SPECIAL INVESTIGATING UNIT

SIU

ANNUAL REPORT 2003/04

RP 128/2004
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The Honourable Speaker
Parliament of the
Republic of South Africa
P O Box 15
CAPE TOWN
8000

August 2004

Dear Madam

ANNUAL REPORT IN TERMS OF SECTION 4(1)(H) OF ACT 74 OF 1996

On behalf of the Special Investigating Unit, appointed in terms of Section 2 of Act 74 of 1996, we hereby submit to you the draft Annual Report for the period 2003/2004 as envisaged by the provision of Section 4 (1)(h) of Act 74 of 1996.

The Report includes the most important features of the Unit for the year under review.

Yours faithfully

W A Hofmeyr
HEAD OF THE UNIT

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AG:	Office of the Auditor-General
AFU:	Asset Forfeiture Unit
Agri-Eco:	Free State Agriculture and Development (Pty) Ltd
CEO:	Chief Executive Officer
DACST:	Department of Arts, Culture, Science and Technology
DCS:	Department of Correctional Services
DPP:	Director of Public Prosecutions
DLTC:	Driving Licence Testing Centre
DSO:	Directorate of Special Operations ("Scorpions")
DVLA:	Duncan Village Licencing Authority
FSTMB:	Free State Tourism and Marketing Board
IT:	Information Technology
JACT:	Joint Anti-Corruption Task Team
KZN:	KwaZulu-Natal
LAN:	Local Area Network
MEC:	Member of the Executive Council
NPA:	National Prosecuting Authority
PACOFS:	Performing Arts Council of the Free State
RDP:	Reconstruction and Development Program
SA:	South Africa
SAPS:	South African Police Service
SIU:	Special Investigating Unit ("New SIU")
HSIU:	Heath Special Investigating Unit ("Old SIU")
SOK:	Sentraal Oos Ko-Operatief
TLC:	Transitional Local Council
TRTC:	Transkei Road Transport Corporation
UK:	United Kingdom
WAN:	Wide Area Network
WPU:	Witness Protection Unit
WPP:	Witness Protection Program

2. INTRODUCTION

The SIU has pleasure in presenting the draft Annual Report on its activities for the year ending 31 March 2004.

The purpose of this Annual Report is to give an overview of the SIU performance, financial status and achievements during the past year.

MISSION

The SIU is an anti-corruption agency that performs high quality investigations in the public interest and takes legal action to prevent and recover losses of state monies and assets.

ROLE OF THE SIU

The SIU deals with cases of corruption, fraud and maladministration that have been referred to it by the President.

When an investigation reveals sufficient evidence, the SIU can institute civil action in the Special Tribunal to recover, protect or save state assets or state monies that have been or could be misappropriated or misused.

Where any evidence of criminal offences is uncovered, the SIU works closely with other law enforcement agencies to ensure that perpetrators are prosecuted in the appropriate forum.

ADVANTAGES OF THE SIU

The SIU plays a role not fulfilled by any other institution. It is the only institution that has the application of civil law as its focus area in order to deal with the effects of corruption or maladministration. The SIU has the capacity to take a matter from the stage where it is a mere allegation, through a full investigation and ultimately engage in litigation to bring the matter to finality.

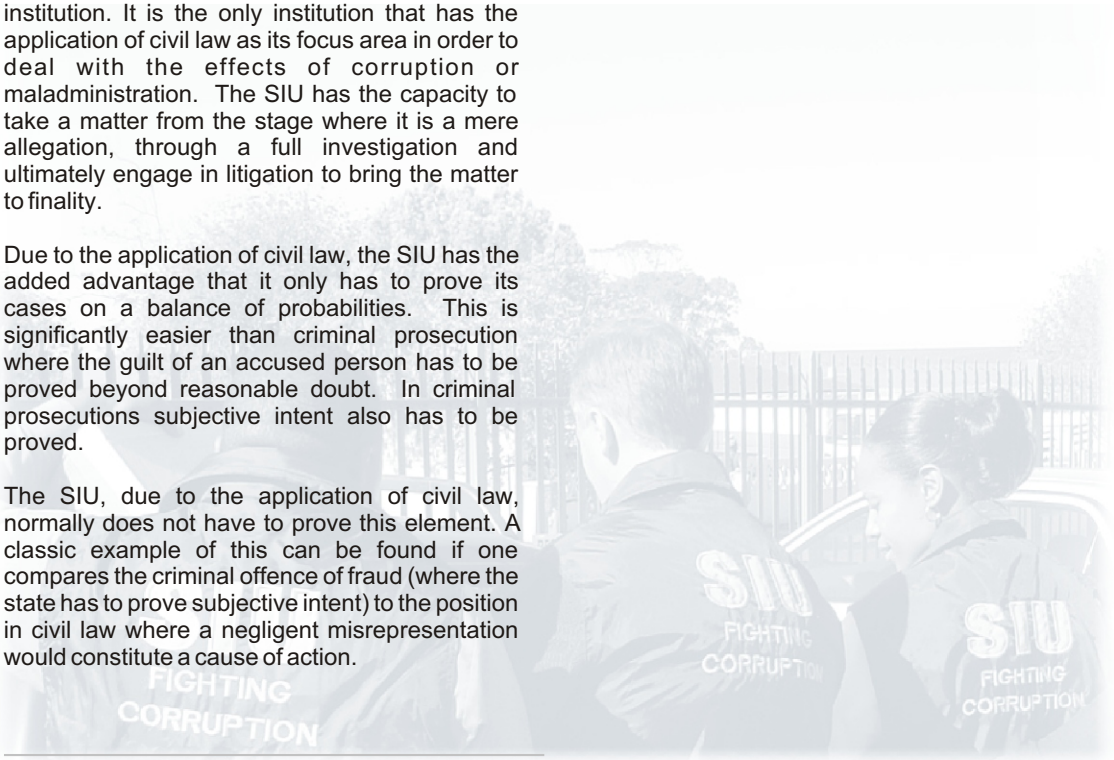
Due to the application of civil law, the SIU has the added advantage that it only has to prove its cases on a balance of probabilities. This is significantly easier than criminal prosecution where the guilt of an accused person has to be proved beyond reasonable doubt. In criminal prosecutions subjective intent also has to be proved.

The SIU, due to the application of civil law, normally does not have to prove this element. A classic example of this can be found if one compares the criminal offence of fraud (where the state has to prove subjective intent) to the position in civil law where a negligent misrepresentation would constitute a cause of action.

MATTERS WHICH THE SIU CAN INVESTIGATE

The President may refer a matter to the SIU for investigation on the grounds of any alleged -

- serious maladministration in connection with the affairs of any state institution;
- improper or unlawful conduct by employees of any state institution;
- unlawful appropriation or expenditure of public money or property;
- unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having a bearing on State property;
- intentional, or negligent loss of public money or damage to public property;
- corruption in connection with the affairs of any state institution;
- unlawful or improper conduct by any person which has caused or may cause serious harm to the interests of the public or any category thereof.



3. MESSAGE FROM THE HEAD OF THE UNIT

The SIU experienced an exceptional year in its relatively short history. Since the establishment of the Unit in August 2001, we have set the SIU on a course that has so far resulted in:

the stabilization of the Unit;
the development of a strategic plan;
galvanizing the members around the Unit's vision of becoming a world class anti-corruption agency;
significantly building internal capacity;
a shift towards greater operational impact and outcomes, and
building lasting cooperation with other Departments and agencies.

The massive increase in workload at the SIU and the increased burden on the Head of the Unit lead to the appointment of Faiek Davids as the Deputy Head to manage the implementation of our strategic initiatives and management. He was previously employed at the Head Office of the Directorate of Special Operations (the "Scorpions") and over the past six months he has certainly made a big impact on our ability to deliver.

As a result of our successful track record in previous investigations, state institutions have increasingly approached the SIU for assistance with forensic investigations. Contrary to popular belief, the investigations conducted by the SIU do not simply fall into our lap. The SIU has been pro-active in identifying Departments that can benefit from our intervention, for example by using reports issued by SCOPA and the Auditor-General. These reports have highlighted those areas where there is significant corruption or maladministration in our country.

PROJECT PROFILE:

1. During 2003/2004 we have made tremendous impact in major areas, where corruption and maladministration have resulted in debilitating service delivery. Our current project profile reflects this strategic shift of the SIU.
2. Currently some of our major projects include:
   Department of Correctional Services (DCS) National;
   Department of Justice and Constitutional Development (DOJ) National;
   Witness Protection Program (WPP) National;
   Department of Transport: Limpopo Province.
3. We envisage that this profile will increase significantly when we commence with a massive investigation with the National Department of Transport into the irregular issuing of drivers' licences and roadworthy certificates, as well as the irregular registration of vehicles.
4. We have also working with the Eastern Cape Department of Local Government on a large investigation into corruption and mal-administration in a number of municipalities.
5. An example of one of the recoveries made by SIU, is a settlement of R1 million by a contractor in Gauteng that was involved in irregularities relating to housing subsidies.
6. The SIU has assisted the WPP by investigating and rooting out large scale mismanagement and corruption in the Kwa-Zulu Natal office prior to its transfer to the National Prosecuting Authority (NPA).
7. As a result of the SIU investigation with the Department and others, DCS has achieved a substantial saving of R370 million in respect of its medical aid fund. This translates to a monthly saving to the medical aid of R31 million.
8. Together with the DCS, we are jointly ridding the Department of corrupt officials and improving weak systems and procedures.
9. The SIU was appointed by the DOJ to investigate allegations of fraudulent and corrupt activities at 40 magistrates' offices.
10. In DOJ we have, after nine months, investigated 21 magistrates' courts and at several of these courts, exposed systematic gaps. We have made recommendations regarding urgent improvements to the system. Together with the Specialised Commercial Crimes Unit (SCCU) we have identified and investigated at least 49 cases that will be fast-tracked through the criminal justice system to ensure a speedy and successful outcome. In the more serious matters, some of our senior Advocates will conduct the prosecution on behalf of the NPA. We are committed to ridding the DOJ of some of these corrupt justice officials and bringing to book the criminal kingpins operating on the outside as "we cannot allow the DOJ to become a soft target."
11. In line with the President's State of the Nation address on raising the levels of service delivery at a local level, we have made an impact at municipal level through investigations at various municipalities.

12. At Quakeni Municipality in the Eastern Cape, the SIU's investigation has involved:
    - the examination of the prime document relating to service delivery (the Integrated Development Program),
    - the facilitation of new and existing capital and local economic development projects,
    - the adoption of new human resource policies,
    - the setting aside of contracts totaling R3 million by the Municipality, due to improper procurement practices, and
    - cash recoveries amounting to about R800 000.
13. The latter initiative is part of our intervention model of exposing corruption and maladministration, bringing culprits to book and assisting the host municipality with systemic improvements and providing ongoing support. Our shift towards a collaborative, project management approach has yielded high returns.

PARTNERSHIPS

1. By establishing partnerships with DCS and DOJ and other Departments we have moved towards a solution based collaborative approach. Our emphasis on forensic investigations ensures that the relevant Departments adhere to a culture of good corporate governance.
2. There has been a big shift to Departments actively soliciting our assistance and the SIU becoming part of the solution to address their internal problems.
3. Through these partnerships we have expanded our reach into corruption, and developed ongoing partnerships. A number of Departments have even assisted the SIU with additional funding to resource these initiatives.
4. In essence, by empowering these Departments to deal with their internal problems, we help state institutions to help themselves:
    a. In the DCS investigation, we have assisted in identifying and improving systemic problems and internal controls in the area of procurement;
    b. The proposed investigation with the Department of Transport into the irregular issue of drivers' licences which has international repercussions in that it has eroded the respect previously held for South African drivers' licences.

RECOVERIES AND SAVINGS TO THE STATE

The SIU made the following recoveries and savings in the past year:

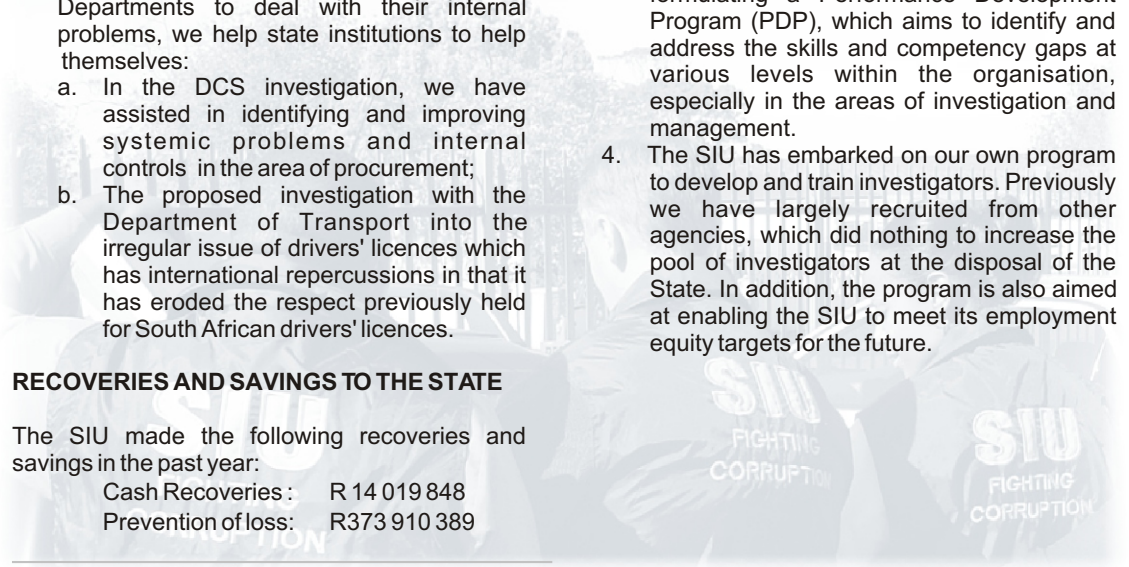
Cash Recoveries : R 14 019 848
Prevention of loss: R373 910 389

WORKING TOGETHER TO FIGHT CORRUPTION

1. Inter-agency co-operation has improved greatly over the past year. The common values endorsed by the various law enforcement agencies promote integrity, quality, and collaboration.
2. Despite our core function being forensic investigation and the recovery or prevention of losses, the SIU works handin- hand with other law enforcement agencies.
3. We continue to provide the infrastructure for the Joint Anti-Corruption Task Team (JACT) in the Eastern Cape, which includes the provision of office space, vehicles and administrative support. Several SIU members have been seconded to work full-time on JACT.
4. At present, JACT has a caseload of 340 cases, involving investigations at various Departments, which include essential service providing Departments such as Health, Education, Public Works and Welfare. In the past year, JACT has made 96 arrests.

CAPACITY BUILDING

1. Having regard to our current and projected project file, our commitment to sustainable capacity building, the SIU has expanded both its staff and skills profile in the past year. We have acquired several skilled auditors, financial analysts, attorneys, former prosecutors and many experienced investigators.
2. Our support services continue to maintain excellent levels of service delivery. Over the past year the HR division alone, comprising of 5 members, has processed 9 140 applications for 59 positions, all of which have been filled.
3. In the area of training, the SIU is in process of formulating a Performance Development Program (PDP), which aims to identify and address the skills and competency gaps at various levels within the organisation, especially in the areas of investigation and management.
4. The SIU has embarked on our own program to develop and train investigators. Previously we have largely recruited from other agencies, which did nothing to increase the pool of investigators at the disposal of the State. In addition, the program is also aimed at enabling the SIU to meet its employment equity targets for the future.



5. The SIU has also embarked on a Potential Leadership Program (PLP) aimed at fast-tracking the development of employees who have managerial potential. Again, this is a vital initiative to develop more managers from designated groups. sic investigations on their behalf.
6. In the past year, the total staff complement has increased by an impressive 57% from 121 to 190 members. Given our future projection and our current rate of expansion, we anticipate hitting the 300 mark by the end of the year.
7. We established an Internal Integrity Division, which ensures that all new and existing members comply with a rigorous vetting process. Members are routinely subjected to Voice Stress Analysis and drug testing, as well as financial and other checks to ensure that the Unit maintains the highest level of internal integrity.
8. We are on track with improving our equity targets. It is worth noting that of the 59 appointments made during the past year, 49 were from the designated equity groups.

DELIVERING A COST EFFECTIVE AND EFFICIENT SERVICE

1. The SIU is in a unique position to provide an efficient and economic forensic investigation and litigation service to Departments who have suffered financial loss due to fraud and/or corruption.
2. Government annually spends millions of rands employing the services of private firms to conduct forensic investigations on their behalf.
3. During the past year, we have set out to concentrate on three things: increase our operational impact, building sustainable internal capacity and reduce government Departments' reliance on external private sector auditing firms.
4. In every respect we have exceeded our expectations and emphasized that the SIU is a high return investment to government that merit greater budgetary commitment.
5. The services of the SIU are in demand and government has recognized this by increasing our budget significantly from R26 million to R37 million. However, our existing budget is insufficient for us to undertake some of the proposed investigations that we are discussing with various Departments. These projects aim to continue assisting enhancing corporate governance and addressing the problems of maladministration and misappropriation of state monies and assets.

ESTABLISHING A NATIONAL PRESENCE

The Head Office of the SIU is currently in East London, but it will be moving to Pretoria during the course of this year to facilitate better co-operation with Departments and other law enforcement agencies.

Already, the SIU has substantial regional offices in Pretoria and Durban, as well as a satellite office in Umtata.

During the past year the SIU established small satellite offices in Cape Town and Nelspruit to ensure that it delivers a better service to state institutions in those areas.

THANKS

I would like to thank the former Minister of Justice and Constitutional Development, Dr Penuel Maduna for the excellent co-operation we have received from him and the officials in his Department.

I would also like to express my gratitude to the National Director of Public Prosecutions, Mr Bulelani Ngcuka, for his unstinting support over the past year.

A special word of thanks has to go to Faiek Davids, the new Deputy Head, for taking on a massive share of my responsibilities at the Unit.

Lastly, a special thank you to the members of the SIU for their continued loyalty, dedication and commitment. Without them, we would not have made a large impact on corruption that we achieved in the past year.

CONCLUSION

The past year has been one in which the SIU has improved on the excellent performance level of the previous year.

"Corruption will never be entirely eliminated, but it is naïve to believe that nothing can be done about it".

We believe that the SIU is making a significant contribution to ensure that something is done about it!

HEAD OF UNIT

4. YEAR UNDER REVIEW: 2003/2004

4.1 INVESTIGATIONS

In the past year the SIU has taken on 6 new investigations, most notably the national investigation into the Department of Justice and extending the investigation into the Department of Housing project in the Northern Cape.

In addition to these 6 investigations we have 18 ongoing investigations, in varying phases of progress. In the course of this past year we have either finalized or referred 10 investigations, some of which remain on our books until the finalizing of the litigation proceedings, execution of the court orders or the prosecution of criminal charges.

Since 2002 the SIU has gradually introduced a more proactive investigative approach, based on identifying areas where the unit can make a greater impact. In the past year the SIU has therefore consolidated its efforts in the premier projects through a greater emphasis on project management, identification of outcomes, reduced turnaround time and advice regarding systemic improvements of client Departments.

In several instances such investigations involve multi-agency task teams, in which it combines its powers with that of other agencies such as the SAPS, DSO and AFU.

In the Department of Correctional Services Medical Aid investigation in Gauteng, the Department of Justice investigations at Nkandla Magistrates Court in Kwa-Zulu Natal, the Agri-Eco investigation in the Free State Province, the SIU is involved in joint initiatives with these agencies, which has thus far resulted in the prosecution of major syndicates, large scale recoveries and savings.

The SIU's participation in JACT, in the Eastern Cape Province, is an important interaction to bring long outstanding criminal offenders to book.

The outcomes-based approach has yielded many achievements thus far, as can be seen below. The emphasis on improving turnaround times has resulted in the unit freeing up scarce resources to attend to important investigations. The SIU is working in a more goal directed and focused manner and is pleased to report the progress of its investigations for the past year.

A. ONGOING INVESTIGATIONS

1. **Department of Correctional Services (DCS): National**

Background

The DCS investigation commenced in 2002, with the publication of Presidential Proclamation R66 of 2002, into allegations of fraud, corruption and maladministration at prisons nationally.

This investigation stems from the Jali Commission into corruption within the Department of Correctional Services.
The investigation covers prisons in all provinces and for purposes of effective management have been divided into two main regions:

The Southern Region covers the Eastern Cape, Western Cape and Kwa Zulu Natal and is managed from the East London office.

The Northern Region is managed from the Pretoria Office and covers the Free State, Northern Cape, Gauteng, Mpumalanga, Limpopo Province and the North West.

Allegations

Based on the proclamation, the SIU's investigation covers the following allegations:

General statements of fraud and corruption to drug trafficking, assault and mismanagement at various prisons.

National procurement processes.

Fraudulent medical aid claims.

First Auto card abuse

Action: General Allegations

In the past year the SIU investigation has yielded the following achievements:

Referral of 17 matters to the SAPS for further criminal investigation and prosecution;

Referral of 39 matters for internal Departmental disciplinary action;

The criminal prosecution of the Provincial Commissioner of the Eastern Cape on charges of fraud, emanating from fraudulent claims submitted to DCS. He was subsequently dismissed after an internal disciplinary hearing

Other noteworthy highlights include:

Instituting a criminal case of murder against a DCS official as a result of the SIU investigation;

Taking action against DSC members for the misappropriation of social club funds

Identifying irregularities in prison pharmacies and hospitals resulting in the institution of criminal and disciplinary action;

The arrest of 7 warders on corruption related charges at Barberton prison, as a result of the efforts of the joint task team consisting of the SAPS Organised Crime Unit, Correctional Services Anti-corruption Unit and the SIU

Action: National Procurement

As a result of the SIU's investigation into procurement processes the following has been uncovered:

the lack of rotation of service providers to prisons resulting in certain service providers being favoured and the state not receiving value for money;

service providers not delivering according to contractual conditions thereby resulting in wasteful expenditure;

Previously disadvantaged organizations, selected as suppliers to DCS, do not have the infrastructure to supply the prisons efficiently resulting in poor service delivery; and

Conflicts of interest where DCS officials have a direct or indirect interest in service provider companies.

Specific highlights includes the following investigations:

An investigation into wasteful and/or fruitless expenditure totaling R6 636 046.21 for a short term occupation of a building by DCS for the purposes of housing a training academy. At issue is the failure of DCS to occupy the said premises notwithstanding a contractual obligation to do so for the full duration of the lease period indicated in the contract.

An investigation into the procurement of a sub-standard product, Whey Milk Powder. The product resulted in the correctional clients revolting and tabling persistent complaints about its inferior quality. This necessitated a further outlay of funds by DCS to procure fresh milk for correctional clients.

An investigation into the Repair and Maintenance Program (Ramp) which highlighted fraudulent payments to contractors where no work was done. An added feature of the investigation relates to “fronting” (failure to comply with BEE principles) which subverted the procurement processes and the award of tenders.

Allegations into conflicts of interest where DCS's original Asset Procurement and Operating Partnership (APOPS) project team involved in the the building of the two private prisons in Mangaung (Bloemfontein) and Louis Trichardt, were subsequently recruited to senior positions in these private prisons.

As a result of the SIU investigation during the past six months, the following has been achieved:

Compilation of evidence supporting a recommendation for a Departmental investigation against DCS official for the misuse of a state vehicle;

Institution of a criminal investigation against two DCS officials for the misuse of state vehicles; and

Subsequent to an investigation into allegations of splitting of quotations and duplication of payments, the SIU, in collaboration with DCS, could find no evidence of duplication or splitting of quotations.

Action: Medical Aid Fraud

During the past six months the SIU has uncovered the following fraudulent activities pertaining to medical aid claims by doctors on behalf of DCS officials:

DCS officials in conjunction with ten medical practitioners were submitting false claims to defraud medical aid schemes. The arrest of these doctors is imminent; and

Medical practitioners, in collaboration with DCS officials, submitted false claims where no consultations had taken place and where no work was done.

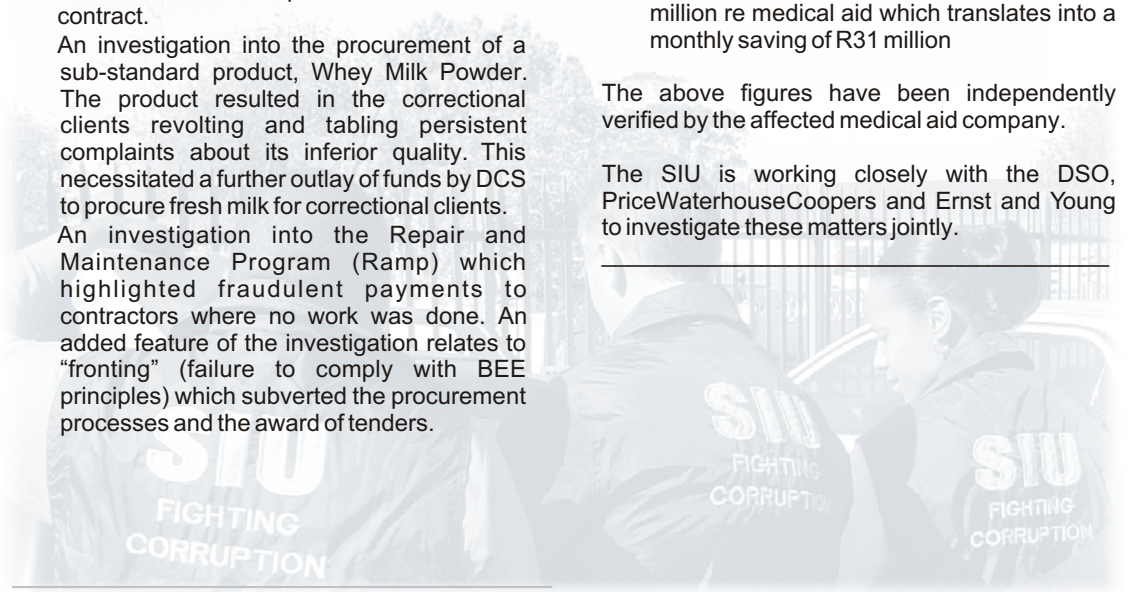
To date the SIU investigation has resulted in the following recoveries and savings:

Recovery of R17 million from 6 doctors

In 2003/2004 secured savings of R370 million re medical aid which translates into a monthly saving of R31 million

The above figures have been independently verified by the affected medical aid company.

The SIU is working closely with the DSO, PriceWaterhouseCoopers and Ernst and Young to investigate these matters jointly.



2. **Department of Justice (DOJ): National**

Background

On 25 July 2003 the SIU received a proclamation to investigate allegations of fraudulent activities at 40 Magistrates courts and regional offices nationally. The proclamation mandated the SIU to investigate the following:

Serious maladministration in connection with the affairs of the Department

Improper or unlawful conduct by officials of the Department

Unlawful appropriation or expenditure of public money or property

Unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having a bearing upon State property

Intentional or negligent loss of public money or damage to public property

Corruption in connection with the affairs of the Department

Unlawful or improper conduct by any person which has caused or may cause serious harm to the interests of the public or any category thereof during the proclamation period being 1 January 1996 o 25 July 2003.

The SIU's two-pronged approach entails:

The implementation of a generic work-plan (called the "Clean Sweep") The workplan is the result of a comprehensive audit of the courts involved; and

The need for producing quick and high impact results by identifying and investigating criminal instances

This investigation had been sub-divided into three regions to allow for easier project management of the investigation process.

These regions are:

Kwa- Zulu Natal,
Eastern Cape and
Gauteng.

Kwa Zulu Natal

Five courts are being investigated in Kwa -Zulu Natal.

These courts are:

Inkandla;
Impendle;
Madadeni;
Chatsworth; and
Ntuzuma.

The key objective of the investigations is to prioritize and act on known criminal cases and to recover money.

The investigation is concentrating on the following areas:

Estates Fraud - investigations has revealed :

- Nine cases involving an amount of R587 000 at Inkandla Magistrate Offices.
- At Impendle Magistrates Offices one matter was valued at R246 000.
- It is evident that there is syndicate involvement in these cases

It is expected that recoveries will be made during the next financial year.

Welfare Fraud ten cheque fraud cases have been identified and are being investigated. It is evident that there is a syndicate operation in these matters.

Witness Fee Fraud nine cases of witness fee fraud have been identified and are being investigated.

Warrant Voucher Fraud three matters are currently under investigation. The total amount involved is in the region of R9 590 000.

The SIU is also investigating allegations relating to warrant vouchers used for renovations at various Magistrates' Courts as well as being used for tribal levies.

The SIU has worked closely with the Scorpions, the SAPS and the Department of Justice to ensure criminal and civil prosecution as well as disciplinary action

Eastern Cape

The Eastern Cape team, based in East London, is responsible for investigations into the following Magistrates' Courts:

Port Elizabeth Eastern Cape
Phuthaditjihaba Free State
Makwane Free State
Tseseng Free State
Wepener Free State
Thaba 'Nchu Free State
Mitchells Plain Western Cape
Somerset West Western Cape
Clanwilliam Western Cape
Simonstown Western Cape
Porterville Western Cape

The investigation objective has been to prioritize the finalization of outstanding criminal matters against Justice officials.

Investigations have commenced in Port Elizabeth and it has been determined that all outstanding criminal matters are being dealt with by the Justice Department Compliance Unit.

Investigations into alleged fraud and corruption within the Port Elizabeth Magistrates Court are progressing well.

Gauteng
Twenty nine courts are being investigated. Investigations have been initiated in the following Magistrates courts:

- Brits
- Odi
- Benoni
- Johannesburg
- Lehurutse
- Ganyesa
- Randburg

In general the investigations at the above courts relate to:

- Non or late payment of maintenance
- Fines
- Withdrawal of dockets at court
- Shortages of "float" monies
- Excessive overtime claims by officials
- Illegal use of government vehicles
- Non-compliance with internal regulations
- Non-compliance with the PFMA
- Estate Fraud
- Alterations of the bail register
- Admission of guilt fines

Nationally the investigations have to date yielded the following:

- Ongoing investigations at 9 courts
- Recoveries totalling R258 660.00 from Justice officials
- Based on an assessment of the potential losses at 19 courts the SIU has calculated a potential recovery to the Department of R18 957 505.00
- 54 disciplinary cases and 49 criminal cases are being investigated against Justice officials.

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3. **Witness Protection Program: National**

Background
A report by the Office of the AG (2001) exposed the following irregularities in the Witness Protection Program, which pointed to potential conflict of interest, as follows:

- Safe house rentals costing more than double the market related value;
- A number of rented properties in a bad state;
- Tender procedures not being followed in obtaining goods and services; and
- Only certain businesses being utilized for rentals, goods and services.

Other allegations included:

- The failure of the employees of the KZN WPU to comply with prescripts and directives;
- Mismanagement and irregular application of resources; and
- Irregularities pertaining to the protection of witnesses.

As a result of the audit report the WPU requested the SIU to investigate these irregularities with particular reference to the KZN office.

In terms of Proclamation R1 of 2002 mandated the SIU to investigate the affairs of the KZN WPU office.

The SIU is presently working closely with the Department of Justice, SAPS Commercial Crime Unit, AFU and the National Office of the Witness Protection Unit.

Action
The SIU conducted the following action:

- A seizure all documentation relating to the above irregularities;
- Collating and analysing confiscated documentation;
- Conducting interviews with relevant witnesses;
- Forensic audit of all accounting records; and
- Compiling two progress reports containing the initial findings of the investigation.

Findings
The SIU's investigation supports the following findings:

- Lack of administrative and financial controls for e.g.
  - Vouchers valued at R1 411 019 lacked supporting documentation
  - Un-recovered witness fee advances amounting R29 306;
  - Loans in the amount of R35 640 advanced to witnesses for fictitious purchase of property;
- Certain lease agreements were found to be defective in that they were not properly signed and completed either by the lessee or by the lessor;
- A lack of compliance to tender procedures.
- A failure to apply proper procedures in the management of witnesses
  - Security of witness information
  - Lack of proper control in the movement of witnesses
  - Proper supervision of witnesses
- Lack of proper asset verification system, which reflects the properties under the control of the WPU.

The SIU audit revealed:

- A total of 151 properties leased by the Department of Justice;
- 18 agents have been targeted for criminal investigation relating to the lease of these properties to DOJ.

Criminal Investigation / Prosecution
The criminal investigation has resulted in the arrest of 8 individuals (six agents and two previous employees of the KZN WPU) in respect of alleged fraudulent transactions totaling R4 252 637, between November 1997 and late 2001.

The suspects have been released on total bail in the amount of R1 035 000.

Disciplinary Hearings
The disciplinary hearing in respect of a SAPS member is pending.

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4. **Housing Subsidies: Kwa-Zulu Natal**

Background
This investigation was initiated by the Department of Housing in Kwa-Zulu Natal in 1998. An initial audit by the Department's consulting auditors found irregularities in the monthly reconciliation's submitted by conveyancing attorneys entrusted with Housing subsidy funds.

Proclamation R74 of 1998 mandated the SIU to investigate these matters.

During 1999, the consulting auditors from the Department and the SIU concentrated on drawing up a data base of all financial transactions between the Department and the firms of conveyancing attorneys. This was done in order to check the reconciliations.

Certain firms of attorneys were targeted due to the various natures of irregularities initially uncovered and due to information received by the SAPS Commercial Branches. The following firms of attorneys are being investigated so far:

T.R. Mfeka and partners
T. Mvelase and company
Mlaba Makhaya Incorporated
Makhaya Tsautse and Mvambo

The investigation has been divided into four phases, each concentrating on a firm of attorney as a separate entity.

1. T R Mfeka
Due to the initial irregularities uncovered by the consulting auditors, certain sample investigations were carried out amongst “beneficiaries” and “sellers”. As a result of sworn affidavits obtained during the sampling exercise, it was decided to carry out a forensic audit between May 2001 and February 2002 into the financial transactions between T R Mfeka and the Housing Department.

While each financial transaction was investigated, each beneficiary and seller was traced. This was in light of the fact that it had been alleged that T R Mfeka had been engaged in fraudulent transactions involving the government housing subsidy scheme.

As a direct result of the SIU's involvement, a claim of R333 000 was formulated against this attorney. However, due to his financial position, the Department instituted a claim against the Attorneys Fidelity Fund to recover this money with the SIU acting in an advisory and supportive capacity.

The Attorneys Fidelity Fund settled the amount of R333 000 in May 2002.

Criminal Prosecution
The case was handed over to the Director of Public Prosecutions in Durban for consideration of criminal charges and a criminal case of theft, alternatively fraud, was opened.

The matter is on he roll in the Durban Regional Court pending a trial date.

2. T Mvelase
Similar to the T R Mfeka case, this investigation involved 89 transactions between attorneys T Mvelase, the Housing Dept, beneficiaries, sellers and payees named on cheques payable by the Department.

Information in the form of Affidavits obtained from ”beneficiaries”, “sellers” and “payees” has indicated that in 88 instances, the transactions and transfer of the “properties” were fabricated.

In order to do this, title deeds, application forms, deeds of sale and deeds of grant were forged by a syndicate operating closely with the attorney. It is suspected that the Housing Department subsidy funds were then split amongst the attorney and syndicate members.

A forensic audit into all these transactions was initiated in March 2002 and has been completed. The location of the attorney's books of account was unknown, and the SIU had to reconstruct all the books of account based on available source documents in order to complete the audit. The audit has indicated that fraud has been committed and that an amount of R1 322 000 has been misappropriated.
During the investigations it was found that a certain male was an “agent” for both T Mvelase and HVB Makhanya. He was involved in 41 transactions that involved the buying and selling of properties on behalf of applicants as well as the fabrication of false documents used in these transactions.

Due to the efforts of the SIU members, he signed an AOD to the value of R604 750. This amount represents the amount of subsidy money paid to him for the 41 fraudulent transactions. It is intended that he be used as a state witness against the other conveyancing attorneys in the criminal cases.

Criminal Prosecution
A criminal case has been registered with the Director of Public Prosecution KZN. The attorney, Mrs. T Mvelase and two syndicate members D Ndlovu and L Mthembu have been arrested and are awaiting a trial date in the Durban Regional Court.

Initial investigations into the financial backgrounds of the three accused have revealed that they are heavily in debt and own very little by way of assets. The Attorneys Fidelity Fund has been approached with a claim on behalf of the Department of Housing, but has indicated that before a claim will be considered, they expect Mrs Mvelase to be liquidated.

The matter has been referred to the State Attorney in this regard who have approached the AFU for assistance. A report on this matter from the State Attorney is still awaited.

3. Mlaba Makhaya
This matter involves allegations of fraud by the attorney, Housing Department officials, and beneficiaries of housing subsidies, sellers and payees named on Department cheques.

As in the Mvelase case, the SIU is in the process of reconstructing the financial records of this attorney due to the lack of proper books of account. In total, 1 500 financial transactions need to be scrutinized.

Although R3, 4 million was returned to the Department of Housing from the Attorney's Trust account in the 2000/2001 financial year, this money remains in a trust account pending finalization of the SIU investigation.

Initial investigation has revealed that many of the transactions in this case have also been fabricated, with title deeds, application forms, deeds of sale and deeds of grant being forged and transfers of properties being simulated. It is believed that the same syndicate that was operating with attorney T Mvelase, was operating with Mlaba Makhaya Incorporated.

Investigations together with a forensic audit is continuing into subsidy funds amounting to R19 million.

4. HVB Makhanya
This case involves the transfer of 264 properties. A forensic audit is being carried out from data of payment certificates issued by the Department to the conveyancing attorney.

Thus far, 153 application forms have been received from the Department. The remaining 111 forms cannot be traced by the Department. However they are still trying to locate the missing forms.

A list of relevant site numbers, area, beneficiary names and identification numbers were sent to the Registrar of Deeds Office in Pietermaritzburg for current and historical deed searches. Results have indicated that 34 properties were transferred into the name of the beneficiary while 230 transfers never took place.

To date 41 property owners, 12 beneficiaries and 5 sellers have been traced. A total of 58 affidavits have been obtained. The investigation is continuing.

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5. **Housing Subsidies: Gauteng Province**

Background
This investigation was initiated in 1998 by the Premier of Gauteng after receiving reports from the Auditor General which highlighted allegations of irregularities in the Gauteng Housing Subsidy Scheme.

Proclamation R53 of 1999 mandated the SIU to investigate the allegations relating to:

- project linked subsidies;
- individual subsidies;
- conveyancers; and
- general complaints received by the Unit.

Action
During the year under review the SIU investigated 20 projects. The investigation included the inspection of 22 651 sites.
This information is compared with the housing database to verify all payments and to check if the residents are qualified beneficiaries.

The SIU is continuing the investigation.

Recoveries
The investigation into the **Protea North Project,** found the following:

- It has been established that 421 stands were serviced and 292 top structures were erected;
- Of the 292 top structures, 166 are occupied by non-qualified beneficiaries;
- It was found that the Department wrongfully made 164 payments of R9 500 for progress payments that were not due to a contractor. The result was an overpayment to the developer of R1 567 507;
- The investigation further revealed that 72 qualified beneficiaries, for which the developer received payment of R9 500 per beneficiary, only qualified for R5 000. The net result was a total overpayment by the Department of R324 000;
- Following consultation with all the relevant role- players and after conducting an asset verification, the SIU reached a settlement agreement with the contractor for R1 million.

In the past six months the full amount of R1 million has been paid over to the Special Investigating Unit.

An investigation into the Beverly Hills Project has found that the Developer received payment to the amount of R26 000 for top structures that were not developed. The full amount has been paid over to the SIU.

An investigation into **Sebokeng Extension 24** showed that the Developer received payment for stands that are occupied by non-qualified beneficiaries and over payments for stands occupied by qualified beneficiaries to the amount R228 000. The Developer entered into a settlement agreement with the SIU and has agreed to pay the full amount to the Department.

In respect of the **Unitas Park extension 3,** the developer agreed to pay R1 207 450 000 to the Gauteng housing Department. This relates to payments received for individuals who did not qualify for housing subsidies.

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6. **Fraudulent Reduction of Tare Weight Department of Transport: KwaZulu Natal**

Background

During 1999 the SIU received a complaint from the MEC of Transport, KwaZulu Natal, regarding fraudulent reductions of tare weights of motor vehicles.

An audit carried out by the Department of Transport revealed that numerous companies and individuals were involved with alleged fraudulent reduction of tare weights.

A final audit report identified a total of 84 companies/individuals, involving 369 vehicles, as having had tare weights reduced, resulting in a loss of licensing fees of R1 844 863. A further 72 companies/individuals, involving 122 vehicles, were identified as having purchased vehicles, unaware of its irregular decreased tare weight, and who were liable for outstanding license fees of R682 752.

The SIU was mandated by Proclamation R56 of 2001 to investigate this matter.

A total of 156 companies/individuals were investigated and by means of S 5 (2) B & C questionings, all but 3 of the matters were settled through Acknowledgments of Debt.

Findings

During December 2002, the Department of Transport in Kwa-Zulu Natal handed over a further 26 folios of documents relating to alleged fraudulent/irregular reduction of motor vehicle tare weights which are alleged to have occurred at the Verulam Motor Licencing Bureau. The total amount involved is approximately R140 644.

The Verulam Motor Licencing Bureau investigation was the second leg of the investigation into the KZN Department of Transport matter and this occurred between November 2001 and May 2002. The allegations were not limited to the 26 referred as the Department was still continuing with its audit.

In the identified alleged fraudulent transactions, the owners of the vehicles with outstanding licence fees would submit affidavits (reflecting reasons for the tare weight decreases) and weighbridge certificates (reflecting the reduced tare weight) at the Verulam Licencing Bureau which would be transmitted to the “Help Desk”. In some instance no weighbridge certificates were submitted.

The owners of the vehicles would then pay outstanding licence fees and penalties on the reduced tare weight resulting in considerable financial savings for the owner but considerable loss of revenue to the Department of Transport.

The tare weights were later re-adjusted to a higher tare weight shortly after the tare weight was re-adjusted at bureaus other than Verulam. In some instances this procedure was followed where a vehicle was sold with the tare weight being increased again on its registration by the new owner.

During 2003 and 2004, Notices issued in terms of Section 5(2)(b) and (c) of the Special Investigating Units and Special Tribunals Act (Act 74 of 1996) were served on identified individuals regarding fraudulent reduction of tare weights of vehicles. Acknowledgements of Debt and settlement agreements have been signed by various individuals.

As a result of the ongoing audit, a further 18 alleged fraudulent transactions were identified pertaining to Springfield Omnibus Services. The alleged transactions have resulted in a loss to the Department of R299 000.

This matter will be investigated as the third leg of the project.

Total recoveries to date amount to R786 000 in this matter.

Action
In one case the State Attorney in Durban has issued a summons to Crossmore Carriers CC for a total outstanding fee of R372 000. The SIU has referred two further cases to the State Attorney, namely Virannas Express (Pty) Ltd owing R102 000 and Babs Transport owing R7 623, for civil recovery.

The internal audit team of the Department of Transport is busy compiling the relevant supporting documentation for all the fraudulent transactions. Meetings have been set with the Department to set dates and plan hearings.

This investigation will be ongoing until all outstanding licence/tare weight fees have been recovered.

The SIU has also made recommendations to the Department with regard to changing their internal systems and safeguards so that this type of fraud does not continue in the future.

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7. **Department of Transport: Limpopo Province**

Background
Prior to the involvement of the SIU, members of the public made allegations that learners and drivers licences were being sold at Driving Licence Testing Centres (DLTC's) and Transitional Local Council Traffic Centres in the Limpopo Province.

According to the information obtained from the Inspectorate at the National Department of Transport, the Duncan Village Licencing Authority (DVLA) in the United Kingdom expressed their concern regarding fraud and corruption within the South African driving licence industry and the lack of action taken against perpetrators. Concern was also raised about the fact that an estimated 800 000 South Africans are living in the UK, many with South African driving licences. It was feared that the alleged fraud and corruption within the SA system could compromise safety on British roads.

The Botswana Government raised a similar concern. South African driving schools advertise in Botswana and guarantee a licence within two weeks. Applicants then return to Botswana and convert their licences.

Allegations under Investigation
As a result of these allegations, the SIU was authorized by proclamation R61 of 1999 to investigate the following:

The unlawful selling and/or issuing of driving licences by employees of the Department; and

The unlawful, unauthorized and/or irregular issuing of Motor Vehicle Registration and/or Roadworthy Certificates by employees of the Department.

Action
During the past year the project team completed perusing documents from 13 DLTC's.

This investigation has now been finalized and criminal, civil and disciplinary action has, and is continuing, to be instituted.

As a result of the findings of the SIU investigation and as a direct result of its recommendations, the Department of Transport in Limpopo Province instituted disciplinary action against 41 Traffic Examiners.

The disciplinary hearings started on 15 September and are ongoing. A number of traffic examiners have been found guilty of the contravention of the Road Traffic Act and were given sanctions ranging from dismissal to suspension without pay.

Further to this the SIU is working closely with law enforcement agencies to institute criminal action against certain traffic examiners.

Findings
The SIU has found 10000 irregularly issued learners' and drivers' licences. The Department of Transport has cancelled 1400 of the licenses some of these irregularities predicating the cancellations include

- Eye tests not done or incorrectly completed;
  Time allocated for yard test not recorded and exceeds ;
  Yard test failed penalty points accumulated exceed the maximum penalty points allowed;
  Road test failed penalty points accumulated exceed the maximum penalty points allowed;
  Tested for wrong code;
  Test sheet not signed by the applicant;
  Time allocated for road test exceeds the maximum requirement of 45 minutes;
  Incorrect test sheet used;
  No indication whether applicant passed or failed;
  Applicant failed learner's licence but issued with driving licence; and
  Date of test is before the date of appointment for drivers' test.

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8. **Transkei Road Transport Corporation (TRTC) /Umanyano Transport: Eastern Cape Province**

Background

The TRTC operated in the former Transkei as a parastatal. On the 19th January 1996 it was officially liquidated and Ernst & Young Trust Natal (Pty) Ltd were appointed as liquidators. Several of the former employees of TRTC formed a new company called Umanyano Transport Services and occupied the premises and used the assets of the TRTC without permission for own personal gain.

In 2003, by way of Proclamation R2 of 2003, the President referred the matter to the SIU for investigation.

Findings

The investigation has found that former employees of TRTC continued occupying several residential properties belonging to TRTC without any agreement with the liquidator. Some of these employees then rented out the property while occupying other residences. The rent received was never recorded and was used for personal gain.

A further finding relates to a group known as Masibambane Trust who took occupation of the TRTC Head Office and turned it into a school. They also occupied Transkei Engineering. To date they have not paid any rental to the liquidator.

Further investigations during the past six months have revealed the following:

- The Eastern Cape Department of Transport entered into an agreement with Siyabulele Bus Company for the sale of assets and leasing of properties;
- Former TRTC employees had formed various groups with the purpose of purchasing and running the function previously performed by TRTC;
- These former employees were given permission by the MEC to operate from former TRTC properties;
- Umanyano made offers to the Department;
- Umanyano also opened offices on the premises of the former TRTC in Umtata and Mount Frere;

From this allegations were made that assets and vehicles have been stolen or irregularly registered in the name of Umanyano Transport Services.

Action

In the last six months the Unit has secured lease agreements for the former TRTC premises being occupied by Umanyano and this is being paid to the SIU. As at 30 September 2003 the SIU had received R30 000 in collected rent.

In addition to this signed offers to purchase have been received for the premises totaled at R590 000. These have been forwarded to the provincial government for consideration.

INVESTIGATIONS IN PRELIMINARY PHASE

9. **Uthungulu District Municipality Kwa-Zulu Natal Province**

Background

Proclamation R76 of 2002 authorized the SIU to investigate allegations relating to irregularities within the Uthungulu District Municipality.

The schedule to the proclamation empowered the SIU to investigate the following:

- Irregularities relating to the awarding of service contracts by the municipality;
- Irregular conduct by the Chief Financial Officer of the Municipality relating to the purchase of a computer system;
- Irregularities relating to the awarding of a contract by the Municipality to SDR Inspeksie Dienste to perform a debt collection service within the area of the Municipality;
- Irregularities relating to the conclusion of a contract by the Municipality for direct Internet access and the maintenance of e-mail addresses;
- Losses suffered by the Municipality as a result of attempts to purchase a server for the Municipality;
- The continued use of VGC Engineers as exclusive consultants of the Municipality at exorbitant costs whilst the latter were under performing or not performing at all; and
- Irregularities relating to tender procedures.

Action

During 2003/04 members of the SIU held meetings with the following persons:

- The complainant;
- The Deputy Director of Local Government in KZN; and
- The Uthungulu Municipal Manager.

A number of documents were received from the municipality and various banking institutions. These were analysed and a report was compiled and handed to the SIU Legal Section for consideration and decision on whether or not to pursue civil litigation. On the face of it there were very few grounds for civil litigation. However the SIU Legal Section did compile a report that was forwarded to the Municipal Manager. This report highlighted certain irregular practices and made recommendations on what action the Municipal Manager should take to rectify the situation.

The SIU is still busy with its investigation and hopes to have it completed by June 2004.

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10. **Free State Marketing and Tourism Board: Free State Province**

Background
The SIU received allegations from the MEC for Tourism in the Free State relating to the now defunct Free State Tourism and Marketing Board (FSTMB). The MEC requested that the SIU investigate the following:

- Irregular/fraudulent claims made by the company or board officials;
- Unlawful/irregular expenditure of the FSTMB funds through advances/loans made in favour of company officials/board members;
- Irregular/unlawful payments and/or advances/loans made by the company to third parties/consultants, its managers and/or board members;
- The unlawful/irregular contracts between FSTMB with third parties/employees or consultants;
- The conclusion of contracts between FSTMB with parties/consultants/employees which resulted in a loss to the company; and
- Irregular and/or fraudulent use of credit cards belonging to the company.

The matter was proclaimed on 2 February 2004.

The SIU has been mandated to investigate the following:

- **Board members claims** the SIU will review claims by board members;
- **Contracts** the SIU will determine the correctness of the contracts entered into between the board, the CEO and third parties;
- **Bursaries and loans** the SIU will investigate the lawfulness of bursaries and loans given to board officials. The amount involved is approximately R300 000;
- **Salaries** the SIU is to investigate allegations of inflated salaries;
- **Credit Cards** allegations of the misuse of company credit cards will be investigated;
- **The loss, theft and misappropriation of board assets** reports and management letters of the Auditor-General indicate theft and misappropriation of company assets. This will be investigated; and
- **The misuse of cell phones** the non-payment of private calls by employees will be investigated. The amount involved is approximately R100 000.

Investigation
Investigations in these matters are at a preliminary stage. It is envisaged that substantial progress will be made during the next financial year.

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11. **Lydenburg Municipality: Mpumalanga Province**

Background
In 2004, by way of Proclamation R8 of 2004, the President referred this matter to the SIU for investigation. It involves the allegedly irregular investment of funds of the Lydenburg TLC with SA Corporate Brokers CC.

Findings
The investigation has determined that the funds for the SACB investment came from the sale of certain policies held by the Council in 1995. The proceeds were invested, terminated and re-invested on several occasions. This resulted in various amounts for brokerage and commissions being paid by the TLC.

These actions were contrary to the Local Government Policy regarding investments by TLC's.

Action
During the past few months the SIU has conducted extensive interviews and enquiries.

It is envisaged that this investigation will be competed by June 2004 when the SIU will contemplate both criminal and civil action.

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12. **South African Housing Trust: National**

Background
During the past six months a member of the Standing Committee on Public Accounts at National Parliament approached the Head of the Unit with allegations relating to the operation of the South African Housing Trust.

The allegations received show that the previous government created the South African Housing Trust (SAHT) to accommodate the needs of lower income earning communities. R445 million was provided as an interest free loan for SAHT to establish itself and meets its objectives.

Guarantees to the value of R890 million were also provided for the Trust to raise funds from the private sector.

As a result of this wholly-owned subsidiary companies called Khayelethu Home Loans (Pty) Ltd and Nu-Way Housing Developments (Pty) Ltd were established.

In 1998 the two businesses were sold as “going concerns”.

Allegations
The allegations in this matter are that:

- The transactions for selling the two businesses did not conform to the fair tender process in accordance with the principles laid down in the Constitution;
- Only one valuation was done on the properties belonging to Nu-Way Housing (Pty) Ltd;
- Although these properties were valued at R82 million, the company was allegedly sold for R27 million a shortfall of R55 million;
- The valuation was not a true reflection of the property; and
- Former directors of Khayelethu Home Loans and Nu-Way Housing are also directors of the companies who "bought out" the two subsidiaries from SAHT.

Action
During the past six months an affidavit was prepared for the complainant to peruse and sign. In addition to this a motivation for a proclamation was prepared.

The prepared affidavit has been forwarded to the complainant on three occasions for his perusal and signature. The SIU is still awaiting the return of this affidavit so it can attach it to the motivation for a proclamation and forward it to the Department of Justice for consideration.

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13. **Kwa-Zulu Natal Investments**

Background
On 2 February 2004 the SIU received a presidential proclamation to investigate allegations of mismanagement and fraud relating to the investment of funds of various municipalities in Kwa-Zulu Natal. It is alleged that these investments were in contravention of the relevant provisions of the Local Government Transition Act.

Municipalities under investigation include:

- Umzinyathi Regional Council (Newcastle);
- Uthungulu District Municipality (Richards Bay); and
- Umtshezi Local Municipality (Escourt).

Action
The Provincial Government has appointed an attorney to act on their behalf with the view to recovering the monies lost in the alleged prohibited investments.

As the SIU only received the proclamation in February, investigations are at a preliminary stage.

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14. **Extension to the Northern Cape Housing Project: Northern Cape Province**

Background
The SIU has been investigation allegations of irregularities in this matter since 1998 as contained in Proclamation R20 of 1998.

Main allegations indicted that developers were paid and did not deliver on their contracts.
As a result of investigations conducted to date the SIU has proposed an extension to this investigation to include a number of further developments.

Action
During the past six months the following has been completed:

- Postmasburg/Warrenton the complainant has indicated that he/she is happy with the progress in this development and the matter has been removed from the request for an extension;
- Barcelona (De Aar) and Colesburg investigations revealed that progress is being made and that 200 of the 300 houses have been finalised in De Aar. The 192 houses being built in Colesburg will be finished by December; and
- Benede Oranje this project started in May 2000 and the contractor received R9 million to build 352 houses. The contractor is currently under investigation by the Scorpions.

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15. **Cederberg Municipality: Western Cape Province**

Background
This matter involves irregular land transactions and non-payment of rates in the Cederberg Municipal area.

Action
Even though this matter is not proclaimed the SIU has managed to obtain the co-operation of all the parties involved in order to resolve the matter.

During the past six months the SIU has been involved in discussions with the various parties and it is anticipated that a substantial recovery will be made in the near future.

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16. **Managing Tourism Information Centre: Free State Province**

Background
The SIU received information from a member of the public regarding alleged irregularities in the Managing Tourism Information Centre.

Action
The SIU is still busy with a preliminary investigation however indications are that there is no prima facie evidence in this matter. The SIU is awaiting a report from the Auditor General before making a final decision on whether to proceed with a motivation for a proclamation or not.

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17. **Monyakeng Taxi Route: Free State Province**

Background
The SIU has received allegations from Nala Municipality regarding the reconstruction of the Manyakeng Taxi Route. These allegations are against the engineers and the contractor who were contracted by the municipality to do the work.

Action
The SIU perused documentation received from the municipality during the past year. It was decided to apply for a proclamation in this matter and a motivation for a proclamation was forwarded to the Department of Justice. The SIU will commence with investigations once a Presidential Proclamation is received.

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18. **Misuse of Legislature Credit Cards: Free State Province**

Background
The SIU received allegations from the Directorate of Special Operations (DSO) regarding the misuse of official credit cards by two members of the Free State Provincial Legislature.

Action
Preliminary investigations showed no misuse of credit cards given that the Free State Provincial Legislature policies stipulated that MPL's are allowed to make private purchases on official credit cards.

As this was a procedure/policy issue, the SIU referred the matter to the Secretary of the Legislature who then informed the SIU that both MPL's have undertaken to repay the monies.

As at 30 September 2003 one of the MPL's had repaid the debt while the other had made arrangements to pay off the debt.

A similar allegation against the MEC for Arts and Culture will be considered once the SIU has received the necessary documents from the Auditor General.

INVESTIGATIONS FINALISED/REFERRED

19. **Motheo District Municipality: Free State Province**

Background
The SIU was requested in September 2002 to investigate irregularities pertaining to allowances paid to councilors, loans to personnel and goods that were bought and paid for with official credit cards. These cards were issued to high ranking officials for official purposes and not private use.

Meetings between the investigator, SIU legal representatives, members of the Auditor-General's office, and the Mayor, Municipal Manager, Speaker and Chief Financial Officer of the Municipality took place on various occasions. During these meetings the SIU requested documentation and compiled a questionnaire to be completed by the Municipality to enable the SIU to compile a motivation for a Proclamation.
The SIU is of the opinion that the Municipality is delaying the supply of the documentation or is unable to supply it. This has resulted in the SIU being unable to apply for a proclamation.

As a direct result no further investigation was possible.

Action
During the past year the SIU was unable to apply for a proclamation as it was not receiving the necessary co-operation or documentation that was needed from the municipality. As a result the matter was closed with no investigation or action being taken.

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20. **Matjhabeng Municipality: Free State Province**

Background
This complaint was reported to the SIU in September 2002. The allegations made by the complainant include:

That the municipality does not comply with the Local Government Transition Act (Act 209 of 1993);

That the municipality is not structured in accordance of the Local Government Municipal Structures Act (Act 117 of 1998 as amended); and

That the municipality does not comply with the Employment Equity Act.

Further allegations include:

- Tender procedures not being adhered to;
- Appointment of personnel in terms of applicable legislation are not complied with;
- Unauthorised expenditure by failing to comply with legislation; and
- The misuse of council resources.

Action

During the past year the SIU received all the necessary files and documentation to be in a position to evaluate this matter.

These files and documents were perused by the SIU Legal Section who gave an opinion on the issue of a possible motivation for a Proclamation. As no evidence of irregularities was found during the preliminary investigation, the Legal Section was of the opinion that there was no need to apply for a proclamation. However, the SIU Legal Section did compile a detailed legal opinion on certain aspects of the allegations reported to the SIU. This opinion was sent to the Speaker of the Municipality for information and possible action.

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21. **Performing Arts Council of the Free State (PACOFS): Free State Province**

Background

Following an audit by Gobodo Incorporated of PACOFS in August 2000, the Department of Arts, Culture, Science and Technology asked the SIU to investigate the findings. These findings included the establishment of three trusts between 1994 and 1995.

- The OFS Performing Arts Institute Trust was established on 7 March 1994. It subsequently changed its name to the International Performing Arts Institute Trust with six trustees. According to the findings, the main objective of this trust is to "promote and develop euro-centric performing arts". This trust is also the beneficiary of a further two trusts established by PACOFS.
- The PACOFS Early Retirement Trust was established on 12 May 1995 by PACOFS with a donation of R2 million in cash and a claim of R680 000 against the Lily Lakewood Trust. The objective of this trust was to compensate PACOFS employees on early retirement (or retrenchment). All income from this trust was paid into the International Performing Arts Institute Trust. The capital was utilized to pay the retrenchment packages at the rate of twelve months salary per person. This fund has now been dissolved.
- The Lily Lakewood Trust was established on 25 March 1994. It acquired fixed property from PACOFS to the value of R680 000. This loan account was subsequently donated to the Early Retirement Trust. The current beneficiary of the Trust is the International Performing Arts Institute Trust. Its current trustees are the same as those of the International Performing Arts Institute Trust.

Findings

Following investigations by the SIU it has been found that PACOFS is currently indebted to the Lily Lakewood Trust for the sum of R373 350 in respect of rentals payable for its former properties and to the International Performing Arts Institute Trust for approximately R398 000.

The lease of the property from Lily Lakewood Trust seems to have been one-sided and resulted in annual losses of approximately R250 000 R350 000 for PACOFS.

Investigations have also revealed that there are certain irregularities in the establishment of these trusts. These irregularities include:

- The role played by PACOFS in establishing the International Performing Arts Institute Trust with assets from a state owned company known as "Die Vrystaat Teater Vernnodskap";
- The role played by the old Board of Directors in establishing the Lily Lakewood Trust, resulting in the alienation of PACOFS fixed property to a trust controlled by them and for which they are not accountable;
- The role played by the old Board of Directors in establishing the PACOFS Early Retirement Trust, investing R2 million of public funds for a purpose for which it was not intended;
- The role of Coopers & Lybrand (now PriceWaterhouseCoopers) in the establishment of these trusts;
- The reason why the new Board did not bring this matter to the attention of the DACST; and
- Whether these actions were within the mandates of the persons involved.

Legal opinion compiled during the past year shows that there is no likelihood of civil recovery as a court of law will draw the inference that the conduct of PACOFS had elected to affirm the above as donations.

A further obstacle would be that the transactions in question took place eight or more years ago and any claims flowing from these transactions, particularly the right to cancel the contracts concerned and the correlative liability of the trusts flowing from such cancellation, have become prescribed. Similarly, any claim against the then directors of PACOFS based on their breach of duty, has become prescribed.

Action

As the SIU has no reasonable prospect of success in pursuing any civil claims against the trusts or former directors, there is no reason to continue the investigation as the costs would not be justified. However the SIU did afford PACOFS the opportunity to make representations before a

final decision was taken to close the matter.

As at February 2004 no representations were received from PACOFS and as such the SIU closed this case.

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22. **The Department of Social Development: Free State Province**

Background
The SIU received an allegation through the Office of the Auditor General during 2002 relating to irregular claims for travel by the ex-MEC for the Department of Social Development in the Free State. In addition to this allegations were also made regarding the misuse of a government credit card.

Investigation
The SIU analysed all documentation relating to official trips and purchases, standing government policies, regulations, bank statements and order books.

Findings
During the investigation a number of discrepancies were found. The misuse of the credit card amounted to R44 000 and irregular motor vehicle claims amounted to R186 000.

While investigating the allegations relating to irregular claims and credit card misuse, the SIU also found an irregular sale of a bakkie by the MEC to a project under the jurisdiction of the Department. As a direct result of the investigation and intervention by the SIU a settlement was reached and R26 000 was recovered.

Action
During the past year an amount of R230 084 was recovered from the former MEC for Social Development. In addition to this the registration papers for the bakkie, valued at R26 000, were handed over to the Head of Department.

This matter is now closed.

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23. **Agri -Eco: Free State Province**

Background
The SIU received a letter of complaint from the Free State Premier's Office in May 1999, highlighting various allegations concerning Free State Agriculture and Eco-Tourism Development (Pty) Ltd (Agri-Eco). It set out various allegations relating to the following:

- Directors remuneration;
- Sentraal Oos KoOperatief (SOK); and
- Diyatalawa Apple Project.

1. Director's Remuneration

Background
This matter was uncovered by KPMG who acted as internal auditors of Agri-Eco. The main allegation was that the Directors did not comply with policies and procedures.

Investigation
During the investigation, the SIU had to determine if the amounts paid (fees and disbursements) were in accordance with the following:

- The terms of the engagement contract between the company and the Directors;
- The rate, hours and distances approved by the Directors; and
- Statutory requirements as set out in the company's Memorandum and Articles of Association.

Lastly, the SIU had to determine a quantum so as to recover monies that were irregularly claimed.

Findings
The SIU found failure by the Directors to adhere to the policies and procedures. This caused a loss of R416 830.

Action
During the past year this case was been closed due to prescription.

2. Sentraal Oos Ko-Operatief (SOK)

Background
In this matter the SIU was asked to investigate the contract signed between Agri-Eco and Sentraal Oos Ko-Operatief (SOK). The agreement essentially had three elements consisting of:

- The secondment of three members of staff from Agri-Eco to SOK. These employees were to act as Agricultural Information Officers. Their duties include ensuring that debts granted to farmers were liquidated regularly;
- An investment by Agri-Eco of R5 million. This investment was ceded to SOK and was to serve as security for debts incurred by emergent farmers; and
- SOK was also to act as a debt collection agent for Agri-Eco.

Investigation
The SIU investigation revealed that the contract signed by the Board of Directors was impoverishing the company and that the Board of Directors was trading recklessly.

Action
During the past year this case was been closed due to prescription.

3. Diyatalawa Apple Project

Background
In this matter, the SIU was asked to investigate the role of three companies in the project. In addition to this, allegations were made that the micro-sprinkler irrigation system for the project had not worked from the day it was installed. However payment for this system was made. A further allegation related to kickbacks received by people from the Western Cape who supplied AgriEco with apple tree saplings at inflated prices.

Findings
The SIU found that the three companies tasked to work on the Diyatalawa Apple Project were "shell" companies and had not been used as vehicles for money laundering. As a result, no further investigation was done into this allegation.

With regard to the micro-sprinklers, the SIU, with the assistance of qualified engineers, discovered certain irregularities relating to the installation of the system.

Action
During the past year this case was been closed due to prescription.

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24. **Mabopane TLC: North West Province**

Background
The SIU has been investigating allegations involving the sale of a site to a private company where the money was never paid to the TLC.

Findings
Following the investigation the SIU found that the TLC had received no financial settlement for the sale of the site.

During 2001 the SIU entered into negotiations with the private company to ensure that the amount owed was paid to the TLC. The SIU facilitated negotiations between the TLC and the company for a settlement of R40 000.

Action
As at 30 September 2003 the settlement agreement between the petrol company and the TLC had been signed. The SIU is now awaiting the transfer of the property before it is in a position to close its case.

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25. **Labour Contracts: Kwa-Zulu Natal**

Background
During 1998 the KZN Department of Local Government and Housing approached the SIU with the request that it assist the Department with investigations, with the object of making recoveries, into alleged fraudulent Labour Only Contracts emanating from its Merryville depot in Howick. The SAPS had already commenced a criminal investigation into these allegations at the request of the Department.

The Unit was mandated by way of Proclamations R21 of 1998 and R74 of 1998 to investigate the allegations.

Allegations
The allegations in these matters are as follows:

The Senior Artisan Superintendent of Merryville Depot and a building contractor wrongfully, unlawfully and intentionally misrepresented to the Department that labour supplied had performed in terms of the written agreements and that the contractor was entitled to the payment. These representations were false in that no work was done or the work was incomplete.

In addition to this, both parties falsely represented to the Department that three contractors had concluded agreements with the Department to supply labour in various projects and that they were entitled to receive payments. These representations were false in that no labour was supplied by the contractors.

Findings
A total of 21 Labour Only Contracts were investigated and found to be invalid in terms of the allegations made.

Fraudulent Progress Payment Certificates, false Attendance Registers and fraudulent agreements were submitted on the strength of which the Department made payment. As a result of this, the Department suffered a loss of R950 000.
Investigations were completed but the SIU was not in a position to institute litigation because of legislative problems. As a result, the office of the Director of Public Prosecutions in Pietermaritzburg was approached to assist with the criminal investigation and prosecution.

The case files were handed to the Director of Public Prosecutions in the 2002/03 year and a charge sheet was drawn up. Both the contractor and the Departmental official were charged with 21 counts of fraud.

Action
During the past year the matter was postponed in the Regional Court in Pietermaritzburg to 5 November 2004.

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26. **Idube Raceway: Kwazulu Natal**

Background
During 1998 the KZN Department of Local Government and Housing approached the SIU with the request that it assist with investigations into alleged fraudulent activities within Engineering Services of the Department. The SAPS had already commenced a criminal investigation into these allegations at the request of the Department.

The Unit was mandated by way of proclamation R21 of 1998 to investigate the allegations.

Allegations
The allegations in this matter include the following:

- During 1997 construction, earthmoving and plant equipment, hired on behalf of the Department by a senior engineer was being utilized irregularly at Idube Raceway, a private concern.
- Building and construction material, purchased at government expense was delivered to Idube Raceway where it was used for the erection of various buildings.
- Labour and artisans, from legitimate government approved projects, were channeled to Idube Raceway on instructions of the senior engineer and used in the erecting of the various buildings. It was found that this engineer had personal interests in the raceway.

As a result of these fraudulent activities the Department suffered a loss of R1 130960.

Findings
The allegations were confirmed during the investigation in 2002/03. However, the SIU was not in a position to institute litigation because of legislative problems. As a result the office of the Director of Public Prosecutions in Pietermaritzburg was approached to assist with the criminal investigation and prosecution.

In 2002/03 the senior engineer was arrested and formally charged with fraud. On 7 March 2003 he successfully applied for a stay of prosecution in the Pietermaritzburg Regional Court. He based his application on the fact that his constitutional rights had been affected due to the lengthy delay in his prosecution and that he was on the verge of immigrating to Australia when he was arrested.

Action
The SIU Legal Section is of the opinion that there is very little chance of success in this matter. As a result the SIU has closed this case. However, the legal representatives of the accused intend bringing an application for a stay of permanent prosecution. This will have no bearing on the closure of this matter by the SIU.

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27. **Irregular Computer Hardware Procurement: Mpumalanga Province**

Background
During 2001 the SIU received information regarding the alleged irregular procurement of computer hardware by the IT Department, Finance Section of the Mpumalanga Government.

It was alleged that a false tender number was used which resulted in R7 million fraud.

In addition to this allegations were also received that hardware that was ordered was not supplied but substituted with inferior quality components.

Action
As a result of the urgency of this matter the SIU approached the Internal Audit Team of the Mpumalanga Premier's Office to assist.

It was determined that Treasury had given authorisation for the extension of the used of the tender number.

With regard to the supply of inferior computer components, the SIU is still busy compiling a report on this matter. Indications are that the SIU will not be able to proceed with action.

A criminal docket was also opened with the SAPS Commercial Branch in Nelspruit but was closed on recommendation from the Public Prosecutor.

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28. **Moqhaka Municipality Free State Province**

Background
The Unit was requested in September 2002, to investigate certain irregularities relating to the following:

- Tenders submitted and allocated;
- Allegations of fraud and corruption dating back to 1996/1997;
- Allegations pertaining to low cost housing projects, bridging finance relating to the low cost housing project as well as the fraudulent allocation of houses;
- Corruption within the local traffic Department including the appointment of senior staff and the removal/theft of warrants of arrest and summonses issued.

Action
Preliminary investigations during the past year revealed no irregularities. As a result the SIU did not apply of a proclamation.

4.2 REGIONAL REPORTS

4.2.1 REGIONAL OFFICE: EAST LONDON

This last year saw the creation of a regional office in East London. The Eastern Cape has been the historical home of the Special Investigating Unit and until recently, the vast majority of SIU members operated from the Eastern Cape. The strategic vision of creating a national presence has, however, led to the creation of a number of offices in other areas. Until now the Head Office of the SIU has been operating from East London, but it is envisaged that the Head Office will move to Pretoria by the end of 2004. This will of course have a major impact on the East London office. Not only will a number of senior members of the organization relocate to Pretoria, but in addition it will see a major change in its structure. The East London office will no longer be seat of both the Head Office and the East London Regional office but will in future only be the seat of a regional office.

The East London office is also looking forward to the appointment of its own Regional Head. This position has already been advertised but has as yet not been filled. The current position is that the Projects Director, in addition to his normal functions, also acts as Head of the East London Regional office. The East London Regional office is responsible for investigations in the Eastern Cape Province and is also the reporting point for the satellite office that was opened in Cape Town in 2003. The present position is that the East London Regional office is also responsible for some investigations in the Free State province as well as the Northern Cape Province, in which provinces the SIU currently does not have offices.

In addition to its exposure to the large national projects in which the SIU is involved, the East London Regional office is very excited about the prospect of concluding a partnership with the local Department of Local Government and Housing. Since January 2004, the SIU has been working with the said Department on investigations at Qaukeni Municipality and is looking forward to an extended relationship with this Department in order to address maladministration and corruption. It is anticipated that a meaningful impact can be made at this very important tier of Government and the regional office is chomping at the bit to do its part.

4.2.2. REGIONAL OFFICE: GAUTENG

During 1998 a small satellite office was created in Midrand in Gauteng to facilitate the investigation of cases in the following provinces Gauteng, Limpopo, Mpumalanga and the North West. At that stage members were traveling from the Head Office in East London to the various provinces on a regular basis. This office served as a base for the operations of the SIU in Gauteng, Limpopo Mpumalanga and North West.

Due to the increase in volume of work in the regions and the good working relationship between the SIU and the various provincial administrations, it was decided to establish a permanent office in Pretoria.

In February 2003 a regional office was opened in Pretoria to serve Gauteng, North West, Mpumalanga and Limpopo. A Regional Head was appointed with a staff compliment of 24 SIU members consisting of three lawyers, one legal secretary, two project managers, two administrative officers, one office administrator, two analysts, twelve investigators and three temporary data capturers. The staff compliment increased to 29.

In August 2003 the SIU started a training program for investigators and the first eight recruits commenced with their training under a mentor.

The following projects are currently under investigation in this region:

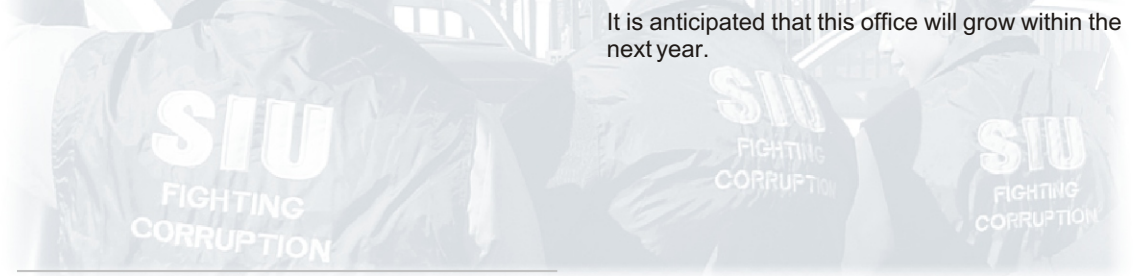
- The Department of Correctional Services
- The Department of Justice- Magistrates Courts
- The Gauteng Low Cost Housing Subsidy Scheme

4.2.3. MPUMALANGA- NELSPRUIT OFFICE

The Mpumalanga Satellite Office was opened in Nelspruit towards the end of 2003. The need for a satellite office was identified and is currently staffed by four members headed by a project manager. This office falls under the Gauteng Regional Office for command and control purposes.

The satellite office is involved in two projects being the Department of Correctional Services (Mpumalanga) and the Lydenburg Municipality.

It is anticipated that this office will grow within the next year.



4.2.4 REGIONAL OFFICE: KWA-ZULU NATAL

The Kwa-Zulu Natal Regional Office has grown considerably over the past year and now has a staff compliment of 39 members. The structural breakdown is as follows:

1 Regional Head
1 Regional Office Administrator
2 Project Managers
4 Chief Forensic Investigators
2 Legal Representatives
4 Forensic Investigators
1 Senior Forensic Analyst
1 Assistant Forensic Analyst
2 Administrative Officers
1 Contract Forensic Investigator
2 Seconded Detectives
1 Temporary Legal Secretary
1 Temporary Receptionist
1 Contract Data Capturer
1 Contract Cleaner

The following projects are currently being investigated in Kwa-Zulu Natal:

KZN Department of Transport Weighbridge Case (reduction of Tare Weights);
KZN Department of Housing, Housing Subsidy Scheme;
Department of Correctional Services (KZN section)
Witness Protection Program (KZN)
Department of Justice (KZN section)
KZN Investments; and
Labour-Only contracts

4.2.4. REGIONAL OFFICE: WESTERN CAPE

The Cape Town Office of the Special Investigating Unit ("SIU") commenced with its operations as from September 2003 from the CBD of Cape Town.

The opening of this office in the Western Cape allowed the SIU to provide a better and more efficient service to its clients. Although the initial focus is on the Department of Correctional Services and the Department of Justice projects, it is envisaged that the Cape Town office will start to handle regional projects and will generate regional work in close consultation with the Provincial Administrations and the Regional offices of Departments.

The office is staffed by:

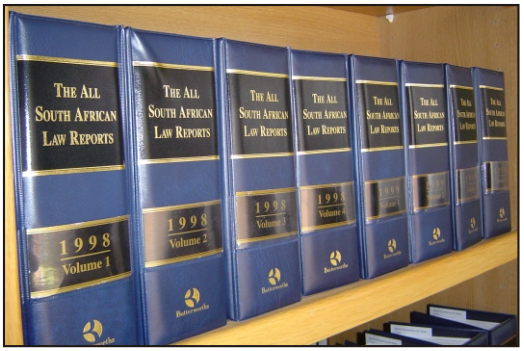
1 x Manager
3 x Chief Forensic Investigators
1 x Senior Forensic Analyst
2 x Forensic Investigators
1 x Assistant Analyst
1 x Office Administration Assistant

Work in the office is currently confined to two proclaimed projects. These are the national Department of Correctional Services and the Department of Justice matters.

In respect of the Department of Correctional Services project, there are 28 prisons situated within the province, which have now been transferred to the Cape Town office. In addition to 'Prison Visit Work' the office is also responsible for dealing with the 'First Auto', 'Medical Aid' and 'Pharmacies' aspects of the investigation at prisons within the Western Cape Region.

In respect of the Department of Justice project, the Western Cape has a total of 10 Courts, 5 of which are 'sub-courts' listed in the proclamation relevant to this matter. Work in relation to one court is now approximately 95% complete.

4.3 LEGAL



Role of Legal Section

The primary role of the SIU Legal Section is the institution of civil proceedings in the Special Tribunal to prevent or recover damages or losses to State Institutions as a result of serious maladministration, and wrongful and unlawful conduct including fraud, theft and corruption, uncovered in investigations conducted by the SIU.

Report for 2003/04

Litigation in the Special Tribunal is still on hold as a result of decisions by the President of the former Special Tribunal and the Full Court of the High Court of the Eastern Cape during 2000 (as reported in the 2002/3 Annual Report of the SIU).

Amendments to Act No. 74 of 1996 were formulated and forwarded to the Department of Justice for processing before the year under review, but have to-date still not been effected. It is hoped that these will be tabled during the second parliamentary session of 2004. In the interim the Special Tribunal is being approached for relief only in operational matters, such as applications for Warrants of Entry to search for and to seize books, documents and/or objects required for investigations in process.

Members of the Legal Section have however been actively involved in the activities of the SIU in a number of areas, *inter alia*

- Questioning witnesses under oath or affirmation in terms of section 5(2) (c) of Act No. 74 of 1996 in order to advance investigations or bring them to a head.
- Assisting the conducting of SIU investigations as part of multi-disciplinary project teams.
- The formulation, motivation and submission of matters to the Department of Justice for the issuing of proclamations referring such matters to the SIU for investigation.
- Furnishing legal advice and opinions on a range of domestic matters, as well as to assist in investigations and the formulation of reports and recommendations arising therefrom.
- The settlement of contracts and other legal documents associated with the SIU's activities.
- The referral of claims for recoveries to the State Attorney or client State institutions for action.
- Interaction with the Asset Forfeiture Unit and the National Prosecuting Authority regarding evidence of criminal conduct uncovered in SIU investigations.

The questioning of witnesses has resulted in the making of written acknowledgements of debt in substantial sums in the Department of Correctional Services-, "Weighless"- (under recovery of licence fees due to unlawful tare weight reduction), the KwaZulu-Natal Housing (Conveyancers)-investigations and others. In some cases, they have resulted in arrests being made, for example in the Witness Protection Program-investigation.

A key action led to members of the Legal Section of the Gauteng Office assisting the Limpopo Department of Transport in the preparation of charge sheets and evidence in the Limpopo Department of Transport investigation into the irregular issuing of drivers licences. The Legal Section also worked closely with the National Prosecuting Authority in this matter. Several officials have been dismissed or disciplined as a result.

Civil claims referred to the State Attorney's Office or client Departments for action include claims against three entities for the recovery of underpaid licence fees, against two persons for the recovery of the value of scrap metal stolen, against one person for the recovery of payments taken from members of the public to find them jobs in a Department, and against one conveyancer for the recovery of public money misappropriated.

Altogether seven proclamations were issued by the President during the year under review, referring matters to the SIU for investigation. They were:

- Extension to North Cape Housing;
- Lydenburg Transitional Local Council;
- Free State Marketing Board;
- Investments by three KwaZulu-Natal Local Authorities;
- Extension to Gauteng Housing;
- Extension of Proclamation Irregular increase/reduction of vehicle tare weights: KwaZulu Natal; and
- Department of Justice (Magistrate's Offices): National.

As at 31 March 2004 several motivations for proclamations were either in preparation for

submission to, or had already been submitted to the Department of Justice for consideration, including:

Eastern Cape Departments;
Eastern Cape Municipalities:
SA Housing Trust;
National/Provincial Housing;
Qaukeni Municipality; and
National Department of Transport (including State institutions at provincial and local level).

4.4 HUMAN RESOURCES

Due to the SIU's rapid growth during the past year the Human Resources Department has been kept on its toes in as far as the recruitment drive is concerned. This resulted in the employment of a number of new members for different components.

Appointments
The Unit placed a number of adverts during the year and this resulted in 59 positions being filled. Of these 23 were contract appointments.

These appointments were as follows:

Permanent Members
1 Deputy Head
2 Managers: Investigations
1 HR Officer
4 Legal Representatives
18 Forensic Investigators
5 Chief Forensic Investigators
3 Assistant Analysts
1 Admin. Officer
1 Database Administrator

Contract Workers
1 Forensic Investigator
8 Trainee Investigators
1 Mentor for Trainee Investigators
1 Consultant
4 Tracers
2 Admin. Officers
6 Data Capturers

The SIU is a multi-disciplinary organization and has a highly skilled employee base ranging from administration clerks and legal secretaries to senior Counsel, attorneys, auditors, financial analysts and experienced investigators.

New and existing members are subjected to Internal Integrity testing and one member of the SIU is specially designated to deal with this aspect.

There exists an annual Performance Appraisal system and competitive salary structures which result in high staff retention.

Promotions
During 2003/04, ten existing members were promoted.

Two were promoted to Regional Managers for Pretoria and East London, one to Chief Forensic Investigator, one to Bookings Officer / Secretary, one to Manager Investigations and five to Assistant Analysts. Of the ten members promoted one were an internal temporary worker and one a contract worker.

Transfers
The establishment of the Cape Town and Nelspruit offices resulted in seven transfers, four and three respectively. One member requested a transfer from Pretoria to East London during the past year.

Terminations
Five terminations have been registered during the year ending 31 March 2004, two permanent members and one contract worker.

Employment Equity
Although the SIU is showing progress in terms of addressing the past imbalances, the process is too slow to meet the set targets as per the SIU Employment Equity Plan.

The Employment Equity Forum is functioning well in terms of participating in interviews and in terms of being a watchdog in the adherence of employment procedures. During the course of the year the forum and senior management agreed that succession planning should be introduced. This is an aim for the 2004/05 year.
It is important to note that of the 59 members employed during the year, 47 were from employment equity groups. This is indicative of the fact that the SIU is serious about addressing its employment equity numbers.

In order to speed up the process of closing the employment equity gaps, a recommendation will be submitted to senior management for specific positions to be identified as employment equity positions.

As at 31 March 2004 the SIU had a staff complement of 183, including contract workers.

Training and Development
Training courses have been running according to schedule for the period and coordinated by the SIU Training Officer.

Between April 2003 and March 2004 a total of 38 training courses were conducted by different facilitators, both internal and external. Members attended 11 external courses and twenty-two 27 internal courses. This excludes the workshops attended during the training week and the team building that took place in Pretoria.

Currently 30 members are furthering their careers in terms of studying towards different courses and degrees.

Internal Labour Relations
During this fiscal year the labour mood has been proved to be very stable as no industrial action has taken place.

Strategic Development
In October 2003, through the generous support of the United Kingdom's Foreign and Commonwealth Office's Global Support Fund for emerging markets, the Unit secured the services of an internationally experienced anti-corruption expert to advise on strategic development. In addition to the provision of advice and mentoring in relation to the ongoing investigation project work and investigation techniques of the Unit, the expert has also provided input to the Unit's long term objectives of establishing a nationwide presence and increasing capacity at its existing regional and satellite offices.

The expert has also designed two new initiatives which the Unit regards as vital to its long term sustainability and development. These are the Performance Development and Potential Leaders programs. Both programs have been aimed initially at the Unit's investigation and analysts cadres but are to be extended to all disciplines in the near future.

The Performance Development Program identifies the skills and competencies required to perform at the various levels within the organization. Actual skills levels are then determined and where deficiencies exist, training needs are identified. These can then be met by specifically designed training and/or mentoring aimed at those who need it, not those who do not.

The Potential Leaders Program is aimed at identifying employees who have the potential to take management positions within an accelerated time frame. Using professional assistance the selection process is now underway. Once identified, the employees will be subjected to an assessment and development process aimed at identifying their specific leadership skill needs which will then be met both through formal training and on-the-job mentoring by the expert.

4.5 INFORMATION TECHNOLOGY

During the past financial year the IT Department has focused primarily on the continued influx of new members at the Unit and the subsequent expansion of IT infrastructure in order to accommodate them.

The establishment of the new Nelspruit and Cape Town offices as well as the planned relocation of the Pretoria office to larger premises, has resulted in the acquisition and installation of new computer equipment, including desktops, notebooks and servers, and the networking of these offices for linking to the WAN.

The receipt of donor funding has enabled the IT Department to proceed with various projects, such as a new communications system- Central Management System (CMS) which is in the process of being installed throughout the SIU. This will enable all offices to communicate more effectively and at the same time reduce overall communication costs. The IT Department has taken an active role in this installation in order to be able to provide on-site support for members.

Development of the SIU's website as well as an internal intranet site have made access to information easier for the general public as well as members of the Unit. The website includes an online application form which allows prospective employees to apply for available positions within the Unit. Considering the many posts being advertised and the vast amount of applications received, this addition has been of great benefit.

The need to consolidate information and resources within the Unit has resulted in the evaluation of various Enterprise Resource Planning (ERP) software products with the intention of re-development and customization to suit the SIU's requirements. One of these products, namely SalesLogix, was selected for further testing and possible implementation. Funding for this project is still sought.

MANAGEMENT REPORT

for the year ended 31 March 2004

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

General review of the state of financial affairs

The financial affairs of the SIU reflect a remarkable increase in revenue and a continued capacity to spend its funds effectively. Total revenue for the period increased by over 50% from R25, 5 million to R38,5 million whilst expenditure increased by 38% from R30 million to R41,5 million. Partnership agreements with other government departments were mainly responsible for the increase in both revenue and expenditure.

The SIU is pleased to report that the majority of partnership monies were used to increase its operational capacity, significantly increasing its capacity to investigate corruption. Staff expenses increased by 55% from R18,9 million to R29,5million. The SIU was able to contain its operating and overhead expenses by only recording an 11% increase from R9,3 million to R10,3 million. This was largely due to the additional capacity being allocated to the Pretoria office and decentralising the SIU by establishing new offices in Nelspruit and Cape Town.

Services rendered by the SIU

2.1 The SIU assists state institutions at national, provincial and local levels with the investigation of corruption or mal-administration, and with any litigation that may be required to recover losses to the state, or to prevent such losses.

2.2 Tariff policy
In general, the SIU provides its services at no cost to government departments.

However, due to its limited resources and the increased demand for its services, the SIU has entered into partnership agreements with a number of departments in terms of which they make a financial contribution to the cost of investigations. These contributions have grown significantly over the past year, from 9% of its total income to 32%.

2.3 Free Services

The SIU renders all its services at no charge other than as stated above.

Achievements
The achievements of the SIU over the past two years under review are contained in the table below:

Outputs	Performance Measures	2003/2004 Audited	2002/2003 Audited
Investigations of corruption and prevention of losses to the State	• Savings (incl. preventions)	R372,8m	R88,8m
	• Cash Recoveries	R13,5m	R34,3m
TOTAL		R386,3m	R123,1m

From the table above, it is evident that the SIU increased its total savings and recoveries by 214% to R386,3 million. This represents a remarkable return of 1415% on the investment government makes in the SIU.

Under/(over) spending

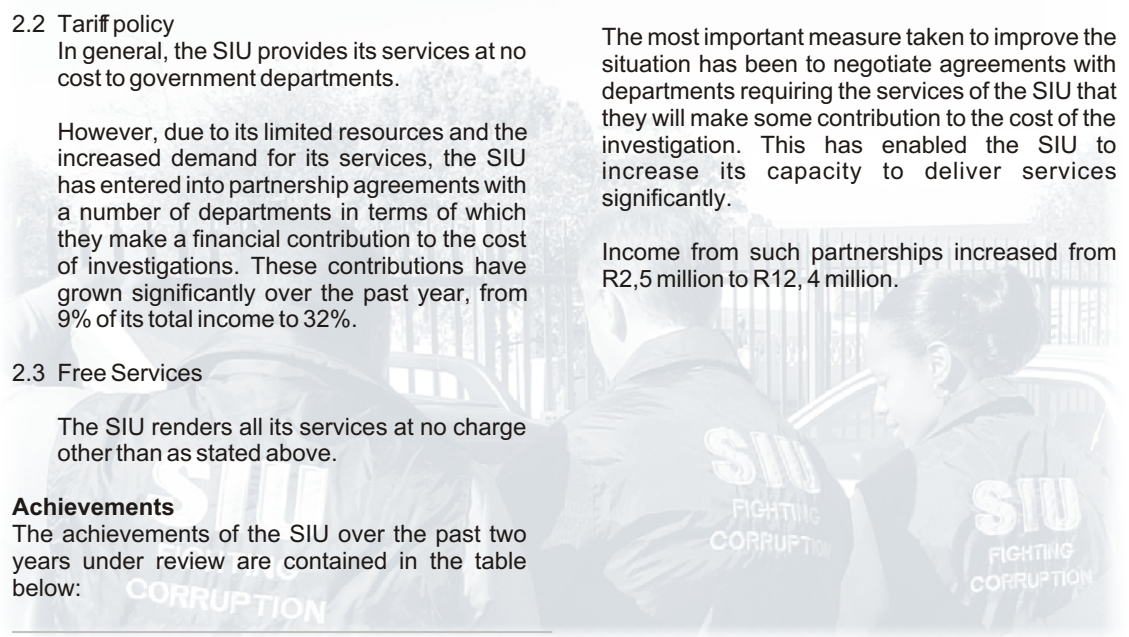
As mentioned earlier, the SIU was able to utilise its full budget and the additional funding received from partnerships agreements. The amount of cash rolled forward to the new financial year was less than 2% of its annual budget provided through the Department of Justice and Constitutional Development.

The increased spending on operations enabled the SIU to improve its service delivery very significantly compared to the previous year.

Capacity constraints
There has been a significant increase in the demand for the services of the SIU and this has resulted in severe capacity constraints to deal with all the new matters.

The most important measure taken to improve the situation has been to negotiate agreements with departments requiring the services of the SIU that they will make some contribution to the cost of the investigation. This has enabled the SIU to increase its capacity to deliver services significantly.

Income from such partnerships increased from R2,5 million to R12, 4 million.



Corporate governance arrangements

During the year ended 31 March 2004, the SIU accomplished the following:

- Risk assessment: A further risk assessment was conducted during 2003/2004 to identify current risks facing the organisation and the results are currently being categorised and prioritised. The outcome will be used to evaluate current strategies to mitigate risks, to adjust such strategies where necessary or to develop entirely new strategies where required.
- Internal audit: The SIU has continued with compliance audits by our internal auditors to ensure adherence to policies and procedures. The external auditors are able to tailor their audit approach based on the findings from our internal auditors' report.
- Audit committee: The audit committee has continued to hold regular meetings to review the affairs of the SIU.
- The SIU has submitted its financial statements for auditing within the time frames stipulated by the PFMA.

The above measures were very effective and resulted in the SIU receiving a second successive unqualified audit report.

The SIU intends to comply with the additional requirements set out in the King II report relating to corporate governance, and is currently studying the financial and other implications of implementing these requirements.

New/proposed activities

The SIU has additional potential partnership agreements that should be concluded during the 2004/2005 financial year. These include investigations on behalf of the National Department of Housing, National Department of Transport and Mpumalanga Province.

Events after the accounting date

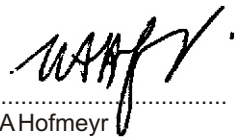
Nothing of significance.

Progress with financial management improvements

The SIU has continued to work well with the Office of the Auditor-General to ensure that it keeps abreast with the PFMA.

Approval

The annual financial statements set out on pages 32 to 47 have been approved by the Accounting Authority.



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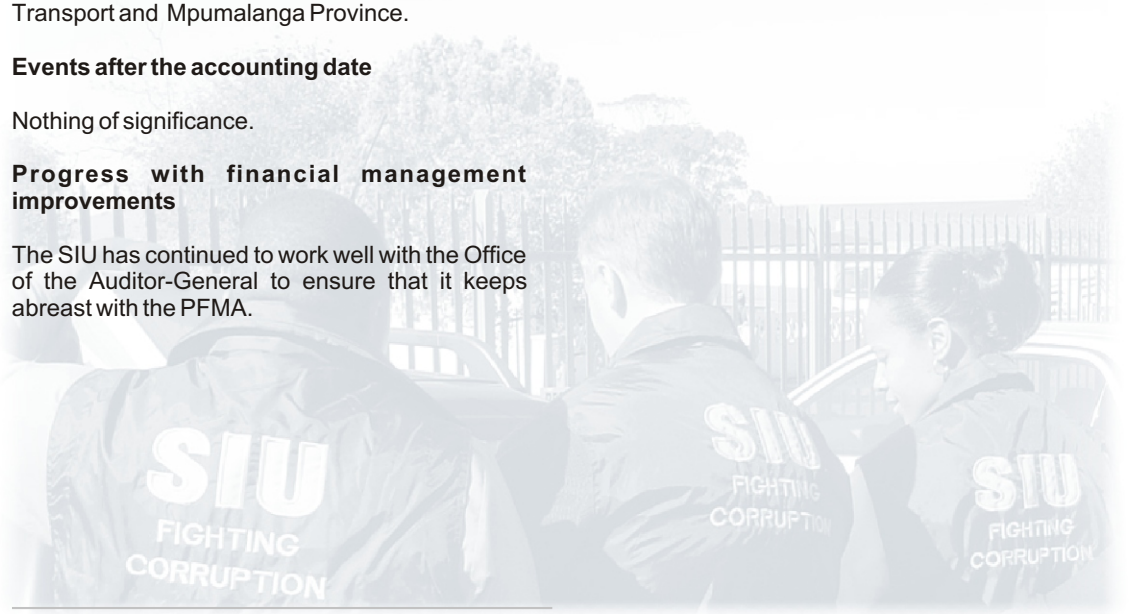
W A Hofmeyr
Head of the Unit
29 July 2004



REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2004.

Audit committee members and attendance:

The audit committee consists of the members listed hereunder. During the current year two meetings were held.

Name of member	Number of meetings attended
SK Whitfield (Chairperson)	2
MD Hughes	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

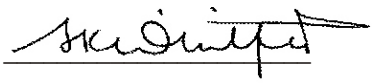
The system of internal control is effective as the various reports of the internal auditors, the audit report on the annual financial statements, the matter of emphasis and management letter of the Auditor-General have not reported any significant or material non-compliance with prescribed policies and procedures.

Evaluation of financial statements

The audit committee has:

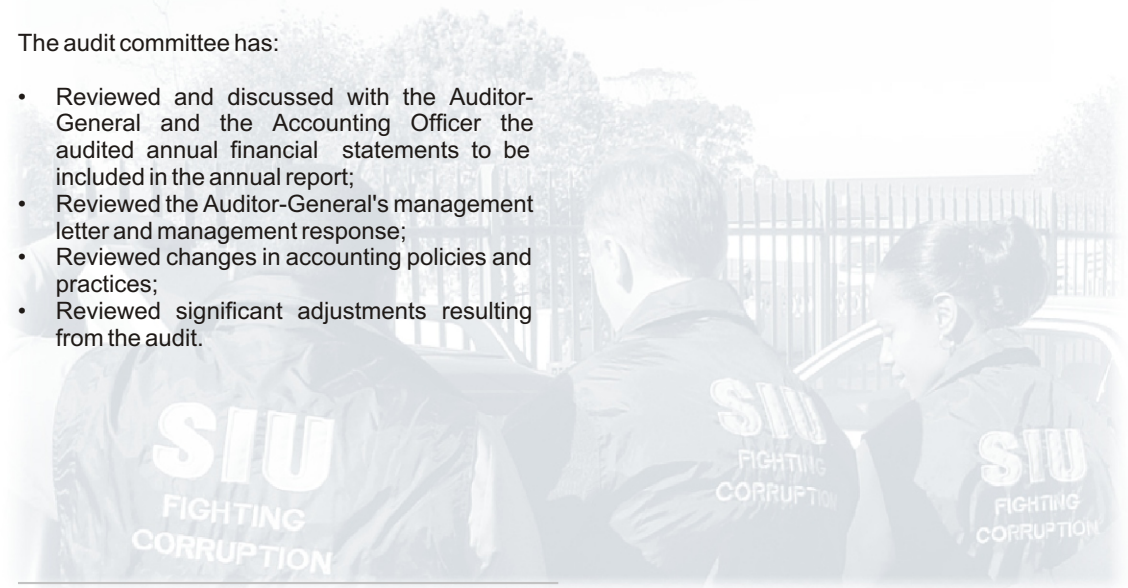
- Reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and management response;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit.

The audit committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



SK Whitfield
Chairperson of the Audit Committee

29 July 2004



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 34 to 47, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Special Investigating Unit at 31 March 2004 and the results of its operations and cash flows for the year then ended, in accordance with prescribed statements of generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Contingent liability retention of accumulated surplus funds

Attention is drawn to note 12 of the financial statements which states that in terms of section 53(3) of the PFMA, prior written approval should be obtained from the National Treasury to retain current surplus funds. Although approval was requested to retain the surplus funds, it is uncertain whether approval will be granted to retain the surplus funds or a portion thereof for this year.

4.2 Weakness in internal control Financial management

The following significant control weaknesses were identified during the financial year:

- No procedure manual was developed for electronic data processing control even though the policy was established.
- There was no formal disaster recovery plan in place.
- No approved and documented framework existed to govern paying over of trust monies by the Unit. This, together with difficulties in tracing beneficiaries sometimes, resulted in monies received not being paid over timeously.

4.3 Non-compliance with Treasury Regulations

The Special Investigating Unit did not develop an adequate materiality and significance framework as required by Treasury Regulation 28.1.5. Therefore the Special Investigating Unit did not disclose it according to Treasury Regulation 28.2.1 in the annual report.

5. PROGRESSS WITH PREVIOUSLY REPORTED MATTERS AND SCOPA RESOLUTIONS

The Special Investigating Unit has reacted favourably to SCOPA resolutions by finalising all items reported on in the financial year ending 31 March 2002. For more detail refer to AnnexureA.

6. APPRECIATION

The assistance rendered by the staff of the Special Investigating Unit during the audit is sincerely appreciated.

N. Manik
for Auditor-General

Pretoria
29July 2004

ANNEXURE A		
Reference to previous audit report and SCOPA resolutions	**Subject**	**Findings on progress**
Audit report 2002: Par. 3.1 SCOPA Resolution 71st Report, 2003 on 2002 (Par. 2)	Qualification: Trust accounts and bank balances - difference	The difference has been corrected by treating interest as a creditor to be surrendered to National Treasury instead of recognising it as revenue.
Audit report 2002: Par. 3.2 SCOPA Resolution 71st Report, 2003 on 2002 (Par. 2)	Qualification: Trust account management	Improvements in the accounting with regards to reconciling trust creditors to trust bank accounts on a monthly basis, has solved this problem.
Audit report 2002: Par. 5 SCOPA Resolution 71st Report, 2003 on 2002 (Par. 3)	Conflicting judgements	The issue in respect of conflicting judgement has been resolved by the Special Investigating Unit taking interim measures to adhere to the judgment of the President of the Tribunal and addressing the issue by applying for amendments to the Act to enable it to institute actions on behalf of State Institutions in order to recover debts owing to those State Institutions.

SPECIAL INVESTIGATING UNIT

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

CONTENTS **PAGE**

Balance sheet 35

Income statement 36

Statement of changes in accumulated funds 37

Cash flow statement 38

Summary of accounting policies 39-40

Notes to the annual financial statements 41-47

Report of the Auditor-General to Parliament on the achievements 48-51

The annual financial statements set out on pages 35 to 51 were approved and signed by me in my capacity as head of the unit.

HEAD OF THE UNIT

East London
30 June 2004

SPECIAL INVESTIGATING UNIT

BALANCE SHEET
at 31 March 2004

	Notes	2004 R	2003 R
ASSETS			
NON-CURRENT ASSETS			
Moveable property and equipment	1	2 724 941	2 829 072
BANK BALANCES - RECOVERIES	2	3 007 854	2 311 192
CURRENT ASSETS		1 266 452	2 137 713
Inventory	3	25 677	21 789
Trade and other receivables		728 432	1 866 599
Prepayments		14 390	61 079
Cash and cash equivalents		497 953	188 246
TOTAL ASSETS		6 999 247	7 277 977
EQUITY AND LIABILITES			
EQUITY AND RESERVES		1 182 440	2 470 802
Capital reserve		2 724 941	2 829 072
Accumulated deficit		(1 542 501)	(358 270)
PAYABLES - RECOVERIES	2	3 007 854	2 311 192
CURRENT LIABILITIES			
Trade and other payables	4	2 808 953	2 495 983
TOTAL EQUITY AND LIABILITIES		6 999 247	7 277 977

SPECIAL INVESTIGATING UNIT

INCOME STATEMENT
for the year ended 31 March 2004

	Notes	2004 R	2003 R
REVENUE	7	38 459 319	25 458 000
OPERATING EXPENSES		41 501 361	30 012 418
Staff expenses	8	29 451 740	18 942 670
Travel and accommodation		3 293 699	3 576 918
Depreciation		1 782 822	1 804 269
Other expenses	9	6 973 100	5 688 561
OPERATING LOSS		(3 042 042)	(4 554 418)
OTHER OPERATING INCOME	10	1 417 855	385 587
OPERATING LOSS before interest		(1 624 187)	(4 168 831)
INTEREST RECEIVED	11	335 825	458 462
LOSS for the year		(1 288 362)	(3 710 369)

SPECIAL INVESTIGATING UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 March 2004

	Capital Reserve and accumulated surplus/(shortfall) R
Balance at 31 March 2002	6 181 171
Loss for the year	(3 710 369)
Balance at 31 March 2003	2 470 802
Loss for the year	(1 288 362)
Balance at 31 March 2004	1 182 440

SPECIAL INVESTIGATING UNIT

CASH FLOW STATEMENT
for the year ended 31 March 2004

	Notes	2004 R	2003 R
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		1 934 942	(1 867 670)
Cash received from departments		38 821 470	21 572 870
Cash paid to suppliers and employees		(37 222 353)	(23 899 002)
Cash generated from/(utilised in) operations	13.1	1 599 117	(2 326 132)
Interest received		335 825	458 462
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1 625 235)	(1 711 558)
Investment to maintain operations			
Proceeds from sale of moveable property and equipment		64 702	141 290
Investment to expand operations			
Purchase of moveable property and equipment		(1 689 937)	(1 852 848)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		309 707	(3 579 228)
CASH AND CASH EQUIVALENTS at the beginning of year		188 246	3 767 474
CASH AND CASH EQUIVALENTS at end of year	13.2	497 953	188 246

SPECIAL INVESTIGATING UNIT

SUMMARIES OF ACCOUNTING POLICIES
for the year ended 31 March 2004

The following are the principal accounting policies of the SIU which are consistent in all material respects with those applied in the previous year, except as otherwise indicated.

Basis of preparation
The financial statements have been prepared on the historical cost basis in accordance with South African Statements of Generally Accepted Accounting Practice.

Moveable property and equipment
Moveable property and equipment are stated at historical cost less depreciation. Depreciation is calculated on a straight - line method to write off the cost of each asset over its estimated useful life as follows:

Office furniture and equipment	5 years
Computer equipment	3 years
Books and law reports	5 years
Motor vehicles	4 years
Computer software	2 years

Rented assets
All costs relating to rental agreements are charged against income as incurred.

Revenue
Revenue comprises the annual grant received from the Department: Justice and Constitutional Development and income from other government departments in terms of contracts for specific projects. Incidental income is accounted for on a cash basis.

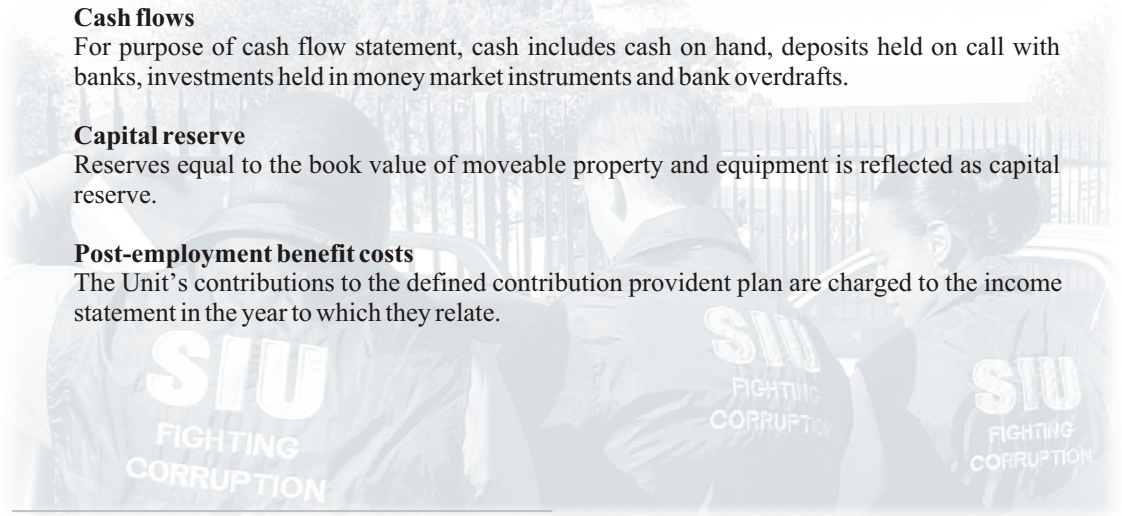
Interest received
Interest received is recognized on a time proportion basis.

Inventory
Consumable stores are valued at average cost.

Cash flows
For purpose of cash flow statement, cash includes cash on hand, deposits held on call with banks, investments held in money market instruments and bank overdrafts.

Capital reserve
Reserves equal to the book value of moveable property and equipment is reflected as capital reserve.

Post-employment benefit costs
The Unit's contributions to the defined contribution provident plan are charged to the income statement in the year to which they relate.



Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and payables.

Measurement:
Financial instruments initially recognised at trade date and measured at cost.

Subsequent to initial recognition, these instruments are measured as set out below:
- Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- Cash and cash equivalents measured at cost plus interest income as it accrues.
- Trade and other payables are stated at their nominal value.

Offsetting of financial assets and liabilities
Financial assets and liabilities will not be offset, as there is no such legally enforceable right, and it will not be settled on a net basis nor will the asset be realised or the liability settled simultaneously.

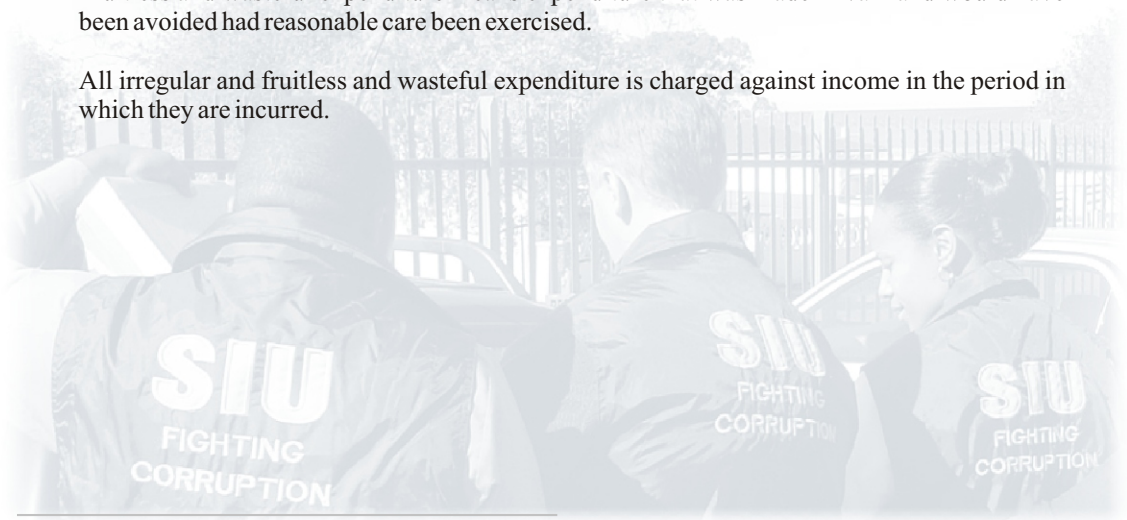
Gains and losses
Gains and losses that arise from a change in the fair value of financial instruments are included in the income statement in the period in which it arises.

Risks
Credit Risk
Where one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.
Interest rate risk
Where the value of a financial instrument will fluctuate due to changes in interest rates.

Irregular and fruitless and wasteful expenditure

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

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.



SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

	2004 R	2003 R
1. MOVEABLE PROPERTY AND EQUIPMENT		
1.1 Books and law reports		
Opening net carrying amount	36 594	5 289
- Gross carrying amount	90 003	48 914
- Accumulated depreciation	(53 409)	(43 625)
Additions	-	41 089
Depreciation	(8 467)	(9 784)
Closing net carrying amount	28 127	36 594
- Gross carrying amount	90 003	90 003
- Accumulated depreciation	(61 876)	(53 409)
1.2 Computer software and equipment		
Opening net carrying amount	2 195 963	1 877 664
- Gross carrying amount	5 972 665	4 729 033
- Accumulated depreciation	(3 776 702)	(2 851 369)
Additions	1 061 735	1 502 032
Disposals	(11 245)	(102 108)
Depreciation	(1 415 027)	(1 081 625)
Closing net carrying amount	1 831 426	2 195 963
- Gross carrying amount	6 990 681	5 972 665
- Accumulated depreciation	(5 159 255)	(3 776 702)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2004

		2004 R	2003 R
1.	**MOVEABLE PROPERTY AND EQUIPMENT** (continued)		
1.3	**Office furniture and equipment**		
	Opening net carrying amount	589 908	627 982
	- Gross carrying amount	2 032 233	1 729 190
	- Accumulated depreciation	(1 442 325)	(1 101 208)
	Additions	368 210	303 043
	Depreciation	(318 467)	(341 117)
	Closing net carrying amount	639 651	589 908
	- Gross carrying amount	2 400 443	2 032 233
	- Accumulated depreciation	(1 760 792)	(1 442 325)
1.4	**Motor vehicles**		
	Opening net carrying amount	6 607	371 666
	- Gross carrying value	1 986 775	1 980 091
	- Accumulated depreciation	(1 980 168)	(1 608 425)
	Additions	259 992	6 684
	Disposals (carrying amount)	(1)	-
	Depreciation	(40 861)	(371 743)
		225 737	6 607
	- Gross carrying amount	2 171 910	1 986 775
	- Accumulated depreciation	(1 946 173)	(1 980 168)
	TOTAL MOVEABLE PROPERTY AND EQUIPMENT	2 724 941	2 829 072
2.	**BANK BALANCES/PAYABLES - RECOVERIES**		
2.1	Bank Balances	3 007 854	2 311 192

NOTES TO THE ANNUAL FINANCIAL STATEMENT (continued)
for the year ended 31 March 2004

		2004 R	2003 R
2.	**BANK BALANCES/PAYABLES - RECOVERIES** (continued)		
2.2	Payables - Recoveries	2 874 990	1 789 710
	Accrued interest refundable to National Treasury	132 864	521 482
		3 007 854	2 311 192
	Amount reflected is owed to third parties and was obtained through either signed admission of guilt or through Court Orders issued by Special Tribunal. Amounts are held and paid over to relevant third parties on completion of each case.		
3.	**INVENTORY**		
	Stationery and toner	25 677	21 789
4.	**TRADE AND OTHER PAYABLES**		
	Accrual for leave pay	1 098 028	656 696
	Staff expenses - deductions	717 693	566 589
	Accrual for audit fees	195 427	184 442
	Other payables	797 805	1 088 256
		2 808 953	2 495 983
5.	**COMMITMENTS**		
	Rental commitment in respect of properties and equipment.	3 385 125	2 996 537
	Payable within 1 year	2 083 615	1 295 814
	Payable thereafter	1 301 510	1 700 723
	The above commitments are in respect of 22 rental agreements for periods ranging from 12 to 60 months. The average monthly rental is R117 798.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2004

		2004 R	2003 R
6.	**TAXATION**		
	The Unit is not a registered vendor for VAT purposes as no taxable supplies are delivered. No provision for normal income tax is made as the Unit is a public enterprise and funded with Government grants		
7.	**REVENUE**		
7.1	Grant received from Department: Justice and Constitutional Development	25 535 000	22 958 000
7.2	Income received from other departments	12 350 000	2 500 000
	Department of Transport (Limpopo)	300 000	-
	Department of Correctional Services	5 000 000	2 500 000
	Department of Justice and Constitutional Development	5 000 000	-
	Department of Housing (KZN)	1 000 000	-
	Department of Housing (National)	1 000 000	-
	Department of Public Service and Administration	50 000	-
7.3	British High Commission	574 319	-
		38 459 319	25 458 000
8.	**STAFF EXPENSES**		
8.1	Total expenses include:		
	Salaries and wages	22 419 433	13 578 680
	Provident and funeral fund contributions	2 302 779	1 661 432
	Travel, subsistence and entertainment allowances	3 581 681	2 813 574
	Computer and telephone allowances	213 900	251 500
	Medical aid contributions	439 018	325 997
	Leave provision	494 929	311 487
		29 451 740	18 942 670
8.2	Remuneration to Senior Management included above	3 126 485	2 176 689

	2004 R	2003 R
9. OTHER EXPENSES		
Annual report	16 567	29 623
Auditors remuneration	245 913	240 572
Bad debts	3 100	4 386
Bank charges	36 257	31 531
Books and publications	140 249	85 518
Car hire and taxi expenses	253 675	200 228
Conferences and seminars	8 026	112 632
Consultancy fees	149 841	498 460
Consumables	119 769	82 968
Courier services	85 129	69 382
Entertainment	20 841	7 348
Insurance	391 242	326 618
Internal audit fees	(34 388)	102 978
Internal integrity expenses	80 348	-
Legal fees	21 067	143 255
Media and promotions	154 026	76 390
Motor vehicle expenses	693 541	400 742
Office expenditure	123 078	-
Professional membership fees	2 536	12 734
Revenue stamps	20	240
Relocation and recruitment costs	969 390	645 842
Rent paid - properties	547 229	561 422
Rental - equipment	832 297	797 850
Repairs and maintenance	61 379	28 180
Security	7 388	14 141
Software licences	54 606	128 952
Stationery and printing	494 841	403 052
Telephone, fax and posting expenses	1 252 984	642 683
Training and development	229 709	32 902
Transcription fees	12 440	7 932
	6 973 100	5 688 561

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE ACHIEVEMENTS BY THE SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The schedules of achievement as set out on pages 49 to 51, for the year ended 31 March 2004, have been audited following the agreement with the Department of Justice and Constitutional Development and the Head of the Special Investigating Unit. These schedules are the responsibility of the Head of the Unit. My responsibility is to express an opinion on the schedules of achievement based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the schedules of achievement are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the schedules of achievement,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall presentation of the schedules of achievement.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the schedules of achievement fairly present, in all material respects, the achievements in respect of completed investigations and recoveries of the Special Investigating Unit for the year ended 31 March 2004 in accordance with the agreed reporting framework.

4. PROGRESSS WITH PREVIOUSLY REPORTED MATTERS AND SCOPA RESOLUTIONS

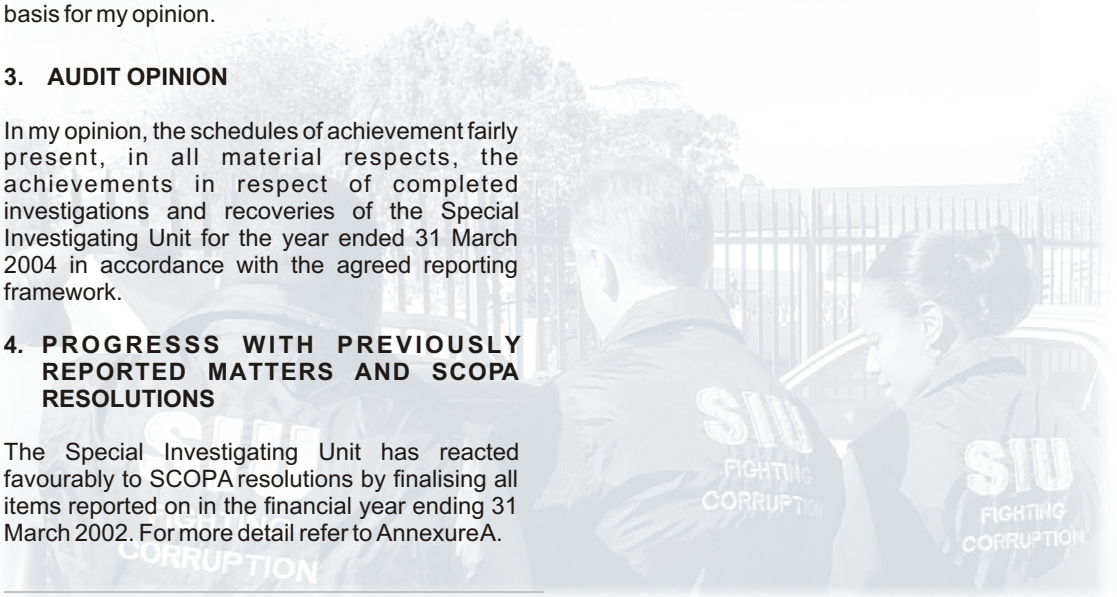
The Special Investigating Unit has reacted favourably to SCOPA resolutions by finalising all items reported on in the financial year ending 31 March 2002. For more detail refer to Annexure A.

5. APPRECIATION

The assistance rendered by the staff of Special Investigating Unit during the audit is sincerely appreciated.

N Manik
***for* Auditor-General**

Pretoria
29 July 2004



ANNEXURE A		
Reference to previous audit report and SCOPA resolutions	**Subject**	**Findings on progress**
Audit report 2002: Par. 3 SCOPA Resolution - 71st Report, 2003 on 2002 (Par. 2)	Qualification: Control environment	Even though cases are still being tracked manually, the control with respect to manual registers and the use of electronic worksheets, has, to a large extent, removed uncertainty with respect to the completeness and accuracy of the case tracking system.
Audit report 2002: Par. 5 SCOPA Resolution - 71st Report, 2003 on 2002 (Par. 3)	Qualification: Trust account management	The issue in respect of conflicting judgement has been resolved by the Special Investigating Unit taking interim measures to adhere to the judgment of the President of the Tribunal and addressing the issue by applying for amendments to the Act to enable it to institute actions on behalf of State Institutions in order to recover debts owing to those State Institutions.

SPECIAL INVESTIGATING UNIT - VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES
for the year 1 April 2003 - 31 March 2004

Schedule "A"

Summary Report

Province	Balances carried forward	New Cases			Total New Cases	Analysis of New Cases					Paid to Unit's Trust Account's	Cases finalised			Balance carried forward
		Per Tribunal Ruling	AOD's issued	Other savings and recoveries		1 Prevention of Loss	2 Recovery of Asset/Cash	3 Transparency in Tender Process	4 State Land Reclaimed	5 Enforcement of Obligation		6 Monies to be recovered by institution	7 Value of savings made by institution	8 Non-cash cases reported	
North West	**10,855,654**	0	0	0	0	0	0	0	0	0	84,948	0	0	0	10,770,706
Mpumalanga	**187,960**	0	0	0	0	0	0	0	0	0	10,500	0	0	0	177,460
Northern Cape	**15,000**	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000
Eastern Cape	**849,994**	572,633	3,444,367	387,728	4,404,728	2,030,000	2,374,728	0	0	0	177,171	1,414,367	2,030,000	0	1,633,184
Free State	**-31,090**	0	0	230,085	230,085	0	230,085	0	0	0	261,190	0	0	0	-62,195
Gauteng	**10,796,859**	0	377,975,200	1,699,013	379,674,213	370,292,264	9,381,950	0	0	0	1,643,210	7,656,936	370,292,264	0	10,878,662
Western Cape	**11,292**	0	0	0	0	0	0	0	0	0	16,130	0	0	0	-4,838
Limpopo	**180,444**	0	1,599,645	0	1,599,645	0	1,599,645	0	0	0	52,009	1,599,645	0	0	128,435
KwaZulu Natal	**1,178,493**	0	488,481	116,587	605,068	488,481	116,587	0	0	0	447,098	0	488,481	0	847,982
TOTALS	**24,044,606**	**572,633**	**383,507,693**	**2,433,413**	**386,513,739**	**372,810,745**	**13,702,995**	**0**	**0**	**0**	**2,692,256**	**10,670,948**	**372,810,745**	**0**	**24,384,396**

Narrations

1. Prevention of Loss - No Physical transfer
2. Recovery of assets - Market related value of moveable assets
3. Transparency of tender process - Value of tender stopped/savings in new tender due to intervention
4. State land reclaimed - Land Bank value for agricultural land. Independent valuation for commercial/residential properties.
5. Enforcement of obligation - Value of contractual obligation
6. Monies to be recovered by institution - Department/Institution to recover monies itself
7. Value of savings made by institution - Savings made by institution as a result of an investigation
8. Non-cash cases reported - Market value of assets saved/recovered

SPECIAL INVESTIGATING UNIT - ANALYSIS OF RECOVERIES THROUGHOUT UNIT'S TRUST ACCOUNTS
for the year 1 April 2003 - 31 March 2004

Schedule "B"

Summary Report

	AMOUNTS TO BE COLLECTED				CASH RECOVERED			CASH POSITION			
Province	Balances carried forward	New Cases	Closed Cases	Total	Total Beg. of Year	Current Year	Total	Beginning of Year	Amounts Received	Amounts Paid Over	Balances Carried Forward
North West	6,262,627	-	-	6,262,627	3,351,252	84,948	3,436,200	221,600	84,948	-195,862	110,686
Mpumalanga	253,245	-	-	253,245	183,299	10,500	193,799	126,577	10,500	-	137,077
Northern Cape	15,000	-	-	15,000	108,956	-	108,956	-	-	-	-
Eastern Cape	853,118	387,728	-	1,240,846	1,130,383	177,171	1,307,554	262,887	177,171	-	440,058
Free State	427,586	230,085	-	657,671	3,250,561	261,190	3,511,751	234,222	261,190	-235,936	259,476
Gauteng	12,127,232	1,700,484	-	13,827,716	4,933,213	1,643,210	6,576,423	511,885	1,643,210	-1,161,864	993,231
Western Cape	142,597	-	-	142,597	124,702	16,130	140,832	36,833	16,130	-13,314	39,649
Limpopo	504,764	-	-	504,764	2,960,360	52,009	3,012,369	30,849	52,009	-	82,858
KwaZulu Natal	1,728,542	116,587	-	1,845,129	559,571	447,098	1,006,669	364,857	447,098	-	811,955
TOTAL TRUST CREDITORS	**22,314,711**	**2,434,884**	**-**	**24,749,959**	**16,602,297**	**2,692,256**	**19,294,553**	**1,789,710**	2,692,256	-1,606,976	**2,874,990**
Interest Less Bank Charges								521,482	132,864	-521,482	132,864
								2,311,192	**2,825,120**	**-2,128,458**	**3,007,854**

CONTACT DETAILS : SIU OFFICES

DURBAN

Physical Address	-	Unit 3, Burnside Office Complex, Builders Way, Hillcrest
Postal Address	-	As above
Docex	-	Docex 16
Telephone	-	(031) 761 5300
Fax	-	(031) 761 5309

CAPE TOWN

Physical Address	-	115 Buitengracht Street, Cape Town
Postal Address	-	Private Bag 9003, Cape Town, 8000
Docex	-	Docex 299
Telephone	-	(021) 487 7190
Fax	-	(021) 487 7201

EAST LONDON

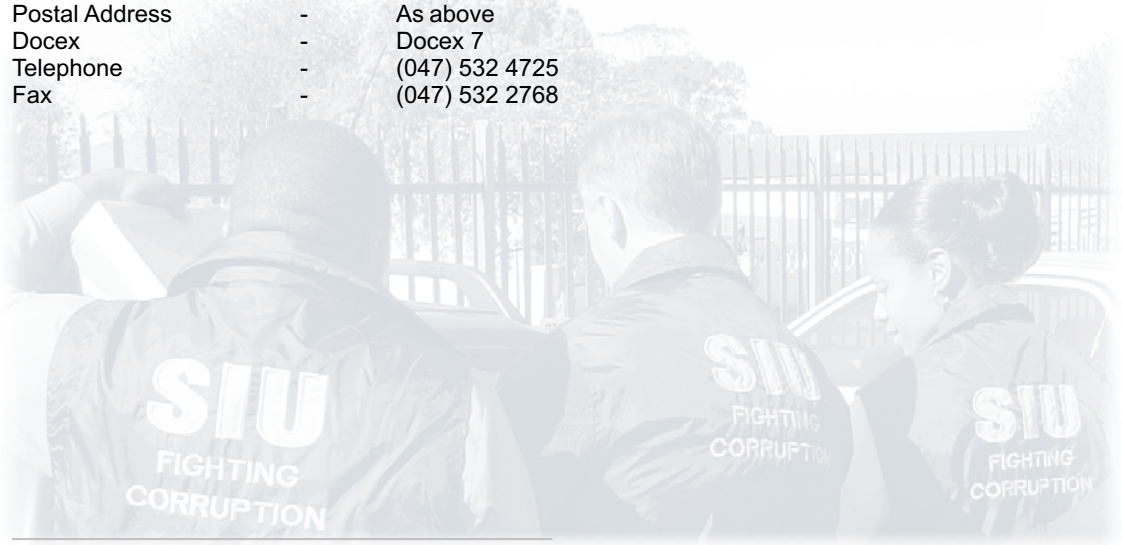
Physical Address	-	Sanlam Park, 59 Western Avenue, Vincent, East London, 5241
Postal Address	-	P O Box 893, East London, 5200
Docex	-	Docex 56
Telephone	-	(043) 726 9705
Fax	-	(043) 726 9261 / 9

NELSPRUIT

Physical Address	-	Sanlam Park, 4th Floor, Louis Trichardt Street, Nelspruit, 1201
Postal Address	-	P O Box 5694, Nelspruit, 1200
Docex	-	Docex 35
Telephone	-	(013) 752 7744 / 752 7206 / 755 2810
Fax	-	(013) 752 7651

PRETORIA

Physical Address	-	107 Haymeadow Street, Faerie Glen, Pretoria 0043
Postal Address	-	P O Box 197, Garsfontein, Pretoria 0042
Docex	-	Docex 107
Telephone	-	(012) 761 5300
Fax	-	(012) 761 5309

UMTATA

Physical Address	-	PRD Building, 13th Floor, Sutherland Street, Umtata
Postal Address	-	As above
Docex	-	Docex 7
Telephone	-	(047) 532 4725
Fax	-	(047) 532 2768