and maintained on an ongoing basis to provide reasonable assurance to Council regarding the:

- integrity and reliability of the financial statements;
- safeguarding of assets;
- economic and efficient use of resources;
- compliance with applicable legislation and regulations;
- verification of the accomplishment of established goals and objectives;
- detection and minimisation of fraud, potential liability, loss and material misstatement.

Internal controls, including information technology, are developed for financial, operational and compliance matters. Through these controls management seeks to mitigate risks to an acceptable level of exposure. Controls are contained in organisational policies and procedures, structures and the delegation of authority framework. These provide direction, establish accountability and ensure adequate segregation of duties.

To ensure continued improvement where there are weaknesses, Council has mandated management to prioritise the development of policies, procedures and other applicable control mechanisms.

Internal Audit

The internal audit function provides independent, objective assurance and consultation which adds value to and improves PSIRA's operations. The activities and practices in internal audit are conducted in accordance with accepted professional standards. In addition, internal audit uses a risk-based audit approach. The audit plan is based on risk assessments and other considerations, such as achievement of organisational objectives. The audit plan is updated as and when required.

The internal audit is accountable to management and the Audit and Risk Committee to provide regular assessments of the adequacy and effectiveness of PSIRA's risk and control processes.

Other activities include:

- reporting significant issues, including potential improvements, relating to risk and control processes;
- providing information on the status and results of the annual audit plan and adequacy of resources; and
- coordinating with and providing oversight of other control and monitoring functions.

Internal audit is supported by Council through the Audit and Risk Committee and is authorised by its charter to have unrestricted access to all functions, records, property and personnel.

Ethical Business Conduct

During the year, Council approved a fraud prevention strategy. The strategy facilitated the development of controls to assist in the prevention and detection of fraud and corruption, as well as to provide guidelines on how to respond to instances of fraud and corruption. Following its implementation, the organisational redesign paved the way for the establishment of a Forensic and Ethics Unit. The role of the unit is to implement the fraud prevention strategy through structural, operational and maintenance strategies. The duties of the unit include amongst others:

- initiating and concluding investigations;
- considering allegations received via the hotline;
- reporting on the progress of matters relating to fraud and corruption;
- conducting fraud and corruption risk assessment; and
- facilitating employee awareness.

Council through the Director bears the ultimate responsibility for fraud and corruption risk management.

5. Report of the Accounting Officer

Report of the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

5.1 General Review of the State of Financial Affairs

Financial Performance

The entity posted a deficit of R9.2 million for the year ending 31 March 2012, compared to R23.0 million in 2010/2011. Although the current financial performance results reflect continued deficits, the entity's performance has improved significantly. When compared to the 2010/11 fiscal year, the deficit decreased by R13.7 million during the year under review, which equates to 60%.

Revenue and other Income

Gross revenue for the year to 31 March 2012 was R128.7 million (2010/11: R97.1 million). Gross revenue consists of the following streams:

Gross revenue in R million	2012	2011	%
Revenue	100.2	85.5	17%
Other income	28.4	11.5	146%
Gross revenue	128.7	97.1	33%

The 17% year-on-year increase in revenue is the result of the implementation of the 2011 annual fee regulations, which commenced during the fourth quarter of the year under review, whereas the increase of 146% in other income can mainly be ascribed to the following three factors:

a. the introduction of a training fee which generated R16.7 million (2010/11:R2.1 million);
b. an increase in certain disbursement fees and registration fees; and
c. the finalisation of a backlog of Code of Conduct inquiries which generated a fine income of R10.7 million (2010/11: R5.6 million).

The above successes are the result of the turnaround initiative relating to the financial sustainability of the entity.

The breakdown of gross revenue is presented in the next graph.

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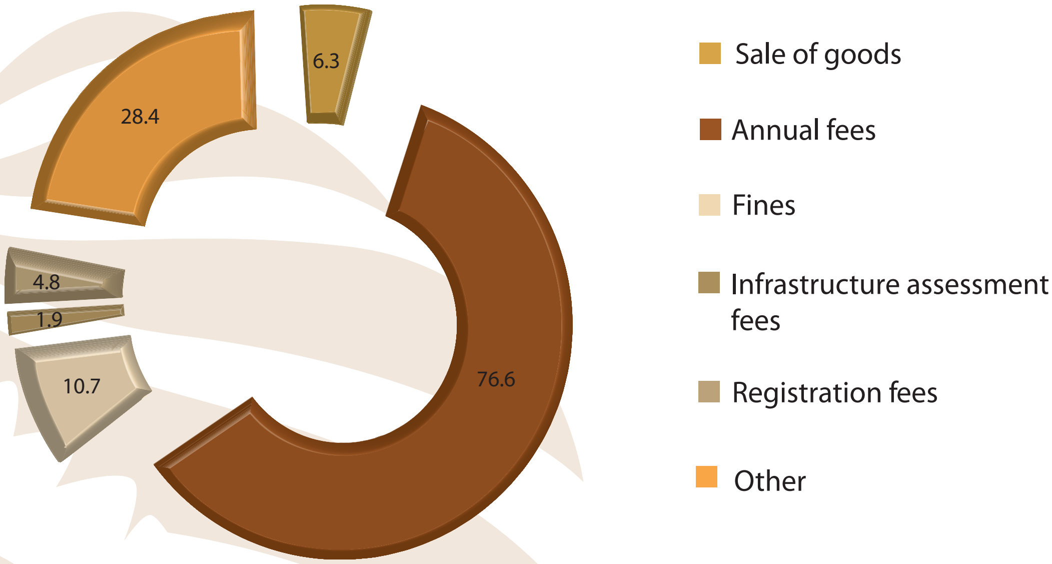
Distribution of revenue in R million



Operating Expenses

The growth rate in gross operating expenses has slowed down in the past two financial years. Operating expenses grew by 15% from 2010/11 to 2011/12, compared to 23% from 2009/10 to 2010/11. The slowdown in growth of expenditure is the result of cost-cutting initiatives and budgetary controls.

In R million	2011/12	2010/11	2009/10	2011/12 growth rate	2010/11 growth rate
Gross operating expenses	138.3	120.7	97.7	-15%	-23%

Operating expenses consists of the following material items:
Employee costs for the year to 31 March 2012 are R63.7 million (2010/11: R57.5 million). Employee costs increased by 11% from 2010/11 to 2011/12 compared to 47% from 2009/10 to 2010/11. The increase in employee costs is attributable to a cost-of-living salary adjustment and an increase in the number of employees. The cost-of-living adjustment was negotiated at 5% compared to the public sector wage adjustment of 6.8% for the year under review. Furthermore, the total staff complement as at 31 March 2012 was 232 and (2010/11: 203), representing a 14.3% growth in staff complement.

Impairment of Debt

For the year ended 31 March 2012, debt impairment is R24.1 million (2010/11: R19.3 million). The increase is a result of the writing-off of old debt which could not be recovered from security service providers. The entity has engaged a debt collection agency to collect old debt.

Consulting Fees

Consulting fees declined to R5.4 million compared to R9.5 million in 2010/11. The 43% decrease is attributable to the termination of the IT services contract, during the second quarter of the year under review. IT services are currently being rendered by a fully-fledged IT department.

Rental of Equipment and Premises

Lease payments for the year ended 31 March 2012 were R10.8 million compared to R3.3 million in the preceding financial year. The increase is attributable to the leasing of corporate premises. In the past the corporate office was situated at a building owned by the entity.

Financial Position

Debt Management

Debt arises from the annual fees, fines, penalties and interest that are billed to registered security service providers. Due to a lack of capacity in the revenue management department, the entity uses an agency to collect long-outstanding debt. For the year ended 31 March 2012 the entity wrote off uncollectible debt to the amount of R82.5 million (2010/11: R75.5 million). The number of accounts written off as uncollectible is 6 005. Bad debt write-offs result in the withdrawal of registration of the service providers who fail to pay in terms of the PSIRA Act.

Working Capital Management

The current ratio is a liquidity measure, which tests an entity's ability to pay its maturing short-term obligations. The liquidity ratio as at 31 March 2012 declined to 0.75 : 1 compared to 1.17 : 1 in the previous financial year. Although uncertainties exist regarding the implementation of the 2011 Annual Fees Regulations, it is expected that the liquidity position will improve in the next financial year.

The detailed financial performance is presented in the annual financial statements.

5.2 Service Rendered by the Authority

PSIRA is mandated to regulate the private security service industry. In doing so, certain services, such as the registration of security officers and businesses, are offered. The statistics on operational activities as they relate to the services rendered are presented in the Operational Review section. Such services include the following:

- registration of security officers and related matters;
- deregistration of security businesses and related matters;
- reissuing of registration certificates;
- reissuing of PSIRA identity cards; and
- processing of training course reports.

Free services include the:

- verification of security services to facilitate firearm licensing by SAPS, and
- issuing and reissuing of letters of good standing.

Tariff Policy

There exists a tariff structure for services rendered. The fee structure was reviewed and approved by Council. The fees are determined in accordance with the enabling legislation.

The majority of PSIRA funds are generated from annual fees imposed through the enabling legislation. Such fees are charged to and collected from registered security businesses and security officers who are in employment.

5.3 Capacity Constraints

The number of inspectors employed by PSIRA is not sufficient. This is mainly due to the exponential growth of the private security industry, as PSIRA did not match the same growth in the inspectorate. In addition, managerial and nonmanagerial vacancies exist in the administration functions, such as finance, supply chain and human resources. These constraints are largely due to legal challenges to the 2011 Annual Fee Regulations.

5.4 Utilisation of Donor Funds

None.

5.5 Trading Entities and Public Entities

None.

5.6 Organisations to whom transfer payments have been made

None.

5.7 Public private partnerships (PPP)

None.

5.8 Corporate governance arrangements

Details of corporate governance are presented as a statement of corporate governance elsewhere in the annual report.

5.9 Discontinued Activities/activities to be Discontinued

None.

5.10 Events after the Reporting Date

After the reporting date PSIRA entered into a 5-year lease agreement for its KwaZulu-Natal regional offices. The total lease payments over the period of the lease are R4.8 million.

5.11 Information on Predetermined Objectives

The predetermined objectives, performance results and variance explanations are presented in the performance information section.

5.12 Progress with Addressing Audit Matters

In his 2010/11 report, the Auditor-General raised a number of noncompliance matters. I am pleased to report that the majority of those items have been dealt with as follows:

Audit finding	Significance	Action taken	Status
Going concern.	Matter of emphasis.	The Minister of Police approved the review of the annual fee regulations, which were implemented during the fourth quarter of 2011/12.	Partially resolved.
Material losses through impairment of accounts receivables.	Matter of emphasis.	An arrangement is in place for the debt collection agency to submit monthly reports of those debtors who cannot be traced, with a view to write off the debt. For the period under review, debts worth R82 million were written off.	Ongoing. Expected completion date for legacy debt is end of March 2013.

Audit finding	Significance	Action taken	Status
Strategic planning and performance management.	Matter of emphasis.	Ongoing improvements in these areas are under way. Exco has established a Performance Monitoring Committee to ensure analysis, evaluation and monitoring of organisational performance.	Partially resolved.
Predetermined objectives – noncompliance with regulatory requirements "Framework for managing program performance information".	Matter of emphasis.	Ongoing improvements in this area are under way. Exco has established a Performance Monitoring Committee to ensure analysis, evaluation and monitoring of organisational performance.	Partially resolved.
Procurement and contracts. Designated employees did not disclose their registrable interest.	Compliance.	A financial disclosure policy is in place. For the year under review, management and SCM officials have disclosed their interest, as required by Public Service Regulations.	Resolved.
Governance Risk assessment not done regularly.	Compliance.	Risk assessment is now done on an annual basis. A risk register is in place which is submitted to each Audit Committee meeting.	Resolved.
Annual financial statements and annual report. The entity did not table the 2009/2010 annual report to the National Assembly within the prescribed time. Suspense accounts of unknown deposits were not cleared on a monthly basis.	Compliance.	Corrective action was taken for the 2010/11 annual report, which was tabled on time. Suspense accounts are reconciled on a monthly basis.	Resolved.

5.13 Internal Controls

Management regularly reviews internal procedures and policies in order to improve the entity's systems of internal control. Furthermore, the internal audit annual plan is based on risks as identified in the annual risk assessment. Management implements internal audit recommendations where appropriate.

5.14 Going Concern

The financial statements have been prepared on a going-concern basis, as management is of the view that the entity will continue to operate in the foreseeable future.

5.15 Approval

The Annual Financial Statements have been approved by the Accounting Authority on 31 July 2012.

Director
31 July 2012

6. OPERATIONAL REVIEW

The primary regulatory thrust of the Private Security Industry Regulatory the Authority is achieved through the activities of the Law Enforcement Division. This overview contains information pertaining to the operations of the division for the period 1 April 2011 to 31 March 2012 in respect of the regulation of the private security industry in South Africa.

The Authority has recorded over 2 million registered security service providers through its Registrations Department since its inception as regulator of the private security industry. This figure of 2 054 947 shows an increase of 14.09% during the 2011/2012 financial year as compared to 1 801 128 for the previous financial year (2010/2011).

During the 2011/2012 financial year, the total number of businesses registered with Authority has risen from 8 828 to 9 364 which represents an increase of 6.07%.

During the 2011/2012 financial year, over 1 552 individual applications were rejected by the Registration Subcommittee due to previous criminal convictions which are classified as Schedule offences. A total number of 464 businesses were also rejected by the Registration Subcommittee for not complying with section 21 of the Act.

During the financial year, the Authority also adopted a new compliance and enforcement strategy which resulted in the establishment of compliance and enforcement units from January 2012. A total of 7 669 compliance inspections were conducted of which 4 905 were conducted at security businesses and 2 764 on security officers. In addition, 514 enforcement investigations were conducted as well as 1 362 site inspections/investigations. These inspections and investigations led to 1 530 dockets being opened for contravention of the provisions of the statutory Code of Conduct for Security Service Providers. The charges mainly related to exploitation of labour, deployment of untrained and unregistered security officers, as well as administrative irregularities. As the Authority attempts to ensure that employee security officers are not exploited by security businesses which failed to pay the statutory minimum wages, inspections and investigations resulted in a total of 524 minimum-wage investigations and prosecutions pending against security businesses countrywide.

Collaboration with South African Police Service (SAPS) has also been necessary to attain the objectives of the Authority. During the period under review, 240 charges were laid with SAPS against security businesses rendering services whilst unregistered or for their involvement in other criminal offences. There are currently 771 criminal cases pending with the SAPS in respect of PSIRA-related matters. Collaboration has also seen a number of operations between PSIRA and other law enforcement agencies. During the period under review, 41 operations were held which resulted in the arrest of 169 security service providers, of which 148 were unregistered and 65 of these unregistered security officers were foreign nationals. 13 arrests were made in respect of noncompliance with the Firearms Control Act, 2000.

Continued and effective regulation has also resulted in a marked decrease of 32% in the number of unregistered security officers and 11% in the number of untrained security officers found to be employed at security businesses. By effectively reducing the number of unregistered and untrained security officers utilised to render a security service, the risk posed to the public and national interest are reduced.

In order to establish and strengthen a good working relationship with other state organs and to ensure compliance with our Act and its regulations, the Authority received and finalised 1 318 enquiries from the Registrar of Firearms in respect of applications for firearm licenses. The high number of enquiries received can be attributed to the requirements of Regulations 13(5) and 13(6) which state that a security services provider requiring the use of a firearm, must provide a suitable firearm for that purpose. The regulation has addressed the problems arising from employee security officers having to provide their own firearms as one of their conditions of employment.

This financial year also saw the continuation of the work performed by the Regulatory Subcommittee and Training Subcommittee. Through the work performed by the Regulatory Subcommittee, registrations of 752 security service providers were withdrawn and 368 suspended. A further 251 convictions for improper conduct and sentences imposed were confirmed by the committee.

Legal Services is a division of the Law Enforcement Department and it has its own core functions i.e. the provision of prosecutorial and legal services.

During the year under review, the prosecutors in the Legal Services Division perused 1 301 dockets and oversaw the opening of 2 392 charge sheets and serving of 2 711 summonses in terms of improper conduct inquiries. Arising from these summonses, 362 successful prosecutions were concluded and 1 536 cases were settled. The difference between the 2 392 charge sheets and 2 711 summonses served is due to some of the summonses having been served during the previous financial year and not the year under review. Furthermore, the difference of 813 cases between the 2 711 summonses served and 1 898 matters settled and finalised, are due to various reasons such as postponements or respondents being untraceable. The Authority received 546 appeals, of which 298 were dismissed and 248 upheld by the Appeals Committee. These appeals were made by individuals as well as security service providers (businesses).

During the year under review, 9 cases were litigated in the high court and 1 in the supreme court of appeal. Of the abovementioned 9 cases, 4 were rolled over from previous financial years.

Finally, 6 applications for exemption were received, 1 was dismissed and 5 are awaiting decisions from the Minister of Police.

6.1 Registration Department (CRM)

Breakdown of individual security officer applications received, registered, rejected and registrations not finalised/in progress for 2011/2012 financial year.

Individual applications received during 2011/2012	Individual applications registered during 2011/2012	Individual applications rejected during 2011/2012	Individual applications not finalised during 2011/2012
80 315	71 397	1 552	7 366

A total number of 80 315 individual applications were received during the 2011/2012 financial year.

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

Registration Subcommittee

Breakdown of the number of business applications received, registered and rejected by the Registration Subcommittee, and the number of applications in progress/not finalised during the 2011/2012 financial year.

Business applications received during 2011/2012		Business applica-tions registered during 2011/2012	Business applica-tions rejected during 2011/2012	Business applications in progress during 2011/2012
1 601	1 066	464	77	

A total number of 1 601 business applications were received during the 2011/2012 financial year.

1 066 were registered by the Registration Subcommittee,
464 were rejected because of noncompliance to the PSIR Act,
77 applications are currently pending and not finalised and will be carried over to the next financial year.

Individual ID cards issued during the 2011/2012 financial year.

ID cards printed	First issue	Reissue	Upgrades
105 475	89 893	10 262	5 320

Individual security officer certificates issued during the 2011/2012 financial year.

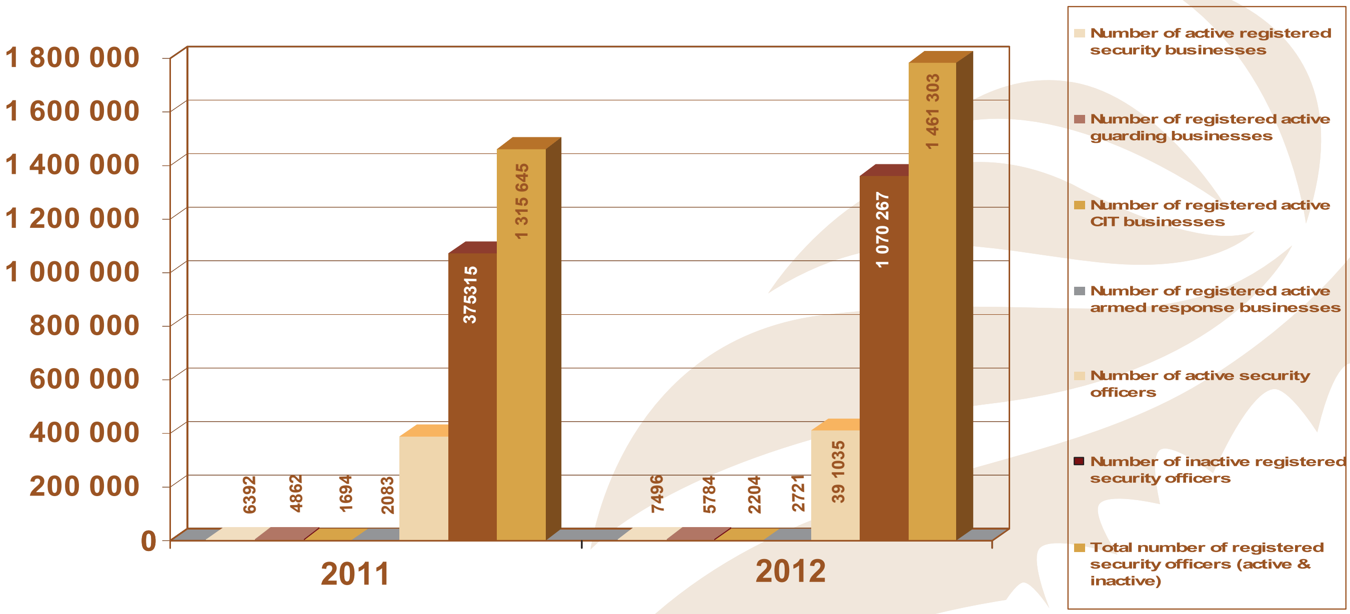
A provincial breakdown and comparison of all registered security businesses in South Africa between the 2010/2011 financial year and the 2011/2012 financial year is as follows:

REGIONS/PROVINCES	NUMBER OF ACTIVE REGISTERED BUSINESSES	
	2011	2012
Gauteng	3 202	3 405
Mpumalanga	616	675
Eastern Cape	669	699
Western Cape	956	1 001
Limpopo	1 135	1 195
North West	355	393
Free State	281	285
Northern Cape	112	124
KwaZulu-Natal	1 502	1 587
TOTAL	**8 828**	**9 364**

Registration information pertaining to the number of businesses registered nationally for the different categories or classes of security service provider are as follows:

CATEGORY OF SECURTY SERVICE	NUMBER OF BUSINESSES
01 – Security Guards (Ind & Comm)	6 776
02 – Security Guards – Cash-in-Transit	2 325
03 – Body Guarding (CPO)	2 852
04 – Security Consultant	2 665
05 – Reaction Services	2 967
06 – Entertainment / Venue Control	3 153
07 – Manufacture Security Equipment	1 102
08 – Private Investigator	1 902
09 – Training	2 311
10 – Security Equipment Installer	2 130
11 – Locksmith / Key Cutter	749
12 – Security Control Room	2 561
13 – Special Events	3 295
14 – Car Watch	2 135
15 – Other	447
16 – Insurance	163
17 – Security and Loss Control	137
18 – Fire Prevention and Detection	86
19 – Consulting Engineer	31
20 – Dog Training	8

Registration comparison between 2010/2011 financial year and 2011/2012 financial year



	2010/2011	2011/2012
Registered active security businesses	8 828	9 364
Registered active guarding businesses	6 324	6 828
Registered cash-in-transit businesses	2 300	2 367
Registered active armed response businesses	2 836	2 982
Registered active security officers	411 109	427 174
Registered inactive security officers	1 361 428	1 627 773
Total number of registered security officers	1 780 874	2 054 947

A total number of 9 364 security businesses were registered during the 2011/2012 financial year compared to 8 828 during the 2010/2011 financial year, representing an increase of 6.07%.

A total number of 6 828 registered active guarding businesses were registered during the 2011/2012 financial year compared to 6 324 during the 2010/2011 financial year, representing an increase of 6.97%.

A total number of 2 367 registered cash-in-transit security businesses were registered during the 2011/2012 financial year compared to 2 300 during the 2010/2011 financial year, representing an increase of 2.91%.

A total number of 2 982 registered armed response security businesses were recorded for the 2011/2012 financial year compared to 2 836 for the 2010/2011 financial year, representing an increase of 5.15% for the 2011/2012 financial year.

There were 427 174 active (employed) registered security officers recorded in the Authority's register for the 2011/2012 financial year as compared to 411 109 for the 2010/2011 financial year, representing an increase of 3.91%.

There were 1 627 773 registered inactive (unemployed) security officers recorded for the 2011/2012 financial year, compared to 1 361 428 for the 2010/2011 financial year, representing an increase of 19.56%.

There were 2 054 947 registered security officers (both active and inactive) recorded on the Authority's database for the 2011/2012 financial year compared to 1 780 874 for the 2010/2011 financial year, representing an increase of 15.39%.

The above statistics reveal a steady and consistent increase in most categories of security businesses and security officers from the 2010/2011 to the 2011/2012 financial year.

6.2 Training

The Authority is responsible for the quality assurance of training within the private security industry in terms of the Training of Security Officers Regulations, 1992. The following number of training centres are accredited with the Authority to present the curriculum as contemplated in the regulations:

Region	Number of security training providers
Gauteng	189
Mpumalanga	31
Limpopo	59
North West Province	23
Free State	16
Northern Cape	9
Western Cape	55
Eastern Cape	30
KwaZulu-Natal	98
TOTAL	**510**

Course Reports

During the period under review, the following course reports were processed by our Training Department:

Course reports on hand at end March 2011	3 605
Course reports received during the period April 2011 to March 2012	350 256
Course reports processed during the period April 2011 to March 2012	343 419
Course reports returned during the period April 2011 to March 2012	1 674
Course reports carried over to April 2012	8 768

Interaction between the Authority and the Safety and Security Education and Training Authority (SASSETA):

A number of meetings were held with SASSETA on, inter alia, the Memorandum of Understanding between the two bodies and the status of the draft training regulations in respect of the NQF-based curriculum for all categories or classes of security service providers.

A meeting was held with SAQA to discuss the ETQA functions following the implementation of the National Qualification Framework Act and the establishment of the Quality Council for Trades and Occupations.

An internal workshop was held to discuss the PSIRA/SASSETA Memorandum of Understanding and the way forward with the new standards and regulations. This also saw the establishment of a Training Subcommittee to take the process forward.

Meetings were held with SASSETA during the period under review to discuss the capacity within the training sector to present the new skills programmes, the registration by SAQA to quality assure the security manager qualification, the demographic profile of the training sector, and other issues relating to the implementation of the National Qualifications Framework Act and the impact it has on the ETQA function.

Confirmation was received from SASSETA that they applied to SAQA to quality assure the security manager qualification and a detailed list was also received from SASSETA in respect of all training centres accredited to present the different qualifications within the security sector. The Training Subcommittee verified the footprint and capacity and submitted a report in respect thereof to Exco. A policy framework will be developed in respect thereof.

Training Subcommittee

The Director of the Authority established a Training Subcommittee which reports to the Executive Committee. It is the responsibility of the Training Subcommittee to:

- develop a policy for the promotion of high standards in the training of security service providers and prospective security service providers based on the principles of the National Qualifications Framework, as contemplated in the National Qualifications Framework Act and Skills Development Amendment Act;
- liaise with SAQA, SASSETA and the Quality Council for Trades and Occupations regarding the development of qualifications within the private security industry;
- liaise with SAQA, SASSETA and the Quality Council for Trades and Occupations on the Education and Training Quality Assurance functions regarding the security-related qualifications registered on the NQF and advising the Executive Committee on the registration/delegation as an ETQA body;
- ensure the registration of the Authority as a Professional Body, as contemplated in the National Qualifications Framework Act;
- draft, review and, if necessary, update the proposed skills programmes for all the categories or classes of security service providers;
- review draft training regulations in line with developed policy on the promotion of high standards in the training of security service providers;
- advise the Executive Committee on all aspects relating to the proposed implementation of the new training regulations, including proposed promulgation of the regulations;
- communicate and consult in general with stakeholders on the progress in the promulgation of the draft training regulations in conjunction with the Communication Department;
- consider the recognition of prior learning applications; and
- consider instructor applications.

During the period under review, six meetings were held and the following decisions were taken:

INSTRUCTOR APPLICATIONS				RECOGNITION OF PRIOR LEARNING			
Total Received	Approved	Rejected	Additional Information-Requested	Total Received	Approved	Rejected	Additional Information Requested
97	75	13	9	65	62	0	3

6.3 Compliance & Enforcement Department

One of the Authority's objectives is to promote compliance with legislation by security service providers and to control it through a process of active monitoring and investigation of the affairs of security service providers. In order to give effect to the Authority's mandate to ensure a well-regulated private security industry, the Authority has developed and implemented a new compliance and enforcement strategy with effect from January 2012 which also provides for two units namely, Compliance and Enforcement This strategy includes enforcement and prosecution, as well as a fresh focus on regulatory compliance through inspection.

6.3.1 Compliance

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

The Authority's compliance strategy is, amongst others, the communication of risk to the industry and others, such as the public and clients. Such information strategies involve mandatory disclosures to provide information on issues of compliance. It is hoped that by disclosing such information, the industry will undertake cooperative compliance given the disclosed known risk.

Compliance Inspections

In terms of the Law Enforcement Department's operational policy, each compliance inspector must conduct a minimum of 10 security business inspections and 60 security officer inspections per month. This target was considered reasonable taking into consideration all the other functions associated with the position of a compliance inspector.

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.

REGION	NUMBER OF INSPECTIONS
HEAD OFFICE (NIT)	4 107
Gauteng	2 340
Mpumalanga	576
Limpopo	429
North West Province	487
Free State/Northern Cape	275
WESTERN CAPE	1 107
EASTERN CAPE	728
KWAZULU-NATAL	1 727
TOTAL	**7 669**

Of the 7 669 compliance inspections conducted, 4 905 were conducted at security businesses.

The regional breakdown is as follows:

REGION	NUMBER OF INSPECTIONS
HEAD OFFICE (NIT)	2 500
Gauteng Mpumalanga Limpopo North West Province Free State/Northern Cape	1 446 303 305 268 178
WESTERN CAPE	760
EASTERN CAPE	402
KWAZULU-NATAL	1 243
TOTAL	**4 905**

Further, of the 7 669 compliance inspections conducted, 2 764 compliance inspections were conducted on security officers deployed at different sites.

The regional breakdown is as follows:

REGION	NUMBER OF SECURITY OFFICER INSPECTIONS
HEAD OFFICE (NIT)	1 607
Gauteng Mpumalanga Limpopo North West Province Free State/Northern Cape	894 273 124 219 97
WESTERN CAPE	347
EASTERN CAPE	326
KWAZULU-NATAL	484
TOTAL	**2 764**

A regional breakdown as far as the type of inspection conducted at security businesses from 1 April 2011 to 31 March 2012 is as follows:

NATIONAL OFFICE	Gauteng	Mpuma-langa	Limpopo	N/West	Free State/ N/	Total
Total number of routine/regulatory/training/ infrastructure/ accreditation inspections conducted	1 446	303	305	268	178	2 500
First-time inspections	220	94	115	42	55	526
Triggered inspections	578	76	77	103	45	879
Infrastructure inspections	459	121	131	81	41	833

COASTAL REGIONAL OFFICES	Western Cape	Eastern Cape	KwaZulu-Natal	Total
Total number of routine/regulatory/training/ infrastructure/ accreditation inspections conducted	760	402	1 243	2 405
First-time inspections	180	61	133	374
Triggered inspections	171	81	225	477
Infrastructure inspections	104	64	198	366

It must be noted that "first-time inspections", as referred to above, refers to businesses that have not been subjected to an inspection from its date of registration. These businesses are newly-registered businesses. "Triggered inspections" refers to complaints sourced via the helpdesk, telephonic, written or personal complaints, internet, newspaper articles, account administrators, and so forth. In terms of the Law Enforcement Department's operational policy, priority must be given to complaints and infrastructure inspections.

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

Statistical information pertaining to the different categories or classes of security service providers inspected from 1 April 2011 to 31 March 2012 is as follows:

National Office

National office covers areas where PSIRA does not have regional offices, namely:

- Gauteng
- Northern Cape
- FreeState
- Limpopo
- North West
- Mpumalanga

	Gauteng	Mpumalanga	Limpopo	N/West	Free State/ N/Cape
Total number of security business routine / regulatory / training / infrastructure / accreditation inspections	1 446	303	305	268	178
Category or class of security service provider inspected					
Commercial/industrial/residential/guarding or patrolling	1 141	247	252	162	141
Assets in transit	11	6	4	5	13
Close protection services	27	14	5	7	4
Reaction or response services and monitoring signals from security equipment (control room)	160	39	34	27	25
Ensuring safety and order on premises (special events)	43	16	5	7	4

	Gauteng	Mpuma-langa	Limpopo	N/West	Free State/ N/ Cape
Providing advice on the protection of persons/property (consultants/ advisors)	12	2	1	3	2
Installing, servicing or repairing security equipment	74	31	9	16	20
Private investigators	21	4	1	0	3
Providing security training or instruction as well as accreditation	88	8	30	53	15
Providing services of a locksmith	33	1	1	2	11
Making persons or their activities available for the rendering of security service (labour brokers)	2	0	0	0	1
In-house	20	0	1	3	9
Manufacturing, importing, distributing or advertising of monitoring devices	0	0	0	2	0

It must be noted that a security business may be registered for a number of different security services listed above, but may not necessarily render all the particular security services registered for.

Western Cape / Eastern Cape / Kwazulu-Natal

	Western Cape	Eastern Cape	KwaZulu-Natal
Total number of security business routine / regulatory / training / infrastructure / accreditation inspections	760	402	1 243
Category or class of security service provider inspected			
Commercial/industrial/residential/guarding or patrolling	550	253	1 063
Assets in transit	7	15	22
Close protection services	13	41	65
Reaction or response services and monitoring signals from security equipment (control room)	41	72	168
Ensuring safety and order on premises (special events)	13	54	75
Car watch or related activities	0	20	12
Providing advice on the protection of persons/property (consultants/advisors)	19	38	22
Installing, servicing or repairing security equipment	74	55	70
Private investigators	23	13	17
Providing security training or instruction as well as accreditation	36	23	48
Providing services of a locksmith	41	12	39
Making persons or their activities available for rendering of security service (labour brokers)	5	0	0
In-house	16	30	32
Manufacturing, importing, distributing or advertising of monitoring devices	1	1	0

One inspection conducted at a particular security business may therefore result in two or more categories or classes of security services being inspected. It must also be noted that certain categories or classes of security service providers were not subjected to any inspections during the period under review. Taking into consideration the number of security businesses registered in a particular province, the number of inspectors and the policy regarding the number of inspections to be conducted in a particular month, security businesses are on average subjected to one inspection every 12 to 18 months.

Statistical information pertaining to inspections conducted at large, medium and small businesses from 1 April 2011 to 31 March 2012 is as set out below. For the purpose of this statistical information, a small business is considered to be employing less than 20 security officers, a medium business 21 to 50 security officers, and a large business 51 and above.

REGION	NUMBER OF INSPECTIONS			
	Small Businesses	Medium Businesses	Large Businesses	Infrastructure & Capacity
Head Office (NIT)	1 411	151	105	833
Western Cape	559	61	36	104
Eastern Cape	255	43	40	64
KwaZulu-Natal	772	127	146	198
TOTAL	**2 997**	**382**	**327**	**1 199**

With reference to the above statistics, the overall performance pertaining to the total number of compliance inspections conducted for the period 1 April 2011 to 31 March 2012 is 98% compared to the target set. The regional breakdown is as follows:

REGION	TARGET	NUMBER OF INSPECTIONS CONDUCTED	PERFORMANCE
NIT (Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape)	3 987	4 107	103%
Western Cape	1 050	1 107	105%
Eastern Cape	829	728	88%
KwaZulu-Natal	1 922	1 727	90%

The performance pertaining to the number of compliance inspections conducted at security businesses for the period 1 April 2011 to 31 March 2012 is 104% compared to the target set.

The regional breakdown is as follows:

REGION	TARGET	NUMBER OF SECURITY BUSINESS INSPECTIONS CONDUCTED	PERFORMANCE
NIT (Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape)	2 414	2 500	104%
Western Cape	720	760	106%
Eastern Cape	370	402	109%
KwaZulu-Natal	1 214	1 243	102%

The performance pertaining to the number of compliance inspections conducted on security officers at different sites for the period under review is 88% compared to the target set. The regional breakdown is as follows:

REGION	TARGET	NUMBER OF SECURITY BUSINESS INSPECTIONS CONDUCTED	PERFORMANCE
NIT (Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape)	1 573	1 607	102%
Western Cape	330	347	105%
Eastern Cape	501	326	65%
KwaZulu-Natal	708	484	68%

Note must be taken that security officer inspections were only conducted from January 2012 and not the full financial year.

Site Investigations

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

National Office

Several site investigations and inspections were conducted by inspectors of the National Office and some were done in conjunction with SAPS. A total of 747 site investigations were conducted during the period under review.

Eastern Cape

52 site investigations were conducted during the period under review.

KwaZulu-Natal

355 site investigations were conducted during the period under review.

Western Cape

208 site investigations were conducted during the period under review.

6.3.2 Enforcement

The purpose of Enforcement within the Authority is to address security service providers who know that they have to comply but choose to evade compliance. The Authority enforces the law on those providers who do not comply with the Act and its regulations.

In terms of the Law Enforcement Department's operational policy, all enforcement inspectors must conduct a minimum of 10 investigations per month. As mentioned, the Enforcement Unit was established in January 2012 and has therefore only been in operation for three months during this financial year.

During the period 1 January 2012 to 31 March 2012 a total of 514 investigations were conducted.

The regional breakdown is as follows:

REGION	NUMBER OF INVESTIGATIONS
HEAD OFFICE (NIT)	281
Gauteng	142
Mpumalanga	46
Limpopo	14
North West Province	25
Free State/Northern Cape	54
WESTERN CAPE	66
EASTERN CAPE	49
KWAZULU-NATAL	118
TOTAL	**514**

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

REGION	NUMBER OF SECURITY BUSINESS INVESTIGATIONS	NUMBER OF SECURITY OFFICER INVESTIGATIONS	TOTAL
HEAD OFFICE (NIT)	208	73	281
Gauteng	85	57	142
Mpumalanga	41	5	46
Limpopo	14	0	14
North West Province	18	7	25
Free State/Northern Cape	50	4	54
WESTERN CAPE	49	17	66
EASTERN CAPE	25	24	49
KWAZULU-NATAL	41	77	118
TOTAL	**323**	**191**	**514**

With reference to the above statistics, the overall performance pertaining to investigations conducted for the period 1 January 2012 to 31 March 2012 is 153% compared to the target set. The regional breakdown is as follows:

REGION	TARGET	NUMBER OF INVESTIGATIONS CONDUCTED	PERFORMANCE
NIT (Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape)	180	281	156%
Western Cape	56	66	118%
Eastern Cape	48	49	102%
KwaZulu-Natal	52	118	227%

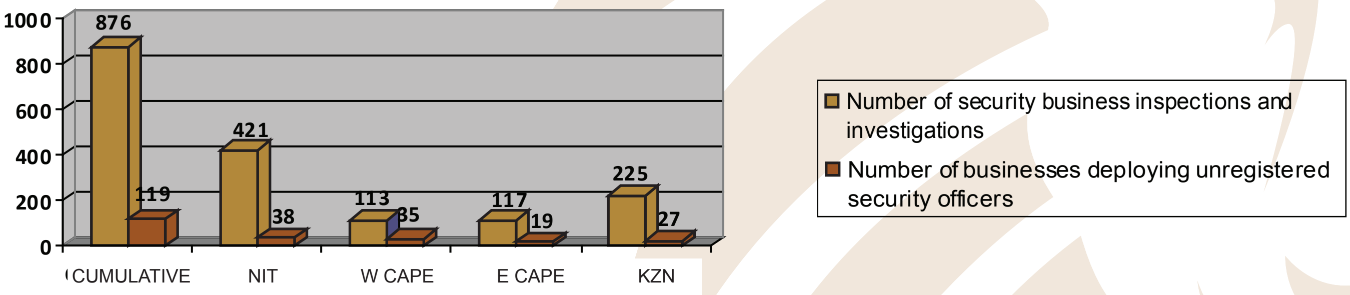
Compliance Analysis

Since the establishment of the Compliance and Enforcement Units in January 2012, the Authority has also been gathering compliance information in order to be in a better position to plan our regulatory programmes.

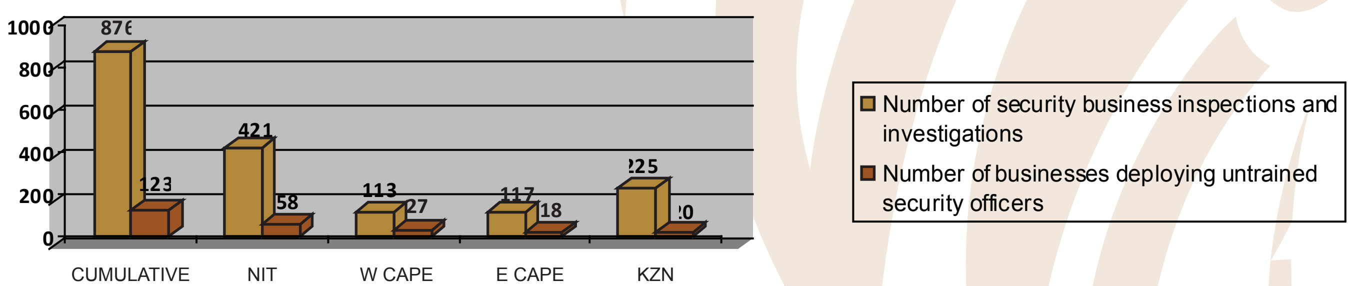
Security Business Inspections / Investigations

Following the compliance inspections and investigations (excluding infrastructure inspections) conducted at security businesses from 1 January 2012 to 31 March 2012, the following was found in terms of compliance:

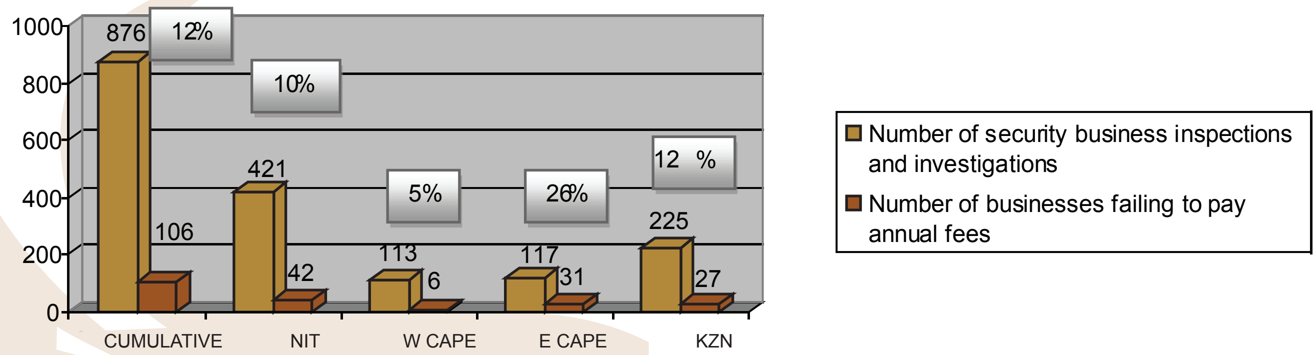
Businesses deploying unregistered security officers



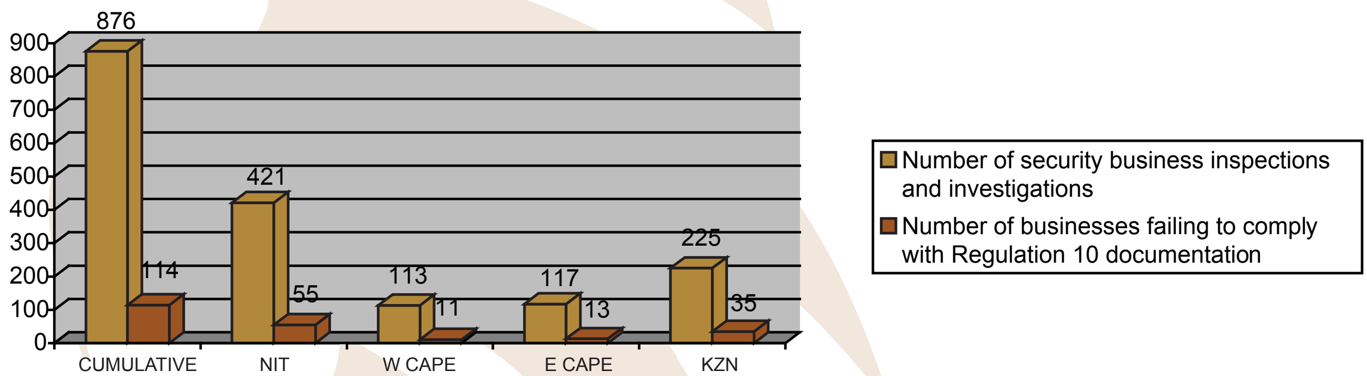
Businesses deploying untrained security officers



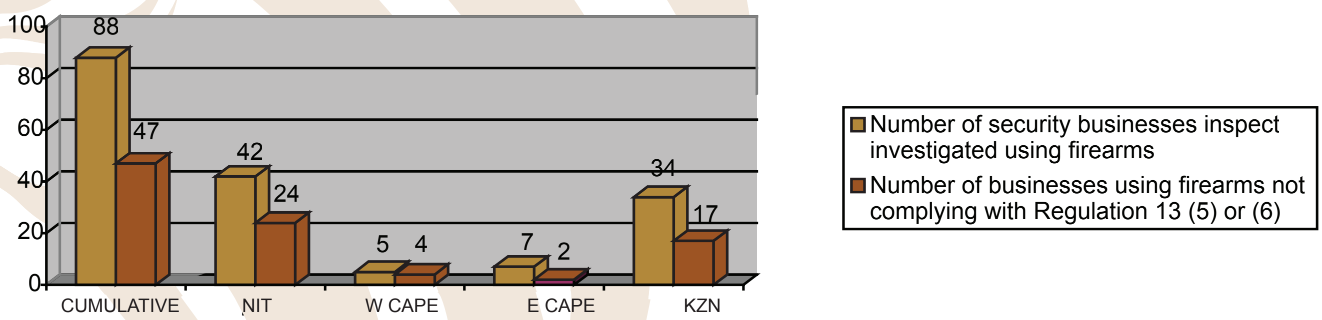
Businesses failing to pay annual fees Businesses failing to pay annual fees



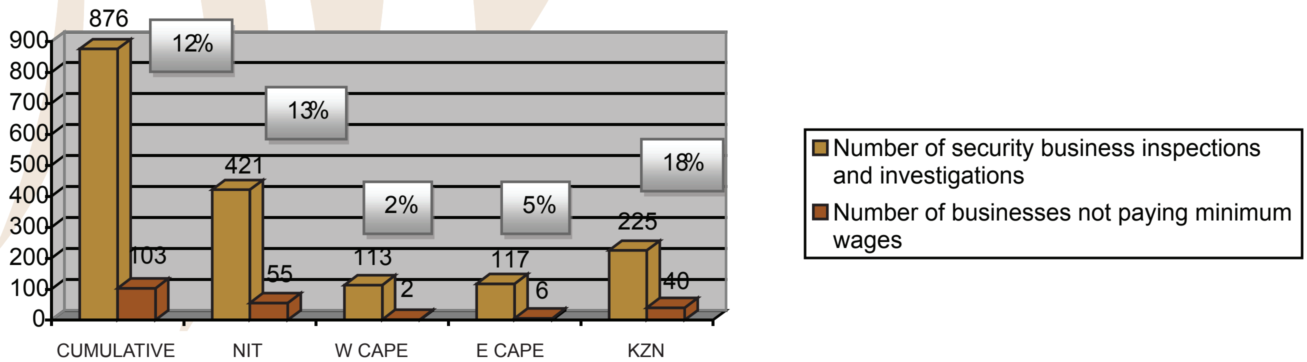
Businesses failing to comply with Regulation 10-documentation



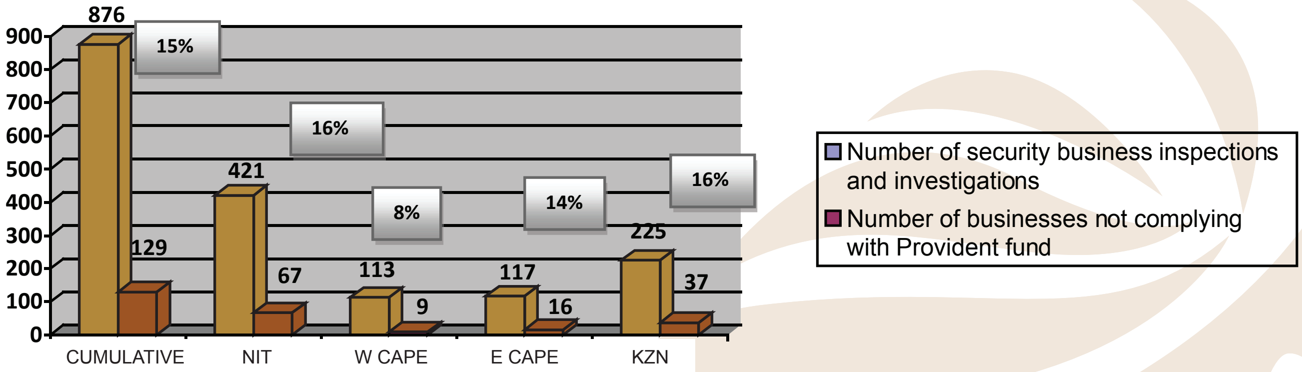
Businesses using firearms not complying with Regulation 13(5) or (6)



Businesses not paying minimum wages



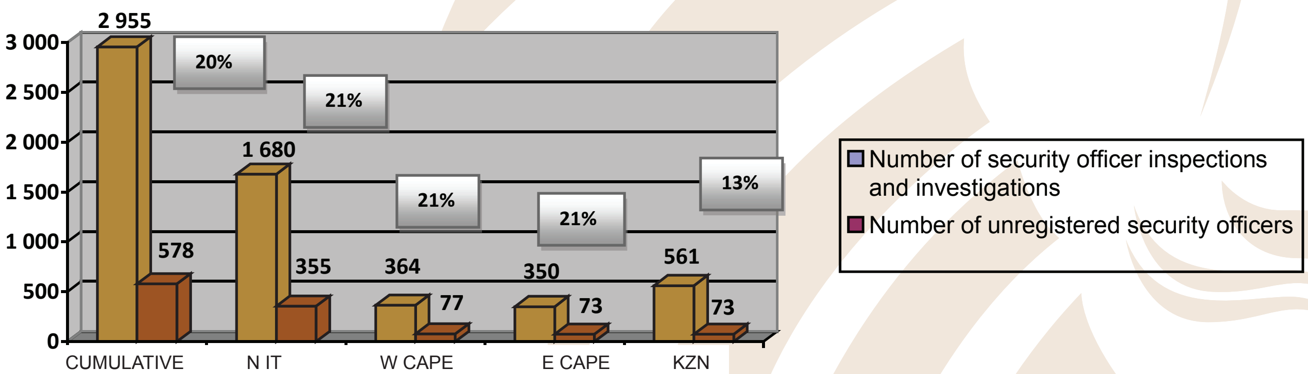
Businesses not complying with provident fund



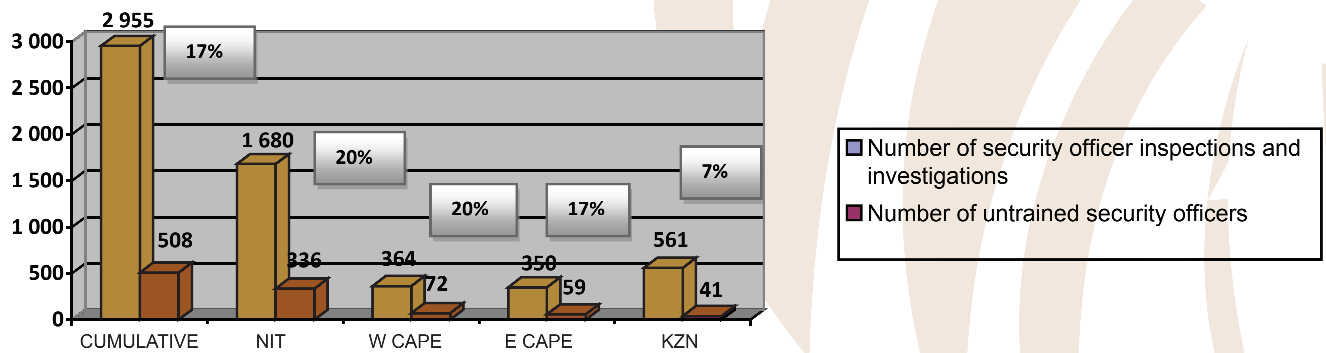
Security Officer Inspections / Investigations

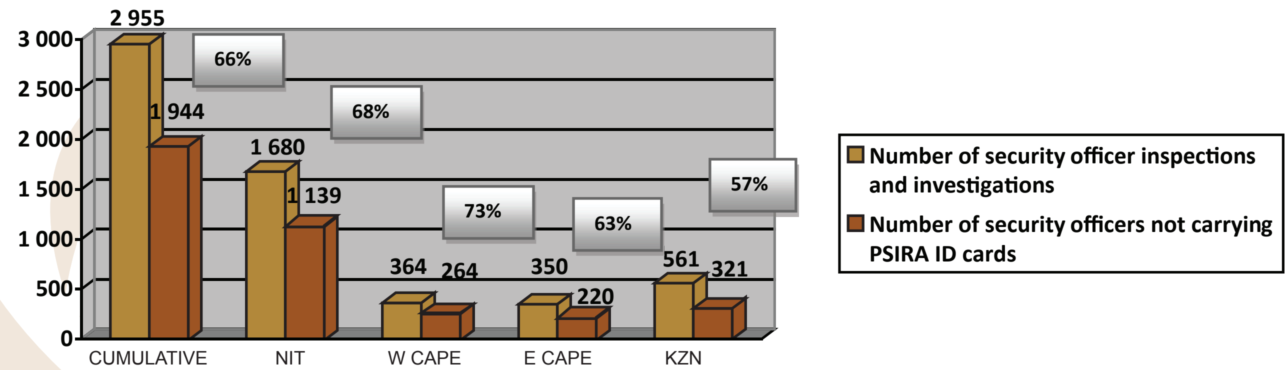
Following the compliance inspections and investigations conducted on security officers during 1 January 2012 to 31 March 2012, the following was found in terms of compliance:

Unregistered security officers

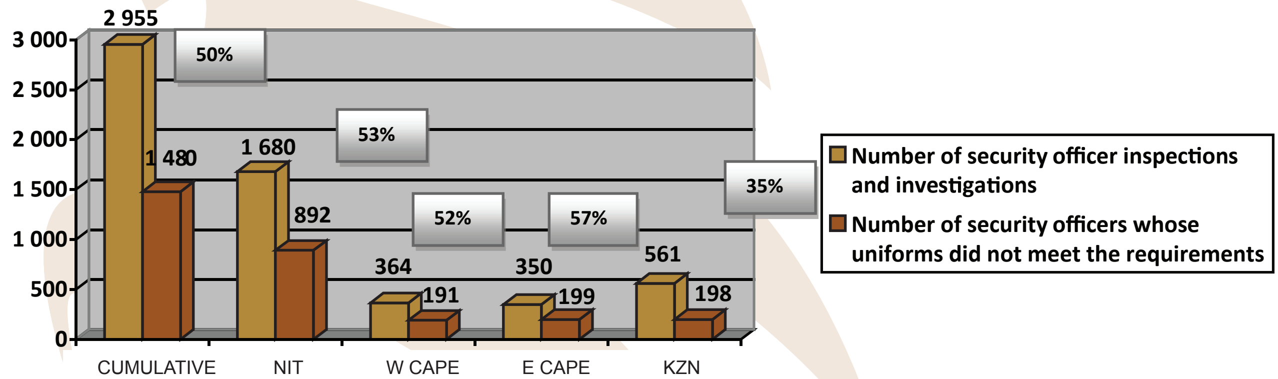


Untrained security officers

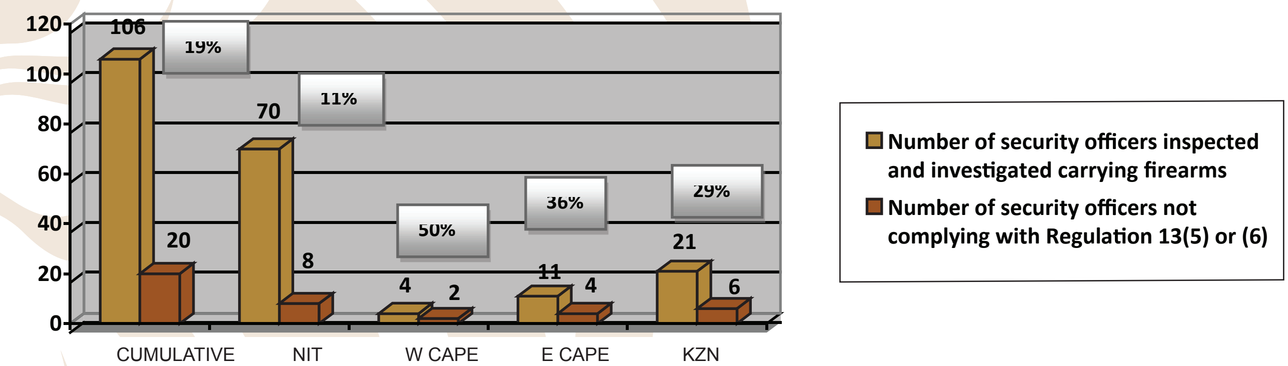




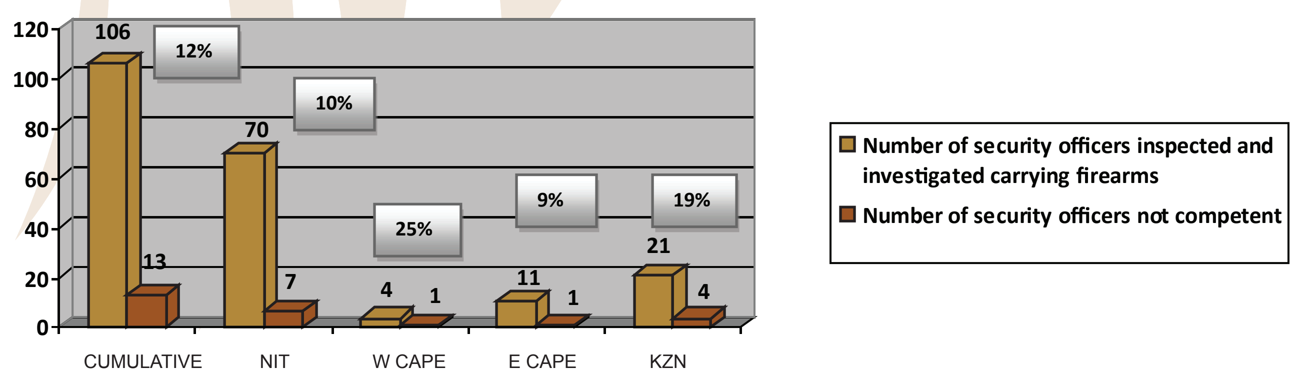
Security officer uniform



Security officers using firearms not complying with Regulation 13(5) or (6)



Security officers carrying firearms not competent to use firearms



Operations

The Authority is also involved in a number of operations with different stakeholders, including SAPS. These operations are at times initiated by the Authority or attended upon invitation from stakeholders such as SAPS, Department of Home Affairs and Department of Labour. The focus is on compliance with the PSIR Act regarding, amongst others, the deployment of registered and trained security officers, illegal immigrants and compliance with the Firearms Control Act. During the period under review, the following operations were held:

REGION	NUMBER OFOPERA-TIONS	STAKEHOLDERS	NUMBER OF AR-RESTS	UN REGIS-TERED	FOREIGN NATIONALS	FIRE-ARMS	OTHER
Head Office (NIT)	19	SAPS / DoL / Metro Police & Im-migration	114	97	54	9	33 – DoL Inspec-tions
Western Cape	2	SAPS	9	6	6	3	0
Eastern Cape	3	SAPS / Dept. of Home Affairs	23	23	4	0	0
KwaZulu-Natal	17	SAPS	23	22	1	1	0
TOTAL	**41**	**-**	**169**	**148**	**65**	**13**	**33**

The following are examples of some of the Law Enforcement activities and operations held:

Mokopane Area

On Friday, 15 April 2011, and Saturday, 16 April 2011, a joint operation with SAPS was held in Mokopane and surrounding areas to conduct random inspections and investigations in respect of security service providers. Client premises of 14 different security businesses were inspected and seven security officers arrested for their failure to provide PSIRA ID cards or proof of registration, and/or hindering or obstructing the inspectors and members of SAPS. All the arrested security officers paid admission of guilt fines.

Johannesburg Area

A joint operation with SAPS was conducted in Honeydew during May 2011 as well as number of site investigations. 10 unregistered and untrained security officers were found and arrested. These security officers were all foreign nationals from Zimbabwe and the Democratic Republic of Congo. Criminal charges were also laid against the security businesses that deployed the security officers.

An operation was also conducted in May 2011 together with SAPS Johannesburg Central where five security officers were arrested for carrying firearms whilst they were not competent to do so. All the firearms were legally licensed to the security business.

On 10 June 2011, joint operations were conducted with Cleveland SAPS and the Department of Home Affairs in the car guard sector in the Cleveland, Eastgate, Kensington and Bruma areas. During these operations 20 security officers were arrested for not being lawfully registered; 18 of these security officers were from Congo. Acknowledgement of guilt fines of R500 each were paid by unregistered security officers and 18 foreign nationals were also detained by the Department of Home Affairs.

On 25 July 2011, an operation was conducted in collaboration with SAPS in Midrand in the car guard sector. During this operation 16 unregistered and untrained security officers were arrested at one shopping centre; all were from Zimbabwe. In addition, a criminal case was opened against the business that deployed the illegal security officers. In another shopping centre SAPS arrested and detained 16 “parking attendants” for contravening the Immigration Act.

On 3 August 2011, an operation was conducted with members of SAPS, Sandton where five security officers were arrested for not being registered in terms of the PSIR Act. All were foreign nationals.

North West Province

On 17 January 2012, an operation was conducted in the Brits and Hartbeespoort areas, which was focused on two businesses namely, Chaka Security and National Tactical Training.

The stakeholders involved included SAPS units, PTA Organised Crime, Firearm Registry, CATS (Crimes against the State), Cyber Crimes, Crime Intelligence and crime scene experts from the Forensics office. Both businesses were simultaneously raided in accordance with a search warrant. The operation was conducted based on alleged contraventions of the Firearms Control Act (i.e. unlawful possession of firearms and ammunition) and other related matters by both businesses.

At Chaka Security, four reaction officers were found in possession of firearms which were registered to National Tactical Training. The firearms and some computers were seized by SAPS and affidavits were obtained from the security officers.

At the premises of National Tactical Training, a total of 18 firearms, consisting of eight rifles and 10 pistols, and a hand grenade were seized by SAPS. It was also discovered that the member of the business, Mr JP Potgieter, was not registered with the Authority and he was also arrested.

Mpumalanga

Besides operations conducted in conjunction with SAPS, the Authority also assisted other state departments with other operations, such as the Department of Labour in dealing with the exploitation of labour.

In July 2011, the Authority conducted 24 inspections in different areas in Mpumalanga together with the Inspectorate of the Department of Labour. Various businesses were found to be in contravention of the Code of Conduct and they were subsequently charged by the Authority.

Western Cape

A number of operations were also conducted in Cape Town and surrounding areas. On 30 March 2011, seven unregistered security officers were arrested in Goodwood of which six were Congolese and one a Zimbabwean citizen. On 8 April 2011 an operation was conducted in the Strand area where 6 unregistered foreign nationals were arrested whilst performing car guard duties.

On 5 July 2011 an operation was conducted with SAPS at Goal Wholesalers, Stock Road, Philippi East. This business utilised in-house security officers and it was found that three registered and trained security officers used their private firearms to perform security services on the premises and four security officers were not registered and trained. Following the operation, SAPS issued an administrative fine of R5 000 per security officer who used their private firearms to render security services at the business and the business settled the total fine of R15 000. The three private firearms were seized by SAPS and sent for forensic testing. The business was also charged with contravening the Code of Conduct for Security Service Providers.

On 19 October 2011, an operation was conducted in conjunction with the Department of Home Affairs. During the operation, four foreign nationals were arrested by the Department of Home Affairs and taken in for further questioning.

Improper Conduct Investigations

During the period 1 April 2011 to 31 March 2012, a total of 1 530 dockets were compiled against security businesses relating to improper conduct compared to 1 446 dockets for the same period last year. The regional breakdown for the period under review is as follows:

REGION	NUMBER OF DOCKETS
Head Office (NIT)	594
Western Cape	236
Eastern Cape	131
KwaZulu-Natal	569
TOTAL	**1 530**

A further regional breakdown as far as Code of Conduct dockets opened against small, medium and large businesses from 1 April 2011 to 31 March 2012 are concerned, is as follows:

REGION	NUMBER OF DOCKETS		
	Small Businesses	Medium Businesses	Large Businesses
Head Office (NIT)	308	107	179
Western Cape	160	33	43
Eastern Cape	97	12	22
KwaZulu-Natal	323	95	151

The following number of dockets relating to improper conduct was opened from 1 April 2011 to 31 March 2012 by the Law Enforcement Department:

REGION	NUMBER OF DOCKETS OPENED	OUTSTANDING
Head Office (NIT)	723	109
Western Cape	201	0
Eastern Cape	113	12
KwaZulu-Natal	552	158
TOTAL	**1 589**	**279**

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

Improper Conduct Investigation Dockets pertaining to Minimum Wages

One of the objects of the Authority is to promote the protection and enforcement of the rights of security officers and other employees in the private security industry and, in particular, to ensure that security businesses pay the prescribed minimum wages as determined by the Department of Labour, thereby eliminating the exploitation of employee security officers.

As at end March 2012, there were 524 dockets relating to improper conduct pending against security service providers for allegations of failing to pay the statutory minimum wage to employee security officers.

The regional breakdown is as follows:

REGION	NUMBER OF DOCKETS
Head Office (NIT)	337
Western Cape	34
Eastern Cape	7
KwaZulu-Natal	146
TOTAL	**524**

Although the Authority has a working relationship with the Department of Labour, a draft Memorandum of Understanding was also previously forwarded to the Department in an attempt to formalise our relationship and strengthen the enforcement of minimum conditions of employment legislation. This will include, inter alia, the sharing of information and evidence as far as employee exploitation is concerned, as well as joint operations with the Department's inspectorate. The Authority did not receive any feedback regarding our proposal and later, during a stakeholder consultation workshop, we were informed that the Department was not considering such a memorandum of understanding at present. The issue of general cooperation between the Authority and Department of Labour was again taken up between the Department and the Authority during a meeting held during the period under review and further discussions will be held to address the proposal of a memorandum of understanding and cooperation at regional level.

Criminal Investigations

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

As at 31 March 2012, a total of 771 outstanding criminal cases were pending with the South African Police Service, compared to 648 cases in March 2011.

During the period 1 April 2011 to 31 March 2012 a total of 240 criminal cases were opened by inspectors of the Authority.

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

REGION	CRIMINAL CASES OPENED
Head Office (NIT)	120
Western Cape	50
Eastern Cape	12
KwaZulu-Natal	58
TOTAL	**240**

During the period under review 117 criminal cases were finalised by SAPS and/or National Prosecuting Authority. 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. The regional breakdown is as follows:

REGION	TOTAL
Head Office (NIT)	25
Western Cape	66
Eastern Cape	23
KwaZulu-Natal	3
TOTAL	**117**

As previously stated, there were a total of 771 criminal cases outstanding countrywide with the South African Police Services as at 31 March 2012. The regional breakdown is as follows:

REGION	OUTSTANDING CRIMINAL CASES
Head Office (NIT)	307
Western Cape	184
Eastern Cape	14
KwaZulu-Natal	266
TOTAL	**771**

A close working relationship exists between the Authority and SAPS with the latter assisting the Authority with their investigations when arrests need to be made. As mentioned earlier in the report, SAPS also play an important role in site inspection operations. The Authority furthermore conducts law enforcement operations with SAPS on a national basis and also assists with general SAPS operations. A circular letter by the Acting National Commissioner, Lt Gen Mkhwanazi addressed cooperation between SAPS and PSIRA as well as the Police's responsibilities and obligations regarding investigating offences in respect of the PSIR Act.

Charge Sheets and Summonses Served

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

REGION	CHARGE SHEETS	SUMMONSES
Head Office (NIT)	1 357	1 231
Western Cape	338	183
Eastern Cape	147	182
KwaZulu-Natal	292	474
TOTAL	**2 134**	**2 070**

Annual Fees and Fines Collected

During the period 1 April 2011 to 31 March 2012, annual fees totalling R1 320 632,28 and fines totalling R486 386, 36 were collected by inspectors of the Authority compared to R1 843 620,60 in annual fees and R118 518,99 in fines collected the previous financial year.

Untraceable Security Service Providers

Following the issuing of charge sheets and/or summonses from 1 April 2011 to 31 March 2012, 146 security service providers could not be traced by inspectors of the Authority compared to 176 the previous financial year. The following were some of the steps taken to trace these security service providers:

- visits to known addresses of the businesses, as well as that of the owners / directors / members, etcetera;
- enquiries at neighbouring businesses; and
- calling all numbers available on the Authority's database.

Action is taken against these untraceable providers for their failure to meet the necessary infrastructure and capacity requirements to render a security service.

The Authority has a fulltime complaint and helpdesk at our head office and Kwazulu-Natal offices. The purpose of these departments is to deal with general enquiries and register complaints that require further inspection or investigation by inspectors. Statistical information pertaining to the number of enquiries received during the period 1 April 2011 to 31 March 2012 is as follows:

NUMBER OF ENQUIRIES / COMPLAINTS	HEAD OFFICE	KZN
Telephonic	15 407	250
Personal	3 425	1 266
Enquiries	2 346	1 507
Complaints	1 008	322
Enquiries/complaints pertaining to registration or training	188	1 233
Wages	735	168
Provident Fund	85	68

Stakeholder Interaction

During the period under review a number of meetings were attended with SAPS and other stakeholders. The meetings included the following:

- three Government Sector Security Council meetings were attended and in one of the meetings a presentation was delivered on the Authority's expectations for the Government Sector as far as compliance is concerned;
- a SAQA workshop on level descriptors in respect of qualifications;
- a meeting with the Locksmith Association of South Africa (LASA) to discuss the recognition of prior learning of their members in relation to applications for registration;
- the Standing Committee meeting on Community Safety, Cultural Affairs and Sport (Western Cape Parliament) where matters relating to the regulation of the private security industry was discussed, with specific emphasis on the venue protection sector at nightclubs. This included a presentation on the role and functions of PSIRA with emphasis on the Western Cape;
- a meeting with the chief inspector of the Department of Labour where issues of general cooperation and a Memorandum of Understanding were discussed. It was agreed that the department will supply us with particulars of their provincial offices and that further discussions on provincial level will take place;
- a meeting with representatives from SAIDSA relating to the recognition of prior learning and training standards within the electronic security sector;
- a meeting with the Quality Council for Trades and Occupations regarding the future development of qualifications in the private security sector, as well as the delegation of the quality assurance function;
- a meeting with the CEO of Business Against Crime with regard to the CRIM project and the development of statutory standards for the cash-in-transit industry. Follow-up meetings are to be held in respect thereof;
- a meeting with Airports Company South Africa regarding security at all the airports where the importance of compliance was highlighted;
- a meeting with the South African Qualifications and Certification Committee for the Fire Industry regarding the Fire Detection Sector's obligation to comply with the PSIR Act and the training standards for this sector;
- a professional body workshop arranged by the South African Qualifications Authority. This workshop focused on the proposed requirements for registration of professional bodies in terms of the NQF Act.

The following presentations were given:

- at the State Security Agency – Intelligence Academy, on the role and functions of PSIRA;
- at the Security Officers Liaison Forum at Denel on the proposed amendments to the Private Security Industry Regulation Act.

6.4 Legal Services Department

Prosecutions

Areas of functions forming part of this report in respect of prosecutions:

- dockets received and perused;
- charge sheets issued;
- summonses issued;
- Code of Conduct inquiries finalised;
- cases settled without the need for inquiries.

The results relating to the above for the financial year 2011/2012 are as follows:

	Head Office	Eastern Cape	Western Cape	KwaZulu-Natal	TOTAL
Dockets received and perused	747	109	235	210	1 301
Charge sheets issued	1 432	130	447	383	2 392
Summonses issued	1 736	214	240	521	2 711
Cases finalised at Code of Conduct inquiries	149	66	64	83	362
Cases settled without the need for Code of Conduct inquiries	1 054	73	153	256	1 536

Of the 362 matters finalised, the highest fines were imposed on the following security service providers:

CASE NO	RESPONDENT(S)	FINE AMOUNT
599/2009	Respondent 1	R65 000
749/2008	Respondent 2	R58 000
722/2009	Respondent 3	R46 500

From the 362 finalised matters were for contraventions by security service providers (training centres) and other security service providers that contravened the Sectoral Determination 6 in respect of wages. Security training centres captured media attention regarding the selling of training certificates. The maximum penalty was imposed on matters that were brought before the tribunal. Here are some of the matters that were dealt with:

CASE NO	RESPONDENT(S)	SENTENCE IMPOSED BY PRESIDING OFFICER
9/2012	Respondent 1	Registration withdrawn
55/2012	Respondent 2	Registration withdrawn
43/2012	Respomdent 3	Registration withdrawn
429/2011	Respondent 4	Registration withdrawn
353/2008	Respondent 5	Registration withdrawn
693/2009	Respondent 6	Registration withdrawn
42/2011	Respondent 7	Registration withdrawn

Of 1 536 settlements the highest settlement amounts that were reached were as follows:

CASE NO	RESPONDENT(S)	AMOUNT FINED
324/2005	Respondent 8	R78 000
339/2005	Respondent 9	R50 000
235/2009	Respondent 10	R48 000

Litigation

With regard to legal services, during this period nine cases were litigated in the high court and one in the supreme court of appeal. Four of the nine cases mentioned above were inherited from the previous financial year.

Appeals

Appeals against the Authority's refusal to register a security service provider and the withdrawal of registration by the Authority due to a conviction on a scheduled offence		
Total Received	Dismissed	Upheld
532	291 (16 withdrawal of registration; 275 rejected)	241

Appeals against the Authority's refusal to register a security service provider due to non-South African residency		
Total Received	Dismissed	Upheld
7	6	1

Appeals against conviction and/or sentence following the finalisation of improper conduct inquiries convened in terms of the Act		
Total Received	Dismissed	Upheld
7	1	6

Applications for Exemption

Applications for Exemptions		
Total Received	Dismissed	Decision Pending
6	1	5

Regulatory Subcommittee

The Director of the Authority established a Regulatory Subcommittee which reports to the Executive Committee. The Regulatory Subcommittee is responsible for performing the following functions in terms of its terms of reference and delegation:

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

During the period under review 28 Regulatory Subcommittee meetings were held and the following decisions taken:

	BUSINESS REGISTRATION	INDIVIDUAL REGISTRATION	IMPROPER CONDUCT CONVICTIONS
Withdrawal and voluntary withdrawal	515		
Withdrawals at Code of Conduct inquiries	44	18	
Lifting of suspensions	6		
Withdrawals (Reg. 5) (Infrastructure & capacity)	15		
Registrations suspended	272		
Withdrawals		160	
Registrations suspended		96	
NIT			128
Eastern Cape			53
Western Cape			15
KwaZulu-Natal			55

FIREARM APPLICATIONS

The Authority provides information to the Firearms Registry pertaining to security service providers applying for firearm licenses. This information includes, inter alia, the following:

- the registration status of the security business;
- number of security officers employed by the business and their registration and training status; and
- annual amounts due to the Authority.

During the period under review, a total of 1 318 firearm application enquiries were received from the Firearms Registry and finalised, compared to 1 752 applications for the previous financial year.

Of the 1 318 processed, the Firearms Registry was informed that:

317 security service providers owed annual amounts or fines to the Authority;
183 of the applicants failed to inform the Authority of changes;
93 persons responsible for the firearms were not linked to the business or registered;
26 businesses were not registered;
12 directors, members, partners, owners, or other, of the businesses were not registered or trained;
3 businesses were liquidated;
33 businesses asked for more firearms than their staff component;
95 businesses were deregistered by CIPRO; and
556 applicants were cleared by the Authority for consideration by the Central Firearms Registry.

The Authority, in conjunction with the Central Firearms Registry (CFR), compiled a draft policy agreement to allow for the establishment of a Security Industry Firearms Regulation Committee that will endeavour to establish closer cooperation between SAPS and the Authority. This will include regular sharing of information to confirm whether businesses still qualify for the licenses they obtained, i.e. whether registrations are still valid, the number of security officers employed, and so forth. The Authority previously made certain amendments to the draft policy document and submitted it to the CFR for signature and is still awaiting feedback in respect thereof. CFR was also requested to forward database details of all firearm licenses issued to security businesses.

Tender Enquiries

Confirmation of registration for tender purposes (government agencies, state security agency and consumers)

MONTH	NUMBER RECEIVED	APPROVED	DENIED	REQUIRES FURTHER INFORMATION	REQUIRES CONSENT LETTERS
Apr 2011	38	26	11	1	0
May 2011	89	69	9	1	10
Jun 2011	74	55	18	1	0
Jul 2011	93	72	6	5	10
Aug 2011	85	46	17	1	22
Sep 2011	191	130	40	12	9
Oct 2011	208	139	59	10	0
Nov 2011	140	97	25	3	15
Dec 2011	14	11	3	0	0
Jan 2012	59	39	19	1	0
Feb 2012	14	7	6	0	1
Mar 2012	224	143	13	9	59
TOTAL	**1 229**	**834**	**225**	**44**	**126**

7. HUMAN CAPITAL MANAGEMENT

The Human Capital Division is a strategic partner that assimilates all Human Capital processes and systems to ensure that PSIRA delivers against its mandate in the most cost-effective and efficient manner.

PSIRA acknowledges that good governance is vital for the sound management of human capital and the improvement of business performance in an increasingly competitive and global economic market. Therefore PSIRA views the Human Capital Division as a critical partner in ensuring good governance on issues affecting people and business management.

Through its integrated approach, the Human Capital Division at PSIRA ensures that the following key strategic objectives are sufficiently addressed:

a) that the Authority has a culture of learning that embraces excellence and supports our vision strategy;

b) that PSIRA has a competent, skilled and motivated workforce to enable it to execute its tasks more effectively; and

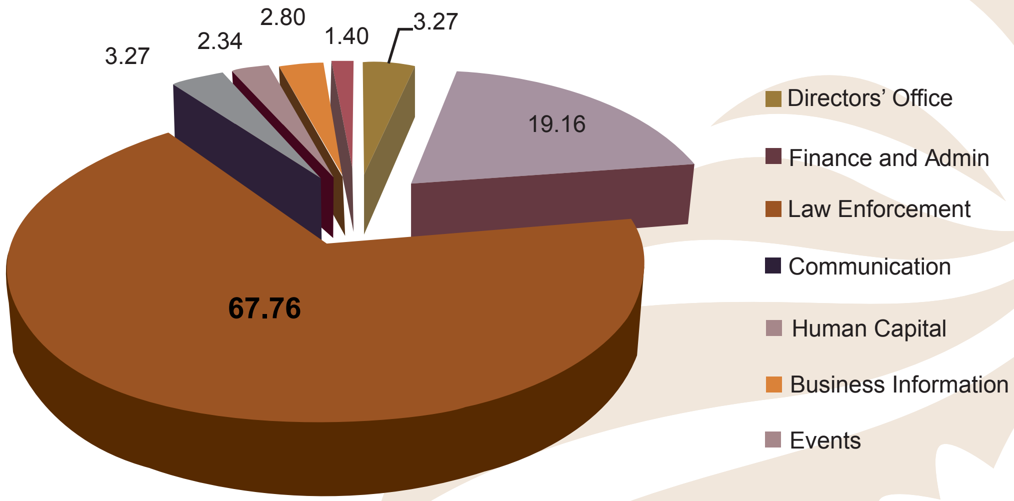
c) that adequate HR processes, information and systems are in place to effectively carry out PSIRA's mandate.

COMPOSITION OF STAFF

The table and graph below depict the staff composition according to Departments and Regions:

Division/Department	Number of permanent staff members	Number of temporary staff members
Strategic and Governance issue		
Office of the Director	6	0
Council	**1**	
Subtotal	**7**	
Finance and Administration		
Finance Management	14	3
Debt Collection	12	2
Asset Management	1	1
Facilities Management	6	0
Office Services	8	0
Subtotal	**41**	**6**
Law Enforcement		
Law Enforcement	43	0
Legal Services	10	0
Registration	26	2
Western Cape Branch	16	0
Eastern Cape Branch (PE)	8	1
KwaZulu-Natal Branch	17	2
Mthatha Branch	5	1
Johannesburg Branch	14	0
Nelspruit Branch	3	0
Polokwane Branch	3	2
Subtotal	**145**	**8**
Business Information Systems	6	1
Subtotal	**6**	**1**
Human Resources Department	5	1
Subtotal	**5**	**1**
Communication	7	1
Subtotal	**7**	**1**
Events	3	1
Subtotal	**3**	**1**
Total	**214**	**18**

Staff distribution per department



EMPLOYMENT EQUITY

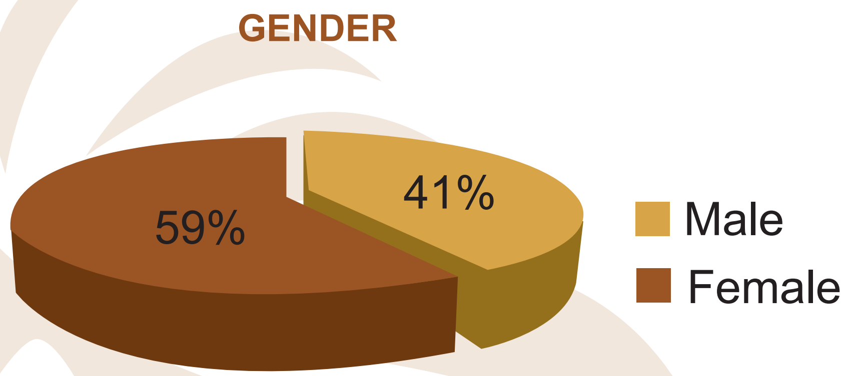
In accordance with the Employment Equity Act (Act 55 of 1998), PSIRA is classified as designated employer. The Authority is required to comply with the aforesaid statute in pursuit of addressing elements of imbalance in the workplace. In line with the above, an Employment Equity Committee has been established during the year under review to ensure that the EE plan is implemented and monitored effectively. As prescribed by the Department of Labour, one of the requirements that the committee must comply with is to submit an annual EE report in time and in compliance therewith, our report was submitted on 30 September 2011. It is evident that some of the targets as set out in the EE plan were not efficiently met due to lack of resources.

The table and graphs below outline PSIRA's staff composition according to gender analysis and occupational levels.

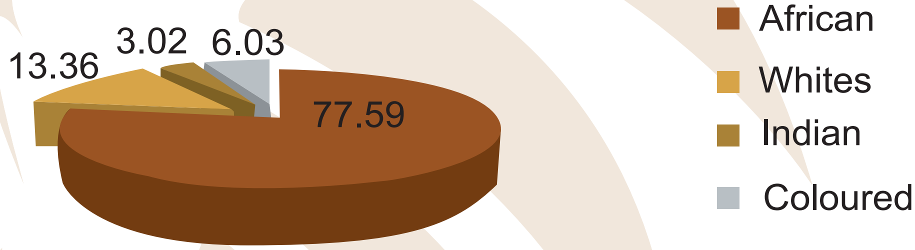
Occupational Profile

OCCUPATIONAL LEVELS		MALE				FEMALE				TOTAL
	Paterson Salary Levels	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	E1, E2,	4								4
Senior management	D5	2								2
Professionally qualified and experienced specialists, and mid-management	D4	4			2	5			1	12
Skilled technical and academically qualified workers	C4, C3, C2 & C1	31		2	12	23	1		4	73
Semi-skilled and discretionary decision-making	B5, B4, B3, B2, B1 & A3	21	2			55	11	3	11	103
Unskilled and defined decision-making	A2 & A1	11				9				20
Total Permanent		**71**	**2**	**2**	**14**	**92**	**12**	**4**	**16**	**214**
Contracts		**7**				**10**		**1**		**18**
TOTAL		**78**	**2**	**2**	**14**	**102**	**12**	**05**	**17**	**232**

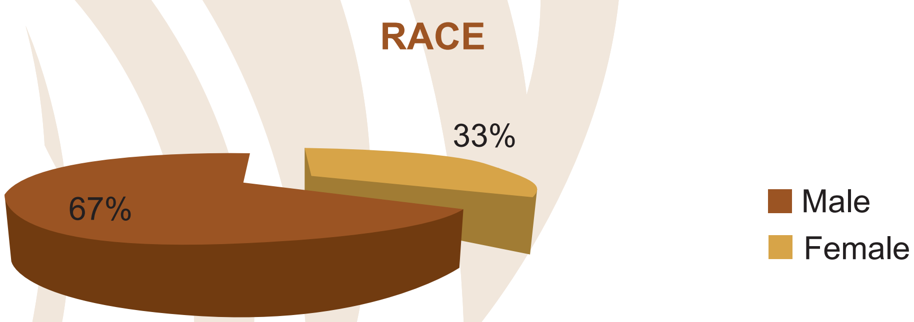
Gender Distribution



Race Distribution



Representation of Women on Managerial Level

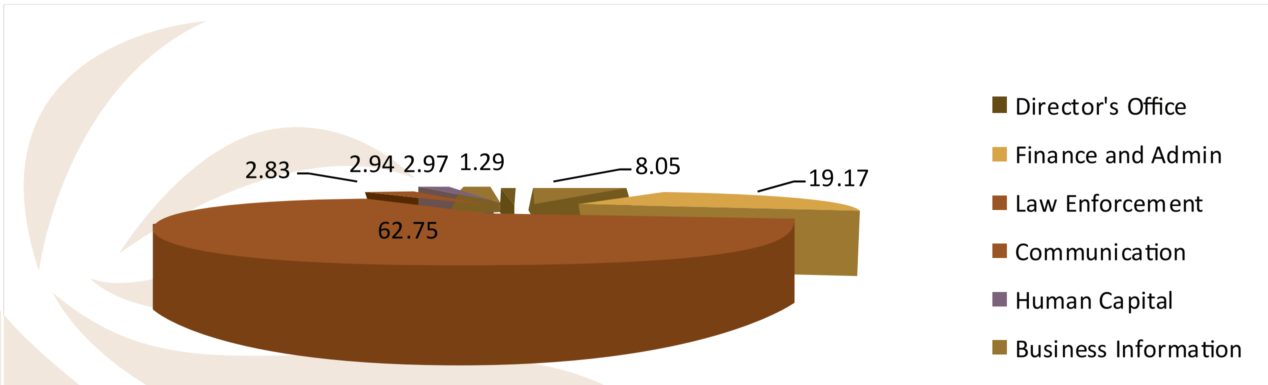


PERSONNEL EXPENDITURE

The remuneration of employees within the Authority reflects the dynamics of the market and context in which the organisation operates. The organisation views remuneration and benefits as one of the fundamental factors to attract, motivate and retain high performers. During the year under review the Authority, after sufficient consultation with its stakeholders, managed to increase the salaries by 5.5% across the board in an endeavour to ensure a cost-of-living adjustment.

This table displays personnel costs per division for the year under review. These costs include the basic salary and other benefits.

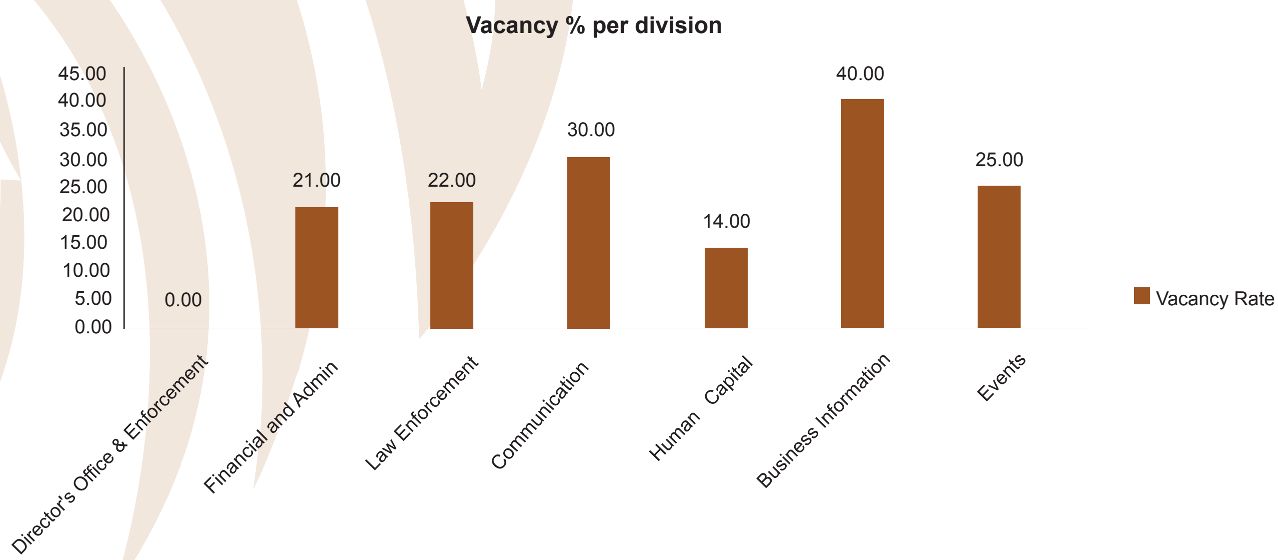
Division/Department	Number of permanent staff members	Total Salary cost 2011	Total Salary cost 2012
Strategic and Governance issue			
Directorate	5	817 389	2 900 495
Council	2	1 814 870	1 871 456
Internal Audit & Risk management		66 631	-
Subtotal	**7**	**2 698 890**	**4 771 951**
Finance and Administration			
Finance Management	14	3 799 215	4 317 111
Debt Collection	12	3 324 358	3 372 514
Asset Management	1	371 016	1 328 185
Facilities Management	6	1 288 014	766 626
Office Services	8	1 349 377	1 578 134
Subtotal	**41**	**10 131 980**	**11 362 570**
Law Enforcement			
Law Enforcement	43	12 224 991	13 706 846
Legal Services	11	2 139 733	2 159 351
Prosecution		761 383	-
Registration	26	4 278 753	4 238 131
Western Cape Branch	16	3 873 851	4 323 248
Eastern Cape Branch (PE)	7	2 239 801	2 946 487
KwaZulu-Natal Branch	17	5 706 586	4 659 120
Mthatha Branch	5	1 235 896	1 317 013
Johannesburg Branch	14	2 675 883	3 021 685
Nelspruit Branch	3	413 143	336 573
Polokwane Branch	3	409 991	472 849
Subtotal	**145**	**35 960 011**	**37 184 420**
Information Technology	**6**	**983 071**	**1 761 758**
Human Resources Department	**5**	**1 475 183**	**1 740 989**
Communication	**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 Benifit 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	**214**	**57 516 253**	**63 743 990**



EMPLOYMENT AND VACANCIES

The table below depicts the number of posts per establishment, posts vacated and filled posts. The high vacancy rate is due to fact that the approved new structure could not be fully implemented as a result of lack of funds.

Division	Number of posts per establishment	Number of the posts filled	Vacancies	Vacancy Rate %
Office of the Director	7	7	0	0%
Finance and Admin	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%
	274	214	61	22%

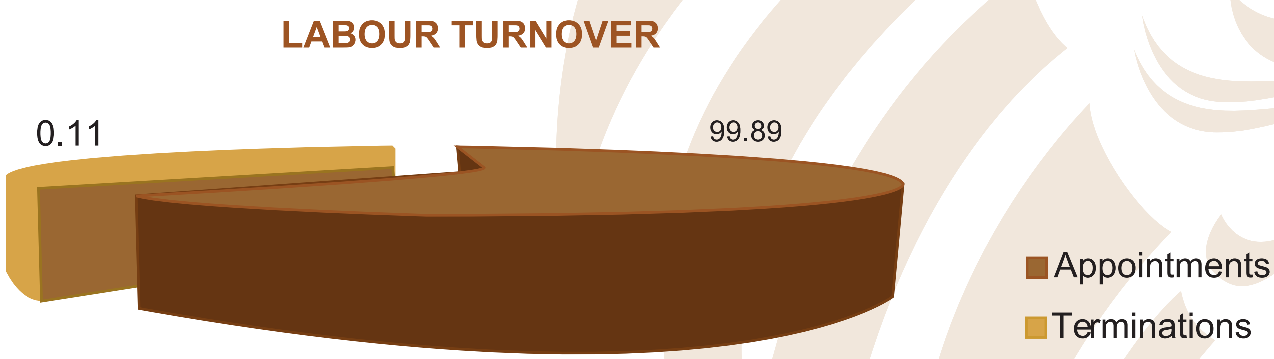


ANNUAL EMPLOYMENT TURNOVER

This section provides information on changes in employment over the financial year. During the financial year under review, the total termination was rated at 11% of the staff composition.

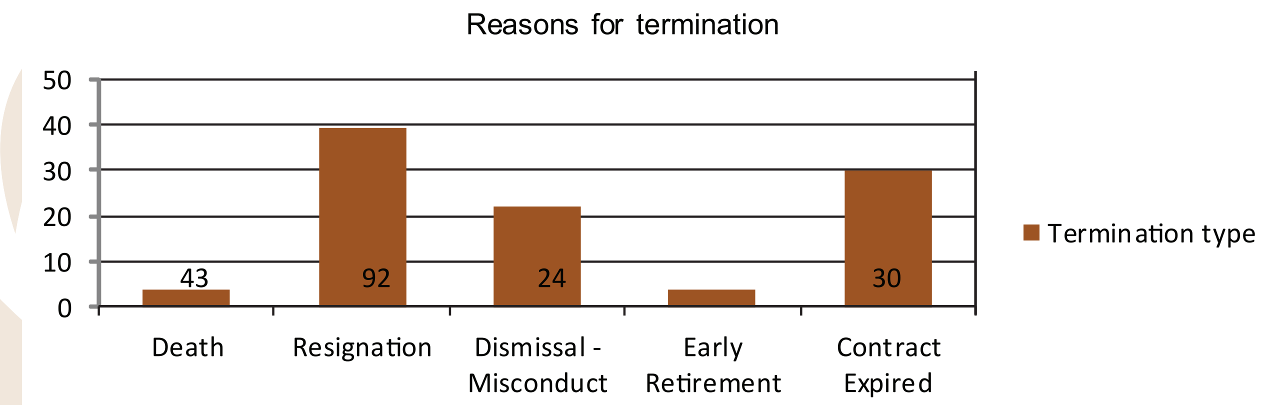
Annual turnover per division

Division	Staff balance as at 01 April 2011	Appointments	Termination	Staff balance as at April 2012	Termination Rate %	Appointment rate %
Office of the Director	3	4	0	7	0%	57%
Finance and Admin	49	4	6	41	8%	8.5%
Law Enforcement	127	19	10	145	14%	14%
Human Resources	3	2	0	5		40%
Information Technology	3	5	0	6	0%	62%
Communications	8	0	0	7	0%	
Events	0	3	0	3	0%	100%
Subtotals	**194**	**37**	**16**	**214**	**8%**	**17%**
Temps	14	9	7	18	50%	52%
Totals	**208**	**46**	**23**	**232**	**11%**	**19%**



Reasons for termination

Termination Type	Number	%
Death	1	4%
Resignation	9	39%
Dismissal - misconduct	5	22%
Early retirement	1	4%
Contract expired	7	30%
Total	**23**	



ANNUAL LEAVE UTILISATION

The Authority acknowledges the need to manage utilisation of annual leave effectively as annual leave is a liability. The Employees Self Service system (ESS) was introduced during the year under review to improve control over leave administration. The table below summarises the utilisation of annual leave within the Authority.

Division	Number of employees per division	Annual Leave taken	Average per employee
Directorate	7	56	8
Finance and Admin	41	678	17
Law Enforcement	145	2241	21
Human Resources	5	57	11
Information Technology	6	39	7
Communications	7	82	11
Events	3	9	3
Total	**214**	**316**	**78**

SKILLS DEVELOPMENT AND TRAINING

The Authority has a qualified skills development facilitator on its Human Capital team who ensures that the Human Capital Division performs an annual updated skills audit and, in consultation with other divisional managers identifies training needs, to ensure that all the employees at the various occupation levels are trained and developed within the Authority.

The Workplace Skills Plan (WSP) and Annual Training Report (ATR) for 2010/2011 and 2011/2012 were timeously submitted to SASSETA. A grant amount of over R500 000 was received from SASSETA for the Annual Training Plan for 2011/2012.

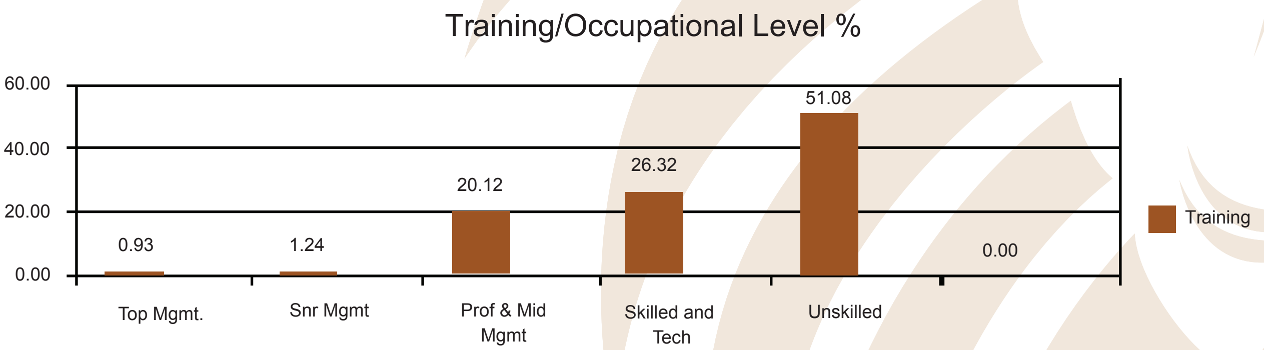
The Authority has appointed representatives on the Training and Development Committee comprising 10 members across all occupational categories.

During the year under review over, R1 million was invested in training and development interventions for employees on bursaries, study loans and short courses.

The following table and graph provide information on how training and development was conducted throughout the financial year.

Training and development interventions:	Occupational Levels						
	Top Mgt	Snr Mgt	Prof & Jnr Mgt	Skilled Tech	Semi-skilled	Un-skilled	Total
Senior Management Programme (SMP)	2						2
Managing Discipline in the Workplace	1	0	24	2	0	0	27
Diversity Management	0	1	9	10	0	0	20
Microsoft Excel 2007 (Introduction)	0	0	1	17	42	0	60
Microsoft Excel 2007 (Intermediate)	0	0	1	21	40	0	62
Microsoft Excel 2007 (Advanced)	0	1	2	6		0	22
Customer Services Training	0	0	0	13	62	0	75
Management Essential	0	0	17	10	8	0	35
Insight Leadership for Managers	0	2	9	1	0	0	12
Introduction to MS Word 2007	0	0	0	0	0	1	1
CaseWare Working Papers	0	0	1	0	0	0	1
Records Management	0	0	0	1	0	0	1
Computer Security Plus	0	0	0	1	0	0	1
VIP Payroll Updates	0	0	0	0	0	0	4
Total	**3**	**4**	**65**	**85**	**165**	**1**	**323**

Training interventions per occupational level.



Study Assistance for Formal Studies.

The Authority has a study loan policy where permanent staff members are awarded financial assistance to fund their formal studies. The study loan is not refundable, on condition that the employee passes all the registered subjects. The following table and graph show how study assistance was distributed during the financial year under review.

	Gender		Race				Total
Qualification Level	F	M	A	I	C	W	
Master's Degree		1	1				1
M Tech		1	1				1
Honours Degree							
First degree	1					1	1
B Tech	2	2	3	1			4
National Diploma							
Diploma	2		2				2
Certificate	3	1	2			1	3
Total	**8**	**5**	**9**	**1**		**2**	**12**

LABOUR RELATIONS

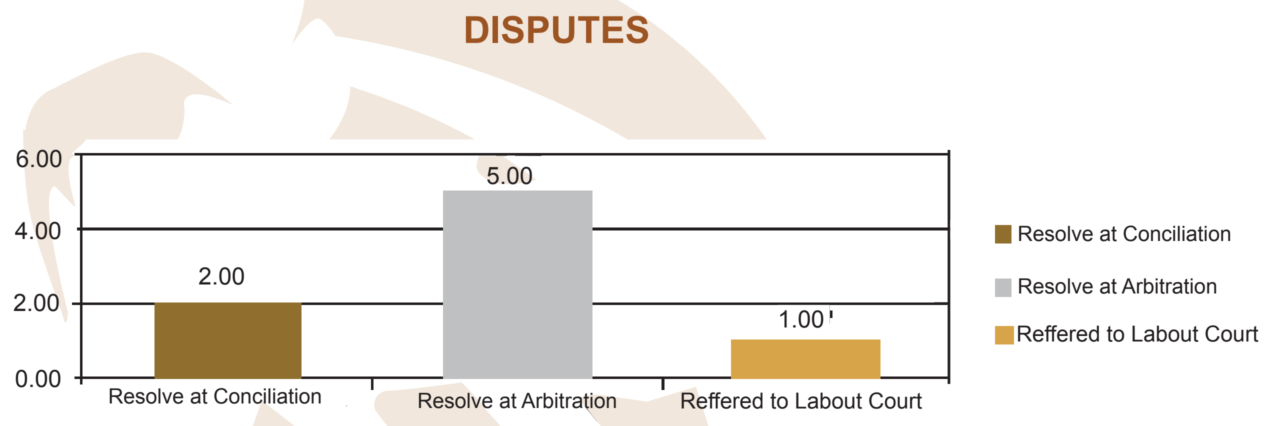
Management of Industrial Relations:

A few incidents of misconduct relating to theft, fraud or corruption have been experienced by the Authority. The Authority's management has shown zero tolerance when dealing with these types of misconduct through the Authority's Disciplinary Code for Employees and for Inspectors.

This table shows matters of discipline finalised during the year under review:

Disciplinary Measure taken:	Number
Counselling	1
Written warning	5
Dismissal	5
Case withdrawn	0
Total	**11**

The following cases were referred to the Commission for Conciliation and Arbitration (CCMA)/ Labour Court:



Union Involvement

The Authority has recognised the South African Transport and Allied Workers Union (SATAWU) as an official trade union which represents the interest of employees. SATAWU has a membership of 120 employees which represents 67% of the staff complement.

The Authority and SATAWU has a functional and mutual relationship on issues relating to consultations on conditions of service, such as salary negotiation, and the development of policies. Shop stewards are allowed representation at the appointment of staff, disciplinary matters involving their members and have the right to general consultation within their constituencies.

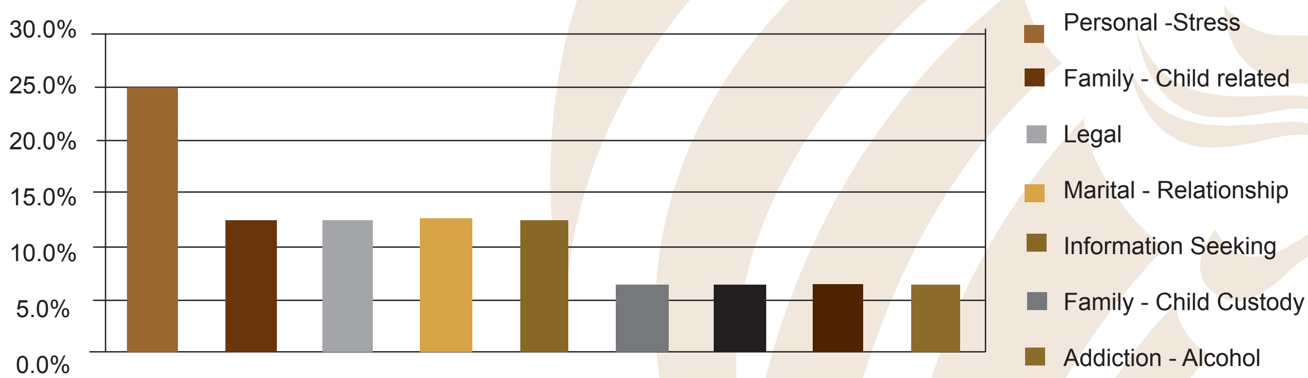
PSIRA'S EMPLOYEE WELLNESS PROGRAMME

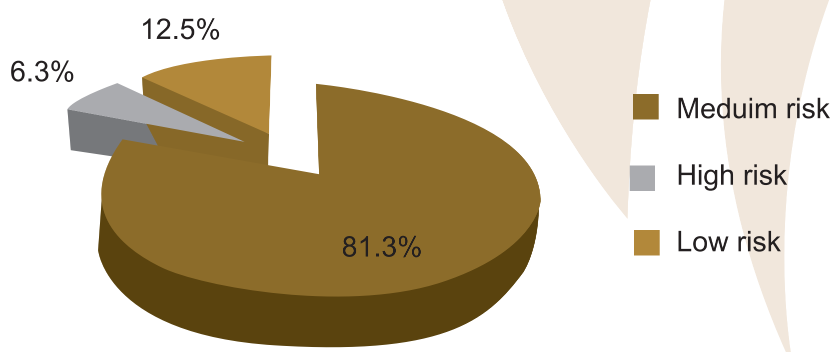
During the year under review, on 1 October 2011, PSIRA introduced an Employee Wellness Programme in partnership with the Metropolitan Health Group. The initiative was aimed at providing assistance to PSIRA employees facing socio-economic challenges. This was designed to ensure that the following is achieved,

- promote a workplace wellness programme;
- create an awareness programme, provide care and support on HIV/Aids and other life threatening diseases;
- reduce behavioural crises associated with personal problems.

A total of 16 employees made use of the programme during this period of which most of them were self-referred. Among the risk codes, one high-risk case was treated during this period and the EWP counsellors were able to avert any negative consequences which could otherwise have arisen.

The table below depicts information on how the Employee Wellness Programme was utilised.





The risk stratification process indicates that 81.3% of the users were at medium risk, 12.5% at low risk and 6.3% recorded as at high risk.

8. Performance against Predetermined Strategic Objectives

For the Year ended 31 March 2012

Strategic Context

In 2010, Council reviewed the state of affairs of the organisation. The situational analysis sought to identify areas of weakness and inadequacy so as to inform the immediate objectives. The review covered four key areas i.e. the financial performance, customer and stakeholder perspective, internal processes and systems as well as human capital.

Key considerations emanating from situational analysis were as follows:

- The mandate of the organisation originates from the Private Security Industry Regulatory Act 56 of 2001. Its legislative mandate is to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and the interest of the private security industry itself. Firstly, in the past the focus was on quantitative measures such as number of inspections carried out, while the quality of regulation received minimal attention. Secondly, the follow through from inspections to pros ecutions was not monitored closely, leading to high turnaround times.

- The entity delivers service to aspirant security service providers in the form of registration process. The review of these processes revealed that the controls in place around registration were weak and inadequate, leading to unacceptable turnaround times.

- The entity had been posting net deficits over a prolonged period. As a result of poor financial performance, accumulated reserves were depleted over the period implying that the entity may not be financially sustainable in the long term.

- The information system and processes were considered as inadequate to support decision making, performance monitoring and evaluation by management. These inadequacies negatively impacts on effective regulation of the private security industry.

- The entity lacked human capacity to handle the size of the security industry.

For the entity to begin to respond to the challenges it faces and effectively regulate the industry, there exists a need to establish and entrench good corporate governance, efficient processes and systems. Moreover, the entity requires adequate financial and human capital resources to advance its medium term goal. The key outcomes of 2010-11 financial year centred around improving systems and processes, corporate governance and service delivery goals. This is captured by the statement of intent which is “to professionalise the Authority in all its operations such that in the execution of its mission it achieves, beyond doubt, the satisfaction of the end users of private security services”.

PERFORMANCE AGAINST PREDETERMINED STRATEGIC OBJECTIVES

For the Year ended 31 March 2012

The strategic objectives were identified as follows:

1. To ensure full understanding of the industry and to begin to respond to industry needs and challenges, so as to be recognised as “the industry experts”
2. To ensure meaningful and fruitful engagement with all stakeholders
3. To be a financially stable and sustainable organisation
4. To enable effective compliance and enforcement of PSIRA legislation in order to achieve behavioural changes in the industry.
5. To ensure that adequate processes and systems are in place to effectively carry out the mandate of PSIRA
6. To ensure that PSIRA has competent and skilled employees that are able to execute their tasks effectively
7. To ensure that the authority has a culture of learning embracing excellence that supports our vision and strategy

The actual performance against predetermined objectives is presented on the following page:

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Strategic priorities	Strategic objective	Key performance area	Key performance indicator	Target	Performance results	Performance rating: 1 - Not achieved 2 - Partially achieved 3 - Achieved	Reason for variance
Strategic Priority 1 Industry Stewardship (Knowledge and Advocacy).	To ensure full understanding of the industry and to begin to respond to industry needs and challenges, so as to be recognised as "the industry experts".	Research capability.	% of priority research areas completed.	100%	Only research topics were identified during the year. However, research was not carried out.	1	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)	No industry forums established during the year.	1	
			Level of participation (% of invited people attending).	80%	No industry forums established during the year.	1	
			Industry awards programme in place.				
			Industry awards programme in place.	Dec 2011	Programme not pursued.	1	Due to budgetary constraints
		External communication.	Quarterly media statements were issued on a regular basis.	Apr 2011	Three quarterly media publications were issued.	2	The quarterly publications were deferred to the next performance cycle due to budgetary constraints.
			Quarterly publication regularly issued.	Dec 2011	Quarterly publications not issued.	1	
			Website enhancement project completed.	Apr 2011	The website was designed and developed incorporating the new corporate identity. The project was completed in January 2012.	2	

Strategic priorities	Strategic objective	Key performance area	Key performance indicator	Target	Performance results	Performance rating: 1 - Not achieved 2 - Partially achieved 3 - Achieved	Reason for variance
Strategic Priority 2 Stakeholder and Customer Relationship Management.	To ensure meaningful and successful engagement with all stakeholders.	CRM function effectiveness.	Registrations turnaround time.	1 month (30 days)	• Average days to register security officers: 33.7 days • Average days to register businesses: 39.9 days • Combined average: 33.8 days	2	
			Basic CRM function/capability in place.	Dec 2011	CRM function in place. Six walk-in consultants appointed in the Pretoria, Polokwane, Nelspruit and Johannesburg offices. Two paralegal officers appointed in September 2011.	3	
			% of customer contacts going through CRM function.	100% in fourth quarter	The call centre and customer helpdesk was not implemented to monitor customer contacts.	1	Deferred to the next performance cycle due to budgetary constraints.
		Stakeholder integration.	DHA access in place.	Apr 2011	Access to the Department of Home Affairs databases not in place.	1	The variance is due to the unavailability of feedback from each stakeholder.
			SAPS integration in place (CFR).	Mar 2012	Draft SLA has been drafted, but not yet in place.	2	
			DoL integration in place	Mar 2012	Draft MOU compiled for discussion/ signature.	2	
		End-users interaction.	Toll-free number/hotline available.	Apr 2011	Toll free number/hotline established in December 2010.	3	
			End-user feedback mechanism in place.	Mar 2012	Helpdesk and user feedback outsourced to an external service provider.	3	

Strategic priorities	Strategic objective	Key performance area	Key performance indicator	Target	Performance results	Performance rating: 1 - Not achieved 2 - Partially achieved 3 - Achieved	Reason for variance
Strategic Priority 3 Financial Management and Funding.	To be a financially stable and sustainable organisation (to increase revenue, decrease costs and achieve at least breakeven).	Revenue management.	Debtors days:	45 days	630 days	1	Average debtors days are high due to old debt not yet written off.
			Collection rate:	90% of billed.	84% of billed has been collected.	1	
		Working capital management.	Current ratio:	2 : 1	0.75 : 1	1	Combination of delayed implementation of annual fees and unplanned office relocation.
		Budget management.	Surplus/deficit:	Breakeven.	Net deficit R9.3 million.	1	Combination of delayed implementation of annual fees and unplanned office relocation.
			Budget variance.	±5%	12% variance on operational budget.	3	
		Compliance with PFMA regulations and accounting standards.	External audit opinion:	Unqualified.	Unqualified.	3	Not yet issued by the Auditor-General
			Internal audit rating (average):	2	Overall internal audit opinion on systems of internal controls is “acceptable”. Internal audit rating is 2.	3	

Strategic Priorities	Strategic Objective	Key Performance Area	Key Performance Indicator	Target	Performance result	Performance rating Not achieved =1; Partially Achieved = 2; Achieved = 3	Reason for Variances
Strategic Priority 4 **Excellent Service Delivery (Effective Regulation)**	To enable effective compliance and enforcement of PSIRA legislation in order to achieve behavioural changes in the industry	Improved integrity of registrations database	Ratio of officers unaccounted	20%	Programme deferred	1	The programme can be achieved mainly through renewal of registrations. Current legislation does not provide for renewal of registration. Otherwise, site inspections of individual security officers can be used although the entity does not have adequate number of inspectors.
			Ratio of businesses unaccounted	20%			
		Effective law enforcement process (improved compliance level)	Compliance model designed	Apr 2011	Compliance model approved in March 2011	3	
			All personnel trained on compliance model	Jun 2011	All personnel trained on the 9th to 12th August 2011	3	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	Compliance model implemented in January 2012	3	The new compliance model required segmentation of the compliance and the law enforcement functions, which were previously merged. Resources had to be allocated amongst the two separate functions
			% of inspections resulting in contraventions	20% reduction	27% reduction resulting in non compliance	3	

Strategic Priorities	Strategic Objective	Key Performance Area	Key Performance Indicator	Target	Performance result	Performance rating Not achieved =1; Partially Achieved = 2; Achieved = 3	Reason for Variances
Strategic Priority 5 **Efficient and Effective Processes and Systems**	To ensure that adequate processes and systems are in place to effectively carry out the mandate of PSIRA	Reengineered and standardised processes	Availability of process maps for 1st priority processes Availability of process maps for all processes	Apr 2011 Mar 2012	Three process maps were designed: The annual billing solution, waterfall deposit allocation solution and the Bad debts solution feature	2	Delayed appointment of the business analyst
		Process efficiency	Reduction in turnaround time for prosecutions (from inspection to finalisation)	90 days	118 days	1	Inadequate number of prosecutors in the legal services department
		Business continuity	Business continuity plan implemented	Jun 2011	Programme deferred to next performance cycle	1	Deferred to the next performance cycle due to budgetary constraints
		IT infrastructure	IT infrastructure in place	Mar 2012	IT infrastructure in place, i.e. Oracle database management system, IT servicers and Local and Wide Area network refurbished	3	
		IT systems efficiency	Mean time to repair and planned downtime	2 hours	Mean time to repair and planned downtime done in 1.5 hours	3	

Strategic Priorities	Strategic Objective	Key Performance Area	Key Performance Indicator	Target	Performance result	Performance rating Not achieved =1; Partially Achieved = 2; Achieved = 3	Reason for Variances
Strategic priority 6 **Effective Organisational Structures with Skilled, Competent and Motivated Workforce**	To ensure that PSIRA has competent and skilled employees that are able to execute their tasks effectively	Performance management	Interim performance reviews completed for all employees	Sep 2011		1	
			Annual performance reviews completed for all employees	Mar 2012		1	
			% of employees with performance contracts	100 %	1.4%. The performance agreements for three executives developed and approved	1	
		Succession planning	% of critical positions with succession plan	100%	The strategy is in the development phase	1	The variance is due to lack of capacity in the HR department
		Learning and development	Learning and development strategy implemented	Sep 2011	The training programme was approved on June 2011	3	
		Employees well-being	EAP implemented	Jun 2011	The Employee Assistant program has been launched and an external provider has been contracted on the 1st October 2011 to coordinate the process	3	Procurement processes delayed.
		Employment equity	Gender equity in management positions	45%	Female in managerial level is 29%.	1	The variance is due to budgetary constraints to fill vacant positions at managerial and non-managerial levels.
			Disability % in workforce	2%	0.5%	1	
		Efficient manpower level	Personnel cost as % of revenue	50%	49%	3	

Strategic Priorities	Strategic Objective	Key Performance Area	Key Performance Indicator	Target	Performance result	Performance rating Not achieved =1; Partially Achieved = 2; Achieved = 3	Reason for Variances
Strategic Objective 7 **Enabling Environment (Organisational Culture)**	To ensure that the authority has a culture of learning embracing excellence that supports our vision and strategy	Culture architecture	Culture architecture designed	Jun 2011	Not achieved	1	The variance is due to lack of capacity in the HR department
			Culture architecture cascaded into departments	Sep 2011			
		Organisational climate and employee morale	Employee satisfaction rating (survey results)	75%	59%	1	The survey revealed that employees are generally not satisfied with recognition, rewards, communication and supervision.
		Corporate identity	Launch of new corporate identity	Sep 2011	Corporate identity not launched	1	Due to budgetary constraints.

9. Report of the Audit Committee

Report of the Audit Committee for the financial year ended 31 March 2012.

We are pleased to present our preliminary report for the financial year ended 31 March 2012.

The Audit Committee is an independent subcommittee of the Council and was formally appointed on 1 November 2010. Further duties are delegated to the Audit Committee by the Council of the organisation and these activities and duties were effectively addressed from 1 November 2010. This report includes both these sets of duties and responsibilities.

Audit Committee Charter

The Audit Committee has adopted a formal Audit Committee Charter that has been approved by the Council. The committee has conducted its affairs in compliance with its charter and has discharged its responsibilities contained therein. The Audit Committee Charter is available on request.

Audit Committee Members, Meeting Attendance and Assessment

The Committee met five times during the 2011/2012 financial year, in line with the approved Audit Charter, and it consists of the members listed below:

Member	Number of meetings attended
J Meissner (Chairperson)	5
N Mhlongo	5
L Sikhwetha	4

The effectiveness of the Audit Committee and its individual members are assessed on an annual basis.

Role and Responsibilities

Statutory Duties

The Committee reports that it has operated and performed its oversight responsibilities at PSIRA in compliance with section 51(1)(a) of the PFMA and Treasury Regulation 27.1.3. The Audit Committee is an advisory committee of the organisation, operating with an independent and objective stance.

The Audit Committee has executed its duties in terms of the requirements of King III and instances where the King III requirements have not been applied have been explained in the Annual Report.

Consideration of Annual Financial Statements for submission to the Auditor-General of South Africa The Audit Committee has:

- reviewed and discussed with the Accounting Authority the unaudited Annual Financial Statements;
- reviewed the changes to the accounting policies and practices.

An Audit Committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the organisation. No matters of significance have been raised in the past financial year.

External Auditor and independence

The Audit Committee has satisfied itself that the external auditor, Auditor-General

(AGSA), was independent of the organisation, which includes consideration to the extent of other work undertaken by the AGSA and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The Committee, in consultation with executive management, agreed to the engagement letter, terms and strategic audit plan, and recommended the budgeted audit fees for the 2010/2011 financial year to the Accounting Authority. The Committee confirms that there were no non-audit services provided by the external auditor for the period under review.
The Audit Committee also met with the AGSA to ensure that there are no unresolved issues.

Effectiveness of Internal Control

The Audit Committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the organisation's system of internal control and risk management. This written assessment by internal audit formed the basis for the Audit Committee's recommendation in this regard to the Council.

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

A formal risk assessment was undertaken by PSIRA during the financial year. Consequently, internal audit used this data to prepare the three-year rolling strategic plan and the annual audit plan. Management is committed to address the issues raised by internal and external auditors, and this is reviewed by the Committee during its meetings.
Accordingly, the Committee can report that the system of internal control over financial reporting for the period under review was efficient and effective, with certain significant matters still be to addressed.

Whistle-blowing

The Audit Committee receives and deals with any concern or complaints, whether from within or outside the organisation.

Duties Assigned by the Council

In addition to the statutory duties of the Audit Committee, as reported above, the Council has determined further functions for the Audit Committee to perform, as set out in the Audit Committee's Charter. These functions include the following:

Corporate Governance

The Audit Committee is of the opinion that the PSIRA continues to strive towards complying with the sound principles of corporate governance.

Governance of Risk

The Audit Committee fulfils an oversight role regarding the risk management process within the organisation. The Committee monitored the significant risks faced by PSIRA, and is satisfied that these risks were managed. PSIRA implements a risk management strategy which includes the fraud prevention plan.

Submission of in-year Management and Quarterly Reports in terms of the Public Finance Management Act

The Audit Committee is satisfied that for the effective period of the Audit Committee, the content and quality of quarterly reports prepared and issued by the Accounting Authority were proper and in compliance with the PFMA.

Internal Audit

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

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

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

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

The Audit Committee is also responsible for the assessment of the performance of the internal audit function and the first review will be performed in June 2012. During the year the Committee met with the external auditors and with the Chief Audit Executive without management being present.

J Meissner
Chairman
30 July 2012

10. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Private Security Industry Regulatory Authority (PSIRA) set out on pages 74 to 119 , which comprise the statement of financial position as at 31 March 2012, the statement of finan performance, statement of changes in net assets and the cash-flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in ac cordance with the South African Standards on Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of ma terial misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Private Security Industry Regulatory Authority as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with South African Standards on Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999(Act No.1 of 1999) (PFMA).

Emphasis of Matters

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

Significant Uncertainties

8. With reference to note 18 to the financial statements, the public entity is the defendant in other lawsuits. The entity is opposing the claims as it is of the opinion that the claims can be successfully resisted by the entity. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of Corresponding Figures

9. As disclosed in Note 25 to the financial statements ,the corresponding figures for 31March 2011 have been restated as a result of errors discovered during the year ended 31 March 2012 in the financial statements of the PSIRA at, and for the year ended 31 March 2011.

Going Concern

10. The Statement of Financial Performance for the year ended 31 March 2012 on page 80 indicates that PSIRA incurred a net loss of R9 280 646 (2011: R23 763 048) during the year. The current liabilities exceed the current assets by R8 266 401 as per the statements of financial performance as at 31 March 2012. These conditions, along with other matters as set forth in the note 21. Indicate the existence of a material uncertainty that may cast significant doubt on the public entities ability to operate as a going concern.

Material Losses

11. As disclosed in note 13 to the financial statements, material losses to the amount of R82 487 251 were incurred of which R24 065 516 was written off in the current year and the balance was adjusted through a decrease in the impairment provision.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined Objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on pre determined objectives as set out on pages 57 to 65 of the annual report.

14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in ac cordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned strategic priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected strategic priorities is assessed to determine whether it ad equately reflects the facts (i.e. whether it is valid, accurate and complete).

15. The material findings are as follows:

Usefulness of Information

Performance targets are not specific

16. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 43% of all the strategic priorities' reported on targets were not specific in clearly identifying the nature and the required level of performance. This was due to a lack of documented and approved internal policies and procedures to address the performance reporting processes.

Performance Targets are not Measurable

17. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that performance targets be measurable. The required performance could not be measured for a total of 33% of all the strategic priority targets. This was due to a lack of documented and approved internal policies and procedures to ad dress the performance reporting processes.

Indicators not Verifiable

18. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that it must be possible to validate the processes and systems that produce the indicator. A total of 20% of the indicators relevant to all the strategic priorities were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to management not being aware of the requirements.

Performance Indicators not well Defined

19. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 24% of the indicators relevant to all strategic priorities were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to management not being aware of the requirements.

Performance Targets not Time Bound

20. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that the time period or deadline for delivery be specified. A total of 43% of the targets relevant to all strategic priorities were not time bound in specifying a time period or deadline for delivery. This was due to the fact that Management is unfamiliar with the requirements of Treasury on the presentation of targets and indicators contained in the Strategic Plan and the criteria that needs to be met for targets and indicators.

Additional Matter

21. I draw attention to the matter below. This matter does not have an impact on the predetermined objectives audit findings reported above :

Achievement of Planned Targets

22. Of the total number of planned targets, 23 were achieved during the year under review. This represents 48% of total planned targets that were not achieved during the year under review.

23. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with Laws and Regulations

24. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Procurement and Contract Management

25. The accounting authority did not take effective and/or appropriate steps to prevent irregular as well as fruitless and wasteful expenditure, as per the requirements of section 51(1)(b)(ii) of the PFMA.

26. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

27. Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury regulation 16A9.1.

Revenue Management

28. The accounting authority did not take effective and appropriate steps to collect all money due to the public entity as required in terms of section 51(1)(b)(i) of the PFMA.

Strategic Planning and Performance

29. The accounting authority did not ensure that the public entity has and maintained an effective, efficient and transparent system of internal control regarding performance management, which described and represented how the entity's processes of performance planning, monitoring, measurement, review and reporting was conducted, organised and managed as required by section 51(1)(a)(i) of the Public Finance Management Act, 1999 (Act no.1 of 1999).

Annual Financial Statements

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the re quirements of section 55(2)(a) of the PFMA. Material misstatements were identified during the audit, all of which were corrected by management.

Internal Control

31. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

Oversight Responsibility

32. The accounting authority did not provide oversight in terms of the responsibility over performance reporting by failing to ensure the development of reported performance against predetermined objectives was prepared in line with the SMART requirements of National Treasury's FMPPI, and that policies and procedures were implemented to support reporting against predetermined objectives and to ensure compliance with the requirements section 51(1)(a)(i) of the PFMA.

Financial and Performance Management

Record Management and Compliance Monitoring

33. Adequate controls and systems to prevent and/or identify non compliance are not in place to ensure proper compliance with relevant laws and regulations and proper disclosure in the financial statements.

Auditor-General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

PSIRA
Private Security Industry Regulatory Authority

Making your life safer

Safer Homes
Safer Business
Safer Communities

Private Security Industry Regulatory Authority

2012 Annual Report

PART B

Private Security Industry Regulatory Authority

Financial Statement for the Year ended 31 March 2012

Index

The reports and statements set out below comprise the financial statements presented to the parliament:

The following supplementary information does not form part of the financial statements and is unaudited:

Council's Responsibilities and Approval

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

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

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

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

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

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2013 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Council are primarily responsible for the financial affairs of the entity, they are audited by the entity's external auditors. The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on page 69 to 72
The financial statements set out on pages 76 to 121, which have been prepared on the going concern basis, were approved by the Council on 31 July 2012 and were signed on its behalf by:

OTBopela

Mr. T.O. Bopela (Chairperson of Council)

Accounting Authority's Report

The council submit their report for the year ended 31 March 2012.

1. Incorporation

The entity was incorporated on 14 February 2002 in terms of Section 2(1) of the Private Security Industry Regulations Act (Act No. 56 of 2001 and obtained its certificate to commence business on the same day.

2. Review of Activities

Main business and operations
The entity is engaged in regulation of the private security industry and operates principally in South Africa.
Net deficit of the entity was R 9 280 647 and R 23 045 448 (2011).

3. Going Concern

We draw attention to the fact that at 31 March 2012, the entity had accumulated surpluses of R 2 174 416 and that the entity's total assets exceed its total liabilities by R2 174 416.

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

4. Subsequent Events

Events after reporting date are presented in Note 26 of the annual financial statements.

5. Accounting Policies

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Council

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

Name	Changes
Mr. T.O. Bopela (Chairperson of Council)	
Ms. Z. Holtzman (Vice Chairperson of Council)	
Mr. A. Dramat	
Mr. S.K. Mnisi	Resigned 30 June 2011

7. Secretary

The secretary of the entity is Ms Zanele Ngcobo.

8. Corporate Governance

General

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

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2009. The Council discuss the responsibilities of management in this respect, at Board meetings and monitors the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code are outlined below:

Council Members

The Council:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity program.

Chairperson and Director

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

9. Controlling Entity

The entity's controlling entity is Department of Police incorporated in South Africa .

10. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011 Restated
Assets			
Current Assets			
Trade and Other Receivables	2	13 127 901	7 784 564
Cash and Cash Equivalents	3	11 689 031	13 326 051
		24 816 932	**21 110 615**
Non-Current Assets			
Property, Plant and Equipment	4	9 894 406	11 752 381
Intangible Assets	5	1 775 267	2 228 316
		11 669 673	**13 980 697**
Non-current assets held for sale	6	3 307 805	-
Total Assets		**39 794 410**	**35 091 312**
Liabilities			
Current Liabilities			
Operating Lease Obligations	7	4 695 193	387 198
Trade and Other Payables	8	26 845 801	17 674 051
Retirement Benefit Obligation	9	1 542 339	-
		33 083 333	**18 061 249**
Non-Current Liabilities			
Retirement Benefit Obligation	9	4 536 661	5 575 000
Total Liabilities		**37 619 994**	**23 636 249**
Net Assets		**2 174 416**	**11 455 063**
Net Assets			
Accumulated Surplus		2 174 416	11 455 063

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011 Restated
Revenue	10	100 225 246	85 527 349
Other income	11	28 436 127	11 540 816
Operating expenses		(50 472 724)	(43 783 773)
Employee related costs	12	(63 743 990)	(57 516 253)
Debt impairment	13	(24 065 516)	(19 342 273)
Operating deficit		**(9 620 857)**	**(23 574 134)**
Investment revenue	14	537 461	860 547
Loss on impairment and disposal of assets		(195 811)	(319 505)
Finance costs	15	(1 440)	(12 356)
Deficit for the year		**(9 280 647)**	**(23 045 448)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net Assets
Opening balance as previously reported	35 242 481	35 242 481
Adjustments		
Prior year adjustments	(741 970)	(741 970)
Balance at 01 April 2010 as restated	**34 500 511**	**34 500 511**
Changes in net assets		
Deficit for the year	(23 045 448)	(23 045 448)
Total changes	**(23 045 448)**	**(23 045 448)**
Opening balance as previously reported	11 490 994	11 490 994
Adjustments		
Correction of errors	(35 931)	(35 931)
Balance at 01 April 2011 as restated	**11 455 063**	**11 455 063**
Changes in net assets		
Deficit for the year	(9 280 647)	(9 280 647)
Total changes	(9 280 647)	(9 280 647)
Balance at 31 March 2012	**2 174 416**	**2 174 416**

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011 Restated
Cash flows from operating activities			
Receipts from customers			
Sale of goods and services		108 304 478	82 726 835
Interest income		537 461	860 547
		108 841 939	83 587 382
Payments to suppliers			
Employee costs		(61 365 863)	(52 680 477)
Suppliers		(41 690 785)	(38 717 953)
Finance costs		(1 440)	(12 356)
		(103 058 088)	(91 410 786)
Net cash flows from operating activities	17	**5 783 851**	**(7 823 404)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(6 115 479)	(1 453 555)
Proceeds from sale of property, plant and equipment	4	479 610	-
Purchase of other intangible assets	5	(1 785 002)	(1 491 587)
Net cash flows from investing activities		**(7 420 871)**	**(2 945 142)**
Decrease in cash and cash equivalents		**(1 637 020)**	**(10 768 546)**
Cash and cash equivalents at the beginning of the year		13 326 051	24 094 597
Cash and cash equivalents at the end of the year	3	**11 689 031**	**13 326 051**

Accounting Policies

1. Presentation of Financial Statements

The Private Security Industry Regulatory Authority (PSIRA) is an entity domiciled in South Africa. The address of PSIRA is 420 Witch Hazel Avenue, Block B Eco Glades Office Park, Highveld Ext 70. The Authority is responsible for the regulation of the Private Security Industry as defined in the Private Security Industry Regulation Act (Act No.56 of 2001).

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

Accounting transactions for material transactions,events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a standard of GRAP.These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand, which is the functional currency,rounded to the nearest Rand.A summary of the significant accounting policies, which have been consistently applied, are disclosed below.
These accounting policies are consistent with the previous period.

1.1 Significant Judgements and Sources of Estimation Uncertainty

Impairment loss is recognised in surplus and deficit when there is objective evidence that trade receivables are impaired. The impairment is measured as the difference between the carrying amount of trade receivables and the present value of estimated future cash flows computed at the effective interest rate, computed at initial recognition.

Impairment Testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.
The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Post Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions impact on the carrying amount of post retirement obligations.
The entity determines the appropriate discount rate at the end of each year. This is the interest rate that isused to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.
Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Accounting Policies

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, Plant and Equipment

Property, Plant and Equipment are tangible non current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.
The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.Subsequent to initial measurement property , plant and equipment are depreciated on the straight line basis over the expected useful lives to their estimated residual values.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non monetary asset or monetary assets, or a combination of monetary and non monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

Property, Plant and Equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses, except for land. Land is not depreciated and is carried at cost.

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

Item	Average useful life
Buildings	20 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years
Law Books	3 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation commences when the assets are available for use.Depreciation is calculated for the full month in the first month that the asset becomes available for use.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.3 Intangible Assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either indi vidually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible Assets are initially recognised at cost.Subsequent to initial measurement intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3 years

Intangible Assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial

Accounting Policies

position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial Recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

Short term receivables or payables are initially measured at the transaction price, unless the terms of the arrangement are not market related

Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair Value Measurement Considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Accounting Policies

Financial Instruments (continued)

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Collective assessment of impairment is applied to group of similar assets. Trade receivables are grouped on the basis of asset type, industry, past due status and credit risk characteristics that are indicative of debtor's ability to settle all amounts due according to legislative and contractual agreements where applicable. The loss event is based on the increased number of delayed payments and the payment status. In circumstances where legislation requires annual collection of revenue and debtors settle such amounts on a pro rata basis, such trade receivables are not considered impaired. Otherwise, trade receivables outstanding for more than 60 days are considered as indicators for impairment and indicative of a loss.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.
The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Accounting Policies

Financial instruments (continued)

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Tax

Normal Taxation

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

1.6 Leases

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

Operating leases-lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. PSIRA has accounted for the rental payable on the lease of offices on a straight line basis.

Rent payable under operating leases has not been charged to the statement of financial performance on a straight line basis over the term of the relevant leases as the majority of the leases are due to expire and the amount involved is considered not material.

Accounting Policies

1.7 Non Current Assets Held for Sale and Disposal Groups

Non current assets and disposal groups are classified as held for disposal if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate disposal in its present condition. Management is committed to the sale, which is expected to qualify for recognition as a completed disposal within one year from the date of classification.

Non current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

1.8 Impairment of Non-cash Generating Assets

Cash generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non cash generating assets are assets other than cash generating assets.

Identification

When the carrying amount of a non cash generating asset exceeds its recoverable service amount, it is impaired.
The entity assesses at each reporting date whether there is any indication that a non cash generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non cash generating intangible asset with an indefinite useful life or a non cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in Use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated Replacement Cost Approach
The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Accounting Policies

Impairment of non cash generating assets (continued)

Recognition and Measurement

If the recoverable service amount of a non cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non cash generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an Impairment Loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non cash generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non cash generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short Term Employee Benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

Employee Benefits (continued)

Post Employment Benefits: Defined Benefit Plans

Defined benefit plans are post employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long term employee benefit fund are assets (other than non transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits or other long term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future con tributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of

Accounting Policies

Employee Benefits (continued)

the amount recognised for a reimbursement.
The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial Assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post employment benefit obligations.

Post employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

1.10 Provisions and Contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

  The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obliga tion at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.
Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Accounting Policies

Provisions and Contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.
Provisions are not recognised for future operating deficits.
Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

1.11 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.
When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.
Interest and services income

Accounting Policies

Revenue from Exchange Transactions (continued)

Revenue is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from Non Exchange Transactions

Interest and Service Income

Fines are economic benefits or service potential received or receivable by the Authority, as determined by the Private Security Industry Regulatory Act, as a consequence of the individual or other entity breeching the requirements of laws and regulations.Such fines are recognised as revenue when received by the Authority.
Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by the entity.
When, as a result of a non exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are economic benefits or service potential received or receivable by the Authority, as determined by the Private Security Industry Regulatory Act, as a consequence of the individual or other entity breeching the requirements of laws and regulations.Such fines are recognised as revenue when received by the Authority.

Accounting Policies

1.13 Investment Income

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

1.14 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Prior period error

Material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery by

- Restating the comparative amounts for the prior year(s) presented in which the error occurred or
- if the error occurred before the earliest prior year presented,restating the opening balances of assets, liabilities and accumulated surplus for the year presented.

1.15 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.16 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including
(a) Public Finance Management Act (Act 1 of 1999); or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.
National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.
Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.
Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.17 Budget Information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the financial statements.

1.18 Related Parties

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

Notes to the Financial Statements

Figures in Rand	2012	2011 Restated
2. Trade and Other Receivables		
Trade receivables	106 811 856	160 853 006
Deposits	522 657	112 499
Impairment of trade receivables	(94 975 803)	(153 397 537)
Travel & subsistence	30 600	7 440
Staff advances	49 011	7 455
Prepayments	441 137	145 609
Other receivables	248 443	56 092
	13 127 901	**7 784 564**

Trade Receivables and other receivables

Trade and other receivables from exchange transactions	96 800 133	151 467 401
Trade and other receivables from non-exchange transactions	10 011 723	9 385 605
	106 811 856	**160 853 006**

Trade and other receivables

The ageing of amounts not impaired is as follows:

Current - not impaired	2 638 945	4 444 994
1 month past due - not impaired	2 035 425	3 010 475

Ageing of Trade Receivables

Current - not impaired	2 638 945	4 444 994
1 month past due - not impaired	2 035 425	3 010 475
2 months past due - impaired	6 987 347	2 552 286
3 months and more past due - impaired	95 150 139	150 845 251
	106 811 856	**160 853 006**

Notes to the Financial Statements

Reconciliation of Provision for Impairment of Trade and other Receivables

Figures in Rand	2012	2011 Restated
Opening balance	153 397 537	208 837 261
Impairment loss recognised	24 065 516	20 086 265
Amounts written off as uncollectible	(82 487 250)	(75 525 989)
	94 975 803	**153 397 537**

3. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2012	2011 Restated
Cash on hand	200 597	320 057
Bank balances	1 069 720	2 396 762
Short-term deposits	10 418 714	10 609 232
	11 689 031	**13 326 051**

Notes to the Financial Statements

4. Property, Plant and Equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	-	-	-	2 623 000	-	2 623 000
Buildings	3 580 000	(1 253 000)	2 327 000	5 591 393	(2 516 078)	3 075 315
Furniture and fixtures	5 129 001	(1 578 281)	3 550 720	3 163 879	(1 390 877)	1 773 002
Motor vehicles	120 783	(109 712)	11 071	156 529	(130 811)	25 718
Office equipment	2 682 569	(1 612 999)	1 069 570	4 483 050	(3 030 190)	1 452 860
Computer equipment	5 134 918	(3 403 308)	1 731 610	6 183 464	(3 382 378)	2 801 086
Leasehold improvements	1 402 771	(198 336)	1 204 435	67 466	(66 066)	1 400
Law Books	-	-	-	32 882	(32 882)	-
Total	**18 050 042**	**(8 155 636)**	**9 894 406**	**22 301 663**	**(10 549 282)**	**11 752 381**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Classified as held for sale	Depreciation	Impairment loss	Total
Land	2 623 000	-	-	(2 623 000)	-	-	-
Buildings	3 075 315	-	-	(488 995)	(259 320)	-	2 327 000
Furniture and fixtures	1 773 002	2 580 134	(7 756)	(135 846)	(522 968)	(135 846)	3 550 720
Motor vehicles	25 718	-	(2 681)	-	(11 966)	-	11 071
Office equipment	1 452 860	892 299	(277 797)	(51 545)	(894 702)	(51 545)	1 069 570
Computer equipment	2 801 086	1 307 741	(56 878)	(8 419)	(2 303 500)	(8 420)	1 731 610
Leasehold improvements	1 400	1 335 305	-	-	(132 270)	-	1 204 435
	11 752 381	**6 115 479**	**(345 112)**	**(3 307 805)**	**(4 124 726)**	**(195 811)**	**9 894 406**

Notes to the Financial Statements

Reconciliation of Property, Plant and Equipment - 2011 Restated

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	2 623 000	-	-	-	-	2 623 000
Buildings	3 334 635	-	-	(259 320)	-	3 075 315
Furniture and fixtures	2 048 185	127 911	-	(388 831)	(14 263)	1 773 002
Motor vehicles	53 449	-	-	(27 731)	-	25 718
Office equipment	2 704 225	46 019	-	(1 148 302)	(149 082)	1 452 860
Computer equipment	3 971 149	1 279 625	(7 724)	(2 285 802)	(156 162)	2 801 086
Leasehold improvements	13 969	-	-	(12 569)	-	1 400
	14 748 612	**1 453 555**	**(7 724)**	**(4 122 555)**	**(319 507)**	**11 752 381**

At reporting date, management assessed whether there is an indication that assets held may be impaired. The impairment test revealed that the Authority could not obtain any future economic benefits or service potential associated with these assets. The net book value of assets impaired is nil and R319 505 (2011).

During the year, management assessed the useful lives or expected pattern of consumption of economic benefits or service potential of depreciable assets. The useful lives of assets with a historic cost of R349 849 and net book value of R 59 345 at the beginning of the year were extended by a further two years. This change has resulted in depreciation expense for the current year to be R29 672 and R29 673 in the next financial year.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes available.

Notes to the Financial Statements

5. Intangible Assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 764 736	(3 989 469)	1 775 267	4 545 797	(2 317 481)	2 228 316

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	2 228 316	1 785 002	(2 238 051)	1 775 267

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	2 418 485	1 491 587	(1 681 756)	2 228 316

6. Non-current Assets Held for Sale

The Authority has decided to dispose of the following groups of assets as listed below.

The disposals are expected to be completed by 31/08/2012.

Net book value of non-current assets held for sale		
Land	2 623 000	-
Buildings	488 994	-
Furniture and fixtures	135 846	-
Office equipment	51 545	-
Computer equipment	8 420	-
	3 307 805	-

Notes to the Financial Statements

7. Operating Lease Obligation

7.1 Lease payments: non-cancellable leases - Building.

The entity has regional offices in Johannesburg, Durban, Port Elizabeth, Mthatha and Pretoria, where it leases premises for the purpose of providing services to the security industry. Lease payments under an operating lease are recognised as an expenses in the statement of financial performance on a straight-line basis over the lease term.The total of future minimum lease payments under non-cancellable operating lease are set out below.

	2012	2011
No later than one year	7 003 065	1 262 950
One to five years	53 636 664	55 279 723
Five years and longer	-	6 411 389
	60 639 729	**62 954 062**
Current Portion	**4 500 848**	**372 114**

Johannesburg : 130 Marshall Street
5 year contract expiring 30 November 2014 - escalation of 9% per annum

Mthatha: 35 Callaway
5 year contract expiring 30 December 2013 - escalation of 10% per annum

Pretoria Corporate Offices: Eco Glades 2 Office Park, Centurion
5 year contract expiring 31 July 2016 - escalation of 10% per annum
The timing of lease payments have been deferred over the term of the lease.The deferred payment arrangement is based on the percentage of total lease payments under the agreement. The amounts payable for the initial two years is fixed at 7%, increasing to 26%, 29% and 31% in the outer years.

7.2 Lease Payments : Office Equipment.

5 year contracts expiring in 2013 - escalation of 3% per annum

3 year contract expiring in 2014 - no escalation.

	2012	2011
No later than one year	686 649	463 581
One to five years	835 756	1 522 404
	1 522 405	**1 985 985**
Current portion	**8 446**	**15 084**

Notes to the Financial Statements

7.3 Lease Payments: Operating Costs Buildings

Pretoria Corporate Offices: Eco Glades 2 Office Park, Centurion
5 year contract expiring 31 July 2016 - escalation of 10% per annum

	2012	2011
No later than one year	1 387 152	-
One to five years	6 018 066	-
	7 405 218	-
Current portion	185 897	-

Total current operating Lease obligation		
Lease payments : Building	4 500 848	372 114
Lease payments : Office equipment	8 446	15 084
Lease payments: Operating costs buildings	185 897	-
	4 695 191	**387 198**

8. Trade and Other Payables

Trade payables	21 836 102	13 537 706
Accrual-Leave pay benefit	2 212 122	1 803 002
13th Cheque	780 803	657 363
Staff contributions payables	2 016 774	1 675 980
	26 845 801	**17 674 051**

Notes to the Financial Statements

	2012	2011
Ageing of Unknown Deposits		
Current	48 542	166 789
30 days	48 290	148 641
60 days	39 185	69 289
90 days and over	453 169	416 369
	589 186	**801 088**

Trade payables include cash receipts or deposits into the entity's bank account, with incorrect or unidentifiable references.

The cash receipts are disclosed as unknown deposits, since management could not determine the entity's rights to the cash.

Notes to the Financial Statements

9. Employee Benefit Obligations

Defined Benefit Plan

The defined benefit plan, to which 100% and 100% (2011) belong, consists of the Sanlam Pension Fund governed by the Pension Fund Act of 1956. The number of employees covered by the plan is 209 and192 (2011). The plan is a final salary plan.

The actuarial valuations was prepared by the independent actuarial valuators as at 31 March 2012. The statutory actuarial valuation are done triennially. The last statutory valuation was done as at 31 March 2010 and the next valuation will be due on 31 March 2013.

The statutory actuarial valuation of the fund, performed on 1 April 2010, has revealed that the fund is not in a financially sound position. The net liability on 31 March 2012 is R6 079 000 and R5 575 000 (2011). The entity is committed to fund the net liability of the fund over the next three years, commencing in June 2012.

The assets of the fund are invested in Sanlam Alpha Bonus Portfolio. The fund holds 14 860 unsold Sanlam shares at a fair value of R33.18 and R27.60 (2011).

	2012	2011
Carrying Value		
Present value of fund obligation	36 637 000	29 950 000
Fair value of plan assets	(30 558 000)	(24 375 000)
Net liability	**6 079 000**	**5 575 000**
Post retirement benefit obligation		
Current obligation	1 542 339	-
Non current obligation	4 536 661	5 575 000
	6 079 000	**5 575 000**
Reconciliation of present value of fund obligation		
Fund information for the year		
Present value of obligation at the beginning of the year	29 950 000	21 299 000
Interest cost	3 196 000	2 460 000
Current service cost	4 419 000	3 170 000
Benefits paid	(2 236 000)	(3 519 000)
Actuarial gain on plan assets	1 308 000	6 540 000
Present value of fund obligation at the end of the year	**36 637 000**	**29 950 000**
Reconciliation of fair value of plan assets		
Fair value of plan assets at the beginning of the year	24 375 000	20 106 000
Actual return on plan assets	2 496 000	2 004 000
Contributions	8 373 000	7 341 000
Actuarial gain	(2 450 000)	(1 557 000)
Benefits paid	(2 236 000)	(3 519 000)
Fair value of plan assets at the end of the year	**30 558 000**	**24 375 000**

Notes to the Financial Statements

	2012	2011
Employee Benefits		
Amounts recognised in the Statement of Performance		
Current service cost	4 419 000	3 170 000
Interest on obligation	3 196 000	2 460 000
Expected return on plan assets	(2 496 000)	(2 004 000)
Net actuarial loss recognised	3 758 000	8 097 000
Contributions	(8 373 000)	(7 341 000)
Total expenses in the statement of financial performance	**504 000**	**4 382 000**

Key assumptions used

Assumptions used at the reporting date:

	2012	2011
Actual return on plan assets	2 496 000	2 465 000
Expected rate of return on assets	9.60%	9.60%
Expected increase in salaries	7.10%	7.70%
Expected pension increases	6.30%	6.30%

The assets of the Fund are invested in the following 3 portfolios disclosed at their Market values:

	2012	2011
Sanlam Stable Bonus Portfolio (2012 : 97% , 2011 : 97%)	29 413 000	24 463 000
Special home loans portfolio (2012:1% , 2011:1,5%)	321 000	367 000
14 860 unsold Sanlam shares (2012 : 2% , 2011: 1,5%)	493 000	410 000
Less adjustments for late payments and receipts	331 000	(865 000)
	30 558 000	**24 375 000**

Expected Contributions for 2013: R8 687 390

5 Year History

Amounts for the current and previous four years are as follows:

	2012	2011	2010	2009	2008
	R	R	R	R	R
Present value of obligation	36 637 000	29 950 000	21 299 000	18 603 000	16 128 000
Present value of asset	30 558 000	24 375 000	20 106 000	14 413 000	14 582 000
Shortfall	(6 079 000)	(5 575 000)	(1 193 000)	(4 190 000)	(1 546 000)
Experience adjustments on liabilities	1 308 000	6 540 000	(819 000)	(100 000)	601 000
Experience adjustments on asset	2 450 000	461 000	1 863 000	(2 611 000)	(584 000)

Notes to the Financial Statements

10. Revenue

	2012	2011
Sale of goods	6 276 889	5 278 467
Annual fees	76 624 424	64 758 098
Fines	10 659 559	5 598 880
Infrastructure assessment fees	1 893 710	1 957 402
Registration fees	4 770 664	7 934 502
	100 225 246	**85 527 349**

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

Sale of goods	6 276 889	5 278 467
Annual fees	76 624 424	64 758 098
Infrastructure assessment fees	1 893 710	1 957 402
Registration fees	4 770 664	7 934 502
	89 565 687	**79 928 469**

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

Taxation revenue		
Fines	10 659 559	5 598 880
Transfer revenue		

11. Other Income

Gains on disposal of assets	134 498	-
Interest and penalties received (trade receivables)	6 570 851	8 287 726
Sundry Income	21 730 778	3 253 090
	28 436 127	**11 540 816**

Notes to the Financial Statements

	2102	2011
12. Employee Related Costs		
Basic salaries	43 918 022	37 021 626
13th Cheque	3 155 704	2 844 505
Medical aid	3 567 233	3 115 275
Unemployment insurance fund	299 094	269 222
Workemns compensation	271 175	112 086
Skills development levy	478 765	400 189
Pension contribution	5 457 001	4 835 775
Actuarial loss recognised	504 000	4 382 000
Travel and other allowances	6 092 996	4 535 575
	63 743 990	**57 516 253**
13. Debt Impairment		
Bad Debts written off	82 487 251	74 781 996
Decrease in debt impairment provision	(58 421 735)	(55 439 724)
	24 065 516	**19 342 272**
14. Investment Revenue		
Interest revenue		
Interest income on call deposits	537 461	860 547
15. Finance Costs		
Other interest paid	1 440	12 356
16. Auditors' Remuneration		
External audit fees	1 272 500	1 875 760

Notes to the Financial Statements

17. Cash Generated from (used in) Operations

	2102	2011
Deficit	(9 280 647)	(23 045 448)
Adjustmentsfor:		
Depreciation and amortisation	6 362 777	5 804 311
(Gain) / Loss on disposal of assets	(134 498)	7 724
Loss on disposal of assets - untraceable assets	195 811	319 505
Debt impairment	24 065 516	19 342 272
Movements in operating lease assets and accruals	4 307 995	126 464
Movements in retirement benefit assets and liabilities	504 000	4 382 000
Changes in working capital:		
Trade and Other Receivables	(5 343 337)	5 673 213
Consumer debtors	(24 065 516)	(19 342 273)
Trade and Other Payables	9 171 750	(1 091 172)
	5 783 851	**(7 823 404)**

18. Contingencies

The following contingent liabilities relate to legal proceedings where the claimants seek damages from the entity:

De Beer v PSIRA

The applicant seeks damages from the entity, for defamation of character. The amount of the claim is R1 000 000. The defamation of character relates to a senior inspector employed by the entity. The accounting authority is of the opinion that the claim can be successfully resisted by the entity .

Mavana v PSIRA

On 22 July 2011, the entity terminated the employment of the applicant on the grounds of misconduct. Thereafter, the applicant disputed the dismissal as unfair. During arbitration, the award by CCMA was in favour of the entity. At reporting date, the applicant had referred the matter to the Labour Court. The accounting authority is of the opinion that the matter can be challenged successfully.

Mogapi v PSIRA

On 21 July 2009, the entity terminated the employment of the applicant on the grounds of misconduct. Thereafter, the applicant disputed the dismissal as unfair and referred the matter to CCMA. The entity disputed the jurisdiction of the CCMA at the Labour Court, where after the Court referred the matter back to the CCMA. In the event that the CCMA rules in favour of the applicant, the entity may be liable for a maximum of 12 months compensation amounting to R539 688.

The following contingency relate to legal proceedings where the claimant does not seek damages from the entity:

Security Industry Alliance v PSIRA

Following the promulgations of the revised 2011 Annual Fee Regulations, the Security Industry Alliance instituted legal action against the entity and the Minister of Police, in order to set aside the 2011 Annual Fee Regulations. The effect of the court case has a bearing on the extent of revenue that can be generated from Annual fees. The information usually required by the standard on provisions, contingent liabilities and assets is not disclosed on the grounds that it can be expected to prejudice the outcome of the litigation.

Notes to the Financial Statements

19. Unrecognised Contractual Commitments

Assets		
Computer Equipment	-	36 650
Software	-	51 186
	-	**87 836**
Expenses		
Consulting Fees	4 389	73 783
Advertising	3 956	25 445
Printing & Stationary	140 532	1 190
Repairs & maintenance	23 602	2 097
License fees	-	17 966
Training	33 750	-
	206 229	**120 481**

Notes to the Financial Statements

20. Risk Management

Liquidity Risk

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

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

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual undisclosed cash flows as at reporting date :	2012	2011
Less than 1 year	11 492 254	5 189 237
Between 1 and 2 years	17 717 012	54 693 459
Between 2 and 5 years	44 684 410	6 073 588
	73 893 676	**65 956 284**

Interest Rate Risk

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

Credit Risk

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

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

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

Financial instrument	2012	2011
Trade and other receivables	13 127 901	7 784 564
Cash and cash equivalents	11 689 031	13 326 051
	-	-

Notes to the Financial Statements

21. Going Concern

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

Financial considerations
At reporting date, the entity had accumulated surpluses of R 2 174 418 and that the entity's total assets exceed its liabilities by R 2 174 418. The entity has posted a net deficit of R9 280 646, a significant improvement from prior year deficit of R23 789 441(as restated). The improvement in the financial performance of the entity is mainly ascribed to 31.9% increase in revenue from R97 928 712 to R129 198 834

The main source of revenue for the entity is drawn from the private security industry in a form of annual fees. While there exits uncertainties about the review of the 2011 Annual fee Regulations, the continued growth of the private security industry remains a significant contributing factor to the entity's future sources of income.

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

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

	2012	2011
22. Fruitless and Wasteful Expenditure		
Salaries paid after contract end date	15 780	-
SARS Interest paid	-	25
Compensation Commissioner	-	9 669
Creditors	1 440	2 662
	17 220	**12 356**
Reconciliation of Fruitless and Wastefull Expenditure		
Fruitless and wastefull expenditure - current year	17 220	12 356
Fruitless and wastefull expenditure written off	(1 440)	(12 356)
Transfer to Receivables for recovery	(15 780)	-

Notes to the Financial Statements

During the current year Fruitless & Wastefull expenditure of R1 440 was incurred as a result of late payments made to various suppliers.

	2012	2011
23. Irregular Expenditure		
Opening balance	2 382 364	5 129 142
Add: Irregular expenditure - current year	1 178 904	865 270
Less: Amounts condoned	-	(3 612 048)
	3 561 268	**2 382 364**

Analysis of expenditure awaiting condonation per age classification

Current year	1 178 904	865 270
Prior years	2 382 364	1 517 094
	3 561 268	**2 382 364**

Details of irregular expenditure – current year

Incident 1	Cash collection services	400 531
Incident 2	Domestic flights	778 373
		1 178 904

Notes to the Financial Statements

The entity's irregular expenditure relate to those expenditure made without adhering to legislative requirements in terms of the PFMA. Of all cases reported, goods and services procured were delivered to the entity, as such the entity did not suffer any economic loss.

24. Related Parties

	2012	2011
Council members emoluments		
Chairperson: Mr TO Bopela (as determined by Minister of Police)		
Salary Package	1 442 438	1 392 796
Key Management Personnel (as determined by Council)		
Director: Mr MS Chauke - Appointed 1 September 2010		
Salary Package	1 111 233	605 813
Deputy Director Finance : Mr DKN Ligege - Appointed 1 October 2010		
Salary Package	1 035 135	437 792
Deputy Director Law Enforcement: Mr PP Mthethwa - Appointed 1 December 2010		
Salary Package	923 478	292 405
Chief Information Officer: Mr SL Nkosi - Retrenched July 2010		
Salary Package	-	235 251
Leave Pay	-	144 805
	-	**380 056**
Chief Financial Officer: Mr MH Mahlangu - Resigned August 2010		
Salary Package	-	255 842
Leave Pay	-	64 144
	-	**319 986**
General Manager Operations: Mr N Mbodla - Resigned July 2010		
Salary Package	-	289 549
Leave Pay	-	19 273
	-	**308 822**

Related party transactions

There was no related party transactions.

Notes to the Financial Statements

25. Prior Period Errors

Trade and other receivables - During 2010-11, the entity discovered that the trade receivables were overstated in prior periods by R743 999. The correction was erroneously adjusted in the year it was discovered, and subsequently included in surplus and deficit through debt impairments. It is not possible to fully account for the correction of this error retrospectively, as the annual effects on the results for 2009-10 and preceding years cannot be determined. Consequently, the error has been corrected retrospectively from the beginning of the 2010-11 financial year, with an adjustment of R743 999 against the opening balance of accumulated surplus.

Cash and cash equivalents - The cash-in transit was previously classified as trade receivables. The entity has adjusted the financial statements retrospectively to include cash in transit in cash and cash equivalents.

Property, plant and equipment - The entity discovered leasehold improvements which were previously classified as buildings. The error has been corrected retrospectively, with an adjustment to operating expenses and leasehold improvements.

Operating lease obligation - The entity discovered operating lease contracts for which future obligations when not recognized. The error has been corrected retrospectively, with an adjustment to operating expenses and liabilities.

The effect of prior period errors of R35 931 and R741 970 as well as the restatement of comparative amounts are presented below:

	2012	2011
Statement of Financial Position		
Total Assets decrease	-	(75 850)
Total Liabilities decrease	-	39 919
Accumulated surplus increase	-	(35 931)
Trade & Other Receivables		
Trade receivable previously reported	-	7 864 179
Correction of error	-	(179 615)
	-	**7 684 564**
Cash and cash equivalents		
Cash and cash equivalents	-	13 172 555
Correction of error	-	153 496
	-	**13 326 051**
Property Plant and Equipment		
Property Plant & Equipment as previously reported	-	11 802 112
Reclassification of Assets	-	(49 731)
	-	**11 752 381**
Operating lease obligations		
Operating lease obligations as previously reported	-	372 114
Correction of error	-	15 084
	-	**387 198**

Private Security Industry Regulatory Authority

Financial Statement for the Year ended 31 March 2012

Notes to the Financial Statements

	2012	2011
Trade & Other Payables		
Trade & other payables as previously reported	-	17 729 054
Decrease related to prior year	-	(55 003)
	-	**17 674 051**
Accumulated Surplus		
Accumulated Surplus as previously reported		11 490 994
Trade and Other Receivables - correction of error	-	(179 615
Trade & other payables- correction of error	-	55 003
Cash & cash equivalents - correction of error	-	153 496
Property, Plant & Equipment - reclassification	-	(49 731)
Operating lease obligation - Officeequipment	-	(15 084)
	-	**11 455 063**
Statement of Financial Performance		
Operating Expenses increase	-	7 941
Debt Impairment increase	-	713 980
Deficit increase	-	706 039
Debt Impairment		
Debt impairment as previously reported	-	20 056 253
Correction of error	-	(713 980)
	-	**19 342 273**
Operating Expenses		
Operating Expenses previously Reported	-	43 775 832
Reclassification of Leasehold improvements	-	8 996
9009	-	(1 055)
	-	**43 783 773**

Notes to the Financial Statements

Prior Period Errors (continued)

Statement of Change in Net Assets	**2012**	**2011**
Balance as at 1 April 2010 previously reported	-	35 242 481
Trade & Other Receivables increase		(893 609)
Cash and Cash Equivalents increase	-	153 496
Property Plant & Equipment decrease	-	(40 722)
Operating lease Obligation increase	-	(16 138)
Trade and Other payables increase	-	55 003
	-	**34 500 511**

26. Events after the Reporting Date

Significant contracts entered into:
The Authority entered into a 5 year lease agreement for its KwaZulu Natal Regional offices. The total value of the undiscounted lease payments amount to R4 830 344.

27. Reconciliation between Accounting and Budgeted Surplus / deficit

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(9 280 646)	(23 045 448)
Adjusted for Variance between budget and actual results:		
Annual fee income	11 423 188	457 408
Other income	18 107 674	(4 839 900)
Employee benefits	(11 578 627)	5 068 907
Other operating expenses	(6 808 581)	3 737 816
Disposal of assets	(61 313)	-
Net surplus (deficit) per approved budget	**1 801 695**	**(18 621 217)**

Notes to the Financial Statements

Standards of GRAP approved for which the Minister of Finance has determined an effective date and that entities may apply in formulating accounting policy in accordance with paragraph .29 of Directive 5: Standards of GRAP that may be used in developing an accounting policy.

GRAP 21 - Impairment of Non-cash-generating Assets
ASB Issue date: March 2009
Effective date: 1 April 2012
New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognized. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations

GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
ASB Issue date: February 2008
Effective date: 1 April 2012
New standard of GRAP: Prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, including the identification of contributions from owners. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 24 - Presentation of Budget Information in Financial Statements
ASB Issue date: November 2007
Effective date: 1 April 2012
New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations

GRAP 25 - Employee Benefits
ASB Issue date: November 2009
Effective date: To be determined by the Minister
New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 26 - Impairment of Cash-generating Assets
ASB Issue date: March 2009
Effective date: 1 April 2012
New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognized. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 103 - Heritage Assets
ASB Issue date: July 2008
Effective date: 1 April 2012
New standard of GRAP: Prescribes the accounting treatment for heritage assets and related disclosure requirements. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 104 - Financial Instruments
ASB Issue date: October 2009
Effective date: 1 April 2012
New standard of GRAP dealing with the recognition, measurement, presentation and disclosure of financial instruments. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

Improvements to standards of GRAP
ASB Issue date: N/A
Effective date: Proposed: 1 April 2011
Improvements are proposed to the following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

Standards issued not yet effective (continued)

Approved Standards of GRAP that entities are not required to apply:

GRAP 18 - Segment Reporting
ASB Issue date: March 2005
Effective date: None Announced
New standard of GRAP: Establishes principles for reporting financial information by segments. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

Private Security Industry Regulatory Authority
Financial Statement for the Year ended 31 March 2012
Notes to the Financial Statements

Detailed Income Statement

Figures in Rand	Note(s)	2012	Restated 2011
Revenue			
Sale of goods	10	6 276 889	5 278 467
Annual fees	10	76 624 424	64 758 098
Fines	10	10 659 559	5 598 880
Infrastructure assessment fees	10	1 893 710	1 957 402
Registration fees	10	4 770 664	7 934 502
Interest and penalties interest	11	6 570 851	8 287 726
Other income	11	21 730 778	3 253 090
Interest received - investment	14	537 461	860 547
Gains on disposal of assets		134 498	-
Total Revenue		**129 198 834**	**97 928 712**
Expenditure			
Employee benefits	12	(63 743 990)	(57 516 253)
Depreciation and amortisation		(6 362 777)	(5 804 311)
Finance costs	15	(1 440)	(12 356)
Debt impairment	13	(24 065 516)	(19 342 272)
Repairs and maintenance		(897 741)	(619 338)
Loss on disposal of assets		-	(7 724)
Other operating expenses		(15 527 020)	(10 641 346)
Consulting fees		(5 379 380)	(9 496 705)
Communication		(4 155 111)	(2 986 724)
Rentals - Equipment and premises		(10 904 558)	(3 257 267)
Fingerprint cost		(3 612 771)	(7 959 767)
Security		(3 633 366)	(3 010 592)
Total Expenditure		**(138 283 670)**	**(120 654 655)**
Loss on impairment of assets		(195 811)	(319 505)
Deficit for the year		**(9 280 647)**	**(23 045 448)**

Notes

Private Security Industry Regulatory Authority

HEAD OFFICE

Eco Glades 2 Offices, Block B,
420 Witch-Hazel Avenue,
Highveld Ext 70, Centurion

Private Bag X817, Pretoria, 0001

Telephone: 012 337 5500 or 012 003 0500/01
Fax : 086 242 7180
info@psira.co.za
www.psira.co.za