



**PSIRA**  
Private Security Industry Regulatory Authority

# ANNUAL REPORT

2016 | 2017

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# Private Security Industry Regulatory Authority **Annual Report**

**2016 - 2017**

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- Mr Jacob Makgolane

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# A

## General Information

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# Abbreviations

<b>ACFE</b>	Association of Certified Fraud Examiners
<b>APP</b>	Annual Performance Plan
<b>ATR</b>	Annual Training Report
<b>BIT</b>	Business Information Technology (Unit)
<b>CANSA</b>	Cancer Association of South Africa
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration
<b>CFR</b>	Central Firearms Registry
<b>CICF</b>	Counter Intelligence Co-ordinating Forum
<b>CIPC</b>	Commission for Intellectual Properties and Companies
<b>CRM</b>	Customer Relationship Management
<b>CSI</b>	Corporate Social Investment
<b>CSIR</b>	Council for Scientific and Industrial Research
<b>DHA</b>	Department of Home Affairs
<b>DoH</b>	Department of Health
<b>DoL</b>	Department of Labour
<b>DPCI</b>	Directorate for Priority Crime Investigation
<b>EAP</b>	Employee Assistance Programme
<b>EE</b>	Employment Equity
<b>ESDA</b>	Electrical Security Distribution Association
<b>ETQA</b>	Education and Training Quality Assurance body
<b>FCA</b>	Firearms Control Act
<b>FETC</b>	Further Education and Training Certificate
<b>HCM</b>	Human Capital Management
<b>IDRC</b>	International Development Research Centre
<b>IT</b>	Information Technology
<b>KPA</b>	Key Performance Area
<b>KPI</b>	Key Performance Indicator
<b>KZN</b>	KwaZulu-Natal
<b>MoU</b>	Memorandum of Understanding
<b>Natjoint</b>	National Joint Operational and Intelligence Structure

<b>NC</b>	National Certificate
<b>NCC</b>	National Consumer Commission
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NICOC</b>	National Intelligence Co-ordinating Committee
<b>NKP</b>	National Key Point and Security Training
<b>NPA</b>	National Prosecuting Authority
<b>NQF</b>	National Qualifications Framework
<b>NSPCA</b>	National Council of SPCAs
<b>PICF</b>	Provincial Industry Compliance Forum
<b>PMFA</b>	Public Finance Management Act
<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>Provjoins</b>	Provincial Joint Operational and Intelligence Structure
<b>PSiRA</b>	Private Security Industry Regulatory Authority
<b>PSSPF</b>	Private Security Sector Provident Fund
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>RPL</b>	Recognition of Prior Learning
<b>SAPS</b>	South African Police Service
<b>SAQA</b>	South African Qualifications Authority
<b>SASSETA</b>	Safety and Security Sector Education and Training Authority
<b>SATAWU</b>	South African Transport and Allied Workers Union
<b>SCBC</b>	Stakeholder and Core Business Committee
<b>SCM</b>	Supply Chain Management
<b>SIA</b>	Security Industry Alliance
<b>SLA</b>	Service-Level Agreement
<b>SO</b>	Security Officer
<b>SOLF</b>	Security Officers Liaison Forum
<b>SOP</b>	Standard Operating Procedure
<b>SP</b>	Service Provider
<b>SSA</b>	State Security Agency
<b>UNISA</b>	University of South Africa
<b>WSP</b>	Workplace Skills Plan

# Foreword by the Minister of Police



**Hon. F.A. Mbalula, MP**  
Minister of Police

The results of this year show an industry that is stabilising commercially with a need for greater collaborative efforts to be made by all role players to improve and drive compliance within the industry.

The financial year 2016/2017 epitomises yet another achievement of the regulatory mandate of the entity. There was a marginal increase in the growth of active registered security companies and the entity managed to navigate the difficult global economic environment, remaining stable and focused on its mandate.

PSiRA remains a shining example of a self-funded government entity which, since its turnaround strategy in 2012, has seen significant improvement in its financial management, governance, government brand positioning and stakeholder management.

The stability of the entity overall has contributed to the increased monitoring of the industry and further holding it accountable on non-compliance and enforcement of our country's laws.

The number of registered security service providers increased by **3.5%** from **8 692** to **8 995** and the number of registered security officers increased from **488 666** to **498 435** during the 2016/2017 financial year.

There were **2 052** business withdrawals during the year under review, compared to **259** business withdrawals during the 2015/2016 financial year. This shows an increase of **692.3%** in the number of businesses withdrawn due to non-compliance to the newly introduced annual fee payments and other regulatory requirements, pointing to effective law enforcement.

The current transition from the Grades training as per the PSiR Act to the National Qualification Framework aligned qualification has had an effect on the number of security training providers as well. The number of females employed in the industry has increased by **5.2%** from **102 907** in 2015/2016 to **108 234** during the year under review.

The entity has, however, continued to improve on its planned strategic objectives. Successes during the year under review include improved awareness programmes on PSiRA's role and diligent monitoring of security service providers and officers. These efforts will go a long way in contributing to joint efforts in fighting crime.

The Ministry acknowledges the collaboration between the private security industry and other stakeholders and also recognises the significant role that women within law enforcement play in ensuring a safer environment for all South Africans. The successful implementation of the law enforcement strategy and improvement on service delivery are some of the notable successes of the year under review. The entity has also improved its stakeholder engagements significantly through the established industry compliance forums and joint operations with the South African Police Service (SAPS) and the Department of Labour to clamp down on non-complying service providers.

Furthermore, the current planned strategic approach by the entity to segment the industry into sectors that will enable it to focus into specialised sectors is well supported.

The Ministry's focus on these sectors must include a robust review of the firearms allowed and prescribed for this industry. This will include the tightening of regulations for proper handling of firearms by security officers. The entity should also tighten its regulation of uniforms and insignia used by security companies, in particular those similar to our state security forces.

I must commend the entity for initiating **Industry Transformation Research** and development of the yet to be published discussion document on transformation of the private security industry. The industry must be fully opened to black entrepreneurs in a thorough manner.

We mandate the industry to refocus its regulatory mandate to address current challenges of non-compliance by companies involved in illegal or unlawful electronic or digital inception and monitoring of private or restricted communications.

The entity must pursue the establishment of the industry **Guarantee Fund** in order to provide for the limited liability of service providers and end-users.

Whilst we celebrate the milestones and the achievement of yet another unqualified audit opinion expressed by the Auditor-General of South Africa (AGSA), we remind the entity to continue to accelerate and translate the good work in ensuring that all South Africans are and feel safe.

The entity must also be focused on the strengthening of monitoring of the industry in schools and university campuses to prevent industry human right abuses and other transgressions.

I would also like to congratulate the newly appointed Council members (effective from 1 January 2017) whose dedicated commitment and support will enable PSiRA's management to continue its work of improving industry compliance for the safety of all South Africans.

It is my pleasure to table the Annual Report of the Private Security Industry Regulatory Authority for the period 2016/2017.



**Honourable F.A. Mbalula, MP**  
Minister of Police



# Overview by the Chairperson of the Council



**Prof. N.M. Mazibuko**  
Chairperson of the Council

## Introduction

Through its Council and Management PSiRA engaged in varied but focussed activities. In discharging the mandate and core business of regulating the private security industry and exercising control, Council and Management engaged in deliberate outreach and stakeholder engagement activities. Outreach focussed on reflective and strategic conversations with the higher education and training sector focussing on short and long-term safety and security matters.

PSiRA intervened in instances where security officers were injured or killed and where allegations of non-compliant behaviour were reported. To enhance accessibility, effective and efficient service delivery regional service centres across the country were established. Furthermore, in line with specific objectives of our mandate, encouraging ownership by persons historically disadvantaged through unfair discrimination, encouraging equal employment practices, protection and enforcement of rights of security officers and other employees, PSiRA initiated processes that substantively advance transformation and inclusive practices within the industry. A 13 member Panel of Experts was appointed to develop a Draft Transformation Discussion Document for deliberation by all players in the industry. The wide consultations will culminate to a Transformation Charter for and by the sector. The Panel of Experts appointed by PSiRA will submit a Final Report by the second quarter of 2017/2018.

On the training and skills, development front, the discussions on universal and private in-house education programmes have begun. These discussions are exploring innovative collaborative utilisation of national resources to professionalise and produce appropriate skills within the industry. PSiRA is of the strong view that the existing policy frameworks, physical infrastructure across the country and financial resources can be integrated to produce necessary capacities and skills in this sector.

One of the highlights is that PSiRA took 22 young skilled persons for internship in the Law Enforcement, Finance and Administration and Communication and Training programmes. This is part of providing qualified young persons with the necessary workplace experience. Out of the 22 interns, 2 are now in permanent employment and 17 placed on fixed-term employment.

The 2016/2017 Financial Year was one of outreach and dialogue on priority and transformative leadership with the stakeholders across the Republic of South Africa. The greater part of the outreach and stakeholder engagement entailed introductions and listening to the expectations and challenges of the stakeholders. PSiRA continues to address expectations and challenges in the regions. The Director's Report gives an extensive account of outreach activities with industry stakeholders. Both Council and Management put in place Committees and solid control systems that strengthen governance, mutual accountability and enhance operations.

### **Executive Authority Engagements**

The outgoing Council (2013 - 2016) contributed significantly to the work reported herein in the three quarters of this financial year. The first meeting of Council on 09 January 2017 was an inauguration the new Council (2017 - 2019) by the former Minister of Police and Executive Head, Minister Nkosinathi Nhleko. As part of the Inauguration and agenda for Council and PSiRA generally the following key strategic focus areas were emphasised by the Minister for the entity to deliver on them in the short and medium term.

- Strengthening of Corporate Governance within the Authority through the implementation of the governance framework and the establishment of functional governance committees, including clarification of the roles and responsibilities of Council and Executive Management, which must be guided by sound principles of delineation of responsibilities.
- Strengthening of industry regulation through establishment of a number of relationships in the industry that are aimed at ensuring collaboration and buy-in on policies and the segmented regulatory approach that focuses on all sector categories in the security industry to build a successful private security industry;
- Review of the funding model for the Authority which had been a challenge in the previous years with the Authority posting a deficit between 2012 and 2014, through the use of the best practices on regulatory and funding models learnt from the international benchmarking exercise undertaken in the current year and the establishment of the industry guarantee fund in the 2017/2018 financial year to ensure a funding solution which should lead to a sustainable future and avoid regression through complacency;
- Transformation of the industry through the development of the industry Transformation Charter and its implementation plan in consultation with industry key alliance partners, which must address the broader issues in line with the country's transformation path and must also address the development and improvement of the lives of ordinary security officers;
- Stakeholder and Multi-lateral relations aimed at fostering good working relations in the



industry and the facilitation of collaboration among different role players in the country and beyond, for which key achievements included the signing of the Memorandum of Understanding with the Provident Fund for the private security industry and the launch of the Pan African Forum for the private security industry regulators;

- Research capability which must be the foundation and cornerstone of the Authority's regulatory policies, including weighing the impact of such policies, and which must be expanded to support the segmented regulatory framework through collaboration with institutions of higher learning and research institutions; and
- Compliance with the legislative framework for which the Council must ensure continued monitoring of implementation of audit action plan to maintain and improve the positives from the previous financial year, which included unqualified audit opinion and 83% achievement of targets.

### **Strengthening Corporate Governance**

In line with the key strategic goals on the Guarantee Fund, compliance, ethical conduct as articulated in the codes of conducts and our governance frameworks, Council established two additional Council Committees, the Finance and Investment and Social & Ethics Committees (FINCO and SEC). This is in addition to three existing Committees the Audit and Risk Committee (ARC), Remuneration Committee (REMCO) and Stakeholder and Core Business Committee (SCBC).

To ensure fully and effective functionality of the Committees and alignment of activities with national priorities the Strategy and their Charters, Council engaged in a robust selection and appointment process of qualified professional external members who understand

their obligations, add the value and advance the legislative mandate of PSiRA. The appointment process was complimented by a two-day induction workshop to ensure clarity of roles and obligations, good governance and accountability across the organisation.

### **Stakeholder Engagement and Collaborations**

Processes of intervention focussed on establishing collaborative working relationships with institutions of higher education and training (universities and TVETS). The collaborations sought immediate solutions on matters of private security involvement in student protest actions of 2016 through long-term working relations focussing on roles and protocols of the private security forces/industry in the higher education and training environment; including developing relevant and appropriate models of safety and security, compliance and ethical issues of private security workers and service providers. On the other hand, these collaborations are also about training and skills developing programmes for the different categories or sectors of workers within the security industry.

PSiRA is of the strong view that training and continuing education will be a major long-term programme in partnership with the Department of Higher Education and Training, public universities and Council of TVET.

PSiRA honoured two invitations by Botswana and Zimbabwe Regulators. Both these national bodies are establishing themselves as Regulators in their countries. The Botswana Private Security Licensing Board came for a weeklong session at the PSiRA head office and PSiRA honoured a two-day invitation to Zimbabwe Alliance of Private Security (ZAPS) to be part of its launch. The continental collaborations are the result of the Pan African Forum hosted by PSiRA in 2016.

PSiRA is humbled by the development of being viewed by Africa as reference regulator. The relationship with African regulators is mutual; PSiRA understanding the private security industry in Africa and identifying areas for collaboration.

### **Strengthening Internal Controls**

PSiRA strengthened its internal control systems to eliminate any identified gaps that might have led to irregular or fruitless expenditures in the previous financial years. The internal controls are also designed to identify looming threats and risk.

## **Challenges**

### **Transformation**

Transformation is not only about redress but also about the mindset of the industry and PSiRA on access to and success in the private security industry, justice and equity, merit and equity, and creating opportunities for all in the industry. It is not a punitive way of life or doing business, but a culture that advances equality, worthiness of humanity, ownership, business and educational opportunities in and by the industry. Our major challenge in PSiRA now and going forward is to decode, define and integrate transformation for and within the sector (legislatively, conceptually, and operationally) hence the Panel of Experts and robust engagements with the sector.

### **Research and Development**

PSiRA continues to strive to be an excellent regulator, to strive and ensure that all the people of South Africa feel safe. This indeed, is mammoth task that requires visionary, decisive,

transformative and innovative leadership, management and governance. The organisational culture of working as a diverse but coherent team and collective should continue to define our achievements and reflections. Research remains a critical tool that informs policy inputs, give relevant meaning and interpretation of the phenomena and possible solutions within the industry. PSiRA developed and approved research policies and a research strategy.

### **Exploration of Funding Models**

The Authority has begun reviewing the current funding model with and within the private security industry. Reflections on this matter will include other parties within the sector. The benchmarking exercise in 2016 also focused on this matter. Substantively Management will through the support and advices of FINCO continues to drive this programme.

### **Consolidation of Stakeholder Engagement and Outreach**

The constructive engagements with major players in the industry specifically the Security Industry Alliance (SIA), The Association of the African Private Owners of South Africa (TAAPSOSA) is an important step which facilitates dialogue on inequalities, labour issues and transformation of the industry. One believes there are other formations, which are ready to engage on this matter, including exploring definition of the problems, possible solutions and resolutions. To enforce compliance through effective regulation

and provide safety to all, PSiRA has committed to strengthening its outreach and stakeholder engagement activities.

### **Engage with the Higher Education & Training Sector**

As our democracy matures, new challenges on the **Promise** and **Service Delivery** emerge. The higher education and training sector is no exception from the new challenges. The **#feesmustfall** campaign across the Higher Education and Training (HET) sector in the country brought new challenges for the private and public safety and security sectors. Allegations made on the conduct of some private security staff during the course of duty at the various campuses. The allegations warranted a swift immediate intervention by PSiRA. The Director and Acting Deputy Director: Law Enforcement worked with relevant stakeholders within DHET and HET sectors. The **#feesmustfall** is a serious signal that 20th Century safety and security models do not hold any longer and that new models of safety and security within the higher education and training sector are necessary. The challenge is to explore new safety and security models: short term & long-term within institutions of higher learning to have a discourse on insourcing and outsourcing

or/and hybrid models – another national challenge for transformation and renewal.

### **Professional Body**

PSiRA will also regulate standards, quality/curriculum/accreditation on matters of skills development, education and training for specific sectors within the industry. Quality, excellence and appropriate skills are essential and critical if the industry is about quality and creating economically active and self-sufficient workforce. Skills and qualifications offered within this sector must be aligned to the skills requirement of the sector. The training and qualification must enhance individuals' worth; particularly to the youth population in the country, allow individuals mobility within the sector and progression in education and training.

### **The Year Ahead: 2017 – 2018**

Regionally, PSiRA is established in at least six provinces. We look forward to completing the task of establishing offices that serve people in all nine provinces, particularly in Mpumalanga, Free State and Northern Cape. On the training and education front, PSiRA will be consulting with the department of Higher Education and Training,

SASSETA and private training entities within the private security industry in terms of the draft training regulations.

On the issue of good standing and clearance and worker benefits, PSiRA will continue to engage with the Provident Fund, the relevant Government Departments, Employer bodies and Unions. The Guarantee Fund remains a critical and priority project for PSiRA. Management with the support and advices of FINCO remain the primary drivers of this project.

Enhancing best practice and efficiencies through integration, collaboration and strengthening compliance inspectorate remain an ongoing priority on PSiRA operations and governance.

## Conclusion

For this Financial Year (2016/2017) PSiRA achieved an unqualified audit opinion. As part of our mission of thriving for excellence, we are determined to attain a clean audit opinion in 2018 - 2019.

In 2016 - 2017 PSiRA stabilised, filled in the critical executive and management positions and is on a robust growth and transformation trajectory. It is reassuring to note the progressive improvement of service delivery, industry stewardship, and enhancement of stakeholder and customer relationships as well as effective financial management.

Council records its appreciation to the Cabinet and the former Ministers of Police, Honourable Nkosinathi Nhleko for the appointment and confidence in us to serve on the PSiRA Council. Furthermore, PSiRA extends a sincere word of appreciation to the members of the former Council (2013 - 2016) Advocate Nontokozo Mthembu, Major-General Cynthia Philison, Messrs Joy Rathebe, Benjamin Ntuli and current Chairperson for the sterling work in advancing the strategic plan and putting in place the governance framework and other control systems. To our current Minister of Police, Honourable Fikile Mbalula, we commit to serving the people of South Africa and Africa with integrity and distinction. We extend a humble word of appreciation to the Portfolio Committee on Police for its constructive inputs, commendation and feedback that yielded confidence and encouragement. To PSiRA, the message is ***"You are on track, work harder, consolidate and advance"***.

On behalf of Council, I extend a word of appreciation and encouragement to the Director, Mr Manabela Chauke, all employees of PSiRA across all levels of their positions for their dedication and commitment to realising the mission and goals of the organisations.



**Professor N.M. Mazibuko**  
Chairperson of the Council

# Director's Report



**Mr. M. Chauke**

Director

The private security industry continuously poses new challenges in both the internal and external environments. During the year under review, we addressed these challenges by continued deployment of innovative strategies to ensure effective regulation and improve service delivery in order to make a difference to the users of security services as well as service providers and other industry stakeholders.

## Service Delivery

Determining and enforcing minimum standards in respect of the private security industry continues to be one of PSiRA's key activities. Increased law enforcement activities provide reassurance to consumers and the public at large that PSiRA is protecting and safeguarding their interests in ensuring a legitimate, professional and trustworthy private security industry.

During the period under review, PSiRA conducted **6 001** security business inspections, compared to **5 375** inspections during the previous financial year. The Law Enforcement Department also finalised **2 571** investigations, compared to **1 710** investigations during the previous year. There was an increased number of complaints received that can be attributed to increased knowledge and understanding of PSiRA's mandate. In this regard, the Enforcement Department also finalised **2 421** submitted complaints, compared to **1 882** complaints submitted during the previous financial year.

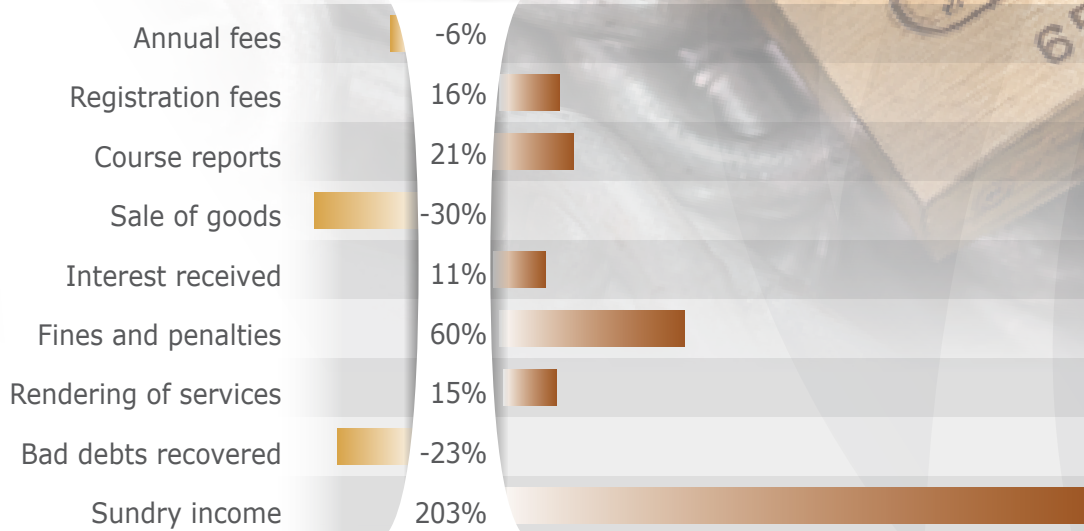
Prosecution of non-compliant security service providers is an important part of PSiRA's

enforcement strategy in order to change their behaviour. During the period under review, the Minister of Police also amended the regulations dealing with sanction and increased the fines that can be imposed from **R10 000** per count to **R1 million**. This aims to ensure that those security service providers who engage in improper conduct and profitable violations, are adequately sanctioned to discourage non-compliance, especially in areas of exploitation of security officers.

The Law Enforcement Department continued to build and strengthen its relationships with its stakeholders, in particular the South African Police Service (SAPS). During the period under review, **28** operations were conducted with stakeholders, which led to the arrest of **231** suspects. PSiRA also increased its inspection programme in respect of security businesses licensed for firearms and conducted **1 348** inspections, compared to **1 136** inspections during the previous financial year. The outcome of all inspections are shared with SAPS.



## Financial Performance



## Revenue and Other Income

The largest revenue source decreased by more than **R8 million** due to the introduction of a new category of security businesses employing **0** to **49** security officers, as well as no annual fees increase for this category during the 2016/2017 financial year. The sale of goods was largely impacted by the directive to only issue ID cards to the employed security officers in order to improve compliance. The increase in revenue collected from registration fees and sundry income assisted PSiRA in compensating for the shortfall. The revenue portfolio, however, still decreased by **1%**.

## Industry Registrations

During the year under review, the number of registered security officers on our database increased by **13.6%** from **2 082 187** to **2 365 782** as at 31 March 2017. The number of active or employed security officers increased from **488 666** during the 2015/2016 financial year to **498 435** during the 2016/2017 financial year. The industry continues to be dominated by males, representing **70%**, whilst female security officers were only at **30%** of the total registration. However, despite the males dominating the private security industry, we have observed a steady growth of women joining

the industry. The number of females employed in the industry has increased by **5.2%** from **102 907** in 2015/2016 to **108 234** during the year under review. Another noticeable change is the number of young people entering the private security industry and exploring the various opportunities currently existing. It is our plan as the Authority to work with all stakeholders towards creating an environment that promote professionalism and job creation through effective regulation.

## Renewal of Registration Certificate

Since the launch of the renewal project on 1 December 2014, which is aimed at curbing identity theft and improving industry compliance, a total of **492 602** Security Officers have been verified through the Department of Home Affairs and properly linked with their employers. Over **4 068** businesses have successfully met their compliance obligations regarding annual fees, COID, Tax and Provident Fund just, to mention a few. During the 2016/2017 financial year, **155 757** security officers and **2 500** businesses successfully renewed their registration certificates with improved security features and an expiry date.

The project has successfully generated over **R28 million** in revenue and this has assisted PSiRA

to address the footprint challenges and further expand its operations to remote areas. PSiRA has used the Renewal Project to visit and expand service delivery to remote areas such as Empangeni, Richards Bay, Bloemfontein, Welkom, East London, Ermelo, Leandra, Rustenburg, Mafikeng, Kuruman, Upington, Kimberley, Giyani, Lephalale, George, Harrismith, Witbank and Newcastle, to mention just a few. Despite challenges experienced thus far, we intend to use the project to improve compliance, address footprint challenges and enhance service delivery initiatives.

### Industry Training

Pursuant to professionalising the private security industry and fulfil its statutory mandate, the Authority published the Draft Training Regulation dated 24 June 2016, Government Gazette No. 756. These Draft Training Regulations are aimed at determining the statutory minimum training standards for different classes and categories of private security industry which are aligned to National Qualifications Framework (NQF), soon to be revised in terms of the Occupational Qualifications Sub-Framework. The proposed skills programmes as published in the above mentioned Government Gazette will be going through the realignment to occupational qualifications. The Authority is looking forward to working with the industry and key role players such as SASSETA and QCTO towards making this process a success.

Another significant milestone for the year under review is the submission of application by the Authority to the South African Qualifications Authority (SAQA) for Recognition as Professional Body, as per SAQA's *Criteria for Recognising a Professional Body and Registering a Professional Designation for the Purposes of the National Qualifications Framework Act (Act No. 67 of 2008)*. Although this process is still at its beginning phase, we are looking forward to partnering with the industry towards ensuring successful implementation of this important milestone. The intended objective is to partner with all stakeholders towards professionalising the private

security industry and making it a career of choice for future generations.

### Impairment of Debtors

The impairment of debtors was **R44 389 024**, (**R28 860 133** in the previous financial year) due to the increase in the number of security businesses that failed to pay their annual fees for the past two years. The debt collection ratio indicates improvement, but there is a need to improve the debt collection period. PSiRA aims to enhance the collection strategy by partnering with the State Attorney and capacitating the legal department in order to strengthen the soft collection process.

### Working Capital Management

There was no significant improvement in the 2016/2017 financial year due to cash balances decreasing from **R53 million** in the previous financial year to **R29 million** during the year under review as a result of the credit balance processed during the 2015/2016 financial year.

### Human Capital Management

In terms of organisational human capital management, the introduction of the Balanced Scorecard Performance Management System, which encourages higher staff productivity by means of quarterly Key Performance Areas (KPAs) assessments and is rewarded by financial acknowledgement, has proved meaningful in improving service delivery. There has also been a decrease to a level of only **4.9%** in staff turnover during the year under review.

I wish to express my sincere gratitude to the Council, management and staff for their continued dedication and commitment to achieving our strategic goals.



**Mr M. Chauke**  
Director

# Strategic Overview

## part A General Information

The Private Security Industry Regulatory Authority (PSiRA) was established in 2002 in terms of Section 2 of the Private Security Industry Regulation Act (Act No. 56 of 2001). The strategic mandate of PSiRA originates from the Act and the regulations issued in terms of the Act.

The primary objectives of PSiRA are to regulate the private security industry and to exercise effective control over the practice

of the occupation of security service provider in the public and national interest and in the interest of the private security industry itself.

PSiRA's five-year strategic plan and annual performance plan highlight key strategies that will be deployed to strengthen core business service delivery initiatives. Our strategic plan has taken a proactive response to address environmental challenges and opportunities. PSiRA will be focusing on the following priorities to ensure:

- Goal 1:** Excellent service delivery (effective regulation).
- Goal 2:** Stakeholder and customer relationship management.
- Goal 3:** Good governance across the organisation.
- Goal 4:** Private security industry stewardship through research and development.

## Vision

The 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.

## Mission

PSiRA's mission 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 PSiRA's core purpose.

## Values Framework for PSiRA





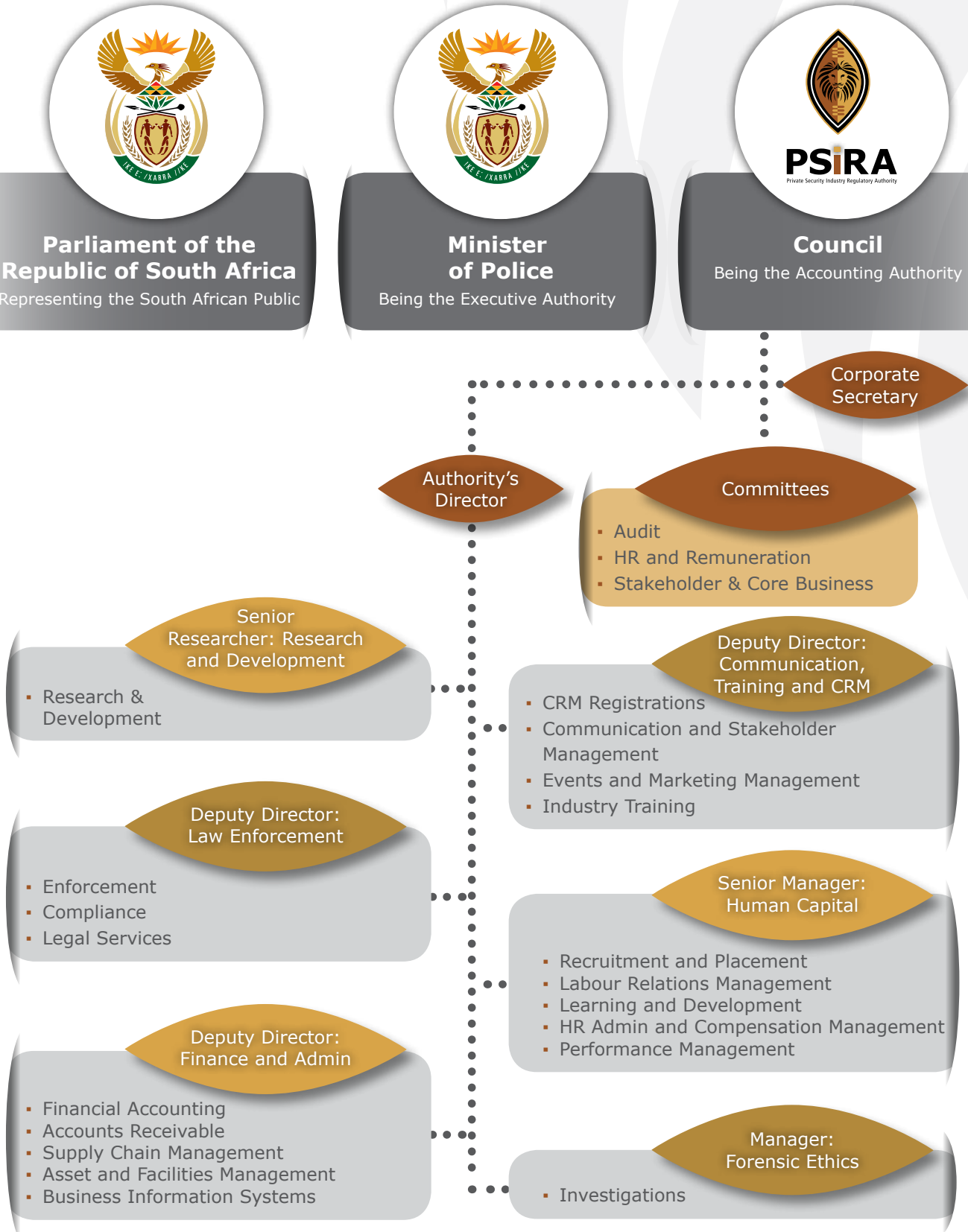
# Legislative Mandate

PSiRA's primary objectives are to regulate the private security industry and 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.

Its mandate is to:

- Promote a legitimate private security industry, which acts in terms of the principles contained in the Constitution and other applicable laws;
- Ensure that all security service providers act in the public and national interest in the rendering of security services;
- Promote a private security industry, which is characterised by professionalism, transparency, accountability, equity and accessibility;
- Promote stability of the private security industry;
- Promote and encourage trustworthiness of security service providers;
- Determine and enforce minimum standards of occupational conduct in respect of security service providers;
- Encourage and promote efficiency in and responsibility with regard to the rendering of security services;
- Promote, maintain and protect the status and interests of the occupation of security service provider;
- Ensure that the process of registration of security service providers is transparent, fair, objective and concluded timeously;
- Promote high standards in the training of security service providers and prospective security service providers;
- Encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;
- Encourage equal opportunity employment practices in the private security industry;
- Promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
- 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;
- Protect the interests of the users of security services;
- Promote the development of security services, which are responsive to the needs of users of such services and of the community; and
- Promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry.

## Organisational Structure



# Council Members



**Mr. N.H. Ngubane**  
Deputy Chairperson



**Prof. N.M. Mazibuko**  
Chairperson of the Council



**Maj.Gen. C. Philison**  
Council Member



**Mr. T.M. Oliphant**  
Council Member



**Mr. Z. Zulu**  
Council Member



**Mr. J. Makgolane**  
Corporate Secretary

## Executive Management



**Ms. M.C. Sebogodi**

Deputy Director:  
Finance and Administration



**Mr. M. Chauke**

Director



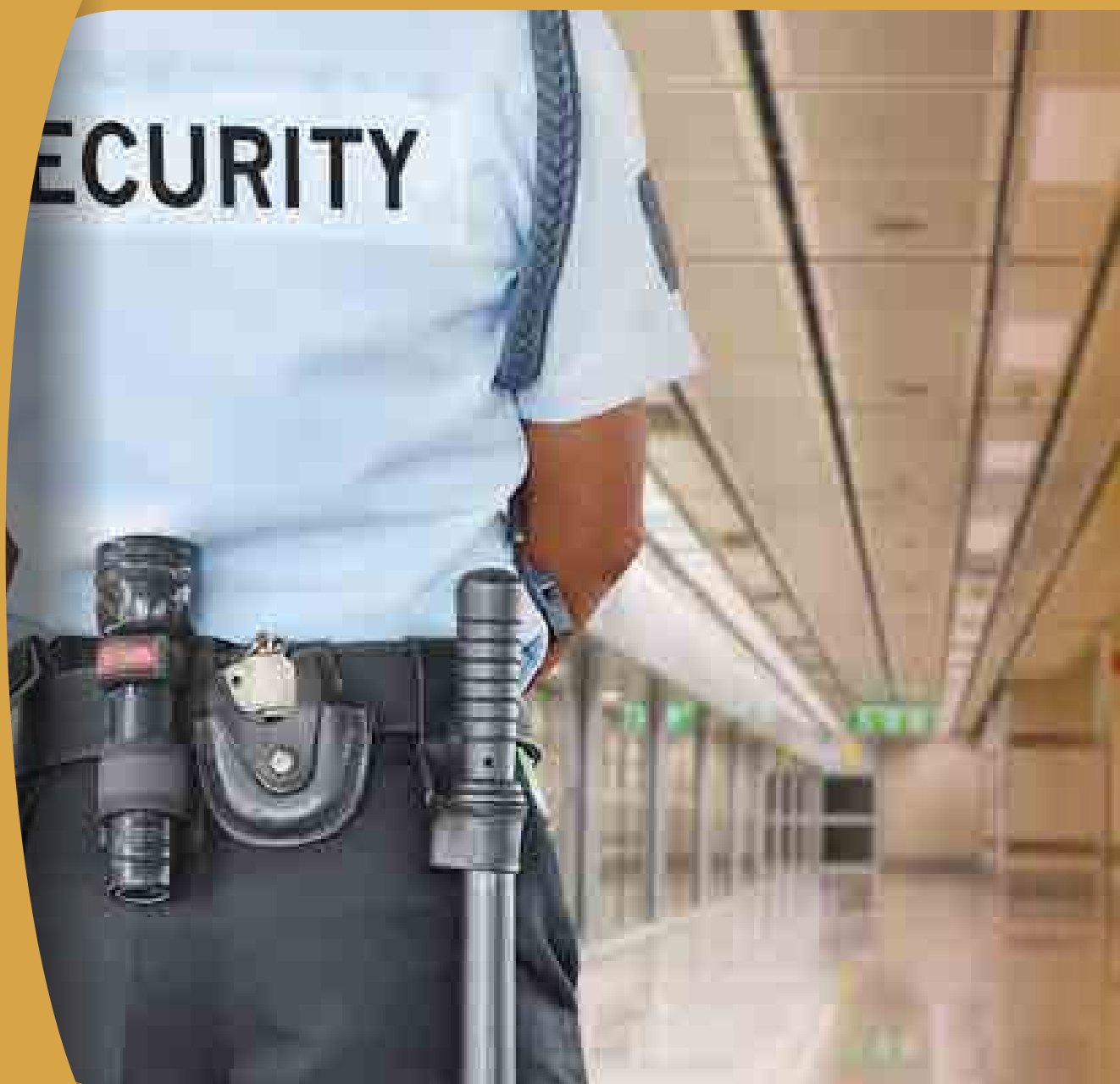
**Ms. M. Mofikoe**

Deputy Director:  
Communication, Training  
and Customer Relationship  
Management (CRM)



**Mr. S. Badenhorst**

Acting Deputy Director:  
Law Enforcement



part

# B

## Performance Information Report

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# Law Enforcement Operational Report

## A. Compliance and Enforcement Departments

PSiRA's objectives, as contemplated in Section 3 of the Private Security Industry Regulation (PSIR) Act (Act No. 56 of 2001), highlight the role of the Law Enforcement Department in achieving PSiRA's overall objective, particularly its objective to determine and enforce minimum standards of occupational conduct in respect of security service providers. Having minimum standards within the industry are, however, worthless without having the relevant mechanisms to enforce such minimum standards and therefore PSiRA has developed and implemented a compliance and enforcement strategy that also provides for two departments, namely a Compliance Department and an Enforcement Department. This strategy includes enforcement and prosecution as well as a focus on regulatory compliance through inspection. The enforcement of minimum standards of occupational conduct in respect of security service providers is extensively covered in Chapters 4 and 5 of the Act as well as the statutory Code of Conduct for Security Service Providers, 2003 and Improper Conduct Enquiries Regulations, 2003.

### 1. Compliance

There are different models in terms of which the private security industry may be regulated. These models are distinguished mainly on the basis of the scope of regulation provided for, as well as the depth of such regulation. In terms of the aims of the Act and Regulations, as well as PSiRA's objectives, regulation covers a wide scope and the regulation mechanisms are extensive. There are primarily two major law enforcement approaches applied by PSiRA in regulating the private security industry, namely the compliance approach and enforcement or deterrence approach. Whilst these approaches aim to achieve the same goal, they do follow different philosophies. From a compliance approach, the private security industry is perceived as having a law-abiding nature that directs security service providers to obey the Code of Conduct for Security Service Providers, 2003, as it is a statutory requirement that governs the conduct of the occupation of security service provider.

In this approach, improper conduct is not only a profit maximisation motivation by the private security industry, but may be as a result of honest mistakes, accidents or a misinterpretation or misunderstanding of the statutory requirements. This approach promotes a conciliatory style of enforcement and is based on the belief that compliance can best be achieved by persuasion rather than punishment and sanction.

#### 1.1 Compliance Inspections

Compliance inspections form part of PSiRA's compliance approach to regulation. In this regard, routine and regulatory inspections form the core of compliance monitoring. The compliance strategy focuses on security business inspections and security officer inspections at the different sites where security officers are deployed.

In terms of the Law Enforcement Division's operational policy and the 2016/2017 Annual Performance Plan, each compliance inspector must conduct a minimum number of inspections per month and year.

For the period under review, a total of **35 646** compliance inspections of security service providers or inspections as part of investigations by the Enforcement Department were conducted, compared to **36 073** inspections for the previous financial year. The regional breakdown is as follows:

Region	Number of inspections
Head Office	17 489
▪ Gauteng	11 952
▪ Mpumalanga	1 746
▪ Limpopo	1 501
▪ North West Province	1 243
▪ Free State	513
▪ Northern Cape	534
Western Cape	5 818
Eastern Cape	4 161
KwaZulu-Natal	8 178
<b>Total</b>	<b>35 646</b>

These inspections include inspections conducted at security businesses as well as security officers. **6 001** security business inspections and **29 645** security officer inspections were conducted during the period under review as opposed to **5 375** and **30 698**, respectively, for the previous financial year.

The number of security business inspections represents a **12%** increase compared to the previous financial year.

The regional breakdown in respect of security business inspections is as follows:

Region	Number of inspections
Head Office	3 138
▪ Gauteng	1 830
▪ Mpumalanga	396
▪ Limpopo	353
▪ North West Province	313
▪ Free State	136
▪ Northern Cape	110
Western Cape	898
Eastern Cape	673
KwaZulu-Natal	1 292
<b>Total</b>	<b>6 001</b>

The regional breakdown in respect of security officer inspections is as follows:

Region	Number of security officer inspections
Head Office	14 351
▪ Gauteng	10 122
▪ Mpumalanga	1 350
▪ Limpopo	1 148
▪ North West Province	930
▪ Free State	377
▪ Northern Cape	424
Western Cape	4 920
Eastern Cape	3 488
KwaZulu-Natal	6 886
<b>Total</b>	<b>29 645</b>

In terms of the Act, in-house security officers are also required to register. As part of compliance verification, inspections are also conducted at the sites where in-house security officers are deployed. The regional breakdown in respect of the number of in-house security officer inspections conducted during the period under review, is as follows:

Region	Number of in-house security officer inspections
Head Office	380
Gauteng	239
Mpumalanga	14
Limpopo	63
North West Province	19
Free State	42
Northern Cape	3
Western Cape	186
Eastern Cape	129
KwaZulu-Natal	118
<b>Total</b>	<b>813</b>



PSiRA also keeps statistical information on the different types of security business inspections. The regional breakdown for the period under review is as follows:

Head office	Gauteng	Mpumalanga	Limpopo	North West	Free State	Northern Cape	Total
Total number of routine/regulatory/training/ infrastructure/accreditation/ inspections conducted	1 830	396	353	313	136	110	<b>3 138</b>
First time inspections <sup>(1)</sup>	155	56	37	75	18	10	<b>351</b>
Triggered inspections / investigations <sup>(2)</sup>	1 070	148	92	53	40	22	<b>1 425</b>
Infrastructure inspections	877	119	176	106	43	31	<b>1 352</b>

Coastal regional offices	Western Cape	Eastern Cape	KwaZulu-Natal	Total
Total number of routine/regulatory/training/infrastructure/ accreditation/ inspections conducted	898	673	1 292	<b>2 863</b>
First time inspections <sup>(1)</sup>	56	82	87	<b>225</b>
Triggered inspections / investigations <sup>(2)</sup>	446	298	571	<b>1 315</b>
Infrastructure inspections	211	161	353	<b>725</b>

- (1) *Businesses that have not been the subject of an inspection from their date of registration. **These businesses are newly registered businesses.***
- (2) *Inspections based on complaints sourced via the help desk, telephonic, written or personal complaints, Internet, newspaper articles, account administrators, etc. In terms of the Law Enforcement Division's operational policy, priority must be given to complaints and infrastructure inspections first.*

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

PSiRA also keeps statistical records of the capacity of security businesses inspected, namely large, medium and small businesses. For the purpose of this statistical information, a small business is considered to be employing less than 20 security officers, a medium business 21 to 50 security officers, and a large business 51 and more security officers. The following analysis applies to security business inspections during the period under review:

Region	Number of inspections			
	Small Businesses	Medium Businesses	Large Businesses	Infrastructure & Capacity
Head Office	858	357	571	1 352
Western Cape	454	119	114	211
Eastern Cape	412	48	52	161
KwaZulu-Natal	443	178	318	353
<b>Total</b>	<b>2 167</b>	<b>702</b>	<b>1 055</b>	<b>2 077</b>

Each office of the Law Enforcement Department contributes to the achievement of the overall inspection targets set in terms of the Annual Performance Plan (APP).

For the period under review, the overall performance pertaining to the total number of compliance inspections conducted in relation to the target is **112%**. The regional breakdown is as follows:

Region	Target	Number of inspections conducted	Performance
Head Office: Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape	16 212	17 489	108%
Western Cape	5 016	5 818	116%
Eastern Cape	3 456	4 161	120%
KwaZulu-Natal	7 062	8 178	116%

For the period under review, the total number of security business inspections conducted in relation to the target is **131%**. The regional breakdown is as follows:

Region	Target	Number of inspections conducted	Performance
Head Office: Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape	2 352	3 138	133%
Western Cape	720	898	125%
Eastern Cape	600	673	121%
KwaZulu-Natal	902	1 292	143%

For the period under review, the total number of security officer inspections conducted in relation to the target is **109%**. The regional breakdown is as follows:

Region	Target	Number of security officer inspections conducted	Performance
Head Office: Gauteng, Mpumalanga, Limpopo, North West, Free State & Northern Cape	13 860	14 351	104%
Western Cape	4 296	4 920	115%
Eastern Cape	2 856	3 488	122%
KwaZulu-Natal	6 160	6 886	112%

The definition of security service as defined in Section 1 of the Act includes a number of categories or classes of security service providers. PSiRA keeps records of the inspections conducted at each of these categories or classes. An analysis of the inspections conducted during the period under review is as follows:

### Head Office

	Gauteng	Mpumalanga	Limpopo	North West	Free State	Northern Cape
<b>Total number of Security Business Routine / Regulatory/Training/ Infrastructure/Accreditation inspections</b>	<b>1 830</b>	<b>396</b>	<b>353</b>	<b>313</b>	<b>136</b>	<b>110</b>
Category or Class of Security Service Provider inspected						
▪ Commercial/Industrial/Residential/Guarding or Patrolling	1 523	369	317	266	119	98
▪ Assets in transit	178	12	0	8	1	2
▪ Close protection services	249	7	2	13	1	3
▪ Reaction or Response services and monitoring signals from security equipment (control room)	573	30	21	53	30	5
▪ Ensuring safety and order on premises (special events)	417	8	8	12	16	6
▪ Car watch or related activities	317	4	3	1	3	2
Providing advice on the protection of persons/ property (consultants/advisors)	132	1	2	2	0	4
Installing, servicing or repairing security equipment	279	24	11	23	13	6
Private investigators	156	4	2	4	0	1
Providing security training or instruction as well as accreditation	116	9	32	24	9	6
Providing services of a locksmith	81	7	0	0	2	1
Making persons or their activities available for rendering of security service (labour brokers)	81	1	0	1	0	1
In-house	19	3	0	1	1	1
Manufacturing, importing, distributing or advertising monitoring devices	0	0	0	0	0	0

### Western Cape/Eastern Cape/KwaZulu-Natal

	Western Cape	Eastern Cape	KwaZulu- Natal
<b>Total number of Security Business Routine/Regulatory/Training/ Infrastructure/Accreditation inspections</b>	<b>898</b>	<b>673</b>	<b>1 292</b>
Category or Class of Security Service Provider inspected			
▪ Commercial/Industrial/Residential/Guarding or Patrolling	617	517	1 200
▪ Assets in transit	15	6	19
▪ Close protection services	12	23	61
▪ Reaction or Response services and monitoring signals from security equip- ment (control room)	112	168	159
▪ Ensuring safety and order on premises (special events)	17	49	55
▪ Car watch or related activities	5	109	7
Providing advice on the protection of persons/property (consultants/advi- sors)	12	1	28
Installing, servicing or repairing security equipment	163	23	51
Private investigators	12	3	9
Providing security training or instruction as well as accreditation	35	14	46
Providing services of a locksmith	40	5	18
Making persons or their activities available for rendering of security service (labour brokers)	1	0	1
In-house	22	14	7
Manufacturing, importing, distributing or advertising monitoring devices	0	0	0

\* On review of the statistical information presented above, note should 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 services being inspected. It should 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 18 to 24 months.

## 1.2 Site Inspections

Security officer inspections are conducted at the various sites of security businesses. This forms part of the department's operational plan in order to, *inter alia*, verify the accuracy of information provided by security businesses to inspectors. These site inspections are at times also conducted in co-operation with the South

African Police Service (SAPS), especially in cases where unregistered security officers are found, illegal immigrants are used or firearms are used in contravention with the requirements of the Private Security Industry Regulations. The following inspections were conducted at various categories of sites during the period under review:

### Head Office

Region	Total inspections	Retail sector	Health sector	Educational sector	Industrial and corporate	Residential areas	Other
Head Office	14 351	3 170	2 520	2 060	3 377	2 014	1 210
Western Cape	4 920	1 410	673	702	1 164	550	421
Eastern Cape	3 488	786	538	490	1 121	434	119
KwaZulu-Natal	6 886	1 952	1 155	426	2 539	619	195
<b>Total</b>	<b>29 645</b>	<b>7 318</b>	<b>4 886</b>	<b>3 678</b>	<b>8 201</b>	<b>3 617</b>	<b>1 945</b>

The department sets annual operational targets in respect of the different sectors where security officer inspections must be conducted in order to ensure that the regulatory focus covers all consumers of security services. The performance pertaining to site inspections conducted against the target as per the operational plan for the period under review, is as follows:

Sector	Operational target	Head Office	Western Cape	Eastern Cape	KwaZulu-Natal	Total
Retail Sector	5 390	3 170	1 410	786	1 952	<b>7 318</b>
Health Sector	2 696	2 520	673	538	1 155	<b>4 886</b>
Educational Facilities	2 696	2 060	702	490	426	<b>3 678</b>
Industrial and Corporate Areas	5 390	3 377	1 164	1 121	2 539	<b>8 201</b>
Residential Areas	2 696	2 014	550	434	619	<b>3 617</b>

From the analysis above, it should be noted that the majority of security officer inspections conducted were at the retail and industrial and corporate consumer sectors of security services.

## 2. Enforcement

The compliance strategy employs measures such as guidance, persuasion and co-operative tools to induce voluntary compliance, whereas the enforcement strategy endorses meticulous prosecution and punishment of serious non-compliance. The less frequent and less intensive inspections become, the less information PSiRA may have of security service providers' compliance behaviour. Such lenient enforcement and infrequent inspections may turn even compliant security service providers into evasive ones. In addition, a softer regulatory approach may motivate evasive security service providers to stick to their uncooperative attitude towards compliance. Enforcement therefore seeks to address security service providers who know that they have to comply, but choose to otherwise evade compliance.

Enforcement therefore warrants close monitoring of potential non-compliant security service providers and endorses a careful investigation of all signs of improper conduct in terms of the Code of Conduct for Security Service Providers, 2003. Each office of the Law Enforcement Department contributes to the achievement of the overall investigation targets set in terms of the Annual Performance Plan (APP). All enforcement inspectors must finalise a minimum number of investigations per month and per year.

During the period under review, a total of **2 571** investigations were finalised, compared to **1 710** for the previous financial year, which represents an increase of **50%**. This is as a result of additional resources deployed within the Law Enforcement Department.

The regional breakdown is as follows:

Region	Number of investigations
Head Office	1 325
▪ Gauteng	949
▪ Mpumalanga	144
▪ Limpopo	131
▪ North West Province	37
▪ Free State	45
▪ Northern Cape	19
Western Cape	518
Eastern Cape	248
KwaZulu-Natal	480
<b>Total</b>	<b>2 571</b>

A further regional breakdown in respect of the above investigations at security businesses and security officers, is as follows:

Region	Number of security business investigations	Number of security officer investigations	Total
Head Office	785	540	1 325
▪ Gauteng	509	440	949
▪ Mpumalanga	111	33	144
▪ Limpopo	69	62	131
▪ North West Province	32	5	37
▪ Free State	45	0	45
▪ Northern Cape	19	0	19
Western Cape	473	45	518
Eastern Cape	207	41	248
KwaZulu-Natal	315	165	480
<b>Total</b>	<b>1 780</b>	<b>791</b>	<b>2 571</b>

The overall performance pertaining to investigations conducted for the period under review, based on the operational target of the Law Enforcement Department, is **104%**. The regional breakdown is as follows:

Region	Target	Number of investigations conducted	Performance
Head Office: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	1 104	1 325	120%
Western Cape	552	518	94%
Eastern Cape	264	248	94%
KwaZulu-Natal	552	480	87%

An analysis of criminal cases registered in respect of conducted/finalised investigations is as follows:

Region	Number of investigations finalised (All investigations for the month)	Number of Annexure A offences investigated and found in respect of these finalised cases	Number of criminal cases opened in respect of these investigations
Head Office	1 325	404	390
Western Cape	518	213	213
Eastern Cape	248	78	78
KwaZulu-Natal	480	168	165
<b>Total</b>	<b>2 571</b>	<b>863</b>	<b>846</b>

The status in respect of enforcement complaints received, finalised and pending is as follows:

Region	Number of complaints carried over by the Enforcement Department or Unit from March 2016	Number of new complaints received from April 2016 to March 2017	Total number of complaints finalised	Number of complaints carried over to April 2017
Head Office	513	1 459	1 420	552
Western Cape	30	450	461	19
Eastern Cape	15	246	248	13
KwaZulu-Natal	4	365	292	77
<b>Total</b>	<b>562</b>	<b>2 520</b>	<b>2 421</b>	<b>661</b>

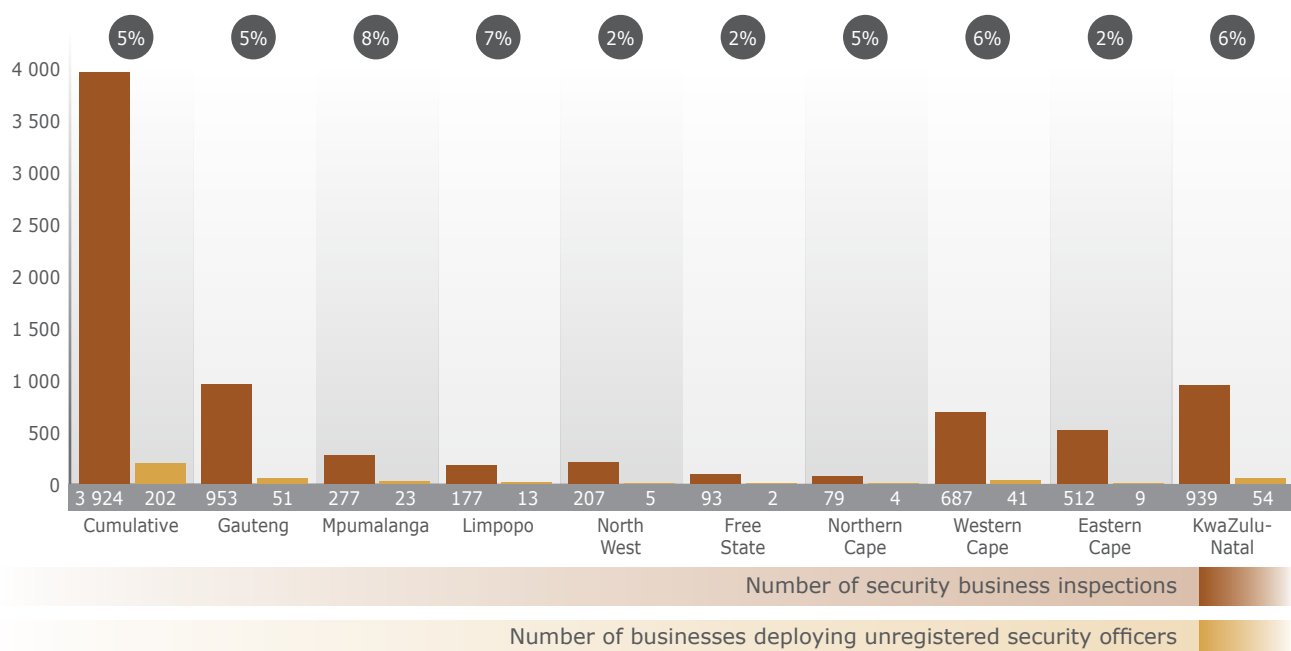
### 3. Compliance Analysis

PSiRA conducts a compliance analysis on a monthly basis in respect of security business inspections (excluding infrastructure inspections) as well as security officer inspections. This information is used to identify any trends of compliance and non-compliance pertaining to specific focus areas. This information is also shared with PSiRA's stakeholders in order to draw attention to areas of non-compliance and to ensure that corrective measures are implemented to address the non-compliant behaviour.

During the period under review, the following was found in terms of compliance within the respective provinces:

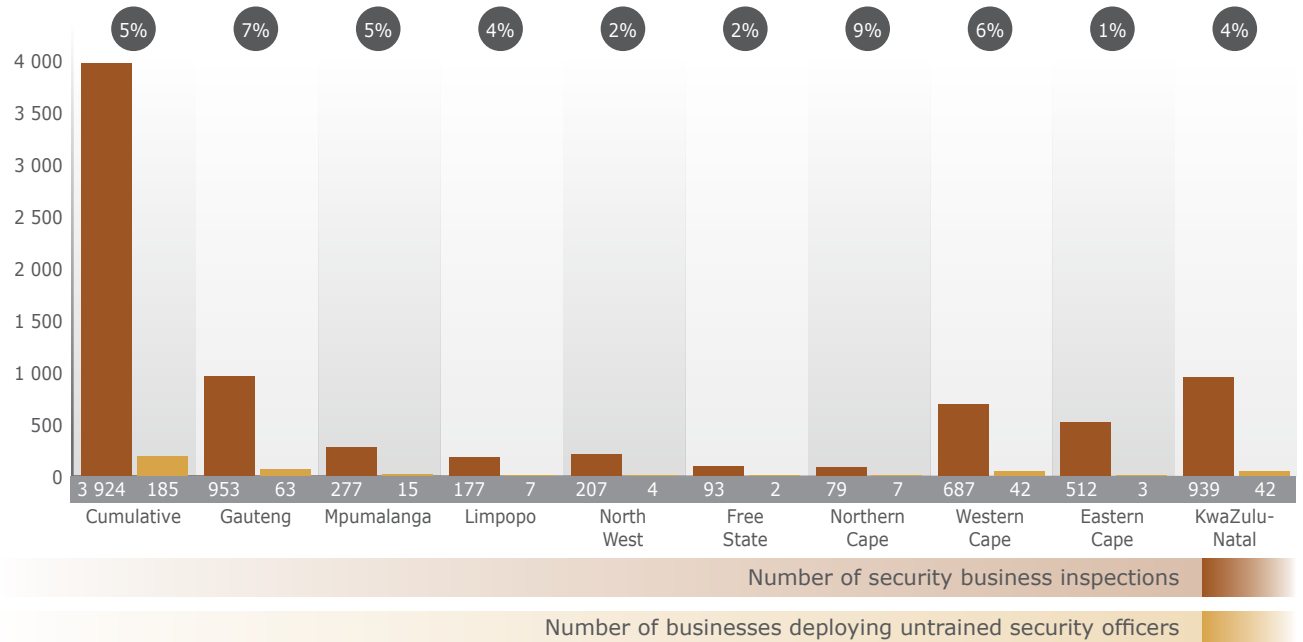
#### Security Business Inspections

##### Businesses deploying unregistered security officers

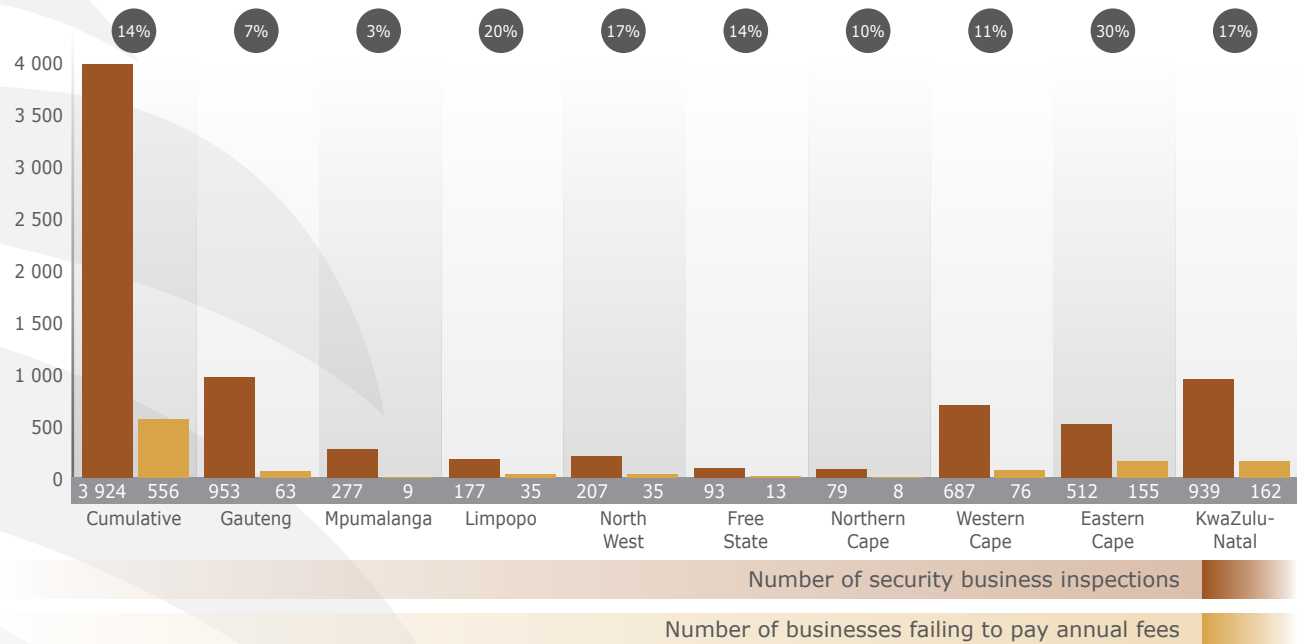




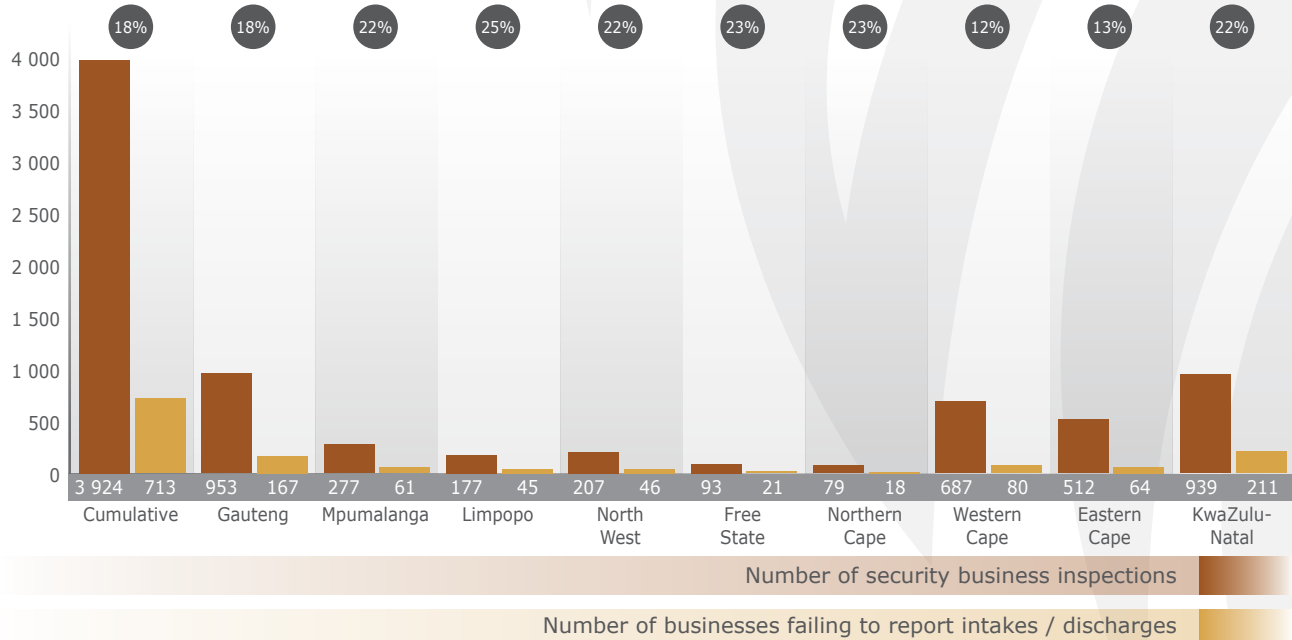
## Businesses deploying untrained security officers



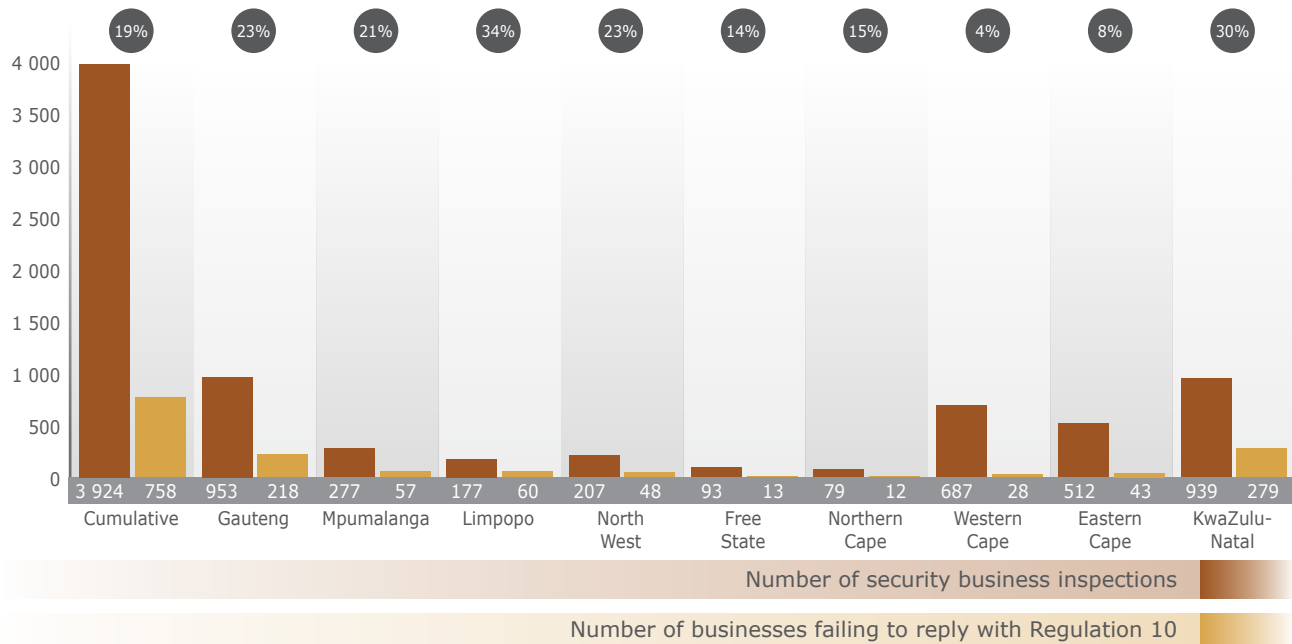
## Businesses failing to pay annual fees



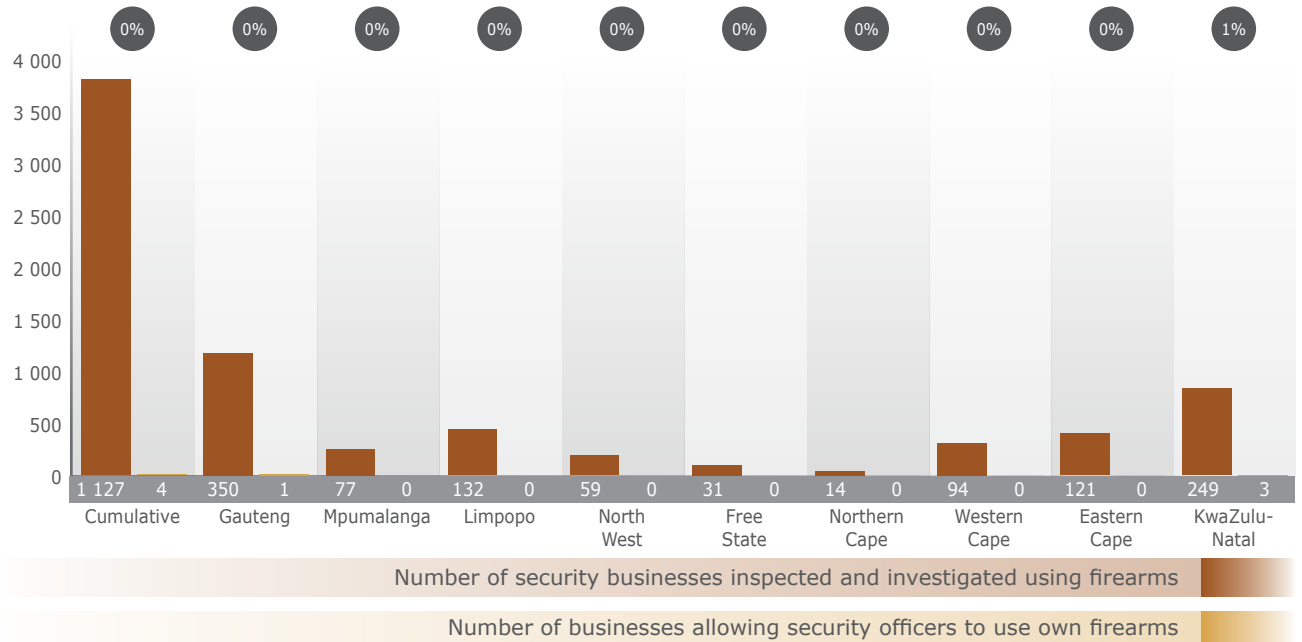
### Businesses failing to report intakes / discharges



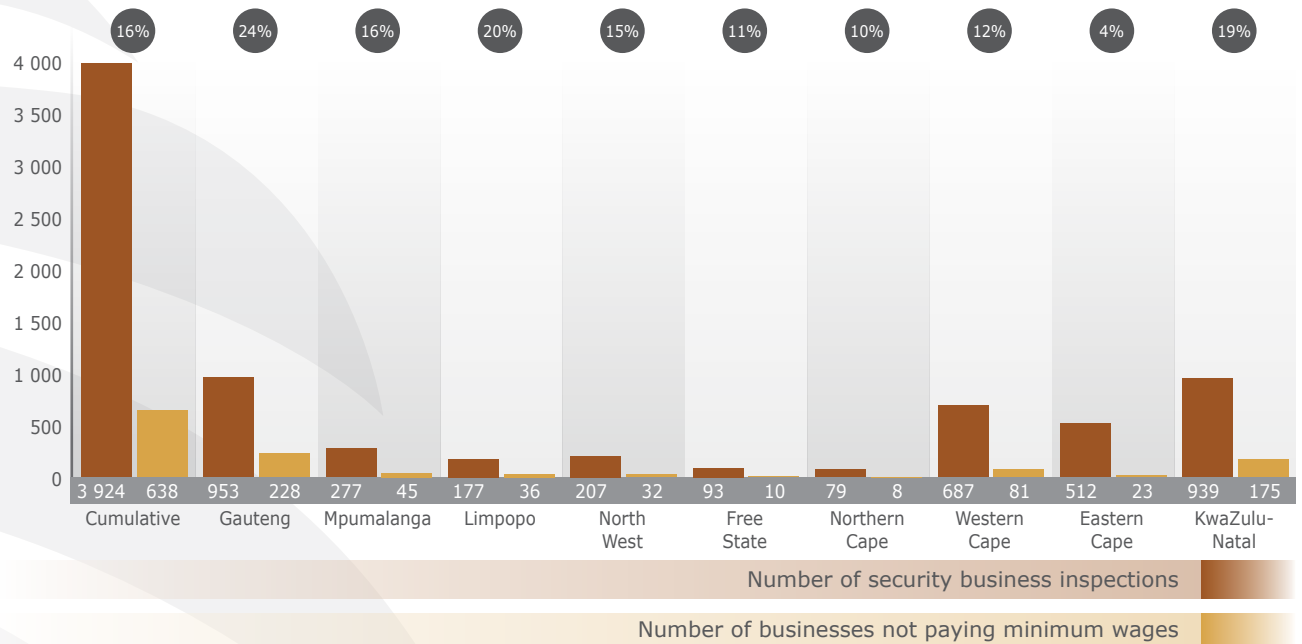
### Businesses failing to comply with Regulation 10 documentation



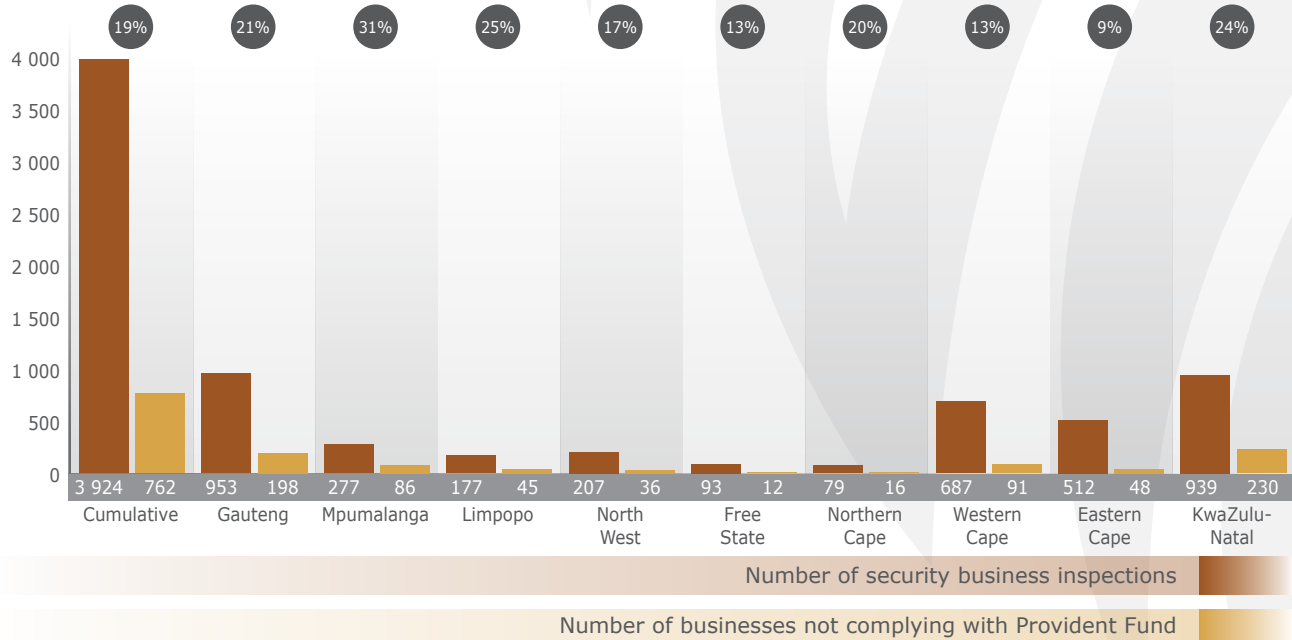
### Businesses using firearms not complying with Regulation 13(5) or (6)



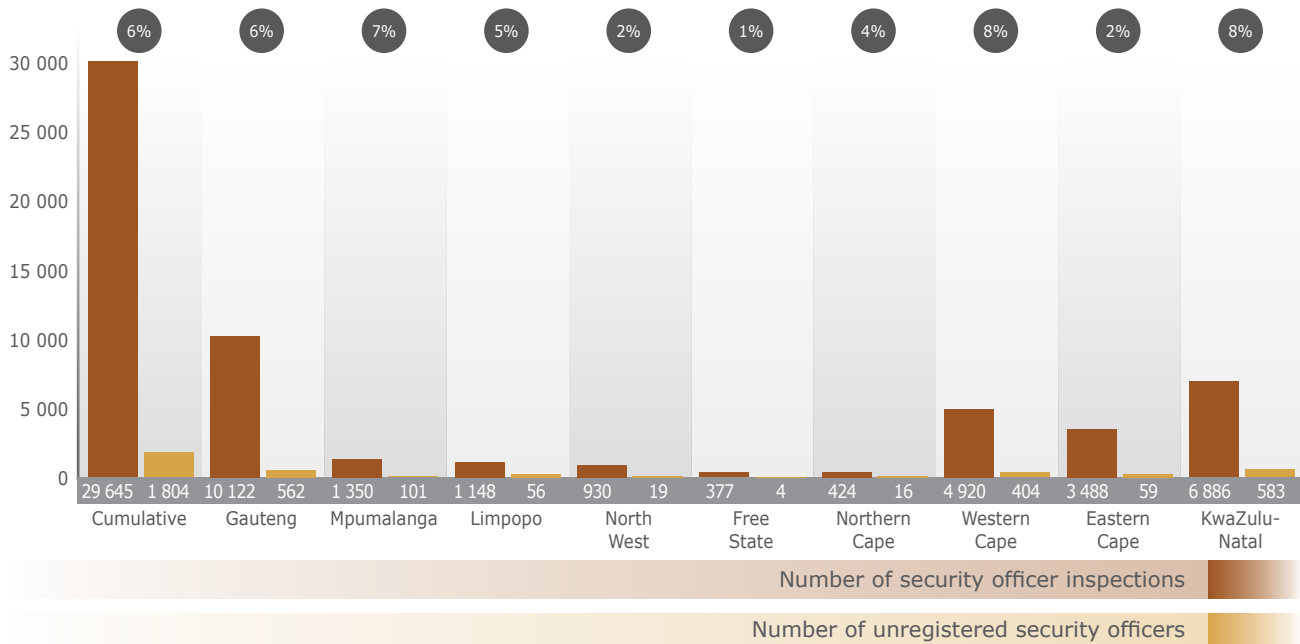
### Businesses not paying minimum wages



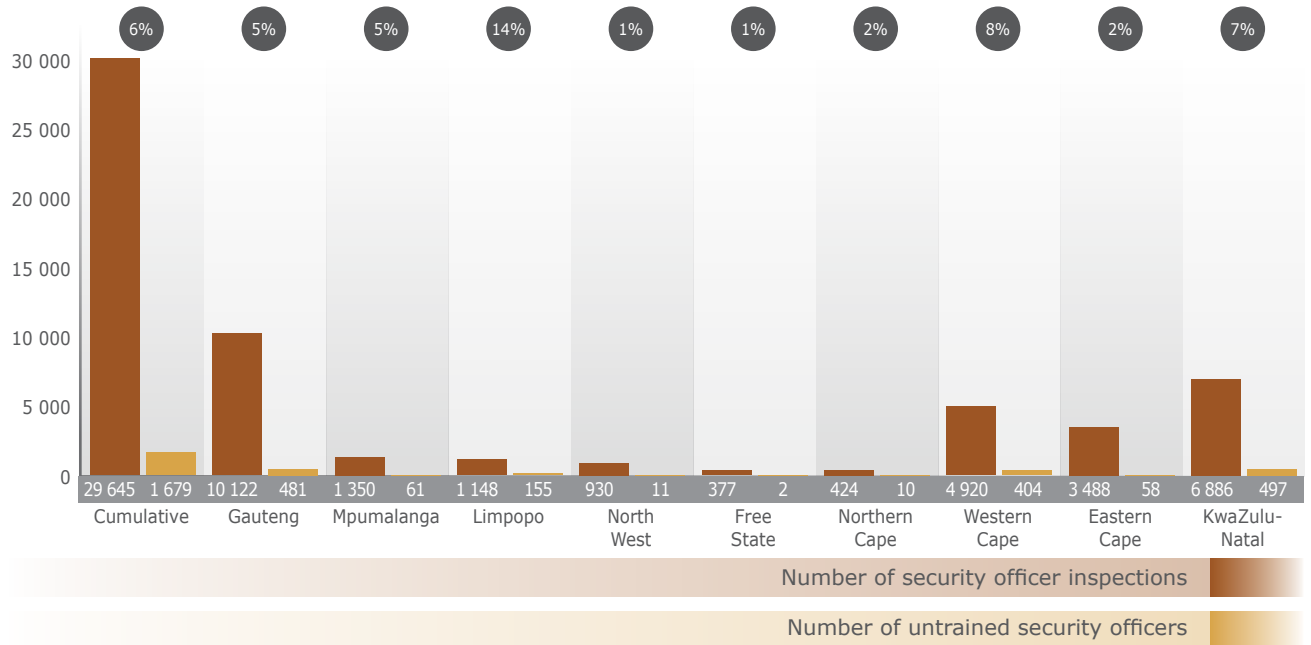
### Businesses not complying with the Provident Fund



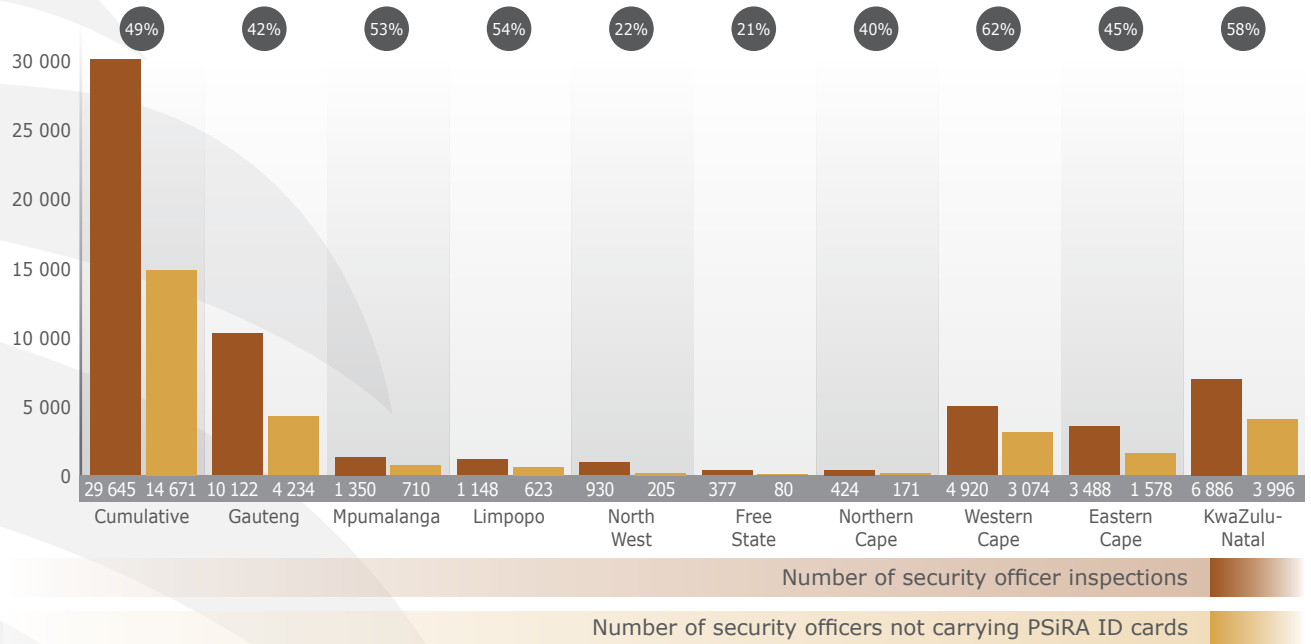
### Security Officer Inspections Unregistered security officers



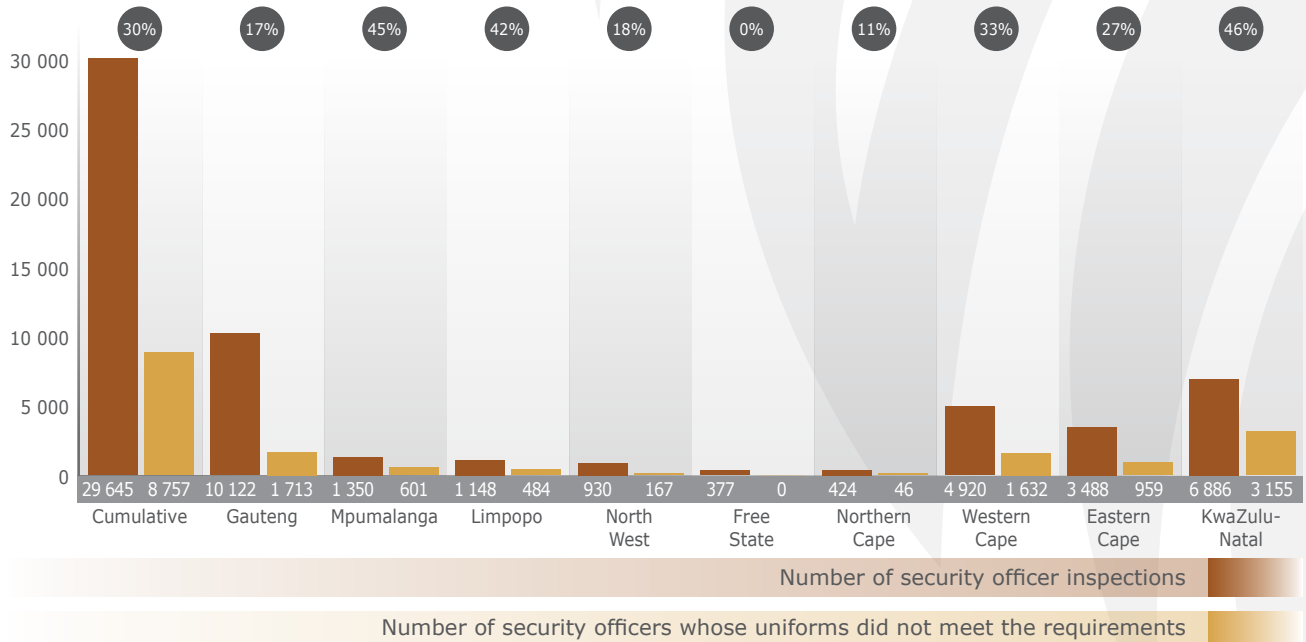
## Untrained security officers



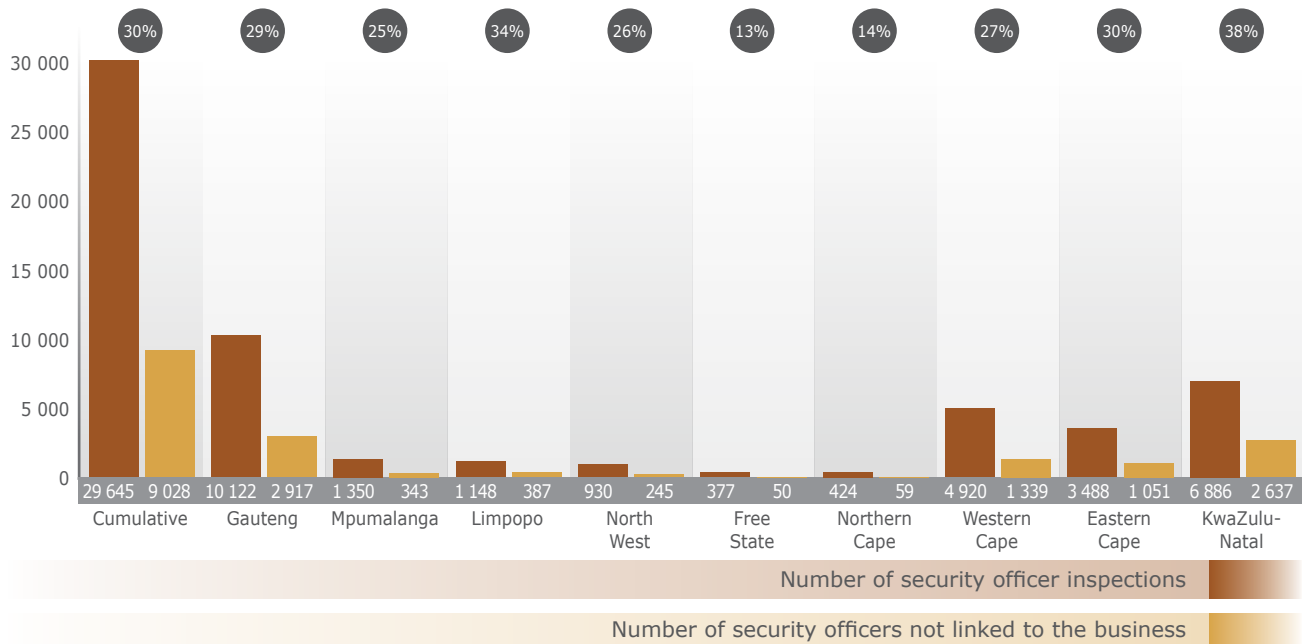
## Security officers not carrying PSiRA ID cards



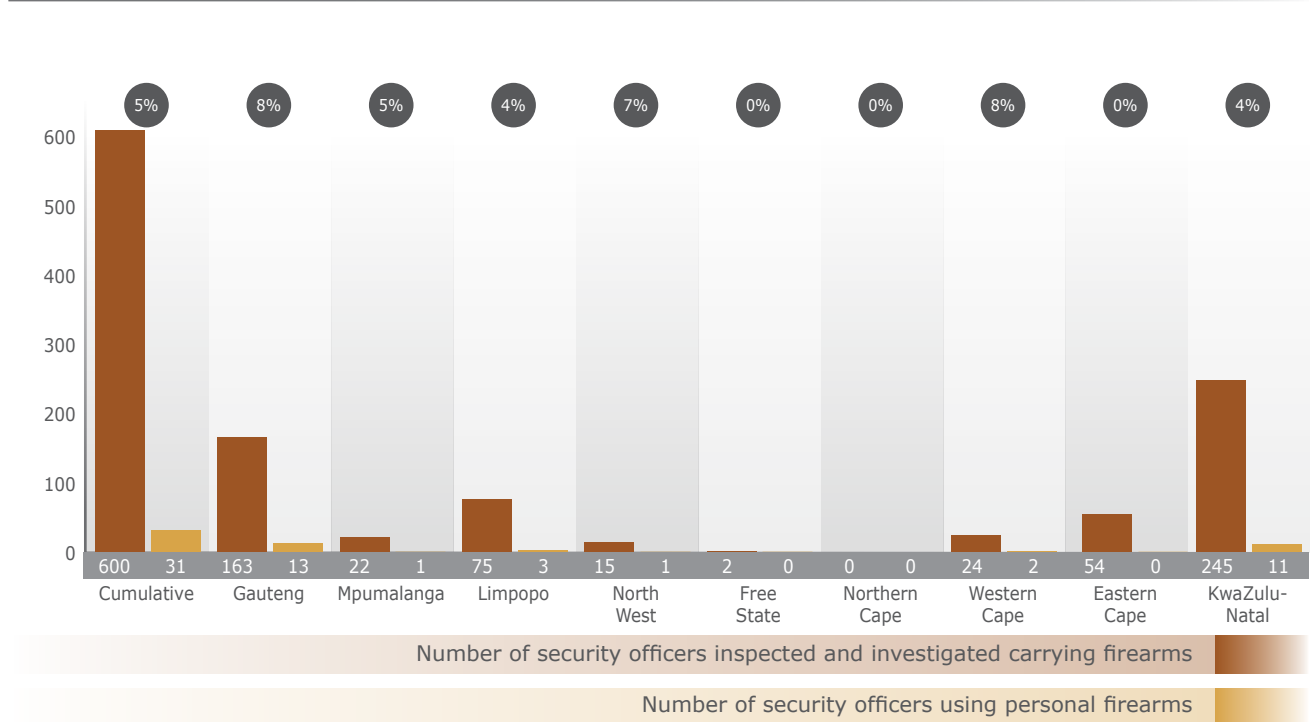
## Security officer uniforms



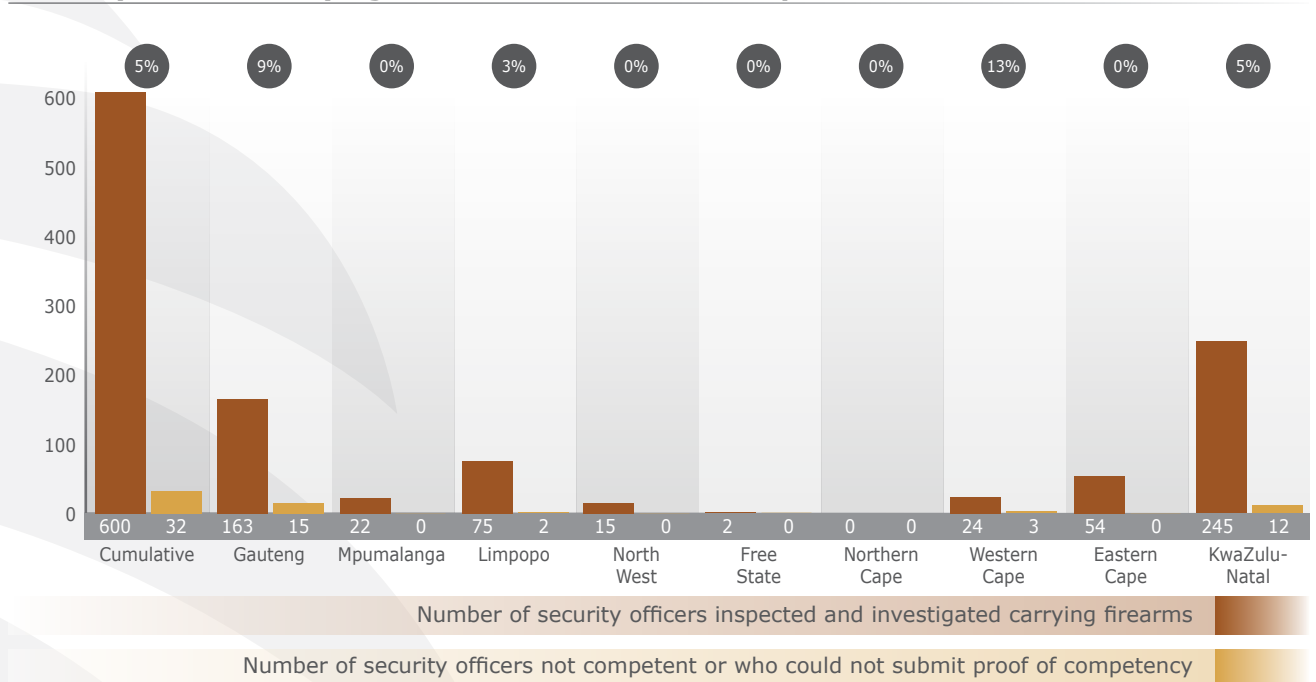
## Security officers not linked to the business



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



### Security officers carrying firearms who are not competent in firearms



## 4. Operations

A co-operative approach in dealing with non-compliance is key in driving the compliance agenda. Law enforcement becomes more effective when multiple agencies and stakeholders access, share, analyse and react to non-compliance intelligence and data.

PSiRA is involved in a number of operations with different stakeholders, including SAPS. These operations are at times initiated by PSiRA or are

attended upon invitation from stakeholders such as SAPS, Department of Home Affairs (DHA) and Department of Labour (DoL). The focus is on compliance in terms of the PSIR Act, which includes the deployment of registered and trained security officers, illegal immigrants and compliance with the Firearms Control Act. During the period under review, the following operations were undertaken:

Region	Number of operations	Stakeholders	Number of arrests	Unregistered	Foreigners	Firearms	Other
Head Office	23	SAPS / DoL	196	191	115	1	67 DoL/PSiRA inspections
▪ Gauteng	16	SAPS / DoL	109	105	68	0	37 DoL/PSiRA inspections
▪ Mpumalanga	3	SAPS / DoL	25	25	19	0	30 DoL/PSiRA inspections
▪ Limpopo	4	SAPS	62	61	28	1	0
▪ North West	0	-	0	0	0	0	0
▪ Free State	0	-	0	0	0	0	0
▪ Northern Cape	0	-	0	0	0	0	0
Western Cape	1	DoL	0	0	0	0	3 DoL inspections
Eastern Cape	1	-	1	1	0	0	0
KwaZulu-Natal	4	-	34	34	0	0	0
<b>Total</b>	<b>28</b>	<b>-</b>	<b>231</b>	<b>226</b>	<b>115</b>	<b>1</b>	<b>70 DoL/PSiRA inspections</b>

Inspectors were also deployed at various Premier Soccer League (PSL) and other events during the period under review in order to verify compliance of the event security officers. A number of operations were also held nationally at Institutions of Higher Learning in order to verify compliance and conduct investigations as a result of the **#feesmustfall** campaign. The situation was also monitored on a continuous basis.



## 5. Improper Conduct Investigations

Prosecution for allegations of improper conduct is a key element within the law enforcement strategy. Convictions usually lead to the imposition of penalties, which has a deterrent effect.

During the period under review, a total of **2 292** improper conduct dockets against security businesses were compiled, compared to **1 650** dockets for the same period last year, which represents an increase of **39%**. This can be attributed to increased resources that resulted in the increased number of security business inspections conducted. The regional breakdown for the period under review is as follows:

Region	Number of dockets
Head Office	1 132
Gauteng	670
Mpumalanga	202
Limpopo	97
North West	77
Free State	52
Northern Cape	34
Western Cape	341
Eastern Cape	243
KwaZulu-Natal	576
<b>Total</b>	<b>2 292</b>

A further regional breakdown as far as Code of Conduct dockets against large, medium and small businesses during the period under review are concerned, is as follows:

Region	Number of dockets		
	Small Businesses	Medium Businesses	Large Businesses
Head Office	426	245	461
Western Cape	179	67	95
Eastern Cape	172	31	40
KwaZulu-Natal	284	118	174

The performance pertaining to the number of Code of Conduct dockets opened during the period under review was **119%**, compared to the operational target set. The regional breakdown is as follows:

Region	Target	Number of Code of Conduct dockets opened	Performance
Head Office:			
▪ Gauteng,			
▪ Mpumalanga,			
▪ Limpopo,	984	1 132	115%
▪ North West,			
▪ Free State and			
▪ Northern Cape			
Western Cape	312	341	109%
Eastern Cape	216	243	113%
KwaZulu-Natal	420	576	137%

The department keeps detailed records of all dockets opened in respect of allegations of improper conduct. All progress in respect of the dockets is captured on the progress report, from the original docket to the finalisation and outcome thereof.

## 6. Improper Conduct Investigation Dockets Pertaining to the Exploitation of Labour

Although PSiRA is not responsible for or involved with determining minimum conditions of employment for the private security industry, as this is the responsibility of the Minister of Labour, one of PSiRA's objectives includes the promotion, protection and enforcement of the rights of security officers and other employees in the private security industry. It is a fact that the private security industry is dependent on its personnel. The profit-driven nature of security businesses also inspires practices that negatively impact on the lives and careers of employee security officers.

The opportunities and likelihood of exploitation of the workforce are such that a reliance on labour law in general, and mechanisms, which currently exist in terms of such laws, are not always sufficient. The need to minimise costs and competition within the security services market encourages private security service providers to exploit workers in many ways and the legislator therefore appropriately put PSiRA in a position to take the necessary disciplinary and other steps to deter providers from exploiting others. All employees have a fundamental right to fair labour practices and it is PSiRA's duty and responsibility as regulator of the private security industry, to also protect and promote this right. This obligation is highlighted in Sections 3 and 28(3)(b) of the Act, as well as Regulation 11 of the Code of Conduct for Security Service Providers, 2003.

PSiRA focuses on various areas of non-compliance in respect of labour legislation, which include, *inter alia*, failure to pay the prescribed minimum wages, failure to comply with the Private Security Sector Provident Fund, working hours, allowances, illegal deductions and payment of bonuses. This not only serves the purpose of

protecting employees' rights, but also the rights of compliant security service providers against non-compliant security service providers, as underpayment and exploitation result in unfair competition and an unfair advantage, and PSiRA ensures a level playing field.

As at end of March 2017, there were **462** 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 is as follows:

Region	Number of dockets
Head Office	323
▪ Gauteng	199
▪ Mpumalanga	59
▪ Limpopo	22
▪ North West	21
▪ Free State	15
▪ Northern Cape	3
▪ Other provinces	4
Western Cape	89
Eastern Cape	11
KwaZulu-Natal	39
<b>Total</b>	<b>462</b>

PSiRA also works closely with the Private Security Sector Provident Fund, which is a statutory fund established in terms of labour legislation. Since the establishment of the fund, PSiRA has instituted **6 179** prosecutions against security service providers for failure to register with and/or contribute to the fund, of which **5 509** cases have been finalised. As at end-March 2017, there were **670** Improper Conduct cases pending against security service providers for allegations

of failure to comply with the Private Security Sector Provident Fund. The regional breakdown is as follows:

Region	Number of dockets
Head Office	354
▪ Gauteng	176
▪ Mpumalanga	63
▪ Limpopo	37
▪ North West	39
▪ Free State	21
▪ Northern Cape	13
▪ Other provinces	5
Western Cape	132
Eastern Cape	4
KwaZulu-Natal	180
<b>Total</b>	<b>670</b>

There is also general co-operation between PSiRA and the Department of Labour (DoL) in respect of areas of non-compliance with labour legislation. PSiRA liaises with the DoL through its Provincial Industry Compliance Forums and is discussing a formal Memorandum of Understanding (MoU) with the DoL. This MoU will include co-operation with the DoL's inspectorate, the Unemployment Insurance Fund (UIF) and the office of Compensation for Occupational Injuries and Diseases.

## 7. Criminal Investigations

Certain areas of non-compliance also warrant criminal prosecution, which is part of PSiRA's enforcement strategy.

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

During the period under review, a total of **855** criminal cases were opened by PSiRA inspectors, compared to **686** cases during the previous financial year.

The regional breakdown in respect of criminal cases opened in PSiRA's offices is as follows:

Region	Criminal cases opened
Head Office	396
▪ Gauteng	249
▪ Mpumalanga	52
▪ Limpopo	83
▪ North West	3
▪ Free State	6
▪ Northern Cape	3
Western Cape	214
Eastern Cape	78
KwaZulu-Natal	167
<b>Total</b>	<b>855</b>

The overall performance pertaining to the number of criminal cases opened during the period under review is **132%**, compared to the set operational target. The regional breakdown is as follows:

Region	Target	Number of criminal cases opened	Performance
Head Office: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	288	396	138%
Western Cape	144	214	149%
Eastern Cape	72	78	108%
KwaZulu-Natal	144	167	116%

During the period under review, **101** criminal cases were finalised by the National Prosecuting Authority. The regional breakdown is as follows:

Region	Success-fully finalised	Unsuccessfully finalised	Total
Head Office	91	0	91
▪ Gauteng	49	0	49
▪ Mpumalanga	10	0	10
▪ Limpopo	31	0	31
▪ North West	0	0	0
▪ Free State	1	0	1
▪ Northern Cape	0	0	0
Western Cape	6	0	6
Eastern Cape	2	2	2
KwaZulu-Natal	0	0	0
<b>Total</b>	<b>99</b>	<b>2</b>	<b>101</b>

As at 31 March 2017, a total of **2 243** criminal cases were outstanding with the South African Police Service countrywide. The regional breakdown is as follows:

Region	Outstanding criminal cases
Head Office	687
▪ Gauteng	480
▪ Mpumalanga	75
▪ Limpopo	71
▪ North West	19
▪ Free State	27
▪ Northern Cape	15
Western Cape	546
Eastern Cape	353
KwaZulu-Natal	657
<b>Total</b>	<b>2 243</b>

The relationship between PSiRA and SAPS is governed by a Memorandum of Agreement signed in the first quarter of the 2016/2017

financial year, which led to the establishment of a National Consultative Forum. This provides for a close working relationship between PSiRA and SAPS, which assists in investigations and where PSiRA requires arrests to be made. SAPS plays an important role in operations regarding site inspections. PSiRA also conducts law enforcement operations with SAPS on a national basis and generally assists in SAPS operations.

A PSiRA/SAPS National Consultative Forum workshop was held and an action plan on the implementation of the agreement is being developed.

During the period under review, the following number of arrests was made:

Region	Number of arrests
Head Office	133
▪ Gauteng	94
▪ Mpumalanga	23
▪ Limpopo	15
▪ North West	1
▪ Free State	0
▪ Northern Cape	0
Western Cape	0
Eastern Cape	0
KwaZulu-Natal	52
<b>Total</b>	<b>185</b>

## 8. Firearms

### 8.1 Firearm Applications

Although the regulation of firearms is provided for in terms of the Firearms Control Act and administered by the Office of the Central Firearms Registry (CFR) of SAPS, PSiRA does have a mandate and responsibility to ensure compliance and accountability.

PSiRA provides information to the CFR pertaining to all security service providers applying for

firearm licenses. This information includes, *inter alia*, the following:

- The registration status of the security business.
- The number of security officers employed by the business and their registration and training status.
- Annual amounts due to PSiRA.
- Details of the responsible person.

During the period under review, the following information was provided in respect of firearm enquiries received from the CFR:

Number of firearm application enquiries received	1 509
Applicants owing annual amounts/fines	307
Businesses failing to report changes	112
Responsible person for firearms not linked to the business or registered	158
Owners/partners/members/directors not registered or trained	3
Businesses not registered	8
<b>Applications Cleared by PSiRA for Consideration by CFR</b>	<b>921</b>

PSiRA's relationship with the CFR forms part of the broader PSiRA/SAPS Memorandum of Agreement.

## 8.2 Firearm Inspections

PSiRA also provides inspection reports to the CFR on inspections done at businesses that are licensed to possess firearms. This serves the purpose of verifying information available on their database versus the actual status found upon inspection, including the number of firearms, calibres, address particulars and details of the responsible persons.

The regional number of firearm inspections conducted during the period under review is as follows:

Region	Number of firearm inspections
Head Office	722
▪ Gauteng	353
▪ Mpumalanga	121
▪ Limpopo	103
▪ North West	86
▪ Free State	40
▪ Northern Cape	19
Western Cape	161
Eastern Cape	140
KwaZulu-Natal	325
<b>Total</b>	<b>1 348</b>

With reference to all the above statistics, the overall performance pertaining to the total number of firearm inspections conducted for the period under review, in relation to PSiRA's Annual Performance Plan target, is **123%**. The regional breakdown is as follows:

Region	Target	Number of firearm inspections conducted	Performance
Head Office: Gauteng, Mpumalanga, Limpopo, North West, Free State and Northern Cape	576	722	125%
Western Cape	180	161	89%
Eastern Cape	144	140	97%
KwaZulu-Natal	209	325	156%

## 9. Charge Sheets, Summonses and Regulation 3(4) Notices

The following number of charge sheets, summonses and Regulation 3(4) notices were served by inspectors during the period under review:

Region	Charge sheets	Sum-mones	Regulation 3(4) notices
Head Office	393	232	555
Western Cape	100	57	114
Eastern Cape	46	20	74
KwaZulu-Natal	260	117	244
<b>Total</b>	<b>799</b>	<b>426</b>	<b>987</b>

These summonses and Regulation 3(4) notices and prosecutions bear no reference to the businesses charged, as the charge sheets, summonses and Regulation 3(4) notices issued by PSiRA could be from previous years and not necessarily from the year under review. Furthermore, the variance between summonses and Regulation 3(4) notices served and the total successful prosecutions could be as a result of various reasons, such as postponements and respondents not being traceable.

## 10. Annual Fees and Fines Collected

Inspectors of the Law Enforcement Department also assist in the collection of annual fees and fines payable by security service providers. During the period under review, a total of **R983 252.03** annual fees and **R55 635.06** fines were collected.

## 11. Untraceable Security Service Providers

Following on from the issuing of charge sheets, summonses and Regulation 3(4) notices during the period under review, **19** security service providers could not be traced by PSiRA inspectors and **0** from failed inspections. Steps taken to trace these security service providers include, *inter alia*, the following:

- Tracing through VERI-5 on business and owner/member/director particulars.
- Visits to known addresses of the businesses as well as those of the owners/directors/members, etc.
- Enquiries at neighbouring businesses.
- Calling all numbers available on PSiRA's database.

Action is taken against these untraceable providers for their failure to meet the infrastructure and capacity requirements.

## B. Legal Services Department

### 1. Prosecutions

Areas of functions that are part of this report in respect of prosecutions include:

- Charge sheets issued.
- Summonses issued.
- Cases finalised at improper conduct enquiries.
- Cases settled without the need for enquiries.
- Appeals and exemptions.
- Internal legal services.

The performance for the year under review is as follows:

Region	Head Office	Western Cape	Eastern Cape	KwaZulu-Natal	Totals
Charge sheets issued	399	66	31	211	<b>707</b>
Summonses issued	978	157	117	503	<b>1 749</b>
Cases finalised at improper conduct enquiries	67	33	24	22	<b>146</b>
Cases finalised without need of enquiries (settlements)	798	124	88	479	<b>1 489</b>

A total of **707** charge sheets and **1 749** summonses were issued during the year under review. The discrepancy between the two numbers is as a result of the amendments to the regulations. The amended regulations became applicable in July 2016 and required the combination of the charge sheet and summons (combined summons).

The total number for issued summonses includes **265** cases from the previous financial year. (**265** previous financial year cases + **1 484** cases of the year under review = **1 749** total summonses issued).

Consequently, the issued charge sheets, as referred to in the table above, cover only the period from April 2016 to July 2016. From August 2016 to March 2017 combined summonses were issued (Regulation 3(4) Notices).

Of the **1 749** summonses (including the combined summonses and cases from the previous financial year) issued during the year under review, **1 632** cases were finalised.

### 2. Litigation

Seventeen cases were litigated during this period. PSiRA is the applicant in three of these cases. All 17 cases are still pending.



### 3. Appeals

#### Appeals against PSiRA'S refusal to register a security service provider and withdrawal by PSiRA of registration due to a conviction of a scheduled offence

Total brought forward from 2015/2016	Total re-ceived for 2016/2017	Total matters on hand	Dismissed	Upheld	Pending	Matters re-ferred back to PSiRA
90	128	218	148	29	41	0

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

Total re-ceived	Dismissed	Upheld	Pending
0	0	0	0

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

Total received	Dismissed	Upheld
5	5	-

### 4. Applications for Exemption

#### Applications for exemptions

Total received	Dismissed	Granted
5	3	2

### 5. Regulatory Sub-Committee

The Regulatory Sub-Committee is responsible for performing the following functions in terms of its terms of reference and delegation:

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



- During the period under review, **32** Regulatory Sub-Committee meetings were held and the following decisions taken:

Business registration							Individual registration	Number of Improper Conduct confirmations of conviction sentences					
Withdrawals (Annual Fees)	Withdrawals (Voluntary)	Withdrawals at Code of Conduct Enquiries	Upliftment: Suspension	Withdrawals (REG. 5.)	Suspensions (Annual Fees)	Suspensions (Voluntary)	Withdrawals	Withdrawals at Code of Conduct Enquiries	Registrations Suspended	Head Office	Eastern Cape	Western Cape	KwaZulu-Natal
1 891	156	21	107	21	1 876	0	3	5	2	83	26	39	23

Improper Conduct settlements (Tabled from October 2016)			
Head Office	Eastern Cape	Western Cape	KwaZulu-Natal
310	28	27	123

Please note that the above number of Improper Conduct confirmations and settlements refers to those convictions and sentences imposed by Presiding Officers and referred to the Sub-Committee for confirmation and it does not include all Improper Conduct cases that were finalised through settlements and other actions prior to October 2016.

## C. Industry Registration (CRM)

### 1. Overview

As part of improved service delivery and customer satisfaction, the registration unit is responsible for ensuring that all individual and business applications that are received, are processed and considered for registration without undue delays. The unit achieved all its annual performance targets for the 2016/2017 financial year.

Improved operational efficiencies, sound business processes, continuous staff training and enhanced stakeholder communications on the requirements for registration contributed to the unit achieving a 14-day turnaround time for individual registrations and a 15-day turnaround time for business registrations, while meeting all the requirements.

### 2. The Renewal of Certificate Project

Since the launch of the renewal project on 1 December 2014, which is aimed at curbing identity theft and improving industry compliance, a total of **492 602** Security Officers have been verified through the Department of Home Affairs and properly linked with their employers. Over **4 068** businesses have successfully met their compliance obligations regarding annual fees, COID, Tax and Provident Fund just, to mention a few. During the 2016/2017 financial year, **155 757** security officers and **2 500** businesses successfully renewed their registration certificates with improved security features and an expiry date.

The project has successfully generated over **R28 million** in revenue and this has assisted PSiRA to address the footprint challenges and further expand its operations to remote areas. PSiRA has used the Renewal Project to visit and expand service delivery to remote areas such as Empangeni, Richards Bay, Bloemfontein, Welkom, East London, Ermelo, Leandra, Rustenburg,

Mafikeng, Kuruman, Upington, Kimberley, Giyani, Lephalale, George, Harrismith, Witbank and Newcastle, to mention just a few.

The following businesses were again visited and assisted with renewals of certificates: Reshebile Aviation and Protection Services, Locksmith Association, Bidvest Protea Coin, Lonmin Platinum Mine, Omega Risk Solutions, PetroSA, Rand Water, Eskom, Transnet, AngloGold mines, Sibanye mines, VW, BHP Billiton and the South African Reserve Bank, a National Key Point.

Security businesses and officers who renewed their certificates as at 31 March 2017 since 1 December 2014 are tabled below:

Province	Security Officers	Service Providers
	Renewed	Renewed
Gauteng	177 957	1 671
Eastern Cape	42 141	341
Western Cape	42 606	330
Limpopo	52 151	470
North West	22 382	169
Free State	15 765	79
Northern Cape	3 362	63
KwaZulu-Natal	93 551	698
Mpumalanga	42 687	247
<b>Total</b>	<b>492 602</b>	<b>4 068</b>

### 3. Registration Statistics

During the year under review, the number of registered security officers on our database increased by **13.6%** from **2 082 187** to **2 365 782** as at 31 March 2017. The industry continues to be dominated by males, representing **70%**, while female security officers represented only **30%** of the total registration. However, despite the males dominating the private security industry, we have observed a steady growth of women joining the industry.

### 3.1 Number of male and female security officers (SOs)

Financial year	Total number of SOs (employed and unemployed)	Male	Female
2015/2016	2 082 187	1 434 645	647 542
2016/2017	2 365 782	1 654 671	711 111

The number of active or employed security officers increased from **488 666** during the 2015/2016 financial year to **498 435** during the 2016/2017 financial year. The slight increase in the number of active or employed security officers can be attributed to numerous stakeholder engagements, compliance forums and consumer awareness campaigns that took place during the 2016/2017 financial year. Moreover, the Law Enforcement strategy of individual compliance inspections conducted by inspectors, also helped in identifying security officers who were previously not declared by service providers. This contributed to an increase in renewals of certificates and ID cards and more officers properly linked to businesses.

### 3.2 Increase in number of employed male and female security officers (SOs)

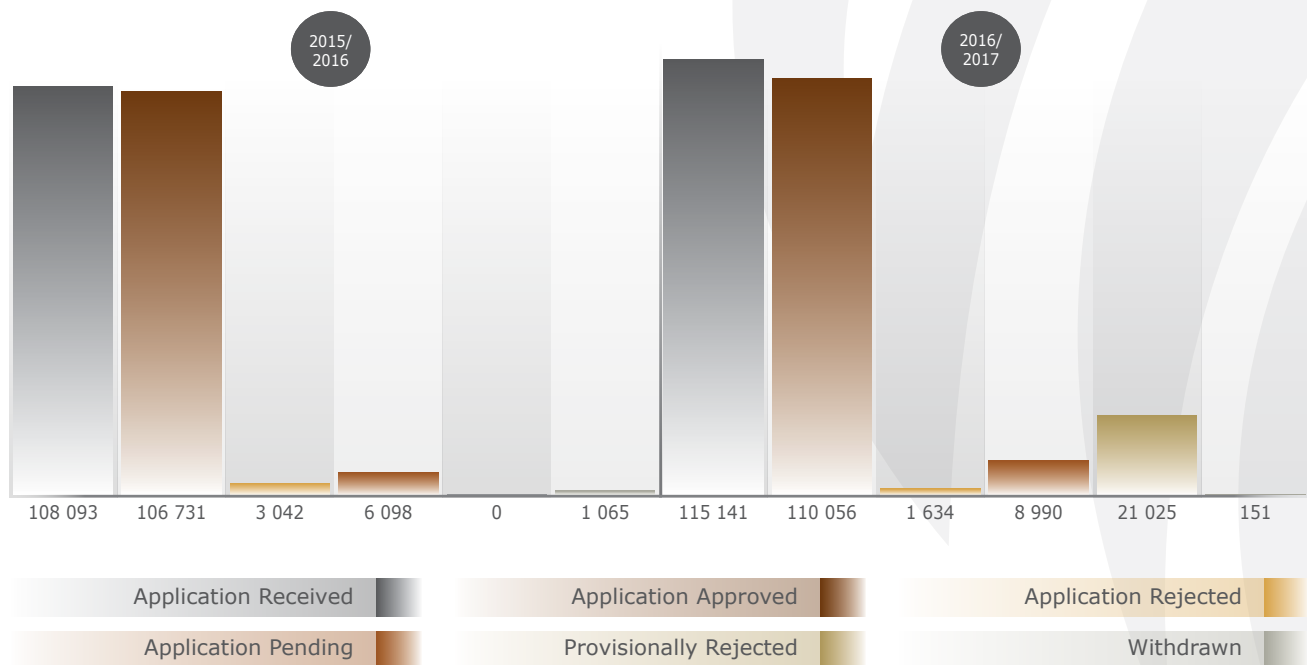
Financial year	Total number of SOs (employed)	Male	Female
2015/2016	488 666	385 759	102 907
2016/2017	498 435	390 201	108 234

There were **8 995** registered security businesses on PSiRA's database during the 2016/2017 financial year, compared to **8 692** registered security businesses in the 2015/2016 financial year, which indicates an increase of **3.5%** of registered security service providers. Once again, the slow growth in the number of new security companies registering with PSiRA is attributed to the snail pace of the country's economic growth.

### 3.3 Increase in number of active registered businesses

Province/Region	Number of active registered businesses 2015/2016	Number of active registered businesses 2016/2017
Gauteng	3 460	3 806
Mpumalanga	528	529
Eastern Cape	697	639
Western Cape	964	989
Limpopo	811	803
North West	383	398
Free State	214	206
Northern Cape	132	120
KwaZulu-Natal	1 503	1 505
<b>Total</b>	<b>8 692</b>	<b>8 995</b>

### 3.4 Statistical comparison of individual applications received, registered, rejected and not finalised during the 2015/2016 and 2016/2017 financial years



A total number of **115 141** individual applications were received and processed during the year under review, compared to **108 903** applications received during the 2015/2016 financial year. This shows an increase of **6.5%** in the number of applications received during the 2016/2017 financial year. The slight increase can be attributed to the slow growth of the economy and fewer job opportunities in the private security sector.

**1 634** individual applications were rejected during the 2016/2017 financial year, compared to **3 042** during the previous financial year.

**8 990** individual applications were not finalised during the 2016/2017 financial year. Of the **8 990** individual applications, which were pending or not finalised during the 2016/2017 financial year, some applications were still new, some of the applications were still waiting for adjudication by the registrations sub-committee, some were sent correspondence to provide the committee

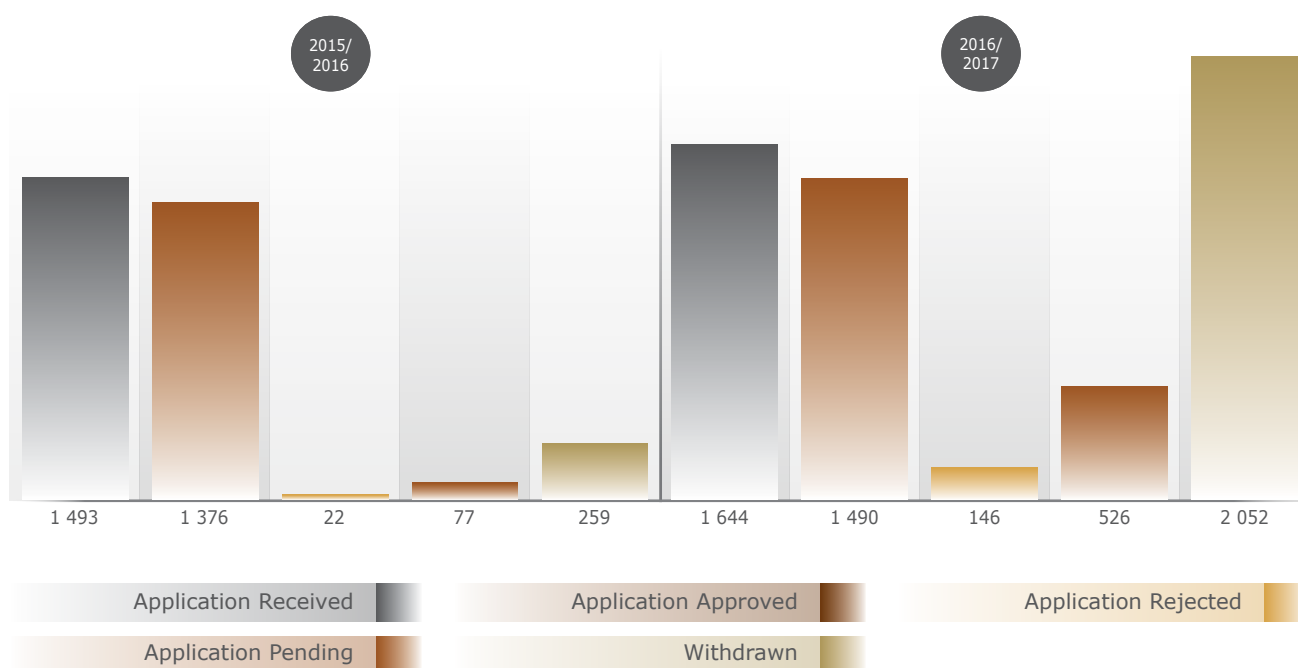
with further particulars and some have pending criminal records for which the applicants have to provide PSiRA with the final results of their criminal cases.

There were also **151** individual applications withdrawn by PSiRA during the 2016/2017 financial year, compared to **1 065** withdrawn during the 2015/2016 financial year.

#### 4. Business applications received during the 2016/2017 financial year

There was a **3.5%** increase in the number of active registered businesses during the year under review. A total of **8 990** businesses were registered during the 2016/2017 financial year, compared to **8 692** during the 2015/2016 financial year. The slight increase is due to shrinking markets and some corporates resorting to insourcing their security services.

## Statistical comparison of business applications received, registered, rejected and not finalised/pending during the 2015/2016 and 2016/2017 financial years



During the 2016/2017 financial year, PSiRA received a total number of **1 644** business applications for registrations compared to **1 493** business applications received during the previous financial year. This shows an increase of **10.1%** in the number of business applications received during the 2016/2017 financial year. The increase is attributed to the stakeholder engagements that took place throughout the financial year regarding requirements for registration of businesses with PSiRA.

There were **1 490** businesses registered during the 2016/2017 financial year, compared to **1 376** business applications registered during the previous financial year. This shows an increase of **7.4%** in the number of business registered during the 2016/2017 financial year. Sound business processes and teamwork played a role in exceeding the previous financial year's number of registered security businesses.

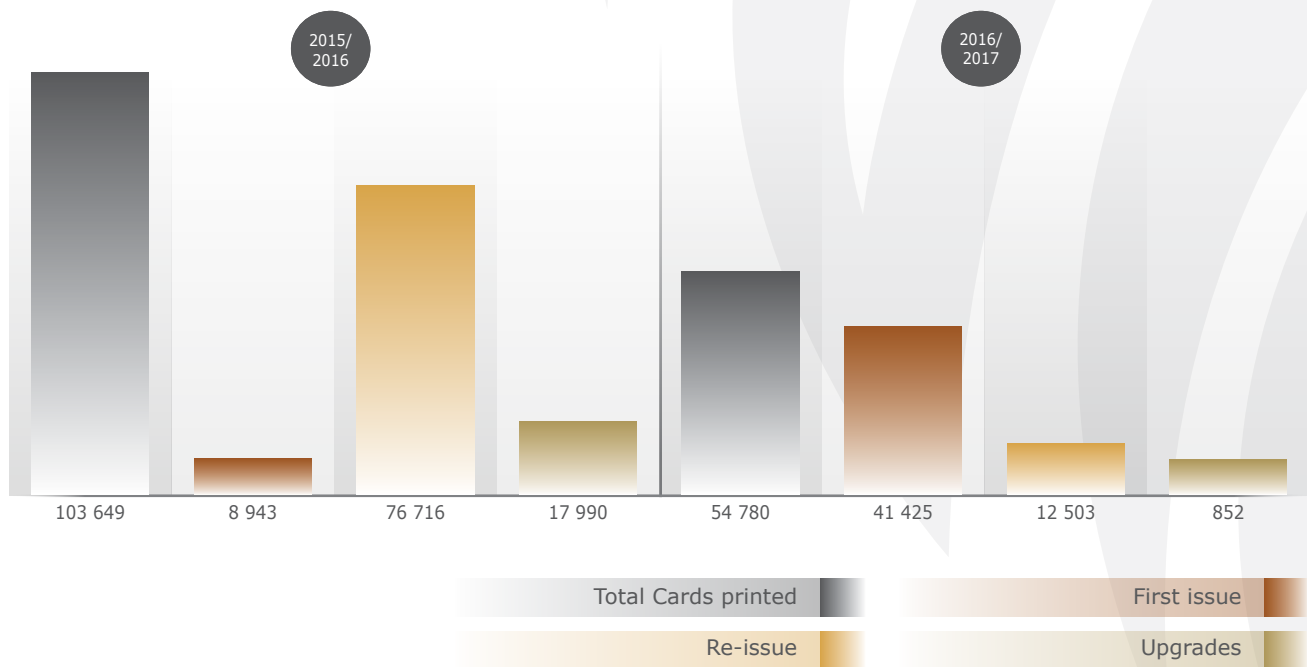
**146** businesses were rejected due to non-compliance during the 2016/2017 financial year, compared to only **22** during the previous financial year.

There were still **526** pending business applications on our system during the 2016/2017 financial year, compared to **77** businesses during the previous financial year.

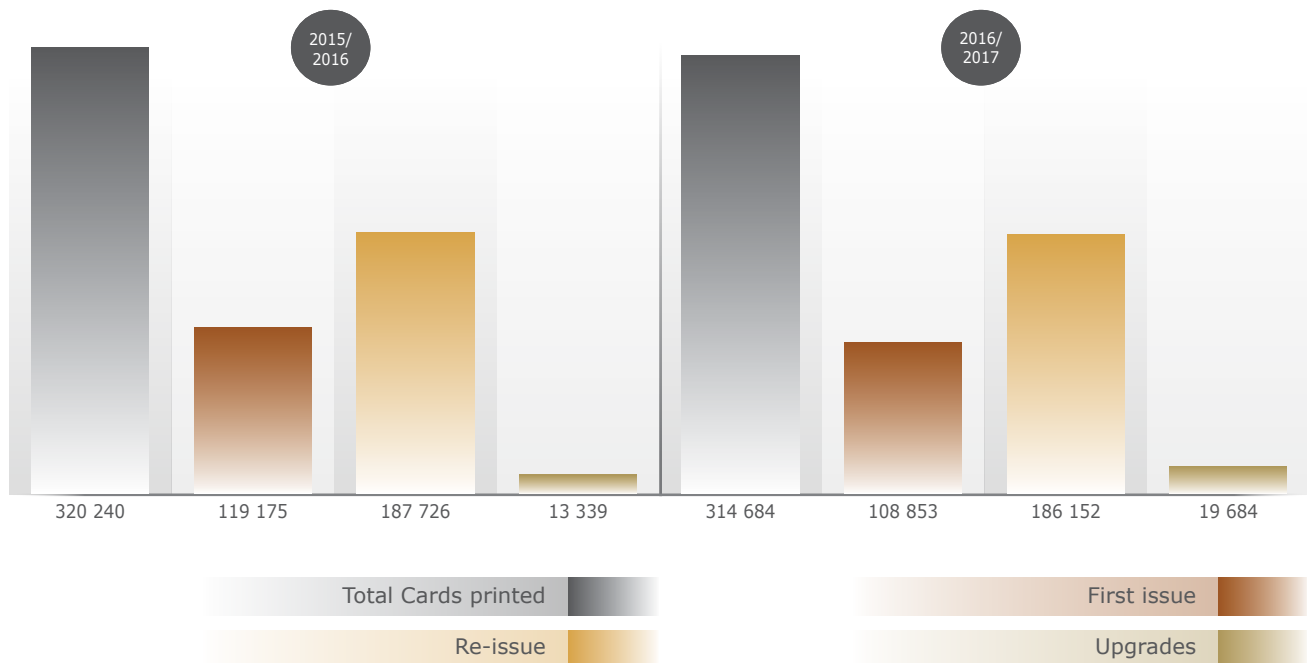
There were **2 052** businesses withdrawn during the 2016/2017 financial year, compared to **259** businesses withdrawn during the 2015/2016 financial year. This shows an increase of **692.3%** in the number of businesses withdrawn.

The withdrawals were due to non-compliance of the newly introduced annual fee payments that many businesses are unable to comply with, as well as other regulatory requirements that were dealt with by the legal services unit and regulatory sub-committee. The economic climate of our country also contributed to business owners abandoning their registration status due to their businesses being dormant.

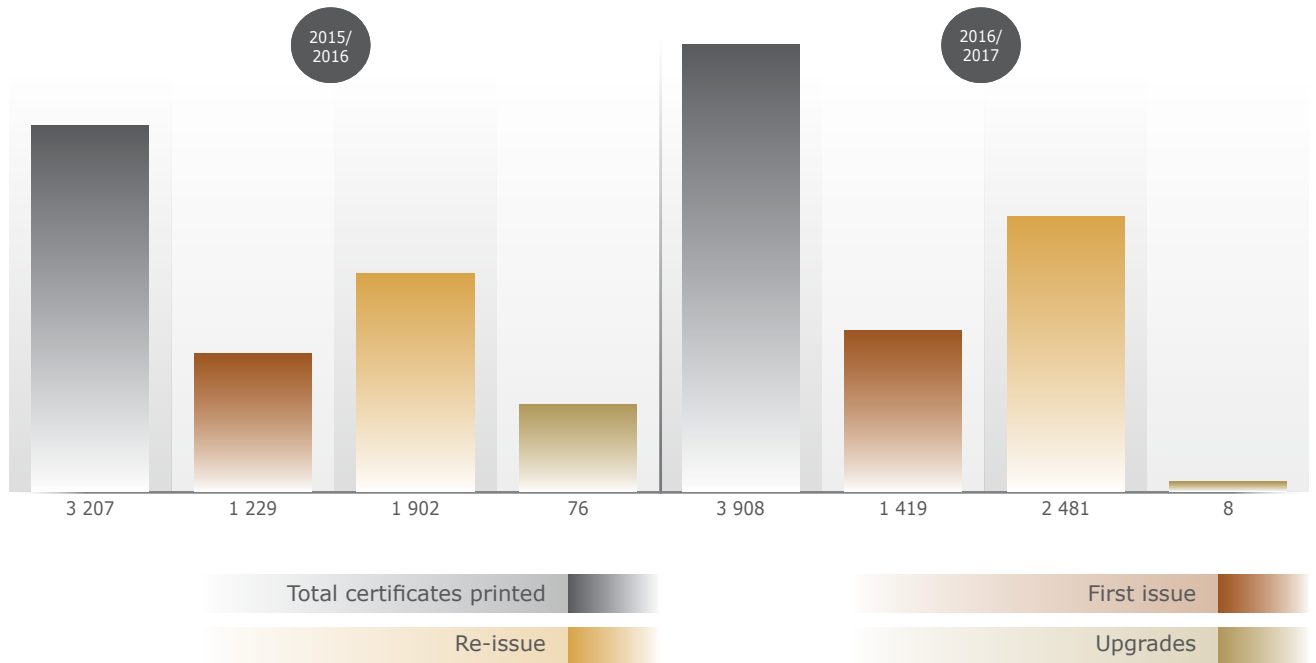
### Statistical comparison of ID cards issued during the 2015/2016 and 2016/2017 financial years



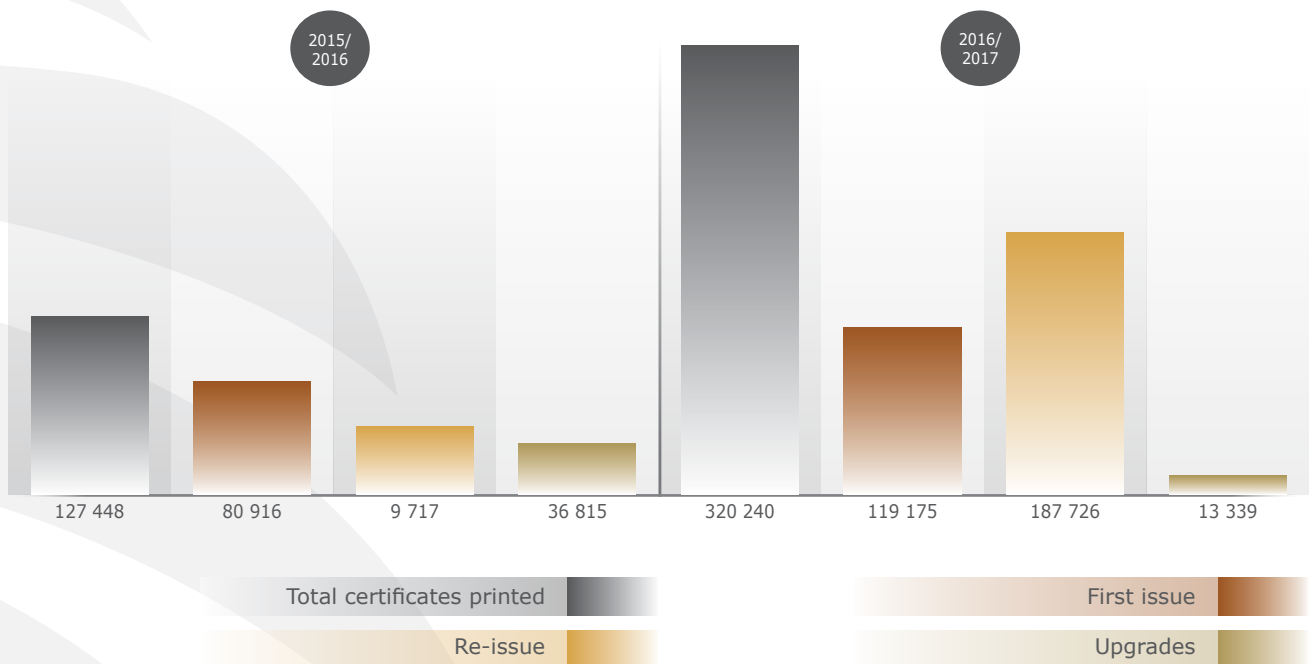
### Statistical comparison of individual certificates issued during the 2015/2016 and 2016/2017 financial years



## Statistical comparison of business certificates issued during the 2015/2016 and 2016/2017 financial years



## Statistical comparison of individual certificates issued during the 2015/2016 and 2016/2017 financial years

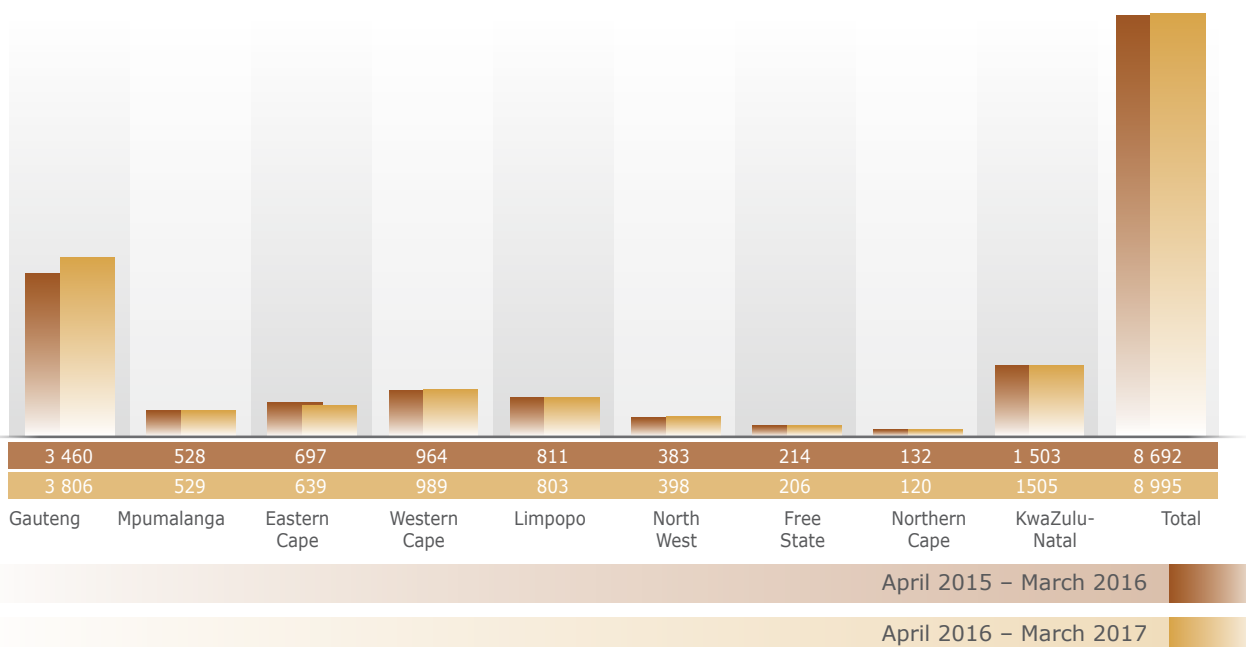




### Comparative provincial breakdown of all registered security businesses for the 2015/2016 and 2016/2017 financial years

Regions/Provinces	Number of active registered businesses	
	2015/2016	2016/2017
Gauteng	3 460	3 806
Mpumalanga	528	529
Eastern Cape	697	639
Western Cape	964	989
Limpopo	811	803
North West	383	398
Free State	214	206
Northern Cape	132	120
KwaZulu-Natal	1 503	1 505
<b>Total</b>	<b>8 692</b>	<b>8 995</b>

### Comparative provincial breakdown of registered security businesses for the 2015/2016 and 2016/2017 financial years



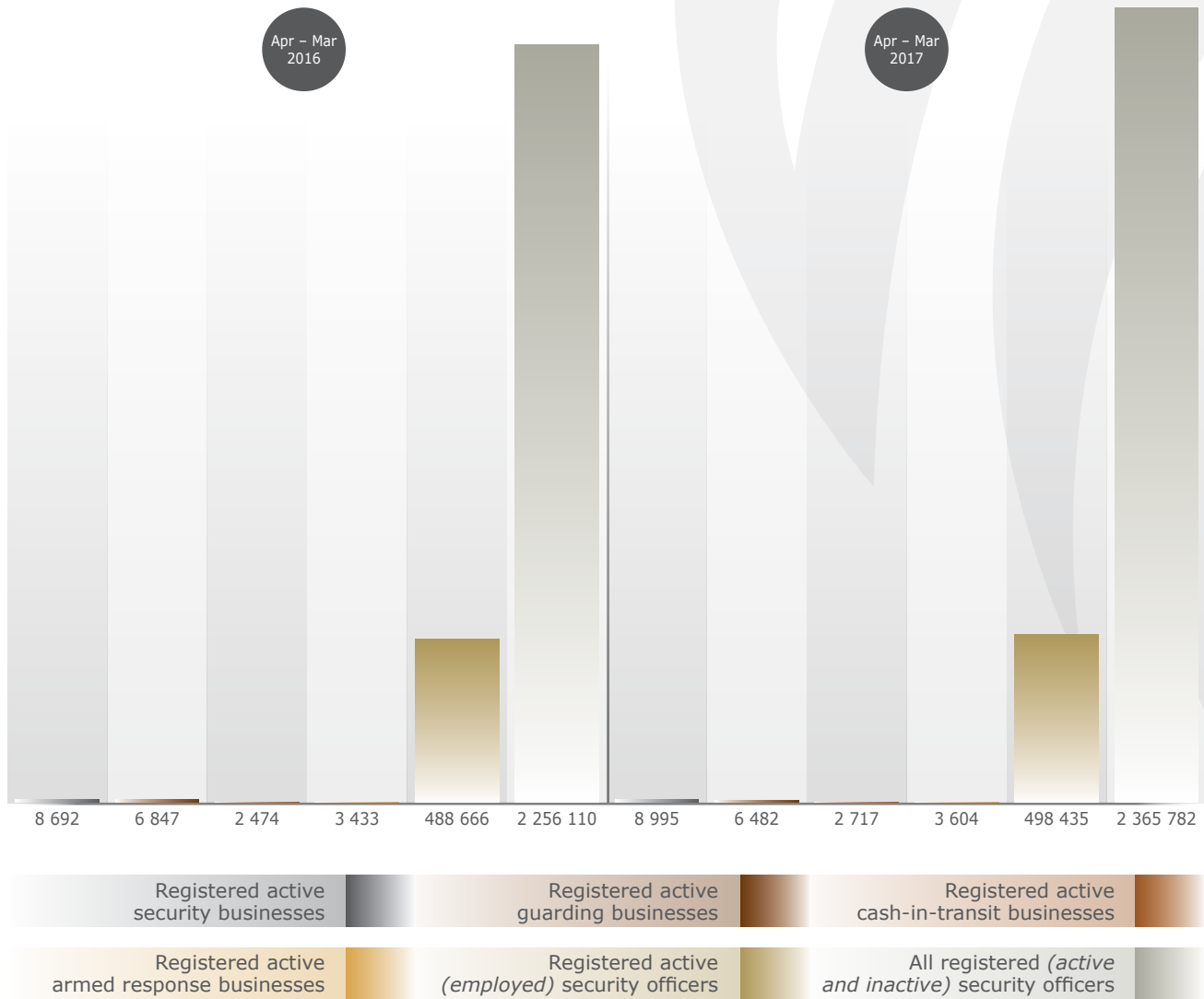
**Comparative number of active service officers (SOs) per province for the 2015/2016 and 2016/2017 financial years**

Province	Number of SOs during 2015/2016	Number of SOs during 2016/2017
Gauteng	191 795	195 111
Mpumalanga	31 490	33 901
Eastern Cape	43 517	43 623
Western Cape	52 296	53 879
Limpopo	35 633	37 150
North West	26 970	26 988
Free State	16 629	16 404
Northern Cape	4 929	4 657
KwaZulu-Natal	85 407	86 722
<b>Total</b>	<b>488 666</b>	<b>498 435</b>

**Registration information pertaining to the number of different types of security services that the 8 995 registered security businesses are offering to consumers**

Category of security services	Number of businesses as per the 2015/2016 financial year	Number of businesses as per the 2016/2017 financial year
Security Guards	6 847	6 482
Security Guards: Cash-in-Transit	2 474	2 717
Body Guarding	2 465	2 062
Security Consultant	2 308	1 911
Reaction Services	3 433	3 604
Entertainment/Venue Control	2 558	2 119
Manufacture Security Equipment	876	747
Private Investigator	1 509	1 278
Training	1 683	1 401
Security Equipment Installer	1868	1 572
Locksmith/Key Cutter	542	461
Security Control Room	2 187	1 824
Special Events	2 648	2 178
Car Watch	1 502	1 245
Insurance	99	86
Security and Loss Control	101	86
Fire Prevention and Detection	55	47
Consulting Engineer	25	22
Dog Training	15	16
Alarm Installers	71	77
Anti-Poaching	8	7
Rendering of Security Service	1 846	1 528

## Registration Statistics comparison between 2015/2016 Financial Year and 2016/2017 Financial Year



### 5. Registration Sub-Committee

The Director of PSiRA established the Registration sub-committee, which is a sub-committee of the Executive Committee. The Registration sub-committee is responsible for considering individual and business applications that do not meet the requirements for registration in terms of section 21 and 23 of the Private Security Industry Regulatory (PSiR) Act.

One of the core mandates of this sub-committee is to consider applications for registration in terms of section 23 (6) of the PSiR Act 56 of 2001, which clearly states that *"despite the provision of section 23 (1) and (2), the Authority may on good cause shown and on grounds not in conflict with the purpose of this Act, and the objectives of the Authority, register any applicant as a security service provider"*.

### Business applications received, approved and rejected by the Registration Sub-Committee

Date	Number of SPs received	Number of SPs approved	Number of SPs rejected	Number of SPs results pending
07/04/2016	89	89	0	0
30/08/2016	432	432	0	0
22/09/2016	122	122	0	0
19/10/2016	93	93	0	0
23/11/2016	235	235	0	0
26/01/2017	274	274	0	0
01/03/2017	60	60	0	0
<b>Total</b>	<b>1 305</b>	<b>1 305</b>	<b>0</b>	<b>0</b>

### Individual applications received, approved and rejected with previous criminal convictions and completed merit forms

Date	Number of SOs received	Number of SOs approved	Number of SOs rejected	Number of SOs results pending
07/04/2016	49	14	33	2
30/08/2016	362	100	262	0
22/09/2016	282	68	205	9
19/10/2016	70	14	55	1
27/10/2016	55	16	35	4
08/11/2016	96	19	71	6
23/11/2016	103	24	79	0
26/01/2017	108	24	84	0
08/02/2017	145	50	87	8
01/03/2017	226	81	145	0
<b>Total</b>	<b>1 496</b>	<b>410</b>	<b>1 056</b>	<b>30</b>

## D. Industry Training

The function of PSiRA's Training Department in terms of Section 4(K) of the PSiR Act, is to take necessary steps that may be expedient or necessary in terms of the industry training of security service providers and prospective security service providers in order to ensure quality training.

### 1. Publication of Draft Training Regulations

During the 2016/2017 financial year, PSiRA developed new training standards for all the different categories or classes of security service providers who are required to register in terms of the PSiR Act, and has prepared a policy document and consultation paper for consideration by the industry and its stakeholders. The consultations and the Draft Training Regulations took into account the principles as stated by the Promotion of the Administrative Justice Act.

*Draft Training Regulations* were published on **24 June 2016**, in Government Gazette number 756. Following the publication of the *Draft Training Regulations*, extensive industry consultations were conducted throughout the country. This has, and still is, creating and ensuring an inclusive process that takes into consideration all role players who are critical to the private security industry before Regulations are finalised or promulgated.

During the consultation sessions, stakeholders acknowledged that there is a need to improve training standards. The critical challenges regarding **Training costs, material and time** must, however, first be addressed and resolved properly before the Training Regulations are finalised and promulgated. Another comment that surfaced very strongly from all stakeholders across the board was the '*request for PSiRA to uplift the current moratorium placed on accreditation of training providers*'. During the

stakeholder engagements, it also became very clear that the Grades training must be reviewed and aligned to the current changing landscape and industry growth.

#### Consolidated comments from consultation with the industry:

- A need to improve training standards. The critical challenges regarding training costs, material and time must, however, first be addressed and resolved properly before the Training Regulations are finalised and promulgated;
- Grades training must be reviewed and aligned to the current changing landscape and industry growth;
- Request for PSiRA to uplift the current moratorium placed on accreditation of training providers. This will allow a parallel process that is aimed at promoting the necessary industry transformation and further preparing the role players to go through the transition without any compromise; and
- The industry requested a joint quality assurance/strengthened partnership process between PSiRA and SASSETA that is aimed at eliminating the current accreditation delays being experienced.

### 2. Professional Body Application

Another significant milestone for the year under review is the submission of an application by PSiRA to the South African Qualifications Authority (SAQA) for recognition as Professional Body, as per SAQA's criteria for recognising a professional body and registering a professional designation for the purposes of the National Qualifications Framework Act (Act No. 67 of 2008). Although this process is still in its initial phase, we are looking forward to partnering with the industry towards ensuring successful implementation of this important milestone.

### 3. Capacity-Building Workshops

In order to support the industry with regulatory obligations, improve compliance and assist them to cope with the transitional changes currently being introduced, PSiRA included capacity-building workshop initiatives in its Annual Performance Plan. Capacity-building workshops were conducted throughout the country with training providers and other key stakeholders to address identified compliance gaps, gather recommendations towards improving industry regulation and further empower and educate stakeholder changes aimed at enhancing professionalism within the private security sector. The intended objective is to partner with all stakeholders towards professionalising the private security industry and making it a career of choice for future generations.

The schedule of workshops held in 2016/2017 is as follows:

Province	Region	Number of workshops
Eastern Cape	East London	1
Eastern Cape	Port Elizabeth	1
Free State	Bloemfontein	1
Gauteng	Pretoria	1
KwaZulu-Natal	Durban	2
Mpumalanga	Nelspruit	2
North West	Rustenburg	1
Western Cape	Cape Town	1
Limpopo	Polokwane	2

Provincial breakdown of registered PSiRA training providers:

Region	2016/2017	2015/2016	2014/2015	2013/2014
KwaZulu-Natal	80	69	31	82
North West	23	19	8	19
Gauteng	157	133	123	143
Mpumalanga	29	26	70	25
Free State	20	18	20	15
Western Cape	46	36	83	29
Limpopo	53	44	24	48
Eastern Cape	31	26	30	39
Northern Cape	7	7	12	6
<b>Total</b>	<b>446</b>	<b>378</b>	<b>401</b>	<b>406</b>

\* The current transition from the Grades training as per the PSiR Act to the aligned National Qualification Framework qualification has had an effect on the number of Security Training Providers declining annually.

### 4. Future Partnerships

The current changing landscape is calling for partnerships with Institutions of Higher Learning and Technical and Vocational Education Training (TVET). It is our intention to strengthen relations with these stakeholders and institutions as critical role players towards attaining the set objective of professionalising the private security industry. For us to successfully become a critical global player and continue to influence the current international private security landscape, a more integrated training strategic approach that is inclusive of, and recognises all role players, is imperative.

## 5. Course reports

During the year under review we recorded **366** accredited training providers when compared to **378** of the previous financial year ended 31 March 2016. A total of **418 307** course reports were processed successfully during the year under review when compared to in the previous financial year **400 513**.

Course reports	2013/2014	2014/2015	2015/2016	2016/2017
	Number of course reports	Number of course reports	Number of course reports	Number of course reports
Course reports on hand end March	1 703	9 784	840	4 779
Course reports received during April to March	393 812	394 381	405 074	416 734
Course reports processed during April to March	384 809	402 924	400 513	418 307
Course reports returned during April to March	922	401	622	1 529
Course reports carried over to April	9 784	840	4 779	2 940

The turn average turnaround time for processing course reports excluding weekends was six days and including weekends eight days.

### 5.1 Training Sub-Committee

During the period under review, sub-committee meetings were held and the following decisions were taken:

Instructor applications considered	Total received	107
	Approved	66
	Rejected	24
	Additional information required	17
Recognition of Prior Learning applications considered	Total received	85
	Approved	56
	Rejected	17
	Additional information required	12



## E. Communication and Stakeholder Engagement

The Communication and Stakeholder Engagement Unit is responsible for implementing the integrated communication strategy of the organisation in alignment with PSiRA's overall vision.

During the year under review, PSiRA continued to maintain an appropriate environment to facilitate improved stakeholder access, media management, internal and external communication, customer care and marketing to all its relevant stakeholders with specific focus on:

- Promoting and profiling PSiRA's mandate in the industry and also the public at large;
- Building PSiRA's reputation and brand with the public and the private security industry;
- Helping the industry and the public to understand PSiRA's policies and strategic direction;
- Facilitating relevant platforms for networking with key stakeholders; and
- Creating platforms for PSiRA to engage with the media in order to have the public at large fully informed of PSiRA's role and responsibilities.

### 1. Highlight Achievements

#### 1.1 Consumer Education

During the 2016/2017 financial year, PSiRA conducted radio and television interviews, the majority of which had phone-in facilities for the public, thereby reaching millions of consumers of private security services. PSiRA also deployed above-the-line media platforms by placing electronic and print adverts in various media as part of intensifying its awareness initiatives and improving consumer education.

In total, **12** workshops were conducted for security consumers with particular focus on government and state-owned entities, while four trade exhibitions and community outreach programmes were held in different provinces.

#### 1.2 Review of Annual Fees Consultation Sessions

During the year under review, PSiRA also conducted industry consultations in all nine provinces in terms of reviewing annual fees. The participation of the private security industry stakeholders regarding the proposed increase in annual fees was initiated through various media platforms (national newspapers, public hearings in identified provinces, postings on the PSiRA website, emails and text messages). The industry stakeholders were given an opportunity to submit their initial written comments and representations on the proposed annual fee review and this process was supported by interactive consultation presentation sessions. The due date for submission of representations from interested parties was 10 February 2017. All comments and submissions from interested parties, stakeholders and industry participants were taken into account.

#### 1.3 Stakeholder Management

During the year under review, the unit continued to proactively and consistently engage with stakeholders in developing, maintaining and fostering coherent partnerships.

We are particularly pleased to report that **79** constructive stakeholder engagements were conducted with all our target stakeholders in all nine provinces throughout the year.

Of these engagements, **23** were with security businesses, **47** with security officers and the rest with direct and indirect consumers of private security. During the year under review, business briefing sessions were also held in different provinces, the main aim being to build more capacity for our service providers.

Furthermore, a number of meetings were held with SAPS and other stakeholders during the year under review in order to strengthen compliance and improve awareness about PSiRA.

There is continuous interaction between PSiRA and the State Security Agency (SSA) in respect of the screening of security officers to be used at national events.

#### 1.4 Investing in our communities – Social Responsibility Investment Initiatives

PSiRA participated in the Cell C “Take a Girl Child to Work” campaign, which took place on 26 May 2016. The campaign, which was launched in 2003, targets Grade 10 to 12 learners with the aim of giving them an opportunity to visit different work environments and explore various career opportunities available to them. PSiRA hosted ten girl learners from DH Peter Secondary School in Atteridgeville.

The South African Government, together with all sectors of society, has in the past 22 years played a significant role in ensuring that children’s rights are promoted and protected. The Private Security Industry Regulatory Authority (PSiRA) also took part in the initiative by visiting the Grade 7 learners at Chivirikani Primary School in Katlehong, Gauteng, on 2 June 2016.

#### 1.5 Complaints and Helpdesk

PSiRA has full-time Complaints and Helpdesks at our Arcadia, KwaZulu-Natal and Western Cape offices. The purpose of these offices 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 from 1 April 2016 to 31 March 2017 is as follows:

Number of enquiries/ complaints	Head Office	KwaZulu- Natal
Telephonic	13 239	323
Personal	1 606	310
Enquiries	1 240	614
Complaints	852	601
Enquiries/Complaints Pertaining to Registration/ Training	72	276
Wages	709	519
Provident Fund	70	381

#### 1.6 Joint stakeholder engagements with the Ministry of Police

Over and above planned activities, PSiRA also participated in the outreach initiatives undertaken with the Ministry of Police, especially those affecting the private security sector, such as a taxi violence workshop and meetings in KwaZulu-Natal, presentations at the outreach programmes in Mpumalanga, Northern Cape and Western Cape with the office of the DPCI Judge, as well as public information sharing sessions in partnership with other entities reporting to the Minister of Police that were held at the E-Thekwini Municipality and Eastern Cape Department of Public Works.

PSiRA strives to intensify stakeholder engagement programmes for security officers, consumers and government departments, as well as building capacity within our call centre to address and resolve complaints received from consumers, as the growing needs of our customers remain critical.

#### Going forward

PSiRA will strive to intensify stakeholder engagement programmes by focusing on all the primary stakeholders and building more capacity for our service providers.

Key Performance Indicators (KPIs)	Number of public awareness programmes on PSIRA's role and functions			
<b>Annual Target 2016/2017</b>	90 public awareness programmes			
Quarter 1 (April-June)	Quarter 2 (July –Sep)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)	
<b>Industry Compliance Forums</b> <ul style="list-style-type: none"> <li>None</li> </ul>	<b>4 Industry Compliance Forums held in the following provinces:</b> <ul style="list-style-type: none"> <li>PICF Limpopo</li> <li>PICF KwaZulu-Natal</li> <li>Eastern Cape</li> <li>KwaZulu-Natal Sub-committee</li> </ul>	<b>1 Industry Compliance Forum held in the following province:</b> <ul style="list-style-type: none"> <li>KwaZulu-Natal Sub-Committee</li> </ul>	<b>4 Industry Compliance Forums held in the following provinces:</b> <ul style="list-style-type: none"> <li>PICF Gauteng</li> <li>PICF KwaZulu-Natal</li> <li>PICF Western Cape</li> <li>PICF KwaZulu-Natal</li> </ul>	
<b>Conducted consumer awareness on the following:</b> <ul style="list-style-type: none"> <li>Cell C "Take a Girl Child to Work: PSIRA hosted learners from DH Secondary School in Atteridgeville on 25 May 2016</li> <li>Ministry of Police Budget Vote on 21 April 2016</li> </ul>	<b>Conducted consumer awareness on the following:</b> <ul style="list-style-type: none"> <li>Presentation at the outreach programme with DPCI – Judge, Mbombela Stadium, Mpumalanga</li> </ul>	<b>Conducted consumer awareness on the following:</b> <ul style="list-style-type: none"> <li>Presentation at the outreach programme with DPCI – Judge, Galeshewe, Northern Cape</li> <li>Presentation at the outreach programme with DPCI –Judge, Thembalethu, Western Cape</li> <li>Code of Conduct article in Isolo-zwe newspaper</li> <li>New Security Training Standards in Hi-Tech Security magazine</li> <li>Consumer awareness campaign on DSTV channel</li> <li>Exhibition at Association of Certified Fraud Examiners (ACFE)</li> <li>Launch of the Richards Bay Mine Crime Prevention.</li> </ul>	<b>5 Consumer awareness campaigns conducted:</b> <ul style="list-style-type: none"> <li>Western Cape Consumer Awareness Workshop</li> <li>KwaZulu-Natal, Durban Consumer Awareness Workshop</li> <li>Exhibition at Alfred Duma Local Municipality Business Week</li> <li>PSIRA Educational Campaign on SABC TV</li> <li>PSIRA Educational Campaign on SABC Radio on SAFM</li> <li>Annual Performance Reports Highlights in SOE Review -Volume 17</li> <li>Annual Report Presentation</li> <li>Hi Tech Security Magazine</li> </ul>	

Key Performance Indicators (KPIs)	Number of public awareness programmes on PSiRA's role and functions			
Annual Target 2016/2017	90 public awareness programmes			
Quarter 1 (April-June)	Quarter 2 (July –Sep)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)	
<b>6 Public awareness programmes conducted</b> <ul style="list-style-type: none"><li>Department of Safety and Security, Mpumalanga</li><li>Illegal Gambling Ekurhuleni Central Cluster</li><li>Consultative forum with SAPS</li><li>Stakeholder session with KwaZulu-Natal legislature</li><li>Stakeholder session with the Department of Health, Pietermaritzburg</li><li>Consumer awareness on the new premises of PSiRA Port Elizabeth Office, Herald Newspaper</li><li>Exhibition at Gallagher Convention Centre</li><li>Exhibition at CSIR, Gauteng</li><li>Stakeholder engagement at Office of the DPCI-Judge (Mthatha)</li><li>Annual Pan African Forum, Gallagher Convention Centre</li></ul>	<b>4 Awareness programmes conducted</b> <ul style="list-style-type: none"><li>Department of Public Works, Eastern Cape</li><li>E-Thekwini Municipality</li><li>Port Elizabeth office launch</li><li>Portfolio Committee on Police for oversight visit in Eastern Cape</li><li>Advertorial on the renewal of PSiRA certificates and cards in PE Herald</li><li>Advertorial on Consumer Awareness Campaign in PE Herald</li><li>New Training Standards in Hi-Tech Security magazine</li></ul> <b>5 Public awareness programmes conducted:</b> <ul style="list-style-type: none"><li>2 Radio interviews on the role of PSiRA</li><li>16 September 2016 - Munghana Lonene FM</li><li>27 August 2016 - Munghana Lonene FM</li><li>Media advisory</li><li>Port Elizabeth Office launch</li><li>Media statements</li><li>Alleged Misconduct by security officers at universities</li></ul>	<b>2 Public awareness programmes conducted:</b> <ul style="list-style-type: none"><li>1 Radio interview: 6 October 2016 - Capricorn FM</li><li>TV interview: 30 October 2016 - TV interview with eNCA</li></ul> <b>9 Annual consultative work-shops</b> <ul style="list-style-type: none"><li>28 November 2016 - Centurion</li><li>29 November 2016 – KwaZulu-Natal</li><li>29 November 2016 - Western Cape</li><li>30 November 2016 - Kimberley</li><li>5 December 2016 - Limpopo</li><li>6 December 2016 - Free State</li><li>6 December 2016 - North West</li><li>7 December 2016 - Eastern Cape</li><li>7 December 2016 - Mpumalanga</li></ul> <b>Special presentation of PSiRA's Annual Report</b> <b>Special presentation of PSiRA's Annual Report</b>	<b>3 Public awareness programmes conducted:</b> <ul style="list-style-type: none"><li>1 Radio interview</li><li>1 March 2017 - Cape Talk FM</li><li>Media Advisory</li><li>Alfred Duma Local Municipality Business Week</li><li>Special Presentation of the 2015/2016 Annual Report</li></ul> <b>5 Public awareness programmes conducted:</b> <ul style="list-style-type: none"><li>3 Annual consultative work-shops</li><li>27 January 2017 - Durban</li><li>25 January 2017 - Centurion</li><li>30 January 2017 - North West</li><li>28 February 2016 –</li></ul> <b>Special Presentation of the 2015/2016 Annual Report</b> <b>28 March 2017 - Limpopo business briefing</b>	

Key Performance Indicators (KPIs)	Number of public awareness programmes on PSIRA's role and functions			
Annual Target 2016/2017	90 public awareness programmes			
Quarter 1 (April-June)	Quarter 2 (July –Sep)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan–March)	
<b>2 Radio interviews on the role of PSIRA:</b> <ul style="list-style-type: none"><li>▪ 6 May 2016 - Munghana Lonene FM</li><li>▪ 15 April 2016 - QwaQwa Radio</li><li>▪ Media advisory</li><li>▪ Child Protection Week</li><li>▪ Media statements</li><li>▪ Illegal Security Guards</li></ul>	<b>8 Presentations at the employers’ workshops in partnership with PSSPF</b> <ul style="list-style-type: none"><li>▪ North West, Mahikeng</li><li>▪ Mpumalanga, Nelspruit</li><li>▪ North West</li><li>▪ Limpopo, Phalaborwa</li><li>▪ Limpopo, Polokwane</li><li>▪ Mpumalanga, Piet Retief</li><li>▪ Northern Cape</li><li>▪ KwaZulu-Natal Business Briefing</li></ul>			
<b>8 Presentations at the employers’ workshops in partnership with PSSPF</b> <ul style="list-style-type: none"><li>▪ Bloemfontein</li><li>▪ Kimberley</li><li>▪ Welkom</li><li>▪ Centurion</li><li>▪ Cape Town</li><li>▪ OR Tambo</li><li>▪ East London</li><li>▪ Umhlanga</li></ul>	<b>47 Employee stakeholder sessions done in partnership with PSSPF</b> <ul style="list-style-type: none"><li>▪ Mpumalanga - Malelane, Nelspruit, Witbank, Secunda, Piet Retief</li><li>▪ Limpopo - Lephalale, Thohoyandou, Tzaneen, Polokwane, Modimolle</li><li>▪ Gauteng - Krugersdorp, Vereeniging, Springs, Pretoria, Johannesburg</li><li>▪ Northern Cape - Prieska, Upington, Kuruman, Taung, Kimberley</li><li>▪ North West - Klerksdorp, Mafikeng, Zeerust, Mogwase, Rustenburg</li><li>▪ KwaZulu-Natal –Richards Bay, Newcastle, Pietermaritzburg, Port Shepstone, Durban</li><li>▪ Free State - QwaQwa, Bethlehem, Bloemfontein, Welkom, Kroonstad</li><li>▪ Eastern Cape -Mthatha, Queenstown, East London, Grahamstown</li><li>▪ Western Cape - George, Paarl, Atlantis, Somerset West, Cape Town</li><li>▪ Gauteng Trade Unions’ engagement - 12 August 2016</li><li>▪ KwaZulu-Natal Trade Unions’ engagement - 25 August 2016</li></ul>			

## F. Research and Development

In terms of the Private Security Industry Regulation Act No. 56 of 2001, PSiRA must take steps to achieve its objectives with the means at its disposal. Section 4(d) of the Act provides that for the purpose of achieving its objectives, PSiRA may “conduct an ongoing study and investigation of the rendering of security services and practices of security service providers in order to identify shortcomings in this Act and the Levies Act, or any policy or rule made in terms thereof, and to deal with any evasion, abuse or violation of the procedures or principles contained in this Act or the Levies Act, or any policy or rule made in terms thereof”. In line with this provision, the Research and Development Unit conducted research aimed at unearthing insights on how PSiRA’s mandate could be strengthened. In the pursuit of being a centre for excellence in private security research, a number of studies and surveys were undertaken, as well as policies developed.

### 1. Priority Research Topics

In line with the Annual Performance Plan, the Research and Development Unit worked on two priority research topics and four research surveys. Their summaries are detailed below.

#### **Priority Research Topic 1: Sworn to Protect and Defend: Close Protection within the South African Private Security Industry**

This study on close protection within the South African private security industry was undertaken for the purpose of providing a basis for the need for policy change in so far as close protection within the private security industry in South Africa is concerned. The overarching aim of the research was to enable PSiRA to effectively regulate close protection services within the industry and effectively exercise control over the practice of the occupation of close protection services provision in the public and national interest, and

in the interest of the private security industry.

The research found that as part of the private security industry, the close protection sub-industry has become a force to be reckoned with in South Africa. The study found that during the 2015/2016 financial year, while the number of businesses specialising in close protection was 2 465, only 225 were inspected, thus casting a doubt on whether the sub-industry was effectively regulated and controlled by PSiRA. The study revealed that the close protection sector was still male and white dominated. This was an indictment to PSiRA whose mandate is to encourage the ownership and control of security businesses by persons who have historically been disadvantaged through unfair discrimination, and to promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry. In so far as training is concerned, the study found that close protection is a specialised type of security service, which requires more than just a PSiRA Grade C, which is the current minimum requirement for becoming a close protection officer. The study further noted the alarming trend in the use of unregistered close protection officers.

The study made recommendations aimed at ensuring that PSiRA effectively regulates and controls the industry. For example, the study recommended that specific regulations for the close protection industry be developed in order to ensure compliance. It was further recommended that the “fit and proper” test, which is a requirement for registering a security service provider, must be of a higher standard than an ordinary PSiRA Grade C holder. The study also recommended effective inspections of close protection businesses and an establishment of a close protection unit within PSiRA.



## **Priority Research Topic 2: Securing the Theatre for Champions: Special Events Sector of the Private Security Industry in South Africa**

This research focused on the special events sector in South Africa's private security industry. The study looked at the private security industry Regulation Act No. 56 of 2001 as well as the Safety at Sports and Recreational Events Act No. 2 of 2010, which are both applicable to events security. The study revealed that special events security could not be equated with security guarding, as it entailed not only the protection of property, but also delegates, guests, spectators and revellers. As a result, the need for higher standards in training events security officers cannot be overemphasised.

The study revealed that the weaknesses in the approach to special events security pertained to shortcomings in the training environment and PSiRA's regulatory and enforcement approach. It was noted that there was a lack of physical training for special events. PSiRA's visibility and capacity were flagged as challenges relating to the implementation of the PSiR Act.

The study recommended the alignment of the Private Security Industry Regulation Act No. 56 of 2001 with the Safety at Sports and Recreational Events Act No. 2 of 2010. It further recommended that PSiRA should make it a requirement that all event organisers provide a PSiRA 'letter of good standing' as part of the documentation that needs to be submitted and approved before an event could be authorised. The study recommended that PSiRA intensifies its regulatory approach to ensure compliance with the law in so far as the use of security officers is concerned. Due to the minimal inspections in terms of events security, the study recommended the introduction of self-inspections. PSiRA was encouraged to ensure that cohesive and efficient systems are put in place in order to serve the private security industry.

The study also flagged the threat of terrorist attacks, which is not part of the training standards for events security. It was recommended that pre-emptive measures be put in place in order to be prepared for such eventualities.

### **Research Surveys**

The Research and Development Unit commissioned surveys pursuant to the 2016-2017 strategic objective and pursuant to developing industry stewardship and cultivating customer relationships. During the 2016/2017 financial year, the following research surveys were conducted:

- The Costs of Private Security Services;
- The Training Standards of Private Security Services;
- Direct Consumer Survey; and
- End-User Survey.

### **Policies**

During the year under review, the Research and Development Unit produced the following policy documents:

- Policy on Close Protection within the Private Security Sector in South Africa; and
- Policy on Special Events Security within the Private Security Sector in South Africa.

### **Partnerships**

#### **University of the Witwatersrand (Mandela Institute)**

During the year under review, PSiRA continued its collaboration with the Mandela Institute at the University of the Witwatersrand in terms of presenting a post-graduate certificate course, namely the Private Security Services Law course (NQF Level 8), which is aimed at giving practitioners and graduates a sophisticated understanding of South African private security services law. During the year, 16 participants attended this course, which was facilitated by the Research and Development Unit's staff. PSiRA organised a ceremony for the presentation of the certificates to the successful candidates.







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# C

## Corporate Governance

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# Governance Report

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. PSiRA was established in terms of the Private Security Industry Regulation Act, 2001 as a statutory body entrusted with the regulation of the private security industry and to exercise effective control over the practice of the occupation of security service providers in the public and national interest, and the interest of the private security industry itself.

PSiRA is listed under the Public Finance Management Act (PFMA), 1999 schedules as a Schedule 3A public entity, and as such must adhere to the statutory duties and responsibilities of public entities as provided for under Chapter 6 of the PFMA and Treasury Regulations applicable to public entities. In addition to the legislative requirements, corporate governance within PSiRA is guided by the principles in the King Reports on corporate governance, which have broadened the scope of corporate governance in the Republic with the launch of the King IV Report on 1 November 2016.

The Council of PSiRA, as the Accounting Authority of the entity, is responsible for corporate governance within the entity, and in this regard is accountable to Parliament through the Executive Authority, being the Minister of Police, for reporting on the performance of the entity in the execution of its mandate under the PSiR Act and in line with the Strategic and Annual Performance Plans as agreed with the Executive Authority and sanctioned by Parliament.

## 2. Portfolio Committee

During the period under review, the PSiRA Council and Executive Management were invited to three meetings of the Portfolio Committee on Police on:

- **24 May 2016** - to present the strategic and annual performance plans, including the budget for 2016/2017;
- **14 October 2016** - to present the PSiRA Annual Report for 2015/2016 and the audit outcome and audit action plan; and
- **8 February 2017** - to present the progress report on implementation of the audit action plan and the introduction of newly appointed Council members by the Minister.

The key strategic focus areas, which the Portfolio Committee raised during these meetings, included strengthening of corporate governance within PSiRA through implementation of the governance framework and the establishment of functional governance committees; review of the funding model for PSiRA,

which had been a challenge in the previous years with PSiRA posting a deficit between 2012 and 2014; taking service delivery initiatives to remote areas and other provinces where PSiRA does not have a regional presence; transformation of the private security industry through the development of the Industry Transformation Charter and its implementation plan; and compliance to the legislative framework for which the Council must ensure continued monitoring of implementation of the audit action plan to maintain and improve the positives from the previous financial year.

PSiRA has made some significant improvements in terms of addressing the issues raised by the Portfolio Committee. A governance framework was developed and approved by Council in July 2016 and is being implemented for all the activities of Council and its Committees. Council also appointed a Corporate Secretary in December 2016 to take on the role of ensuring that the governance framework is implemented and reviewed for continued relevance in line with current governance trends.

Progress has also been made in terms of the development of the Industry Transformation Charter with the appointment of a panel of experts towards the end of the financial year to kick start the process of initial consultations in the various sectors of the industry. Various awareness campaigns were also conducted to improve on our service delivery to remote areas and other provinces by setting up temporary operations in Bloemfontein (Free State) and George (Western Cape).

### 3. Executive Authority

In compliance with PFMA prescripts, PSiRA submitted the following reports and documents to the Executive Authority during the period under review:

- Draft Strategic and Annual Performance Plans, including the budget for 2017/2018, on 31 August 2016;

- Annual Report for 2015/2016 on 31 August 2016; and
- Final Strategic and Annual Performance Plans, including the budget for 2017/2018, on 31 January 2017.

Further engagements with the Executive Authority were in terms of the nomination of new Council members and the subsequent appointment of the councillors by the Minister in December 2016. The new Council was inaugurated by the Minister on 9 January 2017, where the Minister outlined his priorities for PSiRA to the new Council. The Council received a two-day formal induction on 17 and 18 January 2017, where a representative from the Ministry also made a presentation regarding the Executive Authority's expectations from the new Council.

## 4. The Accounting Authority

### 4.1 Introduction

PSiRA is governed and controlled by Council, which is appointed in terms of Section 6 of the PSiR Act by the Minister in consultation with Cabinet. During the period under review, PSiRA was under the leadership of two Councils, with the Minister appointing the new Council at the end of the third quarter, as the term of office of the previous Council came to an end in August 2016, but was extended until the end of December 2016 to allow for the finalisation of the appointment of the new Council, which only took office effective from 1 January 2017.

The Council, as the Accounting Authority of PSiRA, is the focal point of corporate governance within PSiRA, and is accountable to Parliament through the Minister as the Executive Authority of the entity. The Council also subscribes to the principles of the King Reports on corporate governance and in this regard has adopted the key principle to define the strategy of PSiRA and provide direction in its implementation, and has established the ethics and values framework

that influences and guides the practices and behaviour regarding sustainable performance in order to achieve the objectives of the Act.

#### **4.2 The Role of the Council**

In terms of the PSiR Act, the role of the Council includes among others, to take steps to achieve the objectives of the entity as contemplated in section 3 of the Act, to ensure performance of the duties of PSiRA, and to oversee and exercise general control over the performance of PSiRA's functions and the activities of the persons appointed by it.

The Council is responsible for setting the strategic direction of the entity, as guided by the legislative mandate under the PSiR Act and government policy as enunciated in the National Development Plan 2030 (Chapter 12).

The Council is accountable to the Minister for the performance of its functions and must from time to time supply the Minister with such information and particulars as the Minister may in writing require in connection with the functions of the entity or any other matter relating to the entity. The Council also accounts to the Minister under Chapter 6 of the PFMA.

#### **4.3 Council Charter**

During the period under review, the Council developed and approved a governance framework, which included the Council Charter to strengthen corporate governance within the entity through the implementation of the framework and the establishment of governance committees. This Charter clarifies the roles and responsibilities of the Council and Executive Management and is guided by sound principles of delineation of responsibilities. A Delegation of Authority Policy also exists as an internal control measure to guide the delineation of responsibilities and segregation of duties within PSiRA.

The Council continues to implement the Charter in all its activities and has seen some significant improvements in terms of the governance of the entity, with the focus for Council being on strategic matters, while Management is left to deal with the operational matters in terms of the Delegation of Authority and regularly reports to Council on the entity's performance in the execution of the strategic direction as set by the Council.

#### **4.4 Composition of the Council**

The PSiR Act prescribes the composition of the Council as follows:

- Chairperson
- Vice-Chairperson
- Three additional Councillors, all appointed by the Minister in consultation with Cabinet.

During the period under review, PSiRA had two Councils, with the Minister appointing the new Council at the end of the third quarter, as the term of office of the previous Council came to an end in August 2016. It was, however, extended to the end of December 2016 to allow for the finalisation of the appointment of the new Council, which only took office effective from 1 January 2017.



The table below depicts the Council composition for the period under review with an indication of the date of expiry of the term of office and appointments of the new councillors.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date term of office expired	Qualifications	Area of expertise	Board directorships	Other committees or task teams (e.g.: Audit committee / Ministerial task team)	No. of meetings attended
Prof. N.M. Mazibuko	Chairperson	19/04/2015	Current	<ul style="list-style-type: none"> <li>▪ Bachelor of Arts (Social Work);</li> <li>▪ BA Hons (Community Organisations and Development);</li> <li>▪ Post-Graduate Diploma Management and Administration;</li> <li>▪ Public Relations Diploma;</li> <li>▪ BA (Communications);</li> <li>▪ Master of Social Sciences; and</li> <li>▪ PhD.</li> </ul>	Social Policy; Community Development; Social Welfare; Management and Admin; Governance and Transformative Leadership and Programme Evaluation	KwaZulu-Natal Museum Council & National Women in Research SA	N/A	9 of 9
Mr. D.C. Rathebe*	Vice-Chairperson	06/09/2013	31/12/2016	<ul style="list-style-type: none"> <li>▪ Bachelor of Law (LLB) &amp; Corporate Governance</li> </ul>	Policy Analyst		Stakeholder & Core Business	2 of 9
Adv. N. Mthembu*	Councillor	06/09/2013	31/12/2016	<ul style="list-style-type: none"> <li>▪ Bachelor of Social Science (B.Soc. Sc.) and</li> <li>▪ Bachelor of Law (LLB)</li> </ul>	Law & Corporate Governance		HR & Remuneration Committee	4 of 9
Mr. B. Ntuli*	Councillor	06/09/2013	31/12/2016	<ul style="list-style-type: none"> <li>▪ Master of Management in Security;</li> <li>▪ Post-Graduate Diploma in Policy and Development Administration;</li> <li>▪ Post-Graduate Diploma in Economics and Public Finance; and</li> <li>▪ Teacher's Diploma</li> </ul>	Education; Management; Governance; and Defence		Stakeholder & Core Business	6 of 9



Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date term of office expired	Qualifications	Area of expertise	Board directorships	Other committees or task teams (e.g.: Audit committee / Ministerial task team)	No. of meetings attended
Maj. Gen. C. Philson	Councillor	06/09/2013	Current	<ul style="list-style-type: none"> <li>National Diploma in Police Administration</li> </ul>	Intelligence; Governance & Policing	None	Stakeholder & Core Business	7 of 9
Mr. N.H. Ngubane**	Vice-Chair- person	01/01/2017	Current	<ul style="list-style-type: none"> <li>Master of Education;</li> <li>Bachelor of Education;</li> <li>Bachelor of Arts;</li> <li>Certificate in Labour Law</li> </ul>	Education and Training; Management; and Project Management	Media Education Trust (NGO)	Stakeholder & Core Business	3 of 9
Mr. M.T. Oliphant**	Councillor	01/01/2017	Current	<ul style="list-style-type: none"> <li>B. Tech: Labour Relations;</li> <li>Diploma in Human Resources Management; and</li> <li>Specialised HR Management Programme</li> </ul>	Labour Relations; Management; and Human Resources	Zenzele Energy (inactive) & VHD Management Development (inactive)	Stakeholder & Core Business and HR & Remuneration Committees	3 of 9
Mr. Z. Zulu**	Councillor	01/01/2017	Current	<ul style="list-style-type: none"> <li>MBA;</li> <li>Post-Graduate Diploma in Business Management;</li> <li>Bachelor's Degree in Business Technology and</li> <li>Diploma in Labour Economics</li> </ul>	Strategy Development; Project Management; Management; Labour Relations, Human Resources; and Capacity-building and Training	KwaZulu-Natal Nature Conser- vation; Durban ICC & Gold Circle and BWQ Holdings (Pty) Ltd	HR & Remuneration Committee	3 of 9

\* Term of office expired on 31/12/2016

\*\* Appointed from 01/01/2017

## Council Committees

The Council is empowered under section 13 of the Act to establish committees consisting of one or more councillors, or one or more councillors and one or more other persons, or one or more other persons to advise or assist the Council in the execution of its mandate in relation to any matter referred to the committee by the Council and to report on that matter to the Council. During the

period under review, the Council established the committees as per the table below and developed and approved the terms of reference for each of the committees. The committees reported to Council meetings on their activities as per their terms of reference and recommended matters reserved for Council decision to the Council to take such decisions.

Committee	Number of meetings held	Number of members	Names of members
Human Resource and Remuneration Committee	4	5	<ul style="list-style-type: none"> <li>▪ Adv. N. Mthembu* (Chairperson)</li> <li>▪ Mr. M.T. Oliphant (Chairperson)</li> <li>▪ Dr. A. Moshikaro</li> <li>▪ Ms. D. Dluflu</li> <li>▪ Mr. Z. Zulu</li> </ul>
Audit and Risk Committee	4	7	<ul style="list-style-type: none"> <li>▪ Mr. A.N. Mhlongo** (Chairperson)</li> <li>▪ Adv. T. Mvelase*</li> <li>▪ Ms. N. Tshobeni**</li> <li>▪ Mr. B.M. Mkhize*</li> <li>▪ Mr. C. Motau</li> <li>▪ Ms. K.G. Mbonambi (Chairperson)</li> <li>▪ Mr. P. Ravhudzulo</li> </ul>
Stakeholder and Core Business Committee	4	5	<ul style="list-style-type: none"> <li>▪ Mr. D.C. Rathebe* (Chairperson)</li> <li>▪ Mr. B. Ntuli*</li> <li>▪ Mr. N.H. Ngubane (Chairperson)</li> <li>▪ Maj. Gen. C. Philison</li> <li>▪ Mr. M.T. Oliphant</li> </ul>

\* Term of office expired on 31/12/2016

\*\*Term of office expired 28/02/2017

## Remuneration of Council Members

PSiRA, as a Schedule 3A public entity under the PFMA, was classified in terms of National Treasury guidelines on service benefits for office bearers of certain statutory entities under Category A1 in terms of determinations for the remuneration of Council members. Council members were remunerated in terms of the rates determined for entities falling under Category A1 of the guidelines. For the full disclosures in terms of the remuneration and other allowances paid to Councillors during the period under review, refer to the notes in the annual financial statements under Section D of this report.

The Minister determines the remuneration of Councillors on the recommendations of Council, taking cognisance of National Treasury guidelines. For the new Council appointed effective from 1 January 2017, the Minister determined a

fixed remuneration for Councillors as a monthly stipend and not based on meeting fee structures.

## 5. Risk Management

PSiRA considers the pivotal existence of Risk Management as cultivating a risk awareness culture in that Risk Management is everyone's responsibility and that risks are identified and managed in pursuit of PSiRA's objectives.

As a Schedule 3A Public Entity, PSiRA is required by the Public Finance Management Act to implement and maintain effective, efficient and transparent systems of financial, risk management and internal control. Therefore, in an effort to implement Risk Management, PSiRA has adopted:

- ISO 31000 International Risk Management.
- Public Sector Risk Management Framework.
- Risk Management Principles and Guidelines as detailed in the King III Report in so far as risk management is concerned.

During the past year, PSiRA's risk management intelligence has propelled to the 3.9 control level by means of the following key achievements:

- *Risk management structure.* PSiRA has an approved risk management structure with a dedicated Chief Risk Officer heading the unit.
- *Risk management methodology.* The Risk Management Framework, Risk Management Strategy and Implementation Plan have been approved. The approved Combined Assurance Plan is also in place to regulate the relationships, roles and responsibilities between the different assurance providers and management. The risk management methodology is reviewed annually to ensure relevance to PSiRA's current risk profile, as recommended by the Audit and Risk Committee and approved by Council.
- *Risk Management governance structures.* PSiRA has a functional Audit and Risk Management Committee with three non-executive and four executive members, which advises Management on the systems of risk management and monitors

the effectiveness thereof. Risk Management and Risk Champions sub-committees are in place. The appointment of an external chairperson for the Risk Management Committee is underway. The committee advises Management on PSiRA's overall state of risk management and proposes recommendations to address any identified deficiencies. The Chief Risk Officer is the chairperson of the Risk Champions sub-committee.

- *Risk assessments.* PSiRA undertakes a process of strategic and operational risk assessments on an annual basis, where the risk profile is reviewed to identify new and emerging risks. Project risk assessments are also conducted, but due to capacity constraints, are limited to projects over R5 million.

The **2016/2017 Strategic Risk Register** as at 31 March 2017 indicated an 86% achievement. This was due to the non-implementation of the ERP system as a mitigating action to the risk of inadequate IT infrastructure. The risk was therefore carried over to the 2017/2018 approved Strategic Risk Register.

The **2016/2017 Project Risk Register** as at 31 March 2017 indicated that one project risk assessment was conducted at the project planning phase. Assessment is yet to be conducted at the project implementation and project completion phases in the 2017/2018 financial year.

**Operational risk registers** as at 31 March 2017 indicated that PSiRA had twenty approved operational risk registers, including branch offices, where the common risk was inadequate infrastructure (office premises). The risk was therefore carried over to the 2017/2018 financial year, as there has not been full implementation of mitigating actions due to the massive financial injections required.

Quarterly monitoring and reporting on the implementation of mitigating actions is made to the Audit and Risk Committee.

- *Value add of risk management.* Based on the 2016/2017 Risk Management Implementation

Plan, all targets were achieved at 100%. The identified risks were managed and reviewed to be at minimal exposure, except for the identified inadequate IT infrastructure risk.

In an effort to further increase the visibility and footprint of risk management within PSiRA, the following milestones were identified:

- Development of Risk Appetite and Tolerance matrix.
- Development of a Business Continuity and Disaster Recovery Plan, including relevant oversight structures.
- Advocating for risk management to be a standing agenda item for all business unit meetings.
- Incorporating risk management into performance agreements at all levels of management.
- Partnering with the relevant business unit for the development of a Compliance Framework.

## 6. Internal Control

Internal Audit provides the Audit and Risk Committee, as well as Management with assurance that internal controls are appropriate and effective as prescribed in the PFMA.

The internal control environment has shown some improvement on the Financial Statements and Supply Chain Management. However, there is still a need for PSiRA to improve the internal controls in relation to document management, ensure compliance to legislation, especially debtors management to improve financial viability.

Internal Control deficiencies were noted in relation to Performance Information Management. PSiRA will, however, utilise the risk management processes, as well as the identification and implementation of appropriate corrective actions to enhance processes for improved internal control environment.

## 7. Internal Audit Function

The internal audit function within PSiRA is an outsourced function rendered by Business Innovation Group (BIG) as a service provider. The internal audit firm conducted its assurance activities for the year based on the approved internal audit charter and annual audit plan. The internal audit plan was based on the strategic risk register, which was developed after a risk assessment that identified the key risks facing the entity. The audit plan focused on the following areas, which presented key risks for the entity:

- Asset management review
- Predetermined objectives
- Revenue management
- Human resources and payroll
- Communication and stakeholder management
- Registrations
- Supply Chain Management
- Follow-up review on internal and external audit action plan.

The audit plan was fully executed and audit reports submitted to the Audit and Risk Committee for monitoring of the implementation of the management audit action plan to ensure that the raised audit findings, including the Auditor-General's findings in the previous financial year, were addressed and resolved by Management.

## 8. Audit and Risk Committee

The internal audit function operates under the oversight monitoring and assessment of the Council's Audit and Risk Committee. The Committee was established by Council in terms of Section 77 of the PFMA, read with section 13 of the PSiR Act. The Committee comprises a minimum of three independent non-executive members. The members collectively have sufficient qualifications and experience to fulfil their duties. The members of the Committee also have sufficient knowledge of financial reporting, internal financial controls, the external and

internal audit process, risk management process, and information technology governance.

The Committee operates in terms of a Charter approved by Council. The roles and responsibilities of the Committee include the following:

- Monitoring the internal control system to protect the interests and assets of PSiRA.
- Reviewing the accuracy, reliability and credibility of statutory financial reporting and the annual financial statements, as presented by Management prior to Council approval.
- Ensuring that an effective internal audit function is in place and the roles and functions of external audits are clear and co-ordinated to provide an objective overview of the operational effectiveness of the entity's systems of internal control, risk management, governance and reporting. The Committee also assesses the performance of the internal audit and finance functions.
- Ensuring that PSiRA has implemented an effective policy and plan for risk management that will protect it from undue losses.

- Reviewing any accounting and auditing concerns raised by internal and external audits, and the annual financial statements.
- Obtaining assurance for information technology in relation to the management of IT assets, governance and controls, risks and disaster recovery.
- Reviewing the effectiveness of the system that monitors compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Instituting and overseeing fraud and corruption investigations as needed.

The Committee held four meetings during the period under review, which were attended by both internal and external auditors, Executive Management members and relevant officials. Details regarding activities and attendance of meetings of this Committee are presented in the Audit and Risk Committee report. The table below discloses relevant information on the Audit and Risk Committee members.

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date term expired	Number of meetings attended
Mr. A.N. Mhlongo (Chairperson)	CA (SA)	External	N/A	01/11/2010	28/02/2017	4
Adv. T. Mvelase	LLB (Hons); B.Com Law; Dip Criminal Justice and Forensic Audit; Cert. Money Laundering; and Cert. in Advanced Fraud Exam	External	N/A	18/06/2014	31/12/2016	2
Ms. N. Tshobeni	CA (SA)	External	N/A	18/06/2014	28/02/2017	0
Mr. B.M. Mkhize	CA (SA)	External	N/A	18/06/2014	31/12/2016	3
Mr. C. Motau	MBL, Master IT, B.Com; and Higher Dip in Computer Auditing	External	N/A	18/06/2014	Current	3
Ms. K.G. Mbonambi (Chairperson)	B.Com (Hons); B.Com (Accounting); Cert. in Board Governance and Cert. in Enterprise-wide Risk Management	External	N/A	17/03/2017	Current	0
Mr. P. Ravhudzulo	CA (SA)	External	N/A	17/03/2017	Current	0

## 9. Compliance with Laws and Regulations

The Council continues to monitor compliance with laws and regulations by PSiRA's Management in conducting the business operations to achieve the strategic objectives. The main legislation to which the entity has to ensure overall compliance remains the PSiR Act and the PFMA. Other pertinent legislation continues to be monitored through the activities of the relevant divisions to which such legislation applies and reporting on compliance is monitored through the relevant Council Committees.

The Council has also developed checklists for monitoring compliance with legislation, which include registers for listing of non-compliant expenditure under the PFMA, and reporting on actions taken where cases of non-compliance are reported or identified. These tools assist the Council in monitoring and assessing the risk of non-compliance to legislation and regulations and to come up with mitigating measures in the event of the risk escalating to unacceptable levels.

Compliance with internal policies and procedures is also crucial for the improvement of the governance and internal control environment within PSiRA. A policy universe is maintained and compliance therewith is monitored on an ongoing basis. The policies are also reviewed on a regular basis to ensure continued relevance and alignment with the legislative and regulatory prescripts.

## 10. Fraud and Corruption

PSiRA has a Fraud Prevention Plan that was approved in October 2010 and implemented during the financial year under review. During this period, 92 complaints were received through Fraud Hotline - 77 cases were industry-related and were referred to the Law Enforcement division for investigation and further processing;

and 15 cases were investigated by the Forensic and Ethics division, of which two cases were allegations of corruption against employees of PSiRA and 13 were fraud cases related to the industry.

The Fraud Prevention Plan is being reviewed for the 2017/2018 financial year. In this regard, the specific priorities stemming from the plan, actions to be taken, responsible persons and feedback dates relating to progress made, will also be set.

The fraud risk assessment will be conducted annually at the same time as the review of the Anti-Fraud and Corruption Strategy and Fraud Prevention Plan.

### Reporting channels

The reporting channels for unethical practices, fraud and corruption that have an impact on PSiRA are the following:

- PSiRA has a Fraud Hotline where any suspected or actual fraud can be reported on 0800 22 0918.
- All calls are treated with the utmost confidentiality and reporting may be done anonymously.

This facility is administered by an independent firm of forensic auditors to ensure that the identity of staff members who utilise this facility remains safeguarded. No person in PSiRA, regardless of seniority, has access to the identities of staff members or other persons who report irregularities or fraud.

PSiRA has adopted a policy of investigating all reports of fraud and corruption. Any suspicion of fraud and corruption will be tested, reviewed and analysed, if it warrants investigation. The appointed investigator submits a written report to the Accounting Authority, through the Audit and Risk Committee, detailing the circumstances and recommending appropriate remedial action following the investigation.



## 11. Minimising Conflict of Interest

As part of developing the governance framework for PSiRA, Council in its Charter adopted the principle that councillors have a legal obligation to act in the best interest of PSiRA, to act with due care and diligence in discharging their duties as councillors, declare and avoid conflicts of interest with PSiRA and disclose and account to PSiRA for any advantages gained in discharging their duties on PSiRA's behalf. Councillors must always put PSiRA's interests ahead of their own interests.

The Council also developed a Code of Conduct for Councillors, which obliges councillors to disclose to the Council, or to any committee of which the councillor is a member, any direct or indirect personal or private business interest that a councillor, or any spouse, partner or business associate of that councillor may have in any matter laid before the Council or committee; and to withdraw from the proceedings of the Council or committee when that matter is considered by the Council or committee, unless the Council or committee decides that the councillor's direct or indirect interest in the matter is trivial or irrelevant. Councillors are also required on an annual basis to make disclosures in terms of their directorship and/or shareholding in any company or any other entity that may potentially have an interest in the business of PSiRA. Similar provisions are also applicable to officials of PSiRA under the Code of Conduct for employees and the policy on declaration of interests.

## 12. Code of Conduct and Ethics

PSiRA is determined to discharge its legislative mandate in an ethical organisational environment under an ethical leadership. To this end, PSiRA has developed a Values Framework based on the values of integrity, excellence and ubuntu, which

are being inculcated in the organisational culture to raise ethical standards within PSiRA.

At the core of PSiRA's Values Framework are the Code of Conduct for both councillors and employees, and other ethics-related policies, which are informed by the provisions in the PFMA and the principles of the King Reports. The overall objectives of the ethics codes and related policies are to:

- Provide exemplary standards of conduct expected of all councillors and officials in the course of PSiRA business;
- Manage conflicts of interest, particularly in human resources and supply chain management processes; and
- Create an organisational culture for the conduct of PSiRA business based on its Values Framework.

Cases of non-compliance with the ethics codes and related policies are referred for disciplinary processes in terms of PSiRA's disciplinary procedures.

## 13. Corporate Secretary

The Corporate Secretary of PSiRA is functionally accountable to the Council to among others:

- Ensure that the Council governance framework and procedures are followed and reviewed regularly;
- Ensure that the applicable rules and regulations for the conduct of the affairs of the Council are complied with;
- Maintain statutory records in accordance with legal requirements;
- Provide the Council as a whole and individual Council members with detailed governance advice as to how their duties and responsibilities should be properly discharged in PSiRA's best interest;



- Keep abreast of and inform the Council of current corporate governance thinking and practices;
- Ensure Council and Council Committee terms of reference are reviewed regularly and approved;
- Provide a central source of guidance and support to the Council and Executive Management on matters of good governance;
- Facilitate the Council induction and training programmes;
- Ensure preparation and circulation of meeting packs and minutes of Council and Council Committee meetings; and
- Assist with the evaluation of the Council, Council Committees and individual councillors.

#### 14. Social Responsibility

PSiRA participated in the Cell C “Take a Girl Child to Work” campaign, which took place on 26 May 2016, by hosting ten girl learners from DH Peter Secondary School in Atteridgeville. Launched in 2003, this campaign targets Grade 10 to 12 learners to provide them with an opportunity to visit different work environments in order to explore various career opportunities available to them.

During the past 22 years, the South African Government, together with all sectors of society, has played a significant role in ensuring that children’s rights are promoted and protected. PSiRA also participated in this initiative by visiting the Grade 7 learners at Chivirikani Primary School in Katlehong, Gauteng on 2 June 2016.





# part D

## Human Capital

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# Human Capital Management (HCM)

Human Capital Management (HCM) is recognised as a strategic partner to all divisional units within the organisation. PSiRA's Human Capital Management, as such, deals with compensation, hiring, performance management, organisation development, safety, wellness, benefits, employee motivation, labour, HCM administration and training.

Human Capital Management is also a strategic and comprehensive approach to managing people and the workplace culture and environment. To this effect, PSiRA's Human Capital Management has effectively enabled employees to contribute commendably and productively to the overall organisational direction and the accomplishment of the organisation's goals and objectives.

PSiRA's Human Capital Management has moved away from traditional personnel, administration and transactional roles, which are increasingly outsourced. PSiRA's Human Capital Management is now expected to add value to the strategic utilisation of employees and ensure that recommended and implemented employee programmes impact the business in positive, measurable ways.

Human Capital Management is constantly innovating in pursuit of a high-performance workplace where all the employees can thrive. To achieve these goals, we have ensured that a robust recruitment strategy is in place to attract professionals who are prepared to drive progress and interact confidently with people at all levels and in a variety of business areas. This strategy has resulted in the recruitment of people with strong analytical and communication skills, enthusiasm, integrity and creativity, who thrive in a fast-paced, collaborative environment.

To ensure the personal and professional growth of PSiRA's employees, HCM has a dedicated team responsible for learning and development. The learning and development sub-division has effectively managed individual development, diversity and inclusion, as well as leadership and management programmes that begin during on-boarding and support our workforce throughout their careers in the organisation. In an attempt to augment the sector's knowledge, a number of people attended and completed a very informative Private Security Service Law programme at the University of the Witwatersrand.

In ensuring that we become a paperless organisation, HCM has launched the online Balanced Score Card Performance Management System successfully. The system allows employees to effortlessly conduct performance assessments online.

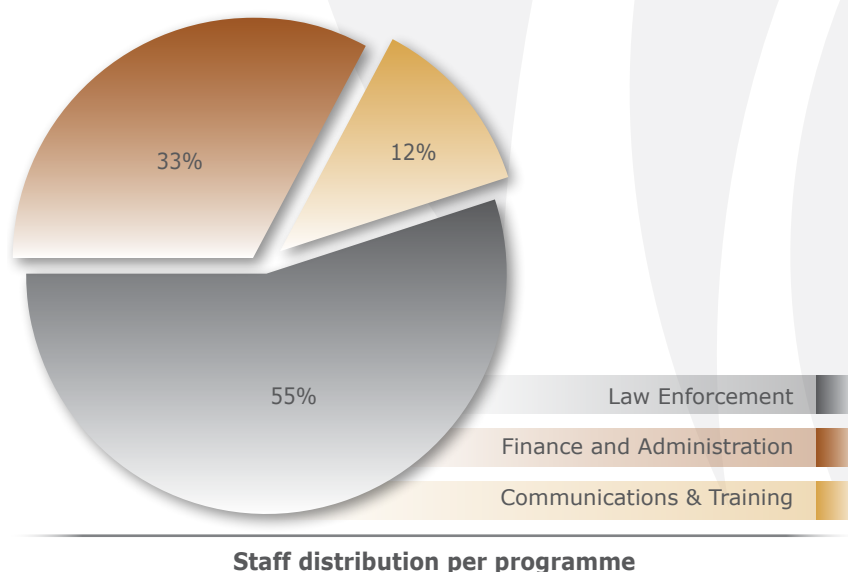
To encourage its workforce, PSiRA also rewarded its high performing employees with performance bonuses as a token of appreciation and to further motivate them to maintain or improve good

performance. During the year under review, performance assessments were done on a quarterly basis in order to inculcate the culture of performance.

## 1. Composition of Staff Per Programme

### Staff composition according to programmes (Permanent staff)

Programme	Number of permanent staff members
Law Enforcement	146
Finance and Administration	87
Communication and Training	32
<b>Total</b>	<b>265</b>



### Contracts and interns composition

Programme	Employees on fixed-term contract	Interns	Total
Law Enforcement	0	11	11
Finance and Administration	1	6	7
Communication and Training	4	5	9
<b>Total</b>	<b>5</b>	<b>22</b>	<b>27</b>

## 2. Employment Equity (EE)

PSiRA has a three-year approved Employment Equity (EE) Plan for the period 1 October 2014 to 30 September 2017. The implementation of the EE Plan is effectively monitored through the established Employment Equity Committee. The Committee was appointed officially by the Director to comply with the requirements of the Employment Equity Act.

In compliance with this Act, PSiRA's Human Capital practices provide equal employment opportunities to the designated population in the labour market by adhering to equal opportunity and affirmative action principles.

The table below indicates the progress made towards the attainment of the set targets in different occupational categories and the recommendations to accelerate the attainment of these targets in Top Management, Senior Management and Middle Management.

## 2.1 Equity Target and Employment Equity Status

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

### Male employment equity target

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior Management	6	0	0	0	0	0	1	0
Professional qualified	6	1	0	0	2	2	3	0
Skilled	39	0	0	1	0	0	5	0
Semi-skilled	36	0	0	1	0	1	0	0
Unskilled	3	0	0	0	0	0	0	0
<b>Total</b>	<b>92</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>0</b>

### Female employment equity target

Level	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	1	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified	9	0	1	0	0	0	1	0
Skilled	29	1	3	0	1	0	3	0
Semi-skilled	91	2	5	2	0	2	6	0
Unskilled	9	0	0	0	0	0	0	0
<b>Total</b>	<b>141</b>	<b>5</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>10</b>	<b>0</b>

### Disabled male and female staff employment equity target

Level	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	2	0	2	1
Senior Management	6	0	1	1
Professional qualified	13	3	11	0
Skilled	39	1	31	1
Semi-skilled	36	2	104	6
Unskilled	3	0	9	0
<b>Total</b>	<b>99</b>	<b>6</b>	<b>158</b>	<b>9</b>

## 2.2 Explanation of Variances

PSiRA uses various media such as the national press, online Career Junction and personnel agencies to assist in attracting candidates from the designated groups. Besides the concentrated effort to encourage applications from the designated groups, PSiRA has encountered an influx of the other designated genders - mainly females and of African race - from the EAP (Economic Active Population) as compared to the designated genders and races (such as Whites, Coloureds and Indians) as well as people with disabilities.

### 2.3 Attempts made to Address the Variances

- The Employment Equity Plan has been developed to radically address the imbalance in terms of representation.

- Preference has been given to the designated groups who have the pre-requisite knowledge, skills, ability and qualifications, by acknowledging such persons' prior learning and relevant experience.
- Employment barriers, which adversely affect people from designated groups and which are not justified, given the inherent requirement of the job, have been identified and eliminated.
- Workplace infrastructure and facilities are aligned to accommodate the needs of employees with disabilities.
- Measures to retain and develop people from designated groups are considered by Management.

## 3. Personnel Expenditure

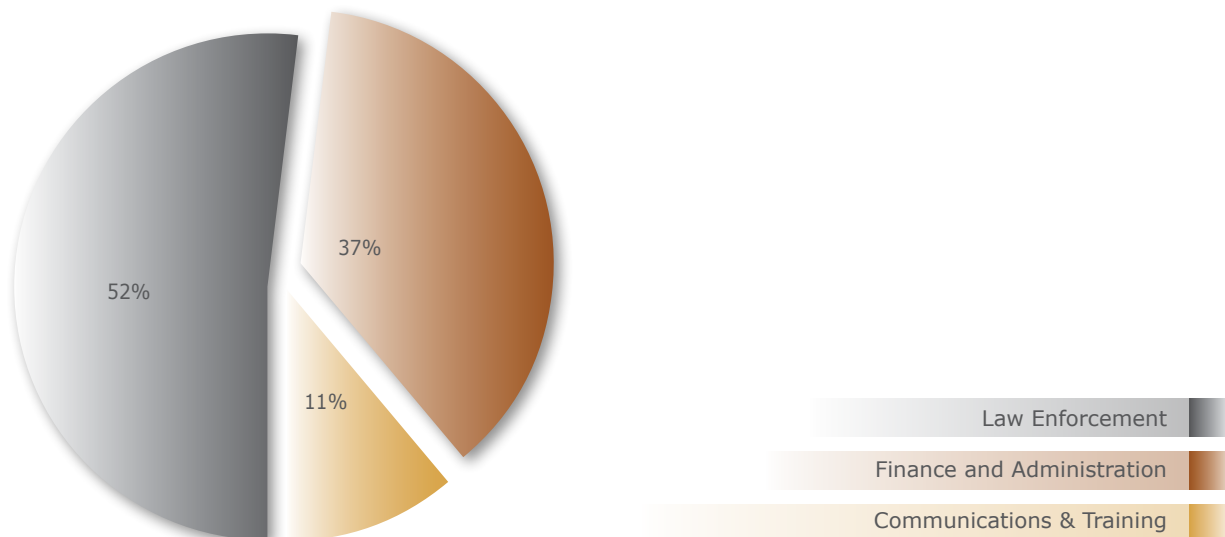
Personnel expenditure constitutes 54% of PSiRA's budget, which caters for the remuneration and benefits that are paid to the employees. PSiRA views these expenses as fundamental factors to attract, motivate and retain high performers. It uses the Paterson Grading System to determine the post levels in its structure and ensure that the different occupational levels within the structure are compensated in line with the Paterson Grading System and PSiRA's policies.

### Personnel cost per programme 2016/2017

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure	Total number of staff	Average personnel cost per person (R)
Law Enforcement	77 468 601	58 889 483	52%	157	375 092
Finance and Administration	103 883 490	41 372 459	37%	94	440,133
Communication and Training	29 403 424	12 288 550	11%	41	299 721
<b>Totals</b>	<b>210 755 515</b>	<b>112 550 492</b>	<b>100%</b>	<b>292</b>	<b>371 649</b>



## Personnel cost per programme 2016/2017



## Salary cost % distribution

## Personnel cost salary band 2016/2017

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R)
Top Management	4 724 718	4%	4	1 181 180
Senior Management	7 593 889	7%	8	949 236
Professional qualified	14 228 430	13%	20	711 422
Skilled	40 458 130	36%	82	493 392
Semi-skilled	42 578 007	38%	139	306 317
Unskilled	1 473 590	1%	12	122 799
Contracts and interns	1 493 728	1%	27	55 323
<b>Total</b>	<b>112 550 492</b>	<b>100%</b>	<b>292</b>	<b>545 667</b>

## 4. Employment and Vacancies

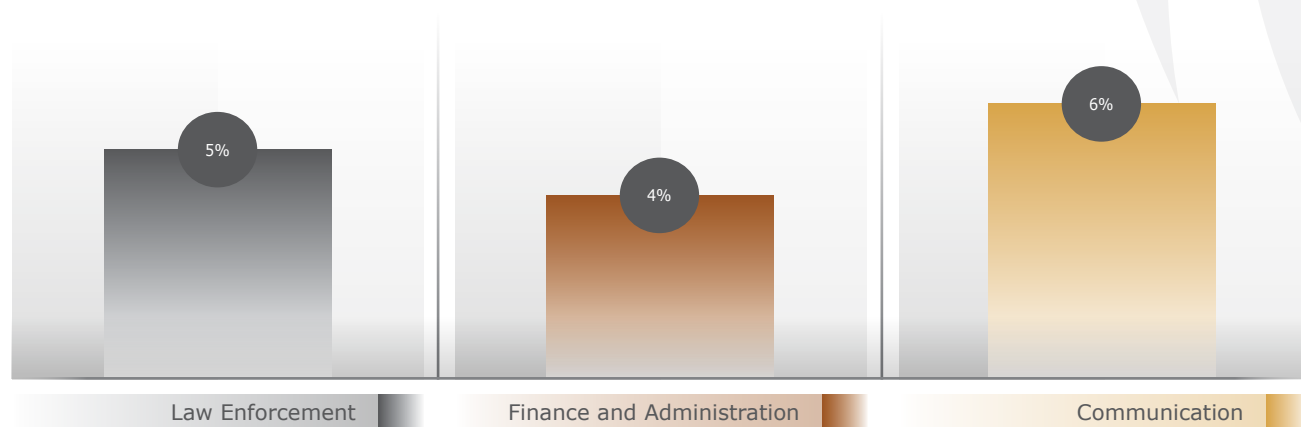
PSiRA's Human Capital Division always makes a point of filling vacated posts within reasonable time to avoid disruption of its operations. The vacancy rate is calculated and based on the approved posts as per the **Annual Staffing Plan** of the year under review.

The table below depicts the number of posts as per programme and indicates posts that are vacated and filled:

### Employment and vacancies per programme

Programme	2015/2016 Number of employees	2016/2017 Approved posts	2015/2016 Number of employees	2016/2017 Vacancies	% of vacancies
Law Enforcement	141	154	146	8	5%
Finance & Administration	71	91	87	4	4%
Communication & Training	29	34	32	2	6%
<b>Total</b>	<b>241</b>	<b>279</b>	<b>265</b>	<b>14</b>	<b>5%</b>

### Vacancy rate per programme



### Employment and vacancies per occupational level

Occupational levels	2015/2016 Number of employees	2016/2017 Approved posts	2016/2017 Number of employees	2016/2017 Vacancies
Top Management	5	5	4	1
Senior Management	7	9	8	1
Professional qualified	15	22	20	2
Skilled	73	83	82	1
Semi-skilled	127	143	139	4
Unskilled	14	17	12	5
<b>Total</b>	<b>241</b>	<b>279</b>	<b>265</b>	<b>14</b>

## 5. Annual Employment Turnover

During the financial year under review, only ten employees voluntarily resigned, which translates to a 4.9% turnover level. The Department of Labour turnover percentage validates the fact that PSiRA has done well in terms of retaining its staff and further confirms that PSiRA is one of

the best employers in the country. As Bernadette Kenny reports in "Forbes" magazine: Any rate below 15% annually is considered healthy and no cause for alarm. The exit interview forms do not reflect anything undesirable.

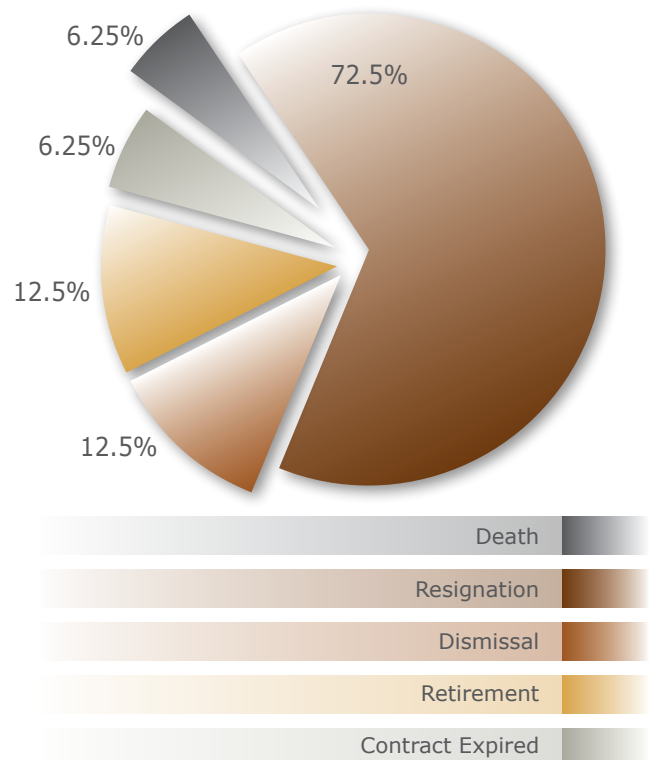
### Annual turnover per occupational level (Only permanently employed staff)

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	0	1	4
Senior Management	7	1	0	8
Professional qualified	15	8	2	21
Skilled	73	12	5	80
Semi-skilled	127	13	5	135
Unskilled	14	4	1	17
<b>Total</b>	<b>241</b>	<b>38</b>	<b>14</b>	<b>265</b>

### Reasons for termination (Permanent and contract staff)

Termination Type	Number	%
Retirement	1	6.25%
Death	2	12.5%
Resignation	10	72.5%
Dismissal – Misconduct	1	6.25%
Contract expired	2	12.5%
<b>Total</b>	<b>16</b>	<b>100%</b>

### Reasons for termination (Permanent and contract staff)



## Vacancies per programme

Programme	Department/Region	Number of vacancies
<b>Law Enforcement</b>	<b>Head Office</b>	<b>4</b>
	Mthatha	0
	Port Elizabeth	1
	Nelspruit	0
	KwaZulu-Natal	0
	Western Cape	1
	Limpopo (Polokwane)	0
	Legal Services (HO)	0
	Johannesburg	2
<b>Total: Law Enforcement</b>		<b>8</b>
<b>Finance and Administration</b>	<b>Finance and Accounting (HO)</b>	<b>0</b>
	Accounts Receivable (HO)	0
	Business Information System (HO)	1
	SCM (HO)	0
	Office Service and Facilities	0
	Asset Management	0
	Office of the CEO	3
	Human Capital	0
	Office of the Chairperson	0
<b>Total: Finance and Admin</b>		<b>4</b>
<b>Communication and Training</b>	<b>Registration</b>	<b>0</b>
	Communications, Events and Research and Training	2
<b>Total: Communication &amp; Training</b>		<b>2</b>
<b>Grand Total</b>		<b>14</b>

## 6. Skills Development and Training

PSiRA is a learning organisation that, on an annual basis, provides occupational programmes from its workplace skills plan in order to capacitate its workforce with the current trends of skills in various occupational levels. Identification of skills gaps is conducted by means of a skills audit and the performance management system. PSiRA submits its workplace skills plan to SASSETA on an annual basis. In addressing the critical skills, which are identified as skills gaps, SASSETA has awarded bursaries to ten PSiRA employees.

PSiRA acknowledges the importance of its skills human resource capacity and has identified a need to provide comprehensive training and development for its employees. This strategy has been successfully implemented by the appointment of a panel of experts for training service provision purposes, which will not only ensure an objective and fair process, but will also ensure that training needs of all PSiRA employees are achieved within the set target of planned training.

During the year under review, PSiRA, in order to capacitate its workforce, signed a memorandum

of understanding with a reputable institution to be able to customise the relevant training programme in order to deliver on PSiRA values.

The Skills Development Act, the National Skills Development Strategy and Strategic Framework for Human Resource Development emphasise the importance of skills in an organisation. Upon identification of the skills gap, the Learning and Development Division, supported by the established Skills Development Committee, developed a training development programme that was rolled out during the financial year. PSiRA managed, for the first time, to award 20 employees full bursaries to study at different accredited Public Higher Learning Institutions. During the 2016/2017 financial year, PSiRA offered about 63 different types of training to its employees. Most of the training innovations were realised to enhance skills in the following areas:

- Criminal Justice and Forensic Investigations
- Anti-Corruption and Commercial Crime Investigation
- Three Bid Committee
- Practical Legal Training
- Security Management
- Industrial and Organisational Psychology

### Training and development per programme

Directorate/ Business unit	Total number of personnel	Personnel expenditure (R)	Training expenditure (R)	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee (R)
Law Enforcement	146	58 889 483	420 558	0.7%	89	4 725
Finance and Administration	87	41,372,459	397 228	1.0%	66	6 019
Communication and Training	32	12,288,550	189 268	1.5%	29	6 526
<b>Total</b>	<b>265</b>	<b>112 550 492</b>	<b>1 007 054</b>	<b>0.9%</b>	<b>184</b>	<b>5 757</b>

## 6.1 Internship Programme

In order to address the unemployment of youth and graduates in South Africa, PSiRA advertised internship posts in all of its business units during the year under review and 26 interns were recruited. Upon assumption of duty, PSiRA appointed mentors in all the business units to capacitate the interns throughout the year, which has assisted young people to obtain marketable skills and work experience. PSiRA has trained

and retained some of these interns in permanent contract positions. One of the interns who was recruited in 2015 has been promoted to Team Leader level in one of PSiRA's key business units. The latter illustrates PSiRA's commitment to promoting and empowering the South African youth.

The following interns were appointed during the 2016/2017 current financial year:

### Placement of interns

Internship Programme	Division/Region	Number of placements
Communication and Law Enforcement	Communication	4
	Registrations	4
	Johannesburg – Walk-In Centre	1
	Arcadia – Walk-In Centre	3
	Mpumalanga – Walk-In Centre	1
	KwaZulu-Natal – Regional Office	2
	Eastern Cape - Regional Office	1
	Western Cape - Regional Office	1
	Limpopo – Walk-In Centre	1
Finance	Supply Chain	2
	Debt Collection	1
	Accounts Receivable	1
	Business Information Systems	2
	Human Capital	1
	Research and Development	1
	Asset Management	1
<b>Total</b>		<b>27</b>

## 7. Labour Relations

### 7.1 Management of Industrial Relations

As human capital is the most important and valuable asset of the organisation, PSiRA's Management endeavours to establish a harmonious and productive working environment that is conducive to achieving its strategic objectives. To this effect, the Human Capital Division provides strategic advice to employees and line managers in ensuring that the organisation's Code of Conduct for staff members is promoted and maintained perpetually.

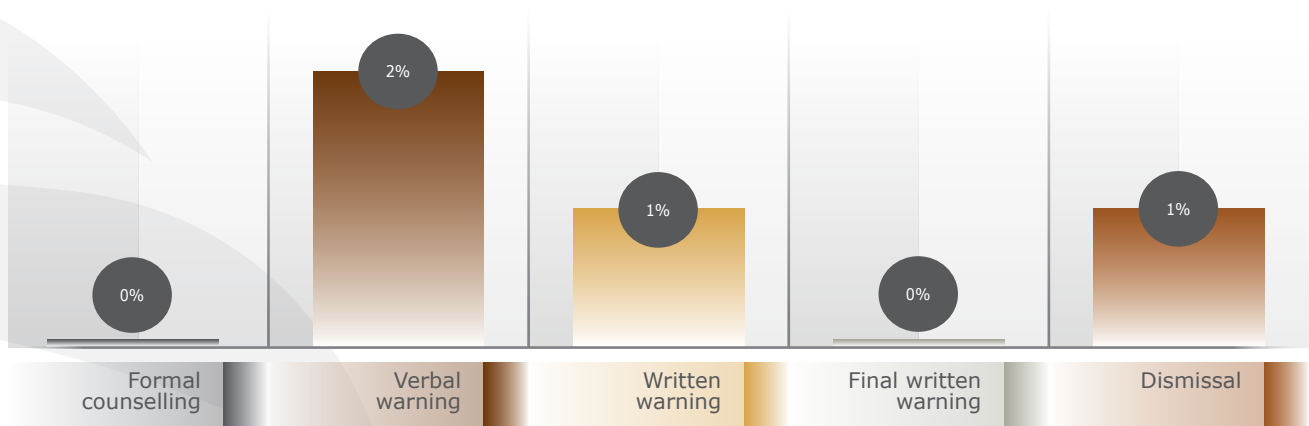
PSiRA recognises the grievance procedure as a recourse for employees to freely express any dissatisfaction on matters of mutual interest

among themselves and/or with Management, and to resolve their concerns in a flexible manner, which promotes productivity as well as a harmonious and conducive work environment. This is attained through consultation between management and employees on matters of mutual interest.

### 7.2 Disciplinary matters finalised for the 2016/2017 financial year

Corrective measures and progressive disciplinary actions are taken against PSiRA's employees who do not adhere to its Code of Conduct, its core values and the required performance standards.

#### Disciplinary matters finalised



Disciplinary actions taken	Number of incidents
Counselling	0
Verbal warning	2
Written Warning	1
Final Written Warning	0
Dismissal	1
<b>Total</b>	<b>4</b>



### 7.3 Union representations

PSiRA has a collective agreement with the South African Transport and Allied Workers Union (SATAWU) as the recognised majority trade union within PSiRA. On the other hand, a few employees are members of the Solidarity Union, which is not a recognised union due to the handful of employees it represents. The presence of both unions enables PSiRA's staff members to exercise their right to freedom of association as inculcated in the Labour Relations Act and the Constitution of the Republic of South Africa.

The relationship between PSiRA and SATAWU is regulated by the collective agreement that both parties have as a mutual consent to consult with each other on conditions of service such as salary negotiation as well as mutual interest aspects that relate to the development and implementation of policies.

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## 8. PSiRA's Employee Wellness Programme

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The Employee Wellness Programme is provided by Careways. The main purpose of this programme is to provide assistance to PSiRA employees and their families who have socio-economic challenges. During the year under review, PSiRA for the first time managed to organise a wellness day for its employees in all its offices and the majority of employees participated. The subsequent assessment has shown an increase in the utilisation of the employee programme. Careways' contract expired in February 2017, after which PSiRA appointed ICAS as the new service provider for the employee wellness programme.

This programme is designed to ensure that the following is achieved:

- Promote a workplace wellness programme.
- Provide care and support for HIV/Aids and other life-threatening diseases.
- Reduce behavioural crises associated with personal problems.

The table below depicts the number of problems presented by PSIRA employees and their families.

## Referral report

Problem category	Problem type	Number of cases
Psycho-social	Phase of life / Adjustment difficulties	5
	Bereavement	4
	Traumatic event	3
	Depression	1
	Stress	1
<b>Total: Psycho-social</b>		<b>14</b>
Work-related	Medical issues	3
	Peer relationships problems	2
	Work trauma	1
	Problem with relationship with management	1
	Lower productivity	1
	Disciplinary issues	1
	Absenteeism	1
<b>Total: Work-related</b>		<b>10</b>
Couple and family-related	Couple relationships	6
	Child behavioural problems	1
	Parental guidance	1
	Extended family issues	1
<b>Total: Couple and family-related</b>		<b>9</b>
Management referral	Formal referral - Interpersonal conflict	2
	Formal referral - Problematic work performance	2
	Formal referral - General improvement required	2
	Informal referral - Trauma	1
	Formal referral - Absenteeism	1
<b>Total: Management referral</b>		<b>8</b>
Legal issues	Family	4
	Property/Landlord/Tenant	1
<b>Total: Legal issues</b>		<b>5</b>
Group trauma	Trauma	2
<b>Total: Group trauma</b>		<b>2</b>
Dependency problems	Chemical dependency (not alcohol)	1
<b>Total: Dependency problems</b>		<b>1</b>
Financial issues	Debt advice and planning	1
<b>Total: Financial issues</b>		<b>1</b>
<b>Total</b>		<b>50</b>

## 9. Leave Utilisation

The Council approved the reviewed leave policy in February 2017 in order to enable the Human Capital Management Division to effectively and efficiently manage different types of leave that all the employees are entitled to. The division also ensures that it manages the efficient functioning of the online system, SAGE Employee Self Service (ESS), through the dedicated ESS Administrator who constantly manages the system and assists its users to ensure that the correct balances of leave days are maintained.

The table below shows the summary of leave utilisation within PSiRA during the year under review.

### Leave utilisation

Programmes	Number of Employees	Annual Leave (Days)	Sick Leave (Days)	Family Leave (Days)	Totals (Days)	Average per employee (Days)
Law Enforcement	146	2 456	640	75	3 171	22
Finance and Admin	87	1 285	394	48	1 727	20
Communication and Training	32	416	93	22	530	17
<b>Total</b>	<b>265</b>	<b>4 157</b>	<b>1 126</b>	<b>145</b>	<b>5 428</b>	<b>20</b>



# part E

## Financial Information

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# Audited Performance Report

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

PSiRA is an entity listed under Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), and therefore has to comply with the requirements of this Act. In terms of PFMA section 55(1) (d), PSiRA is responsible for the preparation of the annual report of the entity, including the performance report.

In line with this requirement, the Council has approved this audited annual performance report for submission to the Minister of Police and National Treasury. This Audited Annual Performance Report provides a summary of the actual performance against predetermined objectives per programme as per the Annual Performance Plan for 2016/2017.



*Prepared by:*

**Mrs Mmatlou Sebogodi**

Deputy Director:  
Finance and Administration (CFO)  
29 July 2017



*Approved by:*

**Mr Manabela S Chauke**

Director  
29 July 2017





*Authorised by:*

**Prof NM Mazibuko**


Chairperson of the Council  
29 July 2017

## Programme 1: Administration

### 1.1 SUB-PROGRAMME: FINANCE and ADMINISTRATION

	Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/ amber/ green)*	Reason for deviation or over-achievement
			Annual Target 2016/2017	Actual Achievement 2016/2017			
a	Unqualified audit opinion with reduced audit findings	Unqualified audit opinion	Unqualified audit opinion with reduced audit findings by 20%	<ul style="list-style-type: none"> <li>Unqualified opinion received</li> <li>Internal audit strategy developed to review compliance and controls</li> <li>External Audit Action Plan developed (Operation Clean Audit Committee formed)</li> </ul>	N/A		N/A
b	% revenue collected	N/A	70% revenue collected	67% of revenue collected	-3%		In May 2016, we processed credit notes amounting to R80m and this resulted in most Security Businesses having credit balances. Of the R123m billed in the 2016/2017 financial year, only R76m was collectable and R82m was collected.

### 1.2 SUB-PROGRAMME: BUSINESS INFORMATION SYSTEM

	Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/ amber/ green)*	Reason for deviation or over-achievement
			Annual Target 2016/2017	Actual Achievement 2016/2017			
a	Critical IT infrastructure restored within the set timeline on the Business Continuity Policy	40:09 hours	Average of 36 hours	Average of 33:53:12	+2:06:48		The achievement illustrates that the system recovery will be completed within the set timelines.




### 1.3 SUB-PROGRAMME: HUMAN CAPITAL

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Overall progress of indicator (red/amber/ green)*	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017		
a % of planned targets	N/A	85% planned targets achieved	85% planned targets achieved		N/A
b % of employees contracted, evaluated and implementation of the Performance Management System (PMS)	N/A	100% of employees contracted and evaluated	<ul style="list-style-type: none"> <li>Scorecard agreements for 2016/2017 FY were developed and approved</li> <li>Performance Annual Reviews for 2015/2016 Financial Year were conducted</li> <li>Evaluation/Assessment as per performance review calendar</li> <li>42 Trainings conducted</li> </ul>		N/A

### Programme 2: Law Enforcement

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Overall progress of indicator (red/amber/ green)*	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017		
a Number of security businesses inspected to enforce compliance with applicable legislation	5 375	4 690	6 001		<ul style="list-style-type: none"> <li>Filling of vacancies and some newly appointed inspectors no longer in training and working independently.</li> </ul>
b Number of security officers inspected to enforce compliance with applicable legislation	30 698	26 950	29 645		<ul style="list-style-type: none"> <li>Filling of vacancies and some newly appointed inspectors no longer in training and working independently.</li> </ul>
c % of investigations finalised against non-compliant SSPs	77%	80%	79%		<ul style="list-style-type: none"> <li>23% increase in the number of complaints received compared to previous year. Additional inspector resources allocated in 3rd quarter of financial year.</li> </ul>
d % of criminal cases opened against non-compliant SSPs	93%	87%	98%		<ul style="list-style-type: none"> <li>Improved relationship with SAPS.</li> </ul>
e Number of security businesses licensed to possess firearms inspected	1 136	1 100	1 348		<ul style="list-style-type: none"> <li>Filling of vacancies and some newly appointed inspectors no longer in training and working independently.</li> </ul>



Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Overall progress of indicator (red/amber/ green)*	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017		
f % of cases of non-compliant SSPs prosecuted per year	90%	80%	93%		Additional resources within Department and amendment of regulations to combine charge sheets and summonses which reduces turnaround time.

### 3. Programme 3: Communication, Registration (CRM) and Training

#### 3.1 COMMUNICATION and STAKEHOLDER MANAGEMENT

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/amber/ green)*	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017			
a Number of public awareness programmes on PSIRA's role and functions and businesses inspected to enforce compliance with applicable legislation	23 Public awareness programmes	80 Public awareness programmes	132 Public awareness programmes	+52 Public awareness programmes		The over-achievement is due to additional engagements by PSIRA as a result of Higher Education protests as well as partnerships with PSSPF and the office of the Minister.

#### 3.2 INDUSTRY REGISTRATION

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/amber/ green)*	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017			
a Average turnaround time of applications for registration meeting all the requirements for security businesses (working days)	Average of 16 days	Average of 15 days	Average of 15 days	N/A		N/A
Average turnaround time of applications for registration meeting all the requirements for security officers (working days)	Average of 15 days	Average of 15 days	Average of 14 days	-1 day		Continuous staff training and capacity-building contributed to the overall achievement of the target.

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/amber/ green) *	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017			
b % of new registration certificates rolled out (for active Security Officers)	52%	20% of 488 666 (97 733)	159% (155 757 / 97 733 = 1.59) (155 757)	+59% (+58 024)		Effective communication with stakeholders through business briefings, media and by sms. Efficient and effective business processes have led to over-achievement of the target
% of new registration certificates rolled out (for active Security Businesses)	31%	20% of 8 692 (1 738)	143% (2 500 / 1 738 = 1.43) (2 500)	43% (+763)		Effective communication with stakeholders through business briefing media and by sms. Efficient and effective business processes have led to over-achievement of the target.

### 3.3 INDUSTRY TRAINING

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/amber/ green) *	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017			
a Number of capacity-building workshops per year	6 Capacity-building workshops	6 Capacity-building workshops	12 Capacity-building workshops	+6 Capacity-building workshops		The consultation sessions following the publication of Draft Training Regulations were conducted with the intention to cover all nine provinces. Over and above the capacity-building workshops, were scheduled in order to empower the security service providers with the critical information pertaining to the transition.
b % increase in the number of training security service providers (SSPs) currently registered with PSiRA and being properly accredited in compliance with the minimum professional standards as stipulated in the Training Policy	48%	25% of training security service providers (378) registered	34% of security service providers (127)	+9%		Consultation sessions and capacity-building workshops conducted in all 9 provinces helped to clarify PSiRA's position in relation to the transition from Grades to an NQF aligned training for the private security industry. Furthermore, PSiRA ensured that industry circulars were constantly distributed to keep stakeholders informed about any developments.

### 3.4 SUB-PROGRAMME: RESEARCH and DEVELOPMENT

Key Performance Indicators (KPIs)	Actual Achievements 2015/2016	Annual Targets		Performance Variance	Overall progress of indicator (red/amber / green)*	Reason for deviation or over-achievement
		Annual Target 2016/2017	Actual Achievement 2016/2017			
a Number of completed research topics per year	2 Research topics	2 Research topics	4 Research topics completed	+2 Research topics completed		The over-achievement was a result of additional research that had to be done on the use of Private Security in terms of protest, due to the <b>#feesmustfall</b> protest. An additional research topic was also done on the use of uniforms, badges and signage in line with the new regulations by PSiRA.
Number of completed industry surveys	1 Survey	4 Surveys	4 Surveys completed	N/A		N/A
Number of policy documents completed per year	2 Policy documents completed	2 Policy documents completed	2 Policy documents completed, but the correct level of approval was not obtained	-2 Policies		The policies still need to be approved by an appropriate structure.

### 4. Explanations for the major variances

- **Programme 1:** Administration - None
- **Programme 2:** Law Enforcement - None
- **Programme 3:** Communication, Training & CRM - None

# Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2017.

## Audit and Risk Committee Members and Attendance of Meetings

Name	Designation	Number of eligible meetings	Number of meetings attended
Mr. A.N. Mhlongo**	Chairperson	4	4
Ms. N. Tshobenj**	Deputy Chairperson	4	0
Mr. C. Motau****	Member	4	3
Mr. B. Mkhize*	Member	4	3
Adv. T. Mvelase*	Member	4	2
Ms. K.G. Mbonambi***	Chairperson	0	0
Mr. K.P. Ravhudzulo***	Deputy Chairperson	0	0

\* Term ended 31/12/2016

\*\* Term ended 28/02/2017

\*\*\* Appointed 17/03/2017

\*\*\*\* Reappointed for 2nd term

## Audit and Risk Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act, 1999 and Treasury Regulation 3.1.13. The Committee also reports that it has adopted appropriate formal terms of reference as its Charter as approved by Council, has conducted its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

## The Effectiveness of Internal Control

The systems of internal control are designed to provide assurance that the assets of the entity are safeguarded, and that liabilities and working capital are efficiently managed in the execution of PSiRA's mandate.

In line with the PFMA and Treasury Regulations, the Committee is supported by an independent outsourced Internal Audit function, which provides the Committee

and Management with the independent and objective assurance that the internal controls within PSiRA are appropriate and effective to mitigate the risks that the entity faces in the execution of its mandate.

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the entity, revealed certain weaknesses, which were then raised with PSiRA's Management. An internal audit action plan was developed by Management to resolve the findings raised and the Committee is satisfied with the progress made in this regard to enhance the effectiveness of the internal control environment.

The following internal audit work was completed during the year under review in accordance with the approved Internal Audit Plan:

- Asset management review
- Predetermined objectives

- Revenue management
- Human resources and payroll
- Communication and stakeholder management
- Registrations
- Supply Chain Management
- Follow-up review on internal and external audit action plan.

### **Risk Management**

The Committee fulfils an oversight role on the risk management processes within PSiRA. During the period under review, the Committee continued to monitor the significant risks faced by the entity, as contained in the strategic risk register, and it is satisfied with progress made by Management in implementing the controls to mitigate the risks to acceptable residual risk ratings. The risk management strategy for the entity includes the fraud prevention plan, which the Committee monitored in respect of its implementation and also reviewed the quarterly reports submitted in this regard for appropriate resolution of reported cases.

### **In-Year Management and Quarterly Reports**

The Committee reviewed quarterly reports and management accounts for the entity before approval by Council at each quarterly meeting and is satisfied that these reports were submitted to the Executive Authority on time as per PFMA prescripts.

### **Governance processes**

The Committee reviewed the governance processes and is satisfied that these are implemented and continually reviewed in line with applicable prescripts, including the ICT Governance Framework requirements.

### **Evaluation of the report on predetermined objectives**

The Committee reviewed and evaluated the performance information report on predetermined objectives before the audit process and is satisfied with the reported performance against predetermined objectives of the entity.

### **Evaluation of Financial Statements**

The Committee reviewed the annual financial statements prepared by the entity, including the appropriateness of accounting policies and practices used in the preparation of the annual financial statements before the audit, and is satisfied that these fairly present the financial position of PSiRA as at 31 March 2017.

### **Auditor-General's Report**

The Committee reviewed PSiRA's implementation of the audit action plan on issues raised during the previous financial year, and is concerned that some action plans to address the previous year's audit findings were not fully effective in resolving the matters in order to avoid repeat findings.

The Committee also reviewed the:

- Audited financial statements to be included in the annual report, followed by discussions with the Auditor-General of South Africa (AGSA) and PSiRA's Management;
- AGSA letter to Management and Management's response thereto; and
- Adjustments resulting from the audit.

The Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and the report on predetermined objectives, and recommends that the audited annual financial statements and the report on predetermined objectives should be accepted, and read together with the report of the Auditor-General.



**Ms K G Mbonambi**

Chairperson of the Audit and Risk Committee

*Date: 29 July 2017*



# Report of the Auditor-General

## to Parliament on Private Security Industry Regulatory Authority

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Private Security Industry Regulatory Authority set out on pages 124 to 167, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, the statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. 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 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the PFMA.
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

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

#### Material impairments

7. As disclosed in note 6 to the financial statements, provision for impairment to the amount of R44 389 024 (2016: R28 860 133) was raised on trade debtors, as a result of uncertainty regarding the recovery of the amounts due.

#### Significant uncertainties

8. With reference to note 22 to the financial statements, the entity is the defendant in several lawsuits and may also incur demolition costs for the Arcadia building. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

#### Responsibilities of the accounting authority

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the Private Security Industry Regulatory Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.



## Auditor-General's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings, but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions

relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
<b>Programme 2 -</b> Law Enforcement	108 - 109
<b>Programme 3 -</b> Communication, Registration (CRM) and Training	109 - 111

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. The material findings in respect of the reliability of the selected programmes are as follows:

### Programme 2 - Law Enforcement

18. I did not identify any material findings on the usefulness and reliability of the reported performance information.

### Programme 3 - Communication, Registration (CRM) and Training

*Indicator: % increase of the number of training SSPs currently registered with PSiRA properly*

*accredited and in compliance with the minimum professional standards as stipulated in the Training Policy.*

19. I was unable to obtain sufficient and appropriate audit evidence for the reported achievement of currently registered training security service providers accredited with SASSETA. This was due to limitations placed on the scope of my work and inconsistent application of the method of calculation between the reported achievement in the Annual Performance Report and the annual target as per Annual Performance Plan. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 34%.

#### **Other matter**

20. I draw attention to the matter below.

#### ***Achievement of planned targets***

21. Refer to the annual performance report on page(s) 107 to 111 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material finding on the reliability of the reported performance information in paragraph 19 of this report.

#### ***Adjustment of material misstatements***

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 3 - Communication, Registration (CRM) and Training. As management subsequently corrected only some of the misstatements, I raised a material finding on the reliability of the reported performance information. Those that were not corrected are included in the basis for qualified conclusion paragraph.

## **Report on audit of compliance with legislation**

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### **Introduction and scope**

23. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.
24. The material finding in respect of the compliance criteria for the applicable subject matters is as follows:

### **Revenue management**

25. Adequate, effective and appropriate steps were not taken to collect money due, as required by section 51(1)(b)(i) of the PFMA and Treasury Regulations 31.1.2(a) and (e).

## **Other information**

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26. The Private Security Industry Regulatory Authority accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Director's report and the Audit Committee's report. The other information does not include the financial statements, the Auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the Auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not identify any material inconsistencies between other information and the financial statements and the selected programmes presented in the annual performance report.

### Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for unmodified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

### **Leadership**

31. The accounting authority did not exercise adequate oversight responsibility regarding performance reporting and compliance as well as related internal controls.

32. The entity did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures at a programme level and for purposes of taking corrective action.

33. Internal control deficiencies that existed in the prior year on programme 3 were still identified, which indicated that action plans to address audit recommendations were not effective.

### **Financial and performance management**

34. Management did not implement proper record keeping controls to ensure complete and accurate information is accessible and available to support performance reporting.

35. The entity did not implement adequate controls over daily and monthly processing of transactions through regular reviews to ensure accurate and complete performance information.

*Auditor - General*

Pretoria

31 July 2017



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

# Annexure – Auditor-General's responsibility for the audit

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

## Financial statements

In addition to my responsibility for the audit of the financial statements as described in the Auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Private Security Industry Regulatory Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I

am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

## Annexure A – Performance management and reporting framework

The Performance Management and Reporting Framework (PMRF) consists of the following:

- Legislation applicable to performance planning, management and reporting, which includes the following:
  - Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)
  - Treasury Regulations, 2005 issued in terms of the PFMA
  - *National Treasury Practice Note 4 of 2009-10*
- The Framework for Managing Programme Performance Information (FMPPPI), issued by the National Treasury. This framework is applicable to all spheres of government.
- The Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the National Treasury. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.
- Circulars and guidance issued by the National Treasury and Department of Planning, Monitoring and Evaluation regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

## Annexure A – Criteria developed from the performance management and reporting framework

Criteria	References to the PMRF per type of Entity				
	Departments / constitutional institutions / trading entities	Public entities	Municipalities	Municipal entities	Parliament/ provincial legislatures
Consistency: Objectives, performance measures / indicators and targets are consistent between planning and reporting documents					
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives	Section 40(3)(a) of the PFMA TR 5.2.4	Section 55(2)(a) of the PFMA TR 30.1.3(g)	Section 121(3)(f) of the MFMA Sections 41 (a) – (c) & 46 of the MSA	Section 121(4)(d) of the MFMA	Section 55(3)(d) of the FMPPLA
2. Changes to strategic or development objectives are approved	TR 5.1.1 Chapter 4.1 of the FSAPP	TR 30.1.1 Chapter 4.1 of the FSAPP	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA	Section 15(2)(b) of the FMPPLA
3. Reported measures or indicators are consistent or complete when compared to planned measures or indicators	Section 40(3)(a) of the PFMA TR 5.2.4	Section 55(2)(a) of the PFMA TR 30.1.3(g)	Section 121(3)(f) of the MFMA Sections 41 (a) – (c) & 46 of the MSA	Section 121(4)(d) of the MFMA	Section 55(3)(d) of the FMPPLA
4. Changes to measures or indicators are approved	TR 5.1.1	TR 30.1.1	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA	Section 15(2)(b) of the FMPPLA
5. Reported targets are consistent or complete when compared to planned targets	Section 40(3)(a) of the PFMA TR 5.2.4	Section 55(2)(a) of the PFMA TR 30.1.3(g)	Section 121(3)(f) of the MFMA Sections 41 (a) – (c) & 46 of the MSA	Section 121(4)(d) of the MFMA	Section 55(3) of the FMPPLA
6. Changes to targets are approved	TR 5.1.1	TR 30.1.1	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA	Section 15(2)(b) of the FMPPLA



Criteria	References to the PMRF per type of Entity				
	Departments / constitutional institutions / trading entities	Public entities	Municipalities	Municipal entities	Parliament/ provincial legislatures
Measurability: Performance measures / indicators are well defined and verifiable, and targets are specific, measurable and time bound					
1. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use				Chapter 3.2 of the FMPPPI issued by the NT	
2. A performance measure / indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator				Chapter 3.2 of the FMPPPI issued by the NT	
3. A target is specific when the nature and the required level of performance of the target are clearly identifiable				Chapter 3.2 of the FMPPPI issued by the NT	
4. A target is measurable when the required performance can be measured				Chapter 3.2 of the FMPPPI issued by the NT	
5. A target is time bound when the time frames for the achievement of the target are indicated				Chapter 3.2 of the FMPPPI issued by the NT	
Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives					
1. The performance measure / indicator and target relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives				Chapters 3.2 and 4 of the FMPPPI issued by the NT	



Criteria	References to the PMRF per type of Entity				
	Departments / constitutional institutions / trading entities	Public entities	Municipalities	Municipal entities	Parliament/ provincial legislatures
Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in legislation, frameworks, circulars and guidance					
1. Reasons for variances between planned and actual performance are disclosed	The NT's annual report guide for the presentation of the annual report	Applicable to schedule 3A & 3C public entities: The NT's annual report guide for the presentation of the annual report	Criteria not applicable	Criteria not applicable	Criteria not applicable
2. Reasons for variances are supported by corroborating source documentation	The NT's annual report guide for the presentation of the annual report Chapter 5 of the FMP-PI issued by the NT	Applicable to schedule 3A & 3C public entities: The NT's annual report guide for the presentation of the annual report Chapter 5 of the FMP-PI issued by the NT	Criteria not applicable	Criteria not applicable	Criteria not applicable
Reliability: Recording, measuring, collating, preparing and presenting information on actual performance / target achievements that is valid, accurate and complete					
1. Reported performance occurred and pertains to the reporting entity					
2. Reported performance is recorded and reported accurately	Section 40(3)(a) of the PFMA Chapter 5 of the FMP-PI issued by the NT	Section 55(2)(a) of the PFMA Chapter 5 of the FMP-PI issued by the NT	Section 45 of the MSA Chapter 5 of the FMP-PI issued by the NT	Section 45 of the MSA Chapter 5 of the FMP-PI issued by the NT	Section 55 of the FMPPLA Chapter 5 of the FMP-PI issued by the NT
3. All actual performance is recorded and included in the reported performance information					

## **Annexure B – Auditor-General’s responsibility for the audit of the reported performance information**

As part of my engagement conducted in accordance with ISAE 3000, I exercise professional judgement and maintain professional scepticism throughout my reasonable assurance engagement on reported performance information for selected programmes.

I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

### **Quality control relating to assurance engagements**

In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

### **Reported performance information**

In addition to my responsibility for the assurance engagement on reported performance information as described in the auditor’s report, I also:

- Identify and assess risks of material misstatement of the reported performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. In making those risk assessments, I consider internal control relevant to the management and reporting of performance information per selected programme 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 public entity’s internal control.

- Evaluate the documentation maintained by the public entity that supports the generation, collation, aggregation, monitoring and reporting of performance indicators and their related targets for the selected programmes.
- Evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the public entity and whether the indicators and related targets were measurable and relevant.
- Evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete.

### **Communication with those charged with governance**

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

## Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Private Security Industry Regulation Act (Act No. 56 of 2001), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of PSiRA 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 were given unrestricted access to all financial records and related data.

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

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

The accounting authority acknowledges that they are ultimately responsible for the system of internal financial control established by PSiRA and place considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, the accounting authority 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 PSiRA and all employees are required to maintain the highest ethical standards in ensuring PSiRA's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in PSiRA is on identifying, assessing, managing and monitoring all known forms of risk across PSiRA. While operating risk cannot be fully eliminated, PSiRA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority 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 accounting authority has reviewed PSiRA's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that PSiRA has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on PSiRA's annual financial statements. The annual financial statements have been examined by PSiRA's external auditors and their report is presented on page 125.

The annual financial statements set out on pages 127 to 167, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2017 and were signed on its behalf by:



**Prof. N.M. Mazibuko**

*Chairperson of the Council*

## Accounting Authority's Report

The council members submit their report for the year ended 31 March 2017.

### 1. Nature of Business

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

### 2. Going concern

At the time of preparation of the annual financial statements for the period under review, the Council members believed that PSiRA will be a going concern, in the foreseeable future. For this reason they continue to adopt a going concern basis in the preparation of these annual financial statements. For further details on going concern, refer to note 24.

### 3. Accounting policies

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

## 4. Corporate governance

### Council

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

- **Prof. N.M. Mazibuko** (Chairperson)  
appointed 19 April 2015 (current)
- **Mr. N.H. Ngubane** (Deputy Chairperson)  
appointed 1 January 2017 (current)
- **Maj. Gen. C. Philison** ( Council Member)  
appointed 06 September 2013 (current)
- **Mr. Z. Zulu** (Council member)  
appointed 1 January 2017 (current)
- **Mr. M.T. Oliphant** (Council Member)  
appointed 1 January 2017 (current)
- **Mr. D.C.M. Rathebe** (Deputy Chairperson)  
contract ended 31 December 2016
- **Mr. B.S. Ntuli** (Council Member)  
contract ended 31 December 2016
- **Adv. N. Mthembu** ( Council Member)  
contract ended 31 December 2016

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

### 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.

## Accounting Authority's Report - *continued*

### Audit and Risk Committee

The activities of the Audit and Risk Committee are governed by the Audit and Risk Committee Charter. Appointed by the Council, the committee met more than four times in the current year. The Audit and Risk Committee is chaired by an independent person who is neither an executive nor a Council member of PSiRA. Committee meetings are attended by members of the Auditor General's office and the internal auditors as invitees.

The members of the committee during the financial year and to date of this report were as follows:

- **Ms. K.G. Mbonambi** (Chairperson)
  - appointed 17 March 2017 (current)
- **Mr P. Ravhudzulo** (Deputy Chairperson)
  - appointed 17 March 2017 (current)
- **Mr. C. Motau**
  - appointed 18 June 2014 (current)
- **Mr. A.N. Mhlongo** (Chairperson)
  - contract ended 28 February 2017
- **Ms. N. Tshobeni**
  - contract ended 28 February 2017
- **Mr. B. Mkhize**
  - contract ended 31 December 2016
- **Adv. T. Mvelase**
  - contract ended 31 December 2016

### Internal audit

The internal audit function is outsourced. It functions in terms of the Internal Audit Charter and under the oversight of the Audit and Risk Committee. The unit measures and evaluates the effectiveness and application of policies, procedures, systems and processes designed to fulfil the requirements of the risk management, and general compliance with legislation, governance principles, regulation and the safeguarding of assets. In the year under review, the internal audit plan focused on core business, supply chain management, human resources, financial management and performance management.

## Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	735,790	320,799
Trade and other receivables	6	34,089,412	43,989,120
Cash and cash equivalents	7	28,823,056	53,563,754
		<b>63,648,258</b>	<b>97,873,673</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	21,047,620	19,271,915
Intangible assets	4	499,336	97,003
		<b>21,546,956</b>	<b>19,368,918</b>
<b>Total Assets</b>		<b>85,195,214</b>	<b>117,242,591</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	63,962,507	103,330,467
Provisions	10	4,434,098	3,666,202
Operating lease liability	8	34,155	2,185,571
		<b>68,430,760</b>	<b>109,182,240</b>
<b>Non-Current Liabilities</b>			
Operating lease liability	8	2,124,790	34,154
<b>Total Liabilities</b>		<b>70,555,550</b>	<b>109,216,394</b>
<b>Net Assets</b>		<b>14,639,664</b>	<b>8,026,197</b>
Revaluation reserve		8,738,966	8,738,966
Accumulated surplus		5,900,698	(712,769)
<b>Total Net Assets</b>		<b>14,639,664</b>	<b>8,026,197</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	11	10,147,213	14,580,956
Rendering of services	11	1,064,857	926,916
Annual fees	11	123,247,052	131,279,596
Infrastructure re-assessment	11	46,081	72,017
Course reports	11	33,129,330	27,372,970
Registration fees	11	32,429,195	27,882,422
<b>Total revenue from exchange transactions</b>		<b>200,063,728</b>	<b>202,114,877</b>
<b>Revenue from non-exchange transactions</b>			
Grant received		-	2,406,301
Bad debts recovered	12	758,848	985,371
Interest received	13	3,658,381	3,299,609
Sundry Income	12	2,698,290	832,139
Fines and Penalties	11	10,853,693	6,803,351
<b>Total revenue from non-exchange transactions</b>		<b>17,969,212</b>	<b>14,326,771</b>
<b>Total revenue</b>	11	<b>218,032,940</b>	<b>216,441,648</b>
<b>Expenditure</b>			
Employee related costs	17	(112,000,487)	(95,902,013)
Other operating expenses	16	(77,236,871)	(63,137,574)
Lease rentals on operating lease		(951,462)	(874,423)
Repairs and maintenance		(2,034,798)	(2,525,988)
Bad debts	6	(15,528,892)	(19,902,135)
Finance costs	15	(9,458)	(14,599)
Depreciation and amortisation	3&4	(3,356,664)	(2,533,769)
<b>Total expenditure</b>		<b>(211,118,632)</b>	<b>(184,890,501)</b>
<b>Operating surplus</b>		<b>6,914,308</b>	<b>31,551,147</b>
Loss on disposal of assets		(300,841)	(428,416)
<b>Surplus for the year</b>		<b>6,613,467</b>	<b>31,122,731</b>



## Annual Financial Statements

for the year ended 31 March 2017

### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 April 2015</b>	<b>8,738,966</b>	<b>(31,835,500)</b>	<b>(23,096,534)</b>
<b>Changes in net assets</b>			
Surplus for the year	-	31,122,731	31,122,731
<b>Total changes</b>	<b>-</b>	<b>31,122,731</b>	<b>31,122,731</b>
<b>Balance at 01 April 2016</b>	<b>8,738,966</b>	<b>(712,769)</b>	<b>8,026,197</b>
<b>Changes in net assets</b>			
Surplus for the year	-	6,613,467	6,613,467
<b>Total changes</b>	<b>-</b>	<b>6,613,467</b>	<b>6,613,467</b>
<b>Balance at 31 March 2017</b>	<b>8,738,966</b>	<b>5,900,698</b>	<b>14,639,664</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		170,558,396	183,179,011
Grants		-	2,406,301
Interest income		3,657,922	3,299,609
		174,216,318	188,884,921
<b>Payments</b>			
Employee costs		(112,648,009)	(89,716,593)
Suppliers		(80,464,008)	(75,276,586)
Finance costs		(9,458)	(14,599)
		(193,121,475)	(165,007,778)
<b>Net cash flows from operating activities</b>	18	<b>(18,905,157)</b>	<b>23,877,143</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(5,283,647)	(2,310,083)
Proceeds from sale of property, plant and equipment	3	8,110	748
Purchase of other intangible assets	4	(560,004)	-
<b>Net cash flows from investing activities</b>		<b>(5,835,541)</b>	<b>(2,309,335)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(24,740,698)</b>	<b>21,567,808</b>
Cash and cash equivalents at the beginning of the year		53,563,754	31,995,946
<b>Cash and cash equivalents at the end of the year</b>	7	<b>28,823,056</b>	<b>53,563,754</b>

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

#### Figures in Rand

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	24,247,499	-	24,247,499	10,147,213	(14,100,286)	-62%
Rendering of services	1,999,781	-	1,999,781	1,064,857	(934,924)	-47%
Annual fees	134,335,454	-	134,335,454	123,247,052	(11,088,402)	-8%
Infrastructure re-assessment	26,400	-	26,400	46,081	19,681	75%
Registration fees	36,012,859	-	36,012,859	32,429,195	(3,583,664)	-4%
Course reports	32,000,000	-	32,000,000	33,129,330	1,129,330	4%
<b>Total revenue from exchange transactions</b>	<b>228,621,993</b>	<b>-</b>	<b>228,621,993</b>	<b>200,063,728</b>	<b>(28,558,265)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Bad debts recovered	-	-	-	758,848	758,848	100%
Interest received	1,851,000	-	1,851,000	3,658,381	1,807,381	98%
Sundry Income	250,000	-	250,000	2,698,290	2,448,290	979%
Fines and Penalties	5,910,169	-	5,910,169	10,853,693	4,943,524	84%
<b>Total revenue from non-exchange transactions</b>	<b>8,011,169</b>	<b>-</b>	<b>8,011,169</b>	<b>17,969,212</b>	<b>9,958,043</b>	
<b>Total revenue</b>	<b>236,633,162</b>	<b>-</b>	<b>236,633,162</b>	<b>218,032,940</b>	<b>(18,600,222)</b>	
<b>Expenditure</b>						
Employee related cost	(116,562,317)	-	(116,562,317)	(112,000,487)	4,561,830	4%
Depreciation and amortisation	(10,021,105)	-	(10,021,105)	(3,356,664)	6,664,441	67%
Finance costs	-	-	-	(9,458)	(9,458)	-100%
Lease rentals on operating lease	(1,326,804)	-	(1,326,804)	(951,462)	375,342	28%
Debt Impairment	-	-	-	(15,528,892)	(15,528,892)	-100%
Repairs and maintenance	(3,472,375)	-	(3,472,375)	(2,034,798)	1,437,577	41%
General Expenses	(105,250,560)	-	(105,250,560)	(77,236,871)	28,013,689	27%
<b>Total expenditure</b>	<b>(236,633,161)</b>	<b>-</b>	<b>(236,633,161)</b>	<b>(211,118,632)</b>	<b>25,514,529</b>	
<b>Operating surplus</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>6,914,308</b>	<b>6,914,307</b>	
Loss on disposal of assets and liabilities	-	-	-	(300,841)	(300,841)	-100%
<b>Surplus for the year</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>6,613,467</b>	<b>6,613,466</b>	

# Annual Financial Statements

for the year ended 31 March 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

Figures in Rand		Difference between final budget and actual			
Statement of Financial Position Assets	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Reference
<b>Current Assets</b>					
Inventories	300,000	-	300,000	735,790	145%
Trade and other receivables	34,400,000	-	34,400,000	34,089,412	-1%
Cash and cash equivalents	1,502,000	-	1,502,000	28,823,056	1820%
	<b>36,202,000</b>	-	<b>36,202,000</b>	<b>63,648,258</b>	
<b>Non-Current Assets</b>					
Property, plant and equipment	26,600,000	-	26,600,000	21,047,620	-21%
Intangible assets	26,487,000	-	26,487,000	499,336	-99%
	53,087,000	-	53,087,000	21,546,956	
<b>Total Assets</b>	<b>89,289,000</b>	-	<b>89,289,000</b>	<b>85,195,214</b>	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Operating lease liability	2,374,000	-	2,374,000	34,155	-99%
Trade and other payables	84,440,000	-	84,440,000	63,962,507	-25%
Employee benefit obligation	400,000	-	400,000	-	-100%
Provisions	2,544,000	-	2,544,000	4,434,098	74%
	<b>89,758,000</b>	-	<b>89,758,000</b>	<b>68,430,760</b>	
<b>Non-Current Liabilities</b>					
Operating lease liability	5,619,000	-	5,619,000	2,124,790	-62%
<b>Total Liabilities</b>	<b>95,377,000</b>	-	<b>95,377,000</b>	<b>70,555,550</b>	
<b>Net Assets</b>	<b>(6,088,000)</b>	-	<b>(6,088,000)</b>	<b>14,639,664</b>	
<b>Reserves</b>					
Revaluation reserve	-	-	-	8,738,966	
Accumulated surplus	(6,088,000)	-	(6,088,000)	5,900,698	194%
<b>Total Net Assets</b>	<b>(6,088,000)</b>	-	<b>(6,088,000)</b>	<b>14,639,664</b>	

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

#### Figures in Rand

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	234,782,000	-	234,782,000	170,558,396	(64,223,604)	
Interest income	1,815,000	-	1,815,000	3,657,922	1,842,922	102%
	<b>236,597,000</b>	-	<b>236,597,000</b>	<b>174,216,318</b>	<b>(62,380,682)</b>	
<b>Payments</b>						
Employee costs	(113,488,000)	-	(113,488,000)	(112,648,009)	839,991	5%
Suppliers	(113,412,000)	-	(113,412,000)	(80,464,008)	32,947,992	25%
Finance costs	-	-	-	(9,458)	(9,458)	-100%
	<b>(226,900,000)</b>	-	<b>(226,900,000)</b>	<b>(193,121,475)</b>	<b>33,778,525</b>	
<b>Net cash flows from operating activities</b>	<b>9,697,000</b>	-	<b>9,697,000</b>	<b>(18,905,157)</b>	<b>(28,602,157)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(300,000)	-	(300,000)	(5,283,647)	(4,983,647)	-1734
Proceeds from sale of property, plant and equipment	-	-	-	8,110	8,110	100%
Purchase of other intangible assets	(28,055,000)	-	(28,055,000)	(560,004)	27,494,996	98 %
	<b>(28,355,000)</b>	-	<b>(28,355,000)</b>	<b>(5,835,541)</b>	<b>22,519,459</b>	
<b>Net cash flows from investing activities</b>						
Net increase/(decrease) in cash and cash equivalents	(18,658,000)	-	(18,658,000)	(24,740,698)	(6,082,698)	33%
Cash and cash equivalents at the beginning of the year	53,564,000	-	53,564,000	53,563,754	(246)	
<b>Cash and cash equivalents at the end of the year</b>	<b>34,906,000</b>	-	<b>34,906,000</b>	<b>28,823,056</b>	<b>(6,082,944)</b>	
<b>Reconciliation</b>						

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act (Act No. 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that PSiRA will continue to operate as a going concern for at least the next 12 months.

#### 1.2 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 judgement 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.

PSiRA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

##### **Provisions**

Provisions were raised and Management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

##### **Allowance for doubtful debts**

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance, estimates are made about the probability of recovery of the debtors, based on their past payment history. The provision of impairment is disclosed in Note 6.

#### 1.3 Property, plant and equipment

##### **Initial recognition and measurement**

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:

# Annual Financial Statements

for the year ended 31 March 2017

## Accounting Policies

- 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 through a non-exchange transaction, 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases

when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations of Land and Buildings are done every 3 years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.



# Annual Financial Statements

for the year ended 31 March 2017

## Accounting Policies

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10 - 20 years
Leasehold property	Straight line	5 - 10 years
Furniture and fixtures	Straight line	10 - 15 years
Motor vehicles	Straight line	5 - 8 years
Office equipment	Straight line	5 - 15 years
Computer equipment	Straight line	3 - 10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

### Impairment

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no future 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.

## 1.4 Intangible assets

### Initial recognition and Measurement

An asset is identifiable if it either:

- Is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

### Subsequent measurement

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions

# Annual Financial Statements

for the year ended 31 March 2017

## Accounting Policies

that represent Management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits or service potential.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

### Amortisation and impairment

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be

impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 -20 years

### 1.5 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets

or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows, considering all contractual terms of the financial instrument (for example, prepayment, call and similar options), but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
  - Receive cash or another financial asset from another entity; or
  - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or

- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

**Interest rate risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**Liquidity risk** is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

**Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: Currency risk, interest rate risk and other price risk.

**Other price risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- Equity instruments or similar forms of unitised capital;
- A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# Annual Financial Statements

for the year ended 31 March 2017

## Accounting Policies

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Combined instruments that are designated at fair value;
- Instruments held for trading. A financial instrument is held for trading if:
  - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

PSiRA 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
Cash & cash equivalents	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at fair value

PSiRA 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 fair value

### Initial recognition

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

PSiRA recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

PSiRA measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement of financial assets and financial liabilities

PSiRA 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.

### Impairment and uncollectibility of financial assets

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

### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present

value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced 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.

### **Financial assets measured at cost:**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### **Derecognition**

#### **Financial assets**

PSiRA derecognises financial assets using trade date accounting. PSiRA derecognises, a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- PSiRA transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- PSiRA, 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, PSiRA:

- 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.

If PSiRA transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety, but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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.



If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because PSiRA has retained substantially all the risks and rewards of ownership of the transferred asset, PSiRA continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, PSiRA recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

### Financial liabilities

PSiRA derecognises a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-

cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.6 Tax

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

### 1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution. Current replacement cost is the cost PSiRA incurs to acquire the asset on the reporting date.

### 1.9 Employee benefits

#### Short-term employee benefits

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

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

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

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

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits), which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

### 1.10 Provisions and contingencies

Provisions are recognised when:

- PSiRA 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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 PSiRA 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.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

**Contingent assets** are a potential economic benefit dependent solely on future events that can not be controlled by the company. Due to the uncertainty of the future events, these assets are not recognised, however a potential economic benefit is estimated; and, disclosed in note 22.

**Contingent liabilities** are possible obligations that arose from past events, and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events, but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

An estimated outflow is estimated and disclosed in note 22.

### 1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation, should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.12 Revenue from exchange transactions

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

An exchange transaction is one in which PSiRA 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, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

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

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified timeframe, revenue is recognised on a straight line basis over the specified timeframe, unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### 1.13 Revenue from non-exchange transactions

#### Grants

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received. Grants made with conditions are recognised as and when the conditions are met.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor.

#### Fines and Penalties

Fines and penalties are economic benefits or service potential received or receivable by PSiRA, as determined by the PSiRA Act, as a consequence of the individual or other entity breaching the requirements of laws and regulations. Such fines are recognised as revenue when the invoice is raised after the approval of the judgement.

#### Investment income

Investment income is recognised on the time proportional basis, using the effective interest method.

#### Bad debts recovered

Bad debts recovered are realised where debts that have previously been written off as irrecoverable and the debts are subsequently rehabilitated or repaid. The amounts rehabilitated or repaid are raised as bad debts recovered.

#### Other income

Other income includes insurance proceeds and revenue from the sale of tender documents. Such other income is recognised on the receipt of funds.

#### Recognition

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

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

### Measurement

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

### 1.14 Comparative figures

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

### 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.

National Treasury Practice Note no. 4 of 2008/2009, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year, and which was not condoned by the National Treasury or the relevant authority, must be recorded

appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.17 Budget information

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

The approved budget covers the fiscal period from 01/04/2016 to 31/03/2017.

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 statement of comparison of budget and actual amounts.

### 1.18 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of PSiRA, including those charged with the governance of PSiRA in accordance with legislation, in instances where they are required to perform such functions.

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

### 1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

PSiRA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date, once the event occurred.

PSiRA will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
▪ GRAP 108: Statutory Receivables	01 April 2016	The impact hereof is not material.
▪ GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact hereof is not material.
▪ IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact hereof is not material.
▪ GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact hereof is not material.
▪ GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact hereof is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
▪ Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
▪ GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
▪ GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	Unlikely there will be a material impact
▪ GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
▪ GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	Unlikely there will be a material impact
▪ GRAP 18: Segment Reporting	01 April 2017	Unlikely there will be a material impact

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### 3. Property, plant and equipment

	2017			2016		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,800,000	-	8,800,000	8,800,000	-	8,800,000
Buildings	4,600,000	(920,000)	3,680,000	4,600,000	(460,000)	4,140,000
Furniture and fixtures	5,141,992	(3,003,173)	2,138,819	4,098,646	(2,618,944)	1,479,702
Motor vehicles	212,438	(74,353)	138,085	212,438	(31,866)	180,572
Office equipment	5,451,222	(2,637,353)	2,813,869	4,782,771	(2,520,740)	2,262,031
Computer equipment	6,848,943	(3,751,255)	3,097,688	4,980,027	(2,900,478)	2,079,549
Leasehold improvements	1,399,447	(1,020,288)	379,159	1,754,377	(1,424,316)	330,061
<b>Total</b>	<b>32,454,042</b>	<b>(11,406,422)</b>	<b>21,047,620</b>	<b>29,228,259</b>	<b>(9,956,344)</b>	<b>19,271,915</b>

### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8,800,000	-	-	-	8,800,000
Buildings	4,140,000	-	-	(460,000)	3,680,000
Furniture and fixtures	1,479,702	1,298,782	(34,771)	(604,894)	2,138,819
Motor vehicles	180,572	-	-	(42,487)	138,085
Office equipment	2,262,031	1,334,118	(142,733)	(639,547)	2,813,869
Computer equipment	2,079,549	2,320,960	(111,772)	(1,191,049)	3,097,688
Leasehold improvements	330,061	329,787	-	(280,689)	379,159
	<b>19,271,915</b>	<b>5,283,647</b>	<b>(289,276)</b>	<b>(3,218,666)</b>	<b>21,047,620</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

part **E** Financial Information

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8,800,000	-	-	-	8,800,000
Buildings	4,600,000	-	-	(460,000)	4,140,000
Furniture and fixtures	2,172,459	218,774	(265,905)	(645,626)	1,479,702
Motor vehicles	-	212,438	-	(31,866)	180,572
Office equipment	1,827,970	892,854	(36,838)	(421,955)	2,262,031
Computer equipment	1,731,303	986,016	(126,422)	(511,348)	2,079,549
Leasehold improvements	667,443	-	-	(337,382)	330,061
	<b>19,799,175</b>	<b>2,310,082</b>	<b>(429,165)</b>	<b>(2,408,177)</b>	<b>19,271,915</b>

The asset classes of land and buildings are carried at revalued amounts. Land and buildings were revalued on 31 March 2015. The land and buildings were revalued by independent valuers. The fair values were determined by using either the comparative sales or the income capitalisation methods. Accumulated depreciation for the revalued buildings has been eliminated against the gross carrying value of buildings.

PSiRA reassessed the useful lives and residual values, and tested for impairment, of items of property, plant and equipment, at the end of the reporting period, in line with the accounting policy and GRAP 17 Property, Plant and Equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. Refer to note 28.

PSiRA had assets in use during the year that had a zero net book value at the beginning of the accounting period.

PSiRA assessed assets to determine whether there were any indication that the expectations about residual values were still relevant.

No assets were pledged as security during the year, nor were there any restrictions on any of the assets.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that are included in surplus or deficit is as follows:

Proceeds from Insurance claims	88,125	34,927
Proceeds from sale of assets	8,110	748
	<b>96,235</b>	<b>35,675</b>



# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### 4. Intangible assets

	2017			2016		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,170,294	(4,670,958)	499,336	4,688,890	(4,591,887)	97,003

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	97,003	560,004	(19,673)	(137,998)	499,336

#### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	222,593	(125,590)	97,003

#### Other information

No intangible assets were pledged as security during the reporting period.

### 5. Inventories

	2017	2016
Consumable stores	735,790	320,799
No inventory was pledged as security during the year.		

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

part **E** Financial Information

### 6. Trade and other receivables

	2017	2016
Trade debtors	76,666,084	71,398,175
Provision for impairment of trade debtors	(44,389,024)	(28,860,133)
Deposits	729,398	556,595
Other receivables	554,980	497,351
Prepayments	527,974	397,132
	<b>34,089,412</b>	<b>43,989,120</b>
<b>Trade and other receivables</b>		
Trade and other receivables from exchange transactions	66,894,181	63,300,000
Trade and other receivables from non-exchange transactions	9,771,903	8,098,175
	<b>76,666,084</b>	<b>71,398,175</b>
<b>Ageing of trade receivables</b>		
Current (0 - 30 days)	7,727,298	5,272,616
31 - 60 days	3,319,059	2,734,344
60 - 90 days	1,540,579	1,541,508
90 - over	64,079,148	61,849,707
	<b>76,666,084</b>	<b>71,398,175</b>
<b>Trade and other receivables impaired</b>		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	28,860,133	8,957,998
Current year provision	15,528,892	19,902,135
	<b>44,389,025</b>	<b>28,860,133</b>

Trade debtors are assessed for impairment collectively and individually for significant debtors. All trade debtors have been impaired when no payments have been received from the debtor within the last 24 months (2016: 24 months)

### 7. Cash and cash equivalents

#### Cash and cash equivalents consist of:

Cash on hand	883,801	681,913
Short-term deposits	24,850,416	47,899,380
Deposits and current accounts	3,088,839	4,982,461
	<b>28,823,056</b>	<b>53,563,754</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### 8. Operating lease obligation

	2017	2016
Non-current liabilities	(2,124,790)	(34,154)
Current liabilities	(34,155)	(2,185,571)
	<b>(2,158,945)</b>	<b>(2,219,725)</b>
<b>Lease payments: non-cancellable leases - Buildings</b>		
PSiRA has regional offices in Johannesburg, Durban, Port Elizabeth and Mthatha, and its head office in Centurion, where it leases premises for the purpose of providing services to the security industry.		
<b>KwaZulu-Natal: 26 Mathews Road, Greyville</b>		
5 year contract expiring 31 May 2017 - escalation of 7% per annum		
<b>Pretoria Corporate Offices: Eco Glades 2 Office Park, Centurion</b>		
5 year contract expiring 21 July 2021 - escalation 8.5% per annum		
<b>Port Elizabeth: Shop 221D, Pier Shopping Centre</b>		
5 year contract expiring 30 April 2021 - escalation of 7% per annum		
<b>Mthatha: 13 Cumberland Street, Hillcrest</b>		
5 year contract expiring 31 July 2021 - escalation of 8% per annum		
<b>Lease payments: Office equipment</b>		
5 year contracts expiring in 2019 - escalation of 0% per annum		
<b>Lease payments: Operating costs buildings</b>		
Pretoria Corporate Offices: Eco Glades 2 Office Park, Centurion		
5 year contract expiring 21 July 2021 - escalation 8.5% per annum		
<b>Summary for all the operating lease obligations</b>		
Not later than one year	34,155	2,185,571
One to five years	2,124,790	34,154
	<b>2,158,945</b>	<b>2,219,725</b>
<b>Total Operating Lease obligation</b>		
Lease payments: Buildings	1,893,657	2,096,112
Lease payments: Operating costs of buildings	265,288	123,613
	<b>2,158,945</b>	<b>2,219,725</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

part **E** Financial Information

2017

2016

### 9. Trade and other payables

Overpayment on Annual fees by debtors	-	80,363,013
Trade payables and accruals	9,124,098	7,477,023
Credit balances on debtors	53,204,013	11,232,637
Accruals for salary related expenses	3,464	2,918,908
13th Cheque	1,542,419	1,196,572
Unknown deposits	88,513	142,314
	<b>63,962,507</b>	<b>103,330,467</b>

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

Overpayment on annual fees by debtors includes credit notes processed against overbilling of annual fees from the inception of the revised Annual Fees regulation, which were implemented from 1 January 2012. The processing of credit notes resulted in credit debtors balances for security businesses that were paying the revised fees during the period.

### 10. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	3,666,202	2,376,607	(1,608,711)	4,434,098

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	5,587,421	2,025,884	(3,947,103)	3,666,202

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### 11. Revenue

	2017	2016
Sale of goods	10,147,213	14,580,956
Rendering of services	1,064,857	926,916
Annual fees	123,247,052	131,279,596
Infrastructure re-assessment	46,081	72,017
Course reports	33,129,330	27,372,970
Registration fees	32,429,195	27,882,422
Grant received	-	2,406,301
Bad debts recovered	758,848	985,371
Interest received	3,658,381	3,299,609
Sundry Income	2,698,290	832,139
Fines and Penalties	10,853,693	6,803,351
	<b>218,032,940</b>	<b>216,441,648</b>

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

Sale of goods	10,147,213	14,580,956
Rendering of services	1,064,857	926,916
Annual fees	123,247,052	131,279,596
Infrastructure re-assessment fees	46,081	72,017
Course reports	33,129,330	27,372,970
Registration fees	32,429,195	27,882,422
	<b>200,063,728</b>	<b>202,114,877</b>

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

Interest received	3,658,381	3,299,609
Grants received	-	2,406,301
Fines and penalties	10,853,693	6,803,351
	<b>14,512,074</b>	<b>12,509,261</b>

### 12. Other income (Non-Exchange Revenue)

Bad debts recovered	758,848	985,371
Sundry income	2,698,290	832,139
	<b>3,457,138</b>	<b>1,817,510</b>

### 13. Finance Income (Non-Exchange Revenue)

#### Interest revenue

Interest received	<b>3,658,381</b>	<b>3,299,609</b>
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Included in the amount above is interest received, from grant funds received, to the amount of R0 (2016: 46 442)

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### part E Financial Information

#### 14. Auditors' remuneration

	2017	2016
<b>Fees</b>	<b>2,605,586</b>	<b>3,001,574</b>
Internal audit fees	535,680	889,165
External Audit fees	2,069,906	2,112,409
	<b>2,605,586</b>	<b>3,001,574</b>

#### 15. Finance costs

Other interest paid	<b>9,458</b>	<b>14,599</b>
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#### 16. General expenses

Advertising	2,824,723	2,522,096
Auditor's remuneration	2,605,586	3,001,574
Bank charges	1,061,991	1,086,074
Cleaning	694,890	619,122
Consulting and professional fees	3,713,725	2,381,402
Consulting and professional fees - Council members	453,936	184,715
Consulting and professional fees - Audit and Risk Committee members	200,200	256,068
Consumables	1,337,516	82,069
Fingerprint cost	6,985,455	7,244,041
Functions & workshops	2,947,219	1,718,653
Insurance	524,525	422,734
Legal fees	1,566,371	692,959
Postage and courier	1,120,110	948,833
Printing and stationery	3,506,058	3,856,859
Donations & sponsorships	80,000	42,000
Property rental	18,264,177	13,463,232
Vehicle license fees	396	-
SARS penalties	38	117,336
Security	5,693,455	4,805,245
Software expenses	2,600,597	1,758,878
Subscriptions and membership fees	93,539	61,453
Sundry Expenses	853,101	553,996
Telephone and fax	7,056,001	6,637,659
Training	1,037,422	766,637
Travel - local	6,638,903	4,742,543
Travel - overseas	356,119	1,127,552
Water, Electricity and levies	5,019,681	4,026,173
Uniforms	1,137	17,671
	<b>77,236,871</b>	<b>63,137,574</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### 17. Employee related costs

	2017	2016
Basic salaries	82,147,802	71,041,817
Performance bonus - provision	2,376,607	2,025,884
Medical aid	6,274,750	5,591,034
Unemployment Insurance Fund	450,239	418,363
Skills Development Levy	928,432	818,272
Pension contribution	8,130,544	6,542,774
13th Cheques	5,258,794	3,914,221
Travel and other allowances	6,071,171	5,496,670
Workmen's compensation	292,148	52,978
Long-service awards	70,000	-
	<b>112,000,487</b>	<b>95,902,013</b>
<b>Defined contribution plans</b>		
<b>Pension contributions</b>		
Employee contributions	8,130,544	6,542,774
Employer contributions	4,886,375	3,944,193
	<b>13,016,919</b>	<b>10,486,967</b>

Contributions to the defined contribution fund is paid over to Alexander Forbes who manage the Pension Fund, a separate entity, on behalf of PSiRA.

The employer contributions have been included in employee related costs as pension contributions.

### 18. Cash (used in) generated from operations

Surplus	6,613,467	31,122,731
<b>Adjustments for:</b>		
Depreciation and amortisation	3,356,664	2,533,769
Loss on disposal of assets	300,841	428,416
Debt impairment	15,528,892	19,902,135
Movements in operating lease assets and accruals	(60,780)	(5,545,038)
Movements in provisions	767,896	(1,921,219)
<b>Changes in working capital:</b>		
Inventories	(414,991)	(145,518)
Trade and other receivables	(5,629,186)	(28,071,794)
Trade and other payables	(39,367,960)	5,573,661
	<b>(18,905,157)</b>	<b>23,877,143</b>



# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

part **E** Financial Information

2017

2016

### 19. Events after the reporting date

PSiRA entered into a new lease agreement for the Polokwane regional office. Council has approved the extension of the Durban lease agreement for a further 5 years.

### 20. Irregular expenditure

Opening balance	-	17,391,624
Less: Amounts written off	-	(17,391,624)
	-	-

### 21. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure for the current financial year	116,754	179,332
Fruitless and Wasteful expenditure - written off	(41,046)	(176,332)
Fruitless and wasteful expenditure - transferred to trade debtors for recovery	(75,376)	(3,000)
Fruitless and wasteful expenditure - recovered from staff members	(332)	-
	-	-

#### Details of fruitless and wasteful expenditure

SARS Penalties	38	128,814
SARS interest	8,641	13,301
Flight costs	-	26,530
Interest on creditors accounts	625	1,298
Overpayment on salary	-	3,000
Unclaimed loss of asset	-	6,389
Traffic fines	1,028	-
Presiding Officer fees	11,310	-
Accommodation	4,827	-
Overpayment on overtime	72,224	-
Cash losses	18,061	-
	<b>116,754</b>	<b>179,332</b>

During the current year fruitless and wasteful expenditure of R116 754 (2016:R179 332) was incurred as a result of late payments made to creditors, late cancellation of services, traffic fines, accommodation that was paid and not utilised as well as overtime paid due to a system error. Interest and penalties on late payment of employee taxes will be investigated.

Cash losses could not be recovered from staff members, staff members were dismissed after the finalisation of the disciplinary enquiry.

PSiRA's forensic team has investigated all incurrences. Costs were recovered where individuals were found to have been negligent in performing their duties.

### 22. Contingencies

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#### Building Costs

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##### - Arcadia Building

The valuator's report for the valuation of land and buildings at 31 March 2015 disclosed that the demolition costs for the Arcadia office building, which has been declared unsuitable for occupation, would amount to R1 500 000.00

The property was valued as the expected sale value of the property voetstoots, see Note 3. PSiRA will only incur the demolition costs in the event that the property is developed by PSiRA and in which event, the land value will increase by a commensurate amount.

#### Litigation

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##### - Contingent liabilities

PSiRA is a defendant in a number of legal actions. The cases are yet to be brought before the court. It is not possible at this stage of proceedings to determine the actual losses that PSiRA would suffer in the event that the court found against PSiRA. Estimated liability amounts to R741 000 (2016: R857 000).

##### - Contingent assets

PSiRA is a complainant in a number of legal actions. The cases are yet to be brought before the courts. The estimated probable inflow is R60 965 (2016: R35 000), excluding costs.

### 23. Risk management

#### Liquidity risk

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

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

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

Contractual undiscounted cash flows as at reporting date	Less than 1 year	Between 2 and 5 years	Total
Operating lease obligation	34,155	2,124,790	2,158,945
Trade and other payables	63,962,507	-	63,962,507
	<b>63,996,662</b>	<b>2,124,790</b>	<b>66,121,452</b>

#### Interest rate risk

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

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year-end were as follows:

Financial instrument	2017	2016
Trade and other receivables	34,089,412	43,989,120
Cash and cash equivalents	28,823,056	53,563,754
	<b>62,912,468</b>	<b>97,552,874</b>

### 24. Going concern

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.

#### Financial consideration

We draw attention to the fact that at 31 March 2017, the entity had accumulated surplus of R 5,900,698 and that the entity's total assets exceed its liabilities by R 14,639,664. PSiRA posted a net surplus of R6 613 467 for the current financial year.

#### Legal and statutory considerations

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

#### Assessment of going concern assumption

The Standard of Generally Recognised Accounting Practice – Presentation of Financial Statements (GRAP 1) paragraph .27 states: "when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis, unless there is an intention to liquidate the entity or to cease trading, or if there is no realistic alternative to do so."

PSiRA has a statutory mandate in terms of the Act and will continue to deliver on its mandate for the foreseeable future.

The going concern assumption in Public Entities is not predicated on the solvency test that is usually applied to business enterprises. The legislated ability to raise fees from the security industry may allow PSiRA to operate for extended periods in a net asset position.

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

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

part **E** Financial Information

### 25. Commitments

#### Authorised capital expenditure

Already contracted for, but not provided for

Property, plant and equipment

Intangible assets

#### Total capital commitments

Already contracted for, but not provided for

#### Authorised operational expenditure

Already contracted for, but not provided for

• Printing & Stationery

• Training

• Maintenance

• Consultancy fees

• Consumables

• Staff amenities

• Travel expenses

• License fees

• Telephone & fax

• Security

• Equipment rental

#### Total operational commitments

Already contracted for, but not provided for

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

• Within one year

• In second to fifth year inclusive

• Later than five years

Operating lease payments represent rentals payable by PSiRA for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

	2017	2016
	64,029	-
	38,115,558	-
	<b>38,179,587</b>	<b>-</b>
	38,179,587	-
	492,738	6,669
	54,427	13,222
	222,181	24,587
	1,654,348	256,445
	55,942	-
	-	4,290
	-	65,228
	-	1,988,679
	8,037,423	485,081
	17,531,156	-
	1,555,714	-
	<b>29,603,929</b>	<b>2,844,201</b>
	29,603,929	2,844,201
	18,330,314	2,185,571
	71,675,904	34,154
	-	-
	<b>90,006,218</b>	<b>2,219,725</b>

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

2017

2016

### 26. Related parties

PSiRA is a section 3A Public Entity listed in the PFMA. In terms of the PFMA, PSiRA is mandated to report to the Minister of Police as its Executive Authority.

#### Related Party transactions

PSiRA incurred certain expenses on behalf of the Department of Police, which was recovered at cost and a 15% management fee was charged for the management of these expenses.

The table below reflects the expenses incurred on behalf of the Department of Police that were recovered through Sundry Income:

#### Other operating expenses

Functions & workshops	66,825	-
Sundry expenses	152,802	-
Lease rentals and operating leases	11,881	-
Telephone and fax	51,517	-
	<b>283,025</b>	<b>-</b>

Included in revenue is the recovery of costs for expenses incurred on behalf of the Department of Police and a management fee of 15% on these costs.

#### Sundry Income

Cost recovery	283,025	-
Management fee	42,453	-
	<b>325,478</b>	<b>-</b>

#### Related party balances

##### Amounts included in Trade Payable regarding related parties

Department of Police	20,208	-
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# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### part E Financial Information

#### Board and Executive Members Emoluments

The Executive Authority approves the remuneration of the Council. Remuneration of the Council is paid in line with the Treasury guidelines.

#### Council members 2017

	Meetings attended	Remuneration	Car allowance	Reimbursive and other allowances	Total
Prof. N.M. Mazibuko (Chairperson) *	Nine	1,857,024	-	7,511	1,864,535
Mr. D.C.M. Rathebe (Dep. Chairperson)** ^	Two	-	-	-	-
Mr. B.S. Ntuli **	Six	51,971	-	5,746	57,717
Maj. Gen. C.L. Philison ^	Seven	-	-	-	-
Adv. N. Mthembu**	Four	30,672	-	3,510	34,182
Mr. N. Ngubane ***	Three	138,369	-	-	138,369
Mr. Z. Zulu***	Three	121,038	-	-	121,038
Mr. T.M. Oliphant ***	Three	121,038	-	2,886	123,924
		<b>2,320,112</b>	<b>-</b>	<b>19,653</b>	<b>2,339,765</b>

#### Council members 2016

	Meetings attended	Remuneration	Car allowance	Reimbursive and Other allowances	Total
Prof. N.M. Mazibuko (Chairperson) *	Eight	1,647,904	-	22,421	1,670,325
Mr. D.C.M. Rathebe (Dep. Chairperson)** ^	Six	-	-	26,388	26,388
Mr. B.S. Ntuli **	Eight	117,892	-	28,363	146,255
Maj. Gen. C.L. Philison^	Four	-	-	-	-
Adv. N. Mthembu**	Five	66,823	-	4,661	71,484
		<b>1,832,619</b>	<b>-</b>	<b>81,833</b>	<b>1,914,452</b>

\* Appointed April 2015

\*\* Term ended December 2016

\*\*\* Appointed January 2017

^ Non remunerated government employee



# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### Audit and Risk committee 2017

	Meetings attended	Remuneration	Special Assignments and other meetings	Reimbursive and other allowances	Total
Ms. K.G. Mbonambi (Chairperson)***	None	-	-	-	-
Mr. P. Ravhudzulo (Deputy Chairperson) ***	None	-	-	-	-
Mr. A.N. Mhlongo (Chairperson)*	Four	121,200	-	2,820	124,020
Ms. N. Tsobeni (Dep. Chairperson)*	None	-	-	-	-
Mr. C. Motau	Three	31,000	-	-	31,000
Mr. B. Mkhize **	Three	24,000	-	666	24,666
Mr. T. Mvelase **	Two	24,000	-	-	24,000
		<b>200,200</b>	<b>-</b>	<b>3,486</b>	<b>203,686</b>

### Audit and Risk committee 2016

	Meetings attended	Remuneration	Special Assignments and other meetings	Reimbursive and other allowances	Total
Mr. A.N. Mhlongo (Chairperson)*	Six	106,236	-	1,680	107,916
Ms. N. Tsobeni (Deputy. Chairperson)*	Four	40,000	-	504	40,504
Mr. C. Motau	Five	44,000	-	-	44,000
Mr. B. Mkhize **	Four	53,018	-	444	53,462
Mr. T. Mvelase **	Two	16,000	-	-	16,000
		<b>259,254</b>	<b>-</b>	<b>2,628</b>	<b>261,882</b>

\* Term ended 28 February 2017

\*\* Term ended December 2016

\*\*\* Appointed 17 March 2017

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

part **E** Financial Information

### Key Management Personnel 2017

	Office Held	Remuneration	Car and other allowances and benefits	Reimbursive allowance	Total
Mr. M.S. Chauke	Director	1,620,558	326,751	21,577	1,968,886
Ms. M.P. Mofikoe	Deputy Director: Comm, Train & Reg	1,489,032	56,060	5,786	1,550,878
Mr. P.P. Mthethwa *****	Deputy Director: Law Enforcement	895,017	72,280	-	967,297
Mrs. M.C. Sebogodi	Deputy Director: Fin & Admin	1,375,538	106,340	660	1,482,538
Mr. J. Makgolane ****	Corporate Secretary	330,639	86,884	683	418,206
		<b>5,710,784</b>	<b>648,315</b>	<b>28,706</b>	<b>6,387,805</b>

### Key Management Personnel 2016

	Office Held	Remuneration	Car and other allowances and benefits	Reimbursive allowance	Total
Mr. M.S. Chauke	Director	1,539,437	294,301	18,820	1,852,558
Ms. M.P. Mofikoe	Deputy Director: Comm, Train & Reg	1,315,179	42,249	6,719	1,364,147
Mr. P.P. Mthethwa *****	Deputy Director: Law Enforcement	1,157,145	139,560	15,187	1,311,892
Mr. R. Kevan *	Deputy Director: Fin & Admin	819,452	10,500	-	829,952
Mrs. M.C. Sebogodi **	Deputy Director: Fin & Admin	525,674	60,349	-	586,023
Mrs. Z. Mthembu ***	Corporate Secretary	824,505	122,000	-	946,505
		<b>6,181,392</b>	<b>668,959</b>	<b>40,726</b>	<b>6,891,077</b>

\* Appointed in November 2014 and resigned in October 2015

\*\* Appointed November 2015

\*\*\* Appointed as Senior Manager: Parliament and Stakeholder Liaison

\*\*\*\* Appointed December 2016

\*\*\*\*\* Resigned September 2016

### 27. Budget differences

#### Material differences between budget and actual amounts

##### Statement of Financial performance

##### *Revenue*

Total Revenue is 8% below budget mainly due to the following:

- Annual Fees are 8% below budget – The number of SOs disclosed as working in the industry is currently lower than what was budgeted.
- Registration fees 4% below budget – The number of newly registered Security Businesses is higher than budgeted, but the number of Security Officers is currently lower than what was anticipated. In the prior financial years, Security Officers registering in the last quarter of the financial year was normally higher, but this financial year the number is lower than budgeted.
- Sale of Goods 62% below budget – The sale of ID cards is only done to those Security Officers who are employed and since the start of the project in September, we are experiencing lower volumes than expected. The renewal of certificates project is also lower than budgeted.
- Interest received is 98% above budget (mainly due to the increased cash flows in 2016/2017 financial year after the implementation of admin fees and annual fees).
- Fines and penalties are 84% above budget, this is influenced by a number of transgression and the value of the fine, which is not consistent.
- Other Income is above budget (includes Changes to Service Provider details, RPL, Sale of Tender documents)

##### *Expenditure*

Expenditure is 11% below budget mainly due to below-budget spending in the following expenditure items (please note year-end accruals are not yet processed):

- Staff costs 4% - The performance bonus actually paid was less than what was budgeted for. The final percentages approved by Council were less than what was initially budgeted for.
- Advertising and Publication by 49% - Advertisements costs budgeted were lower than actual costs incurred. Publications of Annual Performance Plans and Strategic Plans will be incurred in March.
- Printing and Stationery by 78% - The renewal project of printing ID cards and Certificates was delayed. Since the project started, ID cards are only printed for employed Security Officers.
- Audit fees by 29% - Internal audit started in September 2016 and once the audits are finalised, the expenditure will increase and the current positive variance will decrease.
- Telephone and fax 16% - The budget includes the migration of PE, Mthatha and Johannesburg office to the system used by Head Office. The migration for PE office was done in June, Johannesburg and Mthatha office are not yet done.
- Seminars, conferences and venue hire 28% - The costs of workshops and seminars budgeted was higher than the actual costs incurred. The Registration Department will continue to visit regions where there are no PSIRA offices to issue certificates and ID cards during the last quarter of the financial year.
- Depreciation and amortisation 67% - Due to the delay in implementation of ERP System, the depreciation and amortisation for Hardware and Software for the ERP project that was budgeted was not processed as procurement was delayed.
- Office rent and machine rentals 27% - This is due to the delay in occupation of the new offices in Mthatha, PE and Johannesburg. The opening of a new office in Bloemfontein was also planned, but due to the prolonged tender process, this has been delayed.
- Legal fees 43% - This depends on the number cases and the variance will fluctuate from time to time.

# Annual Financial Statements

for the year ended 31 March 2017

## Notes to the Financial Statements

### Statement of financial position

#### Current Assets

##### Trade and Other Receivables

During the financial year, credit notes of R80m were processed against debtors that paid PSiRA the revised rates during the period 1 Jan 2012 and 30 Nov 2014. The current debtor collection ratio is 123 days from 234 days in April 2016. This is expected to improve during the financial year. The current Provision for Bad Debts is R44 million, calculated on service providers that have not paid PSiRA for the past two years. Most of these service providers have been withdrawn and will be handed over to Legal Department for collection.

##### Cash and Cash Equivalents

After processing the R80 million credit balances, some security businesses' balances are currently credit balances. Those businesses that are currently on credit are not paying until their credit balances are eliminated by the monthly and annual billing. As at the end of March 2016, the credit balances of 5 800 security businesses amounted to R51 million. After the billing in April 2017, the credit balances are estimated to be R17 million made up of only 898 security businesses. The total net cash outflow in 2016/2017 financial year was R28 million.

##### Trade and Other Payables

The decrease in Trade and other payables is due to the processing of credit notes of R80 million. Trade payables include Trade Debtors credit balances of R53 million. These credit balances are expected to decrease in April after the processing of the new annual billing.

## 28. Change in estimate

### Property, plant and equipment

During the financial year, the useful lives of specific assets have been reassessed to reflect the actual pattern of service potential that PSiRA estimated could still be derived from these assets. The useful lives were reassessed as follows:

- The useful life of computer equipment increased to 5 years.
- The useful life of office equipment increased from 5 years to 10 years. The useful life of office furniture increased from 5 to 10 years.
- The useful life of leasehold improvements increased from 5 to 10 years.
- The effect of this on current and future periods has been illustrated below:

	Increase in carrying value at end of year	Decrease in depreciation for the year	Decrease in accumulated depreciation
Computer equipment	28,043	28,043	-
Office equipment	19,035	19,035	-
Office furniture	176	176	-
Leasehold improvements	2,787	2,787	-
	50,041	50,041	-





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