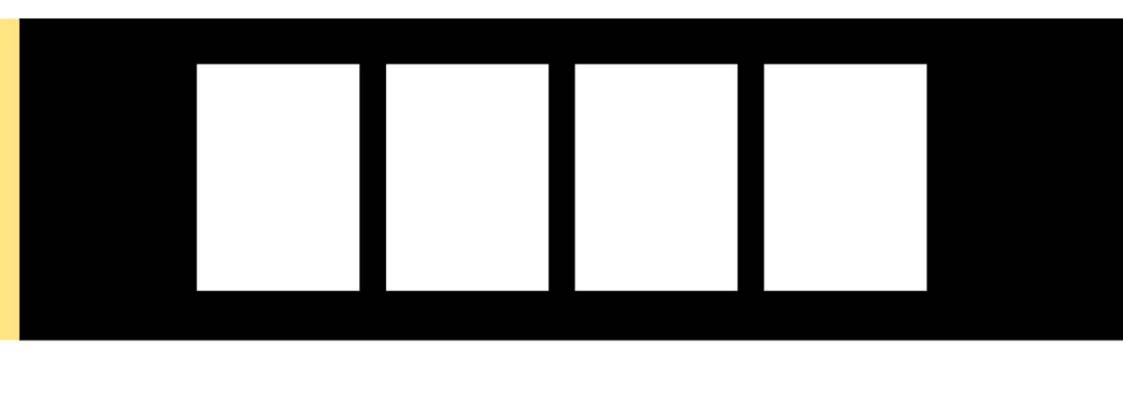


ANNUAL REPORT 2007 / 0 8













VISION

Working together to rid society of corruption.

The new vision captures the commitment of the SIU to work together with government and other law enforcement agencies to fight corruption in our society.

MISSION

We are a state body that fights corruption through quality investigations and litigation.

The mission captures the mandate of the SIU to investigate fraud, corruption and maladministration, and to institute civil litigation to recover losses suffered by the state, or to prevent future losses.

LETTER TO THE SPEAKER OF PARLIAMENT

The Honourable Speaker
Ms Baleka Mbete
Parliament of the Republic of South Africa

P O Box 15 Cape Town 8000

31 August 2008

Dear Madam Speaker,

ANNUAL REPORT OF THE SIU FOR 2007/08

On behalf of the Special Investigating Unit (SIU), established by Proclamation R118 of 2001 in terms of Act 74 of 1996, it gives me great pleasure to submit the SIU's interim report for 2007/08 as envisaged by section 4(1)(h) of Act 74.

The report provides an overview of the SIU's performance, financial status and achievements during the period under review.

Yours faithfully,

W A Hofmeyr

Head of the Special Investigating Unit

ABBREVIATIONS

	175 (9)
AFU	Asset Forfeiture Unit
AOD	Acknowledgement of Debt
DCS	Department of Correctional Services
DIU	Departmental Investigating Unit (attached to the DCS)
DLTC	Driving Licence Testing Centre
DoT	Department of Transport
DPP	Directorate of Public Prosecutions (part of NPA)
DPW	Department of Public Works
DSD	Department of Social Development
DSO	Directorate of Special Operations or 'Scorpions' (attached to the NPA)
FIU	Forensic Investigative Unit (attached to the Western Cape Premier's office)
MEC	Member of the Executive Council
NaTIS	National Traffic Information System
NIA	National Intelligence Agency
NPA	National Prosecuting Authority (part of NPA)
NPS	National Prosecution Service
PFMA	Public Finance Management Act
RAMP	Repair and Maintenance Programme
SAHO	South African History Online
SANDF	South African National Defence Force
SAPS	South African Police Service
SARS	South African Revenue Services
SASSA	South African Social Security Agency
SCCU	Specialised Commercial Crime Unit (attached to the NPA)
SIU	Special Investigating Unit
Socpen	Social Pensions Database
SPF	Special Pension Fund
WPP	Witness Protection Programme
WPU	Witness Protection Unit (attached to the NPA)

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Special Investigating Unit



The following new proclamations were issued by the President in terms of the Special Investigating Units and Special Tribunals Act, 1996 (SIU Act), during the period under review:

- Proclamation R7 of 2007, dated 25 April 2007 (Government Gazette No 29831) (National Department of Housing), which directed an investigation into, inter alia, a loss of state funds allocated for low-cost housing schemes as from 1994 to 25 April 2007 through maladministration and corruption in the affairs of the national Department of Housing, the provincial departments of housing, the former housing development boards and corporations and local authorities and their appointed agents.
- Proclamation R21 of 2007, dated 31 August 2007 (Government Gazette No 30245) (Free State Provincial Treasury, in so far as it relates to the administration of the Free State Provincial Development Fund), which directed an investigation into, *inter alia*, the wasteful and unauthorised expenditure and loss of public money by the Free State Provincial Development Fund as from 1 January 2003 to 31 August 2007, which had been incurred through maladministration and corruption.
- Proclamation R22 of 2007, dated 31 August 2007 (Government Gazette No 30245) (Mpumalanga Economic Empowerment Corporation Limited (MEEC)), which directed an investigation into, inter alia, the procurement of goods and services by the MEEC without following an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective and into the approval of loans and the leasing of property by the MEEC to entities or persons who did not qualify for such loans or the leasing of property, in contravention of Act No 7 of 1999, that occurred during the period 1 July 2000 to 1 April 2006.
 - The scoping and planning of this project has been finalised and the investigation will commence shortly.
- Proclamation R23 of 2007, dated 31 August 2007 (Government Gazette No 30245) (Office of Witness Protection), which directed an investigation into, inter alia, the procurement of goods and services by Witness Protection without following an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective and into the granting of witness protection benefits by the Witness Protection Unit to persons who did not qualify for witness protection, in contravention of Act No 112 of 1998, that occurred during the period 1 January 2001 to 31 August 2007.
- Proclamation R25 of 2007, dated 12 September 2007 (Government Gazette No 30290) (Great Kei Local Municipality: Eastern Cape Province), which directed an investigation into, inter alia, the disposal by the local municipality of immovable property without proper approval and without following a process that is fair, equitable, transparent, competitive and cost-effective and into the procurement of goods and services by the local municipality without following an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, that occurred during the period 1 January 2003 to 12 September 2007.
- Proclamation R37 of 2007, dated 27 November 2007 (Government Gazette No 30521) (Free State Department of Finance and the Free State Provincial Treasury, relating to
 the Free State Moral Regeneration Movement), which directed an investigation into, inter alia, the procurement of goods and services by the department without following an appropriate
 procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, which occurred during the period 1 January 2002 to 27 November 2007.
 The scoping and planning of this project has been finalised and the investigation will commence shortly.
- Proclamation R38 of 2007, dated 27 November 2007 (Government Gazette No 30521) (Metsimaholo Local Municipality: Free State Province), which directed an investigation into, inter alia, the disposal by the local municipality of immovable property without following a process that is fair, equitable, transparent, competitive and cost-effective, which occurred during the period 1 November 2003 to 27 November 2007.



- Proclamation R39 of 2007, dated 27 November 2007 (Government Gazette No 30521) (Dihlabeng Local Municipality: Free State Province), which directed an investigation into, inter alia, the disposal of immovable property and the procurement of goods and services by the local municipality without following a process that is fair, equitable, transparent, competitive and cost-effective, which occurred during the period August 2003 to 27 November 2007.
 - The scoping and planning of this project has been finalised and the investigation will commence shortly.
- Proclamation R40 of 2007, dated 27 November 2007 (Government Gazette No 30521) (Maluti-a-Phofung Local Municipality: Free State Province), which directed an investigation into, inter alia, the procurement of goods and services by the local municipality without following a process that is fair, equitable, transparent, competitive and cost-effective, which occurred during the period 1 November 2002 to 27 November 2007.
 - The scoping and planning of this project has been finalised and the investigation will commence shortly.
- Proclamation R41 of 2007, dated 27 November 2007 (Government Gazette No 30521) (Matjhabeng Local Municipality: Free State Province), which directed an investigation into, inter alia, the irregular writing off of debts in respect of rates and taxes owing to the local municipality and into the procurement of goods and services by the local municipality without following a process that is fair, equitable, transparent, competitive and cost-effective, which occurred during the period 1 December 2002 to 27 November 2007.
 This investigation has recently commenced and the SIU is currently gathering evidence while focusing on three prioritised matters.
- Proclamation R44 of 2007, dated 28 November 2007 (Government Gazette No 30527) (Department of Correctional Services), which directed an investigation into, inter alia, the procurement of goods and services by the department without following a process that is fair, equitable, transparent, competitive and cost-effective and into the misuse of departmental property and resources, which occurred during the period 1 January 2000 to 28 November 2007.
- Proclamation R45 of 2007, dated 7 December 2007 (Government Gazette No 30552) (Department of Transport: KwaZulu-Natal Province in its Merebank, Port Shepstone and Stanger cost centres in Durban), which directed an investigation into, *inter alia*, the procurement of goods and services by the department without following a process that is fair, equitable, transparent, competitive and cost-effective and into allegations of misconduct by officials of the department which occurred during the period 1 January 2002 to 7 December 2007.
- Proclamation R17 of 2008, dated 11 January 2008 (Government Gazette No 30664) (Department of Transport), an extension to a prior proclamation (Proclamation R5 of 2005, dated 31 January 2005 (Government Gazette No 27221)) that directed an investigation into the affairs of the national and provincial departments of Transport, municipal structures and the South African Police Service, and more particularly into allegations of the issuing of driving licences by examiners at driving licence testing centres without complying with the prescripts of applicable legislation for the issuing thereof and into the registration of stolen motor vehicles on the National Traffic Information System. The period of the investigation is extended from 31 January 2005 to 11 January 2008.

BACKGROUND TO THE SIU

The Special Investigating Unit (SIU) is an independent statutory body that is accountable to the President regarding proclaimed investigations and to Parliament in terms of the Unit's activities. The Unit was established by the President to investigate corruption and maladministration within government and report on the findings of these investigations. The SIU is funded through the budget vote of the Department of Justice and Constitutional Development.

The SIU is set up by the Special Investigating Units and Special Tribunal Act, 1996 (SIU Act), which primarily mandates the SIU to recover and prevent financial losses to the state due to various acts of corruption, fraud and maladministration. The SIU assists departments with systemic improvements that impact on service delivery.

The SIU is principally a public forensic entity with powers of investigation and litigation. Following the issuance of a Presidential proclamation, the Unit is given powers to subpoena, search, seize and interrogate witnesses under oath. While the Unit does not have the power to arrest offenders, through its association with law enforcement partners, it is able to assist with criminal prosecutions when criminal conduct is uncovered.

The SIU may investigate any matter set out in section 2 of the SIU Act regarding:

- 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;
- any unlawful, irregular or unapproved acquisitive act, transaction, measure or practice that
 has 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; and
- unlawful or improper conduct by any person who has caused or may cause serious harm to the interest of the public or any category thereof.

The SIU can also take civil action to correct any wrongdoing it uncovers during an investigation. Thus, the SIU can, for example, obtain a court order to:

- compel a person to pay back any wrongful benefit received;
- cancel contracts when the proper procedures were not followed; and
- stop transactions or other actions that were not properly authorised.

The SIU litigates its cases in the Special Tribunal, a specialised court that deals specifically with its cases. This avoids some of the delays usually associated with civil litigation. Although the Unit focuses primarily on the public sector, it also deals with private sector accomplices and can investigate private sector matters that may be harmful to the public interest.

SIU services

The SIU applies a project-based approach and concentrates on processes, people and financial losses in client departments. Its unique integrated service offering to state institutions includes:

- forensic audit and investigation;
- remedial legal actions encompassing civil, criminal and disciplinary action; and
- recommendation and facilitation of systemic recommendations.

FOREWORD BY THE HEAD & DEPUTY HEAD OF THE SIU

If we look back over the seven years since the SIU was re-established in 2001, we can report with satisfaction about the manner and extent to which we have responded to our mandate. Our aim is to provide quality forensic investigations through associations with relevant partners in law enforcement and with departments in the public sector. The principle of quality is firmly embedded in our strategic vision and operations.

Over the last few years, we have developed into a world-class forensic investigating outfit. This is evidenced by reported successes and the growing need for our services by government departments. We are pleased to report that, in the year under review, the SIU has exceeded the performance targets set at the beginning of the financial year. The SIU's focus on fraud, corruption and maladministration, which leads to substantial losses to the state, has yielded savings and recoveries of approximately R3 billion, which exceeds the target of R2.2 billion.

Notably, during the period under review, the SIU has demonstrated its ability to compete with the private sector by providing a complete forensic solution to the public sector at a significantly reduced cost compared to private sector firms, attracting and recruiting talent into the organisation, and benchmarking SIU investigations against international best practices.

The reported successes have also resulted in an increase in the number of requests for assistance from government departments. This increase in requests has further resulted in another year of rapid growth, which has placed some strain on the resources and structure of the Unit.

In the year under review, the SIU has seen significant growth in its funding from National Treasury, from R37.2 million in 2004/05 to R103.1 million in 2007/08. This investment indicates the SIU's emerging role as the forensic investigation service provider for the state. In addition to this funding, the Unit has also experienced an expansion of its profile and increase in staff recruitment.

Despite this, the increase in the scope of work has impacted on the SIU's ability to ensure sustained performance levels. Although the Unit is able to predict the number of investigations and resources required, the numerous unplanned requests for assistance result in a funding shortfall. Emphasis has been on substantially supplementing the basic National Treasury grant with income from client departments. This partnership funding contribution has increased significantly from R22.3 million in 2004/05 to R130.9 million in 2007/08.



FOREWORD BY THE HEAD & DEPUTY HEAD OF THE SIU

The funding provided by the client departments has not only assisted in reducing this shortfall, it has also assisted the SIU in aligning its operational focus with government's service delivery risk areas, such as processes, systems and weaknesses, particularly in supply chain management.

In order for the SIU to respond to the defined needs of the public sector, it embarked on an Organisational Assessment and Design (OD) Programme to address the demands placed on the Unit. In 2006/07, we reported that the SIU initiated the OD programme to review operating procedures and systems. In addition to focusing on providing an integrated forensic investigation service to the state, key priorities of the programme have been the development of frameworks that reflect how we do business and build relationships, and the establishment of a new management approach to conducting business. Internally, we are building the foundation of a value-based organisation that inspires professionalism among our members and drives a culture of integrity and performance.

The excellent cooperation and support that the SIU receives from departments, partners, staff and other stakeholders is critical to the successful implementation of its mandate. We would like to give recognition and thanks to those departments, ministers and MECs who work with the SIU for their continued commitment to the delivery of a more effective government and the fight against corruption. Much of the SIU's success is reliant upon the assistance and cooperation it receives from its partners in law enforcement, especially the South African Police Service (SAPS), the National Prosecuting Authority (NPA), and the National Treasury.

The SIU wishes to further extend its appreciation to the Presidency, as well as the Minister, Deputy Minister and Director-General of the Department of Justice and Constitutional Development for the continued support extended to the SIU over the past few years. Finally, we would like to thank the staff of the SIU for tirelessly tackling the formidable challenges of the year under review.



Head of the Special Investigating Unit

Jaiek Davids.

Mr Faiek Davids

Deputy Head of the Special Investigating Unit



OVERVIEW OF THE SIU'S OVERALL PERFORMANCE

A distinguishing feature of the SIU is its unique service offering. The Unit provides an integrated forensic service that includes forensic audit and investigation, remedial legal actions that encompass civil, criminal and disciplinary action, as well as the facilitation of systemic recommendations.

The primary purpose of the SIU is to enable the state to recover and prevent losses due to the unlawful or corrupt action of its employees or other persons. In this regard, once a Presidential proclamation has been issued, the SIU Act provides the Unit with special powers to subpoena, search, seize and interrogate witnesses under oath. While the SIU does not have the power of arrest, when criminal conduct is uncovered during the course of an investigation, the SIU works closely with its partners in law enforcement to facilitate criminal prosecutions.

Sustaining growth

During the period under review, the SIU increasingly assisted departments in a range of fraud prevention measures, including identifying fraud risk and developing fraud prevention plans. Critical to these efforts has been the work of building capacity in departments through skills transfer, as well as compliance reviews to ensure the integrity of governance and administrative systems.

The expansion of the SIU's project profile has increased the need for greater expertise, particularly to deal with complex investigations that require a multidisciplinary solution. Recruitment of additional forensic accountants, lawyers, investigators, data analysts, and project managers has been vital in ensuring high performance and impact on critical investigations. This exponential growth, combined with the increased demand for the Unit's services, has resulted in the implementation of a new organisational design and operating model.

During the period under review, the SIU appointed 153 new members. It currently has an overall capacity of 594 members, which includes contract and temporary staff members. This growth is largely due to the investigations into social grants, special pensions and housing fraud.

Improving structures and processes to sustain high performance

The challenge for the SIU over this period has been to build sufficient capacity without overburdening support structures, particularly as this relates to our corporate support functions. Strengthening internal processes and systems is crucial to managing the volumes of work being attached to the SIU. To this end, the SIU has moved ahead with implementing the recommendations from the Organisational Assessment and Design Project (OD), which commenced in late 2006.

One of the central design recommendations emerging from this process is developing a project management approach to conducting investigations. Further, the deepening of its specialised expertise in the areas of legal, accounting, data and cyber forensics will assist the SIU to refine its multi-disciplinary model to conducting forensic investigations. In this regard, the SIU envisions establishing a new benchmark in South Africa for forensic investigators who can tackle complex rare investigations. Important to these developments has been the recruitment of high-level expertise from the private sector, reversing the public sector forensic 'brain drain'. Further implementation of these design recommendations will continue throughout the 2008/09 financial year.

Coupled with the establishment of the specialised centres, Centres of Expertise (COEs), is the development of an SIU Project Management Office (PMO). The PMO will ensure the effective delivery of quality forensic investigations with an emphasis on developing project management professionals in the Unit. The role of the PMO is also central to measuring performance and other functions, including the collection, analysis and monitoring of key performance indicators against pre-set targets.

The development of the SIU, as detailed above, is guided by a strategy map that articulates priorities across the various components of the organisation, along with a balanced scorecard across various areas of the organisation. The primary function of the strategy map is to ensure that the SIU is a strategy- and process-driven organisation that understands its environment

OVERVIEW OF THE SIU'S OVERALL PERFORMANCE

and is responsive to its stakeholders. It aligns the organisation's focus areas with its mission and key objective to be the forensic service provider of choice to the state.

Focus on values

During the period under review, the Unit rolled out its values to staff members on the ground. The two core values for the Unit during this period have been *integrity* and *professionalism*. These values cover a wide range of governance and ethical issues that are crucial to any institution in its field.

Integrity is about adherence to a moral or ethical code, which ensures that staff are incorruptible. It is about doing the right thing even when no one is watching, complying with policies and procedures, and following through on commitments made, whether to clients or colleagues.

Professionalism encompasses taking personal responsibility for work done, as well as the quality of relationships built both internally and externally. As SIU staff start to embrace these values and internalise them, the SIU's governance programme will become truly organisation wide and owned by every member of staff.

Lastly, we are very pleased with the unqualified audit opinion without matters of emphasis for the year under review. This is the third such audit opinion and we are very proud of the entire organisation's efforts in this achievement.





Given that the primary purpose of the SIU is to enable the state to recover money and prevent losses due to corruption, the Unit has developed a series of performance indicators to gauge the impact and statistically measure the results of its investigations. As the tables below indicate, the SIU has stringent annual Estimates for National Expenditure (ENE) targets based on the previous years' performance. Overall, the SIU has operated excellently in all its key performance areas and has exceeded its ENE targets set for the year.

Table 1: Results of investigations

Performance measures		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Evidence prepared for use in civil litigation	Target	100	40	40	5 025	8 000	9 400
Evidence prepared for use in civil illigation	Actual (audited)	165	45	2 133	4 829	9 696	N/A
Evidence prepared for use in criminal prosecutions	Target	200	200	800	2 000	3 943	4 050
Evidence prepared for use in criminal prosecutions	Actual (audited)	52	165	1 263	3 302	4 495	N/A
Evidence prepared for use in dissiplinary presendings	Target	300	330	660	2 300	7 000	1 300
Evidence prepared for use in disciplinary proceedings	Actual (audited)	114	207	666	7 551	8 627	N/A
Evidence prepared for use in other remedial setion	Target	3 000	5 000	50 000	45 000	130 600	200 020
Evidence prepared for use in other remedial action	Actual (audited)	10 000	0	27 758	95 846	139 331	N/A

PERFORMANCE TABLES

Table 2: Savings, preventions and cash recoveries

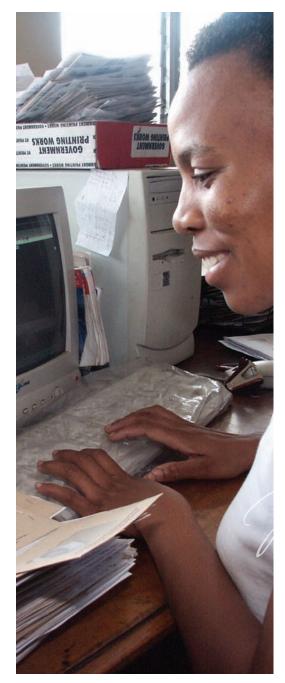
Performance measures		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Savings (R)	Target	70 m	100 m	150 m	80 m	160 m	156 m
oavings (it)	Actual (audited)	373 m	92 m	299 m	231 m	301 m	N/A
Droventiano /D\	Target	0	400 m	850 m	1 250 m	2 000 m	2 500 m
Preventions (R)	Actual (audited)	0	3 435 m	3 270 m	1 759 m	2 672 m	N/A
Cook receivering (P)	Target	50 m	30 m	40 m	20 m	40 m	53.4 m
Cash recoveries (R)	Actual (audited)	14 m	12 m	13 m	31 m	61 m	N/A
Total (D)	Target	120 m	530 m	1 040 m	1 350 m	2 200 m	2 709
Total (R)	Actual (audited)	387 m	3 539 m	3 582 m	2 022 m	3 034 m	N/A

Besides the Unit's ENE targets, performance is also measured against the SIU's strategic objectives, which consist of five balanced scorecard perspectives: customer, financial, stakeholder, internal and people. The table on the following page summarises the achievements of the SIU against its strategic objectives.

PERFORMANCE TABLES

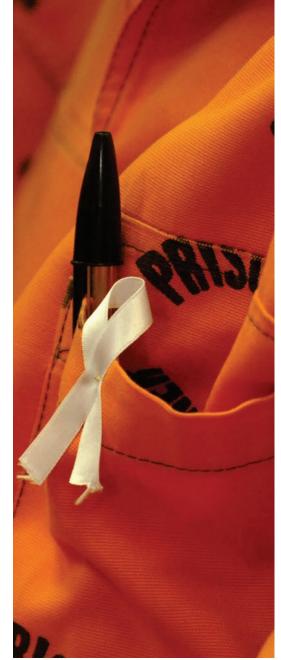
Table 3: Performance achievements measured against strategic objectives for 2007/08

Strategic focus	Measurement	Target	Results
CUSTOMER			
Operational performance	Value of savings, including preventions of loss (R)	2 000 000 000	2 671 603 712
	Value of recovered funds (R)	40 000 000	60 816 186
	Number of disciplinaries prepared	7 000	8 627
	Number of remedial actions prepared	130 600	139 331
FINANCIAL			
Effective financial management	PFMA compliance	Unqualified audit report	Unqualified audit report, no matter of emphasis
Expand budget through cooperation agreements to increase capacity	Funding from departments (R)	124.8 m	128.1 m
STAKEHOLDER			
Improve output through cooperation with law enforcement agencies	Number of SAPS arrests	4 000	4 495
INTERNAL			
High levels of integrity	Implementation of the SIU's policies, processes, procedures and governance framework	80% implementation	80% implementation
	Implementation of advocacy and awareness	25% implementation	30% implementation
PEOPLE			
Management of the SIU's human resources	Growth of staff complement	236 increase in staff complement	153 increase in staff complement
	Attraction and Retention Strategy	Staff turnover should not exceed 7.5%	7.8%
	EE Plan	83% of staff from designated groups	85% of staff from designated groups









MAJORINVESTIGATIONS

Investigations are currently underway in a number of areas, including social grants, special pension grants, driving licences, procurement, municipal and provincial forensic matters, as well as housing and medical aid fraud. A total of 13 new proclamations were authorised by the President in the past year.

The major national investigations that were conducted during the period under review include those for the departments of Social Development, Correctional Services, Transport, Housing and the Special Pensions Fund.

The SIU's social grants investigation is still the Unit's largest investigation and continues to yield excellent results. The high deterrent effect of the investigation has been achieved through the facilitation of criminal prosecutions, recovery of irregular benefits and preventative savings through the removal of identified unlawful beneficiaries from the system.

During the year under review, the project intensified its focus on the grant administration system with regard to both private citizens and public officials' prosecution and recovery of money owing to government. The SIU's collaboration with the South African Police Service's (SAPS) Commercial Branch and the South African Social Security Agency (SASSA) has resulted in the cancellation of 82 879 social grants, saving government R299.9 million in the current year, the prosecution of 4 204 unlawful beneficiaries and obtaining 9 310 acknowledgement of debt agreements to the value of R48.9 million.

The Department of Transport (DoT) investigation into the illegal issuing of driving licences focused on 55 driving licence testing centres (DLTCs) that were prioritised by the department. During the period under review, the SIU reviewed 239 269 driving licences and identified 56 452 invalid licences, of which 27 171 had already been referred to the DoT for cancellation.

The investigation into the conversion of foreign licences to South African licences continues to yield success. The SIU referred 1 466 cases to the SAPS for registration as criminal cases and 148 have resulted in convictions.

The department has further extended the service level agreement (SLA) up to 2011. The mandate in terms of Presidential Proclamation R5 of 2005 was extended with Proclamation R17 of 2008.

The Department of Correctional Services (DCS) investigation is focusing on 17 major procurement matters. These matters where either identified for investigation by the DCS or by the SIU during its forensic audit of procurement contracts. During the year under review, seven investigations were finalised, which resulted in criminal or disciplinary action against DCS officials and the recovery of R6.1 million.

The Special Pensions Fund (SPF) investigation into the irregular obtaining of special pensions, focuses on auditing and investigating the 6053 recipients of monthly pensions and the cleansing of the SPF database. The SIU is assisting the SPF with improving its regulatory framework to ensure that beneficiaries who are receiving monthly special pensions, are legally entitled to receive them.

The Special Pensions Act, 1996 (Act No 69 of 1996) (as amended), was enacted to give effect to section 189 of the Constitution and to provide for special pensions to be paid to persons who have made sacrifices, suffered financial deprivation or served in the public interest during the liberation struggle in the course of establishing a democratic constitutional order in South Africa. The National Treasury requested the President to mandate the SIU to identify, investigate and redress alleged fraud, corruption and maladministration in the Special Pensions Fund. It is anticipated that at the finalisation of the investigation, only lawful beneficiaries will be registered on the SPF database.

As part of a five-year service level agreement with the Department of Housing, the SIU will investigate the low-cost housing subsidy scheme nationally. The focus of this investigation includes the irregular awarding of subsidies to non-qualifying beneficiaries, the under-performance and/or irregular awarding of contracts to contractors to build low-cost houses, the conduct of officials in the administration of the low-cost housing scheme, and the awarding of subsidies or development contracts.

MAJOR INVESTIGATIONS

The SIU has set up a dedicated, multi-disciplinary capacity that comprises forensic accountants, investigators, analysts and lawyers to address these problems.

The SIU has agreed to prioritise investigations into non-qualifying government employees who have received illegitimate housing subsidies, as well as a list of housing contracts submitted by the various provincial housing departments. Some 7 353 exceptions were identified by the Auditor-General and investigations into these have begun. Thereafter, investigations into an additional 31 259 government employees identified as red flag exceptions will commence. The SIU is in the process of finalising the focus of the housing contracts investigation with the national Department of Housing.

To date, the SIU's housing investigation has secured almost 400 acknowledgements of debt (AODs) with an approximate value of R5 million, of which R1 million has already been repaid in full. One hundred illegal beneficiaries have already been placed before court for charges ranging from fraud to offences under the Commissioner of Oaths Act. The progress made on this investigation has proven that a well-resourced, specialist capacity such as the SIU can yield significant results for government departments.

The SIU's provincial project profile is also expanding significantly, with provincial and local government investigations in the Free State, Mpumalanga, Limpopo, Eastern Cape and KwaZulu-Natal.



DEPARTMENT OF SOCIAL DEVELOPMENT

The investigation into the administration of the social grant system was initiated on 1 April 2005 as a result of concerns of fraud, corruption and maladministration occurring in the social grant system raised by the Department of Social Development (DSD).

The South African Social Security Agency (SASSA), custodians of the administration of social grants nationally, joined the partnership in 2006 to address fraud corruption and maladministration in the system.

The initial cooperative agreement was signed for a three-year period and was concluded in 2007. A further extension to the contract at a cost of R60 million per annum was granted in April 2008 on the basis of the successful results achieved on the initial investigation. As reported in 2006, the investigation had identified 43 705 public servants registered on the system. Through interventions by the SIU, the department benefited from R212 572 672 in actual savings during that period.

Proclamation

Proclamation R18 of 2005, published in the Government Gazette on 6 April 2005 and further extended by Proclamation R5 of 2007, dated 30 March 2007, mandates the SIU to investigate:

- the payment and/or receipt of social grants or benefits by unqualified beneficiaries;
 and
- the irregular or unlawful conduct of government officials and/or agents responsible for the administration and/or payment of social grants or benefits.

The following new focus areas were developed:

- Analysing, removing, prosecuting and recovering illegal social grant benefits from public servants registered on the Social Pensions (Socpen) database.
- Identifying and removing disentitled private beneficiaries from the system.

- Concentrating on the trend of abuse of high-risk social grants, such as disability, child support, foster care and care dependency grants, by organised crime syndicates.
- Investigating maladministration affecting service delivery.
- Providing solutions to systemic gaps to prevent further abuse.

The SIU's overall approach to the investigation is to analyse and clean the Socpen database and address improprieties identified in the process. As a value added service, the SIU is assisting the department in identifying systemic gaps and providing solutions to prevent further abuse.

During the year under review, the SIU has increased its focus on data analysis to identify the patterns of criminal activity, trends and methodology relating to syndicated and opportunistic crimes. The initial analysis has already yielded results in revealing trends of syndicated activity around disability grants and child support grants.

Results and achievements

In an initial analysis of the Socpen database, the SIU identified 43 705 public servants who were registered on the system across the nine provinces. Ongoing analysis resulted in the SIU identifying a total of 69 799 public servants registered on Socpen. These numbers are reflected in Table 4.

Table 4: Analysis of public servants registered on the system according to grant

	Old Age Grant	War Veteran's Grant	Disability Grant	Maintenance	Foster Care Grant	Combination grants	Grant in Aid	Care Dependency Grant	Child Support Grant	Total
Eastern Cape	169		891	94	2 844	44	2	411	7 371	11 826
Free State	35		147	7	964	13	0	49	1 093	2 308
Gauteng	70		241	9	1 057	5	0	161	2 585	4 128
KwaZulu-Natal	2 188		7 202	948	3 977	90	17	1 091	24 594	40 107
Limpopo	572	2	173	7	853	8	5	176	2 403	4 199
Mpumalanga	31		106	9	500	0	3	57	1 369	2 075
Northern Cape	23		84	15	354	10	3	53	482	1 024
North West	37		130	4	574	7	0	82	1 826	2 660
Western Cape	58		149	37	519	3	9	49	648	1 472
Total	3 183	2	9 123	1 130	11 642	180	39	2 129	42 371	69 799
Percentage of total grants affected	4.56	0.00	13.07	1.62	16.68	0.26	0.06	3.05	60.70	100

Table 4 indicates that KwaZulu-Natal had the most officials (40 107) registered on the Socpen database, making up just over 57% of the total registered officials. The second highest number of registered officials was recorded in the Eastern Cape (11 826), followed by Limpopo (4 199) and Gauteng (4 128). Investigations further revealed that 60.7% of irregular claims were made against the Child Support Grant. This was followed by claims against the Foster Care Grant (16.68%), the Disability Grant (13.07%) and the Old Age Grant (4.56%).

Syndicates commonly manipulate the disability grant system by selling falsified medical certificates for a fee between R300 and R500. Once the grant is approved, the initial amount is paid over to the syndicate. The applicant is then entitled to the monthly allocated amount thereafter.

Organised crime groups also sell false clinic cards to members of the public, who use the cards to apply for birth certificates for children who do not exist. Once these birth certificates are obtained, applications are made for child support grants.

Table 5: DSD results and achievements for 2007/08

	Number of AODs signed	Value of AODs signed (R)	Preventative value of future savings of AODs	Number of cases brought before court	Number of cases finalised	Number of convictions	Number of disciplinary files prepared
Eastern Cape	574	3 451 452	10 848 600	364	285	261	801
Free State	484	2 348 721	9 147 600	162	150	140	210
Gauteng	885	6 798 200	16 726 500	602	514		1 180
KwaZulu-Natal	2 346	15 328 556	44 339 400	1 320	1 280	1 276	1 710
Limpopo	949	3 936 267	17 936 100	332	253	252	472
Mpumalanga	1 584	5 979 185	29 937 600	410	426	349	1 274
Northern Cape	204	1 016 185	3 855 600	152	167	137	343
North West	774	2 658 231	14 628 600	361	312	297	1 034
Western Cape	1 510	7 426 968	28 539 000	501	633	408	994
Total	9 310	48 943 765	175 959 000	4 204	4 020	3 625	8 018

Table 6: Savings generated in the public servants' investigation

	April 2005 to March 2006	April 2006 to March 2007	April 2007 to March 2008	Total
Number of public servant grants that are now inactive	15 982	4 325	7 197	27 504
Actual savings to the department from April 2005 to March 2007 (R)	27 394 200	13 724 174	7 255 478	48 373 852
Preventative value of future savings of lapsed grants (R)	379 467 000	211 319 640	59 585 220	650 371 860

Table 6 indicates the outcome of the investigation into the grants claimed by the 69 799 public servants who formed part of the investigation. This has resulted in huge savings and a prevention of loss to the state.

Table 7: Recoveries in terms of acknowledgements of debt

	April 2005 to March 2006	April 2006 to March 2007	April 2007 to March 2008	Total
Number of AODs signed	2 120	4 677	9 310	16 107
Value of AODs signed (R)	12 091 848	26 952 261	48 943 765	87 987 874
Value of recoveries to date (R)				1 946 496 912

Table 7 indicates the recoveries achieved in the investigation. Recoveries have increased significantly over the 2005/06 period.

Table 8: Total savings for the department

	April 2005 to March 2006	April 2006 to March 2007	April 2007 to March 2008	Total
Number of grants removed in excess of previous years	111 517	72 278	103 689	287 484
Actual savings to the department in the financial year (R)	280 879 732	212 572 672	299 907 298	739 359 702
Preventative value of future savings of cancelled grants (R)	3 104 353 800	1 754 424 540	2 671 603 712	7 530 382 052

Table 8 indicates all savings achieved in the investigation.

The SIU's recommendation to the department to suspend 82 879 grants potentially generated R132 606 400 in actual savings during the financial year, with the preventative value of future savings being R1 491 822 000.

As a whole, much of the success achieved with the Social Development investigation can be attributed to the collaborative efforts of the SIU, the DSD, SASSA, the DSO, the SAPS, the NPA, the AFU and the National Steering Committee, which coordinates the investigation and the activities of the role-players.



DEPARTMENT OF CORRECTIONAL SERVICES

In 2002, the Department of Correctional Services (DCS) asked the SIU to investigate allegations of widespread corruption uncovered by the Jali Commission. The initial partnership agreement between the DCS and the SIU commenced in 2002 and concluded in March 2006. The partnership delivered significant successes in the areas of correctional centre visits and medical aid fraud investigations. The DCS extended the investigation agreement with the SIU for a further three-year period.

During the period under review, the SIU's investigations concentrated on the following focus areas:

- Procurement contracts: The SIU's aim was to review the top 200 tenders from 2000 to 2006, in order to establish compliance with the Public Finance Management Act (Act No 1 of 1999) (PFMA), as well as compliance with its regulations and the DCS's procurement policy.
- Correctional centre pharmacies' compliance with departmental policy: The
 Auditor-General's report 2006/07 indicated that the management of correctional centre
 pharmacies was an area of concern. The SIU pharmacy investigation, therefore, focuses
 on reporting on the degree to which correctional centre pharmacies are compliant with
 DCS policies and regulations.
- Asset management at correctional centres: The SIU reviewed the management
 of DCS assets at correctional centre farms and kitchens to ascertain the level of
 compliance with DCS policies and procedures at correctional centres.
- Fraudulent matriculation certificates: The SIU identified various DCS officials who
 have submitted fraudulent matriculation certificates, enabling them to claim higher
 salaries. The investigation has focused on recovering these funds and making the
 necessary disciplinary recommendations.
- Allegations of corruption and fraud in respect of the department's medical aid scheme: The focus for the period under review was to recover funds disbursed to DCS officials who had committed fraud against the DCS's medical aid scheme.

Procurement contracts

The top 200 tenders reviewed by the SIU relate to the following areas of DCS procurement: Repair and Maintenance Programme (RAMP) projects, IT contracts, nutrition, clothing, agriculture, workshops, correctional centre buildings and security. During the review, various patterns of irregularity, as well as systemic gaps in the DCS procurement process, were identified.

The DCS also referred various procurement investigations to the SIU and the Unit began or continued with 17 such projects during the period under review. The cases below are a sample of the investigations conducted:

Repair and Maintenance Programme projects

Four Repair and Maintenance Programme (RAMP) projects are currently being investigated by the SIU. The RAMP was initiated by the Department of Public Works (DPW) in 1999 as part of a national project aimed at repairing or improving all neglected state property. A number of concerns were raised regarding the DCS projects initiated by the DPW. These include lack of contractual performance by service providers, improper awarding of tenders to service providers, tenderers submitting false qualifications, and Black Economic Empowerment fronting.

During this period, the Barberton Correctional Centre dam investigation was finalised. The SIU's investigation revealed that the service provider had not been properly monitored by the DPW and that there were various shortcomings in the financial control of the project. This resulted in the DPW relinquishing its claim on the DCS, resulting in a R4.8 million saving for the DCS.

In the Kirkwood Correctional Centre investigation, the SIU obtained evidence that indicates that the service provider submitted false qualifications to the DPW to qualify as a service provider. Payments in excess of R5 million were made to the service provider in terms of the contract with the DPW. In light of the fraud committed against the DCS and the DPW, the SIU will seek to secure the return of the funds disbursed to the service provider.

DEPARTMENT OF CORRECTIONAL SERVICES

Correctional centre procurement corruption

The SIU is currently conducting nine investigations involving corruption or irregularities in the procurement division of various correctional centres. These investigations were referred to the SIU by the DCS and the investigations have revealed the following irregularities:

- DCS officials colluding with service providers to defraud the department
- DCS officials not disclosing their business interests in companies providing services to the department
- Service providers who are cover quoting
- The irregular splitting of orders to avoid compliance with the tender process.

The outcome of these investigations will be reported in the next period under review.

Undisclosed business interests

The SIU has finalised five investigations involving DCS officials who have undisclosed business interests in companies delivering services to the department. The SIU has submitted these investigation reports to the DCS and the SAPS. The department is currently reviewing the SIU's reports and will implement disciplinary action against the identified officials. The SIU has also discussed these investigations with the NPA and the SAPS, with a view to instituting criminal action against the officials concerned.

Correctional centre pharmacy investigations

The investigation into the correctional centre pharmacies focuses on whether the pharmacies and/or primary health care centres of the DCS operate in accordance with departmental procurement and operating policies.

The investigations have uncovered various areas of non-compliance, including:

- the excessive ordering of medicine by a pharmacy and/or primary health care centre, which results in wasted expenditure;
- storing expired medicines with current medication, which, if erroneously dispensed, could negatively impact on prisoners' health;
- inappropriate storage of heat-sensitive medicines; and
- inaccurate updating of patient files, making accurate record-keeping of dispensed medicines difficult.

In the year under review, the Unit completed 24 investigations.

Asset management

The asset management investigations relate to the operating of kitchens and farms at various correctional centres nationally. The SIU's investigation aims at determining whether kitchens and farms adhere to DCS procurement and management policy when procuring foodstuff and managing the kitchens or farms.

During the year under review, the SIU finalised seven correctional centre farm investigations and signed acknowledgements of debt to the value of R104 787.

Fraudulent matric certificates

During the period under review, the SIU identified DCS officials who had submitted fraudulent matriculation certificates to the DCS, enabling them to claim higher salaries. The investigations conclusively proved that the officials had committed fraud against the department and acknowledgements of debt to the value of R1 349 341 were signed.

Medical aid scheme

In 2001, the Jali Commission uncovered allegations of widespread corruption and fraud in respect of the department's medical aid scheme.

DEPARTMENT OF CORRECTIONAL SERVICES

During its investigations, the SIU uncovered three types of fraud:

- Medical practitioners who submitted excessive claims
- Collusion between medical practitioners and corrupt officials resulting in fictitious services being charged to an innocent official's account
- Submission of false claims to the medical aid

During the period under review, acknowledgments of debt to the value of R6 123 156 were signed and the funds were recovered from the DCS officials who had fraudulently submitted claims to the medical aid scheme.

Capacity-building

The SIU has been working closely with the DCS's Departmental Investigating Unit (DIU), which was formed in 2004 to ensure that the DIU is adequately capacitated and to assist in developing its investigative capability. The SIU also conducts training with the DIU to ensure skills transfer to the DIU. The establishment of the DIU ensures that the department will be able to address corruption adequately and in an ongoing manner upon conclusion of the SIU's investigations.



The Department of Transport (DoT) requested the initiation of a proclaimed investigation into the issuing of driving licences. Prior to the start of the investigation, problems relating to the irregular issuing of driving licences had reached unacceptably high levels. This ongoing investigation, launched in 2004, focuses on the irregular issuing of driving licences at driving licence testing centres (DLTCs). The major concerns related to instances of serious maladministration, corruption and fraud at DLTCs. Previous audit reports also highlighted a lack of proper control measures and a failure to manage the activities and transactions executed by officials at DLTCs.

As part of a joint initiative with the SIU, the DoT is funding a dedicated team of 75 project members to conduct the investigation. The SIU received funding of R16.8 million per annum from the DoT. The Unit works closely with the DoT, SAPS, the NIA and the NPA as part of a nationally coordinated approach to tackle the problem of irregular driving licences.

The project started on 1 March 2005 for an initial period of three years, and the partnership with DoT was recently extended for a further five years until March 2011. Funding for the additional five-year period will amount to R20 million per annum.

Proclamation

Presidential Proclamation R5, published in the Government Gazette on 31 January 2005 as amended, mandates the SIU to investigate:

- the irregular issuing of driving licences, including professional driving permits and learners licences;
- the conversion of forged local and foreign driving licences to the credit card-form driving licence:
- registration of stolen vehicles on the National Traffic Information System (NaTIS); and
- mismanagement and maladministration regarding the issuing and/or conversion of driving licences.

The key aims of the project are as follows:

- Identifying invalid driving licences and recommending the cancellation of these licences.
 Through the cancellation of these licences, potentially incompetent drivers will be removed from the country's roads, thereby reducing injuries and deaths.
- Identifying stolen vehicles on NaTIS, as well as systemic weaknesses that enable criminals to abuse the system.
- Reducing the criminal trade in motor vehicles and bolstering the integrity of NaTIS by removing stolen vehicles from the system and addressing the systemic weaknesses identified.
- Creating a strong deterrent for corrupt officials and private individuals through visible
 criminal and disciplinary sanctions. This process will include identifying and prosecuting
 corrupt officials and private individuals, removing corrupt officials from the system through
 disciplinary action and identifying incompetent officials, and recommending appropriate
 training or removing them from the system through disciplinary action.
- Identifying and facilitating the improvement of management and control measures and systemic weaknesses to address the weak control environment at DLTCs and, in so doing, reducing the occurrence of fraud, corruption and maladministration.

There are 360 DLTCs and registering authorities in South Africa. As a result of the large volumes of transactions executed at these DLTCs and authorities over the period under review, the project is being implemented in two phases.

The SIU is continuing with Phase 1 of the project, which focuses on driving licences, learners licences and professional driving permits issued at 55 prioritised DLTCs during 2004; the 218 501 licences that were converted to South African credit card-form licences; ad hoc cases referred to the SIU; management and control measures in operation at DLTCs; and business processes in operation at DLTCs.

The SIU's investigation has resulted in criminal or disciplinary action against a number of officials, often in key positions at DLTCs. Many of these officials have been implicated

in corrupt and/or irregular activities at DLTCs. The SIU also identified members of the public who obtained their licences in a corrupt or fraudulent manner. The Unit is currently investigating fraud and/or corruption-related cases at 123 DLTCs nationwide. The SIU has also recommended a uniform process of cancellation that complies with the National Road Traffic Act (Act No 96) (as amended) (NRTA) in order to mitigate the situation and provided training to DoT officials on the process of cancellation.

To date, criminal action has been successfully concluded against six officials. Disciplinary action instituted on the basis of the SIU's investigations has also resulted in the removal of 30 officials from the system.

In Phase 2 of the project, the focus will be on the stolen vehicles registered on the NaTIS database. During the period in review, desktop analyses were conducted to identify exceptions and to prioritise red flag targets to be investigated. The investigation will commence on 1 April 2008.

Results and achievements

The SIU's visibility at 230 DLTCs when uplifting files and instituting action against corrupt officials has resulted in a heightened public awareness of the detrimental consequences to those who involve themselves in fraudulent and corrupt activities.

The SIU has identified a number of provisions in the NRTA and the NRT Regulations that call for amendments to promote efficient administration and reduce the climate for corruption. The SIU's proposals have been submitted to the DoT for consideration.

The SIU has also focused on facilitating improvements in the day-to-day operations of DLTCs, in particular, with regard to the environment in which DLTC officials operate and the equipment and other resources available to them. Some of the improvements facilitated by the SIU include ensuring that testing functions are taken over by qualified personnel at DLTCs where testing was found to be conducted by unqualified personnel; implementing a face-value document control system at a DLTC; training filing clerks to comply with the requirements of the NRTA; and repairing the vision-testing equipment and installation of a NaTIS terminal at a DLTC.

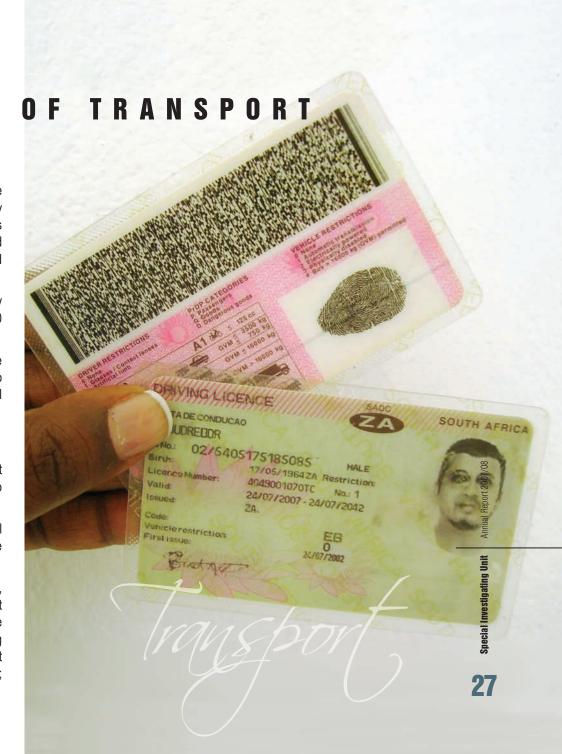


Table 9: DoT results and achievements for 2007/08

Province	Files scanned	Files audited	Invalid licences	Disciplinary referrals to the department	mat und	ninal ters der gation	Number		Number of convictions
					Jointly with SAPS	Other	Officials	Private individuals	
Western Cape	9 846	59 131	7306	27	0	0	0	18	18
Gauteng	3 508	5 949	6957	9	70	0	2	50	38
Eastern Cape	0	12 591	11 335	2	190	0	0	0	0
KwaZulu-Natal	64 778	90 858	4 221	22	137	0	0	82	81
North West	1 412	24 816	20 591	27	13	0	0	10	8
Free State	3610	553	697	3	0	0	0	0	0
Mpumalanga	710	16 935	3 111	122	1 142	3	19	13	3
Northern Cape	37	1 843	13	6	0	0	0	0	0
Limpopo	425	16 593	2 221	0	9	3	4	4	0
Total	80 752	239 269	56 452	218	1 561	6	25	177	148

Challenges

The migration from the old NaTIS to eNaTIS has resulted in a number of challenges for SIU investigators. These include the need for team members to apply for eNaTIS access, as well as the need for training in the operation of eNaTIS. These challenges, coupled with long periods of downtime of eNaTIS, have resulted in delays in finalising audit and investigation processes. Furthermore, the speedy prosecution of offenders remains a challenge.

Future focus areas include finalising the auditing of all licence and conversion files uplifted to date. By the end of this period, the SIU plans to be in a position to report an invalidity rate in respect of the licences it has audited. The investigation will continue its assessment of management and keep control measures in place at DLTCs, as well as monitor the compliance of DLTCs with the prescribed minimum requirements for grading and operation as DLTCs. The investigation will also focus on the re-engineering of current business practices to increase service delivery. The investigation of stolen vehicles registered on NaTIS will begin in the near future.

Business process review

In order to address the need for improved business processes at DLTCs, the MEC of the Western Cape Department of Transport appointed the SIU to conduct a sample study at three selected DLTCs during October 2006. The purpose of the sample study was to assess the DLTC environment and processes, to identify problem areas and to design an intervention aimed at improving business processes.

Through the sample study, inherent inefficiencies in DLTC processes and a proposed solution to such inefficiencies were identified. Following the sample study, the MEC appointed the SIU to test the effectiveness and sustainability of the proposed solution at two DLTCs in the Western Cape and to develop a best practice model for implementation at all DLTCs. As a precursor to the pilot project, the SIU also assisted the Western Cape Department of Transport with the implementation of the new electronic licence booking

system. This was aimed at testing the effectiveness of the new system and resolving problem areas to ensure a smooth roll-out of the system to other DLTCs in the province. The pilot project started during December 2007.

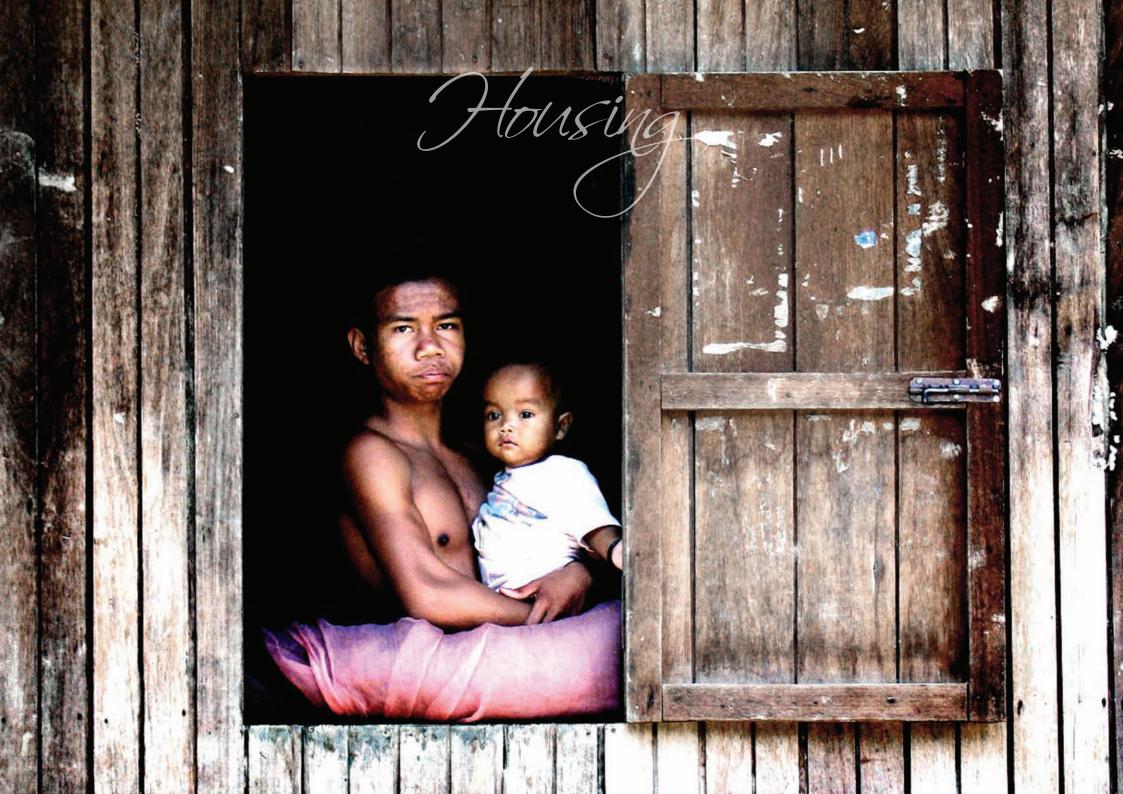
To date the following has been achieved at both pilot sites:

- The electronic licence booking system has been introduced and a number of problem areas have been resolved
- The eye test has been moved from before the learner's licence theory test to after the test
- Additional resources have been appointed and the filing system has been improved
- Adherence to the Minimum Requirements for Registration and Retention of Grading of DLTCs has been enforced
- Licence demand has been recorded and capacity to supply has been increased (additional testing slots have been implemented)
- The improvements implemented have resulted in reduced queues

The following improvements are still in progress:

- The refinement of the electronic licence booking system and acquisition of outstanding equipment (terminals and printers)
- The proposal of a one-payment system and the revision of job descriptions
- The implementation of a service level agreement between provincial departments and municipalities under which DLTCs report

Through this intervention, the SIU hopes to improve the efficiency of DLTC processes and address underlying constraints at DLTCs that negatively impact on service delivery. The SIU's overall objective is to provide the DoT with a holistic solution aimed at building an effective licencing system.



DEPARTMENT OF HOUSING

As part of its commitment to addressing the problem of maladministration and corruption relating to the development and delivery of houses through the low-cost housing scheme, the Department of Housing has requested the assistance of the SIU to redress these problems.

Over the past few years, the SIU has worked in partnership with various provincial housing departments to deal with problems relating to the allocations of low-cost houses in these provinces. This cooperation has recently been extended nationally through a service level agreement (SLA) with the national Department of Housing. This agreement provides for the SIU to set up a dedicated capacity to investigate allegations of maladministration, fraud and corruption relating to the low-cost housing scheme nationally and at national, provincial and local government level, under proclamation R7 of 2007.

The focus of the SIU's national investigation includes:

- the irregular awarding of subsidies to non-qualifying beneficiaries;
- the under-performance and/or irregular awarding of contracts to contractors to build low-cost houses; and
- the conduct of officials in the administration of the low-cost housing scheme, and the awarding of subsidies or development contracts.

The SIU has agreed to prioritise investigations of non-qualifying government employees who have received illegitimate housing subsidies as well as a list of 65 housing contracts submitted by the various provincial housing departments.

The Auditor-General identified 7 353 exceptions and investigations into these have commenced. Following this, investigations into an additional 31 259 government employees, identified as SIU red flag exceptions, will commence and will be extended to include other categories of irregularities such as applications awarded after the death of such applicants. The SIU has also begun the planning phase of the housing contracts investigation.

Proclamation

On 25 April 2007 the President mandated the SIU under Proclamation R7 of 2007, as published in Government Gazette 29831, to conduct an investigation into any fraud, corruption and maladministration in respect of the development and delivery of low-cost housing in South Africa through the national Department of Housing, the provincial departments of housing, the former housing development boards and corporations and local authorities and their appointed agents.

The SIU is mandated to investigate:

- the loss of state funds that were allocated to low-cost housing schemes;
- mismanagement and misuse of the state's low-cost housing scheme; and
- the conduct of officials, employees and municipal councillors of the institutions and their appointed agents responsible for or involved in the administration of the state's low-cost housing schemes and in the payment of subsidies under such schemes, which has resulted in losses of or lack of control over property or money allocated for such schemes.

The key aims of the project are as follows:

- Cleansing the national housing database of disentitled housing subsidy beneficiaries
- Recovering losses suffered by the department as a result of maladministration and corruption
- Identifying weaknesses in the Housing Subsidy Scheme (HSS), including the absence of internal controls and policies
- Making recommendations on improving systemic deficiencies through tighter policies and better control mechanisms
- Instituting and/or recommending corrective action, which includes civil, criminal and disciplinary action

DEPARTMENT OF HOUSING

Results and achievements

To date, the SIU has signed almost 400 AODs with an approximate value of R5.2 million, of which R1 million has already been repaid in full. A hundred criminal cases have been prepared and have been handed over to the SAPS for criminal action. The results of this investigation have shown that a well-resourced, specialist capacity such as the SIU can yield significant results and continues to do so.

The SIU also conducted investigations into conveyancer fraud in KwaZulu-Natal. In one matter, the SIU facilitated the settlement of 23 claims against the Attorney's Fidelity Fund (AFF) for theft by one conveyancer, resulting in payment of R334 000 to the KwaZulu-Natal Housing Department. This conveyancer was also convicted of theft and sentenced to four years imprisonment.

Another claim for approximately R5 million against the AFF for similar transgressions by other conveyancing attorneys has been referred for litigation. A trial date is awaited.

A further 260 civil claims have been instituted against the various conveyancers for R3.6 million. Prosecutions against these conveyancers are pending.

In Gauteng, the SIU has already recovered R11 million in respect of housing subsidy fraud and incompleted housing projects.

Challenges

There are numerous challenges and constraints which the department and the SIU face with the investigation into housing subsidies:

- There is inaccurate information on the database.
- Filing systems are poor, with missing and untraceable files in the department.
- The HSS system is often offline.
- There are unreliable site numbers in the field.
- Tracing officials is difficult.
- If non-qualifying beneficiaries are prosecuted, there could be some challenges in respect of problems with SAPS resources, the courts being full and there being lengthy postponements in court.
- There are challenges in tracing debtors when AODs need to be signed.



SPECIAL PENSIONS FUND

The National Treasury requested the President to mandate the SIU to identify, investigate and redress alleged fraud, corruption and maladministration in the Special Pensions Fund (SPF). The National Treasury, through the Special Pensions Board, administers the payment of special pensions through the fund. The Special Pensions Act of 1996 provides for special pensions to be paid to persons who have made sacrifices, suffered financial deprivation or served in the public interest during the liberation struggle.

The board is vested with the authority to determine whether a person qualifies for a special pension and the benefit category, based on qualification criteria, determined in the Act. The Act was initially intended to apply for only one year. However, it proved difficult to cope with all the applications and, following an amendment to the Act, late applications were considered until 31 December 2006.

Proclamation

Proclamation R50, published in the Government Gazette on 7 December 2006, mandates the SIU to exercise or perform all functions and powers assigned to or conferred on the Unit, and to investigate:

- any serious maladministration in connection with the affairs of the Special Pensions Board:
- improper or unlawful conduct by officials of the board;
- any unlawful appropriation or expenditure of public money or property;
- any unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having bearing upon state property;
- any intentional or negligent loss of public money or damage to public property, any
 offence referred to in part 1 to 4, or section 17, 20, or 21 (insofar as it relates to the
 above-mentioned offences) of Chapter 2 of the Prevention and Combating of Corrupt
 Activities Act, 2004, and which offences were committed in connection with the affairs
 of the board; and

 any unlawful or improper conduct by any person who has caused or may cause serious harm to the interests of the public or any category thereof, which took place between 1 December 1996 and the date of proclamation.

The proclamation also mandates the SIU to investigate the payment of special pensions by the board to persons who were not entitled to receive special pensions and/or submitted false, irregular, invalid or defective applications for special pensions to the board from 1 December 1996 to the date of the proclamation, and to exercise or perform all functions and powers assigned to or conferred upon it.

There are 13 583 beneficiaries registered on the SPF system, of which 6 053 are receiving monthly pensions and 7 530 have received lump sum payments. The investigation currently focuses on the 6 053 beneficiaries who are receiving monthly payments, as this will ensure the best possibility of preventing future and ongoing losses, and will result in the removal of undeserving beneficiaries from the SPF system.

The project has the following focus areas:

- Investigating the irregular or unauthorised payment of special pensions to living applicants, or persons receiving benefits as either the spouses or dependents of such deceased persons, who would otherwise not have qualified for special pensions in terms of the Act.
- Investigating irregular or unlawful conduct of officials employed by the Special Pensions Board in the processing, authorising and payment of special pensions.
- Investigating the unlawful conduct of persons facilitating applications for special pensions by disentitled beneficiaries.
- Investigating systemic gaps in the processing, authorising and payment of special pensions.
- A key deliverable in the verification process is the development of a cleansed database pertaining to the 6 053 monthly beneficiaries, and ensuring that the new data complies with the set requirements and standards.

SPECIAL PENSIONS FUND

A three-phase approach to this investigation was adopted. Phase 1 involved setting up the project team and compiling a project plan, and took place from January to March 2007. Phase 2 incorporated the audit and investigation of 6 053 monthly beneficiaries (as well as out-of-scope deliverables, which includes the audit and analysis of 7 451 new applications) scheduled between April 2007 and December 2008. Finally, Phase 3 is the Action and Report phase involving the handover of the cleansed database of 6 053 monthly beneficiaries and systemic recommendations, which will occur from January to March 2009.

The key deliverables of this investigation include:

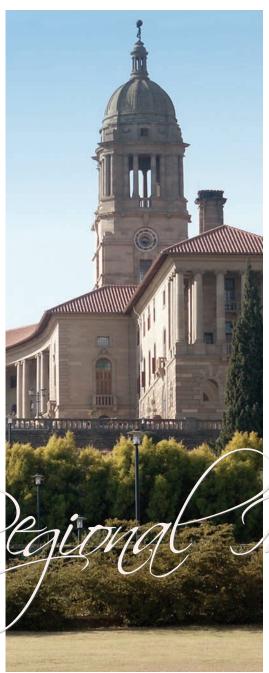
- compliance with the Special Pensions Act and Regulations;
- recommending the removal of disentitled beneficiaries from the system;
- generating actual and future savings through the removal of illegal beneficiaries from the SPF system;
- identifying SPF officials responsible for the fraudulent and/or irregular authorisation and payment of special pensions;
- recommending and facilitating the institution of appropriate action against such officials;
- facilitating the institution of appropriate action against such disentitled beneficiaries
 who have unduly benefited from a special pension or those persons responsible for
 facilitating the irregular application and payment of undue special pensions;
- making recommendations on the improvement of the authorising and processing of special pensions;
- 'cleansing' current SPF data pertaining to the monthly beneficiaries and ensuring that the new data complies with the set requirements and standards; and
- developing a database of entitled special pension beneficiaries.

SPECIAL PENSIONS FUND

Table 10: Results and achievements for 2007/08

Activity	Results
Special Pensions Fund files scanned	13 583
Files audited	8 224
Beneficiaries interviewed	3 396
Statements obtained	2 778
Files reviewed by South African History Online (SAHO)	5 183
Fingerprints taken	1 430
Stopped payment of benefits	R654 211
New applications audited	3 446
Recommended removals of beneficiaries with schedule 1 convictions	52
Ad hoc matters investigated	15
Section 7(2) matters investigated	52
ITC searches conducted	4 858
Recommended removal of deceased beneficiaries	131









KWAZULU-NATAL

LOCAL MUNICIPALITIES

An investigation was conducted into allegations of the irregular and/or unlawful investment of municipal funds in three municipalities in KwaZulu-Natal. A pre-investigation was conducted at a fourth municipality in this province in respect of two cases of irregularity.

The municipalities under investigation for the irregular and/or unlawful investment of municipal funds to the value of R27.2 million included the former Umzinyathi Regional Council (R16 million), the former uThungulu District Municipality (R10 million) and the uMtshezi Local Municipality (the former Escourt/Wembezi Transitional Local Council) (R1.2 million).

It was alleged that certain municipal directors of finance had invested municipal funds with Transglobe Industrial Holdings Ltd, with SA Corporate Brokers acting as intermediaries. The SIU also investigated the unauthorised expenditure of municipal funds by municipal employees, the failure to recover these funds and the appointment of brokers and/or third parties to deal with municipal funds. This proclaimed investigation started in 2004 and an amended proclamation, R49 of 2006, was published on 7 December 2006.

Results and achievements

A criminal case of fraud has been registered against the former Chief Financial Officer in uMtshezi Local Municipality. The case is currently being investigated by the Pietermaritzburg Commercial Crime Unit, Estcourt.

A further case of fraud will be registered at Richards Bay in respect of the fraudulent activity by the Chief Financial Officer at uThungulu District Municipality.

On 11 February 2008, the Director of Public Prosecutions (DPP) issued an instruction for the prosecution of the former Director of Finance of Umtshezi Local Municipality in the Estcourt Regional Court on charges of fraud to the amount of R1 025 000.

Civil proceedings have also been instituted for the recovery of R10 million from the former

Director of Finance at the uThungulu District Municipality. An additional claim of R76 258 063 is being included in the civil action as the SIU investigation revealed a greater loss to the municipality than initially suspected. The DSO is dealing with the criminal prosecutions in this investigation.

DEPARTMENT OF TRANSPORT

The focus of the investigation, under Proclamation R45 of 2007 is the validity of the awarding of a three-year fixed-rate contract and the fraudulent misrepresentation by service providers when tendering for procurement contracts with the department. The value of the procurement under investigation is approximately R2 193 698.

During this investigation, information and documentary evidence was made available to the SIU, in which further allegations of improper procurement processes have been identified, to the value of R4.9 million in one instance and R800 000 in another instance. These additional matters, which do not form part of the proclamation, have been submitted for pre-investigation and consideration for an amendment to the present proclamation, or alternatively the issuing of a new proclamation.

Results and achievements

During the pre-investigation phase initiated in November 2006, which dealt with the awarding of contracts, cover quotations and the involvement of officials in the procurement processes, the SIU identified irregular payments and the awarding of contracts to the value of approximately R1.6 million. Disciplinary action was taken against three officials and another official was charged in terms of the Public Finance Management Act (PFMA). This led to the dismissal of two officials, and the likelihood of the department instituting charges of theft against the other two individuals.

During the investigation, which began at the end of November 2007, it was uncovered that certain trading entities misrepresented their business capability through falsely reporting on their staffing, equipment and premises. This misrepresentation was linked to three ex-departmental officials and five officials presently employed at the department. The eight were found to have helped facilitate the fraudulent misrepresentation for financial benefit from service providers.

The SIU is currently completing the financial profiling of identified employees and service providers with the view of reporting criminal activity and recommending disciplinary action against those found to have colluded. Civil recovery will, where appropriate, be instituted through the recommendation of the SIU.

WITNESS PROTECTION PROGRAMME

A proclaimed investigation is being conducted into the irregular lease of safe houses by the Witness Protection Unit (WPU) between 1999 and 2002. These irregularities were highlighted in the report of the Auditor-General in 2001.

It was alleged that employees of the KwaZulu-Natal Witness Protection Programme (WPP) defrauded the programme by leasing property in which they had an interest, to the programme at double the market value. In other instances, they leased fictitious property to the WPP and claimed payment in return through various agents. The value of these transactions amounted to R4 252 637.

The investigation has been conducted in five phases, four of which have been completed. Due to the cooperative approach of this investigation, the SIU is closely assisted by the Commercial Crime Unit of the SAPS, the NPA and AFU.

Results and achievements

To date, the SIU's forensic audit has revealed a lack of administrative and financial controls relating to vouchers, unrecovered witness fee advances, loans to witnesses for the purchase of fictitious property, incomplete and legally defective lease agreements, a lack of compliance with regard to tender procedures, a lack of proper securing and supervision of witnesses and the lack of a proper asset verification system with regard to properties under the control of the WPP.

The criminal case against eight accused, including the former regional head of the WPU in KwaZulu-Natal, is ongoing. A civil claim of R4.7 million has been instituted against the former regional head of the WPU. A further criminal case has been registered in respect of phases 3 and 5 of the investigation.

This matter is currently with the Specialised Crimes Court for prosecution, through the Commercial Crime Unit of the SAPS. The NPA has already instituted disciplinary action against two officials of the WPU in KwaZulu-Natal.

DEPARTMENT OF HEALTH

A preliminary investigation commenced in 2006 into numerous allegations of procurement fraud at the KwaZulu-Natal Department of Health. The estimated money lost to ghost employees over a two-month period was R1.2 million. Further prejudice to the department arising from other instances of procurement fraud was in the region of R4 million.

Two external forensic accounting firms were mandated to investigate these matters and the SIU was confident that its involvement would stem from their findings. Subsequently the Head of Department was suspended and no partnership agreement has since been forthcoming.

DEPARTMENT OF ECONOMIC DEVELOPMENT

The KwaZulu-Natal Provincial Treasury approached the SIU to investigate the existence of evidence establishing charges of fraud or corruption against a company known as Bee Foundation (Pty) Ltd arising from a funding agreement concluded.

The department entered into an agreement with Bee Foundation on 22 February 2006. In terms of the agreement, the department and Bee Foundation would roll out the implementation of a Honey Pilot Project at Tembe Tribal Authority, which falls under the UMkhanyakude District Municipality.

The project involved the production, marketing and processing of honey and bee products. Among other things, the project aimed to create self-employment for 825 unemployed people in the pilot phase, thus assisting with poverty alleviation and promoting the generation of small and medium business opportunities, as well as supporting existing ones.

The value involved in the contract was R10 million, which was paid out to Bee Foundation (Pty) Ltd.

Results and achievements

An assessment of the contract was conducted and the department was advised to pursue an application to the High Court seeking a debatement of the accounts of Bee Foundation (Pty) Ltd to establish if the funds were used for their intended purposes.

The matter is pending before the High Court, Johannesburg. The closing report is being reviewed and will be handed over to the department in the near future.

A matter involving allegations of corruption regarding a payment of R560 000 as an introductory commission was handed over to the DSO for further investigation.

EASTERN CAPE

DEPARTMENT OF LOCAL GOVERNMENT

The Department of Local Government in the Eastern Cape requested the SIU to investigate local government matters in the province. On 17 October 2004, the department entered into an agreement with the SIU in which it undertook to provide the SIU with annual funds to the value of R6 million for the duration of a three-year contract. The partnership agreement between the department and the SIU referred to in the previous reports came to an end in October 2007.

Investigations of all 13 municipalities envisaged in the agreement and authorised by Proclamations R26 and R27 of 2005 have been completed. A comprehensive report highlighting the successes, assessing the impact and systemic recommendations was submitted to all the relevant stakeholders.

The Department of Local Government has indicated its support for and satisfaction with the work of the Unit and is committed to renewing the agreement for a further three years.

GREAT KEI MUNICIPALITY

On 12 September 2007, by Proclamation R25 of 2007, the SIU was mandated to investigate allegations of serious maladministration, corruption and misappropriation of funds in respect of the affairs of the Great Kei Municipality.

Results and achievements

Table 11: Results and achievements for 2007/08

Activity	Results
Acknowledgements of debt signed (KSD municipality)	13
Cash recoveries (KSD municipality)	R274 643
Disciplinary referrals initiated (Maletswai)	2 (1 dismissal, final and 1 written warning)
Systemic recommendations made by the SIU	2
SIU recommendations implemented (Nyandeni, Ekwezi and Maletswai)	5

This investigation has been prioritised according to phases. Phase 1 will address allegations related to the failure to comply with statutory prescripts regarding the alienation of land in respect of the golf estate and 11 additional irregularities in relation to supply chain management, including a R3 million contract for mobile toilets, R2 million in irregular expenditure on endowment policies, the irregular payment of performance bonuses to the value of R205 000, and irregularities in relation to overtime payments to the value of R202 000. Phase 2 will investigate irregularities in supply chain management related to the conversion of the Royal Hotel (R4 million), the paving of the Great Hall (R160 000), the road works contract (R4 million), catering (R50 000) and irregular expenditure in respect of trips abroad by councillors and municipal officials.

Results and achievements

The investigation is currently at a critical stage; evidence is being obtained that is currently being reviewed by the SIU's legal division with a view to determining further action.

FREE STATE

DITSWAKOTLENG FRESH FARM PRODUCTION PROJECT

The matter of the Ditswakotleng Fresh Farm Production Project was referred to the SIU by the Head of the Department of Agriculture after several irregularities pertaining to the project were identified in a report by the Auditor-General in June 2003.

Proclamation R33 of 2006 mandates the SIU to investigate the approval and funding of the Ditswakotleng Fresh Farm Production Project as a community project qualifying for funding by the Community Projects Fund Support Programme of the Department of Agriculture. The primary objective of the project is to recover losses incurred by the department.

The investigation primarily focuses on procurement irregularities, in particular the manner in which the department procured goods and services for the Ditswakotleng Fresh Farm Production Project, as well as the resultant shortages of materials and equipment procured for the project.

This project is funded by the SIU, with no financial contribution from the department.

Results and achievements

To date, the investigation has revealed that a contractor has been paid for work not properly completed and another has been overpaid by the department. The SIU has successfully negotiated and signed acknowledgements of debt with these two contractors, who have agreed to pay back a total amount of R17 068 to the department.

The SIU has also assisted the department with disciplinary action against its suspended Chief Financial Officer, who has since been found guilty on eight of nine charges of misconduct levelled against him.

FREE STATE PROVINCIAL DEVELOPMENT FUND

This matter was referred to the SIU by a former MEC for Finance in the Free State Province.

Proclamation R21 of 2007 mandates the SIU to investigate fruitless, wasteful and/or unauthorised expenditure and loss of public money by the Free State Provincial Development Fund, which took place between 1 January 2003 and 31 August 2007.

The matters under investigation refer to possible irregularities in assessing and approving some of the applications for funding, failure to prevent or mitigate the fruitless and wasteful expenditure and failure to monitor the progress of such projects and to timeously take steps to recover funding.

This project is funded by the SIU, with no financial contribution from the department.

Results and achievements

Since the commencement of this investigation, 18 witnesses and possible suspects have been identified and interviewed. In total, 44 requests for information and documentation to various individuals have been issued. Approximately 80% of these documents have been received, analysed and have resulted in the identification of at least 11 individuals representing the organisations that have obtained financing from the fund, as well as officials from the department, for hearings.

WESTERN CAPE

WESTERN CAPE LOCAL GOVERNMENT AND HOUSING

In February 2005, the MEC for the Department of Local Government and Housing in the Western Cape requested the SIU to conduct preliminary investigations into allegations of fraud, corruption and maladministration in the department.

This resulted in a three-year agreement between the SIU and the department, which was signed on 15 February 2005. In terms of the agreement, the SIU will provide forensic investigative assistance to the department in respect of matters falling within the scope of the department.

During the 2007/08 financial year, the department made financial contributions to the value of R1 922 412 in terms of the partnership agreement. The capacity allocated to

the project has been significantly increased due to the referral of housing matters from the department.

The SIU provided forensic investigative assistance on 19 matters to the department, including the conducting of scoping exercises, the drafting of work plans outlining the methodology and approach of the SIU to the investigation and the conducting of forensic investigations into the allegations. All 19 matters are still under investigation.

During the period under review, the SIU was also requested by the Forensic Investigative Unit (FIU), a department within the Premier's office in the Western Cape, to assist with four procurement-related matters at various provincial departments.

To date, this investigation has resulted in two joint cases with the DSO, AFU and SAPS, four disciplinary referrals and referrals to the AFU to the amount of R3 863 343.



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

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Annual Report 2007/08

GENERAL INFORMATION

Background

The Special Investigating Unit (SIU) is an independent statutory body that is accountable to Parliament. It was established by the President, conducts investigations at his request, and reports to him on the outcomes. It receives its budget through the Department of Justice and Constitutional Development.

The SIU was created in terms of the Special Investigating Units and Special Tribunals Act (Act No 74 of 1996) (SIU Act).

The President established the SIU by Proclamation 118 of 2001 and appointed Mr Willie Hofmeyr as its head.

The mandate of the SIU is to investigate fraud, corruption and maladministration, and to institute civil litigation to recover losses suffered by the state, or prevent further losses.

Address:

Rentmeester Park
74 Watermeyer Street
Meyerspark
0184

Bankers:

First National Bank of South Africa

Auditors:

Auditor-General of South Africa

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Special Investigating Unit which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 74.

Responsibility of the accounting authority for the financial statements

- 2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

- 3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
- 4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice* 616 of 2008, issued in *Government Gazette No.* 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
- 5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- 6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
- 7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

REPORT OF THE AUDITOR-GENERAL

(continued)

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Special Investigating Unit as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the PFMA.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
The Special Investigating Unit had an audit committee in operation throughout the financial year.	X	
The audit committee operates in accordance with approved, written terms of reference.	Х	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	Х	
Internal audit		
The public entity had an internal audit function in operation throughout the financial year.	Х	
The internal audit function operates in terms of an approved internal audit plan.	Х	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	Х	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines contained in section 55 of the PFMA.	Х	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		Х
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the		
unavailability of senior management.	X	
The prior year's external audit recommendations have been substantially implemented.	Х	1

REPORT OF THE AUDITOR-GENERAL

(continued)

Unaudited supplementary schedule

11. The supplementary information included on page 75 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

12. I have reviewed the performance information as set out on pages 76–79

Responsibility of the accounting authority for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

- 14. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* [and section 45 of the MSA].
- 15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- 16. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

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

Auditor General Pretoria

9 September 2008



REPORT OF THE AUDIT COMMITTEE

SPECIAL INVESTIGATING UNIT (SIU)

We are pleased to present our report for the financial year ended 31 March 2008.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder. During the current year four meetings were held.

Name of member	No of meetings attended
Prof H de Jager Chairperson (External member)	3
SK Whitfield (External member)	4
Members representing the SIU	
R Francis (resigned 30 August 2007)	2
V MarshSmit (appointed 1 September 2007)	2

The Auditor-General and representatives of the firm (PricewaterhouseCoopers) to whom the internal audit function was outsourced were invited and attended all the meetings. The Head of the SIU and other senior staff were also invited and attended some of the meetings.

Audit Committee responsibility

The Audit Committee reports that it has complied with the responsibilities arising from section 38(1)(a) of the PFMA and 27.1.1 of the Treasury Regulation. The Audit Committee also reports that it has adopted appropriate formal terms of reference that are contained in its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. During the current year the Audit Committee Charter was revised to ensure relevance.

The effectiveness of internal control

The Special Investigating Unit's systems of internal control are designed to provide assurances that, *inter alia*, assets are safeguarded and liabilities and working capital are managed effectively and efficiently. From the various reports submitted by the SIU's internal auditors and the management report of the Auditor-General, the committee concluded that no fundamental non-compliance with prescribed policies and procedures has been identified.

The Audit Committee is satisfied with management responses in respect of aspects identified by Internal Audit and the Auditor-General for corrective actions and/or suggested improvements to controls and processes.

The internal audit continued during the period under review to provide the Audit Committee and management with independent assurances that internal controls are appropriate and effective for those areas examined in terms of the Audit Committee-approved coverage plan, based on the risk assessment.

REPORT OF THE AUDIT COMMITTEE

(continued)

Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General, as well as representatives of management, the audited annual financial statements to be included in the annual report; and
- reviewed the Auditor-General's management letter and management response.

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 of the SIU fairly presents the financial position and performance of the SIU, based on the audit done and report of the Auditor-General.

Management reports

The Audit Committee is satisfied with the content and quality of the management reports prepared and issued by the SIU for the period under review.

H de Jager

Chairperson of the Audit Committee

9 September 2008

APPROVAL OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

The Head of the Unit is responsible for the SIU's system of internal control, which is designed to provide reasonable, but not absolute assurance against material misstatement and loss. Internal control is broadly defined as a process, effected by the Head of the Unit, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Economy, efficiency and effectiveness of operations
- Internal financial controls
- Compliance with applicable laws and regulations

The system contains self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility for the circumvention or overriding of controls. One of the aims of an effective system of internal control is to provide reasonable assurance with respect to the reliability of financial information and, in particular, the presentation of the financial statements. Furthermore, due to changes in conditions, the efficiency of systems of internal control may vary over time.

I have reviewed the SIU's system of internal control for the period 1 April 2007 to 31 March 2008 and I am of the opinion that the system of internal control was effective for the period under review.

The financial statements for the year ended 31 March 2008, which appear on pages 52 to 79 were approved and signed by me in my capacity as Head of the Unit. Note 29 on detailed expenses does not form part of the annual financial statements.

Head of the Unit:

WA Hofmeyr

31 July 2008

STATEMENT OF FINANCIAL POSITION

as at 31 March 2008

	Notes	2008	2007
ASSETS		R	R
Non-current assets		52 274 673	29 502 848
Property, plant and equipment	2	28 073 834	15 600 703
Intangible assets	3	86 525	361 757
Bank balances – recoveries	4.1	24 114 314	13 540 388
Current assets		71 676 121	28 738 231
Inventory	5	166 153	106 348
Trade and other receivables	6	16 417 902	8 409 049
Prepayments		140	2 435
Cash and cash equivalents	7	55 091 926	20 220 399
Total assets		123 950 794	58 241 079
LIABILITIES			
Non-current liabilities		24 419 676	13 540 388
Finance leases	8	305 362	_
Payables – recoveries	4.2	24 114 314	13 540 388
Current liabilities		43 515 260	27 085 886
Trade and other payables	9	25 150 599	8 484 228
Current portion of finance lease obligations		115 331	_
Revenue received in advance	10	18 249 330	18 601 658
Total liabilities		67 934 936	40 626 274
Net assets		56 015 858	17 614 805
EQUITY AND RESERVES			
Accumulated surplus/(deficit)		56 015 858	17 614 805
		56 015 858	17 614 805

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2008

	Notes	2008	2007
	110163	R	R R
Revenue	11	228 042 341	136 879 670
Operating expenses		194 707 804	138 893 329
Employee cost	12	138 298 155	94 190 814
Travel and accommodation		6 505 026	4 564 575
Depreciation	3	6 594 395	4 614 806
Amortisation costs	2	373 955	402 595
Other expenses	29	42 936 273	35 120 539
Operating surplus/(deficit)		33 334 537	(2 013 659)
Other operating income	13	921 632	3 557 820
Operating surplus/(deficit) before interest		34 256 169	1 544 161
Interest received	14	5 191 681	2 307 761
		39 447 850	3 851 922
Finance costs	15	(1 046 797)	(331 903)
Surplus/(deficit) for the period		38 401 053	3 520 019

Special Investigating Unit

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2008

	Notes	Accumulated surplus/(deficit) R	Capital reserve R	Total R
Balance at 31 March 2006 as previously reported		1 944 659	12 150 127	14 094 786
Transfer to accumulated surplus/(deficit)	16	12 150 127	(12 150 127)	_
Balance at 31 March 2006 as restated		14 094 786	-	14 094 786
Movement for the year		3 520 019	-	3 520 019
Balance at 31 March 2007		17 614 805	-	17 614 805
Movement for the year		38 401 053	-	38 401 053
Balance at 31 March 2008		56 015 858	-	56 015 858

CASH FLOW STATEMENT

for the year ended 31 March 2008

	Notes	2008 R	2007 R
Cash inflow from operating activities		53 777 173	8 577 345
Cash receipts from departments		220 033 488	134 356 858
Cash paid to suppliers and employees		(170 401 199)	(127 755 371)
Cash generated from operations	22.1	49 632 289	6 601 487
Interest received		5 191 681	2 307 761
Finance cost		(1 046 797)	(331 903)
Cash outflow from investing activities		(19 326 339)	(8 844 648)
nvestment to maintain operations			
Proceeds from sale of moveable property and equipment		261 495	60 000
nvestment to expand operations			
Purchase of moveable property and equipment		(19 587 834)	(8 904 648)
Cash flow from financing activities			
Long-term loan increase/(decrease)		420 693	-
Net increase/(decrease) in cash and cash equivalents		34 871 527	(267 303)
Cash and cash equivalents at beginning of year		20 220 399	20 487 702
Cash and cash equivalents at end of year	7	55 091 926	20 220 399

Special Investigating Unit

for the year ended 31 March 2008

Accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP), include any interpretations of such statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP Replaced statement of GAAP

GRAP 1: Presentation of financial statements AC101: Presentation of financial statements

GRAP 2: Cash flow statements AC118: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP

Statement of financial performance Statement of financial position Statement of changes in net assets

Net assets Surplus/deficit

Accumulated surplus/deficit Contributions from owners Distributions to owners

Replaced statement of GAAP

Income statement Balance sheet

Statement of changes in equity

Equity Profit/loss

Retained earnings
Share capital
Dividends

- 2. The cash flow statement can only be prepared in accordance with the direct method.
- 3. Specific information has been presented separately on the statement of financial position such as:
 - a. receivables from non-exchange transactions, including taxes and transfers;
 - b. taxes and transfers payable; and
 - c. trade and other payables from non-exchange transactions.

for the year ended 31 March 2008 (continued)

4. Amount and nature of any restrictions on cash balances is required.

Paragraphs 11 to 15 of GRAP 1 have not been implemented due the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

The financial statements have been prepared on a going concern basis.

1.2 Revenue

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

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the company.
- The stage of completion of the transaction at the Statement of Financial Position date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at Statement of Financial Position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest is recognised in profit or loss, using the effective interest rate method.

Revenue comprises the annual grant from the Department of Justice and Constitutional Development, as well as income from other departments in terms of partnership agreements to carry out specific engagements accounted for on an accrual basis.

1.3 Accounting for government grants and disclosure of financial assistance

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to it; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

for the year ended 31 March 2008 (continued)

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Repayment of a grant related to an asset is recorded by decreasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Any incidental grants are accounted for on a cash basis.

1.4 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 it incurred.

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirements benefit plans are charged as expenses as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.6 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, less the estimated residual value, of each asset over its estimated useful life as follows:

Office furniture and equipment	5 – 10 years
Computer equipment	3 years
Books and law reports	5 years
Motor vehicles	4 years
Leasehold improvements	Life of lease, 3 – 10 years

The remaining estimated useful lives of assets are reassessed on an annual basis. No change in estimate is required for the current year.

for the year ended 31 March 2008 (continued)

1.7 Intangible assets

Intangible assets that are acquired and have finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognising of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the year the asset is derecognised.

The assets' residual values, useful lives and methods of amortisation are reviewed and adjusted if appropriate, at each financial year end.

Amortisation is recognised in the Statement of Financial Performance and is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the assets to their residual values at the end of their useful lives.

Intangible assets are amortised over their useful lives as follows:

Computer software

2 years

1.8 Inventory

Inventory is measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventory comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition.

The inventory cost of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventory is assigned using the first in, first out formula. The same cost formula is used for all inventory having a similar nature and use to the entity.

When inventory is sold, the carrying amount of that inventory is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.9 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the obligation; and
- the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

for the year ended 31 March 2008 (continued)

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.10 Financial instruments

Initial recognition

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

Financial assets and financial liabilities are recognised on the SIU's Statement of Financial Position when the SIU becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

An asset that is subsequently measured at cost or amortised cost is recognised initially at its fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Subsequent measurement

After initial recognition, financial assets are measured as follows:

- Loans, receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.
- Other financial assets, including derivatives, are measured at fair values, without any deduction for transaction costs which may be incurred on sale or other disposal.

After initial recognition, financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.
- Financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

for the year ended 31 March 2008 (continued)

Financial instruments carried in this Statement of Financial Position include cash and bank balances, receivables and payables. They are initially measured at fair value and subsequently measured as follows:

Trade and other receivables

Trade and other receivables originated by the enterprise are treated as loans and receivables and are carried at amortised cost. Trade receivables are assessed on an annual basis with regard to recoverability and, where necessary, any doubtful debt will be provided for. The fair value of trade and other receivables is the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks and are measured at fair value.

1.11 Leases as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.12 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

Cash and cash equivalents are measured at fair value.

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

1.13 Events after the Statement of Financial Position date

Any event subsequent to the date of the Statement of Financial Position that materially affects any of the contained information is disclosed in a separate note to the financial statements, where applicable.

1.14 Comparative figures

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

1.15 Finance cost

Finance cost comprises the interest cost on finance leases and impairment of financial liabilities, carried at amortised cost, using the effective interest rate.

for the year ended 31 March 2008

PROPERTY, PLANT AND EQUIPMENT	I	2008			2007	
Description	Cost	Accumulated depreciation	Carrying Value	Cost	Accumulated depreciation	Carrying Value
Books and law reports	186 805	109 810	76 995	186 805	87 025	99 780
Computer equipment	10 320 840	6 429 426	3 891 414	8 741 228	4 143 516	4 597 712
Office furniture	7 415 737	2 171 330	5 244 407	5 725 255	1 466 005	4 259 250
Office equipment	5 790 984	3 013 471	2 777 513	3 673 736	2 169 487	1 504 249
Motor vehicles	15 188 874	3 373 387	11 815 487	4 826 237	2 011 157	2 815 080
Lease equipment	414 154	11 504	402 650	_	-	_
Leasehold improvements	4 993 731	1 128 363	3 865 368	2 936 372	611 740	2 324 632
Total	44 311 125	16 237 291	28 073 834	26 089 633	10 488 930	15 600 703
Reconciliation 2008						
Description	Opening balance 01.04.07	Additions in period	Disposals in period	Depreciation	Balance at 31/03/08	
Books and law reports	99 780	_	_	22 785	76 995	
Computer equipment	4 597 712	2 323 830	89 953	2 940 175	3 891 414	
Office furniture	4 259 250	1 690 482	_	705 325	5 244 407	
Office equipment	1 504 249	2 126 050	4 705	848 081	2 777 513	
Motor vehicles	2 815 080	10 628 885	193 457	1 435 021	11 815 487	
Lease equipment	_	414 154	_	11 504	402 650	
Leasehold improvements	2 324 632	2 305 710	133 470	631 504	3 865 368	
Total	15 600 703	19 489 111	421 585	6 594 395	28 073 834	
Reconciliation 2007						
Description	Opening balance 01.04.06	Additions in period	Disposals in period	Depreciation	Balance at 31/03/07	
Books and law reports	11 693	96 802	_	8 715	99 780	
Computer equipment	5 169 050	1 737 875	40 403	2 268 810	4 597 712	
Office furniture	3 327 349	1 452 210	-	520 309	4 259 250	
Office equipment	1 772 253	259 539	(223)	527 766	1 504 249	
Motor vehicles	620 625	3 088 909	34 784	859 670	2 815 080	
Lease equipment	_	_	_	-	_	
Leasehold improvements	570 307	2 183 861		429 536	2 324 632	
Total	11 471 277	8 819 196	74 964	4 614 806	15 600 703	

for the year ended 31 March 2008 (continued)

3 INTANGIBLE ASSETS	I	2008		1	2007	
Description	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Computer software	3 024 919	2 938 394	86 525	2 926 196	2 564 439	361 757
Reconciliation 2008	On anima halanaa	Additions	Dianagla	Amandiantian	Balance at	
Description	Opening balance 01.04.07	in period	Disposals in period	Amortisation charge	31/03/08	
Computer software	361 757	98 723	-	373 955	86 525	
Reconciliation 2007						
Description	Opening balance 01.04.06	Additions in period	Disposals in period	Amortisation charge	Balance at 31/03/07	
Computer software	678 900	85 452	-	402 595	361 757	

Software was previously disclosed under Property, Plant and Equipment. During the year it has been reclassified as Intangible Assets to comply with the requirements of IAS 38. The comparative figures have been adjusted to reflect this reclassification. The change in classification had:

- no monitory effect on the financial statement;
- no effect on the net asset value of the financial statements; and
- no effect on the previous disclosed amount.

4 BANK BALANCES/PAYABLES – RECOVERIES	2008 R	2007 R
4.1 Bank balances	24 114 314	13 540 388
4.2 Payables – Recoveries Accrued interest payable to National Treasury	24 106 843 7 471	13 445 196 95 192
Total payable	24 114 314	13 540 388
The amount reflected is owed to third parties and was obtained through either signed admissions of guilt or through court orders issued by Special Tribunal. Amounts are held and paid over to relevant third parties on the final settlement of each case. These cash balances are held in trust on behalf of third parties and are not available for use by the Unit.		
5 INVENTORY		
Stationery and toner	166 153	106 348
Stationery and toner comprise stock on hand at the various regions.		

for the year ended 31 March 2008 (continued)

6 TRADE AND OTHER RECEIVABLES	2008 R	2007 R
Trade debtors	16 310 015	8 256 051
Gross trade debtors	16 676 578	8 336 839
Interest in terms of IAS 39	(366 563)	(80 788)
Employee study loans and advances	54 072	55 820
Deposits Other receivables	53 815	53 815 43 363
Other receivables	16 417 902	8 409 049
The carrying amounts of trade and other receivables approximate their fair value.		
7 CASH AND CASH EQUIVALENTS		
Current account	34 466 486	1 715 241
Trust account – Income received in advance	20 625 440	18 505 158
Bank balances	55 091 926	20 220 399
Cash and cash equivalents comprise bank deposits that are available on demand.		
8 FINANCE LEASES		
The long-term loans consist of amounts paid towards the lease of copiers ranging over a period of three years and are repayable in monthly instalments. The interest rate implicit in the leases is the prime rate plus 3.5% for the duration of the lease term. The carrying value of the assets of the leases is R402 650 (2007 R0).		
Contractual cash flows		
Within one year	181 390	_
Later than one year but not later than three years	362 779	
	544 169	-
Less unearned finance income	123 476	_
Present value of lease payments	420 693	_
Included in the financial statements as:	420 693	_
Current liabilities	115 331	-
Non-current liabilities	305 362	_

for the year ended 31 March 2008 (continued)

9 TRADE AND OTHER PAYABLES	2008 R	2007 R
Trade payables	14 644 219	2 519 858
Gross trade payables	14 749 803	2 525 692
Interest in terms of IAS 39	(105 584)	(5 834)
Accrual for leave pay	5 102 590	4 275 233
Employee costs – deductions	3 083 749	25 880
Lease smoothing provision	2 320 041	1 663 257
	25 150 599	8 484 228
Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying amounts approximate fair value.		
The leave pay accrual is the employees' entitlement to annual leave, recognised when it accrues to employees. A provision is made for the estimated liability for annual leave due as a result of services rendered by employees up to the date of the Statement of Financial Position.		
Employee costs – deductions comprise statutory salary deductions to be paid over to the relevant authorities.		
The lease smoothing provision comprises the aggregate of all operating leases, amortised on the straight-line basis over the periods of the individual leases.		
10 REVENUE RECEIVED IN ADVANCE		
Special Pensions	1 126 664	_
Department of Transport	16 666 666	18 504 158
Tenant's Installation	456 000	-
Department of Economic Affairs (Eastern Cape)	-	97 500
	18 249 330	18 601 658
11 REVENUE		

Special Investigating Unit

55 582 000

for the year ended 31 March 2008 (continued)

11 REVENUE continued	2008 R	2007 R
11.2 Income received from other departments	127 173 787	81 727 497
Department of Transport	21 837 490	17 572 800
Department of Correctional Services	15 107 110	11 693 311
Provincial Department of Transport	718 633	-
Department of Housing	9 999 999	_
Department of Social Development	59 373 365	38 359 730
National Treasury Pension Administration	12 393 278	6 000 000
Eastern Cape Local Government	5 724 000	6 276 000
Department of Economic Affairs	97 500	_
Western Cape Local Government	1 922 412	1 825 656
	1 056 934	1 051 222
11.3 Director of Special Operations	503 501	-
NPA – use of vehicles	-	38 511
AFU – rental and secondment of staff	553 433	1 012 711
11.4 Impairment of financial assets carried at amortised costs	(3299380)	(1 481 049)
Revenue transferred to interest received as a result of discounting accounts receivable using the effective interest method, as per IAS 39	(2 932 817)	(1 400 261)
Revenue transferred to accounts receivable, as a result of discounting accounts receivable using the effective interest method, as per IAS 39	(366 563)	(80 788)
	228 042 341	136 879 670
Rental paid by Department of Public Works – not included in expenditure	2 619 458	2 103 088

for the year ended 31 March 2008 (continued)

12 EMPLOYEE COSTS	2008 R	2007 R
Total expenses include:		
Salaries and wages	125 632 508	84 033 785
Provident and funeral fund contributions	8 853 298	6 036 232
Medical aid contributions	865 598	759 229
Training	892 095	_
Relocation cost	271 419	693 609
UIF, COID and RSC levies	955 880	641 734
Accrual for leave pay	827 357	2 026 225
	138 298 155	94 190 814
13 OTHER OPERATING INCOME		
Computer expenses recovered from staff members	563 755	589 093
Donation from Royal Danish Embassy	-	2 156 000
Donation from Commonwealth	_	28 427
Donation from British High Commission	258 100	774 300
Sundry income	99 777	10 000
	921 632	3 557 820
14 INTEREST RECEIVED		
Call accounts	2 258 864	907 500
Interest income on impaired financial assets amortised at the effective interest rate, as per IAS 39	2 932 817	1 400 261
	5 191 681	2 307 761

The interest rate risk is detailed in note 23.5.

Special Investigating Unit

for the year ended 31 March 2008 (continued)

15	FINANCE COSTS	2008 R	2007 R
	Finance charge on impairment of financial liabilities amortised at the effective interest rate, as per IAS 39	(1 145 842)	(337 737)
	Unpaid portion transferred to accounts payable	105 584	5 834
	Interest paid on finance leases	(6 539)	-
		(1 046 797)	(331 903)

The interest rate risk is detailed in note 23.5.

16 CAPITAL RESERVE

During 2008 the Unit changed its policy from reclassifying an amount of its retained accumulated surplus, equal to the book value of Property, Plant and Equipment, as a capital reserve, in order to conform to the benchmark treatment in the standards of GRAP on reserves.

The capital reserve entry has been transferred to the accumulated surplus/(deficit) account and the comparative figures for 2007 amended. This change had no:

- monetory effect on the financial statements;
- effect on the net capital of the Unit;
- effect on the value of the previously disclosed item; and
- effect on assets or other items.

The opening balance of the accumulated surplus for 2007 has been increased with R12 150 127, which is the amount of the capital reserve relating to periods prior to 2007.

17 EXPENDITURE

The Unit has not incurred any material losses as a result of criminal conduct in the year under review. In addition, there have been no noted instances of unauthorised expenditure, irregular expenditure or expenditure that is classified as fruitless or wasteful.

18 TAXATION

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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.

for the year ended 31 March 2008 (continued)

19 RELATED PARTY TRANSACTIONS	2008 R	2007 R	
19.1 Related party outstanding balances at year end:			
Trade creditors			
Telkom: telephone accounts	209 083	138 693	
Municipal accounts paid directly: water and electricity	8 947	8 150	
SA Post Office: postage and post box rentals	1 178	1 203	
Salary-related – statutory payables			
SARS: PAYE recoveries	1 949 763	_	
Unemployment Insurance Fund: salary recoveries	131 745	_	
Department of Labour – COID	265 355	-	
19.2 The following related party transactions are included in trade receivables:			
Trade receivables: services rendered			
Asset Forfeiture Unit	415 844	466 008	
Department of Correctional Services	6 691 981	2 140 988	
Department of Social Development	5 175 953	3 858 822	
Eastern Cape Local Government	884 628	276 000	
Directorate of Special Operations	294 184	_	
Western Cape Local Government	_	(141 920)	
Special Pensions Fund	3 379 985	(111 020)	
JACTT	_	180 940	∞
Eastern Cape: Provincial Department of Transport	718 633	-	0/20
Donors			ırt 20
Royal Danish Embassy	_	1 556 000	Керс
			Annual Report 2007/08
19.3 The following related party transactions are included in operating expenses:			A
Operating costs	207.005	440.740	=
Municipal accounts paid directly: water and electricity	327 295	142 713	i i
Regional services levies: levies payable	0 000 450	56 416	aţi
SAA: air travel	2 302 450	1 196 299	estig
SA Post Office: postage and post box rentals	17 772	5 387	Special Investigating Unit
Telkom: telephone accounts	3 287 742	1 513 577	scial
Salary-related – statutory payments	00.705.040	45 404 400	Se
SARS: PAYE recoveries	22 785 048	15 421 492	
Department of Labour – COID	265 355	143 134	69
Unemployment Insurance Fund: salary recoveries	1 337 585	884 368	UJ

for the year ended 31 March 2008 (continued)

19 RELATED PARTY TRANSACTIONS continued	2008 R	2007 R
19.4 The following related party transactions are included in revenue:		
Trade income for services rendered		
Asset Forfeiture Unit	553 433	1 012 711
Department of Economic Affairs and Tourism	_	97 500
Department of Correctional Services	15 107 110	11 693 311
Department of Social Development	59 373 365	38 359 730
Eastern Cape Local Government	6 608 625	6 276 000
Directorate of Special Operations	503 501	_
Western Cape Local Government	1 922 412	1 825 656
Department of Housing	10 000 000	_
Special Pensions Fund	13 519 938	6 000 000
JACTT	-	175 758
Department of Transport	21 837 491	17 572 800
Eastern Cape: Provincial Department of Transport	718 633	_
Donations received		
British High Commission	258 100	774 300
Royal Danish Embassy	-	2 156 000
20 OPERATING LEASES		
Rental commitments in respect of properties	77 653 874	37 067 525
Payable within one year	13 929 997	7 700 201
Payable within two to five years	47 161 794	20 064 439
Payable thereafter	16 562 083	9 302 885

The above commitments are in respect of nine rental agreements for premises for periods ranging from one year to ten years. The average monthly rental is R1 114 198 (2007: R658 253). The balance of the lease smoothing provision is R2 320 040 (2007: R1 663 257). There are also 29 copier rental agreements ranging from one year to five years. The average monthly rental is R 101 954.

for the year ended 31 March 2008 (continued)

21 SENIOR MANAGEMENT REMUNERATION

21.1 The following table records the emoluments paid to each executive and manager reporting directly to the Deputy Head of the Unit during the year:

Executive manager	ment	Salary	Medical/ Pension	Other benefits	Total 2008	Total 2007
W. Hofmeyr*	Head of Unit	_	-	_	_	-
F. Davids **	Deputy Head	848 085	94 238	1 508	943 831	928 848
G. Visagie	Executive Manager	646 211	148 547	1 508	796 266	721 215
Senior managemen	nt					
S. Meyer	Unit Secretary – 5 months 2007				_	350 624
B. Amery	CFO - 2 months 2007				_	131 468
R. Francis	CFO - 11 months 2007				_	535 450
V. MarshSmit	CFO – appointed April 2007	623 033	93 161	1 508	717 702	-
		2 117 329	335 946	4 524	2 457 799	2 667 605

^{*}Mr W Hofmeyr is paid by the NPA as a Deputy National Director of Public Prosecutions.

Details of the senior managers' service contracts are as follows:

Name	Commencing	Termination
B. Amery	18 May 2005	31 May 2006
R. Francis	1 May 2006	31 August 2007

21.2 Remuneration of Audit Committee members	2008 R	2007 R
S. Whitfield	15 204	15 629
H. de Jager (Chairman)	23 345	18 071
	38 549	33 700

^{**}Mr F Davids received a payment of R427 514 relating to the backdated payment of a performance and inflation increment for the prior years.

for the year ended 31 March 2008 (continued)

22 NOTES TO THE CASH FLOW STATEMENT	2008 R	2007 R
22.1 Reconciliation of profit/(loss) to cash generated from operations		
Operating profit/(loss)	39 447 850	3 851 922
Adjusted for:		
Depreciation	6 594 395	4 614 806
Amortisation costs	373 955	402 595
Interest received	(5 191 681)	(2 307 761)
Loss on sale of moveable property and equipment	160 090	14 914
Operating profit before working capital changes	41 384 609	6 576 476
(Increase)/decrease in inventory	(59805)	(13 865)
(Increase)/decrease in trade receivables	(8 008 853)	(2 522 812)
Decrease/(increase) in prepayments	2 295	(2 435)
Increase/(decrease) in trade payables	16 666 371	762 465
Increase/(decrease) in revenue received in advance	(352 328)	1 801 658
Net changes in working capital	8 247 680	25 011
Net cash flows from operating activities	49 632 289	6 601 487

23 FINANCIAL INSTRUMENTS

23.1 Financial risk management objectives

The SIU's Risk Management Committee monitors and manages the financial risks relating to the operations of the Unit through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continual basis and reported regularly to the Audit Committee.

The SIU does not enter into or trade in any financial instruments, including derivative financial instruments, for speculative purposes.

23.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability, are disclosed in note 1.10 to the financial statements.

for the year ended 31 March 2008 (continued)

23 FINANCIAL INSTRUMENTS continued	2008 R	2007 R
23.3 Categories of financial instruments		
Loans and receivables		
Loans and trade receivables (including cash and cash equivalents)	71 509 968	28 631 883
Financial liabilities measured at amortised cost		
Trade and other payables	43 399 929	27 085 886
Current portion of financial leases	115 331	
All amounts, except for the finance leases, are short term and the carrying values are considered to be a reasonable approximation of the fair value.		
23.4 Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The SIU only deposits cash with major banks with high-quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise other departments in terms of partnership agreements to carry out specific engagements accounted for on the accrual basis. Management evaluated credit risk relating to customers on an ongoing basis.		
The carrying amount of financial assets in the financial statements, which is net of impairment losses, comprises the maximum exposure of the SIU to credit risk.		
Current	7 462 570	6 523 776
60 days	2 715 093	1 114 919
90 days	6 498 915	698 342
Impairment in terms of IAS 39	(366 563)	(80 788)
Total	16 310 015	8 256 249
Impairment of trade and other receivables		
Opening balance	(80 788)	<u>-</u>
Impairment	(285 775)	(80 788)
Closing balance	(366 563)	(80 788)

for the year ended 31 March 2008 (continued)

23 FINANCIAL INSTRUMENTS continued

23.5 Interest rate risk

Deposits attract interest at a rate that varies with prime. The SIU policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit (loss).

23.6 Liquidity risk

The SIU manages liquidity by monitoring forecast and accrual cash flows and matching the maturity profiles of financial assets and liabilities.

24 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

All assets and liabilities are measured at fair value, based on recent observed market prices. No key assumptions concerning the future or other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year were applied in determining the carrying amounts of any asset or liability.

25 GUARANTEES

The SIU has a guarantee in place with First National Bank in favour of Atlas Properties Limited to the value of R231 817.20. The guarantee is for the Unit's offices in Cape Town and the expiry date is 29 October 2017.

26 CAPITAL COMMITMENTS

Commitments for the acquisition of fixed assets, contracted for but not provided in the annual financial statements, amounted to R2 844 284 (2007: R4 067 949).

27 CONTINGENT LIABILITIES

- 27.1 The SIU is currently involved in three litigation matters. The SIU is the defendant/respondent in all three.
- 27.2.1 The first matter is a delictual claim lodged against the SIU. The claim against the SIU was dismissed by the High Court on a special plea. The plaintiff applied unsuccessfully for leave to appeal to the full bench of the High Court. The plaintiff has now lodged a petition to the Chief Justice for leave to appeal. The SIU's lawyers are of the opinion that although there is a real possibility that the plaintiff may be granted leave to appeal, the subsequent appeal will most probably not be finalised within this financial year, but the SIU is confident that it will in any event be successful in opposing the appeal.
- 27.2.2 The second matter is an application for a declaratory order brought before a single judge in the High Court of Mthatha, in which the plaintiff requested the court to declare the SIU liable for the payment of a bill of cost incurred by the old SIU (headed by Judge W Heath), which the SIU opposed. The court decided against the SIU and the SIU lodged an application for leave to appeal to the full bench of the High Court. The SIU's lawyers are confident that it will be granted leave to appeal, which will result in an appeal case. The envisaged appeal will most probably not be finalised within this financial year, but the SIU is confident that it will be successful in that appeal.
- 27.2.3 In the third matter an application was lodged in the High Court (Natal Provincial Division) against the SIU and three others, requesting the court to review and set aside a judgment the old SIU (headed by Judge W Heath) obtained against the applicant in the old Special Tribunal, to set aside a warrant of execution and order that the Provincial Treasury: KwaZulu-Natal Province refund the applicant the value of the assets that have been attached under the warrant of execution.

The SIU and the other three respondents are defending the application and have briefed the State Attorney, who again briefed both a junior and senior counsel. This case is still pending. No provision has been made in the annual financial statements due to the uncertainty of the outcomes.

28 SUBSEQUENT EVENTS

The SIU published a tender for an organisational redesign during January 2008. Awards were made to the various bidders during May 2008 and June 2008 to the value of R27 000 000. An amount of approximately R4 100 000 still needs to be awarded. These amounts have not been provided for in the annual financial statements.

The SIU's request for the roll-over of its cash funds as at year end has been granted.

ADDITIONAL INFORMATION

29 OTHER EXPENSES	2008 R	2007 R
Auditor's remuneration	474 517	315 336
Bank charges	138 818	117 223
Books and publications	417 973	560 702
Car hire and taxi expenses	1 065 971	1 054 110
Conferences and seminars	604 143	66 036
Consultancy fees	6 784 294	7 067 858
Consumables	254 927	227 599
Courier services	373 925	375 869
Data scanning, traces and deed searches	101 078	493 275
Donations	1 388	3 214
Entertainment	37 519	475 810
Insurance	541 858	365 676
Internal audit fees	505 525	472 745
Internal integrity expenses	730 226	1 069 308
Legal fees	253 251	42 504
Loss on disposal of property and equipment	160 090	15 207
Media and promotions	546 012	656 064
Motor vehicle expenses	1 279 585	1 023 525
Office expenditure	860 027	658 130
Professional membership fees	10 407	10 244
Revenue stamps	_	16 978
Relocation and recruitment costs	530 370	413 216
Rent paid – properties	10 142 235	6 169 101
Rental – equipment	1 322 023	2 426 723
Repairs and maintenance	354 662	645 806 -
Security	352 347	138 357
Software licences	215 423	1 407 607
Stationery and printing	1 777 290	1 121 570
Travel and subsistence	5 434 424	2 968 231
Telephone, fax and posting expenses	4 954 450	3 018 975
Training and development	2 679 775	1 714 656
Transcription fees	31 740	8 884
	42 936 273	35 120 539

SUMMARY REPORT: SCHEDULE A

VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES

for the year 1 April 2007 – 31 March 2008

					NEW AOD CASES				
						Signe	ed by		
Province	Total value all cases	Prevention of loss: current year	Recoveries (Rand value of AODs signed)	Recovery of cash/asset	Per court ruling	Signed by Unit	Third parties	Cash paid to SIU trust accounts	Prevention of loss: future projected
North West	3 659 516	_	3 659 516	_	_	3 659 516	_	198 970	_
Mpumalanga	6 002 145	_	6 002 145	-	_	6 002 145	_	258 759	_
Northern Cape	1 016 185	_	1 016 185	-	_	1 016 185	_	-	_
Eastern Cape	10 280 033	_	10 280 033	-	_	10 280 033	_	122 708	_
Free State	2 348 721	_	2 348 721	_	_	2 348 721	_	247 732	_
Gauteng	6 986 700	_	6 986 700	_	_	6 986 700	_	12 729 954	_
Western Cape	8 573 737	_	8 573 737	-	_	8 573 737	_	218 373	_
Northern Province	3 952 717	-	3 952 717	_	_	3 952 717	_	489 116	
KwaZulu-Natal	17 996 432	_	17 996 432	-	_	17 996 432	_	2 213 410	_
National	300 809 150	300 809 150	_	_	_	_	_	-	2 671 603 712
Total trust creditors	361 625 336	300 809 150	60 816 186	-	-	60 816 186	-	16 479 022	2 671 603 712

SUMMARY REPORT: SCHEDULE B

ANALYSIS OF RECOVERIES THROUGH UNIT'S TRUST ACCOUNTS

for the year 1 April 2007 – 31 March 2008

	AMOUNTS TO BE COLLECTED				CASH P	OSITION		
Province	Balances carried forward	New cases	Closed cases	Total	Beginning of year	Cash recovered	Amounts paid over	Balances carried forward
North West	346 625	3 659 516	712 473	3 293 668	611 309	198 970	_	810 279
Mpumalanga	862 598	6 002 145	901 999	5 962 744	455 794	258 759	_	714 553
Northern Cape	_	1 016 185	17 780	998 405	_	_	_	_
Eastern Cape	544 330	10 280 033	993 921	9 830 442	3 355 916	122 708	_	3 478 624
Free State	904 796	2 348 721	302 220	2 951 297	571 052	247 732	_	818 784
Gauteng (Note 2)	3 486 400	6 986 700	1 233 467	9 239 633	3 409 553	12 729 954	5 604 212	10 535 295
Western Cape (Note 1)	416 113	8 573 737	390 513	8 599 336	643 287	218 373	213 164	648 496
Northern Province	_	3 952 717	1 147 634	2 805 082	656 025	489 116	_	1 145 141
KwaZulu-Natal	6 509 980	17 996 432	1 822 527	22 683 886	3 742 260	2 213 410	_	5 955 670
National	33 220 522	_	_	33 220 522	_	_	_	_
Total trust creditors	46 291 364	60 816 186	7 522 534	99 585 015	13 445 196	16 479 022	5 817 376	24 106 842
Interest less bank charges, paid to Natio	Interest less bank charges, paid to National Treasury			95 192	1 380 900	1 468 621	7 472	
					13 540 388	17 859 922	7 285 997	24 114 314

NOTES

- 1. An amount of R213 164 was received and held in trust until certain suspensive conditions were met. The funds were then transferred to a third party as per the agreement.
- 2. Amounts paid to clients.

During the year under review, the rate of collection has been steadily improving as new collection methods have been introduced to address the relatively high level of defaulting debtors. The amount collected in the year relating to AODs was R16 479 022. This comprises 23% of the total average outstanding debt (2006: R6 928 603 – 22%) implying an average collection period of four years and four months (2007: four years and six months). The maximum repayment period we allow is five years.

Defaulting debtors are being contacted by collectors and payment terms are constantly being enforced. The debit order system introduced does not generate the required results and resulted in the implementation of the direct PERSAL deduction system in February 2008. Although the numbers are still low, this will become a very effective tool to collect the outstanding debt.

The composition of our debtors' book also precludes us from attaining high recovery rates, as we are frequently faced with situations of genuine hardship and misunderstanding. Following up on the defaulting debtors from the rural areas has been a particular challenge. To address this challenge, we appointed a number of tracers/collectors around the country, but the process has been delayed by the lack of suitably qualified people who meet the required standards.

In addition, our legal position is difficult as we are in most instances acting as an agent. This issue is being addressed by obtaining more comprehensive representation contracts.

The SIU is confident of further improvement in the rate of collection in the future.

ACCOUNTING POLICIES

Recognition and measurement of achievements for the year ended 31 March 2008

The following are the principal accounting policies and procedures being applied by the Unit to recognise and measure its achievements disclosed in Schedule A and B.

These policies and procedures are consistent in all material respects with those applied in previous years.

Schedule A – Value of completed investigations and recoveries

Recognition

Items recognised represent the total value of cases and are presented under the following categories:

- 1. Analysis of cases:
 - Prevention of loss during the current year
 - Recoveries by the Unit on behalf of a third party (Rand Value or AODs signed)
 - Recoveries of assets due to the Unit's involvement but transferred or paid directly to the third party
- 2. Recoveries comprise the following:
 - Per Tribunal ruling
 - Acknowledgements of debt issued in favour of the Unit
 - Acknowledgements of debt issued in favour of third parties
- 3. Projected savings to third parties due to the Unit's intervention.

Measurement

Prevention of loss – new cases

Where a case has been initiated in the current year, it is measured by comparing current actual expenditure reported by the third party for the current year with the projected expenditure, using the results in the previous year (before the Unit's intervention) escalated by an inflation factor.

Prevention of loss – existing cases

Where investigations continue into the future, the value of preventions for the cases are measured by comparing the current actual expenditure reported by the third party with projected expenditure, using the results of the year before the Unit's intervention and escalating the expenditure by an inflation factor for the period of the investigation.

The results are reduced by savings already reported in prior years for the specific cases.

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ACCOUNTING POLICIES

Recognition and measurement of achievements for the year ended 31 March 2008 (continued)

Measurement (continued)

Recovery of cash by the Special Investigating Unit – new and existing cases

Cash recoveries are measured at their cash values as documented in the relevant Tribunal rulings and acknowledgements of debt issued, to be recovered by the Unit or the relevant institution.

Recovery of cash/asset by the SIU, paid to third parties - new and existing cases

Assets recovered as a result of Unit intervention, to be paid to third parties, are reported at their market-related values.

Prevention of loss – total projected savings

The net present value of projected future savings is calculated by using actual savings in the first year after intervention by the Unit, increased at the real interest rate (interest less the inflation rate) over a period of 10 years allocated to current and projected savings. A rate of 4% was used for the year under review.

Schedule B - Analysis of cash recoveries

Recognition

Cases are recognised as recoveries when the acknowledgements of debt have been signed between the relevant parties and the Unit.

Measurement

Recoveries are presented as follows:

Amounts to be collected

- Balances brought forward: this comprises money due owing in terms of AODs signed in prior years, payable directly to the Unit.
- AODs in favour of the Unit: this comprises money payable directly to the Unit as a result of AODs being signed during the current year.
- Balances carried forward: total value of AODs signed in favour of the Unit as at 31 March 2008.

Amount of cash recovered

• Cash recovered during the current year.

Trust bank accounts

- Balances brought forward: total funds held by the Unit at the beginning of the year.
- Amounts received: cash recovered during the current year.
- Amounts paid over: money paid over to third parties during the year.
- Balances carried forward: total funds held by the Unit at year-end.



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RP no: 214/2008 ISBN: 978-0-621-38092-7

