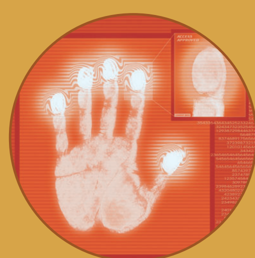
Annual Report 2010/11

Private Security Industry Regulatory Authority




Making your life

SAFER

Safe homes • Safe businesses • Safe communities

PSiRA

Private Security Industry Regulatory Authority

VISION, MISSION, VALUES and MANDATE

Vision

To be recognized as an excellent regulator of private security in South Africa by all our stakeholders

The new vision acknowledges the fact that PSIRA's success must be judged by its impact on society at large and specifically on ensuring that all the people of South Africa are and feel safe. It also removes the ambiguity of being "world class" replacing it with the ambitious goal of achieving excellence.

Mission

The mission of PSIRA is "To protect the constitutional rights of all people to life, safety and dignity through the effective promotion and regulation of the private security industry". The mission properly captures the core purpose of PSIRA.

Values

PSIRA currently has five values that it aspires to live out at all times:

Mandate

The mandate of the PSIRA derives from the Private Security Industry Regulatory Act 56 of 2001. The primary objects of the Authority 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 the interest of the private security industry itself.

The mandate of PSIRA is to:

a) promote a legitimate private security industry which acts in terms of the principles contained in the Constitution and other applicable law;
b) ensure that all security service providers act in the public and national interest in the rendering of security services;
c) promote a private security industry which is characterized by professionalism, transparency, accountability, equity and accessibility;
d) promote stability of the private security industry;
e) promote and encourage trustworthiness of security service providers;
f) determine and enforce minimum standards of occupational conduct in respect of security service providers;
g) encourage and promote efficiency in and responsibility with regard to the rendering of security services;
h) promote, maintain and protect the status and interests of the occupation of security service provider;
i) ensure that the process of registration of security service providers is transparent, fair, objective and concluded timeously;
j) promote high standards in the training of security service providers and prospective security service providers;
k) encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;
l) encourage equal opportunity employment practices in the private security industry;
m) promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
n) ensure that compliance with existing legislation by security service providers is being promoted and controlled through a process of active monitoring and investigation of the affairs of security service providers;
o) protect the interests of the users of security services;
p) promote the development of security services which are responsive to the needs of users of such services and of the community;
q) promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry

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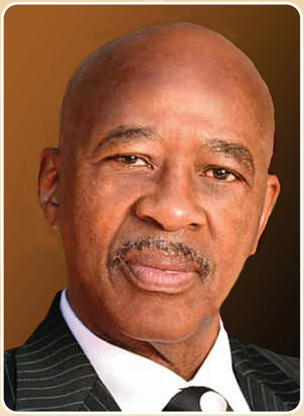
Council of the Authority



Chairman
Mr Thula Bopela

Vice Chairperson
Ms Zelda Holtzman

Council Member
Mr George Mnisi

Council Member
Lieutenant General Anwar Dramat

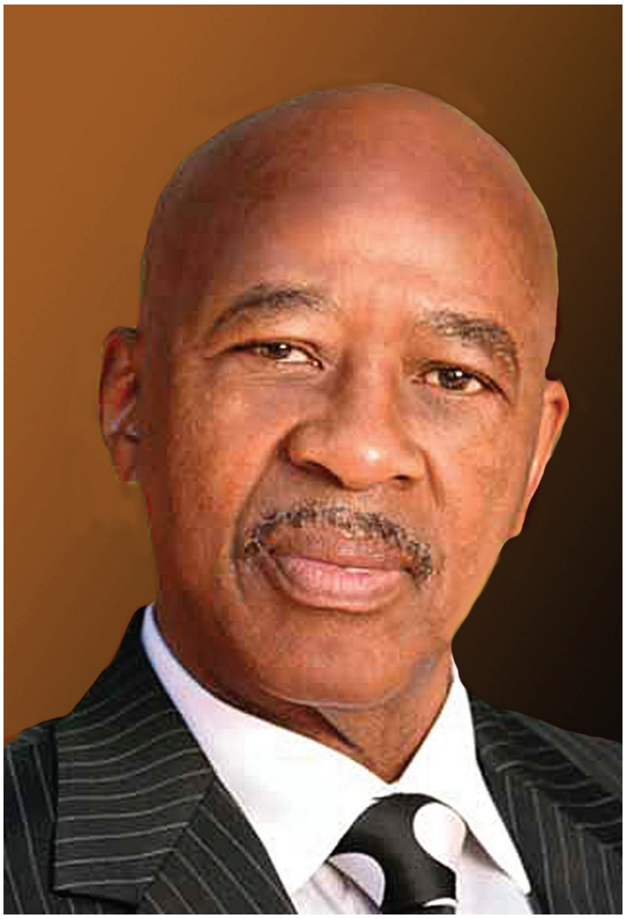
Executive Management

Director
Manabela S Chauke

Deputy Director:
Law Enforcement
Philani P Mthethwa

Deputy Director:
Finance and Administration
Dzivhuluwani KN Ligege

FOREWORD BY THE CHAIRPERSON



The annual report of the 2011-2012 financial year will highlight certain areas of weakness where the entity needs to tighten control and improve performance. This financial year's annual report is, however, vastly different from the one of the year 2010-2011.

On behalf of Council, I am happy to report that PSIRA can objectively be classified as a going concern. By the 31st March 2011 PSIRA had accumulated a surplus of approximately R12 million, with its total assets exceeding its liabilities by the same amount. It is expected that revenue will also increase, a fact attributable to the increase in annual fees payable by registered private security providers in the 2011-2012 financial year.

The Council is able to state quite categorically that it is meeting its obligation of maintaining adequate accounting records and ensuring the integrity of the entity's financial statements. The entity's financial statements are a fair representation of the state of affairs of the entity. Soon after its appointment, this Council ensured the appointment of highly competent managers to run the entity, and an independent audit and risk committee to monitor internal controls and performance.

A committee exists which is responsible for internal audit controls and action items management wants prepared for the year end. High risk items were identified and previous AGSA qualifications on which Management wanted to focus. These focus areas are debt management, supply chain management and performance information. Progress on all these items was reported to Management in all meetings that took place. Although it is not claimed that these areas of high risk have been resolved completely, significant progress has been made.

Control environments in many areas were classified as weak. Areas of weakness were identified in the area of human resources management, law enforcement and training processes, financial management, information technology and revenue management among others. These weaknesses have been identified by Management and it is a standing requirement that reports in all of them should be tabled at every Management meeting. The Management Committee has approved the internal audit plan for the 2011-2012 financial year, focusing on all the risk areas.

A fraud hotline has been established by the entity through which the Director is able to garner information on fraud, non-compliance and irregular expenditure. Information thus obtained is kept confidential, is carefully investigated and acted upon. The entity has increased its joint operations with SAPS against private security companies that do not comply. Cooperation between the entity and the Central Firearms Regulator (CFR) have enhanced the monitoring of the ownership and movement of firearms within the private security industry. Disappointment so far exists as a result of the failure by the Department of Labour (DOL) to respond to the entity's invitation to collaborate on matters affecting the security officers and their working conditions.

PSIRA is making contributions in the inputs that will go into the White Paper that will revise and strengthen the PSIR Act. This is a reflection of the seriousness with which the private security industry is viewed by government and PSIRA's role in it. The size of the private security industry, private security companies and the private security officers, versus the size of the regulator remains a concern both to government and the entity itself. The threat to state security and the citizens of South Africa is an abiding concern of the entity; its Management and the Council. The growth of the entity, the primary aim of its Management, will ensure the entity's ability to regulate and control the private security industry effectively.

Council would like to express delight with the manner in which PSIRA staff have responded to the changes that had to be introduced by Management to revive the entity and place it on a sound footing. Management reports that PSIRA staff have heartily welcomed the changes and have openly expressed their full support for the strategic plan and direction PSIRA will be following in future.

OTBopela

Mr. Thula O. Bopela
Chairperson of Council

OVERVIEW OF THE DIRECTOR

Introduction

This annual report reflects on the performance of the Private Security Industry Regulatory Authority ("PSIRA") against pre-determined objectives, as well as challenges encountered by the PSIRA in the year 2010/11. The report contains operational reports from various divisions, the annual financial statements the report of the Audit Committee and the Report of the Auditor-General.

The year 2010/2011 was characterized by many changes at PSIRA. Council appointed a new management team during the 2nd and 3rd quarter of 2010/11. The change in leadership included my appointment as Director in September 2010, followed by the Deputy Directors of Finance and Law enforcement in October and December of the same year, respectively.

As new management, we took the entity towards the end of the financial year and one must acknowledge that we appreciate every effort and contribution made towards addressing the challenges encountered, particularly those of a financial nature. We also have to acknowledge the speed in which the new management addressed critical audit and compliance in a short space of time.

An Organization in Crisis

The first step was to carry out an organisational diagnosis. Amongst others, the diagnosis revealed the following:

- Poor state of financial affairs
- Low staff morale-,
- Lack of governance processes including policies and procedures-,
- Inefficient and ineffective business processes-,
- Ageing IT infrastructure
- Non-compliance with PFMA

A closer look at the finances revealed a bleak picture towards the end of the third quarter. The leadership went to Parliament and declared a technical bankruptcy. The end of the third quarter and the beginning of the last quarter saw the implementation of the interim turnaround strategy aimed at the following:

- Stabilizing the financial position
- Reducing operating expenditure
- Increasing revenue, by reviewing tariff structure
- Introduction of new revenue streams
- Collection of long outstanding debt
- Review of certain service fees
- Expediting settlement of fines

Despite the low morals experienced by the staff due to the poor financial position of the entity, the interim turnaround strategy was a success. Fees were reviewed and penalties waived in support of customers. PSIRA staff gave an unwavering support to the success of the interim turnaround strategy.

Historic Establishment of Governance Structures

This quarter saw the torch of governance being lit for the first time in the history of PSIRA. The very first Audit Committee was established. Corporate success hinged on good governance and creating pillars to support governance. The Audit Committee was followed by a Registration Subcommittee responsible for the assessment and consideration of individual as well as business applications. Furthermore, a Regulatory Advisory Subcommittee was also established to oversee non-compliance to the Private Security Industry legislation post registration. In order to address IT governance matters, an IT Steering Subcommittee was also established.

Legislative Reforms

A Legislative reform was again in the spotlight with the then Deputy Minister of Police, Honourable Fikile Mbalula, reemphasizing the commitment of the Honourable Minister Nathi Mthethwa to forge ahead with legal reforms for the private security industry. PSIRA hosted industry bodies, employee representatives as well as government departments as stakeholders at consultations on legislation.

The industry acknowledged the challenges of regulation with changing environments. Most of the proposed legal reforms had a bearing on national security than individual service providers. The support of industry and stakeholders that contributed was well appreciated by Council and management alike. The dominant and controversial debates during the consultations centered around the issues on future funding of regulation of the industry and foreign ownership.

Compliance and Financial Controls

Although much effort was channeled towards addressing legacy shortfalls in many areas, there are still areas of improvement. During the year, the Finance division embarked on a project to clean up the debtor's book, resulting in writing off R75 495 989 of bad debt. I am pleased with the achievement so far, which led to an unqualified audit opinion, a first since the Auditor- General commenced auditing the entity. We have a huge challenge ahead of us to eradicate the legacy of non-compliance, in particular, the controls that impact on finance and our core business.

During this period, we also experienced the largest number of staff disciplinary cases. These cases painted a positive picture of the entities willingness to deal decisively with unethical issues and deliberate breakdown of controls. On the one hand it also reflective of the extent of the damage caused by the moral and ethical breakdown that took place in the entity over the past period.

Our Core Business

During this financial year the regulation of the industry remained focused on the inspection of service providers and site inspections. A total of 6611 inspections were conducted for the year. We managed to registered 1475 code of conduct prosecutions of security service providers. We registered 648 criminal cases which addressed mostly illegal operations in the industry. As part of our service delivery programms we noted an increase of 18,35 % in the registration of new security businesses whilst we had a 21,87 % increase on the number of registration of security officers. The turnaround time in the registration of security business is still a major concern which is being addressed through the reengineering of the whole process and systems to improve efficiency.

Service Delivery Issues and Stakeholder Engagements

Our participation in the preparations of the FIFA Soccer World Cup event contributed a great deal to the better security of the event. Through an improved vetting process, we managed to detect and reject a considerable number of individuals who were not fit and proper to participate in the security of the 2010 World Cup event. We owe the success of the process to the hard work and commitment of our PSIRA World Cup teams and the cooperation of our stakeholders.

Future Direction: Strategic Plan 2011/12 - 2013/14

We have embarked on an organisational turnaround to drastically improve service delivery and establish a strong reputation as an effective regulator of private security in South Africa. The plan has also been guided by national policy priorities as set out by the Justice, Crime Prevention and Security Cluster (CJS), which specifically aim at improving effectiveness and integration of the CJS to reduce the overall levels of crime in the country.

This strategic plan introduced priorities of PSIRA given the outcomes of the situational analysis. In the medium term, the PSIRA will focus on the following priorities:

Strategic Priority 1
- Industry Stewardship (Knowledge and Advocacy)

Strategic Priority 2
- Stakeholder and Customer Relationship Management

Strategic Priority 3
- Financial Management and Funding

Strategic Priority 4
- Excellent Service Delivery (Effective Regulation)

Strategic Priority 5
- Efficient and Effective Processes and Systems

Strategic Priority 6
- Effective Organisational Structures and Workforce

Strategic Priority 7
- Enabling Environment (Organisational Culture)

Conclusion

I would like to thank the support of Council during the year, as well as my management team and staff.

Mr. Manabela S Chauke
Director

CORPORATE GOVERNANCE STATEMENT

Overview

Effective corporate governance is essentially about ethical leadership. The fundamental challenge to governance for an organisation is to integrate strategy, governance and decision making with sustainability. Council acknowledges the importance of instilling good corporate governance at PSIRA. It is against this background that, Council embarked on a drive to improve the PSIRA's application of good corporate governance across the entity.

Legislation and guidelines

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

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

These key principles are given prominence:

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

Governing body

The governing body of PSIRA is Council, established in terms of the Private Security Industry Regulatory Act 56 of 2001. The Act prescribes that Council consist of a Chairperson, Vice Chairperson, and three additional councilors who are appointed by the Minister of Police in consultation with Cabinet. Councilors are drawn from diverse backgrounds and bring a wide range of expertise and professional skills. These skills are supplemented at committee level, by external members of the Audit and Risk Committee.

At the end of the year, Council included 4 Councilors, following the resignation of Mr. Anton Wiid on 30 April 2010.

Good corporate governance requires that the composition of the governing body be reviewed regularly. The terms of office of councilors is three years. Retiring councilors are eligible for reappointment, subject to a maximum of two additional terms.

Council committees

During the fourth quarter of 2010/11, Council established two committees, these are:

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

These committees were established in view of the scope of the mandate of the Authority, its strategic position and direction, as well as organizational challenges it faces.

The terms of reference of each committee are presented below:

a. Stakeholder and Core Business Committee

Objective

- Manage and measure the gap between stakeholder perceptions and performance of

PSIRA to enhance and protect its reputation

- Deliberate on reputation of PSIRA and its linkage with stakeholder relationships
- Provide guidance and oversight on strategy and policies for management of relationships with each stakeholder grouping
- Provide guidance on stakeholder engagement processes whether formal or informal
- Strive to achieve appropriate balance between its various stakeholder groupings, in the interest of PSIRA
- Promote transparent and effective communication with stakeholders in order to build and maintain trust and confidence
- Promote Industry research

b. Remuneration and Human Capital Committee

Objective

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

c. Audit and Risk Committee

Council established the Committee in the third quarter of 2010/11. The committee comprised three independent members. Members collectively have sufficient qualifications and experience to fulfill their duties. Members of the committee have 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, 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 audit and internal audit are clear and coordinated to provide an objective overview of 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 the PSIRA has implemented an effective policy and plan for risk management that will protect its ability
- Reviewing any accounting and auditing concerns raised by internal and external audit, 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 for monitoring 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

Two meetings were held during the year. They were attendance by external auditors, the Director, the Deputy Director Finance and Administration and relevant officials. Details of activities of this committee are presented in the Report of the Audit Committee.

Delegation of Authority

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

Council meeting attendance

Member of Council	6 April 2010	14 May 2010	15 October 2010	4 February 2011
Mr. Thula O Bopela	✓	✓	✓	✓
Ms. Zelda Holtzman	✓	✓	A	✓
Lt.General Anwar Dramat	✓	✓	✓	✓
Mr. SG Mnisi	✓	✓	✓	A
Mr. Anton Wiid (resigned 25 April 2010)	✓	-	-	-

✓ In attendance

A Apology

Councilors' remuneration

Remuneration of councilors is determined by the Minister of Police. Details of remuneration to Councilors has been disclosed in the notes to the annual financial statements.

Executive management committees

There exist an executive management committee (Exco), led by the Director with Deputy Directors of Finance and Law Enforcement as members. Over and above this committee, Exco established three subcommittees as follows:

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

- Regulatory Committee. The role and responsibilities of this committee is to ensure that post registration, service providers comply with the Private Security Industry Regulation Act as well as regulations issued in terms of the Act. The committee considers recommendations to suspend and withdraw service providers who do not comply with the requirements of the Act. During the year, the committee met six times.

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

Integrated Risk management (IRM)

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

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

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

Internal Control

Council is accountable for ensuring effective controls. Management is charged with the responsibility of establishing and maintaining an effective internal control environment, which is developed and maintained on an ongoing basis to provide reasonable assurance to Council regarding:

- 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;
- and detection and minimization of fraud, potential liability, loss and material misstatement.

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

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

Internal Audit

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

The internal audit is accountable to management and the audit and risk committee to provide regular assessment of the adequacy and effectiveness of PSIRA's risk and control processes.

Other activities include:

- Reporting significant issues including potential improvements relating to risk and control processes;
- Providing information on the status and results of the annual audit plan and adequacy of resources
- Coordinating with and provide oversight of other control and monitoring functions

Internal audit is supported by Council through the audit and risk committee and is authorized by its charter to have unrestricted access to all functions, records, property and personnel.

Ethical business conduct

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

- Initiating and concluding investigations
- Considerations of allegation received via the hotline
- Reporting on progress on matters relating to fraud and corruption
- Conducting fraud and corruption risk assessment
- Facilitating employee awareness

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

REPORT OF THE ACCOUNTING OFFICER

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

1. General review of the state of financial affairs

PSIRA generates income from annual fees charged to registered security service providers and tariffs imposed for services rendered. The entity does not receive any form of government financial assistance.

During the year the PSIRA generated realised a net deficit amounting to R23.3 million compared to a net deficit of R2.2 million (2009/10). The net deficit is ascribed to the following factors:

- Revenue has remained to a large extent stagnant rising to R85.5 million compared to R84 million (2009/10)
- Salary expenses have grown to R57.5 million from R39.2 million (2009/10). The increase is as a result of Job evaluation exercise, increase number of employees and provision for actuary losses on pension fund of R4.3 million
- Writing off of bad debts amounting to R75.4 million

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

2. Service rendered by the Authority

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

- Registration of security officers and related matters
- Registration of security businesses and related matters
- Reissuing of registration certificates
- Re-issuing of PSIRA Identity Cards
- Processing of course training reports

Free services

- Verification of security services to facilitate firearm licensing by SAPS
- Issuing and reissuing of letters of good standing

Tariff policy

There exists a tariff structure for rendering of services. 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 received from annual fees imposed through the enabling legislation. Such fees are charged and collected from registered security businesses and security officers who are in employment.

3. Capacity constraints

The number of inspections that are employed by the PSIRA is not sufficient. This is mainly due to the exponential growth of the private security industry, whilst PSIRA did not match the same growth in the inspectorate. In addition, the resource constraints have largely impacted on PSIRA's planned inspection. The lack of funds resulted in management reprioritizing activities during the third quarter of the financial year.

It is for this reason, that processes are underway to increase annual fees which had not be reviewed since 2002.

4. Utilisation of donor funds

None

5. Trading entities and public entities

None

6. Organisations to whom transfer payments have been made

None

7. Public private partnerships (PPP)

None

8. Corporate governance arrangements

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

9. Discontinued activities/activities to be discontinued

None

10. Events after the reporting date

After reporting date, PSIRA entered into a 5 year lease agreement for its corporate office premises. The total lease payments over the period of the lease is R 61,243,579.

11. Information on predetermined objectives

During the year, the Framework for Managing Program Performance information was implemented. This was followed by Council approval of a performance management policy in February 2011. The delay in implementing the framework resulted in non-compliance with the framework during the year financial year.

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

12. Progress with addressing audit matters

In his 2009/10 report, the Auditor General raised a number of non-compliance matters. I am pleased to report that, majority of the items have been dealt with as follows:

Audit finding	Significance	Action taken	Status
Value added tax – At the time of concluding the 2009/10 financial statements, PSIRA was not yet deregistered for VAT. Further, AGSA could not obtain existence , valuation and completeness of the VAT liability of R16 million disclosed under trade and other payables.	Qualification	Management has since obtained VAT deregistration confirmation from SARS. The contingent liability which was erroneously recognized as a liability in the 2009/10 financial statements has been reversed.	Resolved
Material losses through impairment of accounts receivables.	Matter of emphasis	An arrangement is in place for the debt collection agency to submit monthly reports of those debtors that cannot be traced with a view to write-off the debt. As at February R34.9 million have been recommended for write-off.	On-going, expected completion date for legacy debt is 30 September 2011
Irregular expenditure	Matter of emphasis	All irregular expenditure has been condoned with the exception of 1 case amounting to R98,000 for advertisement of vacancies. Awaiting feedback from National Treasury	Partially resolved

Audit finding	Significance	Action taken	Status
Predetermined objectives – non-compliance with regulatory requirements "Framework for managing program performance information"	Matter of emphasis	Council approved the performance information policy, in addition, the following measures were taken: Functional managers were trained on reporting of performance information in terms of regulatory requirements; Performance reporting has been aligned to strategic objectives; Reporting of quarterly performance in terms of the above commenced on the 3rd quarter of 2010/11.	Partially resolved

Compliance matters:
 	
Non-adherence to PFMA:
 	
s51(1)(a)(i) Risk management;
 	
s51(1)(a)(iv) and 51(a)(b) – procurement;
 	
s52 – strategic plan;
 	
s53(1) approval of strategic plan;
 	
s53(3) – retention of surpluses;
 	
s51(1)(a)(ii) and 77 (a) and (b) 0 Audit committee;
	Matter of emphasis	The following has been addressed during the year:
		
		Risk management processes in place;
		
		Procurement policies implemented;
		
		Strategic plan prepares in line with PFMA requirements and approved;
		
		Approval obtained from National Treasury to retain accumulated surpluses as at 31 March 2011;
		
		Audit committee appointed in November 2010;
			Resolved

13. Internal controls

In a bid to improve internal controls within the Authority, management has since the 3rd quarter of the financial year, developed policies and procedures. The following policies and procedures were developed:

Name of Policy or procedure	Status at year end
Fraud prevention policy	Approved
Investigation procedure Manual	Approved
Staff Code of Conduct	Approved
Leave Policy	Approved
Recruitment Policy	Approved
Overtime Policy	Approved
Procurement Policy	Approved
Performance information policy	Approved
Revenue Management policy	Draft
Performance Management policy	Draft
Telephone usage	Draft
Medical Aid	Draft
Disciplinary and Grievance Procedures	Draft
Bereavement	Draft
Desktop and Laptop	Draft
Email and internet usage	Draft
Financial Disclosure policy	Draft

14. Going concern

The legacy of financial distress experienced by the Authority is mainly ascribed to non-review of tariff structure over the past 9 years. The annual fees, which makes up a significant portion of the revenue has last been reviewed in 2002. As a result, operating expenditure, due to expansion of the Authority has increased at a pace faster than its revenue. It is for this reason that, management initiated a plan to increase the annual fees payable by registered security providers. The plan is well underway, after publication of the intention by the Authority to raise the annual fees. The implementation of the new annual fees is anticipated to be in the second quarter of 2011/12.

Other sources of income which were only implemented in the 4th (fourth) quarter of 2010/11 are:

- Increased tariff structure with respect to the following:
  - Registration fees
  - Infrastructure assessments
  - Introducing a new fee with respecting to processing of training reports

These intervention have already started bearing fruits, particularly with respect to cost recovery of fingerprint expenditure.

In addition to the above, a process is underway to increase the annual fee payable by registered security service providers. The planned date of implementation is 1 September 2011.

After taking into account the future potential sources of income, and those already implemented, there is every reason to believe that PSIRA has adequate resources to continue in operation for the foreseeable future.

15. Approval

The Annual Financial Statements have been approved by the Accounting Authority.

Mr. Manabela S Chauke
Director

OPERATIONAL REVIEW

LAW ENFORCEMENT AND TRAINING

1. INSPECTION OF SECURITY BUSINESSES

In terms of the Law Enforcement Department's operational policy, each inspector must conduct a minimum of 20 inspections per month. This target is considered reasonable taking into consideration all the other functions associated with the position of an inspector. In certain cases the targets of individual inspectors are reduced under certain circumstances i.e. special investigations, annual leave, sick leave, etc.

As at the end of March 2011, there were 8828 registered and active security businesses as per the Authority's database. During the period 1 April 2010 to 31 March 2011, a total of 6,611 regulatory inspections of security businesses were conducted compared to 6,971 inspections for the previous financial year. A lesser number of inspections were conducted as a result of increased operations, the increased activities as far as the issuing of charge sheets are concerned as well as the Authority's involvement in monitoring compliance during the Fifa World Cup.

The regional breakdown was as follows:

REGION	NUMBER OF INSPECTIONS
Head Office (NIT)	3,473
- Gauteng	2,138
- Mpumalanga	339
- Limpopo	445
- North West Province	277
- Free State/Northern Cape	274
Western Cape	717
Eastern Cape	277
KwaZulu-Natal	2,144
TOTAL	6,611

0 100 500 1000 1500 2000 2500 3000 3500 4000

A regional breakdown as far as the type of inspection conducted from 1 April 2010 to 31 March 2011, is as follows:

NATIONAL INVESTIGATION TEAM	GAUTENG	MPUMALANGA	LIMPOPO	N/WEST	FREE STATE/ N/CAPE	TOTAL
Total number of routine/regulatory/ training/infrastructure/accreditation/ inspections conducted	2,138	339	445	277	274	3,473
First time inspections	367	45	95	29	79	615
Triggered inspections	577	57	96	78	61	869
Infrastructure inspections	583	111	171	53	59	977

COASTAL BRANCHES	WESTERN CAPE	EASTERN CAPE	KWAZULU-NTATL	TOTAL
Total number of routine/regulatory/ training/infrastructure/accreditation/ inspections conducted	717	277	2,144	3,138
First time inspections	173	73	304	550
Triggered inspections	90	93	595	778
Infrastructure inspections	97	43	371	511

Note must be taken that "first time inspections" referred to above refers to businesses that have not been the subject of an inspection from its date of registration. These businesses are newly registered businesses. "Triggered inspections" refers to complaints sourced via the help desk, telephonic, written or personal complaints, internet, newspaper articles, debtor clerks, etc. In terms of the Law Enforcement Department's operational policy, priority must be given to complaints and infrastructure inspections first.

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

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

CATEGORY OF SECURITY SERVICE	NUMBER OF BUSINESSES
01 – Security Guard (Ind & Comm)	6,324
02 – Security Guards – Cash in Transit	2,300
03 - Body guarding (CPO)	2,776
04 – Security Consultant	2,572
05 – Reaction Services	2,836
06 – Entertainment / Venue Control	3,068
07 – Manufacture Security Equipment	1,084
08 – Private Investigator	1,875
09 – Training	2,328
10 – Security Equipment Installer	2,012
11 – Locksmith / Key Cutter	743
12 – Security Control Room	2,488
13 – Special Events	3,168
14 – Car Watch	2,069
15 – Other	446
16 – Insurance	171
17 – Security and Loss Control	144
18 – Fire Prevention and Detection	86
19 – Consulting Engineer	32
20 – Dog Training	8

0 1000 2000 3000 4000 5000 6000 7000

Statistical information pertaining to the different categories or classes of security service providers inspected from 1 April 2010 to 31 March 2011 is as follows:

1.1 NATIONAL INVESTIGATION TEAM

	GAUTENG	MPUMA-LANGA	LIMPOPO	NORTH WEST PROVINCE	FREE STATE & NORTHERN CAPE
Total Number of Routine/Regulatory/Training/ Infrastructure/Accreditation Inspections conducted	2,138	339	445	277	274

Category or Class of Security Service Provider inspected					
• Commercial/Industrial/Residential/Guarding or Patrolling	1,808	271	387	202	223
• Assets in transit	50	3	5	8	2
• Close protection services	35	9	9	2	1
• Reaction or Response services and monitoring signals from security equipment (control room)	213	59	34	53	20
• Ensuring safety and order on premises (special events)	65	7	5	21	1
• Car watch or related activities	46	3	4	3	1
Providing advice on the protection of persons/ property (consultants/advisors)	32	6	8	15	0
Installing, servicing or repairing security equipment	97	34	15	19	16
Private investigators	31	10	5	5	5
Providing security training or instruction as well as accreditation	96	18	36	23	11
Providing services of a locksmith	35	2	1	1	6
Making persons or their activities available for rendering of security service (labour brokers)	7	0	1	2	0
In-House	37	2	3	2	5
Manufacturing, importing, distributing or advertising of monitoring devices	0	0	0	0	0

1.2 WESTERN CAPE/EASTERN CAPE/KWAZULU-NATAL

	WESTERN CAPE	EASTERN CAPE	KWAZULU -NATAL
Total Number of Routine/Regulatory/Training/ Infrastructure/Accreditation Inspections conducted	717	277	2,144
Category or Class of Security Service Provider inspected			
• Commercial/Industrial/Residential/Guarding or Patrolling	491	183	1,810
• Assets in transit	5	17	74
• Close protection services	3	12	233
• Reaction or Response services and monitoring signals from security equipment (control room)	47	45	370
• Ensuring safety and order on premises (special events)	14	57	174
• Car watch or related activities	2	10	25
Providing advice on the protection of persons/ property (consultants/advisors)	8	38	61
Installing, servicing or repairing security equipment	96	62	166
Private investigators	9	5	73
Providing security training or instruction as well as accreditation	41	19	121
Providing services of a locksmith	30	8	42
Making persons or their activities available for rendering of security service (labour brokers)	0	2	8
In-House	13	24	44
Manufacturing, importing, distributing or advertising of monitoring devices	0	0	0

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

Statistical information pertaining to inspections conducted at large, medium and small businesses from 1 April 2010 to 31 March 2011 is as set out below. For the purpose of this statistical information, a small business is considered to be employing less than 20 security officers, medium 21 to 50 security officers and large, 51 and above security officers.

REGION	NUMBER OF INSPECTIONS			
	Small Businesses	Medium Businesses	Large Businesses	Infrastructure & Capacity
Head Office (NIT)	1,915	283	298	977
Western Cape	520	73	27	97
Eastern Cape	165	36	33	43
KwaZulu-Natal	1,185	244	344	371
TOTAL	3,785	636	702	1,488

With reference to all the above statistics, the overall performance pertaining to inspections conducted for the period 1 April 2010 to 31 March 2011 is 101% compared to the target set. The regional breakdown is as follows:

REGION	TARGET	NUMBER OF INSPECTIONS CONDUCTED	PERFORMANCE
NIT	3,415	3,473	102%
Gauteng	2,154	2,138	99%
Mpumalanga	367	339	92%
Limpopo	325	445	137%
North West Province	261	277	106%
Free State & Northern Cape	308	274	89%
Western Cape	720	717	100%
Eastern Cape	309	277	90%
KwaZulu-Natal	2,131	2,144	101%
GRAND TOTAL	6,575	6,611	101%

SITE INVESTIGATIONS

Site investigations forms part of the Department's operational plan in order to, inter *alia*, verify the accuracy of information provided by security business to inspectors. These site investigations are at times also conducted in co-operation the SAPS, especially in cases where unregistered security officers were found, illegal immigrants are used or firearms are used in contravention with the requirements of the Private Security Industry Regulations. The following number of site investigations were conducted during the period under review:

1. NATIONAL INVESTIGATION TEAM

A high number of site investigations were conducted by inspectors of the National Investigation Team and some were done in conjunction with the SAPS. A total of 653 site investigations were conducted during the period under review.

EASTERN CAPE
50 Site investigations were conducted during the financial year.

KWA-ZULU NATAL
540 Site investigations were conducted during the period under review.

WESTERN CAPE
151 Site investigations were conducted at different businesses during the period under review.

2.1 IMPROPER CONDUCT INVESTIGATIONS

During the period 1 April 2010 to 31 March 2011, a total of 1,471 improper conduct dockets against security businesses were compiled compared to 1,568 dockets for the previous financial year. The regional breakdown for the period under review is as follows:

REGION	NUMBER OF DOCKETS
Head Office (NIT)	636
Western Cape	223
Eastern Cape	128
KwaZulu-Natal	484
TOTAL	1,471

A further regional breakdown as far as Code of Conduct dockets against, large, medium and small businesses from 1 April 2010 to 31 March 2011 are concerned, is as follows:

REGION	NUMBER OF DOCKETS		
	Small Businesses	Medium Businesses	Large Businesses
Head Office (NIT)	320	124	192
Western Cape	134	35	54
Eastern Cape	83	15	30
KwaZulu-Natal	289	73	122

The following number of Improper Conduct dockets was typed from 1 April 2010 to 31 March 2011 by the Law Enforcement Department:

REGION	NUMBER OF DOCKETS TYPED	OUTSTANDING
Head Office (NIT)	823	238
Western Cape	120	23
Eastern Cape	119	2
KwaZulu-Natal	413	141
TOTAL	1,475	404

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

2.2 IMPROPER CONDUCT INVESTIGATION DOCKETS PERTAINING TO MINIMUM WAGES

One of the objects of the Authority is to promote the protection and enforcement of the rights of security officers and other employees in the private security industry particularly to ensure that security businesses pay the prescribed minimum wages as determined by the Department of Labour in order to ensure that employee security officers are not exploited.

As at end March 2011, there were 732 Improper Conduct dockets pending against security service providers for allegations of failing to pay the statutory minimum wage to employee security officers. The regional breakdown was as follows:

REGION	NUMBER OF DOCKETS
Head Office (NIT)	598
Western Cape	16
Eastern Cape	7
KwaZulu-Natal	111
TOTAL	732

Whilst the Authority does have a close working relationship with the Department of Labour, a draft Memorandum of Understanding was also previously forwarded to the Department in an attempt to formalize our relationship and enhance enforcement of minimum conditions of employment legislation. This will include, inter alia, the sharing of information and evidence as far as employee exploitation is concerned as well as joint operations with the Department's Inspectorate. The Authority has not received any feedback in respect of our proposal and we were informed during a stakeholder consultation workshop that the Department was not considering such a Memorandum of Understanding at present. A draft M.O.U. to address exploitation was also received from SATAWU in conjunction with all stakeholders and the draft will be looked into by the office of the Director. The issue of general co-operation between the Authority and Department of Labour, was again taken up with the Chief Inspector of the Department and the Authority is awaiting confirmation to meet on this matter.

2.3 CRIMINAL INVESTIGATIONS

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

As at 31 March 2010 a total of 648 outstanding criminal cases were pending with the South African Police Service, where inspectors of the Authority have been the complainants.

During the period 1 April 2010 to 31 March 2011, a total of 257 criminal cases were opened by inspectors of the Authority, compared to 177 cases for the previous financial year.

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

REGION	CRIMINAL CASES OPENED
Head Office (NIT)	137
Western Cape	41
Eastern Cape	23
KwaZulu-Natal	56
TOTAL	257

Following on from an audit conducted on the SAPS CAS system in respect of the outstanding criminal case list of Head Office (NIT), it was found that a high number of cases were finalized/closed. The regional breakdown of these and other cases finalized during the period under review is as follows:

REGION	TOTAL
Head Office (NIT)	554
Western Cape	2
Eastern Cape	15
KwaZulu-Natal	0

As previously stated, there were at 31 March 2010 a total of 648 criminal cases outstanding with the South African Police Services countrywide. The regional breakdown is as follows:

REGION	CRIMINAL CASES OPENED
Head Office (NIT)	212
Western Cape	200
Eastern Cape	25
KwaZulu-Natal	211
TOTAL	648

There is a close working relationship between the Authority and the Audit & Monitoring unit of the SAPS. This unit assists the Authority in investigations where the Authority requires that arrests are to be made. This unit plays an important role in the site inspection operations. The Authority is also conducting Law Enforcement operations with the SAPS on a national basis and also assists in general SAPS operations.

The Authority proposed the drafting of a Standard Operating Procedure for the SAPS in respect of Authority related cases in terms of the Private Security Industry Regulation Act and Regulations. The SAPS undertook to compile the standard operating procedure and the Authority requested to give input in the document. We are still awaiting feedback from the SAPS in respect of the status of this document.

2.4 FIREARM APPLICATIONS

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

a) The registration status of the security business;
b) Number of security officers employed by the business and their registration and training status; and
c) Annual amounts due to the Authority.

During the period under review, a total of 1,752 firearm application enquiries were received from the Firearms Registrar and finalized compared to 1,261 applications for the previous financial year. Of the 1,752 processed, the Firearms Registrar was informed that 404 security service providers owed annual amounts or fines to the Authority, 186 of the applicants failed to inform the Authority of changes, 87 responsible persons for the firearms were not linked to the business, registered or trained, 73 businesses were not lawfully registered, 17 owners/directors/members were not trained or registered, 5 businesses were placed under liquidation, 52 businesses were deregistered by CIPRO and in 125 cases, the business applied for more firearms than their staff compliment. A total of 803 applicants were cleared by the Authority for consideration by the Central Firearms Registry.

2.5 CHARGE SHEETS AND SUMMONSES ISSUED

During the period 1 April 2010 to 31 March 2011, a total of 2,194 charge sheets and 1,277 summonses in respect of improper conduct cases were prepared by the Authority compared to 1,435 charge sheets and 1,393 summonses for the same period last year.

These summonses and prosecutions bear no reference to the businesses charged as the charge sheets and summonses issued by the Authority could be from previous years and not necessarily from the year under review. Furthermore, the variance between summonses served and the total successful prosecutions could be a result of various reasons such as postponements and respondents not being traceable.

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

REGION	CHARGESHEETS	SUMMONSES
Head Office (NIT)	1,042	796
Western Cape	207	159
Eastern Cape	157	169
KwaZulu-Natal	223	101
TOTAL	1,629	1,225

The difference between the numbers issued and served can be as a result of untraceable security service providers or charge sheets and summonses issued in the last quarter of 2011 and which are carried over to the next financial year.

2.6 ANNUAL FEES AND FINES COLLECTED

During the period 1 April 2010 to 31 March 2011, a total of R1,843,620.60 annual fees and R264,649.64 in fines were collected by inspectors of the Authority compared to R581,31.45 annual fees and R118,518.99 in fines collected the previous financial year.

2.7 UNTRACEABLE SECURITY SERVICE PROVIDERS

Following on from the issuing of charge sheets and/or summonses from 1 April 2010 to 31 March 2011, 176 security service providers could not be traced by Inspectors of the Authority compared to 112 security service providers the previous financial year. Steps taken to trace these security service providers include, inter alia, the following:

a) Visits to known addresses of the businesses as well as that of the owners/directors/members, etc.
b) Enquiries at neighbouring businesses.
c) Calling all numbers available on the Authority's database.

Steps are also taken to withdraw these businesses registrations for their failure to have the necessary infrastructure and capacity to render a security service.

2.8 STAFF COMPLEMENT OF THE LAW ENFORCEMENT & TRAINING DEPARTMENT

Inspectors

There were at end March 2011, 47 inspectors (which included 2 managers and 2 acting managers), compared to 37 inspectors during March 2010. The inspectors were in turn supported by a total of 10 administrative support staff that underpin the Department's administration in the 4 regional branches of the Department.

The Law Enforcement staff complement in the different regions was at end March 2011 as follows:

	HEAD OFFICE (NIT)	KWAZULU-NATAL	EASTERN CAPE	WESTERN CAPE
Managers	1	0	1	0
Inspectors	25	10	4 (2 Mthatha)	6
Support Staff	6 (1 Temp)	2 (1 Temp)	1	1

One inspector within the Eastern Cape was promoted to the position of senior inspector. There is currently 1 inspector vacancy and 2 support staff vacancies within Head Office and 1 inspector vacancy within KwaZulu Natal. The branch manager positions in Western Cape and KwaZulu Natal will be filled in the next financial year.

During the period under review, two (2) inspectors resigned and 2 inspectors employment were suspended pending an investigation compared to 4 resignations and 2 dismissals during the previous financial year.

A number of inspectors were also appointed in June 2010 and were under training for a period of 3 months and 6 months probation. The details of these appointments are as follows:

- Head Office : 10 inspectors
- KwaZulu Natal : 3 inspectors
- Eastern Cape : 1 inspector
- Western Cape : 2 inspectors

2.9 STAFF TRAINING

An official training workshop and orientation programme was presented to all newly appointed inspectors during the period under review. An official training workshop was held during the period under review in respect of the Sectoral Determintion 6 and calculations of wages. A workshop was also held to discuss the Law Enforcement Strategy of the Authority.

2.10 TRAINING DEPARTMENT

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

REGION	NUMBER OF ACCREDITED TRAINING CENTRES
Gauteng	195
Mpumalanga	31
Limpopo	61
North West Province	24
Free State	20
Northern Cape	9
Western Cape	56
Eastern Cape	31
Kwa-Zulu Natal	103
TOTAL	530

The Training Department's staff complement was at end March 2011 as follows:

Administrator	**1**
Help Desk Administrators	**6 (3 Temps)**

2.11 COURSE REPORTS

During the period under review, the following was the position regarding course reports in the Training Department:

Course reports on hand end March 2010	6,600
Course reports received from 1 April 2010 to 31 March 2011	537,164
Course reports processed from 1 April 2010 to 31 March 2011	536,825
Course reports returned from 1 April 2010 to 31 March 2011	3,334
Course reports carried over to April 2011	3,605

1. INTERACTION BETWEEN THE AUTHORITY AND THE SAFETY AND SECURITY SECTOR EDUCATION AND TRAINING AUTHORITY (SASSETA)

A number of meetings were held with SASSETA to discuss, *inter alia*, the Memorandum of Understanding between the two bodies, including database alignment.

Three meetings were also held with SASSETA and the LOC to discuss the progress of the training presented by the security businesses involved in the FIFA World Cup. Further, a meeting was held with the office of the Civilian Secretariat of Police in January 2010 in respect of the published draft regulations and the public comment. The Secretariat's office subsequently forwarded copies of the public comment to PSIRA. The Secretariat's office undertook to set up a two day meeting between PSIRA, the Secretariat, SASSETA and the State Law Advisors to discuss the regulations.
This meeting has not yet taken place and the regulations have not yet been promulgated. This matter and the way forward in respect of the training regulations and new curriculum will be finalized in the next financial year.

The Authority also attended the SASSETA workshops nationally during February and March 2011. The Authority's attendance was to ensure that questions relating to the PSIRA/SASSETA M.O.U. and the new proposed training standards are addressed. During the period under review, SASSETA workshops were attended in Johannesburg, Pretoria, Welkom, Bloemfontein, Kimberley, New Castle, Durban, Mthatha, Port Elizabeth, Potchefstroom, Lichtenburg, Cape Town, George, Giyani, Polokwane, Middelburg and Mbombela.

3.1 COMPLAINTS AND HELPDESK

The Authority has a full-time Complaints and Helpdesk at our Head Office as well as at the KwaZulu-Natal branch. The purpose of these facilities is to deal with general enquiries and to register complaints that need further investigation by inspectors. Statistical information pertaining to the number of enquiries received at Head Office and KwaZulu-Natal during the period under review, is as follows :

NUMBER OF ENQUIRIES/COMPLAINTS	HEAD OFFICE	KWAZULU-NATAL
Telephonic	19,144	4, 500
Personal	4,914	1, 878
Enquiries	3,594	2,077
Complaints	1,511	306
Enquiries pertaining to registration/training	339	1,915
Wages	989	168
Provident Fund	153	75

3.2 STAKEHOLDER INTERACTION

During the period under review, several meetings took place with different stakeholders of the Authority. Some of the meetings and initiatives includes, inter alia, the following:

a) A number of PJPST meetings were attended to discuss preparations for the FIFA World Cup.

b) Daily Natjoc and Provjoc meetings were attended as part of the Authority's deployment plan during the Fifa World Cup.

c) A presentation on the statutory requirements was given to stakeholders in Mpumalanga on invitation from the Provincial Government for Safety, Security and Liaison.

d) A meeting was attended with the Reserve Bank and National Key Point Secretariat in respect of training matters of security officers deployed by the Reserve Bank.

e) A meeting was held with representatives of the Cash In Transit working group (BAC) in respect of standards and the future regulation of the cash in transit sector.

f) Two PSIRA / LOC World Cup Compliance Forum meetings were attended to discuss the training venues of the teams and security arrangements as far as that is concerned as well as an update on the progress on the security arrangements as far as private security is concerned.

g) Two meetings were held with the LOC, SASSETA and the companies awarded tenders to discuss compliance and training of security officers in event security.

h) A meeting was attended with the Legislative Sector Security Forum and a presentation given on PSIRA and the requirements in terms of the Act.

i) A Polokwane Safety and Security Summit arranged by the Limpopo Provincial Government was attended and a presentation given on the Authority's views on public / private policing partnerships and co-operation between the SAPS and the private security industry.

j) A SAQA conference was attended to discuss the registration criteria for Professional Bodies in terms of the National Qualifications Framework Act.

k) A meeting was held with the NSPCA in respect of dogs within the Industry. An Industry Circular was also issued in respect of the use of dogs in the sector.

l) A meeting was held with the Central Firearm Registry to discuss issues relating to the Authority's role in providing information to CFR.

m) A SASSETA Focus Group Workshop was attended in respect of the Private Security Industry.

n) A meeting was held with BAC in respect of the CRIM Project relating to the cash-in-transit Industry.

o) A meeting was held with SASSETA in respect of a communiqué received from SATAWU on the new proposed training standards.

p) A SABS TC 179 Technical Committee meeting was attended in respect of Security Risk Management standards.

q) Two PHD researches from Sweden and Netherlands respectively were briefed on the private security industry in South Africa and the legislation that governs the Sector.

r) A SASSETA task team meeting was attended in respect of the development of new learning material. The Authority was requested to compile the revised material on the unit standards in respect of the PSIRA legislation which was subsequently done.

s) A presentation was given to the North West Provincial Government on the requirements of the Act and regulations and requirements on clients of security services.

t) A meeting was held with the Department of Labour, SASSETA, SATAWU and a number of other unions to discuss the proposed training standards, exploitation of labour in the private security industry and the interpretation of the Sectoral Determination 6 as far as the incorporation of grade "E" within grade "D" is concerned.

u) A meeting was held with representatives of Armscor in respect of their in-house security officers and the obligations in terms of the Act and regulations.

v) Consultative meetings were attended with stakeholders in respect of the proposed amendments of the Private Security Industry Regulation Act.

w) A two day Government Sector Security Council meeting was attended during which time the Authority also gave a presentation on the requirements for registration for State Departments' in-house security service providers.

x) A meeting was attended with the Midrand Security Forum meeting, hosted by the SAPS to highlight the requirements in terms of the Act and regulations.

y) A meeting was held with the Station Commander of the SAPS in Midrand to discuss the obligations of the Private Security Industry in terms of the Act and regulations.

z) Seventeen SASSETA workshops with their stakeholders were also attended and issues relating to the security industry and training discussed.

aa) A delegation from the Botswana Training Authority was hosted to discuss the development of training qualifications relating to the security industry in South Africa and the functioning of PSIRA.

bb) A further two day meeting of the Government Sector Security Council was attended and presentations given on the proposed amendments of the Private Security Industry Regulation Act as well as the amendments of Sectoral Determination 6.

cc) A workshop was held with the office of the Central Firearm Registry of SAPS and issues of future co-operation, database access and the Memorandum of Understanding discussed.

CUSTOMER RELATIONS MANAGEMENT

1. OVERVIEW

The registration division is operating optimally and so far 1,801,128 security service providers have been recorded on our database. A total number of 1,780,874 security officers are registered with PSIRA and a total number of 20,254 security businesses are registered with PSIRA. The individual registration turnaround time has vastly improved from the three month waiting period to a month given the fact that fingerprints are still taken manually and sent as physical files for verifications. Internal registration processes were revised and communicated to all branch managers and supervisors for implementation and total commitment by the staff members has resulted in an improved turnaround time for both business and individual registration.

2. NUMBER OF INDIVIDUAL APPLICATIONS RECEIVED AND ACTION STATISTICS DURING 2010-11 FY

2.1 The number of individual applications for registration received during financial year (2010/2011) is 132,616

2.2 The number of individual security officers registered for the during financial year (2010/2011) is 91,479

2.3 The number of security officers applications rejected during the financial year (2010/2011) is 2,231

2.4 The number of individual registration which is still in progress during the 2010/2011 financial year is 38,906

3. NUMBER OF BUSINESS APPLICATIONS RECEIVED AND ACTION STATISTICS DURING 2010-11 FY

3.1 The number of business applications for registration received during the financial year 2010/2011is 1,416

3.2 The number of security businesses registered during the financial year (2010/2011) is 1,074

3.3 The number of security businesses applications rejected during the financial year (2010/2011) is 127

3.4 The number of security businesses applications which are in progress during the financial year (2010/2011) is 215.

4. ID CARDS ISSUED DURING 2010-11 FY

4.1 The number of ID cards printed during the 2010/2011 financial year is 115,528

4.2 The number of ID cards printed as first issue during the 2010/2011 financial year is 111,583

4.3 The number of ID cards printed as re issue during the 2010/2011 financial year is 3,945

5. INDIVIDUAL SECURITY OFFICERS CERTIFICATES ISSUED DURING 2010-11 FY

5.1 The number of certificates for security officers printed during the 2010/2011 financial is 179,529

5.2 The number of certificates for security officers printed as first issue during the 2010/2011 financial year is 158,140

5.3 The number of certificates for security officers printed as re issue during the 2010/2011 financial year is 21,389

6. SECURITY BUSINESS CERTIFICATES ISSUED DURING 2010-11 FY

6.1 The number of business certificates printed during the 2010/2011 financial year is 1,429

6.2 The number of business certificates printed as first issue during the 2010/2011 financial year is 1,128

6.3 The number of business certificates printed as re issue during the 2010/2011 financial year is 301

1. REGISTER OF SECURITY SERVICE PROVIDERS

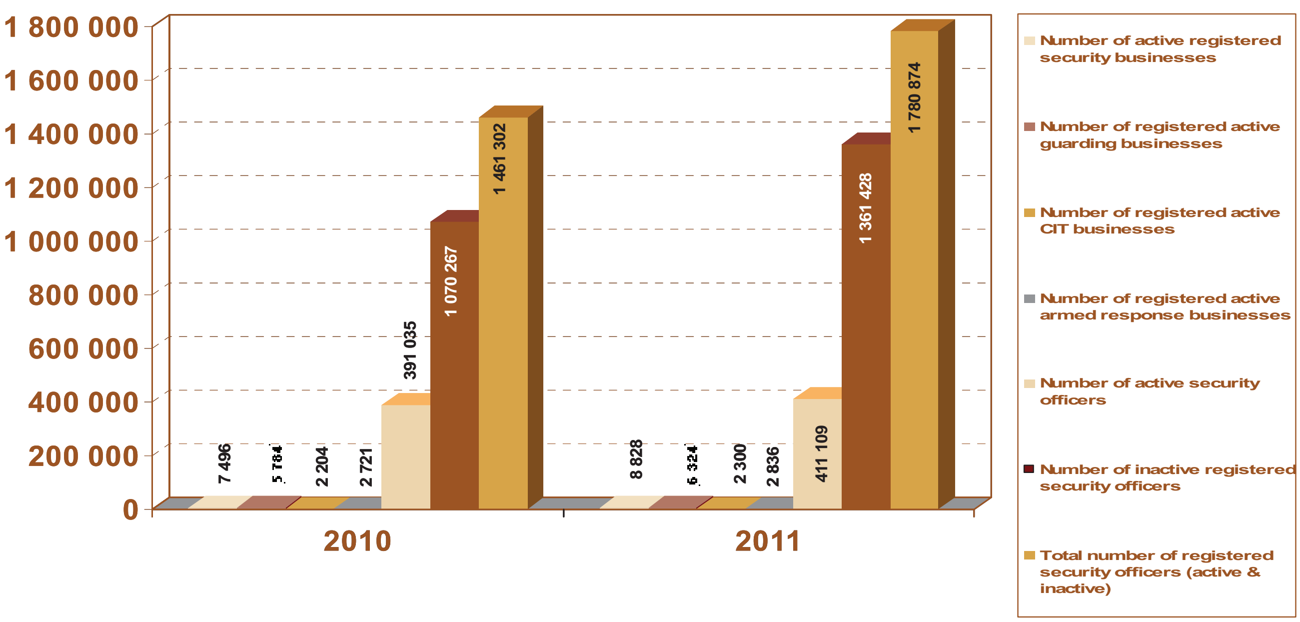
7.1 A total number of 8828 security businesses was registered and active during the 2010/2011 financial year compared to 7496 registered active businesses during the previous financial year which represents an increase of 18.35% of registered active businesses in the 2010/2011 financial year.

7.2 There are 411109 active registered security officers recorded in the Authority's register of security officers during the 2010/2011 financial year as compared to 391 035 active registered security officers in the 2009/2010 financial year represent an increase of 5.13% active registered security officers in 2010/2011 financial year. There is 1369765 registered in active security officers as compared to 1 070 267 at the last financial year ending 31 March 2010 which represents an increase of 27.98% of the registered inactive security officers during the 2010/2011 financial year.

2. A PROVINCIAL BREAKDOWN OF THE REGISTERED SECURITY BUSINESSES IN SOUTH AFRICA COMPARED TO 2009/2010 AND 2010/2011 FINANCIAL YEAR IS AS FOLLOWS:

REGIONS/PROVINCES	NUMBER OF ACTIVE REGISTERED BUSINESSES	
	2010	2011
Gauteng	2,744	3,202
Mpumalanga	516	616
Eastern Cape	598	669
Western Cape	812	956
Limpopo	985	1,135
North-West	290	355
Free State	257	281
Northern Cape	93	112
KwaZulu-Natal	129	1,502
TOTAL	7,496	8,828

3. REGISTRATION STATISTICS COMPARISON BETWEEN 2009/2010 AND 2010/2011 FINANCIAL YEAR



9.1 ANALYSIS AND INTERPRETATION OF REGISTRATION STATISTICS

a) The number of registered active security businesses has increased from 7496 during the 2009/2010 financial year to 8828 in the 2010/2011 financial year by 1332 which represent an increase of 17.77 %.

b) The number of registered active guarding businesses has increased from 5784 during the 2009/2010 financial year to 6324 2010/2011 financial year by 540 which represent an increase of 9.34 %.

c) The number of registered active cash-in-transit businesses has increased from 2204 during the 2010/2011 financial year to 2300 which is an increase by 96 cash in transit businesses which represent an increase of 4.36 %.

d) The number of registered active armed response businesses has increased from 2721 during the 2009/2010 financial year to 2836 during the 2010/2011 financial year which is an increase of 115 armed response businesses which represent an increase of 4.23%.

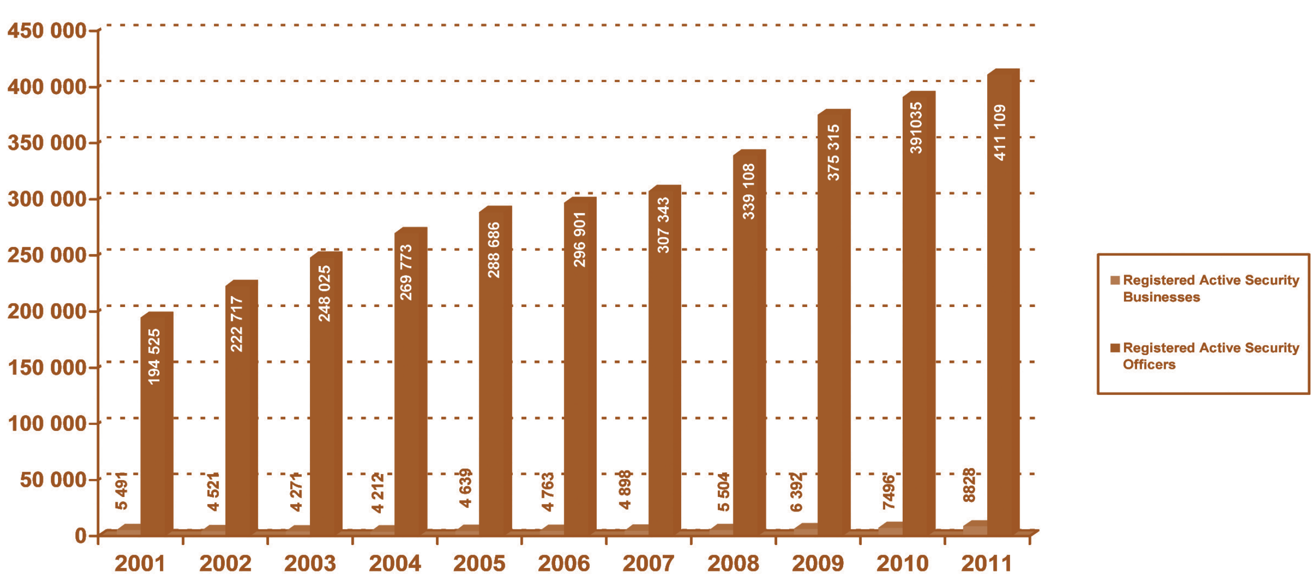
e) The number of active security officers has increased from 391035 during the 2009/2010 to 411109 during the 2010/2011 financial which is an increase of 20074 and represent an increase of 5.13%.

f) The number of inactive registered security officers has increased from 1070267 during the 2009/2010 financial year to 1369765 during the 2010/2011 financial year which is an increase of 291161 inactive security officers which represent an increase of 27.98%.

g) The total number of all registered security officers (active and inactive) has increased from 1461302 during the 2009/2010 financial year to 1780874 registered security officers during the 2010/2011 financial year which is an increase of 319572 registered security officers which represent an increase of 21.87%.

** Note must be taken that a security business may be registered for a number of different security services as mentioned in sub-paragraphs (b), (c) and (d) above, but may not necessarily render these particular security service registered for.*

9.2 REGISTRATION OF ACTIVE SECURITY SERVICE PROVIDERS AND ACTIVE SECURITY OFFICERS (2001 TO 2011)



REGISTERED ACTIVE SECURITY BUSINESSES FROM 31 MARCH 2001 TO 31 MARCH 2011

The number of registered active security businesses as shown above from the year 31 March 2001 to 31 March 2011 has increased from 5491 to 8828, representing 60.77% increase.

9.3 REGISTERED ACTIVE SECURITY OFFICERS AS 31 MARCH 2001 TO 31 MARCH 2011

The number of registered security officers as shown from 31 March 2001 to 31 March 2011 has increased from 194 525 to 411109, representing a 111.30% increase.

9.4 COMPARISON OF THE NUMBER OF SECURITY BUSINESSES AND SECURITY OFFICERS PER CATEGORY BETWEEN 2010 AND 2011

Category	2010	2011
Registered active armed response businesses	2721	2836
Registered active cash-in-transit businesses	2204	2300
Registered active guarding businesses	5784	6324
Registered active security businesses	7496	8828
Registered active security officers	391035	411109
Registered inactive security officers	1070267	1369765

The above statistics reveals that there is a steady and consistent increase in most of the categories of security businesses and security officers from 2009/2010 financial year to 2010/2011 financial year

LEGAL SERVICES

1. REFUSAL OF REGISTRATION AS SECURITY SERVICE PROVIDER

During the period 1 April 2010 – 31 March 2011, 11,810 individual security service provider applications for registration were refused by the Authority, due to applicants being guilty of a disqualifiable criminal offence, as set out in the Schedule to the Private Security Industry Regulation Act.

2. WITHDRAWAL OF REGISTRATION AS SECURITY SERVICE PROVIDER

2.1 Withdrawals of registration following on from furnishing false information – During the period 1 April 2010 – 31 March 2011, 40 individual security service provider registrations were withdrawn by the Authority, after furnishing false information to the Authority in connection with their applications for registration (Section 26(4)(a)).

2.2 Withdrawals of registration following on from a conviction of a scheduled offence after registration – During the period 1 April 2010 – 31 March 2011, 168 security service provider registrations were withdrawn following on a conviction of a disqualifiable criminal offence specified in the Schedule to the Act while registered as security service providers (Section 26(4)(d)).

2.3 Withdrawals of registration granted in error/or on the basis of incorrect information furnished by any person including any department or organ of State – During the period 1 April 2010 – 31 March 2011, 4 security service provider registrations were withdrawn (Section 26(4)(c)).

3. APPEALS

3.1 Appeals against the Authority's refusal to register a security service provider and withdrawal by the Authority of registration due to a conviction of a scheduled offence – During the period 1 April 2010 – 31 March 2011, 1,348 appeals in this category were considered by the Appeal Committee. Of these 851 were dismissed and 497 were upheld.

3.2 Appeals against the Authority's refusal to register a security service provider due to Non-South African residence – During the period 1 April 2010 – 31 March 2011, 6 appeals in this category were considered by the Appeal Committee. Of these 5 were dismissed and 1 was upheld.

3.3 Appeals against conviction and/or sentence following on from the finalization of improper conduct enquiries convened in terms of the Act – During the period 1 April 2010 – 31 March 2011, 10 appeals in this category were considered by the Appeal Committee, of which 7 were dismissed and 3 were upheld.

4. APPLICATIONS FOR EXEMPTIONS

During the period 1 April 2010 – 31 March 2011, 15 applications for exemptions were received.

5. IMPROPER CONDUCT ENQUIRIES

During the period 1 April 2010 – 31 March 2011, 1,031 improper conduct enquiries were heard and finalized. Of these, NIT finalized 705 cases, Western Cape finalized 156 cases, KwaZulu-Natal finalized 42 cases and Eastern Cape finalized 128 cases.

6. TENDER ENQUIRIES

During the period 2010/2011 the following enquiries were received from state departments enquiring the good standing of security business that are shortlisted for tender purposes.

6.1 Statistics for the period 1 April 2010 – 31 March 2011

Month	Number of Enquiries received	Cleared	Not Cleared	Further Information
April 2010	397	324	58	15
May 2010	240	198	39	3
June 2010	115	79	24	12
July 2010	111	71	34	6
August 2010	165	124	32	9
September 2010	169	164	5	0
November 2010	58	43	11	4
December 2010	31	17	12	2
January 2011	49	42	7	0
February 2011	99	80	19	0
March 2011	235	145	60	30
Total	1,669	1,287	301	81

HUMAN CAPITAL MANAGEMENT

1. INTRODUCTION

The Human Resources Division, is a strategic partner that integrates human capital with processes and systems to ensure that PSIRA delivers against its mandate in the most cost effective and efficient manner

The Human Resources Division at PSIRA has applied an integrated approach to ensure that the following key strategic objectives are sufficiently achieved:

- Sourcing and retention of Human Capital,
- Organisational design and Job Evaluation processes.
- Administration, co-ordination, continuous monitoring and evaluation of Personnel Performance Management.
- Training and Development of staff according to PSIRA needs in terms of the Human Resources Development (HRD) strategic plan, Skills Audit report, Training plan and the Workplace Skills plan (WSP).
- Facilitate and monitor Employment Equity (EE) and diversity at PSIRA through the Employment Equity plan.
- Labour Relation and Employee wellness.

The HR Division, during the year under review, managed to achieve some of the major planned objectives mentioned above.

2. COMPOSITION OF STAFF

2.1. The staffs complement during the year under review was as follows

Permanent employees	189
Temporary employees	14
TOTAL	203

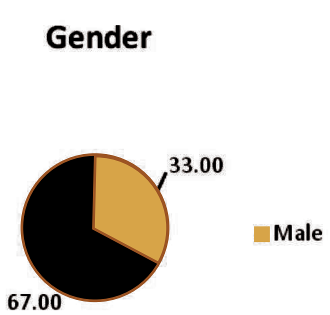
2.2. Composition of staff divisions

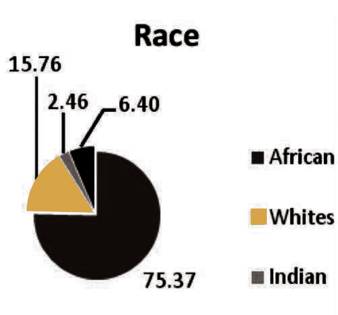
Division/Department	Number of permanent staff members	Number of temporary staff members
Strategic and Governance issue		
Directorate	2	
Council	2	
Sub-total	**4**	
Finance and Administration		
Finance Management	14	01
Debt Collection	14	02
Asset Management	01	01
Facilities Management	09	
Office Services	11	
Sub-total	**52**	**4**
Law Enforcement		
Law Enforcement	29	02
Legal Services	07	01
Prosecution	02	01

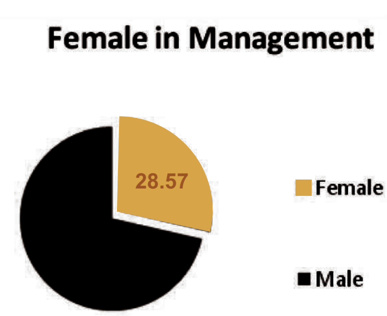
Division/Department	Number of permanent staff members	Number of temporary staff members
Registration	21	
Western Cape Branch	15	
Eastern Cape Branch (PE)	09	01
Kwazulu-Natal Branch	22	
Mthatha Branch	05	01
Johannesburg Branch	14	
Nelspruit Branch	02	01
Polokwane Branch	02	01
Sub-total	**128**	**08**
Information Technology	**01**	
Sub-total	**01**	
Human Resources Department	**04**	**02**
Sub-total	**04**	**02**
Communication	**07**	
Subtotal	**07**	
Total	**189**	**14**

2.3. Equity Profile per Occupational levels

OCCUPATIONAL LEVELS	Paterson Salary Levels	MALE				FEMALE				TOTAL
		African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	E1, E2,	4								04
Senior management	D5	1								01
Professionally qualified and experienced specialists and mid-management	D4	03			02	03			1	09
Skilled technical and academically qualified workers,	C4,C3,C2& C1	16		02	13	43	04		14	92
Semi-skilled and discretionary decision making	B5,B4,B3,B2 , B1 & A3	19	01			39	08	03	02	72
Unskilled and defined decision making	A2 & A1	04				07				11
Total Permanent		47	01	02	15	92	12	03	17	189
Contracts		2				12				14
TOTAL		49	01	02	15	105	12	03	17	203







3. PERSONNEL EXPENDITURE

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

Division/Department	Number of permanent staff members	Total Salary Cost
Strategic and Governance issue		
Office of the Director	2	817 389
Council	2	1 814 870
Internal Audit & Risk management		66 631
Sub-total	**4**	**2 698 890**
Finance and Administration		
Finance Management	14	3 799 215
Debt Collection	14	3 324 358
Asset Management	01	371 016
Facilities Management	09	1 288 014
Office Services	11	1 349 377
Sub-total	**49**	**10 131 980**
Law Enforcement		
Law Enforcement	29	12 224 991
Legal Services	07	2 139 733
Prosecution	02	761 383
Registration	21	4 278 753
Western Cape Branch	16	3 873 851
Eastern Cape Branch (PE)	09	2 239 801
Kwazulu-Natal Branch	22	5 706 586
Mthatha Branch	05	1 235 896
Johannesburg Branch	14	2 675 883
Nelspruit Branch	02	413 143
Polokwane Branch	02	409 991
Sub-total	**129**	**35 960 011**
Information Technology	01	983 071
Sub-total	**01**	**983 071**
Human Resources Department	03	1 475 183

Division/Department	Number of permanent staff members	Total Salary Cost
Sub-total	**03**	**1 475 183**
Communication	07	1 582 842
Subtotal	**07**	**1 582 842**
Other Employee related costs		
Accrual – Leave Pay		97 736
Accrual 13th Cheque		92 454
Retirement Benefit Adjustment		4 382 000
WCA		112 086
Subtotal		**4 684 277**
Grand total	**189**	**57 516 253**

4. EMPLOYMENT AND VACANCIES

The below table depicts the number of the posts per establishment, posts vacated and additional posts added during the year of the review which were not part of the planned posts.

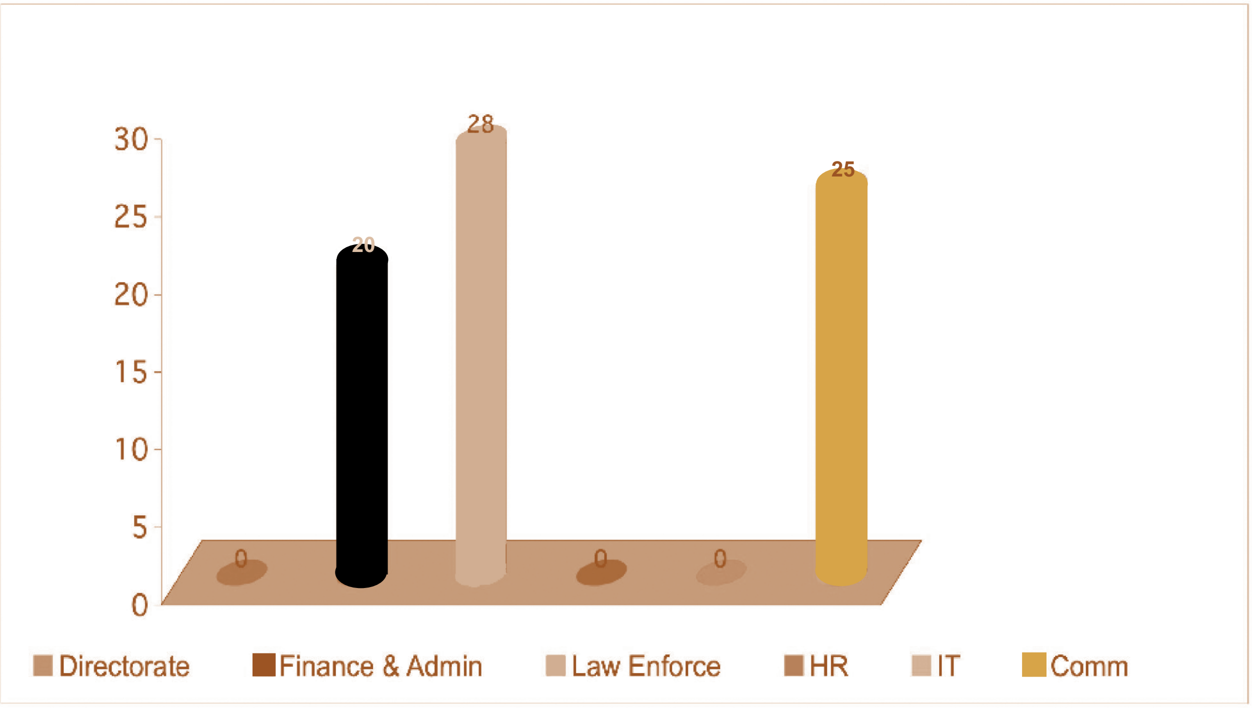
Division	Number of post per establishment	Number of the post filled	Vacancies	Vacancy Rate %
Directorate	4	4	0	0%
Finance and Admin	56	49	7	12%
Law Enforcement	150	131	19	12%
Human Resources	5	4	1	0.2%
Information Technology	2	2	0	0%
Communications	7	7	0	0%
	224	**189**	**27**	**12%**

5. ANNUAL EMPLOYMENT TURNOVER

This section gives information on changes in employment over the financial year.

5.1. Annual turnover per division

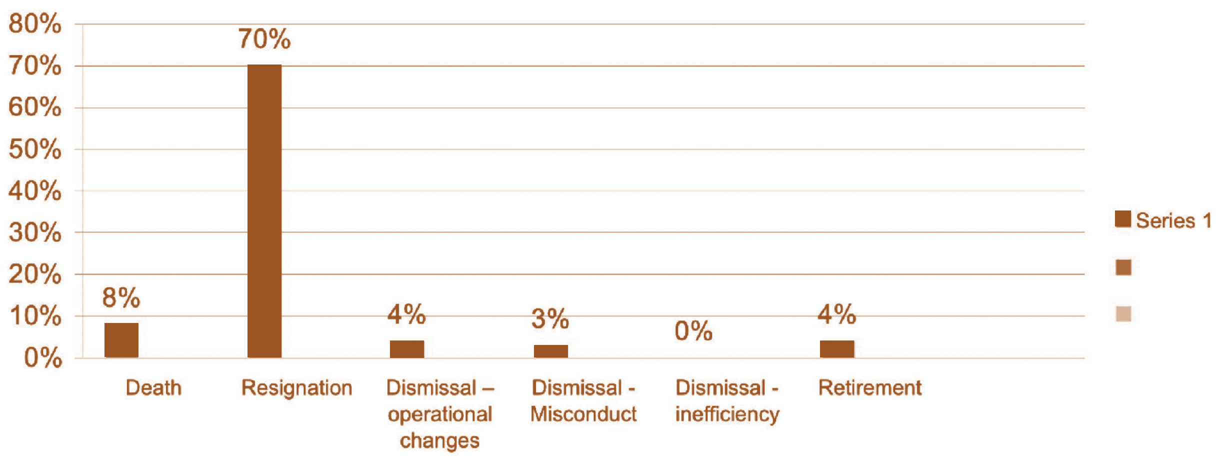
Division	Number of Employees per Division as on 01 April 2011	Appointments	Termination	Turnover Rate %
Directorate	3	2	1	0%
Finance and Admin	49	6	3	20%
Law Enforcement	127	19	16	28%
Human Resources	3	2	1	0%
Information Technology	3	1	2	0%
Communications	8	1	1	25%
Totals	**193**	**31**	**24**	**29%**



5.2. Reasons for termination

Termination Type	Number	%
Death	2	8%
Resignation	17	71%
Dismissal – operational changes	1	4%
Dismissal - Misconduct	3	13%
Dismissal - inefficiency	0	0%
Retirement	1	4%
Other	0	0%
Total	**24**	**100%**

Graph show for termination reasons:



6. ANNUAL LEAVE MANAGEMENT

The table summarise the utilisation of annual leave in the Authority. There is a need to effectively manage the utilisation of annual leave. Huge annual leave days are being accrued and this makes the Authority to pay large amounts during termination.

Division	Annual Leave Taken	Average per Employee
Directorate	21	5
Finance and Admin	910	18
Law Enforcement	2,629	21
Human Resources	35	18
Information Technology	33	11
Communications	103	15
Total	**3,731**	**189**

7. SKILLS DEVELOPMENT AND TRAINING

It is main objective of the Authority to ensure that its employees are developed at all levels of occupation. The following training interventions were undertaken during financial under review:

- Management of discipline in the workplace
- PSIRA induction programme
- Compliance programme
- VIP payroll programme
- Health and Safety Training

OCCUPATIONAL LEVELS	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management									
Senior management	2								2
Professionally qualified and experienced specialists and mid-management	6			5	10			4	21
Skilled technical and academically qualified workers,	5	1		4	6			3	16
Semi-skilled and discretionary decision making	2			1	3			1	7
Unskilled and defined decision making									
TOTAL	**15**	**1**		**10**	**19**			**8**	**45**

8. LABOUR RELATIONS

The Authority has recognized SATAWU as an official Trade Union which represent the interest of employees. SATAWU has the membership of 116 employees which represents 57% of the staff complement. During the year under review the Authority experienced a number of Disciplinary issues.

This table shows discipline issues finalized during the year under review:

	Number
Written warnings	2
Final Written Warnings	1
Dismissals	3
Acquittals	1
Cases withdrawn	0
Total	**7**

PERFORMANCE AGAINST PREDETERMINED STRATEGIC OBJECTIVES

For the year ended 31 March 2011

Programs	Revised goals	Key performance indicator *	Original target	Revised target	Performance results ***	Reason for variance
Program 1: Ensure PSIRA's financial viability and sustainability	Effective management of working capital	Current ratio	95%	1 : 1	1.2: 1 (Target exceeded)	Increase in tariff structure.
	Review the tariff structure relating to disbursements.	Date of completion	n/a	December 2010	December 2010. Council approved the new fee structure. Implementation date 1 February 2011. (Achieved)	n/a
	Ensure good corporate governance of the PSIRA	Opinion of Auditor General(2010/11)	n/a	Unqualified audit report (2010/11)	Unqualified audit opinion(2010/11) Achieved.	n/a
Program 2: Reduce the risks to the State and South Africa's citizens through Industry compliance with PSIR Act.	Develop a compliance model	Date of completion	March 2011	March 2011	Compliance model approved by March 2011 (Achieved)	n/a

Programs	Revised goals	Key performance indicator *	Original target	Revised target	Performance results ***	Reason for variance
	Conduct effective inspections of private security businesses	Number of inspections conducted Number of site visits conducted	7500 inspections 720 site visits	6575 inspections 800 site visits	6611 inspections conducted and 257 criminal cases registered with SAPS (Achieved) 1394 site visits have been carried out. (Achieved)	Increased site investigation program and operations with SAPS as well as compliance monitoring during World Cup
	Take appropriate action and compile dockets against non-compliant security service providers	Number of dockets compiled against non-compliant security service providers.	1800 dockets	1600 dockets	1471 dockets (Not achieved)	Redeployment of inspectors and vacancies within the department.
		Percentage of cases at hand finalized	70%	70%	1031 of 1342 finalized (77%) (Achieved)	Redeployment of inspectors and interim turnaround initiatives.
Program 3: Develop an enabling environment for PSIRA to be able to operate effectively and efficiently.	Develop an IT strategy	Date of completion	June 2010	March 2011	IT Strategy approved (Achieved)	n/a
	Establish an IT Steering Committee	Date of establishment	n/a	December 2010	IT steering committee established in November 2010 (Achieved)	n/a
	Build internal IT capacity	Exit plan to facilitate in-sourcing of IT function.	n/a	March 2011	Achieved	n/a
	Establish and implement regulatory subcommittee	Date of establishment	n/a	December 2010	Committee established December 2010 (Achieved)	n/a
	Establish and implement registrations subcommittee	Date of establishment	n/a	December 2010	Committee established November December 2010 (Achieved)	n/a

Programs	Revised goals	Key performance indicator *	Original target	Revised target	Performance results ***	Reason for variance
Program 4: Ensure effective and efficient management of human capital	Implement recommendation of the HR audits.	Date of implementation of Job evaluation exercise	May 2010	n/a	Implemented in June 2010, effective May 2010. (Not Achieved)	Delays caused by negotiations with the Union
		Completion date of Skills audit	September 2010	n/a	Finalise the Skills Audit report in September 2010 (Achieved)	n/a
	Develop future focused organisational design and HR plan	Date of finalization	June 2010	n/a	Organisational structure finalized in June (Achieved)	n/a
	Conduct group employee induction	Once a year	n/a	1 session	1 session conducted with 34 employees in attendance. (Achieved)	n/a
	Develop and implement Training and Development plan	Completion date	December 2010	n/a	June 2010 (Achieved)	n/a
	Implement effective performance management system	Percentage of inspectors with signed agreements	100%	n/a	100%. All inspectors have signed performance contracts (Achieved)	n/a
Program 5: Ensure effective risk management	Establish a Forensic and Ethics Unit (formerly known as IMU)	Establishment date	June 2010	n/a	May 2010 (Achieved)	n/a
	Develop a fraud prevention policy	n/a	n/a	September 2010	Policy approved in October 2010 (Achieved)	n/a
Program 6: Strengthen relations with key stakeholders through effective communication.	Participate in key stakeholder initiatives	Percentage of stakeholder meeting attended by PSIRA representatives	100%	n/a	Meetings and/or workshops attended. Provincial Joint Priorities Support Teams, Mpumalanga /Limpopo/ North West Provincial Governments	n/a

Programs	Revised goals	Key performance indicator *	Original target	Revised target	Performance results ***	Reason for variance
Program 6: Strengthen relations with key stakeholders through effective communication.					Government Sector Security Council FIFA LOC	
	Consultation process regarding review of Private security regulatory legislation	Completion date of consultation process	Consultation held by November 2010	n/a	Stakeholder consultations held during September until October 2010 (Achieved)	n/a
	Contribute to the overall success of the FIFA World cup	Percentage of security provider registration and training levels verified	100%	n/a	Registration vetting conducted on (100%) 15248 security officers compliance reports submitted to NIA (Achieved)	n/a
	Industry and other stakeholder liaison through Complaints and Helpdesk Offices	Percentage of complaints considered	100%	n/a	100% considered of which 23 644 were telephone enquiries and 6792 were personal enquiries (Achieved)	n/a
Program 7: Develop a new Corporate Identity	Finalise new CI including new logo	Completion date	n/a	June 2010	May 2010 (Achieved)	n/a
	Develop Brand Strategy	Completion date	n/a	June 2010	May 2010 (Achieved)	n/a

REPORT OF THE AUDIT COMMITTEE

for the financial year ended 31 March 2011

We are pleased to present our report for the financial year ended 31 March 2011.

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

1. AUDIT COMMITTEE CHARTER

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

2. AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Committee met two times during the 2010/2011 financial year, in line with the approved Audit Charter, and it consists of the members listed below:

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

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

3. ROLE AND RESPONSIBILITIES

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 organization, operating with an independent and objective stance.

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

Consideration of Annual Financial Statements for submission to the Auditor General of South Africa

The Audit Committee has:

- Reviewed and discussed with the Accounting Authority the unaudited Annual Financial Statements;

- Reviewed the changes to the accounting policies and practices.

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

External Auditor and independence

The Audit Committee has satisfied itself that the external auditor, Auditor-General (AGSA), was independent of the organization which includes consideration to the extent of other work undertaken by the AGSA and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

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

The Audit Committee also met with the AGSA to ensure that there are no unresolved issues.

Effectiveness of internal control

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

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

A formal risk assessment was undertaken by PSIRA in October 2009. Consequently, internal audit used this data to prepare the three year rolling strategic plan and the annual audit plan. Management is committed to address the issues raised by internal and external auditors, and this is reviewed by the Committee during its meetings.

Accordingly, the Committee can report that the system of internal control over financial reporting for the period under review was not efficient and effective in all critical areas such as Debt management and Information Technology processes.

Whistle blowing

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

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

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

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the organization'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 in its audits. The Committee believes that internal audit has contributed to the improvement of internal controls within the entity.

The Audit Committee is also responsible for the assessment of the performance of the internal audit function and the first review will be performed in June 2011. During the year, the Committee met with the external auditors and with the Chief Audit Executive without management being present.

J Meissner

Chairman

31 May 2011

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 accompanying financial statements of the Private Security Industry Regulatory Authority (PSIRA), which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting authority's report, as set out on pages 56 to 86.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) 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 management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. 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.

5. 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.

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

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Private Security Industry Regulatory Authority as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with the SA standards of Generally recognized accounting practices (SA standards of GRAP).

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 24 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of an error discovered during 2011 in the financial statements of the PSIRA at, and for the year ended, 31 March 2010.

Going concern

10. The accounting authority's report on page 56 and note 20 to the financial statements indicate that the PSIRA incurred a net loss of R23 751 487during the year ended 31 March 2011. This, along with continued losses over the past years and other matters as set forth in the accounting authority's report, indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Material losses and impairments

11. As disclosed in note 14 to the financial statements, material losses of R75 495 989 were incurred due to bad debts written off.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary information set out on pages 87 to 87 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 41 to 44 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

Presentation of information

15. The reported performance against predetermined objectives was deficient in respect of the following criterion:

    - Performance against predetermined objectives was reported using the National Treasury guidelines.

16. The following audit finding relates to the above criterion:

    - The annual performance plan did not take into account the actual results of the prior year as a basis for the current year targets.

Usefulness of information

17. The reported performance information was deficient in respect of the following criteria:

    - Consistency: The reported objectives, indicators and targets were consistent with the approved annual performance plan.
    - Relevance: There was clear and logical link between the objectives, outcomes, outputs, indicators and performance targets.
    - Measurability: Indicators were verifiable, and targets were not time bound.

18. The following audit findings relate to the above criteria:

    - The annual performance plans for all programmes (100%) in the strategic plan were not linked to the annual budget (relevance)
    - The strategic plan up to February 2011 did not include key performance indicators and quarterly targets (100%), while some of the targets (50% and more) were not measurable (consistency and measurability)

- There was no annual plan in existence (consistency)

Compliance with laws and regulations

19. Included below are findings on material non-compliance with laws and regulations applicable to the public entity.

Strategic planning and performance management

20. The accounting authority did not finalise and submit a strategic plan for approval to the relevant executive authority of the public entity on or before 1 April 2010, as required by TR 30.1.1 and TR 30.1.2.

21. The accounting authority did not submit the proposed strategic plan to the executive authority for approval at least six months before the start of the financial year of the designated entity, or another time period as agreed to between the executive authority and the public entity, in contravention of the requirements of TR 30.1.1.

22. The executive authority of the public entity did not approve the annual performance plan / revised annual plan submitted by the accounting authority as required by TR 30.1.1

23. The accounting authority did not establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action, as required by TR 30.2.1.

24. The accounting authority did not ensure that the public entity had and maintained an effective, efficient and transparent system of internal control regarding performance management, which described and represented how the entity's processes of performance planning, monitoring, measurement, review and reporting were conducted, organised and managed, as required by section 51(1)(a)(i) of the PFMA.

25. Contrary to TR 26.1.2, the accounting authority did not report to the executive authority through the designated accounting officer on the extent of compliance with PFMA regulations together with the reasons for non-compliance.

Budgets

26. The accounting authority did not submit monthly reports to the executive authority on actual revenue and expenditure of the preceding month, amounts anticipated for that month and a projection of the expected expenditure and revenue collection for the remainder of the year as required by TR 26.1.1.

27. The accounting authority did not submit a budget of the estimated revenue and expenditure for that financial year for approval by the executive authority responsible for the public entity at least six months before the start of the financial year or another period agreed to between the executive authority and the public entity as per the requirements of section 53(1) of PFMA.

Annual financial statements and annual report

28. The accounting authority submit financial statements for auditing that were not prepared in all material aspects in accordance with generally accepted accounting practice as required by section 55(1)(a)& (b) of the PFMA. The material misstatements identified by the AGSA with regards to property, plant & equipment , accumulated depreciation, prior period errors and GRAP disclosures were subsequently corrected.

29. The executive authority did not table the annual report and financial statements of 2010 in the National Assembly within one month after the accounting authority had received the audit report, as per the requirements of section 65(1)(a) of the PFMA.

30. The suspense accounts of unknown deposits was not cleared on a monthly basis as required by TR 17.1.2

Procurement and contract management

31. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of over R500 000 had been procured by means of a competitive bidding process, as per the requirements of TR 16A6.1, TR 16A6.4 and National Treasury Practice Notes 6 and 8 of 2007-08.

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.

Expenditure Management

33. The accounting authority did not take effective and appropriate steps to prevent irregular as well as fruitless and wasteful expenditure, as per the requirements 55(2)(b)(i) of the PFMA.

34. Contrary to the requirement of TR 31.1, the public entity did not have an effective cash management and investment policy.

Procurement and contracts

35. Contrary to Public Service Regulation (PSR) III/C1/4(a)(iii) and (d), the designated employees (senior managers) did not disclose to the relevant executing authority, particulars of all their registrable interests in respect of the period 1 April of the previous year to 31 March of the year in question.

INTERNAL CONTROL

36. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

37. Instability in leadership ,with the director only being appointed in September 2010, resulted in inadequate oversight over financial and performance reporting , compliance with laws and related internal controls.

Financial and performance management

38. The information technology systems used are complex and debtors were controlled on a separate system (Compiere). Manual reconciliations were not performed regularly.

Governance

39. The risk assessment was done in February 2011, leaving insufficient time to address the risks identified.

40. The audit committee was appointed in November 2010 as a result the internal audit plan was not approved and oversight was not exercised over the implementation of matters reported by the internal audit function.

OTHER REPORTS

Investigations

41. Thirteen cases relating to fraud and corruption were investigated during the year. Four investigations relating to fraud and corruption were still in ongoing at the end of the financial year.

Auditor - General

Pretoria

30 July 2011

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Index

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

Council's Responsibilities and Approval

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

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

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

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

The council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual 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 2012 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.Other factors considered by council are legal, statutory and potential sources of findings. Revenue is expected to increase due to planned review (increase) in annual fees/levies payable by registered private security providers in the 2011/2012 financial year.

Although the council is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 3 to 34, which have been prepared on the going concern basis, were approved by the Council on 29 July 2011 and were signed on its behalf by:

OTBopela

MR T.O. Bopela (Chairperson of Council)

Accounting Authority's Report

The council submit their report for the year ended 31 March 2011.

1. Incorporation

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

2. Review of activities

Main business and operations

The entity is engaged in regulation of the private security industry and operates principally in South Africa.

Net deficit of the entity was R 23 751 487 (2010: deficit R 2 253 371).

3. Going concern

We draw attention to the fact that at 31 March 2011, the entity had accumulated surplus of R 11 490 994 and that the entity's total assets exceed its liabilities by R 11 490 994.Other factors considered by council are legal, statutory and potential sources of findings. Revenue is expected to increase due to planned review (increase) in annual fees/levies payable by registered private security providers in the 2011/2012 financial year.

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

4. Subsequent events

Events after reporting date are presented in Note 25 of the annual financial statements.

5. Accounting policies

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act No. 29 of 1999).

6. Council

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

Name	Changes
MR T.O. Bopela (Chairperson of Council)	
Ms. Z. Holtzman (Vice Chairperson of Council)	
Adv. A. Wiid	Resigned 30 April 2010
Mr. A. Dramat	
Mr. S.K. Mnisi	

7. Secretary

The secretary to Council is Zanele Ngcobo.

8. Corporate governance

General

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

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

Accounting Authority's Report

Council Members

The Council:

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

Chairperson and director

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

9. Controlling entity

The entity's controlling entity is Department of Police.

10. Auditors

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

Private Security Industry Regulatory Authority
Annual Financial Statements for the year ended 31 March 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010 Restated
Assets			
Current Assets			
Trade and other receivables	2	7 964 179	14 351 383
Cash and cash equivalents	3	13 172 555	23 941 101
		21 136 734	**38 292 484**
Non-Current Assets			
Property, plant and equipment	4	11 802 112	14 789 335
Intangible assets	5	2 228 316	2 418 485
		14 030 428	**17 207 820**
Total Assets		**35 167 162**	**55 500 304**
Liabilities			
Current Liabilities			
Operating lease liability	6	372 114	244 595
Trade and other payables	7	17 729 054	18 820 225
		18 101 168	**19 064 820**
Non-Current Liabilities			
Retirement benefit obligation	8	5 575 000	1 193 000
Total Liabilities		**23 676 168**	**20 257 820**
Net Assets		**11 490 994**	**35 242 484**
Net Assets			
Accumulated surplus		11 490 994	35 242 484

Private Security Industry Regulatory Authority
Annual Financial Statements for the year ended 31 March 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010 Restated
Revenue	9	85 527 449	84 008 857
Other income		11 540 716	9 888 512
Operating expenses		(121 348 338)	(98 065 527)
Operating deficit		**(24 280 173)**	**(4 168 158)**
Investment revenue	10	860 547	2 018 780
Loss on impairment and disposal of assets		(319 505)	(100 268)
Finance costs	11	(12 356)	(3 725)
Deficit for the year		**(23 751 487)**	**(2 253 371)**

Private Security Industry Regulatory Authority
Annual Financial Statements for the year ended 31 March 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	17 939 155	17 939 155
Adjustments		
Prior year adjustments	19 556 700	19 556 700
Balance at 01 April 2009 as restated	**37 495 855**	**37 495 855**
Changes in net assets		
Deficit for the year	(2 253 371)	(2 253 371)
Total changes	(2 253 371)	(2 253 371)
Balance at 01 April 2010	**35 242 481**	**35 242 481**
Changes in net assets		
Deficit for the year	(23 751 487)	(23 751 487)
Total changes	(23 751 487)	(23 751 487)
Balance at 31 March 2011	**11 490 994**	**11 490 994**

Private Security Industry Regulatory Authority
Annual Financial Statements for the year ended 31 March 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		82 726 835	64 961 970
Interest income		860 547	2 018 780
		83 587 382	66 980 750
Payments			
Employee costs		(52 680 477)	(35 692 770)
Suppliers		(38 717 953)	(38 329 027)
Finance costs		(12 356)	(3 725)
		(91 410 786)	(74 025 522)
Net cash flows from operating activities	16	**(7 823 404)**	**(7 044 772)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1 453 555)	(934 373)
Purchase of other intangible assets	5	(1 491 587)	(43 901)
Net cash flows from investing activities		**(2 945 142)**	**(978 274)**
Decrease in cash and cash equivalents		**(10 768 546)**	**(8 023 046)**
Cash and cash equivalents at the beginning of the year		23 941 101	31 964 147
Cash and cash equivalents at the end of the year	3	**13 172 555**	**23 941 101**

Accounting Policies

1. Presentation of Annual Financial Statements

The Private Security Industry Regulatory Authority (PSIRA) is an entity domiciled in South Africa.The address of PSIRA is 481 Belvedere Street, Arcadia, Pretoria. The PSIRA is responsible for the regulation of the Private Security Industry as defined in the Private Security Industry Regulation Act(Act No.56 of 2001)

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act No. 29 of 1999).

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

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand, which is the functional currency, rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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 judgment is 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. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and 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 will 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 should be 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 8.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgment to the specific circumstances, to discount future cashflows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that have a material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustment require a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

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

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Item	Average useful life
Buildings	20 years
Furniture and fixtures	10 years
Motor vehicles	5 years

Accounting Policies

1.2 Property, plant and equipment (continued)

Office equipment	5 years
Computer equipment	3 years

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

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.

The depreciation charge for the month in which the asset is purchased is calculated for the full month.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either 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.

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

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

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

Intangible assets are derecognised:

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

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

1.4 Financial instruments

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

Accounting Policies

1.4 Financial instruments (continued)

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

Classification

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified financial instruments at cost..

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Accounting Policies

1.4 Financial instruments (continued)

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-slength exchange motivated by normal operating considerations. Valuation techniques include using recent arm-slength market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset-scarrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset-soriginal effective interest rate. The carrying amount of the asset is reduced directly OR 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 directly OR 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 groups of trade receivables, when there is an indication of impairment in 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 the debtor-sability to pay all amounts due according to legislative requirements and contractual agreements where applicable. The loss event is based on the increased number of delayed payments and the payment status. Trade receivables outstanding for more than 60 days are considered as indicators for impairment and indicative of a loss event.

Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

Presentation

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

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

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

1.5 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

In terms of GRAP 13 rental payable under operating lease are charged to the statement of financial performance on a straight line basis over the term of the relevant lease. The PSIRA has accounted for the rental payable on the lease of offices on a straight line basis.

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

1.6 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.

Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

1.7 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 17.

Accounting Policies

1.8 Employee benefits

Short-term employee benefits

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

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

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

Post-employment benefits: Defined benefit plans

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

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.

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is 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.

Accounting Policies

1.8 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.9 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.10 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).

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the 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.

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.

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.

Accounting Policies

1.12 Revenue from non-exchange transactions

Fines

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

1.13 Investment income

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

1.14 Comparative figures

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

Prior period error

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

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

1.15 Fruitless and wasteful expenditure

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

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

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; 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.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.17 Budget information

The annual 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 annual financial statements.

1.18 Related Parties

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

2. Trade and other receivables

Trade receivables	161 038 797	221 754 681
Deposits	112 499	82 959
VAT Receivable	-	960 245
Impairment of trade receivables	(153 522 767)	(208 962 491)
Travel & subsistence	7 440	21 900
Staff advances	7 455	66 631
Prepayments	145 609	77 780
Other receivables	175 146	349 678
	7 964 179	**14 351 383**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	6 065 386	5 628 365
2 months past due	1 516 538	1 416 075
3 months past due	154 437 104	190 711 764

Reconciliation of provision for impairment of trade and other receivables

Opening balance	208 962 491	193 013 527
Impairment loss recognised	20 056 265	15 948 964
Amounts written off as uncollectible	(75 495 989)	-
	153 522 767	**208 962 491**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	166 561	9 800
Bank balances	2 396 762	4 146 220
Short-term deposits	10 609 232	19 785 081
	13 172 555	**23 941 101**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

There are no restrictions on cash held with banks.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

4. Property, plant and equipment

	2011			2010 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	5 658 859	(2 532 779)	3 126 080	5 658 859	(2 270 082)	3 388 777
Furniture and fixtures	3 163 879	(1 390 877)	1 773 002	3 059 918	(1 011 733)	2 048 185
Motor vehicles	156 529	(130 811)	25 718	156 529	(103 080)	53 449
Office equipment	4 485 050	(3 031 824)	1 453 226	5 049 866	(2 345 091)	2 704 775
IT equipment	6 183 464	(3 382 378)	2 801 086	5 331 432	(1 360 283)	3 971 149
Law Books	32 882	(32 882)	-	32 882	(32 882)	-
Total	**22 303 663**	**(10 501 551)**	**11 802 112**	**21 912 486**	**(7 123 151)**	**14 789 335**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	2 623 000	-	-	-	-	2 623 000
Buildings	3 388 777	-	-	(262 697)	-	3 126 080
Furniture and fittings	2 048 185	127 911	-	(388 833)	(14 261)	1 773 002
Motor vehicles	53 449	-	-	(27 731)	-	25 718
Office equipment	2 704 775	46 019	-	(1 148 486)	(149 082)	1 453 226
Computer equipment	3 971 149	1 279 625	(7 723)	(2 285 803)	(156 162)	2 801 086
	14 789 335	**1 453 555**	**(7 723)**	**(4 113 550)**	**(319 505)**	**11 802 112**

Reconciliation of property, plant and equipment - 2010 Restated

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	2 623 000	-	-	-	-	2 623 000
Buildings	3 802 870	-	-	(414 093)	-	3 388 777
Furniture and fittings	2 682 182	61 961	(339 416)	(341 837)	(14 705)	2 048 185
Motor vehicles	77 606	-	-	(24 157)	-	53 449
Office equipment	3 495 917	140 569	(22 198)	(854 137)	(55 376)	2 704 775
Computer equipment	3 875 259	731 843	-	(605 766)	(30 187)	3 971 149
	16 556 834	**934 373**	**(361 614)**	**(2 239 990)**	**(100 268)**	**14 789 335**

At reporting date, management assessed whether there is an indication that assets held may be impaired. The impairment test revealed that the Authority could not obtain any future economic benefits or service potential associated with these assets. The net book value of assets impaired is R319 505 (2010: 100 268)
Included in assets is 275 assets, which is still in use, with nil values of which the original cost is R1 656 292 . Management assessed these assets and it was found that these assets will only be in use up to September 2011, thus performing change in estimate calculations was deemed to have an immaterial effect on the NBV of PE

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 R 7 887 003 and net book value of R1 168 215 at the beginning of the year were extended by a further two years. This change in estimate has resulted in depreciation expense for the current year to be R584 107 and R584 107 in next financial year

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

5. Intangible assets

	2011			2010 Restated		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 545 797	(2 317 481)	2 228 316	3 251 673	(833 188)	2 418 485

Reconciliation of intangible assets - 2011

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

Reconciliation of intangible assets - 2010 Restated

	Opening balance	Additions	Amortisation	Total
Computer software	2 484 136	43 901	(109 552)	2 418 485

6. Operating lease obligation

Lease payments (non cancelable leases-Buildings).

The entity has branch offices in Johannesburg, Durban, Port Elizabeth, and Mthatha where it leases offices for the purpose of providing services to the security industry. The expense incurred in honouring the lease agreements are included in surplus and deficit. The entity straight lined its operating lease over the period of the lease contract. The future minimum payments under non cancelable leases are as set out in the summary below.

	2011	2010 Restated
Not later than one year	4 265 171	1 262 950
One to five years	55 279 723	4 712 705
Five years and longer	6 411 389	-
	65 956 283	**5 975 655**
Current portion	372 114	244 595

Johannesburg : 130 Marshall street

5 year contract expiring 30 November 2014 - escalation of 9% per annum

Durban: 41 Williams Road

5 year contract expiring 31 March 2012 - escalation of 10% per annum

Mthatha : 35 Callaway

5 year contract expiring 30 December 2013 - escalation of 10% per annum

Pretoria Corporate offices: Eco Glade 2 Office Park, Centurion

5 year contract expiring 31 July 2016 - escalation of 10% per annum

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

7. Trade and other payables

Trade payables	13 592 709	16 526 989
Accrual-Leave pay benefit	1 803 002	1 705 268
13th Cheque	657 363	564 909
Staff contributions payables	1 675 980	23 059
	17 729 054	**18 820 225**

Ageing of Unknown Deposits		
Current	166 789	-
30 days	148 641	-
60 days	69 289	-
90 days and over	416 369	805 735
	801 088	**805 735**

Included in the amount for Trade Payables is Unknown deposits, which is deposits made in the PSIRA's bank account without clear details to enable the allocation to a specific Debtors account. The risk exist that these amounts might have to be refunded to depositors should they have paid into the wrong bank account.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

8. Retirement benefits

Defined benefit plan

The defined benefit plan, to which 100% (2010: 100%) belong, consists of the Sanlam Pension Fund governed by the Pension Fund Act of 1956. The number of employees covered by the plan is 192 (2010: 187). The plan is a final salary plan.

The AC 116 report was prepared by independent actuarial valuators as at 31 March 2011. The statutory actuarial valuation are done triennially. The last statutory actuarial valuation was done as at 31 March 2007 and the next valuation was due on 31 March 2011. The valuation for 31 March 2011 was not finalised and approval was requested from the FSB to extend the completion date to 30 September 2011.

The assets of the fund are invested in the Sanlam Alpha Bonus Portfolio. The fund holds 14 860 unsold Sanlam shares at fair value of R27.60 (2010: R24.87).

Carrying Value		
Present value of the fund obligation	29 950 000	21 299 000
Fair value of plan assets	(24 375 000)	(20 106 000)
Net liability	**5 575 000**	**1 193 000**

Reconciliation of present value of fund obligation

Fund information for the year		
Present value of obligation at the beginning of the year	21 299 000	18 603 000
Interest cost	2 460 000	1 875 000
Current service cost	3 170 000	3 036 000
Benefits paid	(3 519 000)	(1 396 000)
Actuarial gain/(loss) on plan assets	6 540 000	(819 000)
Present value of fund obligation at the end of the year	**29 950 000**	**21 299 000**

Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	20 106 000	14 413 000
Expected return on plan assets	2 004 000	1 465 000
Contributions	7 341 000	5 330 000
Actuarial (gains)/losses	(1 557 000)	294 000
Benefits paid	(3 519 000)	(1 396 000)
Fair value of plan assets as at 31 March 2011	**24 375 000**	**20 106 000**

Employee benefits

Amounts recognised is Statement of performance		
Current service cost	3 170 000	3 036 000
Interest on obligation	2 460 000	1 875 000
Expected return on plan assets	(2 004 000)	(1 465 000)
Net actuarial loss/(gain) recognised in the year	8 097 000	(1 113 000)
Contributions	(7 341 000)	(5 330 000)
Total expensed in the statement of financial performance	**4 382 000**	**(2 997 000)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

8. Retirement benefits (continued)

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	2 465 000	3 328 000
Expected rate of return on assets	9.60 %	9.60 %
Expected increase in salaries	7.70 %	7.10 %
Expected pension increases	6.30 %	6.60 %

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

Sanlam alpha bonus portfolio (2011:0% , 2010:96%)	-	19 357 000
Special home loans portfolio (2011:1.5%, 2010:2%)	367 000	432 000
14860 unsold Sanlam shares (2011:1.5%, 2010:2%)	410 000	370 000
Sanlam Stable bonus portfolio (2011:97%,2010:0%)	24 463 000	-
Less adjustment for late payments and receipts	(865 000)	(53 000)
	24 375 000	**20 106 000**

5 Year history

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

	2011 R	2010 R	2009 R	2008 R	2007 R
Present value of obligation	29 950 000	21 299 000	18 603 000	16 128 000	13 529 000
Present value of asset	24 375 000	20 106 000	14 413 000	14 582 000	13 434 000
Surplus (shortfall)	(5 575 000)	(1 193 000)	(4 190 000)	(1 546 000)	(95 000)
Experience adjustments on liabilities	6 540 000	(819 000)	(100 000)	601 000	812 000
Experience adjustments on asset	461 000	1 863 000	(2 611 000)	(584 000)	1 461 000

Expected Contributions for 2012: R8 400 857

9. Revenue

Sale of goods	5 278 567	5 077 831
Annual fees	64 758 098	60 354 046
Fines	5 598 880	3 019 918
Infrastructure assessment fees	1 957 402	2 810 730
Registration fees	7 934 502	12 746 332
	85 527 449	**84 008 857**

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

Sale of goods	5 278 567	5 077 831
Annual fees	64 758 098	60 354 046
Infrastructure assessment fees	1 957 402	2 810 730
Registration fees	7 934 502	12 746 332
	79 928 569	**80 988 939**

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

Taxation revenue		
Fines	5 598 880	3 019 918
Transfer revenue		

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

10. Investment revenue

Interest revenue		
Interest income on call deposits	860 547	2 018 780

11. Finance costs

Other interest paid	12 356	3 725

12. Other revenue

Rental income - third party	-	171 930
Interest and penalties received (trade receivables)	8 287 726	7 126 662
Sundry Income	3 252 990	2 589 920
	11 540 716	**9 888 512**

13. Employee related costs

Basic salaries	37 021 626	27 609 854
13th Cheque	2 844 505	2 297 052
Medical aid	3 115 275	2 872 044
UIF	269 222	227 588
WCA	112 086	113 682
SDL	400 189	308 849
Pension contribution	4 835 775	3 543 941
Retire benefit adjustment	4 382 000	(2 997 000)
Travel and other allowances	4 535 575	5 260 702
	57 516 253	**39 236 712**

Included in employee benefits are contributions to defined benefit plan of R4 835 775 (2010:R 3 543 941)

14. Debt impairment

Bad Debts written off	75 495 989	-
(Decrease)/Increase in debt impairment provision	(55 439 724)	15 948 964
	20 056 265	**15 948 964**

15. Auditors' remuneration

External Fees	1 875 760	1 562 364

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

16. Cash used in operations

Deficit	(23 751 487)	(2 253 371)
Adjustments for:		
Depreciation and amortisation	5 795 301	2 349 545
Loss on disposal of assets	7 724	361 614
Loss on disposal of assets - untraceable assets	319 505	100 268
Debt impairment	20 056 265	15 948 964
Movements in operating lease assets and accruals	127 519	131 042
Movements in retirement benefit assets and liabilities	4 382 000	(2 997 001)
Other non-cash items	2	-
Changes in working capital:		
Trade and other receivables	6 387 204	(4 130 728)
Consumer debtors	(20 056 265)	(15 948 964)
Trade and other payables	(1 091 172)	(606 141)
	(7 823 404)	**(7 044 772)**

17. Contingencies

Henry Kock v the PSIRA. The matter relates to improper registration as a security officer. The estimated exposure (including cost and disbursement) is R 40 000.

MMA Security T/A Broubart Security v the PSIRA. The matter has been finalised but appeal is pending in regards to costs. The estimated exposure (including cost and disbursements) is R 80 000.

Vericon Outsourcing (Pty) Ltd v the PSIRA. In this matter, there was an application for leave to appeal against an order granted in favour of PSIRA. The estimated exposure (including cost and disbursement) is R 70 000.

Nelspruit Institute of Security Officers v the PSIRA. The matter relates to dispute after their registration as security provider was revoked. The estimated exposure (including cost and disbursement) is R 180 000.

TM Masenya. Employee was dismissed for registering as a Security Officer and the fraudulent acquisition of security grades. The case is being heard at the CCMA and should PSIRA be unsuccessful, PSIRA will be liable to pay R71 400 in respect of 6 months salary plus legal fees

S Masilela. Employee was dismissed due to the contravention of his legal duty of Good Faith as an employee of the Authority. Should PSIRA not be successful in upholding the dismissal, PSIRA will be liable to pay R510 820 constituting of 12 months salary and legal fees

S Mogapi Applicant seeks to reverse the decision by the Authority to terminate his employment and the matter is now at Labour Court. The estimated exposure (12 Months salary and legal fees) is R800 000.

Interest free staff loans were awarded in prior years. Fringe benefit tax was not deducted from these loans. The liability in this regard is not ascertainable.

18. Unrecognised contractual commitments

Assets		
Computer Equipment	36 650	1 745 000
Computer Software	51 186	247 478
Office Furniture	-	70 592
	87 836	**2 063 070**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

18. Unrecognised contractual commitments (continued)

Expenses		
Consulting Fees	73 783	1 248 514
Advertising	25 445	-
Printing	1 190	-
Repairs & Maintenance	2 097	-
License fees	17 966	-
	120 481	**1 248 514**

19. Risk management

Interest rate risk

Interest rate risk relates to fluctuation of fair value or future cashflows of financial instruments, as a result of changes in market conditions. The entity is exposed to interest rate risk as it invests funds in the money markets at a fixed and floating interest rate. This is managed by investing the entities surplus funds in short term investments, thereby taking advantage of the maximum rate available 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 only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

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

Financial instrument	2011	2010
Trade and other receivables	9 079 753	13 574 481

20. Going concern

We draw attention to the fact that at 31 March 2011, the entity had accumulated surpluses of R 11 490 994 and that the entity's total assets exceed its total liabilities by R 11 490 994. Other factors considered by council are legal, statutory and potential sources of funding. Revenue is expected to increase due to planned review (increase) in annual fees payable by registered private security providers in the 2011/2012 financial year.The proposed annual fees Regulation have been submitted to the Executive Authority for consideration. The expected commencement date is during the 3rd quarter of 2011/2012.

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

21. Fruitless and wasteful expenditure

During the current year Fruitless and wasteful expenditure of R12 356.04 was incurred as a result of

(a) Interest and penalties paid over to SARS for short and late payments of PAYE

(b) Penalties paid to the Workmen's Compensation Commissioner for late submission and payment of COID return.

(c) Late payment of various Supplier accounts.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

22. Irregular expenditure

Opening balance	4 264 870	346 098
Add: Irregular Expenditure - current year	384 141	3 918 772
Less: Amounts condoned	(3 612 048)	-
	1 036 963	**4 264 870**

Analysis of expenditure awaiting condonation per age classification

Current year	384 141	3 918 772
Prior years	652 822	346 098
	1 036 963	**4 264 870**

Details of irregular expenditure – current year

		-
Incident 5		
Cash collection services- Head office and branches	384 141	343 112

Details of irregular expenditure condoned

Incident 1	Appointment of service provider to address historical challenges	1 589 106
Incident 2	Acquisition of software licenses	1 245 114
Incident 3	Expenses for advertising	93 871
Incident 4	Payments to legal practitioners	683 957
		3 612 048

Prior Period Adjustments - Irregular Expenditure

Opening Balance Previously Stated	-	36 388
Irregular Expenditure prior Year - Incident 5	-	309 710
Irregular Expenditure Current Year - Previously stated	-	3 575 660
Irregular Expenditure current Year - Incident 5	-	343 112
	-	**4 264 870**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated
23. Related parties		
Council members emoluments		
Chairperson: Mr TO Bopela	1 392 796	319 345
Member: Mr A Wiid - Resigned May 2011	-	26 304
Key management personnel		
Director: Mr MS Chauke - Appointed 1 September 2010		
Salary Package	605 813	-
Deputy Director: Mr. DKN Ligege - Appointed 1 October 2010		
Salary Package	437 792	-
Deputy Director: Mr PP Mthethwa - Appointed 1 December 2010		
Salary Package	292 405	-
Chief Executive Officer: Ms LD Madlala - Appointed and resigned March 2010		
Salary Package	-	77 510
Chief Financial Officer: Mr MH Mahlangu - Resigned August 2010		
Salary Package	255 842	734 748
Leave Pay	65 144	-
Chief Information Officer: Mr SL Nkosi - Retrenched July 2010		
Salary Package	235 251	736 669
Separation Package	144 805	-
General Manager Operations: Mr N Mbodla - Resigned July 2010		
Salary Package	289 549	665 705
Leave Pay	19 273	-
Amounts included in Trade and other payables		
South African Revenue Service	659 356	23 059

Emoluments of councillors and Key managements personnel as set out above consist of full cost to company.

Related party transactions

Amounts included in Employee Benefits		
South African Revenue Service	669 410	739 398

24. Prior period errors

Prior to the 2010 financial figures were restated due to fact that the entity was deregistered for Value Added Taxation as well as non-compliance to legislation regarding interest on Staff loans.

Revenue was restated due to erroneous recognition of revenue emanating from unknown deposits and credit balances on Trade receivables.

Operating lease liability was restated after updated contract information was received for leases of property in Johannesburg and Durban.

PPE was adjusted with software that was incorrectly reflected as Computer equipment.

The effect of prior period errors of R19 556 700 and the restatement of comparative figures are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

24. Prior period errors (continued)

Statement of financial position		
Total Assets increase	-	6 246 329
Total liabilities decrease	-	(15 309 740)
Accumulated surplus increase	-	19 556 700

Trade receivables		
Trade receivables previously reported	-	8 105 054
Increase related to prior years	-	3 274 135
Increase related to current reporting year	-	2 972 194
	-	**14 351 383**

PPE		
PPE Previously reported	-	17 150 122
Decrease	-	(2 360 787)
	-	**14 789 335**

Intangible assets		
Intangible assets previously reported	-	57 698
Increase	-	2 360 787
	-	**2 418 485**

Operating lease obligation		
Operating lease obligation as previously reported	-	285 432
Decrease related to prior period adjustment	-	(71 324)
Increase related to current reporting period	-	30 487
	-	**244 595**

Current liabilities		
Current liabilities as previously reported	-	34 089 128
Decrease in VAT Obligation	-	(16 074 635)
Increase related to prior period adjustment	-	805 735
	-	**18 820 228**

Accumulated Surplus		
Accumulated surplus as previously stated	-	17 939 155
Increase in Trade & Other receivables	-	3 256 224
Decrease in Current liabilities	-	16 229 152
Increase in Operating lease obligation	-	71 324
	-	**37 495 855**

Statement of Financial Performance		
Revenue Increase	-	595 469
Other Income Increase	-	1 434 387
Operating Expenses increase	-	291 883

Revenue		
Revenue previously reported	-	83 413 387
Increase in Annual fees	-	595 469
	-	**84 008 856**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

24. Prior period errors (continued)

Other Income		
Other Income previously reported	-	8 454 125
Increase in other income	-	1 434 387
	-	**9 888 512**

Operating Expenses		
Operating expenses as previously reported	-	97 773 693
Increase	-	291 833
	-	**98 065 526**

25. Events after the reporting date

Significant contracts entered into:

The Authority entered into a 5 year lease agreement for its corporate office premises. The total value of the undiscounted lease payments amount to R 61 243 579. Details of the lease has been presented in note 6.

Council has resolved to dispose office premises situated at 481 Belvedere, Arcadia, Pretoria.The disposal is expected to be finalised in the next financial year. The details of the asset concerned have been presented in note 4 to the financial statements.

26. Reconciliation between Accounting and Budgeted profit

Net deficit per the statement of financial performance	(23 751 487)	(2 253 371)
Adjusted for Variance between budget and actual results:		
Annual fee income	457 408	(4 767 076)
Other income	(4 839 900)	(939 072)
Employee benefits	5 068 907	(4 606 288)
Other operating expenses	4 443 853	7 426 238
Finance cost	-	3 725
Disposal of assets	-	316 614
Net deficit per approved budget	**(18 621 219)**	**(4 819 230)**

27. Standards issues not yet effective

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

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 reserve an impairment loss and prescribes disclosure. The impact of implementing this standard is expected to be immaterial in the context of the 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 the issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identifications of contributions from owners. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010 Restated

27. Standards issues not yet effective (continued)

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

GRAP 25 - Employee Benefits
ASB Issue date: November 2009
Effective date: 1 April 2012
New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 26 - Impairment of Cash-generating Assets
ASB Issue date: March 2009
Effective date: 1 April 2012
New standards of GRAP prescribes 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 disclosure. 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 standards 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 standards of GRAP dealing with the recognition, measurement, presentation and disclosure of financial instruments. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

Improvements to Standards of GRAP
ASB Issue date: N/A
Effective date: Proposed 1 April 2012
Improvements are proposed to following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

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

GRAP 18 - Segment Reporting
ASB Issue date: March 2005
Effective date: Non 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.

Detailed Income statement

Figures in Rand	Note(s)	2011	2010 Restated
Revenue			
Sale of goods		5 278 567	5 077 831
Annual fees		64 758 098	60 354 046
Fines		5 598 880	3 019 918
Infrastructure assessment fees		1 957 402	2 810 730
Registration fees		7 934 502	12 746 332
Rental income		-	171 930
Interest and penalties interest		8 287 726	7 126 662
Other income		3 252 990	2 589 920
Interest received - investment	10	860 547	2 018 780
Total Revenue		**97 928 712**	**95 916 149**
Expenditure			
Employee benefits	13	(57 516 253)	(39 236 712)
Depreciation and amortisation		(5 795 301)	(2 349 545)
Finance costs	11	(12 356)	(3 725)
Debt impairment	14	(20 056 265)	(15 948 964)
Repairs and maintenance		(619 338)	(658 435)
Other operating expenses		(10 642 402)	(11 076 689)
Consulting fees		(9 496 705)	(10 959 819)
Communication		(2 986 724)	(3 325 940)
Rentals - Equipment and premises		(3 257 267)	(3 076 999)
Fingerprinting cost		(7 959 767)	(8 313 833)
Security		(3 010 592)	(2 756 977)
Total Expenditure		**(121 352 970)**	**(97 707 638)**
Loss on disposal of assets		(7 724)	(361 614)
Loss on impairment of assets		(319 505)	(100 268)
Deficit for the year		**(23 751 487)**	**(2 253 371)**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Notes

Notes

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