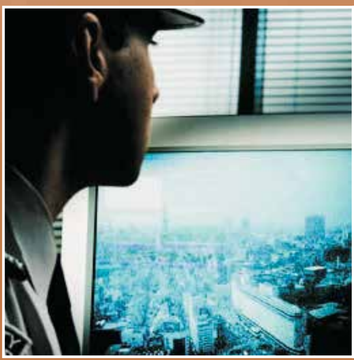
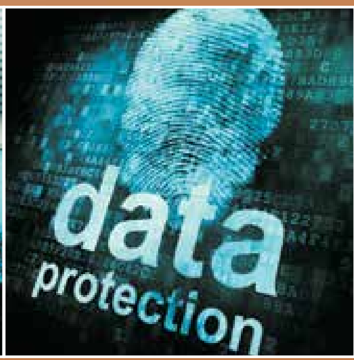
Annual Report 2012/13


PSiRA
Private Security Industry Regulatory Authority

PSIRA Mandate

The mandate of the PSIRA is derived from the Private Security Industry Regulatory Act 56 of 2001. The primary objective of the Authority 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 in the interest of the private security industry itself.

Our Vision:

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

Contents

Private Security Industry Regulatory Authority (PSIRA)

Eco Glades 2 OfficesBlock B

420 Witch-Hazel Avenue

Highveld Ext 70, Centurion

Private Bag X817

Pretoria

0001

Telephone: 012 003 0500/1 or 086 133 3850

Fax: 086 242 7180

info@psira.co.za

www.psira.co.za

External Auditors

Auditor General of South Africa

300 Middel Street

Brooklyn

Pretoria

0001

Bankers

Nedbank

Menlyn Maine

Cnr. Aramist and Constellation Street

Waterkloof Glen

PSiRA
Private Security Industry Regulatory Authority

Annual Report 2012/13

Part A

Abbreviations

AFS	Annual Financial Statements
ATR	Annual training report
ASB	Accounting Standards Board
BIT	Business Information Technology (Unit)
Cansa	Cancer Association of South Africa
CCMA	Council for Conciliation, Mediation and Arbitration
CFR	Central Firearms Registry
CIDB	Construction Industry Development Board
CIPC	Commission for Intellectual Properties and Companies
CRM	Customer Relationship Management
CSI	Corporate Social Investment
DHA	Department of Home Affairs
DoH	Department of Health
DoL	Department of Labour
EAP	Employee Assistance Programme
ETQA	Education and Training Quality Assurance body
FCA	Firearms Control Act
FETC	Further Education and Training Certificate
FMPPI	Framework for managing programme performance information
GCC	General Conditions of the Contractor
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IDRC	International Development Research Centre
IT	Information Technology
Natjoint	National Joint Operational and Intelligence Structure
NC	National Certificate
NPA	National Prosecuting Authority
NQF	National Qualifications Framework
PFMA	Public Finance Management Act
PMSCs	Private Military and Security Companies
Provjoints	Provincial Joint Operational and Intelligence Structure
PSIRA	Private Security Industry Regulatory Authority
QCTO	Quality Council for Trades and Occupations
RPL	Recognition of Prior Learning
SAPS	South African Police Service
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
Sasseta	Safety and Security Sector Education and Training Authority
SBD	Standard Bidding Document
SCM	Supply Chain Management
SLA	Service-Level Agreement
SOP	Standard Operating Procedure
TCC	Tax Clearance Certificate
VAT	Value Added Tax
WSP	Workplace Skills Plan

Vision, Mission and Values

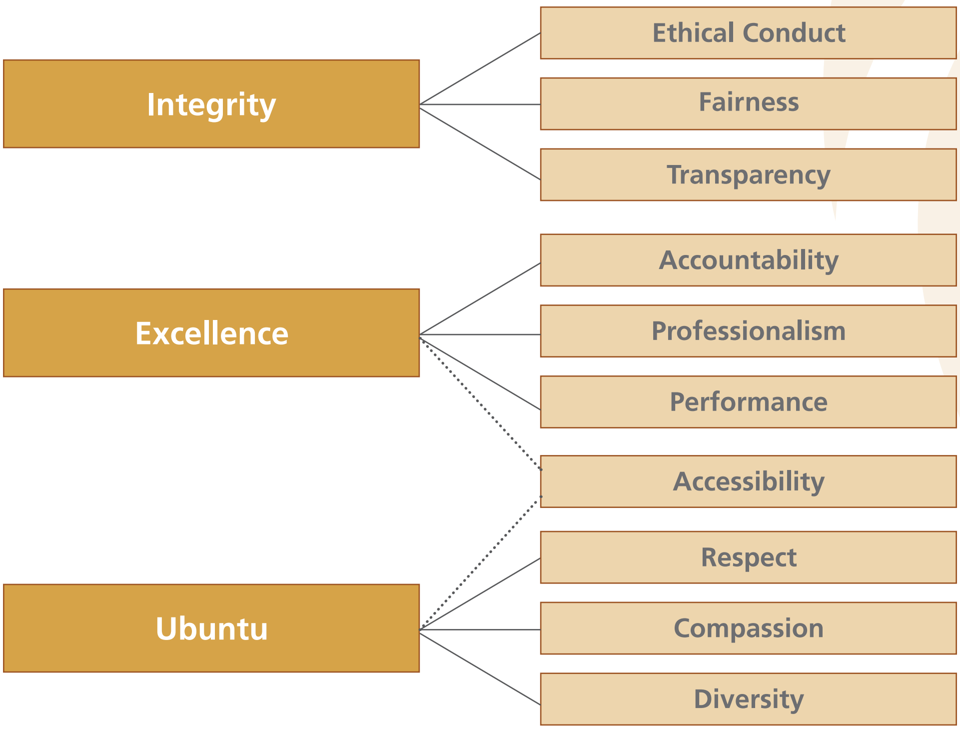
Vision

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

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



Strategic Overview
(continues)

The following outcomes were set for the 2012/13 financial year:

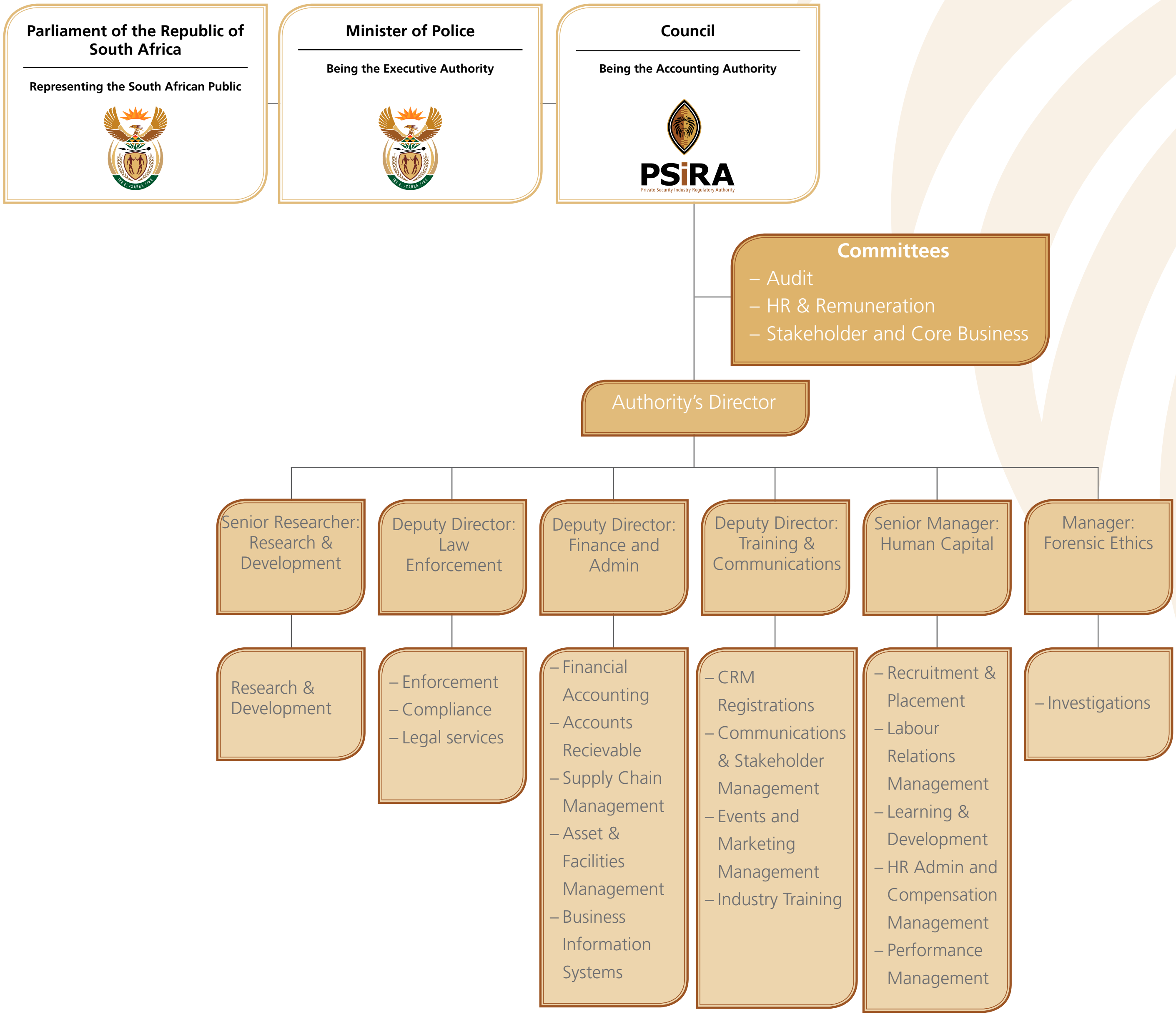
- Outcome 1: PSIRA is an excellent regulator and accessible to all.
- Outcome 2: A legitimate private security industry characterised by professionalism, transparency and trustworthiness.
- Outcome 3: Firearms in the private security industry are fully accounted for.
- Outcome 4: PSIRA processes cases efficiently.
- Outcome 5: PSIRA is a financially sustainable entity.
- Outcome 6: PSIRA has cutting edge technology.
- Outcome 7: The standard of private security training is improved.
- Outcome 8: PSIRA is a centre of excellence in private security research.
- Outcome 9: PSIRA has competent, ethical and skilled workforce.

Legislative and other Mandates

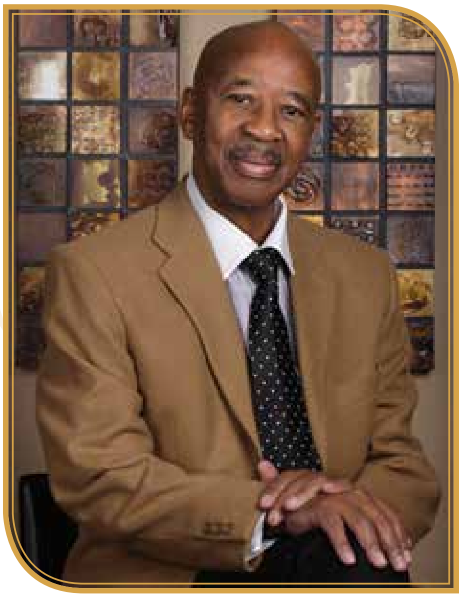
The Private Security Industry Regulatory Authority (PSIRA) was established in 2002, in terms of Section 2 of the Private Security Industry Regulation Act 56 of 2001. The strategic mandate of PSIRA emanates from the Act and the regulations issued in terms of the Act. The primary objectives of PSIRA are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and in the interest of the private security industry itself.

In 2009, the Private Security Industry Regulatory Authority was classified as a schedule 3(a) entity.

Organisational Structure



Council of the Authority



Chairperson
Mr Thula Bopela

Vice Chairperson
Ms Zelda Holtzman
Term end - 30 June 2013

Council Member
Lieutenant General Anwar Dramat
Term end - 30 June 2013

Executive Management

Director
Manabela S Chauke

Deputy Director: Law Enforcement
Philani P Mthethwa

Deputy Director: Finance and Administration
Peter Mongwenyana

Foreword by the Minister of Police

Minister of Police
NE Mthethwa

Private Security Industry Regulating Authority (PSIRA) functions as an independent regulatory body established to monitor the private security industry and promote compliance with minimum standards.

PSIRA is primarily responsible amongst others:

- For the regulation of the private security industry and of exercising effective control over the practice of the occupation.
- To ensure that the industry acts in the interest of the public, the country and the industry itself, when rendering security services.
- The Authority's powers and duties are to promote a legitimate private security industry characterised by the principles contained in the Constitution and other applicable law which include professionalism, accountability, transparency, equity, accessibility and stability of the industry.
- PSIRA is also responsible for the protection of security officers' rights.
- The Authority is responsible for consideration of applications for registration, suspension or withdrawal of registrations, prevention of exploitation or abuse of employees, ensuring high quality standards of training, and establishment of a complaints office to receive, process, refer or deal with complaints regarding the quality of service rendered by security service providers *(Private Security Industry Regulation Act, 2001)*.

The Authority is administered by a Council which is accountable to the Minister of Police for performance of functions and must provide the Minister with any requested information (PSIRA Amendment Bill, 2012).

The private security industry is growing at a fast pace and this signals the need to equally align and improve regulation of the industry. In the year under review the guards in the industry grew by overall 24.53% whilst there was a marginal decline of 3.56% in the number of companies registered.

Consistent with this observation, we introduced the Private Security Industry Regulatory Amendment Bill before Parliament. This draft legislation amongst others aims to address the weaknesses and gaps in our current regulation of the private security industry.

With the democratic breakthrough of 1994, our country moved away from being a pariah to be a toast of many countries across the globe. There was a sudden upswing of countries opening diplomatic relations and many companies started trade relations with a democratic South Africa.

This brought its own challenges, amongst them is the issue of the regulations of Private Security Industry. This had to be done in a world that was globalising and integrating. Our country had to do some balancing act that will advance the national democratic transformation project while at the same time attracting investors into our shores.

Foreword by the Minister of Police

The role that is played by the industry in the fight against crime cannot be overlooked. Many businesses and households continue to use the private security industry to protect their businesses, homes and assets.

As I was doing rounds visiting all the entities reporting to me, I instructed the Council and management of the Authority to focus on compliance and enforcement regulations from a human rights angle. The recent brutal assault and abuse of an elderly woman in Limpopo province by shop keepers acting as private security guards, is but one of the many cases that requires us to focus more on abuses and heavy handedness by this industry against poor and vulnerable citizens of our country.

The bases of effective compliance monitoring and enforcement of the law should be anchored on reliable and state of the art ICT solutions. Specifically the data base of security service providers should present an authentic picture of the industry. To this end, we instructed Council to ensure systematic cleaning of the data base to achieve its optimal integrity levels.

Another important factor is the establishment of the research unit within PSIRA. This will go a long way in enhancing the ability of Council to provide an informed advise to the Minister and government broadly on matters relating to the Industry. We commend the steps taken by the Council to establish such an institute.

The recent publication of the Green Paper on Policing, reaffirms the primary mandate of regulation and the role of the authority. The mandate should be aligned to the overall policing philosophy and the model to ensure that regulation of the private security industry becomes part of the integrated policing strategies of our country.

The control of fire-arms in the private security industry is of critical importance to combat abuse. We need to see regular audits of the fire-arms within the private security industry in order to achieve better accountability.

We commend the efforts taken thus far by the outgoing Council in achieving the mandate of the Authority. We are humbled by their selfless contributions to ensuring the safety of the people of our country. A lot still needs to be done to address the remaining challenges.

We take note of the significant improvement in stakeholder engagements by the Authority and stress the need to improve visibility and awareness of the role of PSIRA to a broader range of stake holders and the broader public.

We want to see better cooperation and effective regulation from all players in ensuring compliance and enforcement of the laws of the country. The benefit will be a safer South Africa.

Together We Can Do More in the Fight Crime!

Hon. EN Mthethwa, MP

Minister of Police

Chairperson's Foreword

Chairperson
Mr Thula Bopela

It gives me great pleasure to report that Private Security Industry Regulatory Authority (PSIRA) continues to make significant strides in distancing itself from the troubles of the past, and that it is moving closer to realising its vision of being recognised as an excellent regulator of private security in South Africa.

Strategic Overview

The year 2012/13 has been a testing year for the Council and its management team, characterised by challenging events which had an impact on the implementation of the three year strategy

To set the tone for this report, I would like to briefly take a step back to three years ago, when PSIRA realised that an organisational turnaround was needed to drastically improve service delivery and establish a sound reputation for itself as a regulator of private security in South Africa. At the time, PSIRA was in a crisis, with poor finances, lack of governance processes, low staff morale and non-compliance to the PFMA. The appointment of a new Council by the Minister of Police and the recruitment of a fresh leadership team at the time, set the foundation for this transformation.

The Council of PSIRA has been fully committed to addressing areas of weakness such as human resources management, law enforcement and efficient registration processes, financial and revenue management and improving the Authority's information technology. Although some progress has been made in ensuring that corrective measures introduced are effectively implemented and monitored against the set targets, it is imperative that efforts are intensified in transforming this organisation to become an excellent private security regulator.

The fruits of the strategy are reflected in this annual report. Our investigation rate is up by 311% over the previous year and the number of investigations finalised has increased by 405%. These areas are core to PSIRA's mandate of regulating the private security industry and exercising control over the occupation of security service providers in the interests of the public, the country and the industry.

PSIRA continues to regulate a steadily growing industry, which currently employs more than 440 000 security officers in more than 9 000 security businesses. For each police officer in the South African Police Service, there are three security officers in the private sector. These statistics put the role of PSIRA's into perspective, reinforcing the relevance and importance of regulation in the private security industry.

By inspecting security businesses and officers to establish their suitability for the crucial role they play in protecting the public, and assisting to prosecute those who operate illegally or irresponsibly, we are able to contribute meaningfully to curbing crime.

The Research and Development Unit, founded during the year under review, aimed at generating information that enabled PSIRA to fulfil its mandate, meet its objective of industry stewardship through knowledge and advocacy and further its drive to be a centre of excellence.

Stakeholder Engagement

Liaison with key stakeholders was intensified during the year, especially our relationship with the South African Police Service (SAPS), resulting in a 205%

increase in the number of criminal cases registered against non-compliant security service providers, as compared to the previous financial year. One of the more high-profile events during the year was the joint SAPS/PSIRA initiative that resulted in the arrest of 35 Durban beachfront car guards operating without permits and some who were alleged to have been involved in crimes such as theft of vehicles.

A closer working relationship was also forged with the Central Firearms Registry (CFR), which enabled PSIRA to gain a more accurate picture of the number of licensed firearms in the market. A security industry firearms regulation committee has been established to further cooperation between the CFR and the Authority.

PSIRA further enhanced its Stakeholder and Customer relationship through the establishment of Provincial Compliance Industry Forums in four provinces (Gauteng, Kwa-Zulu Natal, Western Cape and Eastern Cape). The establishment of the compliance forums aims to reduce the levels of non-compliance with regulations focused on the province specific challenges. The forums will be boosted by a predetermined compliance program against which industry participants will measure their compliance levels. The key modus operandi in this initiative is industry driven compliance. The Authority aims to roll out additional forums in other provinces based on availability of budgets and sustainability.

Finally, the strategic plan was reviewed during the 2012/13 year and will guide the organisation until 2016/17.

Financial performance

During the year under review the actual total operating revenue generated amounted to R158.8.million. The year also saw the implementation of several measures that complemented the actions taken in the previous year, with the aim of ensuring financial sustainability for the Authority. Strict expenditure controls were put in place and these resulted in a saving of R29.02million on operating expenses.

Audit Findings

During the turnaround strategic plan, high risk items were identified which were prioritised and addressed by the Council. However, the current AGSA qualification clearly identified key internal control deficiencies with regard to revenue collection. The Authority has enhanced its revenue management strategy to ensure completeness of revenue collection and debt management. The strategy will improve and strengthen the following areas: public awareness on deposits, allocation of revenue collected, internal controls on accounting for revenue collected.

Furthermore, the Authority will implement a phased approach of a new business process on revenue management to bring efficiency in some redundant processes. In spite of the current AGSA qualification, we remain positive about the future of this organisation.

Court judgment

Although announced after the 2012/13 financial year-end, the decision of the court to dismiss an application by the Security Industry Alliance (SIA) to set aside our annual fee regulations was most welcome. SIA had interdicted PSIRA from implementing the revised regulations, which meant that we could not collect or force security companies to pay the revised fees. This hampered our ability to perform optimally in certain areas.

The court decreed that it could not interfere with executive policy decisions and that PSIRA had complied fully with the Promotion of Administration of Justice Act.

The PSIRA Council views this decision as a victory for security officers, the industry and the South African public. Security businesses will now contribute towards the regulation of the industry equally with security officers.

Furthermore, to ensure an optimal financial performance of the entity, the Authority has put in place contingency measures to address any appeal court judgement that may arise from the SIA matter.

Chairperson's Foreword

Appreciation

I take this opportunity to thank the Honourable Minister Nathi Mthethwa, Minister of Police and the Deputy Minister, Ms Maggie Sotyu for their support and guidance in finding solutions to the challenges facing the private security industry. My sincere thanks is also extended to the outgoing Deputy Chairperson, Ms Zelda Holtzman and Lt. General Anwar Dramat for their continued support and unwavering dedication to our turnaround strategy. Finally, I would like to express my sincere gratitude to the staff and management team of PSIRA, whose commitment and hands-on approach in tackling the problems encountered, have placed PSIRA in a strong position to grow with the dynamic industry its serves and to prove its worth, as a truly exceptional regulatory body.

Thula Bopela

Chairperson of the Council

Director's Overview

Director
Manabela S Chauke

The year under review was the second year of our three-year strategic plan, which was created in 2011 to effect an organisational turnaround to improve service delivery and provide a platform on which to build a strong reputation for PSIRA. The plan focuses on seven priorities, namely:

- Industry stewardship (knowledge and advocacy)
- Stakeholder and customer relationship management
- Financial management and funding
- Excellent service delivery (effective regulation)
- Efficient and effective processes and systems
- Effective organisational structures and workforce
- Enabling environment (organisational culture).

The 2012/13 annual report reflects our journey and the significant progress we have made in achieving these strategic objectives and in proudly positioning PSIRA as a regulator of note and whose name is associated with credibility and honour by those we register.

Financial performance

The year under review saw the implementation of several measures that complemented the actions taken in the previous year, with the aim of ensuring financial sustainability for the Authority. Since the turnaround strategy, the Authority has improved revenue collection by 24% (2012/13 vs 2011/12). We decreased the number of debtor's days from 14 to 12 (2012/13 vs 2011/12) and this demonstrate an improvement when compared to the situation 3 years ago. We have also noted steady improvement on the entity's current ratio of .87 from .70 in the previous year.

Core focuses

In our core areas of business, namely compliance and registration, PSIRA's performance was exceptional. Compliance inspections were stepped up dramatically, with 23 827 inspections conducted, as compared to 7 669 during 2011/12. This is the highest number of inspections ever conducted by PSIRA, and with very limited resources. The Legal Services Unit successfully prosecuted 1 323 improper conduct cases of the 1 562 summonses issued. The PSIRA register grew by 4, 27% to 445 407.

The increasing efficacy of the Authority's compliance and enforcement strategy is reflected in the 727 criminal cases opened by inspectors in 2012/13, as compared to the 240 cases during the previous financial year. This is an increase of 203%.

Internal integrity

Of course, our service to the public must be backed by a strong internal structure, with sufficient resources and systems and a competent workforce that understands and embraces the organisation's goals and is committed to their achievement.

Through the employee wellness programme, several educational and motivational events were implemented during the year.

Director's Overview

Training continues to be a priority in building capacity within the organisation and in advancing staff personally and professionally.

Further inroads were made to root out fraud and corrupt practices among Authority employees, with the Forensics and Ethics Unit investigating 11 allegations of misconduct internally, all of which were finalised. One employee was dismissed and written warnings issued to three others.

The Unit also turned its focus externally to potentially fraudulent activities by security service providers, including the on-going practice – highlighted by the media during the year - of selling fake security certificates and offering buyers registration on the PSIRA database.

Looking ahead

Going forward, the Authority faces significant challenges, not least the infiltration of the security industry by sophisticated criminal syndicates and the rapid growth and expansion of the industry, both of which will stretch resources to the full.

- Other key challenges include:
- Unregistered security operators;
- Lack of monitoring of firearms;
- Foreign involvement in the industry;
- Labour exploitation, and
- Non-compliance with legislation.

Certain challenges are being addressed through a legislative review of the Act, which should lead to improved regulations, but which will undoubtedly have an impact on PSIRA's volume of work.

However, the Authority continues to maintain its sustainability by having a thorough understanding of its mandate, focused leadership and a vibrant team, an enabling environment, a new corporate identity and sound infrastructure.

These factors will enable us to take advantage of the opportunities presented by the greater revenue from the growing industry, improved stakeholder partnerships, the media, industry expertise and political will.

Exciting times lie ahead for PSIRA, as an integral part of the private security industry and a force for good in South African society.

Colleagues, stakeholders, partners and suppliers let us all commit to making PSIRA the best it can be and continue the journey to excellence.

Manabela Chauke

Director of PSIRA

1. Law Enforcement

In terms of the Private Security Industry Regulation Act, 2001 the Authority must determine and enforce minimum standards of occupational conduct in respect of security service providers. In this regard, the Authority has a dual responsibility of determining minimum standards of occupational conduct in respect of security service providers as well as enforcing such standards. Accordingly the Authority must be actively involved in setting standards within the private security industry in order to ensure a legitimate private security industry.

Having minimum standards in this industry is however worthless without having an appropriate mechanism to enforce such minimum standards. Regulation generally means that important aspects of the nature and activities of the security industry are controlled and shaped through enforcement strategies and actions in accordance with the values, principles and standards as contained in the legislation.

The enforcement of minimum standards of occupational conduct in respect of security service providers is extensively covered in Chapters 4 and 5 of the PSIR Act, as well as the statutory Code of Conduct for Security Service Providers, 2003 and the Improper Conduct Enquiries Regulations, 2003. The Code of Conduct is a central element of a proper regulatory framework and places the responsibility on security service providers to adhere to the minimum standards that are aimed at promoting responsible conduct, trustworthiness, quality of service and adherence to other relevant laws. The Code also recognises the obligations towards the regulatory Authority and the occupation in general that has a direct impact on clients, security providers, employees, employers, etc.

To give effect to PSIRA's objective and mandate in enforcing minimum standards, the Authority implemented a compliance and enforcement strategy that provides for two Departments - a Compliance Department and an Enforcement Department. This strategy includes enforcement and prosecution as well as a new focus on regulatory compliance through the inspection and education of security service providers. In addition, the Legal Services Department is a unit within Law Enforcement Division and has its own core functions namely the provision of prosecutorial and legal services.

1.1 Objectives of the Law Enforcement Division

The Law Enforcement Division's objectives during the year under review, focused on effective compliance and enforcement of the PSIR Act and the Regulations to achieve behavioral changes in the industry. The Law Enforcement Department increased the number of compliance inspections conducted, resulting in increased visibility and impact of the Authority within the industry. The year also saw increased engagement with key stakeholders to advance regulation in the industry.

This engagement included enhancing the existing relationship with the South African Police Service, which resulted in a 205 % increase in the number of criminal cases registered against non-compliant security service providers, compared to the previous financial year, as well as liaison with the Office of the Central Firearms Register (CFR) on firearm application enquiries in respect of businesses applying for licenses in terms of the Firearms Control Act (FCA). The Authority also concluded an audit on the CFR's business database of all security service providers to ascertain the number of firearm licenses issued to security businesses and the current status of these businesses in the industry.

The CFR also played a part in the Authority's annual Law Enforcement Imbizo that involved the training of all inspectors on the provisions of the FCA and the Regulations specific to the private security industry.

PSIRA improved its relationships with the National Joint Operational and Intelligence Structure (NATJOINTS) and the Provincial Joint Operational and Intelligence Structure (PROVJOINTS) on private security related matters. In this regard, PSIRA played an important role in the screening of security business as well as security officers that were deployed during the 2013 AFCON Cup to ensure the safety and security at the event.

Law Enforcement (continued)

The Legal Services Department provided prosecutorial services for improper conduct dockets that were prepared by the Compliance and Enforcement Departments. The Legal Services Department certified the prosecutability of dockets prepared by law enforcement and ensure successful prosecution through processes geared for effective regulation. This includes the inspection stage to the determination of the contravention and ultimately the finalisation of the case.

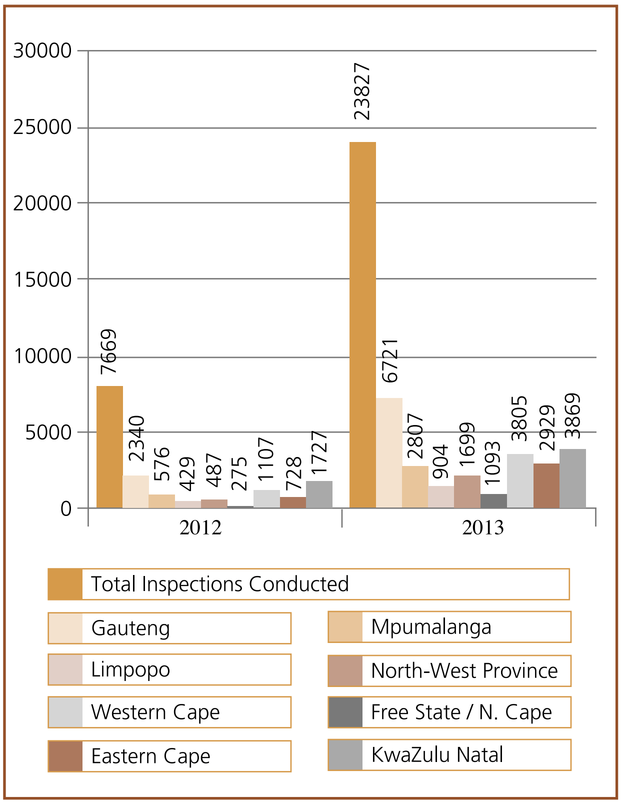
Legal Services ensures that there is efficiency in the prosecution of all contraventions of the PSIR Act and has put in place proper measures to ensure that the process of prosecution is concluded within 90 days and that 80% of cases on the roll are finalised, to avoid costs normally associated with prosecution.

1.2 Compliance

1.2.1 Compliance Inspections

In terms of the Law Enforcement Division's operational policy, compliance inspectors must conduct a minimum of 10 security business inspections and 60 security officer inspections per month. During the year under review, a total of 23 827 compliance inspections were conducted of security service providers compared to 7 669 inspections in the previous financial year. This reflects an increase of 211% and is the highest number of inspections to date.

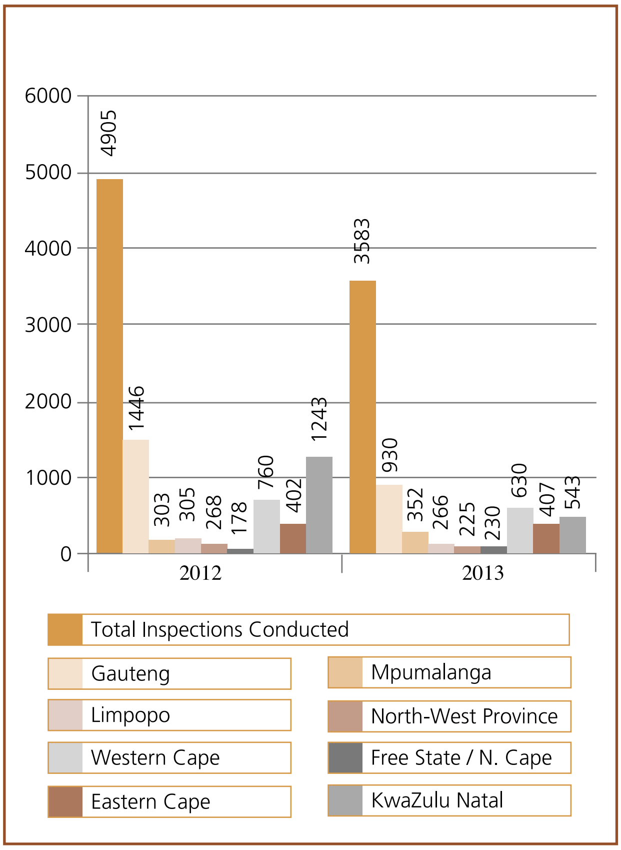
Graph 1.1: The regional breakdown of inspections conducted:



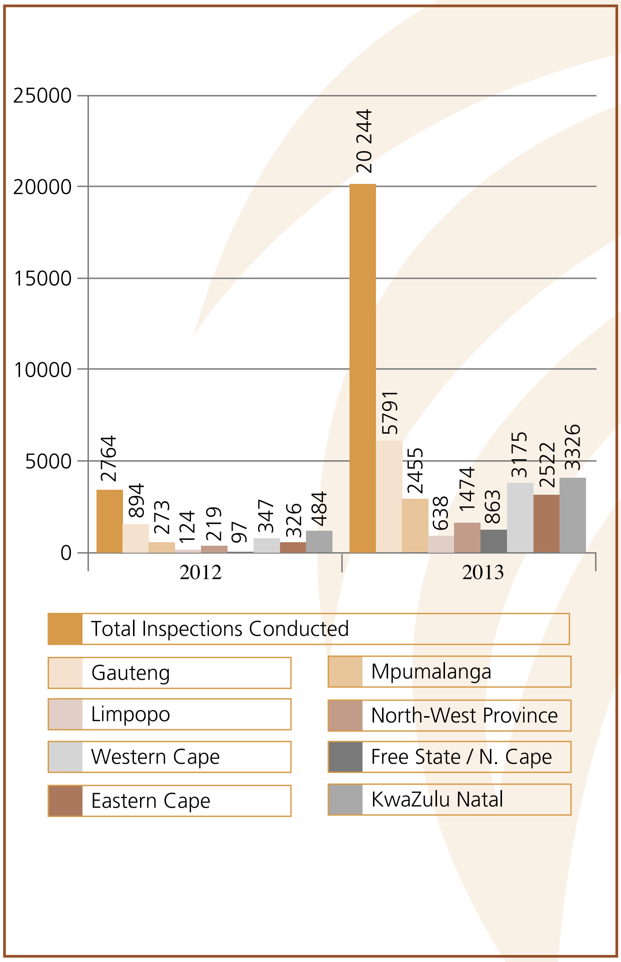
Of the total number of 23 827 compliance inspections conducted, 3 583 inspections were conducted at security businesses compared to 4 905 inspections for the previous financial year.

Law Enforcement (continued)

Graph1.2: Regional breakdown of security business inspections conducted:



Graph 1.3: Regional breakdown of security officer inspections conducted:

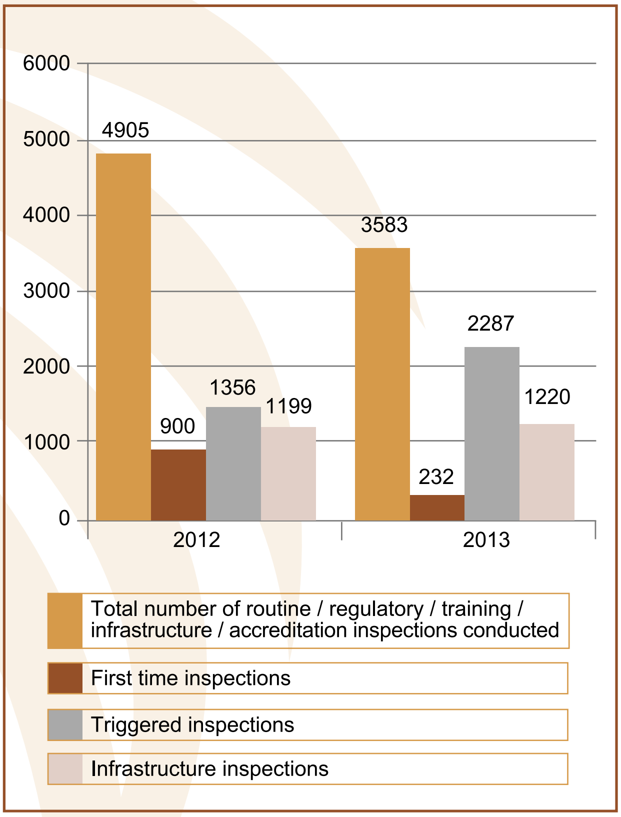


From January 2012, a greater focus was placed on conducting security officer inspections, thus a decrease in the number of inspections at security businesses as compared to the previous financial year.

A total of 20 244 compliance inspections were conducted on security officers deployed at various sites, compared to 2 764 in the previous financial year.

Law Enforcement (continued)

Graph 1.4: Regional breakdown by type of inspection conducted:



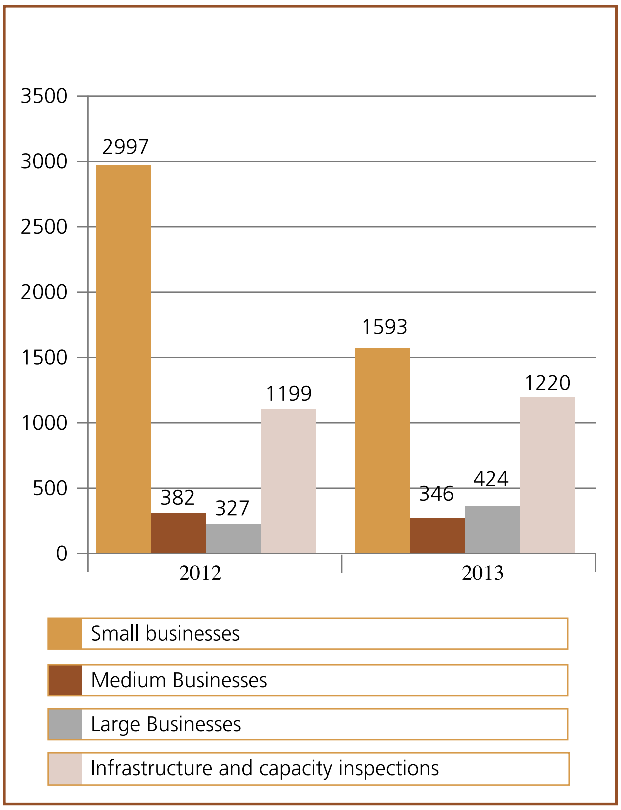
"First time inspections" referred to in graph 1.4 refers to businesses that have not been inspected since its registration. These businesses are newly registered businesses. "Triggered inspections" refers to complaints received via the Authority's help desk, telephonic, written or personal complaints, via the internet, newspaper articles, account administrators, etc. In terms of the Law Enforcement Division's operational policy, priority must be given to complaints and infrastructure inspections. There has been a 69 % increase in the number of complaints inspected compared to the previous financial year.

Routine inspections of providers are also conducted. This was done dependent on the area of operation and on the basis of when the last inspection was conducted.

The number of inspections conducted at large, medium and small businesses from 1 April 2012 to 31 March 2013 is reflected in graph 1.5. Business are categorised as follows:

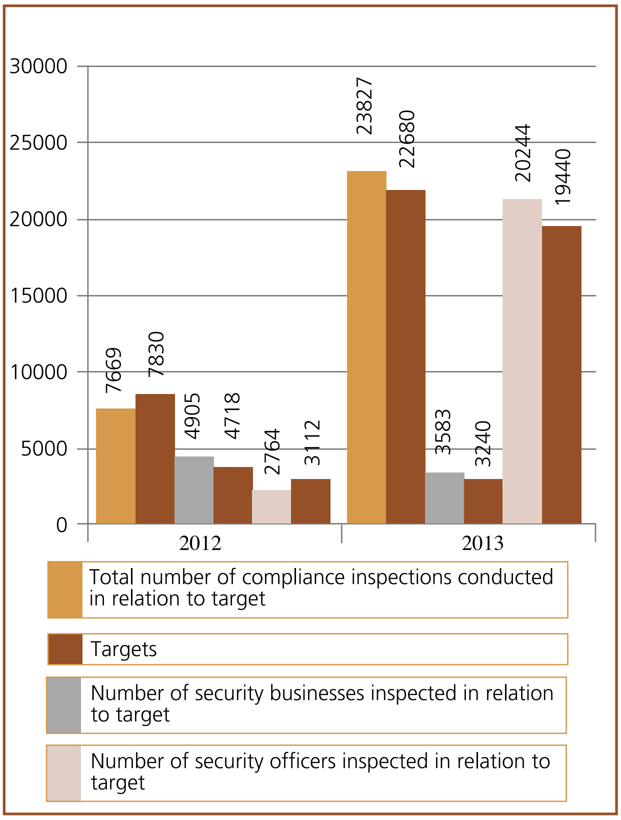
- Small Business - employs less than 20 security officers
- Medium Business - employs between 21 to 50 security officers
- Large business has 51 and more security officers.

Graph 1.5: Size of business inspected



Law Enforcement (continued)

Graph 1.6: Total number of Compliance Inspections conducted for the 2012/2013 financial year:



1.2.2 Site Inspections / Investigations

The Department's operational plan also includes site investigations to verify the accuracy of information provided by security businesses to inspectors and to inspect security officers. At times, these site investigations are also conducted in co-operation with SAPS, in particular in cases where unregistered security officers were found, undocumented foreign nationals are employed or firearms are used to provide security services.

The following site investigations were conducted during the period under review:

- Head Office : 1 387 site investigations were conducted .
- Eastern Cape : 508 investigations were conducted.
- Kwa-Zulu Natal : 520 investigations were conducted.
- Western Cape : 260 site investigations were conducted

The increase in the number of site inspections is attributable to the appointment of additional inspectors as well as the new law enforcement and compliance strategy.

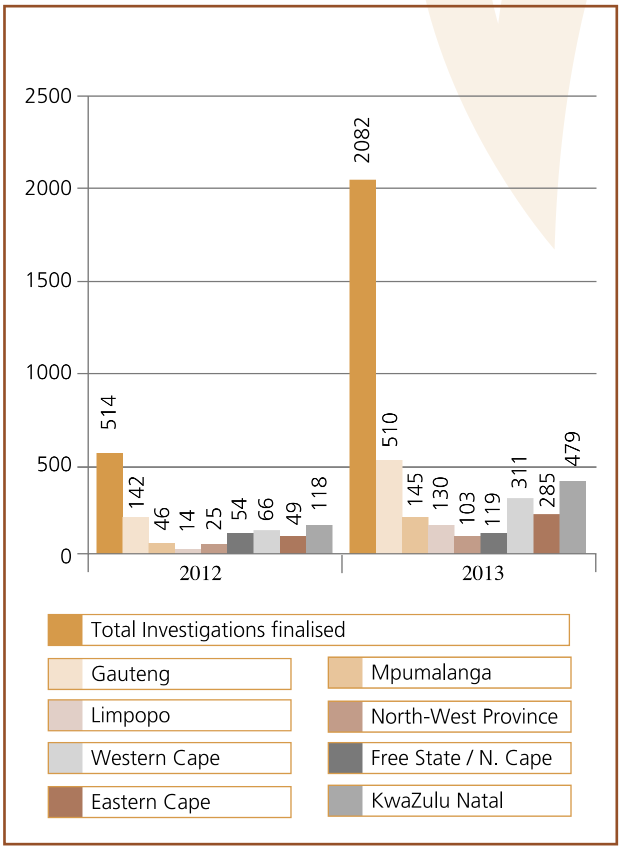
1.3 Enforcement

The Authority enforces the law on those providers who do not comply with the PSIR Act and regulations, through the Law Enforcement Division.

The Authority's enforcement inspectors have a target to finalise at least 10 investigations per month.

During the 2012/13 financial year, a total of **2 082** investigations were finalised.

Graph 1.7: Regional breakdown of enforcement investigations finalised:



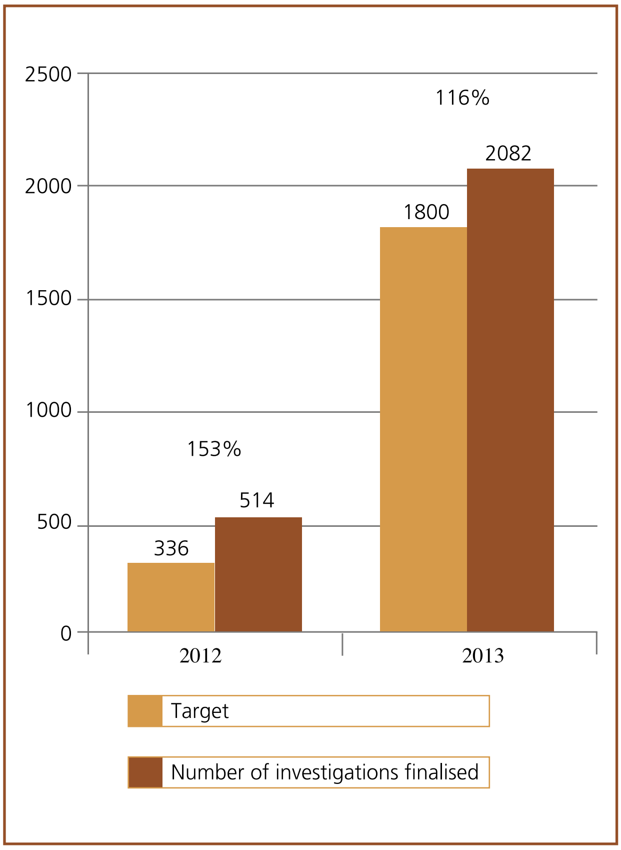
Law Enforcement (continued)

Table 1.1: Regional breakdown of investigations finalised for 2012 / 2013:

REGION	NUMBER OF SECURITY BUSINESS INVESTIGATIONS	NUMBER OF SECURITY OFFICER INVESTIGATIONS	TOTAL
HEAD OFFICE	**823**	**184**	**1 007**
Gauteng	391	119	510
Mpumalanga	134	11	145
Limpopo	84	46	130
North West	100	3	103
Free State/ Northern Cape	114	5	119
WESTERN CAPE	**283**	**28**	**311**
EASTERN CAPE	**271**	**14**	**285**
KWAZULU-NATAL	**163**	**316**	**479**
TOTAL	**1 540**	**542**	**2 082**

The overall performance pertaining to investigations conducted for the period 1 April 2012 to 31 March 2013 is **116%** compared to the target set.

Graph 1.8: Performance against target of investigations finalised:

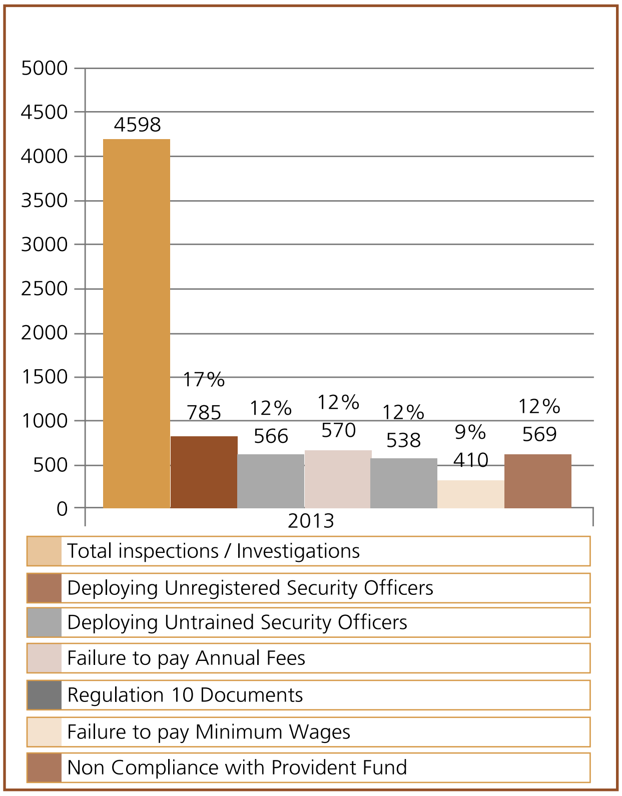


1.3.1 Compliance Analysis

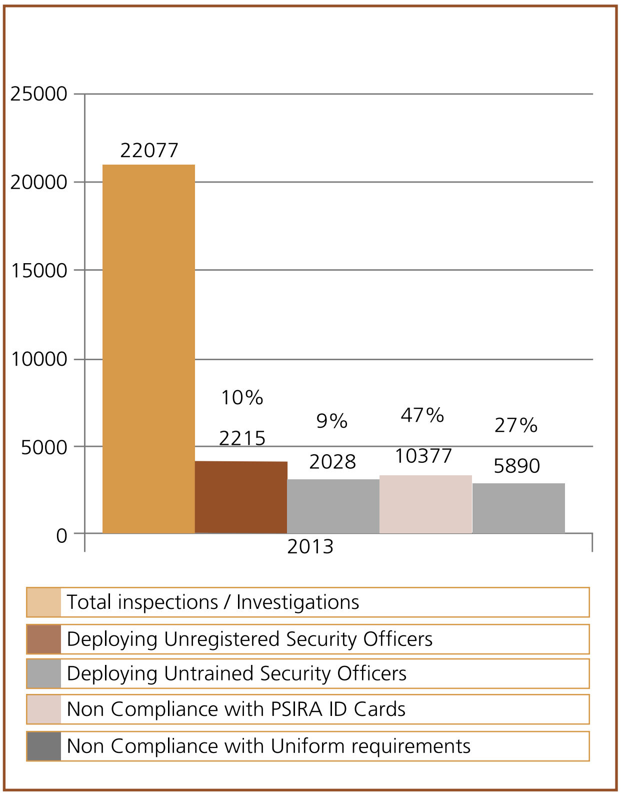
Compliance inspections (excluding infrastructure inspections) and investigations (finalised and pending) conducted at security businesses as well as security officer inspections during period under review are reflected in the graph 1.9:

Law Enforcement (continued)

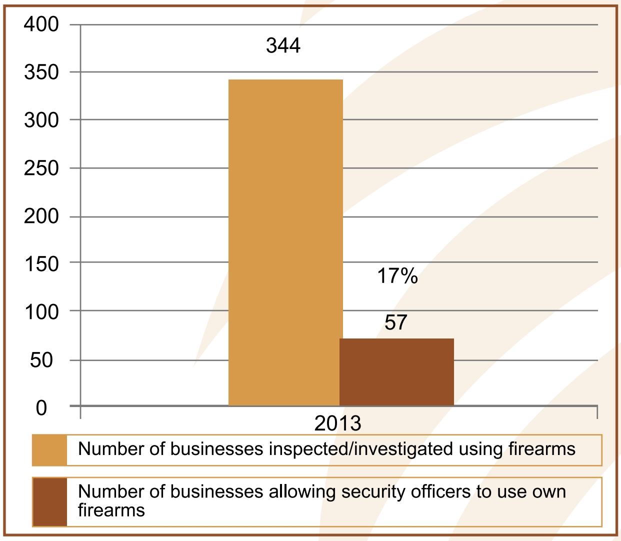
Graph 1.9: Security Business Inspections / Investigations



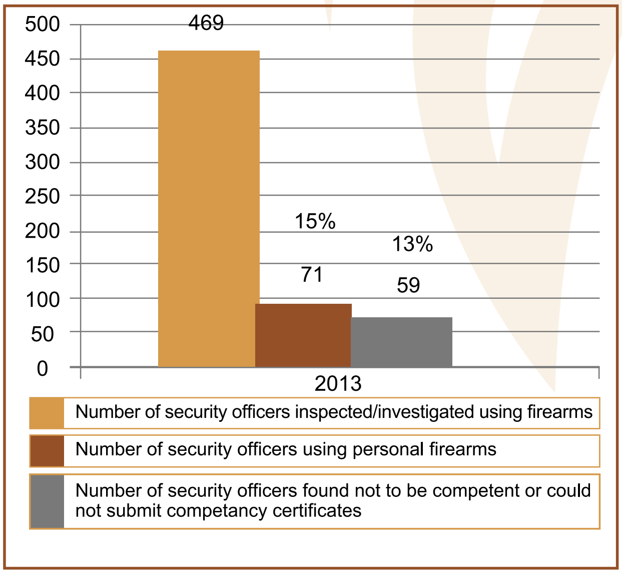
Graph 1.10: Security Officer Inspections / Investigations



Graph 1.11: Compliance Analysis for businesses– Firearms



Graph 1.12: Compliance Analysis for security officers– Firearms



1.3.2 Operations

PSIRA also works in partnership with various stakeholders such as SAPS, the Department of Home Affairs and the Department of Labour to mention a few when conducting operations. These operations are focused on ensuring that registered and trained security officers are used and comply with the PSIR Act and the Firearms Control Act.

Law Enforcement (continued)

During the period under review, the following operations were held:

Table 1.2: Operation conducted in 2012/13

REGION	NUMBER OF OPERATIONS	NUMBER OF ARRESTS	UNREG-ISTERED	FIREARMS
Head Office	**29** (SAPS/DoL/DHA/South African Revenue Service (SARS)/ Department of Health)	198	198	-
Western Cape	**1** (SAPS)	37	37	-
Eastern Cape	**3** (SAPS)	7	7	-
KwaZulu-Natal	**6** (SAPS/DoL /Metro Police)	51	44	7
TOTAL	**39**	**293**	**286**	**7**

A total of 85 inspections were conducted with the Department of Labour and 2 with the Department of Health.

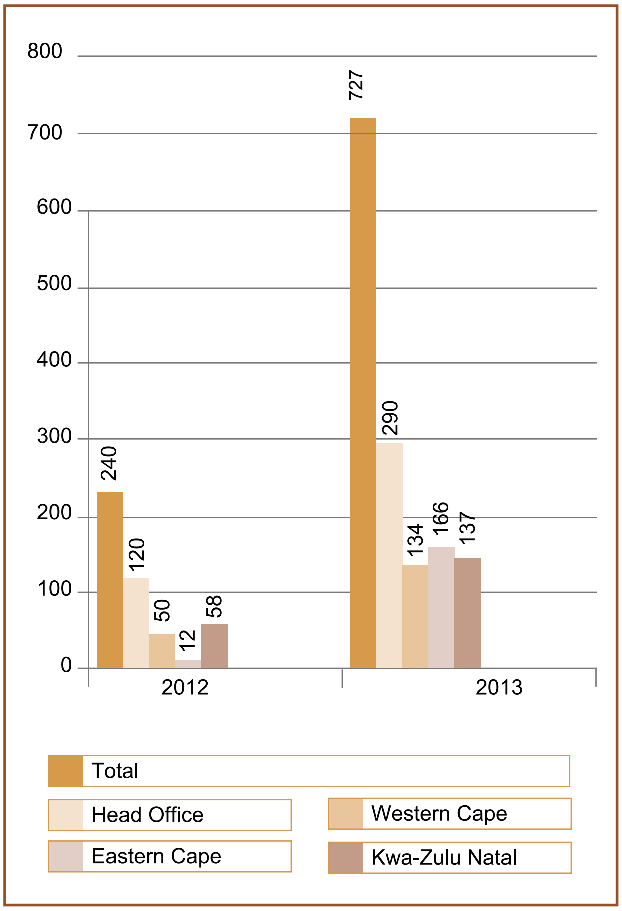
1.3.3 Criminal Investigations

Regulatory inspections are also conducted to investigate and detect unregistered security service providers as well as other criminal contraventions of the PSIR Act with a view to open criminal cases against them with the South African Police Service.

As at 31 March 2013, a total of **1 301** outstanding criminal cases were pending with SAPS, compared to **771** cases in March 2012.

During the year under review, a total of **727** criminal cases were opened by inspectors of the Authority compared to **240** cases the previous financial year. This is an increase of **203%** and is a result of PSIRA's compliance and enforcement strategy.

Graph 1.12: Regional breakdown of criminal cases opened by Province/Office:



Law Enforcement (continued)

During the period under review, **197** criminal cases were finalised by the National Prosecuting Authority and is reflected in table 1.3 by Province/Office:

Table 1.3: Criminal cases finalised by the NPA

REGION	SUCCESSFULLY FINALISED	UNSUCCESSFULLY FINALISED	TOTAL
Head Office	142	5	147
Western Cape	3	18	21
Eastern Cape	4	19	23
KwaZulu-Natal	0	6	6
TOTAL	**149**	**48**	**197**

The regional breakdown of the 1 301 criminal cases outstanding with SAPS are reflected in table 1.4

Table 1.4: Criminal cases outstanding with SAPS

REGION	OUTSTANDING CRIMINAL CASES
Head Office	450
Western Cape	297
Eastern Cape	157
KwaZulu-Natal	397
TOTAL	1 301

The close working relationship with SAPS assisted in investigations where the Authority required arrests to be made. SAPS also played an important role in the site inspection operations and PSIRA conducted Law Enforcement operations with SAPS on a national basis and assisted in general SAPS operations.

During the period under review, a total of 401 arrests were made. This is reflected in table 1.5, per region:

Table 1.5: Arrests

REGION	NUMBER OF ARRESTS
Head office	266
Western Cape	48
Eastern Cape	21
KwaZulu-Natal	66
TOTAL	**401**

1.3.4 Firearm Application Enquiries

PSIRA provides information to the Office of the Firearms Register (CFR) on security service providers applying for firearm licenses. This information includes:

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

During the period under review, the following information was shared with the CFR:

Table 1.6: Information shared with CFR

Number of application enquiries received from CFR	918
Number of security service providers owing annual amounts	149
Number of security service providers failing to report changes	142
Number of persons responsible for firearms not linked to businesses	76
Number of members/directors/partners/ owners of businesses not registered/trained	6
Number of businesses not registered	6
Number of business not registered by Companies and Intellectual Property Commission (CIPC)	9
Number of cases of incorrect information provided by CFR/businesses	2
Number of businesses cleared by the Authority for consideration by CFR	528

1.3.5 Planning for the future

The Law Enforcement Division aims to build on its compliance and enforcement strategy to ensure a legitimate and professional private security industry. Compliance inspections programmes and investigations of non-compliance by the private security industry will continue to play a central part in this strategy. Continued stakeholder engagement and enhancing relationships with key role-players is critical to PSIRA's success in ensuring compliance, especially with the limited resources available to serve the rapidly growing industry.

The Law Enforcement Division will continue to play an active role within the Provincial Industry Compliance Forums (PCIFs) to encourage all stakeholders to play an active role in assisting and ensuring compliance in the industry. In addition, PSIRA will also propose an agreement with SAPS to establish the National Consultative Forum to enhance co-operation. This will also include the establishment of a Firearm Regulation Committee to ensure compliance in respect of the Firearms Control Act, and also general accountability of firearms within the industry.

2. Legal Services Department

2.1 Prosecutions

- Prosecutions include:
- Dockets received and perused
- Charge sheets issued
- Summonses issued
- Cases finalised at Code of Conduct enquiries
- Cases settled without the need for enquiries

Results in each of the functional areas for the financial year, are reflected in the table below:

Table 2.1: Prosecution results

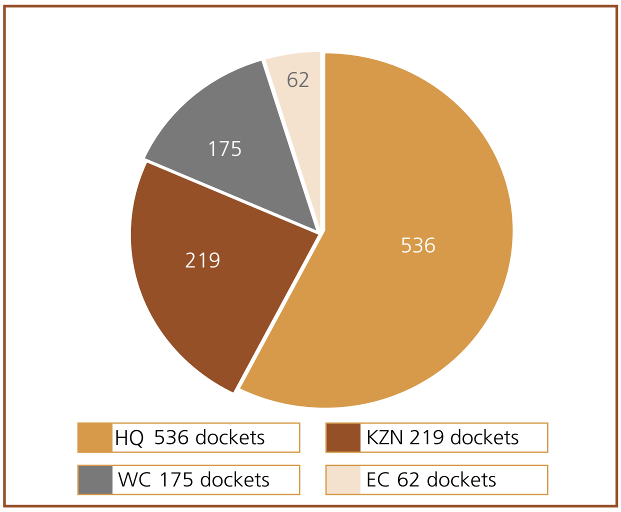
	Head Office	Eastern Cape	Western Cape	KwaZulu-Natal	TOTAL
Dockets received and perused	460	133	176	408	**1 177**
Charge sheets issued	455	115	186	556	**1 312**
Summonses issued	905	89	201	367	**1,562**
Cases finalised at code of conduct enquiries	54	49	92	45	**240**
Cases settled without the need for enquiries	536	62	175	219	**992**
VALUE OF FINES IMPOSED					**1 119 500**
VALUE OF SETTLEMENTS REACHED					**4 168 500**
TOTAL FINES AND SETTLEMENTS REVENUE					**5 288 000**

2.1.1 Settlement Agreements

Settlement Agreements are matters that have been finalised without the cases going to trial, i.e the parties reach an agreement on the charges against the respondents and agree on a fine to be paid. The agreement stipulates a deadline for the fine to be paid to PSIRA. A total of 992 settlements were concluded during the year under review.

The regional breakdown of number of Settlements Agreements concluded are reflected in graph 2.1:

Graph 2.1: Settlement Agreement Dockets

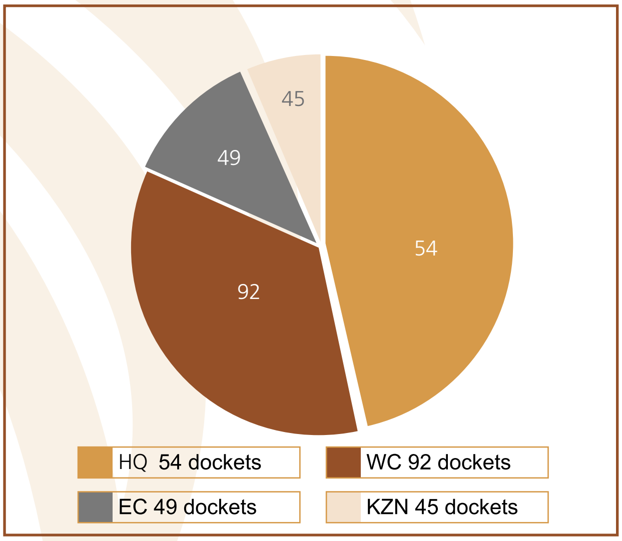


Legal Services Department (continued)

2.1.2 Fines Imposed

Fines are imposed by the Presiding Officer when the respondents are found guilty on matters that have been brought before the tribunal. Fines were imposed on 240 dockets that were finalised in a Tribunal during the year under review. The regional breakdown are reflected in graph 2.2:

Graph 2.2: Fine Dockets



2.1.3 Litigation

One case was litigated during the financial year in the High Court.

2.1.4 Appeals

Appeals are divided into 3 categories:

1. Appeals against PSIRA's refusal to register a security service provider and withdrawal of registration due to a conviction of a Scheduled offence.
2. Appeals against PSIRA's refusal to register a security service provider due to non South-African residence.
3. Appeals against conviction and/or sentence following the finalisation of improper conduct enquiries convened in terms of the Act.

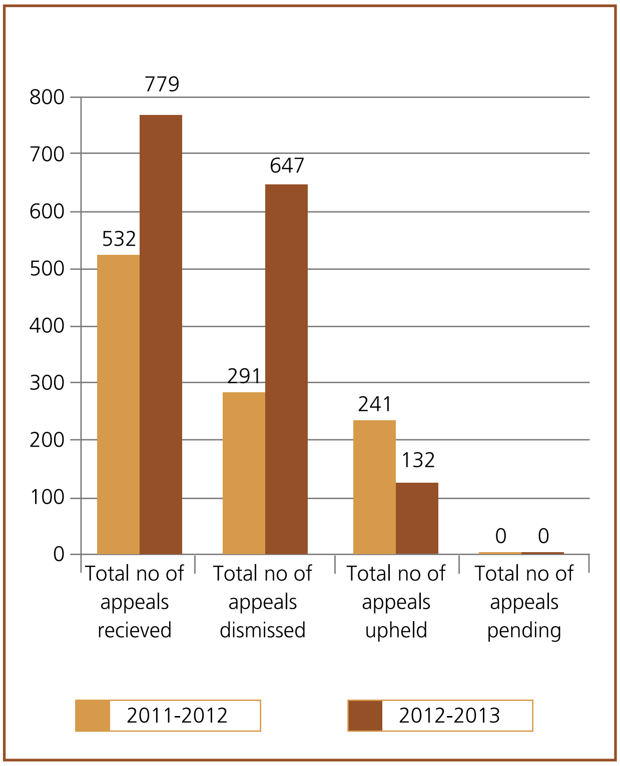
The appellant has to lodge an appeal against the decision of PSIRA to the office of the Minister of Police who will then appoint an Appeal Committee to resolve the matter.

An increase in the number of applications to appeal were received in this financial year than in the previous year, with the majority of cases being dismissed due to applicants having previous criminal convictions and pending criminal cases.

Category 1 Appeals

- Appeals against PSIRA's refusal to register a security service provider and withdrawal by the Authority of registration due to a conviction of a scheduled offence.

Table 2.3: Category 1 Appeals received

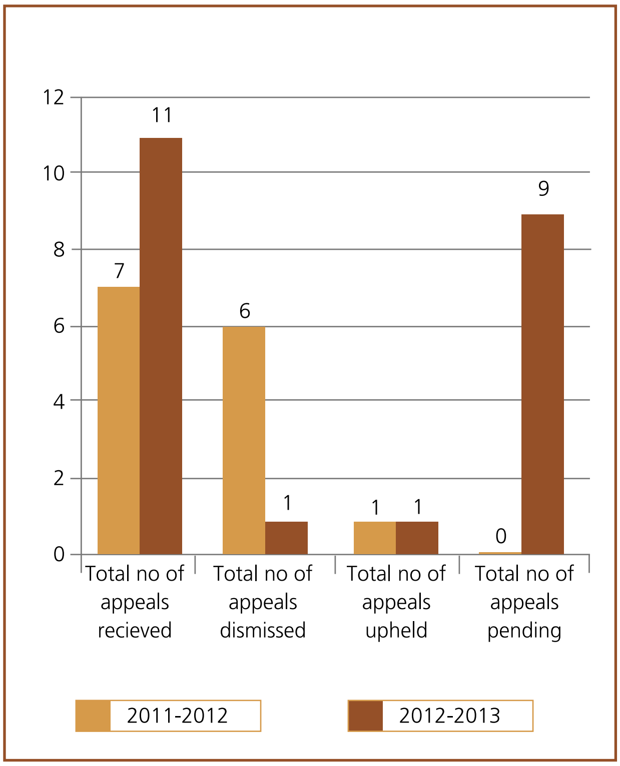


(b) Category 2 Appeals

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

In many of the appeals by non-South African citizens, there was not enough information that was provided by the applicant, which resulted in the appeal being refused or referred back for further information.

Graph 2.4: category 2 Appeals Received



(c) Category 3 Appeals

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

Appeals against decisions of the Tribunal in respect of improper conduct decreased from 7 to 6 in this financial year.

The Regulatory Subcommittee evaluated and confirmed the fines imposed by the Tribunal. All finalised matters where fines are being imposed are referred to the committee for consideration.

2.1.5 Applications for Exemption

A total of four applications for exemption were received by PSIRA of which three were granted and one case was dismissed. The exemption applications are reflected in table 2.2:

Table 2.2: Applications for Exemption

Applications for exemptions		
Total received	Dismissed	Granted
4	1	3

2.1.6 Regulatory Sub-Committee

The Director of the Authority established a Regulatory Sub-Committee, under the auspices of the Executive Committee to perform the following functions:

(a) Suspend the registration of security service providers;

(b) Uplift the suspension of registration of security service providers;

(c) Withdraw the registration of security service providers;

(d) Confirm, review and substitute the findings, penalties and other orders at improper conduct enquiries, and enforce suspended penalties at such enquiries;

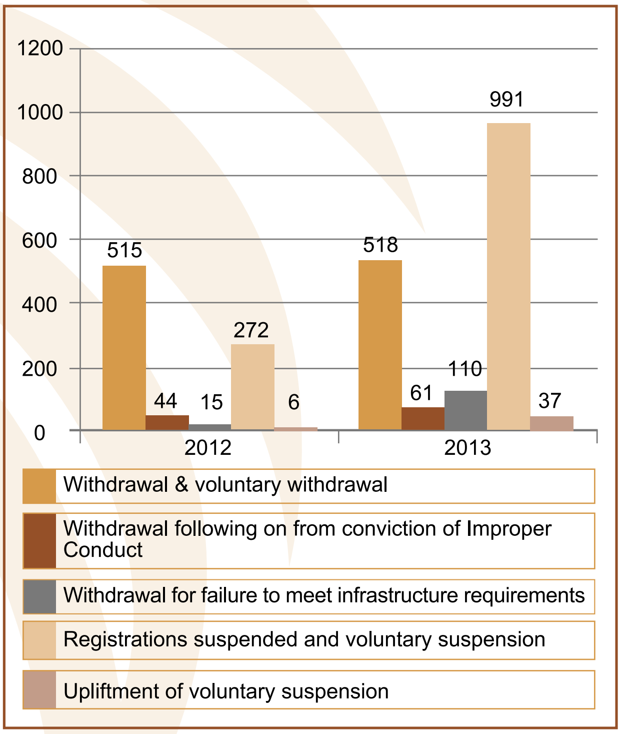
(e) Convict and impose a penalty on a security service provider who has indicated to the Director that the security service provider intends to plead guilty to a charge of improper conduct, or will not oppose the enforcement of a suspended penalty;

(f) Apply for a court order for a security service provider as contemplated in Section 27 of the PSIR Act; and

(g) Withdraw accreditation certificates of security service providers providing security training.

During the period under review, 22 Regulatory Sub-Committee meetings were held and the decisions taken are reflected in graph 2.5 and 2.6:

Graph 2.5: Security Business Registrations



Graph 2.6: Security Officer Registrations

2.1.7 Planning for the Future

Gaps have been identified in the legislation and amendments will be proposed to the Minister, particularly on sentences provided for in the Improper Conduct Enquiries Regulations, 2003.

3. Finance and Administration Division

3.1 Business and Information Technology

The Business and Information Technology unit is committed to continuous improvement and providing cutting-edge technology that fully supports and enhances service delivery in the various business units within PSIRA. A strong focus on business alignment and improvement of processes will continue to ensure the delivery of successful services and solutions. During the year under review the BIT unit delivered and supported information systems infrastructure and "off the shelf" products for seven regional offices from a single location in Gauteng.

3.1.1 IT Governance

To enable effective IT governance, PSIRA has established an IT Steering Committee, as a Sub-committee of Exco which works closely with the business to ensure that IT is aligned with the business needs and that services are reliable, resilient and responsive to the changes. IT governance is an important component of the overall management of IT at PSIRA and accordingly CobiT has been adopted as the IT governance framework.

3.1.2 Infrastructure and Service Management

During the period under review the network infrastructure achieved an average of 98% infrastructure availability. This is 3% above the set target of 95% for both the head office and regional offices. In addition, performance against internal service level agreements by both the service desk and technicians improved to an average time of less than 30 minutes, against the set objective/ target of four hours.

Business Information Systems

During the period under review, the Authority completed its Business Process Re-engineering which is Phase 1 of 3 to be completed in three years as per its strategic objective of 2012/13 financial year.

This resulted in an improved understanding of cross-cutting business processes and information systems requirements. Plans are underway to automate and integrate the re-engineered business processes into the businesses which will be Phase 2 of 3 during the 2013/14 financial year.

Phase 3 of 3 will be completed in the 2014/15 financial year and will form part of the implementation of the Integrated Enterprise Resource Planning /Customer Relation Management (CRM) system. In addition, the financial system will be significantly upgraded during this period.

4. Communication, Registration and Training Division

The Communication, Registration and Training Division is committed to continuously and effectively communicating with both internal and external stakeholders in order to foster positive and mutually beneficial stakeholder relations.

The Division is comprised of four departments, namely Communications, Events and Marketing, Customer Relationship Management and Training and ensures that both its internal and external stakeholders are kept abreast of new developments in the industry.

Through active and robust information dissemination the Division creates awareness and education on the role and mandate of PSIRA. It also ensures that all applicants complying with the requirements of registration are duly registered to provide security services.

Another key function is providing quality assurance of training which contributes to the high standards of services rendered by the security service providers. PSIRA strives to ensure effective and efficient processes and systems to provide excellent service delivery.

4.1 Customer Relations Management

The Registration Department receives and considers all applications for registrations as security service providers and ensures that all applicants comply with the requirements of registrations in terms of the PSIR Act 56 of 2001 and are registered to provide security services.

All individual and business applications received are processed and considered for registrations within 30 days as per the target set in the 2012/13 strategic plan. A total of 100 009 individual applications were received during the year under review, compared to 80315 applications received during the previous financial year. This reflects an increase of 24.53%.

The Registration Sub-Committee process individual and business applications that meet the minimum requirements for registrations.

Currently PSIRA has 1 953 605 registered security officers on its database, comprising of 1 400 243 male and 553 452 female security officers. There are also 9 031 registered security businesses on the database.

This report will outline all the activities which took place within Registrations division for the 2012/2013 financial year and also make comparison with previous financial years.

4.2 Registration Sub-committee

The Registration Sub-Committee is responsible for:

- The consideration for registration of security service providers of security businesses that met all the registrations requirements.
- The consideration of individual application for registrations with no criminal record.
- The consideration of individual application for registrations who have admitted to a criminal record.
- The consideration of individual registration who do not meet the registrations requirements.
- The rejection of business applications that failed to meet the infrastructural requirements.

During the period under review, Sub-Committee meetings were held and the decisions taken are reflected in table 4.1:

Table 4.1: Decisions taken

Business applications		Individual applications		Non SA citizens	
Registered	Rejected	Registered	Rejected	Registered	Rejected
871	31	78 953	3 343	130	12

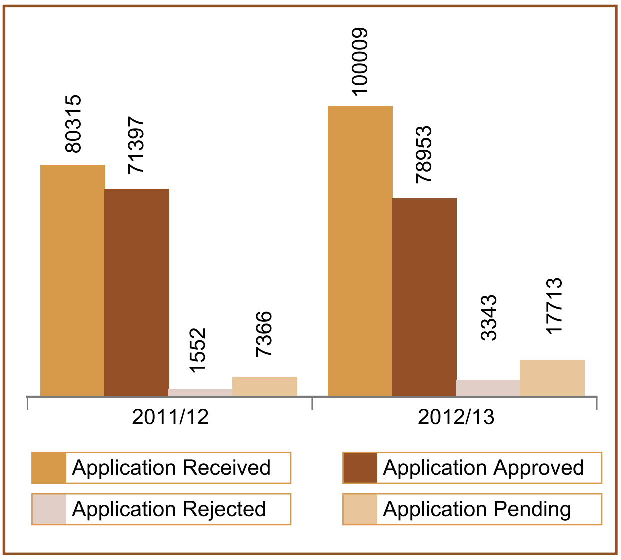
4.2.1 Individual Applications

Statistical comparison of Individual applications received, registered, rejected and not finalised during the 2011/12 and 2012/13 financial years. Are reflected in graph 4.1:

Table 4.2: Individual applications processed

Individual Applica-tions	Received	Approved	Rejected	Pending
2011/12	80 315	71 397	1 552	7 366
2012/13	100 009	78 953	3 343	17 713

Graph 4.1: Individual Applications Processed



During the 2012/13 financial year, PSIRA received 100 009 individual applications for registrations, of which 78 953 individual applications were registered, 3 343 applications were rejected and 17 713 individual applications were not finalised and will be carried over to the next financial year.

The carry over is due to new application towards end of financial year , applications still waiting for adjudication by the registrations subcommittee, applications with outstanding information and those that have criminal records pending and need to provide the authority with the results of their criminal cases.

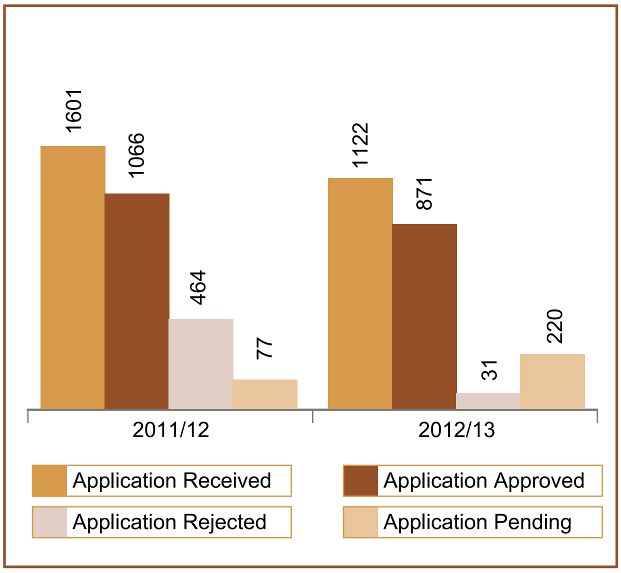
4.2.2.Business Applications

Statistical comparison of business applications received, registered, rejected and not finalised / pending during the 2011/12 and 2012/13 financial year.

Table 4.3: Business applications received during 2012/13

Business Applica-tions	Received	Approved	Rejected	Pending
2011/12	1 601	1 066	464	77
2012/13	1 122	871	31	220

Graph 4.1: Business Applications Processed



PSIRA received 1 122 business applications for registrations during the period under review, of which 871 business applications were registered, 31 applications were rejected and 220 business applications were not finalised and will be carried over to the next financial year.

The carry over is as a result of the new business applications, applications still awaiting adjudication by the registrations subcommittee and those that still required further information.

The Authority had 9 031 businesses registered on its database during the 2012/2013 financial year, as compared to 9 364 in the previous financial year. This reflected a decline of 3.56%.

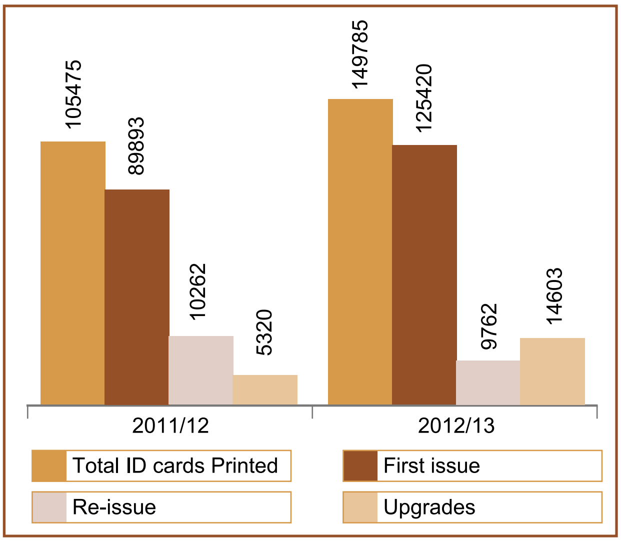
4.3 ID cards issued

Statistical comparison of ID cards issued during the 2011/ 2012 and ID cards issued during the 2012/ 2013.

Tabe 4.4 ID Cards issued

ID cards issued	Total	First issue	Re-issue	Upgrades
2011/12	105 475	89 893	10 262	5 320
2012/13	149 785	125 420	9 762	14 603

Graph 4.3: ID cards issued



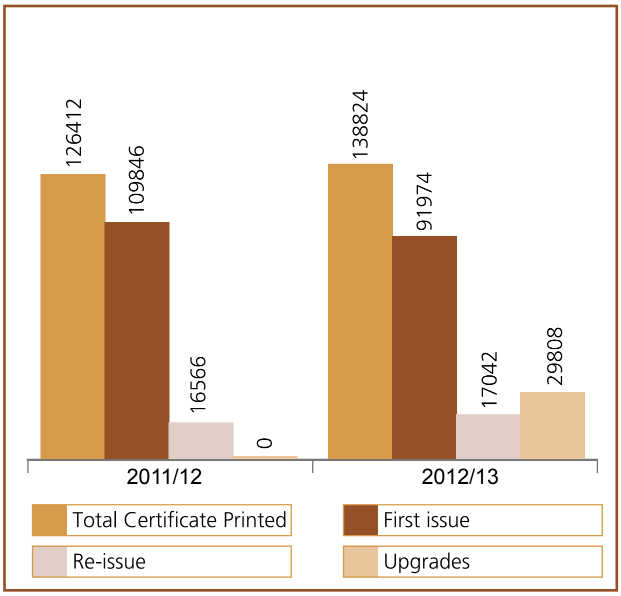
4.4 Certificated issued

Statistical comparison of individual certificates issued during the 2011/12 and 2012/13 financial years:

Table 4.5: Certificates issued

Certif-icates issued	Total	First issue	Re-issue	Upgrades
2011/12	12 6412	109 846	16 566	
2012/13	138 824	91 974	17 042	29 808

Graph 4.4: Certificates issued



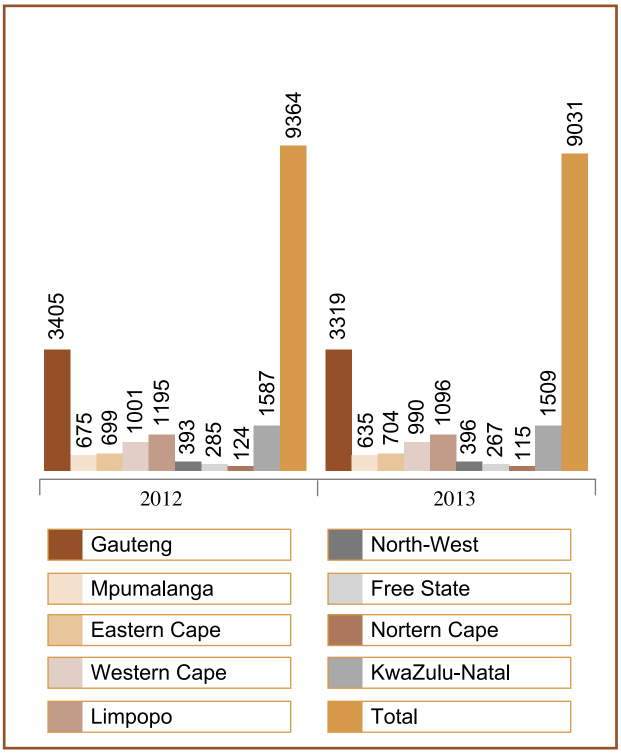
Communication, Registration and Training Division (continues)

Comparative breakdown by Province of all registered security businesses for 2011/12 and 2012/13 financial years:

Table 4.6 Registered security businesses

PROVINCES	NUMBER OF ACTIVE REGISTERED BUSINESSES	
	2012	2013
Gauteng	3 405	3 319
Mpumalanga	675	635
Eastern Cape	699	704
Western Cape	1 001	990
Limpopo	1 195	1 096
North-West	393	396
Free State	285	267
Northern Cape	124	115
KwaZulu-Natal	1 587	1 509
TOTAL	**9 364**	**9 031**

Graph 4.5: Registered businesses per province



Registration information pertaining to the number of businesses registered nationally for the different categories or classes of security service providers:

Table 4.7: Business per service category

Category of security service	No. of businesses
1. Security guards (Ind & comms)	6 370
2. Security guards – Cash-in- Transit	2 061
3. Body Guarding (CPO)	2 521
4. Security consultant	2 409
5. Reaction Services	2 740
6. Entertainment / venue Control	2 769
7. Manufacture Security Equipment	949
8. Private Investigator	1 671
9. Training	1 965
10.Security Equipment Installer	1 988
11.Locksmith / Key Cutter	668
12.Security Control Room	2 330
13.Special Events	2 929
14.Car Watch	1 848
15.Insurance	132
16.Security and Loss Control	117
17.Fire Prevention and Detection	66
18.Consulting Engineer	29
19.Dog Training	9
20.Alarm Installers	49
21.Anti Poaching	5
23.Rendering of security service	2 205

Registration Statistics comparison between 2011/12 and 2012/13 financial years:

Table 4.8: Registeration analysis 2011/13

	2011/12	2012/13
Registered active security businesses	9 364	9 031
Registered active guarding businesses	6 820	6 407
Registered active cash-in-transit businesses	2 367	2 079
Registered active armed response businesses	2 982	2 759
Registered Active (employed) security officers	427 174	445 407
All registered (active and inactive)security officers	1 678 027	1 953 605

These statistics reflect a decline in the numbers of registered security businesses and an increase in the numbers of registered security officers.

The total number of registered security businesses decreased by 3.6%, armed response business numbers decreased by 7.48%, active cash-in-transit business numbers decreased by 12.17% and active guarding business numbers decreased by 6.06%.

In terms of the Private Security Industry Regulation Act, 56 of 2001, any person may be registered as a security service provider if the applicant is fit and proper to render a security service and has complied with the prescribed training requirements. The enforcement of minimum training standards is important in regulating the private security industry and thus promotes the status of the occupation, protects the public interest and satisfies client expectations of quality service.

4.5 Training sub-committee

In terms of the PSIR Act, privately owned training centers and instructors wishing to train security officers must apply to PSIRA for accreditation and meet the minimum statutory requirements. In terms of the Training Regulation, an accredited training centre must on completion of any course forward to PSIRA a course report on the prescribed form. If PSIRA is satisfied that all the requirements have been met, it will issue a certificate to the officer.

4.5.1 Objectives of the Training Department

During the period under review PSIRA processed course reports within four days of receipt against its target of a minimum of five days. It also ensured the appropriate training programmes for all classes or categories of security service providers.

The Safety and Security Sector Education and Training Authority (SASSETA), as a South African Qualifications Authority (SAQA) accredited Education, Training and Quality Assurance Body (ETQA), quality assures all education and training in the security industry for qualifications registered on the National Qualifications Framework (NQF).

PSIRA compiled and reviewed the new proposed training standards (skills programmes) based on, *inter alia*, the following SAQA registered qualifications:

(NC – National Certificate / FETC – Further Education and Training Certificate)

NC : General Security Practices (Level 3)

FETC : Specialist Security Practices (Level 4)

FETC : Use of Firearms (Level 4)

FETC : Firearm Training (Level 4)

FETC : Dog Handling (Level 4)

NC : Locksmithing (Level 3)

NC : Close Protection (Level 5)

FETC : Electronic Security Installation Practices (Level 4)

FETC : Generic Management (Level 4)

NC : Resolving of Crime (Level 5)

NC : Policing (Level 5)

Communication and Training Department (continues)

The skills programmes include training standards for the following categories or classes of security service providers:

- Guarding Sector (Grades E-A)
- Generic Management and Management for all the particular categories or classes of security service providers
- Consultants / Advisors
- Reaction Officers
- Assets in Transit
- Retail Security
- Special Events
- Close Protection
- Electronic security which includes CCTV, Alarm Systems, Access Control, Fire Detection, X-Ray Inspection, Metal Detection, Bomb Detection, Monitoring/Interception Devices and Satellite Tracking
- Locksmith and Safe Technicians
- Private Investigators
- Dog Handlers
- Training Instructor / Facilitator
- National Key Point Officers

The above skills programmes are accepted as an alternative to the PSIRA courses as contemplated in the Training of Security Officer Regulations, 1992.

4.5.2 Key Focus Areas for 2012/13

A total of 464 training centres were accredited with PSIRA to present the curriculum set out in the Training of Security Officers Regulations, 1992. This is reflected in table 4.9 by region:

Table 4.9: Training centres

REGION	NUMBER OF TRAINING CENTRES
Gauteng	173
Mpumalanga	28
Limpopo	54
North West Province	21
Free State	17
Northern Cape	6
Western Cape	48
Eastern Cape	30
Kwa-Zulu Natal	87
TOTAL	464

In view of the proposed change from PSIRA accredited courses to skills programmes based on qualifications registered on the NQF, PSIRA placed a moratorium on the acceptance of any new applications for accreditations to present its courses. As a result, the Authority did not accept or process any new applications for accreditation during the period under review.

4.5.3 Course Reports processed

Course Reports processed are reflected in the table below:

Table 4.10: Course reports

Course reports	Number of course reports
Course reports on hand as at end March 2012	8 768
Course reports received during 2012/13 financial year	364 015
Course reports processed during 2012/13 financial year	369 077
Course reports returned during 2012/13 financial year	2 003
Course reports carried over to April 2013	1 703

4.5.4 PSIRA and the Safety and Security Education and Training Authority (SASSETA)

Issues discussed during meetings with SASSETA in 2012 included an expired MoU, the registration of assessors/moderators and the cost of registration with PSIRA.

During a workshop with SASSETA and SAQA in September 2012, the following issues were discussed:

- Professional body registration
- SASSETA's quality assurance function
- The expired MoU agreement
- Draft regulations
- Registration of assessors/moderators and costs of registration with PSIRA
- Recognition of Prior Learning (RPL)
- Registration of FET colleges.

It was agreed that a joint communiqué be issued on RPL and assessor/moderator registration and a draft MoU was also compiled and is still under discussion.

4.5.5 Training Sub - Committee

The Training Sub-Committee is a Sub-Committee of the Executive Committee and is responsible *for* the following functions:

(a) Develop policy on the promotion of high standards in the training of security service providers and prospective security service providers based on the principles of the National Qualification Framework as contemplated in the National Qualifications Framework Act and Skills Development Amendment Act.

(b) Liaison with SAQA, SASSETA and the Quality Council for Trades and Occupations in respect of the development of qualifications within the private security industry.

(c) Liaison with SAQA, SASSETA and the Quality Council for Trades and Occupations on the Education and Training Quality Assurance functions in respect of the security related qualifications registered on the NQF and advising the Executive Committee on the registration/delegation as an ETQA Body.

(d) Ensure the registration of the Authority as a Professional Body as contemplated in the National Qualifications Framework Act.

(e) Draft, review and update the proposed skills programmes for all the categories or classes of security service providers.

(f) Review draft training regulations in line with the policy on the promotion of high standards in the training of security service providers.

(g) Advise the Executive Committee on all aspects relating to the proposed implementation of the new training regulations, including the proposed promulgation of the regulations.

(h) General communication and consultation with stakeholders on progress in the promulgation of the draft training regulations in conjunction with the Communication Department.

(i) Consideration of recognition of prior learning applications.

(j) Consideration of instructor applications.

During the period under review, seven Training Sub-Committee meetings were held and the decisions taken with regards to Instructor applications and Recognition of Prior Learning applications are reflected in table 3.11:

Communication and Training Department (continues)

Table 4.11: Training sub-committee decisions

INSTRUCTOR APPLICATIONS				RECOGNITION OF PRIOR LEARNING			
Total received	Approved	Rejected	Additional information requested	Total received	Approved	Rejected	Additional information requested
94	74	10	10	50	44	4	2

4.5.6 Planning for the Future

PSIRA will continue to play a role in the setting of standards in relation to the training of security service providers, even though the NQF Act provides for the NQF standards setting and quality assurance function. The Act recognises PSIRA's role in this area in that the definition of a "security service" expressly includes the activities of someone who provides training or instruction in relation to a security service.

Serious malpractices in the security training industry have also highlighted the need for a comprehensive and improved regulatory control by PSIRA. Trainers or instructors of security service providers are considered to render a security service and as such are bound by the statutory Code of Conduct.

The training of security officers is dealt with in relation to supporting the principles of professionalism in the security industry and in controlling the occupation of security service providers.

PSIRA will soon finalise its policy for new training standards based on the NQF qualification, which will pave the way for the regulations.

4.6 Communication and Stakeholder Relations

4.6.1 Communication

Communication, stakeholder engagements, marketing and events

In the year under review, several channels were explored to communicate effectively with stakeholders through the media. These included interviews on the role of PSIRA and the placing of notices in the print media.

The year saw an increase in positive media coverage, particularly on operations by the Law Enforcement Division to clamp down on non-compliance. Highlights included the operations conducted in KwaZulu-Natal on car guards, the Limpopo operation at the Medupi Power Station and the Eastern Cape operation in Queenstown. To support CRM on the 30-day turnaround on registration, the Communications Unit sent progress reports to customers via sms. In addition, in line with the Regulatory Subcommittee's mandate, the unit commenced with the publishing of the names of non-complying businesses that were withdrawn and suspended.

4.6.2 Stakeholder relationships

PSIRA recognises the value of regular engagement with stakeholders who affect or are affected by PSIRA business unit operations. Engagement is based on the principles of openness, accountability and fairness and aims to increase transparency, build trust, stimulate dialogue and ensure that stakeholders' interests and expectations are taken into account.

Discussions and engagement are ongoing with key government departments, namely DoL, DHA, SAPS and the State Security Agency to address areas of concern.

The year's highlight was the establishment of PCIFs in four provinces, in line with the strategic objective of ensuring effective communication with key stakeholders. These Forums will enable PSIRA to manage diverse compliance issues in the provinces, while strengthening relationships with targeted stakeholders.

Communication and Training Department (continues)

Table 4.11: Established PCIFs and Participating Stakeholders

Gauteng	KwaZulu-Natal	Western Cape	Eastern Cape
• Locksmith Association of South Africa • South African Intruder Detection Services • Security Industry Association • South African National Security Employers Association • Security Services Employers Organisation • South African Private Security Workers Union • South African National Security and Allied Workers Forum • South African Police Services (Government Security Regulator) • South African Transport and Allied Workers Union • Private Security Sector Provident Fund • Security Services Employers Organisation • South African Private Security Workers Union • Transport and Allied Workers Union	• Durban Chamber of Commerce and Industry • DoL • State Security Agency • Security Services Employers Organisation • National Security Workers Union • SAPS • Security Association of Southern Africa • National Firearms Education and Training Institute • United Security Service Providers Association • Black Management Forum • South African Transport and Allied Workers Union • NASUWU • NAFCOC	• Private Security Sector Provident Fund • Department of Community Safety • Department of Community Safety • Security Association of Southern Africa • Helderberg Security Association • Democratic Union of Security Workers • Department of Labour • South African Police Services • Abcor Law • Security Services Employers Organisation • Security Association of Southern Africa • South African Transport and Allied Workers Union	• Department of Community Safety • Private Security Sector Provident Fund • Security Service Employers Organisation • Department of Community Safety • State Security Agency • South African Transport and Allied Workers Union • NAFCOC • South African Transport and Allied Workers Union • DoL

Communication and Training Department (continues)

In June 2012, the unit hosted the Director's stakeholder breakfast which was attended by trade unions representing approximately 450 000 industry employees. This platform enabled PSIRA to understand the challenges and the expectations of security officers and communicate matters relevant to industry employees and advise the unions on lodging of complaints.

The breakfast was attended by representatives from the:

- United Private Sector Workers Union
- Kungwini Amalgamated Workers UnionSouth African Private Security Workers Union
- Abanqobi Workers Union
- Congress of South African Private Security
- National Democratic Change and Allied Workers Union
- Transport and Allied Workers UnionSouth African Transport and Allied Workers Union
- Professional Allied Transport Workers Union
- United Association of South Africa
- South African National Security and Allied Workers Forum
- Private Security Sector Provident Fund.

Additional meetings were held with:

- The Security Officers Liaison Forum (Gauteng North and Gauteng South) on invitation from the SAPS. In both regional meetings, presentations were given by PSIRA;
- The Government Sector Security Council. Two meetings were held and a presentation was made on government sector compliance with the PSIR at one of the meetings.
- SAPS to establish a national consultative forum and enter into a MoU.
- The National Joint Operational Centre (Natjoc) and the Provincial Joint Operational Centre (Provjoc) planning committees in preparation for the AFCON Cup. PSIRA submitted its operational plan for the event.Provincial DoL offices to introduce a process for referring complaints/information to the Department.
- The Free State Province Security Officers Liaison Forum, where a presentation was given on the role of PSIRA.
- The Sasseta and the National Council of Societies for the Prevention of Cruelty to Animals (NSPCA) on the requirements of the PSIRA Act and cooperation on the use of dogs in the private security industry;
- The Private Security Sector Provident Fund attended by representatives of all PSIRA offices with their stakeholders.
- The SAQA on the possible registration of PSIRA as a professional body in terms of the NQF Act.
- The quarterly Private Security Service Providers meeting at the invitation of the Mpumalanga provincial government (Department of Community Safety, Security and Liaison), during which a presentation was given on industry compliance.
- The Ministerial task team on safety and security in public health facilities (several meetings). PSIRA also assisted in verifying compliance with the DoH in North West.
- The DoL in Kimberley to strengthen the ongoing work relationship to address exploitation of labour in the Northern Cape. Future joint operations involving DoL and other stakeholders were discussed.

PSIRA will continue to enhance existing stakeholder engagements in line with its strategic goals and the King III Report on stakeholder engagement, and will explore new opportunities to communicate educational messages and to strengthen relationships with stakeholders, including the media. In the new financial year, PSIRA will extend the PICF programme to Limpopo, Mpumalanga, Free State, North West and the Northern Cape.

Marketing and Event

Support for communities, underprivileged schools and charity organisations continue to heighten the PSIRA brand and stimulate discussion and awareness of PSIRA. In July 2012, the organisation participated in the Discovery 702 Walk the Talk, which is a wellness initiative that encourages healthy living and provides a platform for government and corporates to support charities such as the South African Veterinary Association, Adopt-a-School Foundation, Bontlebame Projects, Casa Do Sol Strollers, Girl Guide South Africa, Student Sponsorship Programme, Iskcon, Grandmark Walking for Meadowlands, Avalon Association for the physically disabled, Impilo Child Protection and Adoption Servicer, Sunshine Centre Association, Sandton SPCA, Africa Tikkun, Road to Education for Refugees and Asylum seekers, Sparrow Schools Education Trust, Lawyers for Human Rights, Statelessness Project, Wits Paediatric Fund, Huntington's Association of South Africa and the Transitions Foundation.

PSIRA also supported the Cansa Shavathon project, which is an initiative of the Cancer Association of South Africa (CANSA). At this event employees were encouraged to colour their hair and make donations to CANSA.

As a responsible corporate citizen, PSIRA has identified several CSI projects to support during the 2013/14 financial year and will continue to participate in the Discovery 702 Walk the Talk and the Cancer Shavathon projects.

Marketing

PSIRA will launch its new Corporate Identity (CI) during the new financial year and will participate in trade exhibitions to increase exposure of PSIRA brand and services.

Internal communication

Internal communication is important to PSIRA and the organisation has created several platforms to share information with internal employees. With its improved BIT, employees receive regular updates on changes in the organisation and external activities that may influence performance. Internal communication processes and platforms are now more interactive and informative, and are accessible to all staff.

Events

In line with the PSIRA strategic objective of 'Effective organisational structures with skilled, competent and motivated workforce', internal stakeholders are exposed to events that are educational, motivational and encourage a healthy lifestyle.

During the year, several events were organised as part of the Employee Wellness Programme. On Women's Day, female employees were encouraged to take care of their bodies through presentations on illness and prevention by the various health professionals from various Institutions. Valentine's Day and Spring Day were also celebrated with employees and the annual candlelight memorial for HIV/Aids was commemorated with the Human Capital Division and the Metropolitan Wellness Division. These days will be celebrated again in 2013/14, with the addition of Men's Day that will focus on men's health issues.

5.Research and Development

The primary objectives of PSIRA are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the interest of the public, the country and the private security industry itself. To realise these objectives, PSIRA established a Research and Development Unit, in September 2012 that reports directly to the Director and is responsible for undertaking cutting-edge research and generating relevant knowledge to equip PSIRA to fulfill its mandate.

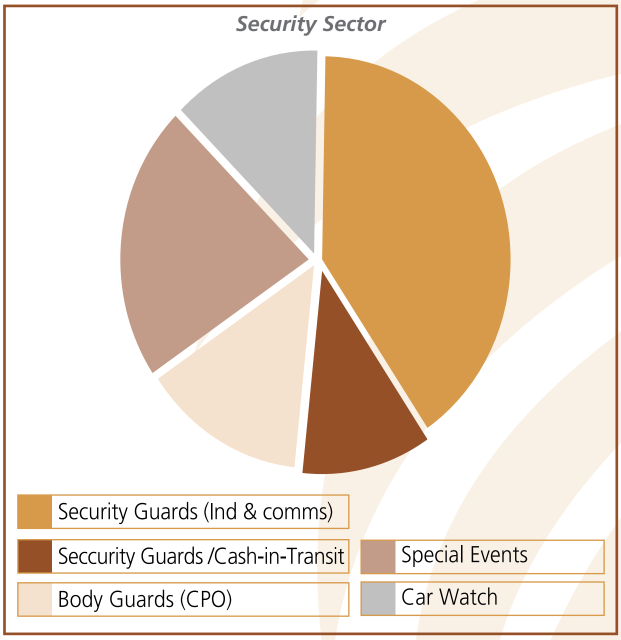
This Unit will undertake relevant and innovative research in the private security industry, in line with the PSIRA's Strategic Plan, focusing on Priority 1 which is on the Industry Stewardship (Knowledge and Advocacy). The research knowledge generated within this Unit will assist in solving existing problems and concerns that have inhibited the effective regulation of the private security industry. Empowered with this information PSIRA personnel can begin to respond to the industry needs and challenges and be recognised as "industry experts".

5.1 Priority Research Topics

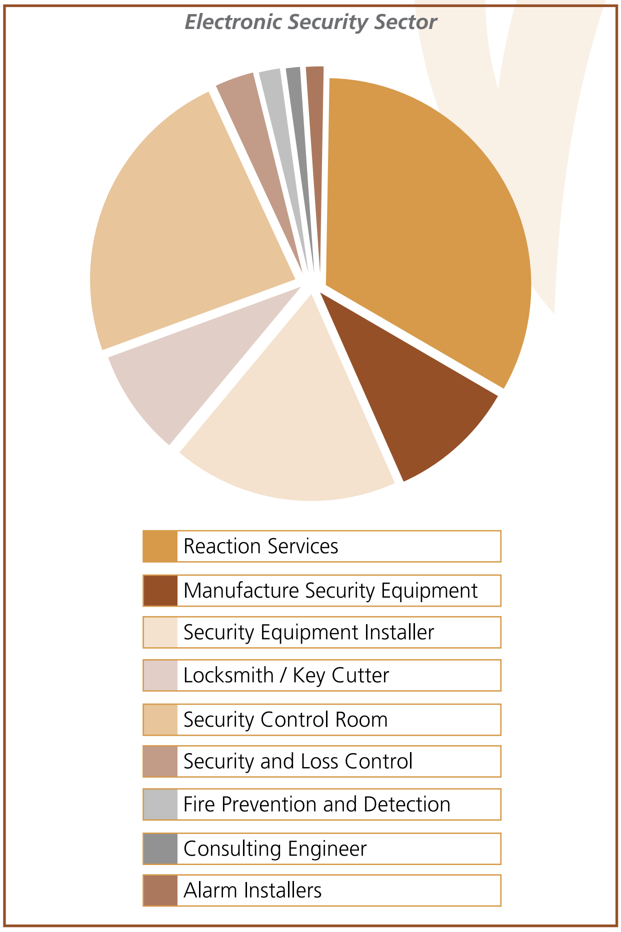
During the year, PSIRA identified two priority research areas for research, namely, the guarding and the electronic security sector and these will be completed during the 2013/14 financial year.

As detailed by Section 1 of the PSIR Act, 2001, 'security service' includes a guarding service, which includes static guarding, car guards, in-house guarding, and installing, servicing or repairing security equipment. Thus this research project will enable PSIRA to have an improved understanding of these areas in order to effectively regulate them and to recommend further improvements to the current regulatory framework.

Graph 5.1: Distribution of guarding businesses



Graph 5.2: Distribution of electronic security businesses



Within the guarding sector, the businesses that offer security guarding form the majority in the sector and those that offer car watch services form the minority.

In the electronic security, the businesses that offer reaction services form the majority in the sector and those that offer services relating to consulting engineering are in the minority.

The research on these priority topics will assist in explaining trends in these sectors and assist PSIRA in ensuring that these sectors are regulated effectively.

5.2 Promoting Partnerships for Crime Prevention between the State and the Private Security Industry

The private security industry is part of the broader security sector, providing security services to those who can afford to pay whilst also assisting in crime prevention. This sector complements the role of the police in detecting and combating crime. PSIRA concurs with the South African Green Paper on policing (presented to Cabinet in May 2013) that, while it is true that private security does and can fill certain vacuums, it can never replace the public police." PSIRA believes that there is a need to include the private security industry in crime prevention partnerships.

The South African Green Paper on Policing highlights the fact that despite the issue of partnerships between private security and public policing agencies being debated internationally since the late 1980s, there is no clear blue print regarding the proper regulation of such partnerships. The Paper also notes that in South Africa there has been sporadic partnerships since the 1990s between police and private security providers, "there has been little documentation and review of these partnerships and their benefits and pitfalls." The Green Paper states that what is required is the development of clear guidelines, based on research conducted that will guide relations between the police and private security service providers and this will ensure that such relations are not left out to individual relations that may exist between certain police official(s) and security service providers."

To this end, PSIRA is undertaking research on *Promoting Crime Prevention Partnerships Between the State and Private Security Providers in Southern Africa,* which is funded by the International Development Research Centre (IDRC), a Canadian Crown Corporation established in 1970. The research project will be executed over three years, that is, between November 2012 and October 2015. The IDRC was established in 1970 by Canada's Parliament and according to the *IDRC Act,* "[t]he objects of the Centre are to initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions." This initiative is in line with the IDRC's Governance, Security, and Justice (GSJ) programme, whose goal is to support the creation of policy-relevant knowledge.

The research which is comparative in nature, aims to explore crime prevention partnerships between the state and the private security sector in selected Southern African countries (Botswana, Namibia, Swaziland and South Africa) with a view to influencing policy-processes that are aimed at improving crime prevention initiatives. The comparative research project will reveal developments in the private security sector in other countries; also share good and best practices in crime prevention partnerships.

Private Security Industry Regulatory Authority

Annual Report 2012/13

Part B

1. Corporate Governance

Corporate governance requires the Council to ensure that the entity is run ethically and in this regard PSIRA Council regards corporate governance as an essential tool that forms the basis of an organisation that is governed effectively and within the prescripts of relevant legislative and regulatory frameworks.

PSIRA is listed as a public entity in Schedule 3A of the Public Finance Management Act. As a public entity, PSIRA adheres to the statutory duties and responsibilities imposed by the Public Finance Management Act 1999.

1.1 Portfolio Committees

The Council tabled its strategic and annual performance plans as well as the annual report before the Portfolio Committee for Police.

The Minister also made a presentation on the Private Security Regulatory Authority (PSIRA) amendment Bill at the Portfolio Committee for Police in November 2012. Recommendations were made and this process is on-going.

1.2 Executive Authority

The Minister of Police is the Executive Authority for PSIRA. The Council is accountable to the Minister for the performance of its functions and submits quarterly reports to the Minister on compliance with regards to the Public Finance Management Act, 1999 and its Regulations.

1.3 The Accounting Authority / The Council

Section 6 of the Private Security Industry Regulation Act, 2001 (Act No.56 of 2001), provides that PSIRA will be governed and controlled by the Council that has been appointed by the Minister in consultation with the Cabinet.

The Act prescribes that the Council should consist of a Chairperson, a Vice-Chairperson and three additional Councilors.

The Council delegates the management of the day-to-day operations of PSIRA to the Director that is appointed in terms of the Act. The Director is assisted by the Executive Management Committee (Exco) as well as the Exco Sub- Committees.

The Council established the following sub-committees to perform some of its functions:

- Audit and Risk Committee;
- Stakeholder and Core Business Committee; and the
- Remuneration and Human Capital Committee.

Decisions of the Council and the Executive Management are based on the following ethical values of the King III Report on Corporate Governance:

- Responsibility: The Council is responsible for assets and ensuring that the entity follows its strategic plan.
- Accountability: The Council is accountable to the Minister of Police and other stakeholders.
- Fairness: The Council takes account the interests of all stakeholders when making its decisions.
- Transparency: The Council makes disclosure of all matters, in a clear and understandable manner.

Table 1.1: Council Profiles and Meeting Attendance

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Experties	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Mr Thula Bopela	Chairperson	01.01.2010		• Master of Arts, Marketing • Master of Arts, Development Studies • Bachelor of Arts, Sociology/ Anthropology	• Security • Intelligence • Governance	N/A	N/A	5
Ms Zelda Holtzman	Deputy Chaiperson	01.01.2010	31.05.2013	BAdmin, Honours	• Policing • Institutional Capacity Building • Governance • Corporate Services	N/A	N/A	3
Lt Gen. Anwar Dramat	Council Member	01.01.2010	30.06.2013	N/A	• Policing • Intelligence • Governance	N/A	N/A	4

1.4 Compliance with Laws and Regulations

PSIRA's legislative foundation is the PSIR Act No. 56 of 2001 and the Public Finance Management Act No.1 of 1999 (PFMA) and National Treasury Regulations. Policies have been put in place to ensure that there is compliance with all the relevant legislation. The entity is further guided by the principles embodied in the Kind III Report on Corporate Governance.

1.5 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 of 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 process, 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.

1.6 Remuneration and Human Capital Committee

Objective

- Consider and approve policies relating to human resources.
- Oversee the effective and continued implementation performance management practices and policies.
- Overseas and ensure that performance management is linked to job outputs.
- Acts as a performance assessment and moderating body
- Overseas 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.

1.7 Audit Committee

The committee compromises 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 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 management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Institute and oversee special investigations as needed.

Four 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 report.

1.8 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.

1.9 Internal Audit

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

Other activities:

- Reporting significant issues, including potential improvements, relating to risk and control processes,
- Providing information in 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, record, records, property and personnel.

2. Forensic and Ethics

2.1 Performance by the Forensic and Ethics Unit

The Forensic and Ethics Unit (FEU) conducted investigations into allegations of misconduct by the employees of PSIRA, as well as matters relating to suspicions of fraudulent activities by the security service providers and matters that were reported in the media bearing a potential risk to the Authority.

2.2 Fraudulent Activities by Security Service Providers.

The FEU has a responsibility to monitor and evaluate the level of compliance to the Code of Conduct of Security Service Providers and the PSIR Act No. 56 of 2001.

The PSIRA Act requires security service providers to comply with the Act in practice. In areas of low levels of compliance, criminal charges and disciplinary hearing are instituted against non-compliant service providers.

A fraud hotline was established to encourage members of the public and internal staff to report suspicions of fraudulent activities by security service providers to PSIRA, as well as allegations of misconduct by employees of the Authority. Investigations were initiated based on tip-offs via the fraud hotline which led to disciplinary hearings against employees and security service providers in terms of the Code of Conduct, 2003. The most common issues relating to fraudulent activities by security service providers include:

- Tendering fraudulent certificates of registration to obtain employment within the industry.
- Rendering security services whilst not registered with the Authority.
- Submitting fraudulent course reports to the Authority.

The common issues relating to misconduct by the employees of the Authority include:

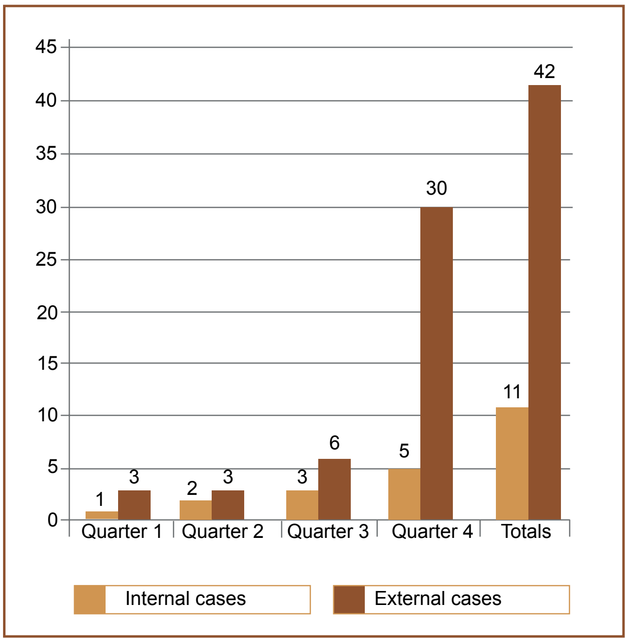
- Fraud
- Corruption
- Conflict of interest
- Contravening Code of Conduct of staff/ inspectors, 2003
- Theft.

2.3 General Cases of Fraud, Corruption and Misconduct

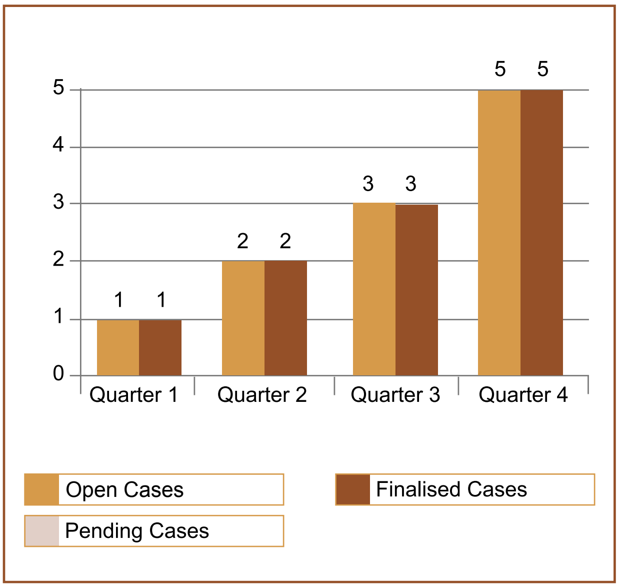
There were successes in the management of cases of fraudulent activities, industry corruption and unethical behavior reported through the KPMG fraud hotline. The FEU investigated reports and complaints reported through the helpdesk and via the hotline, internally and instituted disciplinary hearings. Sanctions issued were communicated to other staff members through emails.

Graph 2.1 illustrate the number of investigations conducted in the financial year ending 31 March 2013.

Graph 2.1: Total cases reported

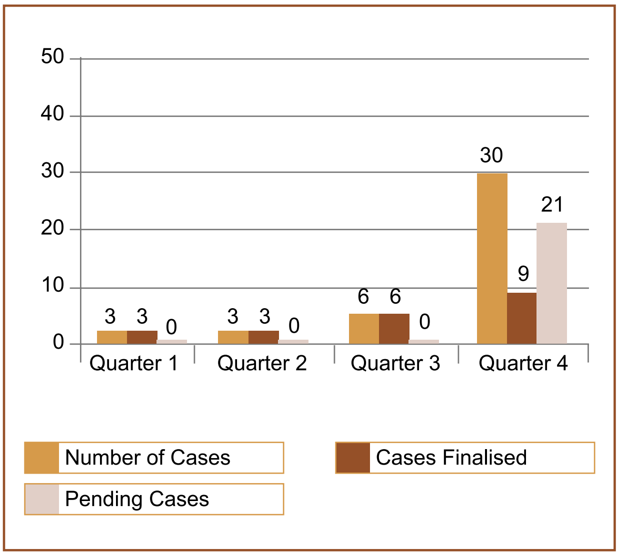


Graph 2.2: Internal cases investigated



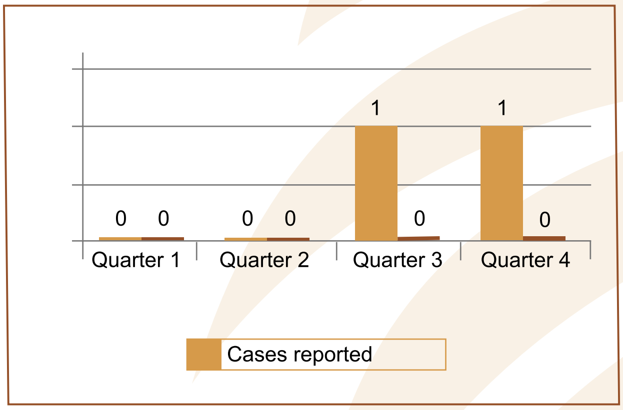
There were 11 cases opened against staff members. All cases have been finalized. One employee was dismissed, three others issued with written warnings, no illicit acts were identified against five employees and two employees have hearings that are pending.

Graph 2.3: External cases investigated



There were 42 cases opened of which 21 cases were finalised. The remaining 21 cases are pending and will be further investigated in the 2013/2014 financial year.

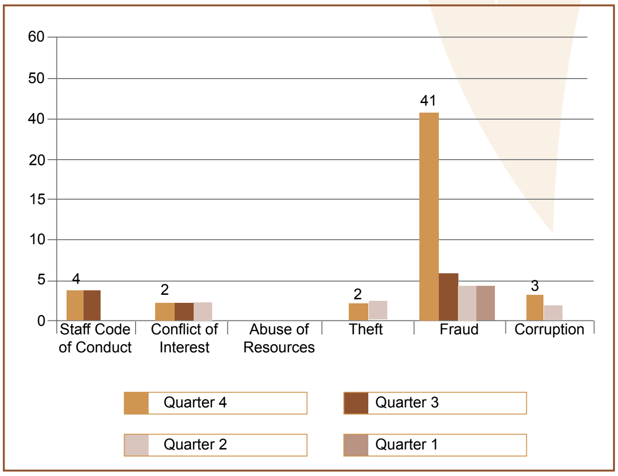
Graph 2.4: KPMG Hotline reports



The graph above indicates a sharp decline in cases reported during this year. The decline is due to the restriction of the hotline reports to corruption by staff members only. One case reported is industry related, the other is an allegation of corruption against employee of the Authority. Both cases have been attended to and finalised.

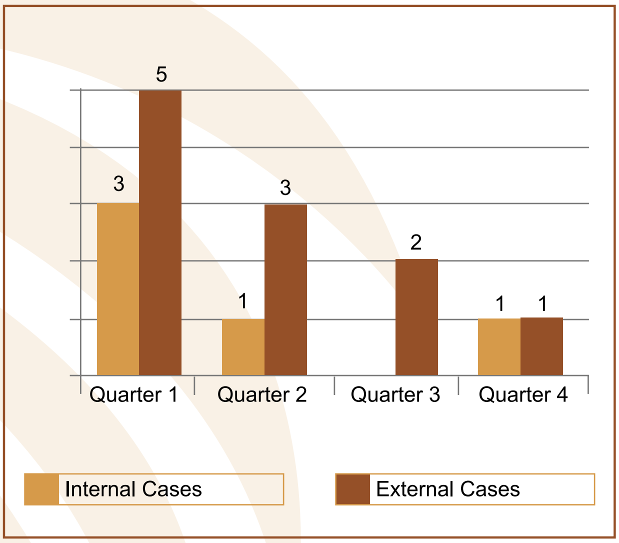
2.3.1 Types of cases

Graph 2.5: Types of Cases



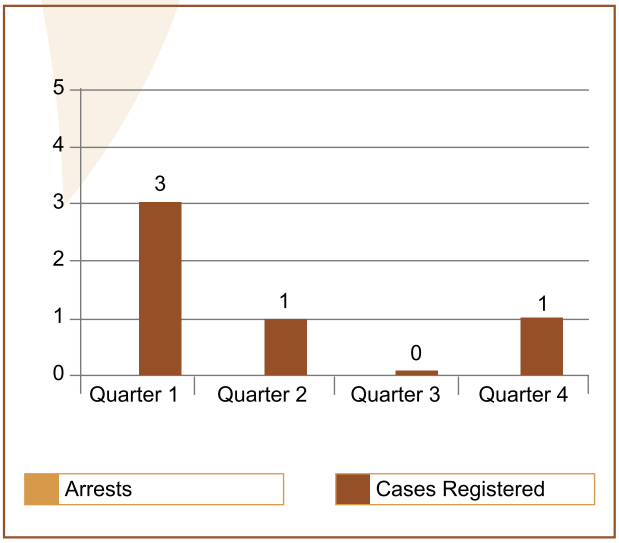
Graph 2.5 highlights that 53 cases were reported during 2012/2013 financial year, of which 41 cases were fraud related, two cases of conflict of interest, four code of conduct cases, three corruption cases and two cases of theft.

Graph 2.6: Criminal cases registered (employees and service providers)



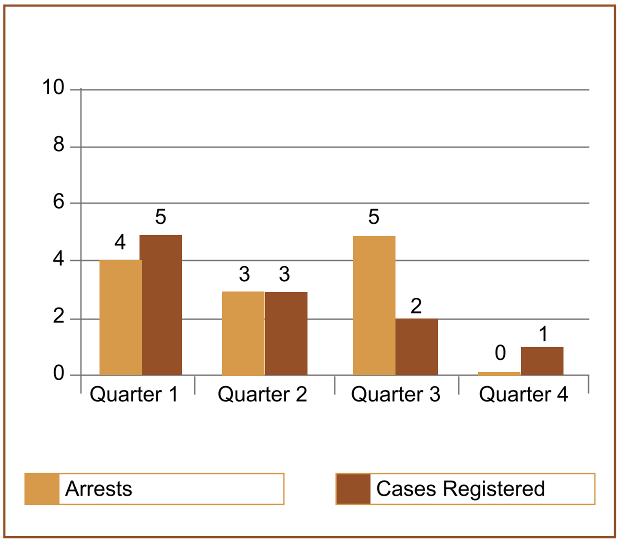
During the year under review 16 criminal cases registered against the industry and staff members. Note that the 3 cases referred to in the 1st quarter were brought forward as the prosecution is still pending.

Graph 2.7: Criminal cases against staff



There were five cases registered against staff members of which two cases of theft and three cases of corruption. One case was withdrawn and four cases are pending prosecution.

Graph 2.8: Criminal cases against service providers



During the year under review 11 cases were registered, 12 arrests were made and there were 2 convictions.

3. Audit Committee Report for the Financial year ended 31 March 2013

We are pleased to present our report for the financial year ended 31 March 2013. This report includes both duties and responsibilities.

3.1 Audit Committee Charter

The Audit Committee adopted a formal Audit Committee Charter that was 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.

3.2 Audit committee members, meeting attendance and assessment

The Committee met four times during the 2012/2013 financial year, in line with the approved Audit Charter, and consists of the members listed below:

Member	Number of meetings attended
J Meissner (Chairperson)	4
N Mhlongo	4
L Sikhwetha	2

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

3.3 Role and responsibilities

3.3.1 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 Regulations 27.1.3. The Audit Committee is an advisory Committee of the organisation, operating with an independent and objective stance.

The Audit Committee executed its duties in terms of the requirements of King III and instances where the King III requirements were not applied, explanations are provided 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 Annual Financial Statements;
- Reviewed the changes to the accounting policies and practices. 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 terms of the engagement letter and strategic audit plan and recommended the budgeted audit fees for the 2012/2013 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

Internal Audit performed a written assessment of the effectiveness of the organisation's system of internal control and risk management which was overseen by the Audit Committee. 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 indicate that there were material deficiencies noted 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 and the data obtained was used 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 to be addressed. These areas include supply chain management and accounts receivables.

3.3.2 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 risk management processes within the organisation. The Committee monitored the significant risks faced by PSIRA, and it 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 the 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 the PSIRA. The Committee believes that internal audit has contributed to the improvement of internal controls within the entity.

Audit Committee Report for the Financial year ended 31 March 2013 (continued)

The Audit Committee is also responsible for the assessment of the performance of the internal audit function. During the year, the Committee met with the external auditors and with the Chief Audit Executive without management being present.

3.4 Auditor's Report

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

J Meissner

J Meissner

Chairman

31 July 2013

PSIRA

Private Security Industry Regulatory Authority

Annual Report
2012/13

Part C

1. Human Capital

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

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

The Division has applied an integrated approach to ensure that the following key strategic objectives are sufficiently addressed:

(a) Ensuring that the Authority has a culture of learning that embraces excellence and supports its vision and strategy.

(b) Ensuring that PSIRA has a competent, skilled and motivated workforce that is able to execute its tasks effectively.

(c) To ensure that adequate human resources processes, information and systems are in place to effectively carry out the mandate of PSIRA.

1.1 Composition of Staff per Programme

Table 1.1: Staff composition per programme

Programme	Number of permanent staff members
Law Enforcement	128
Finance and Administration	27
Communication and Training	32
Corporate Services	19
Total	206

Graph 1.1: Staff distribution per Programme

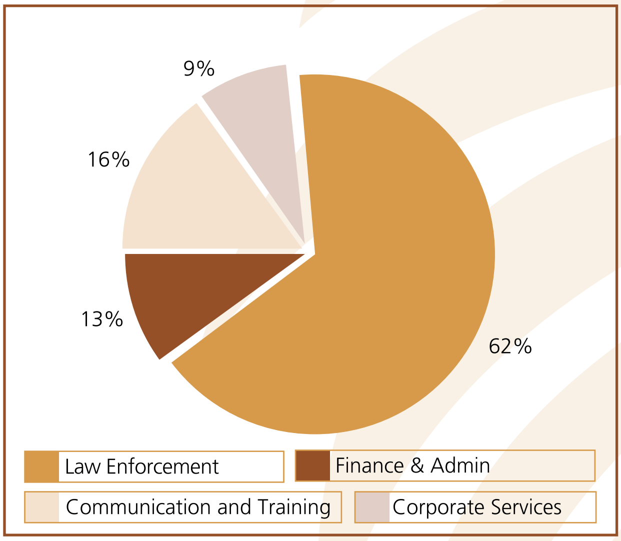


Table 1.2: Contracts and interns composition

Programme	Number of employees on Fixed term contracts	Number of interns
Law Enforcement	4	11
Finance and Administration	7	5
Communication and Training	3	2
Corporate Service	1	2
Total	15	20

1.2 Employment Equity

In accordance with the Employment Equity Act No. 55 of 1998, PSIRA is classified as a designated employer and is required to comply with the EE Act by addressing imbalances in the workplace. The Employment Equity Committee was established during the year under review to ensure that the EE plan is implemented and monitored effectively. PSIRA submitted its EE report on 30 September 2012, as required by the EE Act. Certain targets were not met due to a lack of resources.

1.2.1 Equity target and EE status

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

Table 1.3: Male Employment Equity Target

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	4	-	-	-	-	-	-	-
Senior management	4	-	-	-	-	-	1	-
Professional qualified	4	-	-	-	-	-	1	-
Skilled	23	-	-	-	2	-	10	-
Semi-skilled	25	-	1	1	-	1	-	-
Unskilled	2	-	-	-	-	-	-	-
Total	**62**	**-**	**1**	**1**	**2**	**1**	**12**	**-**

Table 1.4: Female Employment Equity Target

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	-	1	-	-	-	-	-	-
Senior management	-	1	-	1	-	-	-	1
Professional qualified	6	-	-	-	-	-	1	-
Skilled	27	1	-	-	1	-	4	-
Semi-skilled	64	2	10	2	3	2	9	-
Unskilled	5	-	-	-	-	-	-	-
Total	**102**	**5**	**10**	**3**	**4**	**2**	**14**	**1**

Table 1.5: People with Disability Employment Equity Target

Level	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	2	1	1
Unskilled	-	-	-	-
Total	**-**	**2**	**1**	**1**

1.2.2 Explanation of variance

The variance in gender, race and people with disabilities was as a result of the poor responses to vacancy adverts, from designated groups. PSIRA utilised the press, online career sites and agencies to attract candidates from designated groups. Only applicants with the required competencies and who are suitable for the positions are appointed.

1.2.3 Addressing the variance

(i) Preference is given to candidates from designated groups who have the requisite knowledge, skill, ability and qualifications, and prior learning and experience.

(ii) Employment barriers that adversely affect people from designated groups and that are not justified, given the inherent requirements of the job, are identified and eliminated.

(iii) Workplace infrastructure and facilities are disability-friendly.

(iv) Underrepresentation of designated employees in certain occupational categories and levels is addressed through the Authority's EE plan.

(v) Measures to retain and develop people from designated groups are being considered by management.

1.3 Personnel Expenditure

Employee remuneration reflects the dynamics of the market and context in which the organisation operates. Remuneration and benefits are fundamental in attracting, motivating and retaining high performers. During the year under review, PSIRA after consultation with stakeholders, adjusted salaries across the board in line with the cost of living.

The salaries were increased as follows:

Executive team	-	4,5%
Management	-	5%
Bargaining level	-	6,1%

Table1.6: Personnel costs per programme 2012/13

Programme	Total Expen-diture	Personnel Expenditure	personnel expenditures as a % of total expenditure	Staff Total	Average
Law Enforcement	49,918,194	40,771,999	25%	143	285,119
Finance and Administration	76,745,892	14,412,122	9%	39	369,542
Communication and Train-ing	19,526,921	15,588,975	10%	37	421,324
Corporate Services	17,571,233	5,290,408	3%	22	240,473
Total	**163,762,240**	**76,063,504**	**46%**	**241**	**1,316,457**

Human Capital Management (continued)

Graph 1.5: Personnel cost per programme

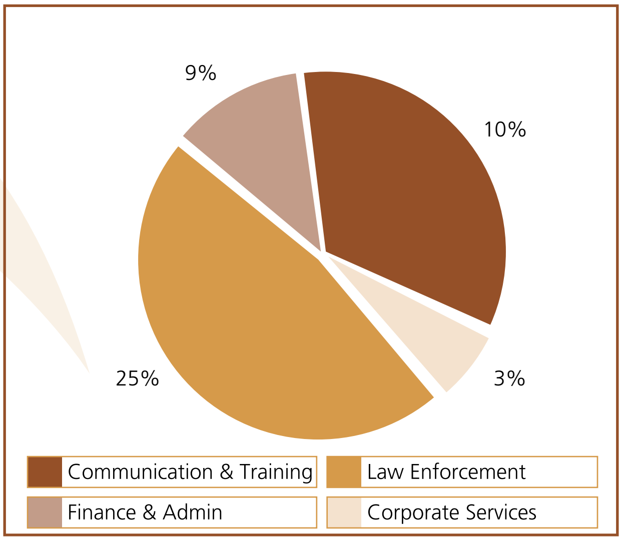


Table 1.7: Personnel cost per salary band

Programme	Personnel Expenditure	personnel expenditures as a % of total expenditure	Number of employees (Including contracts)	Average
Top Management	4,546,541	6%	4	1,136,635
Senior Management	3,875,742	5%	5	775,148
Professional qualified	6,638,427	9%	12	553,202
Skilled	32,909,216	43%	67	491,182
Semi skilled	24,929,978	33%	111	224,594
Unskilled	1,045,616	1%	7	149,374
Contracts and Interns	2,117,984	3%	35	60,514
Grand Total	**76,063,504**	**100%**	**241**	**315,616**

1.4 Employment and Vacancies

The table below depicts the number of the posts per establishment, posts vacated and filled posts. The high vacancy rate resulted from the approved new structure not being fully implemented due to lack of funds.

Table 1.8 Employment and vacancies per programme

Programme	2011/12 No. of employees	2012/13 Approved posts	2012/13 No. of employees	2012/13 Vacancies	Percentage vacancies
Law Enforcement	127	168	128	40	14%
Finance and Administration	33	54	27	27	9%
Communications and Training	34	42	32	10	3%
Corporate Services	20	25	19	6	2%
Total	214	289	206	83	28%

Graph 1.6: Vacancy rate per programme

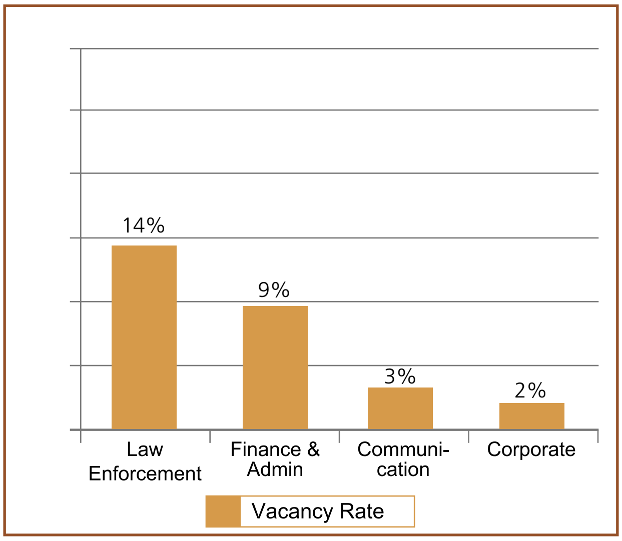


Table 1.9 Employment and vacancies per occupational levels

Programme	2011/12 No. of employees	2012/13 Approved posts	2012/13 No. of employees	2012/2013 Vacancies
Top management	3	5	4	1
Senior management	3	6	5	1
Professional qualified	12	19	11	7
Skilled	67	97	67	30
Semi-skilled	121	148	112	37
Unskilled	8	14	7	7
TOTAL	214	289	206	83

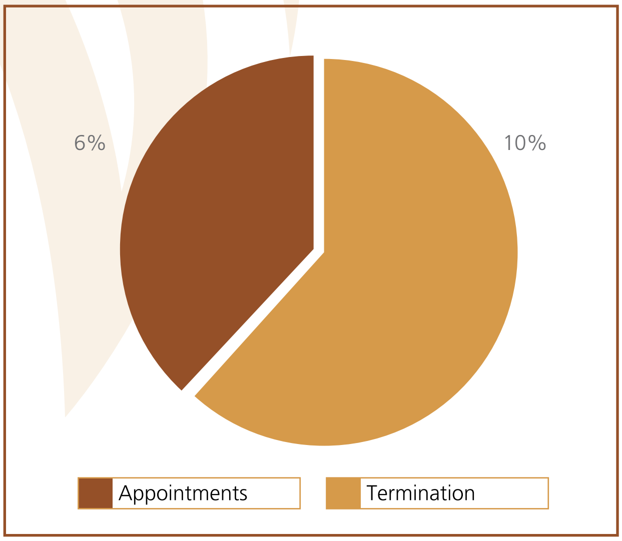
1.5 Annual Employment Turnover

During the year under review, total termination stood at 10% of the staff composition.

Table 1.10: Annual turnover per occupational levels (permanent staff)

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	4	1	1	4
Senior management	3	2	-	5
Professional qualified	12	2	2	12
Skilled	67	2	2	67
Semi-skilled	121	5	15	111
Unskilled	8	-	1	7
Total	215	12	21	206

Graph 1.7: Labour Turnover (permanent)



Graph 1.8: Reasons for termination (permanent and contracts)

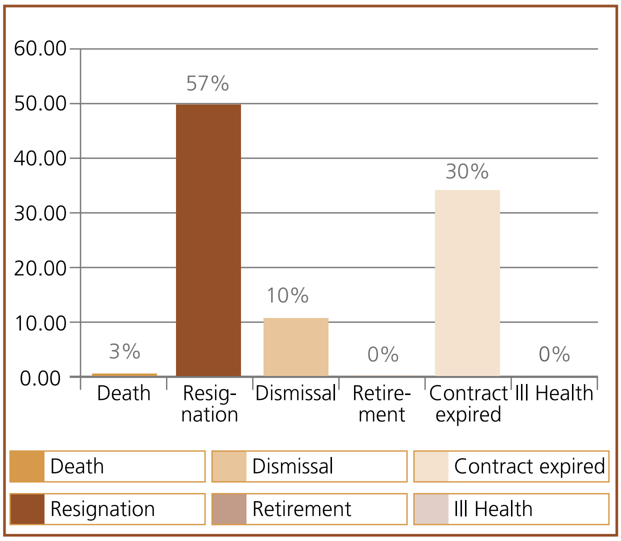


Table 1.11: Reasons for termination (permanent and contracts)

Termination type	Number	%
Death	1	3%
Resignation	17	57%
Dismissal – misconduct	3	10%
Retirement	-	-
Ill health	-	-
Contract expired	9	30%
Other		-
Total	**30**	**100**

Human Capital Management (continued)

1.6 Vacancies per programme/Division

Programme	Department/Region	No. Vacancies
Law Enforcement	Head Office	7
	Mthatha	2
	Port Elizabeth	3
	Nelspruit	1
	Kwazulu Natal	8
	Western Cape	5
	Limpopo (Polokwane)	1
	Legal Services (HO)	5
	Johannesburg	8
Total-Law Enforcement		**40**
Finance and Admin	Finance and Account (HO)	6
	Accounts Receivable (HO)	10
	Business Information System (HO)	8
	SCM (HO)	3
Total Finance and Admin		**27**
Commmunication and Training	Registration	5
	Communications	3
	Training	2
Total Com & Train		**10**
Corporate Services	Facilities	1
	Human Capital	4
	Office Service	1
Total Corporate Services		**6**
Grand Total		**83**

2. Skills Development and Training

PSIRA acknowledges that training and development of staff are crucial aspects of business stability and that to achieve its vision of being recognised as an excellent regulator of private security in the country, it requires competent and skilled personnel.

PSIRA has offered 21 different types of skills development and training interventions to its staff members in all the occupational categories based, on its annual skills audit in response to the training needs of its workforce.

The Workplace Skills Plan (WSP) and annual training report (ATR) for 2011/12 and 2012/13 were submitted to SASSETA on time.

In terms of the Skills Development ACT NO. 97 of 1998, employers are required to contribute 1% of the total salary costs towards the skills development levy fund for the purpose of training.

PSIRA has established a Training and Development Committee, which comprises 10 members, representing employees from all occupational categories.

Table 1.12: Training and development per programme

Programme	Total no of personnel	Personnel expenditure R	Training expenditure R	Training expenditure as a % of personnel	No of employees trained	Average
Law Enforcement	143	40 771 999	453 220	1.11%	123	331 480
Finance and Administration	39	14 412 122	289 800	2.01%	26	554 312
Communications and Training	37	15 588 975	189 696	1.22%	30	519 633
Corporate Services	22	5 290 409	109 560	2.07%	17	311 200
Total	**241**	**76 063 505**	**1 042 276**	**1%**	**196**	**1 716 625**

2.2 Internship programme

PSIRA is a member of the Private Security Chamber of SASSETA, a relationship sustained through the regular and timeous submission of the WSP and ATR.

SASSETA awarded PSIRA a discretionary grant of R 888 000 to undertake an internship programme for 20 learners. The grant confirmation letter was received on 21 December 2012.

In partnering with SASSETA, PSIRA confirmed its commitment to the graduate unemployment reduction campaign, the creation of sound employment opportunities and the assistance to graduates to acquire work experience and gain exposure in the workplace.

PSIRA plans to absorb its interns into the permanent and fixed-term contract positions of its business operational structure as and when vacancies become available.

2.2.1 Appointment of interns

The following 20 interns were recruited and were placed in various positions with PSIRA as at 01 February 2013, to gain exposure in the workplace and add value to their field of study.

Table 1.14: Placement of interns

Divisions	Qualifications	No of appointed interns	Gender	
			Female	Male
Legal Services	Degree in Law ND: Paralegal Studies	2	1	1
Compliance and Law Enforcement – head office	Degree or ND: Commercial Studies/ Police Management	8	5	3
Compliance and Law Enforcement – Western Cape region	Degree or ND: Commercial Studies/ Police Management	1	1	-
Communication and Marketing	Degree or ND: Communication in Communication /Public Relations	2	1	1
Finance and Procurement	Degree or ND: Financial Management	3	2	1
Human Capital Management	Degree or ND: Human Resources Management	2	2	-
Information Technology	Degree or ND: Information Technology	2	2	-
Total:		**20**	**14**	**6**

3 Labour Relations

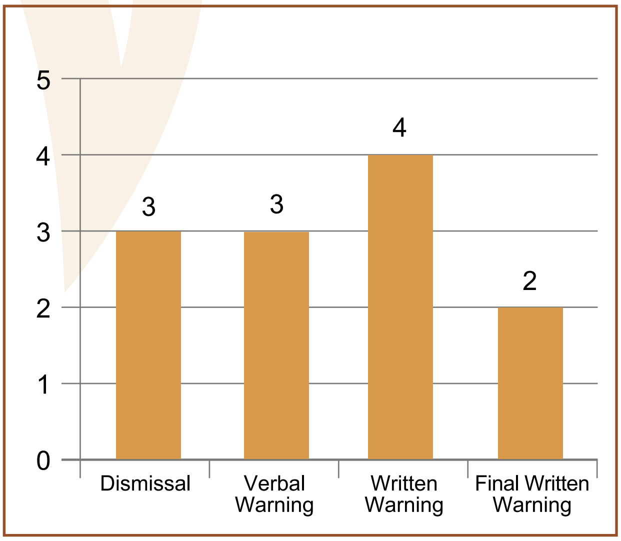
3.1 Management of Industrial Relations

In 2012/13, PSIRA minimised the number of misconduct incidents through its ethics and forensic investigations on incidents of theft, fraud, corruption and solicitation of bribes. PSIRA enforces its disciplinary code for both employees and inspectors.

Table 1.15: Discipline matters finalised

Disciplinary measure taken:	Number
Verbal warning	3
Written warning	4
Final written warning	2
Dismissal	3
Total	**12**

Graph 1.9: Disciplinary measures taken



Union involvement

PSIRA has recognised South African Transport and Allied Workers Union (SATAWU) as an official trade union representing the interest of its employees. SATAWU has 120 PSIRA employees as its members, which is 67% of the staff complement.

PSIRA and SATAWU have a functional and constructive relationship on issues such as conditions of service, including salary negotiation and policy development. Shop stewards are allowed representation on the appointment of staff, members' disciplinary matters and issues of constituencies.

During the year under review, SATAWU-affiliated head office staff members exercised their right to strike during the wage negotiations. The strike action was peaceful.

4. Employee Wellness Programme

The employee wellness programme, established to assist employees who require professional support on day-to-day personal and work-related issues, plays a vital role in supporting PSIRA employees, as reflected in employee responses in the 2012 employee satisfaction survey.

The employee wellness programme:

- Promotes workplace wellness;
- Creates awareness of, and provides care and support on HIV/Aids and other life-threatening diseases, and
- Reduces behavioural crises associated with personal problems.

A total of 74 contacts were made by employees during the year, mostly through self- referrals. Monthly and quarterly reports indicate that services were accessed via telephone counselling, face-to-face counselling, financial or legal referral, or advice and support on any family- or work-related concerns.

The programme has contributed immensely to the wellbeing of employees. Apart from consultation services, the following group services were provided to all staff:

- Induction of EAP services
- Aids awareness talk (World Aids Day)

- Celebrating Women's Month (free massage treatment at head office)
- Breast cancer awareness talk (free assessment for all women)
- Financial awareness session.

4.1 Total annual usage

A total of 74 employees contacted the EAP call centre during the period April 2012 to March 2013, which is a 33% overall utilisation rate. Of these, 47 (20%) were sent for face-to-face onsite counselling sessions with a registered psychologist.

Table 1.16: Services utilisation summary

Service category	Per Annum
Telephone counselling	12
Telephonic work life services (legal and finance)	13
Face-to-face counselling (offsite)	47
Managerial and human resources consultations/referrals	2
TOTAL	74

4.2 Risk code

The EAP service aims at minimising behavioural risk, to both the individual using the service and to organisation. The Wellness EAP counsellors assess each new case and give an indication of the level of risk that clients pose to themselves and to others. The majority of employees who contacted EAP were categorised as medium risk, followed by low risk and no risk. The main focus of the EAP is to move employees in the medium-risk category to the low and no risk categories.

4.2.1 Cases that are categorised as medium and low risk include:

- Formal referrals
- Alcohol or drug abuse
- Moderate suicide risk

4.2.2 Cases categorised as high risk include:

- Imminent suicide risk or actual suicide attempt
- Major psychiatric disorder
- Victims of a critical incident in the workplace
- Imminent homicidal risk

The high-risk category of users accounted for 0% to 6%, whilst the low risk and no risk categories accounted for 13% and 42% respectively. This may be interpreted as employees being proactive about their behavioural issues and seeking assistance through the EAP before the challenge escalates to an unmanageable or crisis state. All medium-risk cases accounted for 67% of all users and were referred for face-to-face counselling.

4.2.3 Identified risk

Overall use at 33% was highly over-used by industry standards; however, managerial referrals and use were below the industry average of 15%. More female employees than male used the EAP service.

6. Annual Leave Utilization

The Authority recognizes the need to manage the utilisation of leave effectively since annual leave is a liability. The Employees Self Service System (ESS) has been introduced and has profoundly displayed its effectives leave administration. The table below summarise the utilisation of leave in the Authority.

Programme	Leave taken				
	Annual Leave	Family Re-sponsibility	Sick	Unpaid	Study
Law and Enforcement	2 254	103	626	40	150
Finance and Admin	822	23	251	11	10
Communication and Training	936	57	295	0	28
Corporate Service	477	10	146	16	29
TOTAL	**4489**	**193**	**1318**	**67**	**217**

PSiRA

Private Security Industry Regulatory Authority

Annual Report 2012/13

Part D

1. Strategic Outcome Oriented Goals

In August 2010, National Treasury published a Framework for Strategic Plans and Annual Performance Plans (Framework). As a schedule 3A public entity, PSIRA had to comply with the requirements of this Framework from 2012/13. PSIRA's Strategic Plan (2012/13 – 2016/17) and Annual Performance Plan (2012/13 - 2014/15) have been developed in line with this Framework.

PSIRA is expected to deliver in terms of the nine outcomes as per the Strategic Plan and its achievements in line with the goals as follows:

1.1 Outcome 1: PSIRA is an excellent regulator and accessible to all

PSIRA is mandated to regulate the private security industry in the Republic. In order to deliver on this mandate, PSIRA set a target of ensuring that there is law enforcement and monitoring of compliance within the security industry. To emphasise that, one of the set strategic targets are to conduct investigations of Security Service Providers (SSP) and Security Officers (SO). This target was achieved, SSP's actual performance was 11% above the target of 3 240 and SO's was 4% above the target of 19 440 (Refer Section 4, Programme 1 KPI number 3 and 4).

1.2 Outcome 2: A legitimate private security industry characterised by professionalism, transparency and trustworthiness.

Society as a whole may be affected by the actions or practices of security service providers. It is PSIRA's responsibility to ensure that society is neither exposed nor vulnerable to any abuse that may be perpetrated by security service providers. In this regard, PSIRA promotes adequate training standards which are aimed at improving the competence and skills of security officers and to improve their professionalism. New training programmes were reviewed for all the categories or classes of security service providers based on qualifications registered on the National Qualifications Framework. Registration screening and vetting also ensured proper background checks of applicant security service providers. During the 2012/13 financial year, 871 registration applications were finalised for business and 78 953 for individual security officers. Through proper screening of applicant security service providers as well as general law enforcement, PSIRA promotes and encourages the industry to live up to the high standards expected from them, not only towards their clients, but also to be a valuable partner in the reduction of crime in the country.

1.3 Outcome 3: Firearms in the private security industry are fully accounted for.

PSIRA set a strategic objective target of conducting an audit to ensure that there is accountability of firearms in the security industry. PSIRA embarked on a joint responsibility with SAPS, which included sharing of information to confirm whether business qualify for firearm licences, registration are still valid and confirming the number of security officers employed. A firearm database audit was conducted during 2012/13 and concluded in December 2012 where after the findings were sent to Central Firearm Registry in January 2013 for further analyses. The audit identified the number of security services providers licensed for firearms and number of firearms licensed to the security businesses.

1.4 Outcome 4: PSIRA processes cases efficiently.

PSIRA set a target of ensuring that cases are processed and concluded within a reasonable and efficient timeline. Two targets were identified. The first relates to the finalisation of 70% of the Code of Conduct dockets within a period of 90 days. This target was achieved with 76 % of cases being finalised within 90 days. The second target was to ensure that 80% of the Code of Conduct contraventions are successfully prosecuted. The target was achieved with 82% of cases successfully prosecuted (Refer Section 4, Programme 1, and KPI number 8).

1.5 Outcome 5: PSIRA is financially sustainable entity.

PSIRA received an unqualified audit in the 2011/12 financial period. An effective cash flow management system was maintained during the period resulting in a positive cash flow from operating activities.

1.6 Outcome 6: PSIRA has cutting edge technology

The Business Information Technology (BIT) unit is responsible for ensuring that PSIRA systems are indeed cutting edge technology. The strategic target for this outcome was to implement the Business Process Re – engineering (BPR). The target was achieved through the completion of Phase One. The remaining two phases to complete the project will be rolled out over the next three years.

1.7 Outcome 7: The standard of private security training is improved.

PSIRA is responsible for ensuring quality assurance of training within the security industry in terms of the Training of Security Officers Regulations, 1992. During the period under review, a total of 464 training centres around the country were accredited.

1.8 Outcome 8: PSIRA is a centre of excellence in private security research

The Research and Development unit was established in September 2012, with the appointment of the Senior Researcher and a further appointment of the Researcher in March 2013. Two topics of research were identified viz. Guarding and Electronic Security. The concept note for the two topics was developed together with the implementation plan of these research topics. It is hoped that the research findings will improve PSIRA's understanding of these sectors in order to effectively regulate them and to recommend further improvement to the current regulatory framework.

1.9 Outcome 9: PSIRA has competent, ethical and skilled workforce.

PSIRA is committed to ensuring that it has a competent and skilled workforce and has a culture of learning that embraces excellence to supports its vision strategy.

Achievements for 2012/13 include, 26 (59%) of the 44 key performance indicators in the approved PSIRA Annual Performance Plan for 2012/13, targets being met. This is an improvement of 23% in performance when compared to the 2011/12 financial year, where only 48% of the targets were met. Seven of the targets that were not achieved were due to external dependencies and 11 were due to internal constraints.

2. Performance information by Programme

In line with the approved Annual Performance Plan (2012/13 – 2014/15), the report is structured as follows:

- Programme 1: Law Enforcement
- Programme 2: Finance and Administration
- Programme 3: Communication and Training
- Programme 4: Corporate Service

3. Strategic Objectives against Predetermined Targets

3.1 Programme 1: Law Enforcement

Purpose

The purpose of this programme is to enable effective compliance and enforcement of PSIRA"s legislation in order to achieve behavioural changes in the industry.

Outcomes

- Outcome 1 : PSIRA is an excellent regulator and accessible to all.
- Outcome 2 : A legitimate private security industry characterised by professionalism, transparency and trustworthiness.
- Outcome 3 : Firearms in the private security industry are fully accounted for.
- Outcome 4 : PSIRA processes cases efficiently.

PROGRAMME 1: LAW ENFORCEMENT					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
1. Number of additional law enforcement inspectors recruited	N/A	10	**Achieved** 10 additional inspectors appointed	-	
2. Percentage of inspectors trained on the Firearms Control Act	N/A	100%	**Achieved** 100% of inspectors trained	-	
3. Number of inspections conducted at security businesses	4 905	3 240	**Achieved** 3 583 inspections were conducted at security businesses	+343 inspections were conducted at security businesses	More resources were available during the period, including recruitment of interns, resulting in overachievement of the target.
4. Number of inspections conducted on security officers	2 764	19 440	**Achieved** 20 244 inspections were conducted on security officers	+804 inspections were conducted on security officers	Significant increase of security officer inspections during the AFCON Cup as part of compliance strategy.
5. Number of publications (quarterly)	Not Achieved	4	**Achieved** 4 publications done	-	

PROGRAMME 1: LAW ENFORCEMENT					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
6. Date for the completion of firearms audit	N/A	September 2012	The firearm audit was completed during November / December 2012 period	**Not Achieved** There was a delay of two months against the planned target of September 2012	The delay was due to receiving the database from SAPS to conduct an audit later than expected.
7. Percentage of Code of Conduct dockets finalized from investigation to prosecution in 90 days	Cases were finalized in 118 days	70%	**Achieved** 76% Code of Conduct dockets finalized	+6% Code of Conduct dockets finalized	Efficiencies were introduced in the docket management system. The unit implemented frequent monitoring of the systems and individual performance and other measures put in place were prosecutors employed certain allowable processes to shorten the enquiries i.e. settlement of cases and in some instances the dispensing of the requirement to issue a summons after agreeing with the other parties.
8. Percentage Code of Conduct contraventions successfully prosecuted	N/A	80%	**Achieved** 82% Code of Conduct contraventions successfully prosecuted	+2% Code of Conduct contraventions successfully prosecuted	Efficiencies were introduced in the system of prosecuting Code of Conduct contraventions. An intelligible business process (prosecution and legal administration guideline), daily updated progress report and a schedule of code of conduct enquiries were introduced.
9. Frequency of reporting to NATJOINTS / PROVJOINTS on private security related matters	N/A	Quarterly	Two reports were tabled for quarter 3 & 4	**Not Achieved** Quarter 1 & 2 reports were not done	Request to formally serve on NATJOINTS is in the process of being secured. A letter to NATJOINTS Chairperson has been forwarded by Deputy Director of Law Enforcement.

PROGRAMME 1: LAW ENFORCEMENT					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
10. Frequency of reporting to SSA on security breaches in Security Industry	N/A	Quarterly	**Achieved** 4 reports were submitted to SSA for four quarters	-	
11. Frequency of assessment of staff performance	Monthly	Quarterly	**Achieved** Performance assessment done on monthly basis	+8 assessments done	The unit decided to monitor performance contracts more frequently instead of quarterly.
12. Number of provincial industry compliance forums established	N/A	4	**Achieved** 4 provincial industry compliance forums established	-	
13. Percentage of enforcement criminal cases opened against security service providers	114%	100%	**Achieved** 126% enforcement criminal cases opened against security service providers	+26% of enforcement criminal cases opened against security service providers	Investigations carried over from previous financial year and the increased focus on registration of criminal cases resulted in an overachievement.
14. Turnaround time for the completion of registration	33.8 days	days	Average of 24 days to complete application for registration	**Not Achieved** Turnaround time for the completion of registration of each application not achieved.	The measurement of the target, in relation to average turnaround time of all applications (business & individuals) is within 30 days. However when the target is measured against the turnaround time of each application the target is achieved on individuals and not achieved on business applications.

3.2 Programme 2: Finance and Administration

Purpose

- To be a financially stable and sustainable organisation (increase revenue, decrease costs, and achieve at least breakeven).
- To ensure that adequate processes and systems are in place to effectively carry out the mandate of PSIRA.

This programme consists of the following components:

- *Finance and Administration*

This component provides revenue management, effective financial management, and auxiliary services to PSIRA.

- *Business Information and Technology*

The Business Information and Technology department was established and capacitated during 2011/12 financial year. Its establishment allowed for the termination of previously outsourced services.

- *Supply Chain Management*

This component administers the acquisition of goods and services in line with the Public Finance Management Act as well as the preferential procurement regulations.

- *Internal audit*

This component reports to the Audit Committee and the Accounting Officer. It provides internal audit services such as compliance and performance audits based on the approved Internal Audit Plan.

Outcomes

- Outcome 5 : PSIRA is financially sustainable entity.
- Outcome 6 : PSIRA has cutting edge technology.

PROGRAMME 2: FINANCE AND ADMINISTRATION					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
1. Date for go-live of the online account payment facility	N/A	31 March 2013	Engagements have been initiated with various banks and the project is in an advanced stage.	**Not Achieved** Go-live of the online account delayed.	Engagements have been initiated with various banks and the project is in an advanced stage. The project will be completed in 2013/14.
2. Percentage of revenue collected for billed accounts	N/A	85%	79% of revenue collected for billed accounts	**Not Achieved** 6% of revenue not collected for billed accounts	Ratio has been negatively affected by the ongoing SIA case. The target was based on the successful implementation of the new rates/regulations. The court case had not been concluded at the end of the financial year hence the negative variance.
3. Turnaround time for collection of billed accounts.	N/A	50 days	Average of 65 days to collect from billed accounts	**Not Achieved** -15 days to collect from billed account	Ratio has been negatively affected by the ongoing SIA case. The target was based on the successful implementation of the new rates/regulations. The court case had not been concluded at the end of the financial year hence the negative variance.
4. Frequency of reporting Financial Performance	N/A	Monthly	**Achieved** Monthly reporting was done.	-	
5. Frequency for conducting review of fines regulations	N/A	Annually	Review of fine regulations not done.	**Not Achieved**	The review of fines was delayed due to the SIA court case
6. Frequency for conducting a Liquidity Plan (effective cash flow management)	N/A	Monthly	**Achieved** Monthly Effective cash flow management done.	-	

PROGRAMME 2: FINANCE AND ADMINISTRATION					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
7. Percentage achievement of PFMA checklist	N/A	100%	**Achieved** 100% compliant to the PFMA checklist.	-	
8. Percentage of Surplus/deficit Budget variance	N/A	+/-5 %	**Achieved** 35% budget variance	+30%	Adjustment for Pension fund deficit still needs to be adjusted-these figures are not final. Uncertainty on spending money due to the SIA court case
9. Ratio of working capital management	N/A	1.2:1 current ratio	0.74:1	**Not Achieved** 0.46 below the target	Ratio has been negatively affected by the ongoing SIA court case. The budget was based on the successful implementation of the new rates/regulations. The court case had not been concluded at the end of the financial year hence the negative variance
10 Average Internal Audit ***Rating***	N/A	2	**Achieved** 2	-	
11. Audit Opinion	N/A	Unqualified audit opinion	**Achieved** Unqualified audit opinion for 2011/12		
12. Frequency of assessment of staff performance	N/A	Quarterly	**Achieved** Performance Assessments done	-	

PROGRAMME 2: FINANCE AND ADMINISTRATION					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
13. Date for implementing Biometric Technology for registration.	N/A	30 September 2012	Engagements with DHA took place from July 2012 to March 2013. Biometric Technology registration not implemented.	**Not Achieved** Delayed on the implementation of the Biometric Technology	The engagement with the stakeholder took longer than expected. Project to be completed in 2013/14.
14. Date for ***Go-live*** of an integrated ERP system.	N/A	1 February 2013 (Phase1 of 3)	**Achieved** Phase 1 completed	-	
15. Turnaround time of completion of IT repairs	N/A	4 Hours of receiving the incident	**Achieved** IT repairs were completed within an average time of 28 minutes	Average 3.72 minutes less	The target was 4 hours while the actual achievement was worked on an average of less than 30 minutes. The calculation was based on the "average" instead of the actual time it took to resolve each call as this will be difficult to calculate the combined calls for the year. In reality, some of the calls are resolved within 30 minutes and most of them are related to passwords while other calls are resolved within 4 hours of which they are related to desktop support. There are those calls which are resolved outside the SLA and those are calls which have to do with hardware\printers\etc which involves external vendors

PROGRAMME 3: COMMUNICATION AND TRAINING

Purpose

- To ensure meaningful and fruitful engagement with all stakeholders.
- 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".

This programme consists of the following components:

- *Communication and Marketing*

This component provides effective communication and liaison between the Authority and its key stakeholders such as the industry, media, organs of states and users of private security services.

- *Training*

The *Training* component oversees training of prospective and registered security service providers. Its objective is to promote high standards in the training of security service providers and prospective security service providers.

- *Research*

The Authority has planned to establish a Research component. This component will undertake research into the private security industry over the medium term. The research output will be used to strengthen the regulatory programmes.

Outcomes

- Outcome 7 : The standard of private security training is improved.
- Outcome 8 : PSIRA is a centre of excellence in private security research.

PROGRAMME 3: COMMUNICATION AND TRAINING					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
1. Turn-around time for the processing of course reports	N/A	5 days	Average of 4 days to process the course reports	**Not Achieved** +1 day better to process the course reports on average	The measurement of the target, in relation to average turnaround time for the processing of course reports is within 5 days. However when the target is measured against the turnaround time for processing of each course report the target is not achieved.
2. Number of appropriate training Programme for all classes of security service providers.	N/A	22	**Achieved** 28 training programmes developed	+6 training programmes developed	Additional training programmes were developed for all the categories or classes of security service providers as well as to accommodate particular specialised areas of the private security industry, hence the overachievement
3. Date for the registration of PSIRA as a Professional Body in terms of the NQF Act	N/A	September 2012	Engagement with SAQA took place, registration not done	**Not Achieved** PSIRA does not qualify to be a professional training body.	Decision taken not to proceed with the registration with SAQA as PSIRA is not eligible for registration.
4. Date for the promulgation of regulations for new training skills Programme	N/A	September 2012	The regulations were drafted and published but not promulgated	**Not Achieved** Delay to promulgate the regulations	Draft Training Regulations compiled and published in Government Gazette, in support of new NQF based training programmes but not promulgated. Policy framework to be developed and public consultation to be held in next financial year.

PROGRAMME 3: COMMUNICATION AND TRAINING					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
5. Number of completed areas of research that are of high priority topics	N/A	2 topics	2 topics were identified but the research has not been completed	**Not Achieved** The completion of the research delayed	Priority research topics have been identified (Guarding and Electronic Security). The concept note has been developed for the research topics. The next stage will be to develop two research proposals for the two research topics which will be completed in the first quarter of 2013/14.
6. Frequency for issuing of industry media statements	Three media statement done	4 per Quarter	**Achieved** 14 media statements issued for the year	+10 media statements issued	There were an unusually high number of media statements relating to issues of misconduct by security service providers during the period. More requests from media companies to make statements were therefore responded to resulting in the overachievement of the target.

3.4 Corporate Services

Purpose

- To ensure that PSIRA has competent and skilled employees that are able to execute their tasks effectively.
- To ensure that the authority has a culture of learning embracing excellence that supports our vision and strategy.

Outcomes

- Outcome 9 : PSIRA has competent, ethical and skilled workforce.

PROGRAMME 4: CORPORATE SERVICES					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
1. Percentage of Compliance to Targets in the Skills Development Plan	Training programme was approved	100%	80% of the training was done	**Not Achieved** 20% of the development plan was not done.	Trainings that were not implemented will be part of 2013/14 training plan.
2. Turnaround Time for the Recruitment of Employees	N/A	3 months (From Approval of Request)	**Achieved** The turnaround time was an average of 2.9 moths	Average of0.1 day better than the target	The turnaround time for recruitment was quicker than what was targeted for due to the availability of candidates appointed and the short lead times on verifications by the services providers.
3. Percentage of Compliance to Targets in the Change Management Plan	Not Achieved	100%	100% compliance to the target in the Change Management Plan	-	
4. Frequency of assessment of performance for all staff	Only three Performance Agreements were developed	Quarterly	**Acheived** Assessment of staff performance were done quarterly	-	
5. Frequency of employee satisfaction surveys	59% satisfaction rate achieved	Annually	**Acheived** The annual Employee Survey was done	-	
6. Date for the Approval and review of the HR Retention Strategy by Council	N/A	30 September 2012	HR Retention Strategy has been approved by EXCO	**Not Acheived** Not yet approved by Council	The Retention Strategy will be submitted to Council for final approval in 2013/14.

PROGRAMME 4: CORPORATE SERVICES					
Performance Indicator	**Actual Achievement 2011/2012**	**Planned Targets 2012/2013**	**Actual Achievement 2012/2013**	**Deviation from planned target to Actual Achievement for 2012/2013**	**Comment on deviations**
7. Turnaround Time for the Conclusion of Disciplinary Hearing	N/A	30 days	**Acheived** Average of 15.7 days to conclude Disciplinary Hearings	Average of +14.3 days	The over performance was due to the training course which was offered to managers who are consistently used as presiding officers and initiators during the tribunal proceedings.
8. Turnaround Time for the Conclusion of Grievances	N/A	7 Days	Average of 21.5 days to conclude a grievance case	**Not Achieved** Average of -14.5 days	The delay was due to lack skills by the supervisors. HR will develop a program of training managers on Grievance handling skills during 2013/14.
9. Percentage of Compliance to Targets in the Employment Equity Plan	0.5% (29% of Females in Managerial Positions	100%	Targets in the Employment Equity Plan have been fully complied with.	-	

5. Strategy to overcome areas of under-performance

Programme 1: Law Enforcement

Under-performance on this programme was identified as follows:

- Coordination and review of research outcomes. The developments will be undertaken as soon as the research has been completed and the outcomes are available. This is scheduled to be completed before the end of 2013/14.
- Implementation of Amnesty. The target is not achievable and is being removed from PSIRA's APP of 2013/14. The decision was taken by EXCO, after the NPA indicated that it did not support it, and that it would interfere with their independence of prosecutions.
- Establishment of Intelligence Unit. The target is still supported as it will bring more value and keep up with the rate of the complexity of investigations and cases PSIRA is working on. This unit will be established as soon as the Authority is financially stable.
- Expansion of the Legal Services Division, by increasing the staff complement in this division. PSIRA is still determined to ensure that Legal Services is fully functional and properly capacitated to able to deliver on its strategic objective of ensuring Law Enforcement and Compliance. The appointment of additional staff will be undertaken as soon as the Authority is financially stable.
- The KPI for turnaround time for the completion of registration was not achieved due to it not being well defined and measurable. This has now been addressed in the revised APP for 2013/14

Programme 2: Finance and Administration

Under-performance on this programme was identified as follows:

- The implementation of the regional debt collection process will be established as soon as the Authority is financially stable and the regions are able to appoint the debt collectors.
- The development of the Capex strategy based on the funding model will be done during the 2013/14 financial year.
- Revenue collection and the turnaround for collection of debtors are linked to the challenge that PSIRA is facing of not being able to collect for billed accounts due to the pending SIA case. This situation will improve as soon as the case is finalised.
- The date for implementing of a go-live of the online account payment facility will be concluded before the end of 2012/13. There is good progress in terms of engagement with the different banks around the country. All these banks have promised to provide this service to our customers, as this is already done in other institutions such as SARS.
- The review of fines regulation will be concluded before end of the 2013/14 financial year.
- Implementation of Biometric Technology registration. Progress has been made with the development of a MoU with DHA. PSIRA is committed to ensuring that by the end of the 2013/14 financial year the agreements are completed and the project is finalised.
- Development of IT policies were completed during the current year and approved by EXCO. PSIRA will ensure that these policies are approved by the Council.

Programme 3: Communication and Training

Under-performance of targets of this programme was as follows:

- Development of the Communication strategy. The engagement of the core business units will be undertaken in June 2013 and thereafter the strategy will be submitted to EXCO and Council for approval. Target date is before end of 3rd quarter of 2013/14.
- Integration of research output into the stakeholder engagement plan. The target was prematurely set as the research was not yet undertaken and can only be achieved as soon as the research has been completed. It expected to achieve this target by end of 2013/14.
- CRM function or capability. This will be undertaken as soon as PSIRA is financially stable and is able to employ more staff at the CRM unit.
- Engagement with Consumer Projection Commission (CPC). PSIRA will again send an invitation to the CPC and follow up with them to ensure that the engagement does take place during 2013/14.
- Registration of PSIRA as a professional body of the NQF Act. This target is being removed for 2013/14 as it was confirmed by SAQA that PSIRA will not qualify, as it does not meet all the requirements of being a Professional Body for all the categories or classes of security service providers within the private security industry.
- The development of policy and consultation on the regulations new training programmes will be done before the end of the 2013/14 financial year.
- Completion of research on the high priority topics. These processes have already commenced as the two topics of research have been identified and the concept note for these topics are being developed. The research will be finalised by end of the 2013/14 financial year.
- The KPI for the turnaround time for the processing of course reports was not achieved because it was not well defined and measurable. This has now been addressed in the revised APP for 2013/14.

Programme 4: Corporate Services

Under-performance on this programme was identified as follows:

- Develop, approve and implement the HR strategy. The HR strategy has already being developed and approved by EXCO and will be sent to Council for approval in the new financial year.
- The targets under the strategic objective "Enabling Environment" were not achieved due to budgeted revenue not being collected as planned. As a result the decision was taken by the Executive Management that the target be removed from the plan as it is not aligned with the organisation's strategic goals.
- Turnaround time to conclude cases of grievances was not achieved. The process will be improved by ensuring that all managers are trained in grievance handling skills. PSIRA will establish an effective case register that is properly managed to track the life span of the lodged grievance.

Programme Name	2012/13			2011/12		
Economic Classification	**Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**
R thousand	R'000	R'000	R'000	R'000	R'000	R'000
Law Enforcement	62 325	51 113	11 212	66 111	44 866	21 245
Finance and Administration	65 878	74 220	-8 343	41 927	58 595	-16 668
Communication and Training	25 394	20 822	4 572	27 041	19 417	7 624
Corporate Services	20 744	17 607	3 137	21 716	16 505	5 211
Total	**174 341**	**163 762**	**10 758**	**156 795**	**139 383**	**17 412**

PSiRA

Private Security Industry Regulatory Authority

Annual Report 2012/13

Part E

SECTION E: FINANCIAL INFORMATION

Financial Statements for the Year ended 31 March 2013

Index

Statement of Responsibility for the Performance Information Report for the year ended 31 March 2013

The Accounting Authority is responsible for the preparation of the public entity's performance information report.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information report.

In my opinion, the performance information report fairly reflects the operations of the public entity for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the performance information report of the public entity.

The PSIRA performance information report for the year ended 31 March 2013 has been audited by the external auditors and their report is presented on page 97 to 101.

The Performance Information Report of the public entity set out on page 69 to page 87 has been approved.

S.M Chauke

Director

Date

T.Bopela

Executive Chairperson

Date

Report of the Accounting Officer

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

1.1 General Review of the State of Financial Affairs

Financial Performance

The entity posted a deficit of R3.97 million for the year ending 31 March 2013, compared to R9.87 million deficit in 2011/2012. Although the current financial performance results reflect continued deficits, the entity's performance has improved significantly. When compared to the 2011/12 fiscal year, the deficit decreased by R5.9 million during the year under review, which equates to 60%.

Revenue and other Income

Gross revenue for the year to 31 March 2013 was R160.05 million (2011/12: R129.58 million). Gross revenue consists of the following streams:

Gross revenue in R million	2013	2012	%
Revenue	158.08	121.86	30%
Other income	1.97	7.72	-74%
Gross revenue	160.05	129.58	24%

The 30% year-on year increase in revenue is the result of the implementation of the annual fee increase which commenced in the fourth quarter of the previous financial period and was accounted for in full in the current financial period. The decrease of 74% in other income can mainly be ascribed to the following two factors:

The suspension of the billing of interest and penalties since January 2012 due to the court interdict by SIA R0 million (2011/12: R6.57 million);

A decrease in the transfer revenue due to improved regulation which in turn led to the reduction of code of conduct enquiries and consequently less fines of R5.4 million (2011/12 R10.7 million)

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

Distribution in million

Operating Expenses

The growth rate in gross operating expenses has slowed down in the past two financial years. Operating expenses grew by 17% from 2011/12 to 2012/13, compared to 16% from 2010/11 to 2011/12. The slowdown in growth of expenditure is the result of cost-cutting initiatives and budget control measures.

R million	2012/13	2011/12	2010/11	2012/13 growth rate	2011/12 growth rate
Gross operating expenses	163.8	139.4	120.7	17%	-16%

Report of the Accounting Officer (continues)

Operating expenses consist of the following items:

Employee cost for the year to 31 March 2013 amounted to R76.1 million (2011/12: R64.8 million). Employee costs increased by 17% from 2011/12 to 2012/13 compared to 13% from 2010/11 to 2011/12. The increase in employee costs is attributable to a cost-of–living salary adjustment and an increase in the defined benefit pension fund deficit. The cost-of-living adjustment was negotiated at an average of 5.2% compared to the public sector wage adjustment of 6.8% for the year under review.

Impairment of Debt

For the year ended 31 March 2013, debt impairment amounted to R33.4 million (2011/12: R24.1 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. Furthermore,Debt impairment increased due to SIA members not paying the annual fees at the new rates.

Consulting Fees

Consulting fees declined to R3.0 million compared to R5.4 million in 2011/12. The 45% 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

Property rentals for the year ended 31 March 2013 were R13.5 million compared to R9.6 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 provider. 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 2013 the entity wrote off uncollectible debt to the amount of R53.0 million(2011/12: R82.5 million). The number of accounts written off as uncollectible is 6 407. Bad debt write-offs result in the withdrawal of registration of the service providers who fail to pay in terms of the PSIR Act.

Working Capital Management

The current ratio is a liquidity measure, which tests an entity’s ability to pay its maturing shot-term obligations. The liquidity ratio as at 31 March 2013 improved to 0.87 : 1 compared to 0.70: 1 in the previous financial year. Although uncertainties exist regarding the implementation of 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.

1.2 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:

Report of the Accounting Officer (continues)

Verification of security services to facilitate firearm licensing by SAPS, and

Issuing and reissuing of letters of geed 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.

1.3 Capacity Constrains

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 non-managerial 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.

None

1.4 Trading Entities and Public Entities

None.

1.5 Organisations to whom transfer payments have been made

None.

1.6 Public private partnerships (PPP)

None.

1.7 Corporate governance arrangements

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

1.8 Discontinued Activities/activities to be discontinued

None.

1.9 Events after the Reporting Date

On 9 May 2013 the application by SIA, to have the 2011 Annual Fee Regulation set aside, was dismissed with costs. SIA has indicated that they will lodge an appeal to have the ruling overturned.

In May 2013 approval for the sale of the Building in Pretoria was declined. A feasibility study will be undertaken to determine whether it would be cost effective to demolish the existing buildings on the property(Net book value of Buildings R408 674.13, Net book value of land R2 623 000) and erect a building to cater for the growing needs of the entity.

1.10 Information of Predetermined Objectives

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

1.11 Progress with Addressing Audit Matters

In his 2011/12 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:

Report of the Accounting Officer (continues)

Audit finding	Significance	Action taken	Status
Significant Uncertainties	Matter of emphasis	All the court cases are being defended in court	Ongoing
Restatement of corresponding figures	Matter of emphasis	Careful planning was introduced in the preparation of the AFS for 2012/13 to ensure timeous submission and review of the AFS. Internal review processes are still being strengthened	Partially resolved
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. The liquidity ratio has improved from 0.70 in 2011/12 to 0.87 in 2012/13	Partially resolved.
Material losses through impairment of accounts receivable.	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 R51million were written off.	Ongoing

Report of the Accounting Officer (continues)

Audit finding	Significance	Action taken	Status
Strategic planning and performance management			
– Performance targets are not SMART		The Strategic Plan and Annual Performance Plan for the 2012/13 financial period were developed and reviewed in order to ensure compliance with framework for managing performance information in terms of being well- defined, reliable, appropriate, cost- effective and verifiable.	Ongoing
– Achievement of Planned Targets	Compliance	Ongoing improvements in this area are under way. Exco has established a Performance Monitoring Committee to ensure analysis, evaluation and monitoring of organisational	Partially resolved
Procurement and Contract management – Irregular as well as fruitless and wasteful expenditure – Goods and services of a transaction value above R500 000 procured without inviting competitive bids – Contracts awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance	Compliance	Due to the lack of sufficient capacity in the SCM area these matters still present a challenge for the entity. In the course of addressing these capacity issues an SCM manager was employed in March 2013	Ongoing.

Report of the Accounting Officer (continues)

Audit finding	Significance	Action taken	Status
Annual financial statements – Material misstatements were identified during the audit, all of which were corrected by management.	Compliance.	Careful planning was introduced in the prepoaration of the AFS for 2012/13 to ensure timeous submission and review of the AFS. Review processes internally are still being strengthened	Ongoing

5.12 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.

5.13 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.

5.14 Approval

The Annual Financial Statements have been approved by the Accounting Authority on 31 July 2013.

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) as set out on pages 89 to 158 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement, the statement of comparison of budget and actual amounts 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 accordance 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualification

6. I was unable to obtain sufficient and appropriate audit evidence regarding unknown deposits and accounts receivable with credit balances to the amount of R2 544 548 disclosed under accounts payable in note 9. Consequently I was unable to determine whether any further adjustments to accounts payable, accounts receivable or revenue were necessary.

Opinion

Qualified opinion

7. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Private Security Industry Regulatory Authority as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance 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).

Emphasis of matters

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

Significant uncertainties

9. As disclosed in note 20 to the financial statements, the public entity was the defendant in a lawsuit. The entity was successful, however the matter is still under appeal by the applicant and the entity is of the opinion that the claim can be successfully resisted. 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

10. As disclosed in note 27 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of errors discovered during the year ended 31 March 2013 in the financial statements of the PSIRA at, and for the year ended 31 March 2012.

Going concern

11. The Statement of Financial Performance for the year ended 31 March 2013 on page 107 indicates that PSIRA incurred a net loss of R3 970 032 (2012: R9 869 261) during the year. The current liabilities exceed the current assets by R4 339 760 (2012: R7 500 280) and has an Accumulated Deficit of R2 148 077 as per the statements of financial position as at 31 March 2013. These conditions, along with other matters as set forth in the note 23, indicate the existence of a material uncertainty that may cast significant doubt on the public entities ability to operate as a going concern.

Irregular expenditure

12. As disclosed in note 25 to the financial statements the accounting authority has incurred and included the particulars of irregular expenditure in the notes to the financial statements as required by section 55(2)(b)(i) of the PFMA. The full extent of the irregular expenditure will be determined by the future investigations to be conducted.

Material losses

13. As disclosed in note 15 to the financial statements material losses to the amount of R53 006 613 (2012: R82 487 251) were reported by the PSIRA as a result of a write-off of irrecoverable Trade Receivables.

Material impairments

14. As disclosed in note 3 to the financial statements PSIRA had receivables totalling R75 402 204 (2012: R95 101 033) at 31 March 2013 which had been outstanding for more than 60 days as per the entity's policy. The recoverability of these amounts is doubtful.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. 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

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives as set out on pages 69 to 87 of the annual report.

17. 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 accordance 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.

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

19. The material findings are as follows:

Usefulness of information

Performance targets not specific

20. 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 29% of the 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 not measurable

21. 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 29% of the targets. This was due to a lack of documented and approved internal policies and procedures to address the performance reporting processes.

Performance targets not well defined

22. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that Performance targets 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 targets were not well defined due to management not applying the principles of the FMPPI.

Additional matter

23. 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

24. Of the total number of planned targets, 17 were not achieved during the year under review. This represents 38% of total planned targets that were not achieved during the year under review.

25. 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

26. 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

27. Sufficient appropriate audit evidence could not be obtained that all extension to contracts were approved by a properly delegated official as required by Treasury Regulation 8.1 and 8.2. / PFMA section 44.

28. Quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.

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

29. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3(b).

30. Sufficient appropriate audit evidence could not be obtained that quotations were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A8.3.

31. Sufficient appropriate audit evidence could not be obtained that a construction contract was awarded to a contractor that was registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

Revenue management

32. 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.

Asset management

33. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1) (a) and 51(1) (c) of the Public Finance Management Act.

Strategic planning and performance

34. The accounting authority did not submit the final strategic plan and annual performance plan timely to the relevant executive authority as required by the National Treasury Framework for Strategic Plans and Annual Performance Plans.

Annual Financial Statements

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

Internal control

36. 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

37. The accounting authority did not provide oversight responsibility over performance reporting and the Supply Chain Management unit by failing to ensure an effective, efficient and transparent system of internal controls.

Human resource management

38. The Accounting Authority did not have sufficient capacity within the Supply Chain Management Unit to plan and manage the unit properly.

Action plans to address internal control deficiencies

39. The accounting authority has developed action plans to address control deficiencies identified by both external and internal auditors; however improvements relating to the system for performance reporting and compliance with SMART requirements of National Treasury's *Framework for managing programme performance information (FMPPI)* are still in progress.

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

Financial and performance management

Daily and monthly processing and reconciling of transactions

40. The annual financial statements contained numerous misstatements that were corrected. Financial and IT systems and processes in place are not adequately designed to support accurate and complete annual financial statements. In addition, staff members did not fully understand the requirements of the financial reporting framework.

Compliance monitoring

41. Management did not have sufficient controls to ensure the prevention of irregular expenditure as required by the PFMA.

42. The institution did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Auditor - General

Pretoria

31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Council's Responsibilities and Approval

The Council is required by the Private Security Industry Regulation Act (Act no 56 of 2001), 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 ended. External auditors are engaged to express an independent opinion on the financial statements and are given unrestricted access to all financial records and related data.

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

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

The Council acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, it 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, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Council is primarily responsible for the financial affairs of the entity, it is 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 97 to 101.

The financial statements set out on pages 106 to 158, which have been prepared on the going concern basis, were approved by the council on 31 July 2013 and were signed on its behalf by:

Mr TO Bopela (Chairperson of Council)

Accounting Authority's Report

The Council submits its report for the year ended 31 March 2013.

1.Nature of business

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

2.Review of activities

Objectives and targets

The objectives and targets of PSIRA are summarised in the authority's strategic plan and annual performance plan. In terms of the external strategic context the activities of PSIRA were focused on providing excellent service delivery, which encompasses compliance, legal services and registration, and stakeholder and customer relationship management. The provision of excellent service delivery was enhanced through the vastly improved compliance inspections of security service providers. A total of 23 827 compliance inspections were conducted compared to 7 669 in the previous financial year. Furthermore legal services successfully prosecuted a total of 1 323 dockets out of a total of 1 562 summonses in terms of the improper conduct enquiries. The Register of active security officers grew by 4,27% to 445 407. There has, however, been a drop of 3,56% in the number of businesses registered with PSIRA to 9 031. Stakeholder and customer relationship was enhanced though the establishment of provincial compliance industry forums in four provinces (Gauteng, KwaZulu-Natal, Western Cape and Eastern Cape)

In addition to these objectives, PSIRA also focused its resources on internal matters like building the organisation, and beefing up resources and systems to ensure a streamlined service to stakeholders.

Financial performance

During the year under review, actual total operating revenue generated amounted to R159,9m broken down as follows: R111,74m (70,3%) annual fees, R19,33m (12,2%) new registrations, R18,46m (11,6%) course reports, R5,43m (3,4%) fines and the balance of R3,93m (2,5%) was generated from administration fees and other related income. The actual operating revenue billed compared to budget fell short with R14, 2m (-8,2%).

Additional revenue in the form of interest totalling R1,17m was collected during the year under review. Interest and penalties were budgeted at R6,96m, but these could not be billed due to the SIA court interdict granted in February 2012.

Total shortfall on revenue amounted to R13,07m (-7,55%) compared to budgeted amounts.

Strict expenditure control was put in place during the year under review. Filling of vacant positions was put on hold, resulting in a saving of R3,51m on employee-related costs. The increase in the employee benefit obligation of R6,91m had a negative impact on the saving achieved on employee-related costs. Control over operating expenses resulted in a saving of R29,02m compared to budget. Debt impairment exceeded budget with R21,94m.

Total expenditure under spending of R10,58m (6, 0%) against budget was realised.

The deficit for the year of R3,97m (net deficit R9,87m - 2012/13 restated) is as a direct result of the change in estimates in the valuation of the defined benefit pension fund. The adjustment in the income statement related to this valuation amounted to R6,9m.

Cash and cash equivalents balance for the year amounted to R22,79m.Trade and other receivables amounted to R6,62m after impairment. Total current liabilities at reporting date were R33,75m, thus exceeding current assets with R4.33m. The current ratio stands at 0.87:1

Accounting Authority's Report

3.Going concern

At the time of preparation of annual financial statements for the period under review, the Council members believed that PSIRA will be a going concern in the foreseeable future. For this reason they continue to adopt a going concern basis in the preparation of these annual financial statements.

4.Subsequent events

Events after reporting date are presented in Note 28 of the annual financial statements.

5.Accounting policies

The financial statements have been prepared in accordance with GRAP, including any interpretations, guidelines and directives, issued by the ASB.

6.Corporate governance

Council

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

Name
Mr TO Bopela (Chairperson of Council)**
Ms Z Holtzman (Vice Chairperson of Council)*
Mr A Dramat*

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

Chairperson and Director

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

Audit Committee

The Audit Committee consists of external members Ms Janice Meissner (Chairperson) and Messrs' Nala Mhlongo and Lazarus Sikhwetha. The committee meets at least twice per annum as per its approved terms of reference.

Appointed by the Board from 1 November 2010, the committee met four times in the current year. The Audit Committee is chaired by an independent chartered accountant who is neither an executive nor a Council member of PSIRA. Committee meetings are attended by members of the Auditor-General's office and the internal auditors.

Internal Audit Unit

The Internal Audit Unit is outsourced to Sizwe Ntsaluba Gobodo Chartered Accountants. Its function is mandated by the Audit Committee. The unit measures and evaluates the effectiveness and application of policies, procedures, systems and processes designed to fulfil the requirements of the risk management policy, and general compliance with governance principles, regulation and the safeguarding of assets. In the year under review internal audit focused on the payroll, registration, supply chain management, human resources, law enforcement, IT general controls, financial management, IT adhoc on Compiere system, fraud and corruption, and governance.

Risk assessment and internal controls

PSIRA endeavours to minimise risk by ensuring that appropriate systems, policies, personnel and controls are in place throughout the organisation. A risk assessment exercise was performed during 2012/13 to identify areas of risk and to map appropriate controls over the past financial year. The process was facilitated by Sizwe Ntsaluba Gobodo and aimed to determine the material risks to which PSIRA was exposed and to evaluate the strategy for managing these risks. PSIRA relied on the outsourced internal audit function and external auditors for independent appraisal of the adequacy and effectiveness of the internal controls. The Audit Committee, with extensive input from the internal and external auditors, played a role in assisting management to assess the adequacy and effectiveness of the accounting system, records and internal control.

* The term of office of Council expired in December 2012, but the Minister has extended their contracts by six months to 30 June 2013.

** The term of the Chairperson in Office extended for 2 years until December 2014

Statement of Responsibility and Going Concern

Statement of responsibility for annual financial statement for a going concern

At the time of preparation of the annual financial statements for the period under review, the Council members believed that PSIRA will be a going concern in the foreseeable future. For this reason they continue to adopt a going concern basis in the preparation of these annual financial statements.

Responsibility for annual financial statements

The members of the Council are responsible for the preparation of the annual financial statements.

Approval of PSIRA annual financial statements

The annual financial statements for the year ended 31 March 2013, set out on pages 106 to 158, have been approved by the Council in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 on 31 July 2013.

Mr MS Chauke
Director
Date: 31 July 2013

Mr TO Bopela
Chairperson
Date: 31 July 2013

Statement of Financial Position as at 31 March 2013

Figures in Rand	Note(s)	2013	2012 Restated
Assets			
Current Assets			
Trade and other receivables	3	6 622 167	5 966 218
Cash and cash equivalents	4	22 793 059	11 689 030
		29 415 226	**17 655 248**
Non-current assets			
Property, plant and equipment	5	13 894 715	12 987 821
Intangible assets	6	1 053 968	1 775 267
		14 948 683	**14 763 088**
Non-current assets held for sale	7	-	195 811
Total assets		**44 363 909**	**32 614 147**
Liabilities			
Current liabilities			
Operating lease liability	8	12 024 453	4 695 193
Trade and other payables	9	19 958 218	18 917 996
Retirement benefit o0bligation	10	1 332 000	1 542 339
Unspent conditional grants and receipts	11	440 315	-
		33 754 986	**25 155 528**
Non-current liabilities			
Retirement benefit obligation	10	12 757 000	5 636 661
Total liabilities		**46 511 986**	**30 792 189**
Net assets		**(2 148 077)**	**1 821 958**
Accumulated (deficit)/surplus		(2 148 077)	1 821 958

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012 Restated
Revenue			
Sale of Goods	12	1 871 075	1 377 814
Annual Fees	12	111 737 378	77 133 356
Rendering of Services	12	374 908	317 821
Infrastructure Assessment	12	29 000	88 500
Registration Fees	12	19 327 053	15 619 584
Course Reports	12	18 457 150	16 658 800
Fines	12	5 425 750	10 659 559
Grant Received	12	854 386	-
Bad Debt Recoveries	13	407 401	-
Interest and Penalties Received (Trade Receivables)	13	-	6 570 851
Sundry Income		397 711	611 688
Interest Received - Investment	16	1 169 835	537 461
Total revenue		**160 051 647**	**129 575 434**
Expenditure			
Employee benefits	14	(76 063 504)	(64 843 990)
Debt impairment	15	(33 433 014)	(24 065 516)
Depreciation and amortisation	5	(2 430 401)	(6 360 324)
Finance costs	17	(13 984)	(1 440)
Repairs and maintenance		(2 157 286)	(897 741)
Other operating expenses	31	(49 664 051)	(43 214 371)
Total expenditure		**(163 762 240)**	**(139 383 382)**
Operating deficit		**(3 710 593)**	**(9 807 948)**
Profit/(loss) on disposal of assets		(259 612)	134 498
Gain /(loss) on impairment of assets	5	173	(195 811)
		(259 439)	**(61 313)**
Deficit for the year		**(3 970 032)**	**(9 869 261)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated (Deficit) / Surplus	Total net assets
Opening balance as previously reported	11 455 065	11 455 065
Adjustments		
Correction of errors	236 154	236 154
Balance at 1 April 2011 as restated	**11 691 219**	**11 691 219**
Changes in net assets		
Deficit for the year	(9 869 261)	(9 869 261)
Total changes	(9 869 261)	(9 869 261)
Balance at 1 April 2012 as restated	**1 821 955**	**1 821 955**
Changes in net assets		
Deficit for the year	(3 970 032)	(3 970 032)
Total changes	(3 970 032)	(3 970 032)
Balance at 31 March 2013	**(2 148 077)**	**(2 148 077)**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012 Restated
Cash flows from operating activities			
Receipts from customers			
Sale of goods and services		127 020 754	108 304 476
Interest income		1 169 835	537 461
		128 190 589	108 841 937
Payments to suppliers			
Employee costs		(67 270 604)	(61 365 863)
Suppliers		(47 122 345)	(41 711 818)
Finance costs		(13 984)	(1 440)
		(114 406 933)	(103 079 121)
Net cash flows from operating activities	19	**13 783 656**	**5 762 816**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(2 647 830)	(6 094 445)
Proceeds from sale of property, plant and equipment	5	22 900	479 610
Purchase of intangible assets	6	(54 697)	(1 785 002)
Net cash flows from investing activities		**(2 679 627)**	**(7 399 837)**
Decrease in cash and cash equivalents		**11 104 029**	**(1 637 021)**
Cash and cash equivalents at the beginning of the year		11 689 030	13 326 051
Cash and cash equivalents at the end of the year	4	**22 793 059**	**11 689 030**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Sale of goods	290 700	-	290 700	1 871 075	**1 580 375**
Rendering of services	261 600	-	261 600	374 908	**113 308**
Annual fees	114 942 918	-	114 942 918	111 737 378	**(3 205 540)**
Infrastructure re-assessment fees	30 000	-	30 000	29 000	**(1 000)**
Registration fees	18 960 000	-	18 960 000	19 327 053	**367 053**
Course reports	17 544 828	-	17 544 828	18 457 150	**912 322**
Recoveries	-	-	-	407 401	**407 401**
Interest and penalties	6 960 000	-	6 960 000	-	**(6 960 000)**
Sundry income	641 800	-	641 800	397 711	**(244 089)**
Interest received - investment	472 020	-	472 020	1 169 835	**697 815**
Total revenue from exchange transactions	**160 103 866**	**-**	**160 103 866**	**153 771 511**	**(6 332 355)**
Revenue from non-exchange transactions					
Transfer revenue					
Fines	13 020 000	-	13 020 000	5 425 750	**(7 594 250)**
Grant received	-	-	-	854 386	**854 386**
Total revenue from non-exchange transactions	**13 020 000**	**-**	**13 020 000**	**6 280 136**	**(6 739 864)**
Total revenue	**173 123 866**	**-**	**173 123 866**	**160 051 647**	**(13 072 219)**

Statement of Comparison of Budget and Actual Amounts (continued)

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance (continued)					
Expenditure					
Employee related costs	(79 573 531)	-	(79 573 531)	(76 063 504)	**3 510 027**
Depreciation and amortisation	(9 849 094)	-	(9 849 094)	(2 430 401)	**7 418 693**
Finance costs	-	-	-	(13 984)	**(13 984)**
Debt impairment	(11 494 295)	-	(11 494 295)	(33 433 014)	**(21 938 719)**
Repairs and maintenance	(3 240 180)	-	(3 240 180)	(2 157 286)	**1 082 894**
General expenses	(70 183 865)	-	(70 183 865)	(49 664 051)	**20 519 814**
Total expenditure	**(174 340 965)**	**-**	**(174 340 965)**	**(163 762 240)**	**10 578 725**
Operating deficit	**(1 217 099)**	**-**	**(1 217 099)**	**(3 710 593)**	**(2 493 494)**
Loss on disposal of assets and liabilities	5 000 000	-	5 000 000	(259 612)	**(5 259 612)**
Fair value adjustments	-	-	-	173	**173**
	5 000 000	**-**	**5 000 000**	**(259 439)**	**(5 259 439)**
Deficit before taxation	**3 782 901**	**-**	**3 782 901**	**(3 970 032)**	**(7 752 933)**
Actual amount on comparable basis as presented in the budget and actual comparative statement	**3 782 901**	**-**	**3 782 901**	**(3 970 032)**	**(7 752 933)**
Reconciliation					

Statement of Comparison of Budget and Actual Amounts (continued)

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Position					
Assets					
Current assets					
Trade and other receivables	14 338 000	-	14 338 000	6 622 167	**(7 715 833)**
Cash and cash equivalents	17 147 000	-	17 147 000	22 793 059	**5 646 059**
	31 485 000	**-**	**31 485 000**	**29 415 226**	**(2 069 774)**
Non-current assets					
Property, plant and equipment	23 634 000	-	23 634 000	13 894 715	**(9 739 285)**
Intangible assets	-	-	-	1 053 968	**1 053 968**
	23 634 000	**-**	**23 634 000**	**14 948 683**	**(8 685 317)**
Total assets	**55 119 000**	**-**	**55 119 000**	**44 363 909**	**(10 755 091)**
Liabilities					
Current liabilities					
Operating lease liability	-	-	-	12 024 453	**12 024 453**
Trade and other payables	31 297 000	-	31 297 000	19 958 218	**(11 338 782)**
Retirement benefit obligation	-	-	-	1 332 000	**1 332 000**
Unspent conditional grants and receipts	-	-	-	440 315	**440 315**
	31 297 000	**-**	**31 297 000**	**33 754 986**	**2 457 986**
Non-current liabilities					
Retirement benefit obligation	5 575 000	-	**5 575 000**	12 757 000	**7 182 000**
Total liabilities	**36 872 000**	**-**	**36 872 000**	**46 511 986**	**9 639 986**
Net assets	**18 247 000**	**-**	**18 247 000**	**(2 148 077)**	**(20 395 077)**
Accumulated surplus/ (deficit)	18 247 000		18 247 000	(2 148 077)	(20 395 077)

Statement of Comparison of Budget and Actual Amounts (continued)

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	181 228 000	-	**181 228 000**	127 020 754	**(54 207 246)**
Interest income	1 150 000	-	**1 150 000**	1 169 835	**19 835**
	182 378 000	-	**182 378 000**	128 190 589	**(54 187 411)**
Payments					
Employee costs	(76 384 000)	-	**(76 384 000)**	(67 270 604)	**9 113 396**
Finance costs	-	-	**-**	(13 984)	**(13 984)**
Other payments	(86 776 000)	-	**(86 776 000)**	(47 122 345)	**39 653 655**
	(163 160 000)	-	**(163 160 000)**	(114 406 933)	**48 753 067**
Net cash flows from operating activities	**19 218 000**	**-**	**19 218 000**	**13 783 656**	**(5 434 344)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(11 483 000)	-	**(11 483 000)**	(2 647 828)	**8 835 172**
Proceeds from sale of property, plant and equipment	9 000 000	-	**9 000 000**	22 898	**(8 977 102)**
Purchase of other intangible assets	-	-	**-**	(54 697)	**(54 697)**
Net cash flows from investing activities	**(2 483 000)**	**-**	**(2 483 000)**	**(2 679 627)**	**(196 627)**
Net increase/(decrease) in cash and cash equivalents	16 735 000	-	**16 735 000**	11 104 029	**(5 630 971)**
Cash and cash equivalents at the beginning of the year	411 000	-	**411 000**	11 689 030	**11 278 030**
Cash and cash equivalents at the end of the year	**17 146 000**	**-**	**17 146 000**	**22 793 059**	**5 647 059**
Reconciliation					

Accounting Policies

1.Presentation of Financial Statements

The annual financial statements have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the ASB.

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 ASB.

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, is disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

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

Accounting Policies (continued)

1.1 Significant judgements and sources of estimation uncertainty (continues)

Allowance for doubtful debts

On receivables 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 receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives of property, plant and equipment and other assets

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

1.2 Capital commitments

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

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

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

1.3 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 are 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 through a non-exchange transaction, its cost is its fair value 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.

Accounting Policies (continued)

1.3 Property, plant and equipment (continues)

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.

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

Major inspection costs that are a condition of continuing use of an item of property, plant and equipment and that 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 are 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 - 20 years
Motor vehicles	5 - 10 years
Office equipment	5 - 15 years
Computer equipment	3 - 10 years
Leasehold improvements	5 - 10 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 entity 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 (continued)

1.4 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 individually 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.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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	3 years

Intangible assets are derecognised:

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

1.5 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 categories) as reflected on the face of the statement of financial position or in the notes thereto:

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

Accounting Policies (continued)

1.5 Financial instruments (continues)

The entity has the following types of financial liabilities (classes and category) as reflected in 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 that are 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.

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 non-collectability of financial assets

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

Accounting Policies (continued)

1.5 Financial instruments (continues)

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 a 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 a 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:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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.

Accounting Policies (continued)

1.5 Financial instruments (continues)

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position only 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.

1.6 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).

1.7 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

1.8 Impairment of cash-generating assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a)the period of time over which an asset is expected to be used by the entity; or

(b)the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Accounting Policies (continued)

1.8 Impairment of cash-generating assets (continues)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the standard of GRAP.

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

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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.

Accounting Policies (continued)

1.8 Impairment of cash-generating assets (continues)

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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 tests 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 non-cash-generating assets is the present value of the non-cash-generating asset's remaining service potential.

Accounting Policies (continued)

1.9 Impairment of non-cash-generating assets (continues)

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 are 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 that 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.

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.

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 assesses 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset occur only when there is clear evidence that such a redesignation is appropriate.

Accounting Policies (continued)

1.10 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 12 months of 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 measures 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 recognises 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.

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within 12 months of the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the obligation.

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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Accounting Policies (continued)

1.10 Employee benefits (continues)

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 that 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 recognises past service cost as an expense in the reporting period in which the plan is amended.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The entity measures 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 contributions to the plan. The present value of these economic benefits is determined using a discount rate that reflects the time value of money.

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

The entity determines 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.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which are recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies (continued)

1.10 Employee benefits (continues)

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The projected unit credit method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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 presented as the net of 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) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are 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.

Accounting Policies (continued)

1.11 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 obligation 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.

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 20.

1.12 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 entity 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

When services are performed by an indeterminate number of acts over a specified timeframe, revenue is recognised on a straight-line basis over the specified timeframe 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

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.

Accounting Policies (continued)

1.12 Revenue from exchange transactions (continues)

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.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Revenue from grants takes the form of grants received for research and skills development.

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 breaching 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, the 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 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 a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14Investment income

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

1.15 Comparative figures

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

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.

Notes to the Financial Statements

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that 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.

1.17 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) PFMA (Act 1 of 1999); or

(b) the State Tender Board Act, 1968 (Act No 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

1.18 Budget information

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

The approved budget covers the fiscal period from 1 April 2012 to 31 March 2013.

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

1.19 Related parties

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

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

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

Notes to the Financial Statements

2.Standards issued not yet effective

Standards of interpretation issued, and effective in current year:

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 recognised. 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 recognising 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 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 recognised. 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.

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

GRAP 20 - Related Parties
ASB issue date: June 2011
Effective date: None announced.
Prescribes the procedures that must be applied to ensure that the reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and

Notes to the Financial Statements

outstanding balances with such parties. 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: 1 April 2013
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.

GRAP31 - Intangible Assets
Effective date: 1 April 2013
New standard of GRAP replacing GRAP 102. Changes made comprise three areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from interpretations issues by the IASB previously included in GRAP 102,
- Changes to ensure consistency between the standards, or to clarify existing principles.

The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 105 - Transfer of Functions between Entities under Common control
ASB issue date: November 2010
Effective date: None announced
Establish the accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 106 - Impairment of Cash-generating Assets
ASB issue date: November 2010
Effective date: None announced
Establish the accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 107 - Mergers
ASB Issue date: November 2010
Effective date: None announced
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.

IGRAP1 - Applying Probability Test on Initial Recognition of Revenue
Effective date: 1 April 2013
This interpretation of the standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:
(a) exchange revenue in accordance with the standard of GRAP on Revenue from Exchange Transactions; and
(b) non-exchange revenue in accordance with the standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).
It is unlikely that the amendment will have a material impact on the entity's financial statements.

IGRAP 16 - Intangible Assets: Website Costs
Effective date: 1 April 2013
This interpretation of the standards of GRAP addresses the classification of an internally generated intangible assets and the appropriate accounting treatment of related expenses.
It is unlikely that the amendment will have a material impact on the entity's financial statements.

Improvements to Standards of GRAP
ASB issue date: N/A
Effective date proposed: 1 April 2013
Improvements are proposed to the following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

3.Trade and other receivables

Trade receivables		80 517 646	99 685 773
Impairment of trade receivables		(75 402 204)	(95 101 033)
Deposits		554 860	522 657
Travel and subsistence		34 300	30 600
Staff advances		15 455	49 011
Prepayments		901 750	441 137
Other receivables		360	338 073
		6 622 167	5 966 218

Trade receivables and other receivables			
Trade and other receivables from exchange transactions		72 916 273	89 638 450
Trade and other receivables from non-exchange transactions		7 601 373	10 047 323
		80 517 646	99 685 773

Trade and other receivables

The ageing of amounts not impaired is as follows:

Current - not impaired		2 796 096	2 641 445
1 month past due - not impaired		2 312 639	2 039 425

Ageing of trade receivables			
Current - not impaired		2 796 096	2 641 445
1 month past due - not impaired		2 312 639	2 039 425
2 month past due - not impaired		2 784 487	16 000
2 month past due - impaired		-	6 987 347
3 months and more past due - not impaired		72 624 424	13 100
3 months and more past due - impaired		-	87 988 456
		80 517 646	**99 685 773**

Reconciliation of provision for impairment of trade and other receivables

Opening balance		95 101 033	153 522 767
Impairment loss recognised		33 433 014	24 065 516
Amounts written off as uncollectible		(53 131 843)	(82 487 250)
		75 402 204	**95 101 033**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

4.Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012 Restated
Cash on hand	122 366	202 315
Bank balances	2 081 611	1 068 001
Short-term deposits	20 589 082	10 418 714
	22 793 059	**11 689 030**

5.Property, plant and equipment

	2013			2012 restated		
	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	2 623 000	-	2 623 000
Buildings	5 591 393	(3 034 719)	2 556 674	5 591 393	(2 775 398)	2 815 995
Furniture and fixtures	5 034 964	(1 681 766)	3 353 198	5 129 001	(1 578 281)	3 550 720
Motor vehicles	120 783	(112 479)	8 304	120 783	(109 712)	11 071
Office equipment	1 618 463	126 790	1 745 253	2 682 569	(1 612 999)	1 069 570
Computer equipment	2 532 519	(266 440)	2 266 079	5 134 918	(3 403 308)	1 731 610
Leasehold improvements	1 754 377	(412 170)	1 342 207	1 381 737	(195 882)	1 185 855
Total	**19 275 499**	**5 380 784**	**13 894 715**	**22 663 401**	**(9 675 580)**	**12 987 821**

Notes to the Financial Statements

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Impairment reversal	Total
Land	2 623 000	-	-	-	-	-	-	2 623 000
Buildings	2 815 995	-	-	-	-	(259 321)	-	2 556 674
Furniture and fixtures	3 550 720	456 389	(171 611)	135 846	-	(618 302)	156	3 353 198
Motor vehicles	11 071	-	-	-	-	(2 767)	-	8 304
Office equipment	1 069 570	485 709	(85 943)	51 545	340 383	(116 021)	10	1 745 253
Computer equipment	1 731 610	849 274	(24 958)	8 420	-	(298 274)	7	2 266 079
Leasehold improvements	1 185 855	856 458	-	-	(340 383)	(359 723)	-	1 342 207
	12 987 821	**2 647 830**	**(282 512)**	**195 811**	**-**	**(1 654 408)**	**173**	**13 894 715**

Reconciliation of property, plant and equipment - 2012 restated

	Opening balance	Additions	Disposals	Classified as held for sale	Depreciation	Impairment loss	Total
Land	2 623 000	-	-	-	-	-	2 623 000
Buildings	3 075 315	-	-	-	(259 320)	-	2 815 995
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	1 314 271	-	-	(129 816)	-	1 185 855
	11 752 381	**6 094 445**	**(345 112)**	**(195 810)**	**(4 122 272)**	**(195 811)**	**12 987 821**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

The property in Arcadia was erroneously disclosed in 2012 as assets held for sale; approval was not yet obtained to dispose of the asset, as the Department of Police and National Treasury had not approved the sale of the property. The prior year figures were restated to reflect the incorrect classification in the prior year. A feasibility study will be undertaken to determine whether it would be cost effective to demolish the current buildings on the property. Two houses on the property are still in use and will remain in use until a decision has been made on demolition. Management has decided that the net book value accurately reflects the value that would be derived from the use of the building until a decision has been made. (The net book value of buildings: R408 674.13, Net book value of land: R2 623 000).

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 R11 336 642 and net book value of R5 064 495 at the beginning of the year were extended by a number of years as already utilised. Computer equipment has been extended by seven years, office equipment extended by ten years and office furniture extended by five years. This change has resulted in depreciation expense for the current year to be R195 248 and R1 057 214 in the next financial years as mentioned above.

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.

6.Intangible assets

	2013			2012 restated		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 816 783	(4 762 815)	1 053 968	5 764 736	(3 989 469)	1 775 267

Reconciliation of intangible assets – 2013

	Opening balance	Additions	Amortisation	Total
Computer software	1 775 267	54 697	(775 996)	1 053 968

Reconciliation of intangible assets – 2012

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

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

7.Non-current assets held for sale

The entity has decided to dispose of the following groups of assets as listed below in 2012

Approval to dispose of the land and buildings previously disclosed as assets held for sale has not been obtained. These assets were erroneously disclosed as assets held for sale. The prior year figures were restated to reflect the correct disclosure. A feasibility study will be undertaken to determine whether it would be cost effective to demolish the current buildings on the property. Two houses on the property are still in use and will remain in use until a decision has been made on demolition. Management has decided that the net book value accurately reflects the value that would be derived from the use of the building until a decision has been made.

	2013	2012 Restated
Net book value of non-current assets held for sale		
Furniture and fixtures	-	135 846
Office equipment	-	51 545
Computer equipment	-	8 420
	-	**195 811**

8.Operating lease obligation

8.1 Lease payments: Non-cancellable leases - building

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

	2013	2012 Restated
No later than one year	14 131 206	7 003 065
One to five years	43 676 723	53 636 664
	57 807 929	**60 639 729**
Operating lease liability	11 559 654	4 500 848

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

KwaZulu-Natal: 26 Mathews Road, Greyville
Five-year contract expiring 31 May 2017 - escalation of 7% per annum

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

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

8.Operating lease obligation (continues)

Pretoria corporate offices: Eco Glades 2 Office Park, Centurion
Five-year contract expiring 31 July 2016 - escalation of 10% per annum.
The timing of lease payments has 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 amount payable for the initial two years is fixed at 7%, increasing to 26%, 29% and 31% in the ensuing years.

8.2 Lease payments: Office equipment.

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

Three-year contract expiring in 2014 - no escalation.

		2013	2012 Restated
No later than one year		573 406	686 649
One to five years		262 349	835 756
		835 755	1 522 405
Operating lease liability		56	8 446

8.3 Lease payments: Operating costs buildings

Pretoria corporate offices: Eco Glades 2 Office Park, Centurion
Five-year contract expiring 31 July 2016 - escalation of 10% per annum

		2013	2012 Restated
No later than one year		1 581 353	1 387 152
One to five years		4 436 713	6 018 066
		6 018 066	**7 405 218**
Operating lease liability		464 742	185 897
Total operating lease obligation			
Lease payments: Building		11 559 654	4 500 848
Lease payments: Office equipment		56	8 446
Lease payments: Operating costs buildings		464 742	185 897
		12 024 452	**4 695 191**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

9. Trade and other payables

Trade payables	14 515 919	13 908 297
Accrual - leave pay benefit	2 400 409	2 212 122
13th cheque	883 495	780 803
Staff contributions payables	2 158 395	2 016 774
	19 958 218	**18 917 996**

Ageing of unknown deposits		
Current	142 364	228 555
30 days	90 408	189 199
60 days	96 011	165 159
90 days and over	1 272 364	981 755
	1 601 147	**1 564 668**

Trade payables include cash receipts or deposits into the entity's bank account, with incorrect or unidentifiable references. In some instances these deposits relate to registration fees, course reports or fines and settlements that cannot be allocated as yet. The cash receipts are disclosed as unknown deposits.

10. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which 100% of employees and 100% (2012) belong, consists of the Sanlam Pension Fund governed by the Pension Fund Act of 1956. The number of employees covered by the plan is 202 and 209 (2012). The plan is a final salary plan.

The IAS 19 report was prepared by independent actuarial valuators at 31 March 2013. The statutory actuarial valuation is done tri-annually. The last statutory valuation was done at 31 March 2010.

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 2013 was R14 089 000 and R7 179 000 (2012). The entity is committed to fund the net liability of the fund, as per the statutory actuarial valuation on 1 April 2010, over the three years, commencing in June 2012.

The assets of the fund are invested in Sanlam Alpha Bonus Portfolio. The fund had 14 860 unsold Sanlam shares at 31 March 2012 at a price of R33, 18 per share. These shares were sold on 30 November 2012.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

10. Employee benefit obligations (continues)

The book value of the capital account of the Stable Bonus Portfolio is guaranteed. The capital bonuses are not guaranteed, but depend on the underlying market value of the total portfolio. Should the Fund, however, terminate its investments in this portfolio, the lower of the book value and market value will be payable. The book value was taken into account in the IAS19 valuations since this was lower than the market value on the valuation date. This approach is consistent with the best estimate valuation basis used to place a value on the liabilities of the fund.

The balance in the bank account amounted to R225 000 on 1 April 2013.

Following the appointment of Alexander Forbes as the Fund's new administrator, the trustees resolved that the housing loan balance be settled against the members' fund credits with effect from 31 July 2012.

		2013	2012 Restated
Carrying value			
Present value of fund obligation		56 830 000	37 737 000
Fair value of plan assets		(42 741 000)	(30 558 000)
Net liability		**14 089 000**	**7 179 000**
Post-retirement benefit obligation			
Current obligation		1 332 000	1 542 339
Non-current obligation		12 757 000	5 636 661
		14 089 000	**7 179 000**
Reconciliation of present value of fund obligation			
Fund information for the year			
Present value of obligation at the beginning of the year		37 737 000	29 950 000
Interest cost		4 159 000	3 196 000
Current service cost		5 117 000	4 419 000
Benefits paid		(3 226 000)	(2 236 000)
Actuarial loss on plan assets		2 811 000	2 408 000
Change in valuation basis		10 232 000	-
Present value of fund obligation at the end of the year		**56 830 000**	**37 737 000**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

10. Employee benefit obligations (continues)

Reconciliation of fair value of plan assets

Fair value of plan assets at the beginning of the year		30 558 000	24 375 000
Actuarial return on plan assets		4 554 000	2 496 000
Contributions		8 450 000	8 373 000
Additional contributions to fund deficit		1 622 000	-
Actuarial gain		-	(2 450 000)
Benefits paid		(3 226 000)	(2 236 000)
Expenses		(1 979 000)	-
Insured pensions		2 762 000	-
Fair value of plan assets at the end of the year		**42 741 000**	**30 558 000**

Employee benefits

Amounts recognised in the statement of financial performance

Current service cost		5 117 000	4 419 000
Interest on obligation		4 159 000	3 196 000
Expected return on plan assets		(4 554 000)	(2 496 000)
Net actuarial loss recognised		13 043 000	4 858 000
Contributions		(10 072 000)	(8 373 000)
Expenses		1 979 000	-
Insured pensions		(2 762 000)	-
Total expenses in the statement of financial performance		**6 910 000**	**1 604 000**

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets		4 554 000	2 496 000
Expected rate of return on assets		8,30%	8,90%
Expected increase in salaries		8,00%	7,10%
Expected pension increases		4,80%	5,50%

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

10. Employee benefit obligations (continues)

The assets of the Fund are invested in the following three portfolios disclosed at their market values:		
Sanlam Stable Bonus Portfolio (2013: 99, 44%, 2012: 97%)	40 153 000	29 413 000
Special home loan portfolio (2013: 0%, 2012: 1%	-	321 000
14 860 unsold Sanlam shares (2012: 0%, 2012: 2%)	-	493 000
Less adjustments for late payments and receipts	(399 000)	331 000
Bank account	225 000	-
Insured pensions (2013: 0, 06%, 2012: 0%)	2 762 000	-
	42 741 000	30 558 000

Expected contributions for 2014: R8 184 310

Sensitivity analysis

A post-retirement rate for calculating the net defined benefit obligation of 4, 8% is used. A half percentage point change in assumed rate would have the following effects:

	0,5 percentage point decrease	0,5 percentage point increase
Value of assets	42 622 000	42 870 000
Value of liabilities	52 092 000	62 363 000
Funding level:(assets as a % of liabilities)	82	69
Deficit	9 470 000	19 493 000

Five-year history

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

	2013 R	2012 R	2011 R	2010 R	2009 R
Present value of obligation	56 830 000	37 737 000	29 950 000	21 299 000	18 603 000
Present value of asset	42 741 000	30 558 000	34 375 000	20 106 000	14 413 000
Shortfall	6 910 000	(7 179 000)	(5 575 000)	(1 193 000)	(4 190 000)
Experience adjustments on liabilities	2 811 000	2 408 000	6 540 000	(819 000)	(100 000)
Experience adjustments on assets	-	2 450 000	461 000	1 863 000	(2 611 000)

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

11 .Unspent conditional grants and receipts

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

Unspent conditional grants and receipts comprise:

A grant was received for the funding of the research department to complete specific research topics. Sasseta paid a grant to the entity to fund the salaries of 20 interns for a period of 12 months as part of their youth development programme.

	2013	2012 Restated
Unspent conditional grants and receipts		
Research grant	440 315	-
Movement during the year		
Additions during the	1 309 394	-
income recognition during the year	(869 079)	-
	440 315	**-**

12. Revenue

	2013	2012 Restated
Sale of goods	1 871 075	1 377 814
Rendering of services	374 908	317 821
Annual fees	111 737 378	77 133 356
Infrastructure assessment	29 000	88 500
Registration fees	19 327 053	15 619 584
Course reports	18 457 150	16 658 800
Fines	5 425 750	10 659 559
Grants received	854 386	-
	158 076 700	**121 855 434**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

12. Revenue (continues)

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

Sale of goods	1 871 075	1 377 814
Rendering of services	374 908	317 821
Annual fees	111 737 378	77 133 356
Infrastructure reassessment fees	29 000	88 500
Registration fees	19 327 053	15 619 584
Course reports	18 457 150	16 658 800
	151 796 564	**111 195 875**

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

Taxation revenue

Transfer revenue

Fines	5 425 750	10 659 559
Grants received	854 386	-
	6 280 136	**10 659 559**

Increase in annual fees is attributable to the increase of levies implemented with effect from 1 January 2012.

Certain revenue classifications have been amended and reclassified to ensure accurate reporting of all revenue streams and to improve analysis of the revenue of the entity. Refer to note 27 regarding restatement of comparative figures.

13.Other income

Debt impairment recovered	407 401	-
Gains on disposal of assets	-	134 498
Interest and penalties received (trade receivables)	-	6 570 851
Sundry Income	397 711	611 688
	805 112	**7 317 037**

Certain revenue classifications have been amended and reclassified to ensure accurate reporting of all revenue streams and to improve analysis of the revenue of the entity. Refer to note 27 regarding restatement of comparative figures.

Billing of interest and penalties on trade receivables ceased as of January 2013 after a court interdict instructed the entity not to take any punitive measure against security businesses for the non-payment of fees at the new rates until the court has made a decision on the implementation of the new fee regulations as published in 2011.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated
14. Employee related costs			
Basic salaries		47 510 350	43 918 022
13th cheque		3 457 485	3 155 704
Medical aid		4 298 352	3 567 233
Unemployment insurance fund		325 969	299 094
Workmen's compensation		284 537	271 175
Skills development levy		558 450	478 765
Pension contribution		7 252 185	5 457 001
Actuarial loss recognised		6 910 000	1 604 000
Travel and other allowances		5 466 176	6 092 996
		76 063 504	**64 843 990**
15. Debt impairment			
Bad debts written off		53 006 613	82 487 251
Decrease in debt impairment provision		(19 573 599)	(58 421 735)
		33 433 014	**24 065 516**
16. Investment revenue			
Interest revenue			
Interest income on call deposits and bank accounts		1 169 835	537 461
17. Finance costs			
Other interest paid		13 984	1 440
18. Auditors' remuneration			
Fees		2 132 333	2 008 689
Fees			
Internal audit fees		845 601	736 189
External audit fees		1 286 732	1 272 500
		2 132 333	**2 008 689**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

19. Cash generated from operations

Deficit	(3 970 032)	(9 869 261)
Adjustments for:		
Depreciation and amortisation	2 430 401	6 360 324
(Gain)/loss on disposal of assets	259 612	(134 498)
Loss on impairment of assets	(173)	195 811
Debt impairment	33 433 014	24 065 516
Movements in operating lease assets and accruals	7 329 260	4 307 995
Movements in retirement benefit assets and liabilities	6 910 000	1 604 000
Changes in working capital:		
Trade and other receivables	(655 949)	(5 343 337)
Consumer debtors	(33 433 014)	(24 065 516)
Trade and other payables	1 040 222	8 641 782
Unspent conditional grants and receipts	440 315	-
	13 783 656	**5 762 816**

20. Contingencies

The following contingent liabilities relate to legal proceedings where the claimants seek damages from 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 the Council for Conciliation, Mediation and Arbitration (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 by PSIRA.

Security Industry Alliance v PSIRA

Following the promulgation of the revised 2011 Annual Fee Regulations; the Security Industry Alliance (SIA) instituted legal action against the entity and the Minister of Police, to set aside the Regulations. The effect of the court case has a bearing on the extent of revenue that can be generated from annual fees. On 9 May 2013, the application by SIA was dismissed with costs. SIA has indicated that they will lodge an appeal to have the ruling overturned. The information usually required by the standard on provisions, contingent liabilities and assets is not disclosed on the grounds that it could prejudice the outcome of the litigation.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

21. Unrecognised contractual commitments

Assets		
Computer equipment	257 357	-
Furniture	13 374	-
Office equipment	13 645	-
Leasehold Improvements	8 662	-
	293 038	**-**
Expenses		
Consulting fees	39 467	4 389
Advertising	12 215	3 956
Printing and stationery	91 505	140 532
Repairs and maintenance	118 950	23 602
Licence fees	158 572	-
Training	134 099	33 750
Cleaning	3 447	-
Uniforms	308	-
Travel and accommodation	55 033	-
Venue hire and functions	5 780	-
	619 376	**206 229**

22. 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.

Contractual undiscounted cash flows as at reporting date:	**Less than 1 year**	**Between 1 year and 2 years**	**Between 2 and 5 years**	**Total**
Operating lease obligation	19 515 910	21 653 506	29 790 422	70 959 838
Trade and other payables	19 958 219	-	-	19 958 219
	39 474 129	**21 653 506**	**29 790 422**	**90 918 057**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

22. Risk management (continues)

Interest rate risk

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

Credit risk

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

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

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

Financial instrument	2013	2012
Trade and other receivables	6 622 167	5 966 218
Cash and cash equivalents	22 793 059	11 689 030

23. 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 realisation 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 a deficit of R2 148 077 and the entity's total liabilities exceeded its assets by R2 148 077. The entity posted a net deficit of R3 970 032, a significant improvement from the prior year deficit of R9 869 261 (as restated). The improvement in the financial performance of the entity is mainly ascribed to a 24% increase in revenue from R129 575 434 to R160 051 647.

The main source of revenue for the entity is 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.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

23. Going concern(continues)

Legal and statutory considerations

The Private Security Industry Regulatory Authority was established in terms of Section 2 of the Private Security Industry Regulation Act (56 of 2001) in 2002. There is a process underway to amend the Act. The amendment seeks to strengthen mechanisms of regulation, while at the same time, retaining the form of the entity that 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.

24.Fruitless and wasteful expenditure

	2013	2012 Restated
Salaries paid after contract end date	-	15 780
SARS interest	13 343	-
SARS penalties	176 876	-
CCMA settlement	206 755	-
Interest on creditor accounts	641	1 440
	397 615	**17 220**

	2013	2012 Restated
Reconciliation of fruitless and wasteful expenditure		
Fruitless and wasteful expenditure - current year	397 615	17 220
Fruitless and wasteful expenditure written off	(397 615)	(1 440)
Transfer to receivables for recovery	-	(15 780)
	-	-

SARS interest and penalties were incurred due to system error in payment of pay-as-you-earn. Submission was made to SARS to reverse the penalties.

Mr Seth Mogapi's employment was terminated on 21 July 2009 on the grounds of misconduct. The matter was referred to the labour court and the award was made in favour of Mr Mogapi.

The contract of Ms K Mokhondo, a temporary employee, was not renewed. She contested the fact that the contract was not renewed and a decision was taken to pay an award as the time and cost involved to contest the matter would far exceed the settlement of R1 833.

During the year under review, fruitless and wasteful expenditure of R641 was incurred as a result of late payments made to various suppliers.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

25.Irregular expenditure

Opening balance	3 561 268	1 036 963
Add: Irregular expenditure - year under review	7 739 272	1 178 904
Add: Irregular expenditure - prior years	-	1 345 401
	11 300 540	**3 561 268**

Analysis of expenditure awaiting condonation per age classification

Year under review	7 739 272	1 178 904
Prior years	3 561 268	2 382 364
	11 300 540	**3 561 268**

Details of irregular expenditure – year under review

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

Fewer than three quotes	291 520	-
Deviation from supply chain procedures and prescripts	1 347 175	-
Single supplier	124 810	-
Non-compliance to SBD4 (declaration of interest)	5 975 767	-
	7 739 272	**-**

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

The entity initially identified an irregular expenditure amount of R1 780 913 and the Auditor-General subsequently identified an additional amount of R1 541 202. The entity undertook a much wider investigation of irregular expenditure, which yielded a best estimate of R7 739 273 for the 2012/13 financial year, of which R5 975 767 relates to SBD4 (declaration of interest).

The entity continues to review all expenditure to ensure that irregular expenditure is recorded and appropriate action is taken to prevent its reoccurrence.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

26. Related parties

Council members emoluments (as determined by Minister of Police)	Salary package	Cell phone allowance	Leave pay	Insurance	Total
Chairperson: Mr TO Bopela	**1 522 547**	**24 000**	**-**	**-**	**1 546 547**
Vice Chairperson: Ms Holtzman	-	-	-	-	-
Mr A Dramat	-	-	-	-	-
	1 522 547	24 000	-	-	1 546 547
Total 2012	1 418 438	24 000	-	-	1 442 438

Audit Committee	Meetings attended	Audit Committee Meetings	Other meetings	Travel allowance	Total
Ms J Meissner (Chairperson)	Four	88 005	36 944	-	124 949
Mr AN Mhlongo	Four	123 794	-	-	123 794
Mr LM Sikhwetha	Two	-	-	-	-
		211 799	**36 944**	**-**	**248 743**
Total 2012		145 277	-	-	145 277

Key management personnel (as determined by Council)	Salary package	Cell phone allowance	Leave pay	Insurance	Total
Director: Mr MS Chauke	1 166 677	-	-	10 200	1 176 877
Deputy Director Finance: Mr DKN Ligege - resigned 31 December 2012	815 385	13 500	107 110	7 650	943 645
Deputy Director Law Enforcement: Mr PP Mthethwa	944 792	18 000	-	10 200	972 992
Acting Deputy Director Finance: Mr PM Mongwenyana - appointed 1 February 2013	157 286	3 000	-	-	160 286
	3 084 140	**34 500**	**107 110**	**28 050**	**3 253 800**
Total 2012	3 023 452	36 000	-	10 394	3 069 846

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

26. Related parties (continues)

The directors' pension fund contributions were refunded to them as they have been appointed on a cost-to-company basis and rule 7.2(a), of the pension fund prohibits transfer of employer contribution upon termination of service. The total amount refunded in terms of contributions to the directors amounted to R432 339 and has not been included in their benefits as disclosed. These refunds relate to benefits reported in 2012. Reimbursement of cellular telephone and travel costs of R62 732 has not been disclosed as part of benefit as it does not form part of directors' salary packages.

Related party transactions

There were no related party transactions.

27.Restatement of Comparative figures

Trade and other receivables were reduced after the correction in the treatment of unknown deposits included in the credit balances. These unknown deposits, though still reflected in the sub-leger credit balances, have been allocated to the correct ledger account for reporting and disclosure purposes.

Property, plant and equipment and assets held for sale - land and buildings previously disclosed as assets held for sale will no longer be sold and these have now been reclassified and the disclosure has been updated.

Property, plant and equipment - installation of lease hold improvements in 2012 were credited. The credit note was received late from the supplier. The asset was removed from the register and disclosure for 2012 has been updated and depreciation charges previously recognised were reversed.

Trade and other payables - a credit note relating to the installation of a lease hold improvement in 2012 - was processed. The credit note was received late from the supplier. The 2012 comparative figures have been amended. Trade and other payables were reduced after the correction in the treatment of unknown deposits included in trade receivables as credit balances. These unknown deposits, though still reflected in the sub-leger credit balances, have now been allocated to the correct ledger account for reporting and disclosure purposes. A further reduction was the result of credit balances on security officers being recognised as annual fees.

Retirement benefit obligation has been restated due to death benefits that were not part of the original calculation reported previously. This was due to the late submission of the death benefit claims.

Revenue - various restatements on revenue were done to ensure accurate reporting of revenue streams and to improve analysis of the revenue of the entity.

Total expenditure increased due to the adjustment on the retirement benefit plan as well as reallocation of transcription fees that were previously offset against revenue.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

27.Restatement of Comparative figures (continues)

The restatement of comparative amounts is presented below:

Statement of financial position		
Total assets decrease	-	(7 180 263)
Total liabilities decrease	-	6 827 805
	-	**(352 458)**
Trade and other receivables		
Trade and receivables previously reported	-	13 127 901
Credit balances relating to unknown deposits adjusted	-	(7 161 683)
Fines - previously reported as other debtors	-	35 600
Fines - reported as trade receivables	-	(35 600)
Debt impairment on sundry debtors - previously reported as other debtors	-	(125 230)
Debt impairment on sundry debtors - reported as Impairment on trade receivables	-	125 230
	-	**5 966 218**
Property, plant and equipment		
Property, plant and equipment previously reported	-	9 894 406
Land and building no longer held for sale	-	3 111 994
Credit note on leasehold improvements	-	(18 579)
	-	**12 987 821**
Non-current assets held for sale		
Non-current assets held for sale previously reported	-	3 307 805
Land and building no longer held for sale	-	(3 111 994)
	-	**195 811**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

27.Restatement of Comparative figures (continues)

Trade and other payable			
Trade and other payables previously reported		-	26 845 801
Credit note on leasehold improvements		-	(21 034)
Trade debtors with credit balances reduced - unknown deposits		-	(7 161 683)
Trade debtors with credit balances reduced - security officer annual fees		-	(508 933)
Trade debtors with credit balances reduced - security officer annual fees - prior years		-	(236 154)
		-	**18 917 997**
Retirement benefit obligations			
Retirement benefit obligations previously reported		-	4 536 661
Increase in obligation		-	1 100 000
		-	**5 636 661**
Accumulated surplus			
Accumulated surplus previously stated		-	2 174 416
Depreciation on asset returned		-	2 455
Increase in retirement benefit obligation		-	(1 100 000)
Trade debtors with debit balances - recognition of revenue 2012		-	508 933
Trade debtors with debit balances - recognition of revenue prior to 2012		-	236 154
		-	**1 821 958**
Statement of financial performance			
Total revenue increase		-	511 098
Total expenditure increase		-	(1 099 712)
		-	**(588 614)**
Total revenue			
Total revenue previously reported		-	129 064 336
Transcription fee costs reallocated		-	2 165
Credit balances on security officers' accounts recognised as annual fees		-	508 933
		-	**129 575 434**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

27. Restatement of Comparative figures (continues)

Revenue			
Revenue total as previously reported		-	100 225 246
Rendering of services previously reported as other income		-	317 821
Course reports previously reported as other income		-	16 658 800
Registration related fees previously reported as other income		-	4 144 635
Annual fees billed on security officers		-	508 933
		-	**121 855 435**
Other Income			
Other income previously reported		-	28 436 127
Course reports reported as revenue		-	(16 658 800)
Rendering of services reported as revenue		-	(317 821)
Registration-related income reported as revenue		-	(4 144 635)
Transcription fee cost reported as expenses		-	2 165
		-	**7 317 036**
Employee benefits			
Employee benefits previously reported		-	63 743 990
Increase in actuariagain on plan assets		-	1 100 000
		-	**64 843 990**
Depreciation and amorisation			
Depreciation and amortisation previously reported		-	6 362 777
Decrease in depreciation on leasehold improvements		-	(2 453)
		-	**6 360 324**

Cash flow statement

Cash flow from operating activities			
Cash flow from operating activities previously reported		-	5 783 851
Leasehold improvements credit note		-	(21 035)
		-	**5 762 816**
Cash flow from investing activities			
Cash flow from investing activities previously reported		-	7 420 871
Leasehold improvements credit note		-	(21 034)
		-	**7 399 837**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

28.Events after the reporting date

On 9 May 2013, the application by SIA to have the 2011 Annual Fee Regulations set aside, was dismissed with costs. SIA has indicated that they will lodge an appeal to have the ruling overturned.

In May 2013, approval for the sale of the building in Pretoria was declined. A feasibility study will be undertaken to determine whether it would be cost effective to demolish the existing buildings on the property (net book value of buildings R408 674,13, net book value of land R2 623 000) and erect a building to cater for the growing needs of the entity.

29. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At cost	Total
Trade and other receivables	6 622 167	6 622 167
Cash and cash equivalents	22 793 059	22 793 059
	29 415 226	**29 415 226**

Financial liabilities

	At cost	Total
Trade and other payables	19 958 218	19 958 218

2012

Financial assets

	At cost	Total
Trade and other receivables	5 966 218	5 966 218
Cash and cash equivalents	11 689 030	11 689 030
	17 655 248	**17 655 248**

Financial liabilities

	At cost	Total
Trade and other payables	**18 917 996**	**18 917 996**

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

29. Financial instruments disclosure (continues)

Financial instruments in statement of financial performance

2013

	At cost	Total
Impairment loss	33 433 014	33 433 014

2012

	At cost	Total
Impairment loss	24 065 516	24 065 516

30. Budget differences

Material differences between budget and actual amounts

Statement of financial performance

Revenue reported is 7,55% below the budgeted amount due to the SIA court interdict, which prevented PSIRA from taking any punitive measure against security businesses for not paying fees as per the 2011 Annual Fee Regulations.

Transfer revenue budget was not met due to improved regulation that led to a reduction in the number of code of conduct enquiries, which in turn led to fewer fines being imposed.

Total expenditure was below budget with 6,0% due to a cost curbing exercise to ensure that funds will be available until the successful challenge of the High Court case brought by SIA to have the 2011 Annual Fee Regulations set aside.

The sale of the building in Arcadia did not take place as approval for the sale could not be obtained from the Minister of Police.

Statement of financial position

Increase in total current assets is directly attributable to the increase in fees that were implemented in January 2012. Costs were curbed to ensure availability of funds, whilst the court case by SIA to have the 2011 Annual Fee Regulations set aside is pending.

Non-current assets did not grow as planned due to funding uncertainties related to the SIA court case.

Increase in current liabilities is directly attributable to the growth in the current portion of operating lease liability for the Centurion head office. Payments were staggered to ensure funding availability.

Notes to the Financial Statements

Figures in Rand	Note(s)	2013	2012 Restated

30. Budget differences (continues)

Non-current liabilities increased with126% as a result of a change in assumptions used by the actuary in establishing the deficit of the pension fund.

Cash flow statement

Below expected receipts, at 29,91% below budget, are due to security companies continuing to pay old rates pending the outcome of the SIA court case to set aside the 2011 Annual Fees Regulations.

Payments were below expected levels as spending was curbed to ensure availability of funds whilst the court case by SIA to have the 2011 Annual Fee Regulations set aside is pending.

Spending on property, plant and equipment was put on hold due to uncertainty of funding being available to cover operating expenses pending the SIA court case to have the 2011 Annual Fee regulations set aside.

Sale of building did not take place due to approval to sell building being denied.

31. General expenses

Advertising	212 578	392 560
Auditors' remuneration	2 132 333	2 008 689
Bank charges	651 327	607 744
Cleaning	720 774	659 832
Consulting and professional fees	2 959 169	5 381 547
Insurance	1 113 163	546 865
Lease rentals on operating lease	1 263 940	1 342 840
Postage and courier	868 672	781 550
Printing and stationery	2 804 761	2 203 807
Security (guarding of municipal property)	3 966 474	3 633 366
Software expenses	470 755	555 524
Subscriptions and membership fees	70 076	86 693
Telephone and fax	5 410 639	4 155 111
Training	858 163	969 030
Travel - local	2 978 092	2 294 192
Water, electricity and levies	3 283 818	2 502 948
Uniforms	2 855	-
Fingerprint costs	4 637 828	3 612 771
Legal fees	1 195 644	1 280 599
Functions and workshops	391 480	566 732
Sundry expenses	33 236	70 253
Property rental	13 461 398	9 561 718
SARS penalties	176 876	-
	49 664 051	**43 214 371**

PSiRA

Private Security Industry Regulatory Authority