

Special Investigating Unit

ANNUAL REPORT

2009 | 2010



POISED TO STRIKE
against corruption

Vision

Working together to rid society of corruption.

The 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.

Values

Integrity | Cooperation | Effectiveness | Professionalism | Drive

Letter to the Speaker of Parliament

The Honourable Speaker
Mr Max Sisulu
Parliament of the Republic of South Africa
P O Box 15
Cape Town
8000
31 August 2010

Dear Mr Sisulu

Special Investigating Unit Annual Report for April 2009 to March 2010

On behalf of the Special Investigating Unit, established by Proclamation R118 of 2001 in terms of Act 74 of 1996, it gives me great pleasure to submit the SIU's annual report for April 2009 to March 2010 as envisaged by section 4(1)(h) of Act 74.

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

Yours sincerely



W A Hofmeyr

Head of the Special Investigating Unit

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List of Abbreviations

AGSA	Auditor-General of South Africa
AOD	Acknowledgement of Debt
BEE	Black Economic Empowerment
CFO	Chief Financial Officer
DCS	Department of Correctional Services
COGTA	Department of Cooperative Governance and Traditional Affairs
DLTC	Driving Licence Testing Centre
DOT	Department of Transport
DSD	Department of Social Development
ELBS	Electronic Licence Booking System
ENE	Estimates of National Expenditure
eNaTIS	(electronic) National Traffic Information System
KZN	KwaZulu-Natal
MEC	Member of Executive Council
MEGA	Mpumalanga Economic Growth Agency
MFMA	Municipal Finance Management Act
MWB	Mhlatuze Water Board
NPA Act	National Prosecuting Authority Act, (Act 32 of 1998)
NPA	National Prosecuting Authority
NT	National Treasury
Persal	Personnel and salary management system used by the national and provincial government
PFMA	Public Finance Management Act, (Act 1 of 1999)
SAPS	South African Police Service
SASSA	South African Social Security Agency
SIU	Special Investigating Unit
SIU Act	Special Investigating Units and Special Tribunals Act, (Act 74 of 1996)
SLA	Service Level Agreement
SP Act	Special Pensions Act, (Act 69 of 1996)
SPF	Special Pensions Fund
SCCU	Specialised Commercial Crimes Unit

Proclamations



The following proclamation was issued by the President in terms of the Special Investigating Units and Special Tribunals Act, 1996 (Act 74 of 1996) (SIU Act) during the period under review:

- Proclamation R72 of 2009, dated 10 November 2009 (Government Gazette No 32703) (Department of Local Government: North West Province), which directed an investigation into financial mismanagement (including procurement irregularities) and irregularities with the recruitment and appointment of staff and the payment of remuneration and allowances to staff. The period of the investigation is 1 January 2005 to 10 November 2009.

Background to the Special Investigating Unit

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 SIU was established by the President to investigate corruption and maladministration in government and report on the findings of these investigations. The SIU is funded through the Department of Justice and Constitutional Development.

The SIU was set up by the President in terms of the Special Investigating Units and Special Tribunals Act, 1996. Its primary mandate is to recover and prevent financial losses to the state due to acts of corruption, fraud and maladministration. The SIU also assists departments with systemic improvements that will improve service delivery.

The SIU is a public entity with powers of investigation and litigation. Following the issue of a presidential proclamation by the President, the SIU has powers to subpoena, search, seize and interrogate witnesses under oath. While it does not have the power to arrest or prosecute offenders, it works closely with its partners in law enforcement to ensure effective criminal prosecutions when criminal conduct is uncovered.

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

- 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. For example, the SIU can 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 applies a project-based approach and concentrates on processes, people and financial losses in departments. It offers a unique and integrated service, including:

- forensic audits and investigations;
- legal action, such as civil, criminal and disciplinary or other remedial action; and
- recommending and facilitating the implementation of improved systems.

Foreword by the Head of the SIU



Willie Hofmeyr
Head of the Special Investigating Unit

The past year saw many new challenges and prospects for the SIU as a new administration came into office. It was a significant challenge to continue successful collaborations and partnerships and, at the same time, forge relationships with a wide range of new stakeholders.

The new opportunities arose as government intensified action against corruption and the SIU received a large number of requests for assistance from departments and other institutions. There was also a greatly increased focus on dealing with procurement irregularities, which led to a significant increase in the complexity of the investigations the SIU has undertaken.

Despite the increased workload, which placed huge demands on SIU staff, we have been able to refine the methods and resources used to carry out those investigations, and to respond better to the needs of the institutions with which we work.

Improving effectiveness

The SIU is also seeing the fruits of work done in previous years to develop an integrated approach that deals

effectively with fraud, corruption and maladministration, and can contribute substantively to curbing future systemic abuse of the state's delivery mechanisms.

The implementation of our ambitious organisational development initiative is almost complete and the positive benefits are already evident. Its aim was to assist the SIU to deliver more effectively on its mandate, as well as to realign it with current best-practice models, standardise delivery and allow for flexibility and scalability. The SIU's overall infrastructure and support services are now better resourced to support the operations team, which forms the spearhead of our work.

One of the crucial benefits has been the progress made in developing and implementing a project management approach in its investigations. This has enabled the SIU

to deal with a large volume of additional work relatively comfortably while maintaining high standards.

Strategy development

The finalising of the current organisational development phase, combined with a more stable environment, has allowed the SIU to emerge with a clear path and direction for the future. It has created an opportunity for a greater alignment between strategy and organisational capability.

The Unit's improved focus on engagement with staff, project management (and overall management) and its multi-disciplinary approach is starting to yield results.

The SIU's strategy is to continue improving its operational efficiency and productivity to increase its contribution to overall government and specific departmental outcomes and impact. This is informed by the Unit's key strategic objective: to combat maladministration, corruption and fraud, and to protect state assets and public money. In addition, the SIU has a number of internal strategic objectives that are focused on achieving its key strategic goal.

In this way, the SIU's strategy recognises the supportive role it plays in contributing to the government's initiative aimed at reducing instances of fraud and corruption, which in turn creates the basis for improved service delivery. The strategy also highlights the importance of an optimised value chain, as well as the ever improving contribution by SIU members, with employment equity, development and retention challenges remaining a focal point for the next few years.

The positive results that are starting to come through provide a basis for further improvement and developments. It is a trend that is set to continue and improve in the years ahead as the Unit institutionalises the positive features of the recent turnaround and changes.

Key investigations

Key investigations during the period include the ongoing large national projects with the Departments of Social Development and Transport, while there was a significant expansion in the work with the Department of Human Settlements.

An exciting new project was developed with the Department of Cooperative Governance and Traditional

Affairs, which includes investigations at all 24 municipalities in the North West Province.

The SIU has also participated actively in the initiative by the Minister of Finance to deal more effectively with procurement irregularities. It has participated in the two groups set up by National Treasury to deal with compliance and systems issues.

Results

As usual, the SIU set itself ambitious targets for the year. While the Unit did well on the number of cases and value of cash recoveries, it was a somewhat disappointing year in terms of the other indicators.

The major reason for this was a change in the focus of the work with the Department of Social Development, which comprises almost half of the work done by the SIU. The department requested a shift from removing fraudulent social grants from the system to dealing with procurement irregularities in the South African Social Security Agency (SASSA). These investigations are more complex and time-consuming, and will take some time to reflect in the SIU's results.

A further reason was the difficulties and delays experienced by SASSA in the legal process for the removal of invalid social grants. Most of these challenges are being addressed, and there should be a significant improvement in results for 2010/11.

Generally, the increased focus on complex procurement investigations will have a longer-term effect on several of the current indicators used by the SIU and it is unlikely that the results from previous years will be repeated.

Working together to make a difference

The Unit continues to use a holistic approach to ensure a wide impact in dealing with corruption in government structures. Financial losses suffered by the state as a result of fraud, corruption and maladministration are recovered and deterrent strategies implemented. Further, a focus on systemic breaches means that government's service provision systems are safeguarded from future abuse.

Cooperation across all levels and entities of government is key to the success of the SIU, and indeed to the anti-corruption drive of government as a whole.

The SIU would like to recognise the crucial role played in its successes by the many departments and institutions who have asked us to work with them. Thanks are due in particular to the ministers and directors-general at a national level, and the members of executive council and heads of departments at a provincial level who have often worked tirelessly to ensure that corruption and maladministration are dealt with effectively.

The SIU would not have been able to achieve these results without the assistance of its key partners, who have been crucial to the work of the Unit: the South African Police Service, the National Prosecuting Authority, the Department of Justice and Constitutional Development and the Office of the Accountant-General in National Treasury.

The Auditor-General and its staff are duly acknowledged for the ongoing positive relationship that has developed between the organisations. The SIU is proud of its record of unqualified audit reports with no matters of emphasis, achieved now for five consecutive years.

The SIU would further like to extend its appreciation to the Presidency, Parliament and the Minister, Deputy Minister and the Director-General in the Department of Justice and Constitutional Development for the trust and support over this period.

Most importantly, the SIU would like to extend its deepest gratitude and appreciation to its dedicated staff members who continue to rise to the challenge of achieving the Unit's strategic objectives and targets.

Overview of performance

The SIU has developed a series of performance indicators to gauge the impact and measure the results of its investigations. As indicated in the tables below, the SIU has managed to grow its performance significantly over the past five years, despite levelling off in the last year, for the reasons discussed above.

Table 1: Results of investigations

Performance measures		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Evidence prepared for use in civil litigation	Target	100	40	40	5 025	8 000	9 400	10 000
	Actual	165	45	2 133	4 829	9 696	11 177	9 843
Evidence prepared for use in criminal prosecutions	Target	200	200	800	2 000	3 943	4 050	4 600
	Actual	52	165	1 263	3 302	4 495	5 545	5 350
Evidence prepared for use in disciplinary proceedings	Target	300	330	660	2 300	7 000	1 300	2 600
	Actual	114	207	666	7 551	8 627	4 750	3 870
Evidence prepared for use in other remedial action	Target	3 000	5 000	50 000	45 000	130 600	200 020	140 000
	Actual	10 000	0	27 758	95 846	139 331	198 052	50 357

Table 2: Savings, preventions and cash recoveries

Performance measures		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Savings	Target	R70 m	R100 m	R150 m	R80 m	R160 m	R156 m	R80 m
	Actual	R373 m	R92 m	R299 m	R231 m	R301 m	R202 m	R12 m
Preventions	Target	0	R400 m	R850m	R1 250 m	R2 000 m	R2 500 m	R2 134 m
	Actual	0	R3 435 m	R3 270 m	R1 759 m	R2 672 m	R4 917 m	R197 m
Cash recoveries	Target	R50 m	R30 m	R40 m	R20 m	R40 m	R53 m	R70 m
	Actual	R14 m	R12 m	R13 m	R31 m	R61 m	R72 m	R69 m
Total	Target	R120 m	R530 m	R1 040 m	R1 350 m	R2 200 m	R2 709 m	R2 284 m
	Actual	R387 m	R3 539 m	R3 582 m	R2 021 m	R3 034 m	R5 191 m	R278 m

Major Investigations

Department of Social Development

BACKGROUND

Proclamation R18 of 2005, extended by Proclamation R5 of 2007, mandates the SIU to investigate and redress fraud and corruption in relation to the administration of the social grant system. The SIU and Department of Social Development (DSD) signed a service level agreement aimed at eradicating irregularities from the social grant system and deterring further attempts of defrauding the system. As the national administrator of the social security system, the South African Social Security Agency (SASSA) joined the partnership in 2006 and is now the key partner in the project.

Deliverables

The SIU has committed itself to achieving the following:

- Deterring irregular beneficiaries by:
 - disciplinary action against public servants facilitating irregular grants; and
 - better public awareness, prosecutions and recovery of social grants from irregular beneficiaries.
- Recovering losses
- Enhancing savings
- Identifying systemic gaps and implementing systemic improvements

In addition, the SIU will assist with the following:

- Investigation of the internal support structures of SASSA, including procurement systems as directed by the Executive Manager: Internal Audit and Risk Management
- Other ad hoc referrals from SASSA

Results and achievements

In the period under review, the SIU relied on its partnership with the NPA and the SAPS to carry out arrests and prosecutions. The NPA established 35 criminal court centres nationally, to deal with all grant related prosecutions.

One of the additional matters referred to SIU was the investigation into the then CEO of SASSA. The investigation uncovered serious misconduct on the part of the CEO. The outcomes of the investigation formed the basis of a disciplinary enquiry which found the CEO guilty of misconduct and was subsequently dismissed on 10 March 2010.

Table 3: Achievements

Focus areas	Results
Total new cases before court evidence prepared for criminal action	3 797
Convictions achieved	3 345
Disciplinaries prepared	2 890
Total AODs signed	8 401
Value of AODs	R 51 367 701
Present value of future savings	R197 600 870
Prevention of future losses	R 12 425 980
Other remedial action	8 383

Future trends and opportunities

The SIU has finalised a high-level analysis of SASSA procurement and Social Pensions System data. A detailed report has been submitted to SASSA. The report highlights anomalies in the procurement and social grant systems, emerging trends and patterns in vulnerable grants, which currently form part of ongoing internal investigations.

Department of Transport

BACKGROUND

The investigation into the issuing of illegal driving licences covers the period between January 1994 and January 2008. The investigation commenced on 1 March 2005 and the SIU's partnership agreement with the Department of Transport (DOT) has been extended to February 2011. This investigation is mandated by Proclamation R5 of 2005 and amended by the Proclamation R17 of 2008.

To provide a holistic solution to the challenges faced by the department and to ensure maximum impact, the investigation is addressing the threats posed by a combination of the following factors:

- The conduct of officials, members of the public and corrupt intermediaries who exploit systemic weaknesses.
- Inefficient business processes that hamper the optimal supply of licences, and weak management and control at Driving Licence Testing Centres (DLTCs) that increases the scope for non-compliance, fraud and corruption.
- The institutional framework within which the majority of DLTCs operate. The absence of minimum performance standards for municipalities, who manage the DLTCs, coupled with the DLTCs' lack of financial autonomy,

has resulted in severe resource constraints at many of these centres. Legislative gaps also increase the scope for non-compliance, fraud and corruption.

Deliverables

The overall objective of the SIU is to assist the department with building an effective licensing system through:

- understanding the nature and seriousness of the problems experienced with the licensing system and processes;
- identifying invalidly issued or converted licences and recommending the cancellation of such licences;
- identifying stolen vehicles registered on eNaTIS and addressing systemic weaknesses that enable criminals to abuse the system; and

- effectively addressing these challenges by:
 - facilitating criminal and disciplinary action against officials and/or private individuals and the removal of corrupt/incompetent officials from the system in appropriate cases;
 - facilitating the improvement of business processes, management and control measures and systemic weaknesses that have made the system vulnerable to exploitation; and
 - bolstering the integrity of eNaTIS by removing stolen vehicles from the system and addressing the systemic weaknesses identified.

Results and achievements

At the start of the investigation in 2005, the SIU, together with the department’s inspectorate, prioritised specific licence and conversion transactions processed at certain DLTCs. The SIU also investigated ad hoc allegations received from the department, DLTC/ municipal personnel and members of the public.

As the investigation progressed, the SIU has refined its prioritisation model to focus on high-risk areas, such as DLTCs with the highest rate of irregular/unlawful conduct. This has been achieved through an ongoing analysis of results to date and the available eNaTIS data.

Registration of vehicles on eNaTIS

During the period under review, the SIU continued its analysis of the eNaTIS database to:

- identify sensitive transactions on eNaTIS (i.e. transactions that can be abused to facilitate motor vehicle crime);
- identify anomalies and/or trends of irregular transactions that have occurred on eNaTIS and also to identify the frequency with which such transactions have occurred;
- establish the potential magnitude of the problem nationally through the identification of the officials who have committed these irregular transactions and the impact it has on the department nationally; and
- identifying focus areas for further investigation.

Stolen vehicles investigation

Table 4: Achievements

Focus areas	Results
Files uplifted and analysed	5 800 indented files were uplifted to be audited and verified. Of these, 5 796 invalid records were identified.
Criminal cases investigated and registered	82 criminal matters were investigated and registered. Of these: <ul style="list-style-type: none"> 2 cases were registered against municipal officials; 11 cases were registered against DOT officials; and 69 cases were registered against private individuals.
Arrests by the South African Police Service (SAPS)	22 people were arrested. Of these: <ul style="list-style-type: none"> 7 were municipal officials; 6 were DOT officials; and 9 were private individuals. All matters are still pending in court.
Disciplinary cases investigated and referred	5 cases were referred to the DOT/relevant municipality/ government department for the institution of disciplinary proceedings. <ul style="list-style-type: none"> 3 DOT officials were disciplined. 10 eNaTIS users were suspended.

Ad hoc investigations

The Unit initiated the following vehicle-related audits on behalf of the department:

- e-NaTIS transactions on illegal conversion of Quantum panel vans
- The old taxi database in relation to the Taxi Recapitalisation Programme and the re-usage of “scrapped” taxis

- The irregular exporting of Inyathi kombis (in partnership with SARS)
- The stolen vehicles register, which is used by financial institutions and insurance companies
- All activities executed by the department’s national help desk (Tasima)

The SIU is currently representing DOT in all identified vehicle crime investigations, which include criminal cases registered outside RSA borders.

Licence investigation

In terms of Section 29 of the National Road Traffic Act, (Act 93 of 1996) invalidly issued or converted licences must be cancelled in the prescribed manner. The

lengthy administrative procedure required to cancel these licences at provincial level has meant that this process has been relatively slow. However, the SIU has been working closely with representatives of provincial departments to speed up the cancellation process.

The SIU achieved the following results for the period 1 April 2009 to 31 March 2010:

Table 5: Achievements

Focus areas	Results
Files uplifted and analysed	196 982 new files were uplifted to be audited and verified. 425 309 files (including files previously uplifted) were audited and verified. 4 000 157 electronic files were analysed, audited and verified.
Invalidly issued/converted licences identified	33 500 invalidly issued and 8 474 invalidly converted licences were identified.
Criminal cases investigated and registered with the South African Police Service (SAPS)	887 criminal matters investigated and registered. Of these: <ul style="list-style-type: none"> • 59 of registered cases involved government officials; • 28 of registered cases involved municipal officials; • 118 of registered cases involved DOT officials; and • 682 of registered cases involved private individuals.
Arrests by the SAPS	325 people were arrested. Of these: <ul style="list-style-type: none"> • 39 were government officials; • 22 were municipal officials; • 32 were DOT officials; and • 232 were private individuals. In addition: <ul style="list-style-type: none"> • 224 prosecutions were instituted; and • 254 convictions were obtained.
Disciplinary cases investigated and referred	622 disciplinary cases were investigated. These cases have been referred to the municipality/ relevant government department for the institution of disciplinary proceedings.

During the period under review, the SIU has reviewed compliance with the minimum requirements at 27 DLTCs, none of which were compliant. The investigation team have so far recommended improvements at 27 DLTCs.

Currently, follow-up visits are being undertaken at all 27 DLTCs to establish if recommendations made have been implemented and if DLTCs comply with the minimum requirements. In cases where the DLTCs failed to implement the necessary control and management

systems, recommendations will be made to the DOT for the temporary closure of such DLTC until such time that compliance has been achieved. The aim for the next financial year is for all remaining DLTCs to be visited.

Future trends and opportunities

The Unit is working with the department on the future direction of the partnership, looking at the needs of the department in conjunction with work already done.

Department of Human Settlements

BACKGROUND

The investigation into the provision of low-income housing is mandated by Proclamation R7 of 2007. The Department of Human Settlements is facing challenges of corruption and maladministration in its low-income housing scheme. The SIU is providing a forensic solution to address these challenges, to prevent future abuse of the scheme and recover losses incurred by the department.

Deliverables

The department identified three focus areas for investigation:

- The irregular awarding of subsidies to non-qualifying beneficiaries
- Underperformance by contractors in the delivery of houses or the irregular awarding of contracts
- The conduct of officials administering low-income housing schemes and awarding subsidies or development contracts

The investigations are conducted by a multidisciplinary team in accordance with the SIU's phased project management methodology.

Results and achievements

Subsidy investigations

The investigations into subsidies commenced in January 2008 with an initial focus on government employees who allegedly received an undue benefit as identified by the Auditor-General's (AG) January 2006 report. This investigation has since been finalised and investigations have moved on to a second focus area: the investigation of municipal employees who allegedly received an undue benefit as identified in the Auditor-General's March 2008 report. This investigation is also near completion.

The SIU has identified an additional list of government employees (approximately 29 000) who are on the housing subsidy system. A parallel investigation is currently underway to deal with these officials while

maintaining the primary focus on the other categories in the AG report of January 2006.

Contract investigations

Phase one of the investigation into human settlement contracts has been completed and the SIU has presented the department with a consolidated national view of all the contracts listed on the housing subsidy system as well as a list of priority contracts for each province.

Phase two of the investigation entails a detailed technical analysis of all priority contracts being considered for investigation. All priority contracts were put through a vigorous selection process, which resulted in the selection of 100 contracts for investigation.

Investigations have commenced in respect of two of these contracts and a further 20 investigations will commence shortly. Contracts were selected on the basis of making the most impact in terms of dealing with fraud and corruption.

The SIU is also working with the department to look at the restriction of contractors and other service providers who have not delivered in terms of their contracts. This will ensure that such contractors would be prevented from engaging in any business with state departments for a period not exceeding ten years.

Syndicate investigations

Investigations have revealed four possible syndicates operating in various provinces. Initial findings indicate that there are well-orchestrated networks in place in some provinces that facilitates the renting and selling of RDP

houses. Two arrests have been made in KwaZulu-Natal, where government officials were found to have sold state-owned houses. These cases are still in court and the investigations are on-going.

Procurement investigations and hotline referrals

The SIU has developed a procurement tool that will assist the department in identifying areas of non-compliance in

respect of its supply chain management processes. The SIU is also focusing on housing officials who have companies doing business with government but who have not disclosed this. These investigations, including those referred to the SIU from the Minister's hotline, are currently underway.

Table 6: Housing results and achievements for 1 April 2009 to 31 March 2010

Focus areas	Target	Results
Number of AODs signed	1 000	1 352
Value of AODs signed	R20 000 000	R15 167 292
Evidence prepared for criminal actions	600	666
Number of convictions	400	518
Number of disciplinaries prepared	600	358

Future trends and opportunities

The SIU's investigations will help improve compliance in the department, and will also assist in putting governance structures in place. It is envisaged that the

SIU team will assist in preventing the further abuse of the low-income housing subsidy system, thereby ensuring improved service delivery as well as ensuring that RDP houses are allocated to the right people.

Department of Correctional Services

BACKGROUND

The investigation into allegations of corruption in the Department of Correctional Services is mandated by Proclamation R44 of 2007. The overall purpose of this investigation was to review the level of internal compliance with the department's regulatory framework (policies and relevant legislation) and the elimination of potential irregularities like tender rigging, cover quoting, corruption and black economic empowerment (BEE) fronting from the system.

Deliverables

The SIU committed itself to investigating the following matters and making recommendations:

- Procurement
- The department's medical aid scheme
- Asset management
- Correctional centre pharmacies

The SIU has completed approximately 24 large-scale procurement-related investigations, as well as various investigations related to medical aid abuse, department officials who have undeclared business interests and service providers who have received irregular contracts with the Department of Correctional Services.

By eradicating corruption and maladministration, the department is able to obtain goods and services at market-related prices, thus optimising service delivery by operating an efficient procurement system, which ultimately results in the effective use of state resources.

Results and achievements

Procurement

During the period under review, the SIU continued to use its procurement red-flagging tool to identify potential procurement irregularities as well as particular trends, patterns and/or anomalies at both

national and provincial level. A pilot project undertaken by the SIU yielded excellent results, which included the identification of approximately R2.4 million worth of potentially irregular payments out of a sample of 1 000 transactions extracted for review. The investigation further revealed that the department's procurement division had been compromised at both national and provincial levels.

The following results were recorded during the period under review:

- The finalisation of eight investigations involving BEE fronting and other related offences, totalling approximately R25 million, as well as the referral of these matters to the Specialised Commercial Crimes Unit (SCCU) and Asset Forfeiture Unit (AFU).
- The finalisation of an in-depth investigation into large-scale tender rigging, fraud and corruption, and collusion between external services providers and departmental officials. These matters have also been referred to the SCCU and the National Prosecuting Authority (NPA).
- The registration of five criminal cases with the SAPS relating to departmental officials involved in procurement irregularities, fraud and corruption, as well as an asset forfeiture order to the value of approximately R1.1 million.
- The finalisation of six investigations involving departmental officials irregularly contracting with the department, which were handed over for criminal and disciplinary action.

Medical aid scheme

Until 2002, the department funded its own medical aid scheme, but this was dogged by fraud, and the department lost millions of rand. The SIU investigation has recovered much of that money for the department, and officials and doctors who committed fraud against the department have been prosecuted and/or disciplined. The SIU has identified 702 departmental officials who were involved in improprieties.

For the period under review, the SIU, in close cooperation with the department's Code Enforcement Unit, finalised 184 disciplinary hearings in which officials were issued with final written warnings. In addition, the SIU secured 88 acknowledgements of debt totalling R1 308 000.

Future trends and opportunities

Although the partnership agreement between the SIU and the department has ended, the SIU remains committed to finalising all its investigations and addressing particular focus areas identified. The SIU continues to engage the department with a view to extending the partnership, taking into account both the department's requirements and the areas identified by the Unit.

Special Pensions Fund

BACKGROUND

The Special Pensions Act was enacted to give effect to section 189 of the Constitution and to provide for special pensions to be paid to persons who made sacrifices, suffered financial deprivation or served in the public interest during the liberation struggle. The Special Pensions Act also makes provision for the establishment

of a Special Pensions Board and Special Pensions Review Board, and prescribes their scope and powers. The investigation into the Special Pensions Fund (SPF) is mandated by Proclamation R50 of 2006.

The SIU has finalised its investigation and the final report was presented to the Presidency and National Treasury on 8 December 2009.

Provincial and Local Government KwaZulu-Natal

Department of Transport cost centres

This investigation is mandated by Proclamation R45 of 2007. The Department of Transport requested the SIU to investigate allegations of fraud and corruption at three of its cost centres (Stanger, Merebank and Port Shepstone). The department had become aware of attempts by some service providers to circumvent tender procedures. The SIU was asked to identify the officials and service providers circumventing the tender procedures, as well as officials receiving bribes and service providers paying off departmental officials.

The investigation uncovered fraudulent claims by service providers to the value of R582 988. This part of the investigation has been handed to the Commercial Branch of SAPS for further investigation, with criminal charges being brought against the service provider.

The investigation further uncovered irregular receipt of funds by employees from service providers in excess of R700 000. The SIU is currently finalising the investigation and preparing reports for disciplinary, civil and criminal processes.

The undeclared income of certain identified individuals was referred to SARS for further action.

Mhlatuze Water Board

The investigation into the Mhlatuze Water Board is mandated by Proclamation R35 of 2008. It was launched after reports of irregularities were received from a number of whistle-blowers employed by the board. The SIU received the full cooperation of the Department of Water Affairs, which instructed the board to cooperate with the investigation.

The objectives of this investigation were to uncover non-delivery, fraudulent invoicing, procurement irregularities and circumvention of tender procedures. The SIU has reviewed and analysed all available documents and uncovered irregularities and abuse of the procurement system.

The SIU is currently compiling evidence for civil, disciplinary and criminal processes for various contraventions, including the Public Finance Management Act (PFMA) and the Water Services Act of 1997.

Two service providers face criminal action, civil recoveries are envisaged against the contractors, and disciplinary action has been recommended against identified officials.

Witness Protection Programme (WPP)

The investigation is mandated by Proclamation R1 of 2002. It was launched after an internal investigation revealed irregularities in the procurement processes in the KwaZulu-Natal region and the NPA requested the SIU to complete a forensic audit into the alleged irregularities.

The investigation has been finalised and has culminated in two criminal dockets being lodged with the Commercial Crime Unit of the SAPS.

The first criminal docket led to charges being brought against the regional head and six others relating to the findings of syndicated fraud to the value of R4.2 million. The civil claim against the regional head of the WPP is pending the outcome of the criminal trial.

The second criminal docket of fraud and theft of state and civil society funds has been lodged with the Commercial Crime Court Prosecutor and SAPS Commercial Crime.

Newcastle Municipality

This investigation is mandated by Proclamation R7, 2007. The investigation follows allegations by a whistle-blower of irregularities around the delivery of low-cost houses. The irregularities under investigation include procurement concerns, corruption, and fraud and financial misconduct of councillors, municipal employees and several service providers.

Initial scoping led to the SIU motivating for a technical expert to assist with the investigation of the quality of the 4 000 low-cost houses that were allegedly built. A recommendation by the SIU to institute disciplinary procedures against a municipal official was handed to the acting mayor for action.

The investigation is continuing with the analysis and verification of documentary proof to establish the number of low-cost subsidised houses which were not built but paid for, or which were incomplete, badly built or cases where the beneficiary did not qualify for the low-cost housing subsidy.

This process will not only identify the probable loss to the Department of Human Settlements in terms of underutilised funding and loss, but will also assist in:

- confirming ownership of properties where improper application of the Upgrade Project through the allocation of RDP houses to unqualified subsidy recipients occurred;
- identifying upgrade recipients to enable the department to include these beneficiaries on the housing subsidy system database;
- the recovery of overpayments and payments for non-delivery from the identified parties; and
- the identification of officials who did not comply with the prescripts, which ultimately resulted in maladministration, poor service delivery and in financial loss.

The SIU investigation team has been assisted substantially by the department and other individuals involved to source documentation previously not available from the municipality.

The investigation is ongoing.

uMgungundlovu District Municipality (UMDM)

This investigation was carried out under a written mandate from the KwaZulu-Natal Department of Local Government and resulted from the Municipal Intervention Programme. The SIU was requested to

look into the expenditure of the UMDM after allegations of corruption, fraud and theft were made against the former mayor, municipal manager and chief financial officer.

The allegations were that certain service providers enjoyed preferential treatment, and that the bids did not follow the normal tender process. Preference was given to payment of specific service providers where invoices were paid either before service delivery, on invoice date or within one day of submission. There were further allegations of payment for non-delivery of services.

The SIU submitted the findings of its investigation and the finalisation of this investigation has led to a criminal case of fraud and corruption being handed to SAPS Pietermaritzburg Commercial Crime.

Sustainable Livelihood Project

The KwaZulu-Natal Provincial Treasury approached the SIU for a forensic intervention on the Department of Social Development's Sustainable Livelihood Projects (SLPs). This investigation follows allegations of fraud, theft, corruption, financial mismanagement and other irregularities at the 98 SLPs. These allegations arise from an audit report (dated 13 August 2009) by Deloitte and Touche. The SIU is mandated by Proclamation R18 of 2005, and further extended by Proclamation R5 of 2007. The investigation commenced on 20 October 2009, with four focus areas:

- the recovery of public funds;
- the institution of criminal proceedings against implicated persons;
- the institution of disciplinary proceedings against implicated persons; and
- the recovery of assets.

During the investigation, the SIU team visited the Ulundi, Midlands and Pietermaritzburg regions and investigated 98 audit reports from these regions. The SIU is currently concluding the initial stages of the project, and seven more criminal cases are presently being compiled by the investigators and will be handed over to the police for further investigation.

Provincial and Local Government Eastern Cape

Department of Local Government and Traditional Affairs (ECLG)

The SIU and the Eastern Cape Department of Local Government and Traditional Affairs (ECLG) renewed their partnership for a further three years. The service level agreement (SLA) was concluded on 14 September 2009. In terms of this agreement, the SIU will conduct investigations into the following municipalities:

- Alfred Nzo District Municipality
- Kouga Municipality
- Koukamma Municipality
- Sunday River Valley Municipality

The SIU investigation has uncovered criminal activities in both Alfred Nzo District Municipality and Koukamma Municipality. These activities have been referred to the SAPS for further action.

Disciplinary action has been recommended against offending officials in the Sundays River Valley Municipality and Koukamma Municipality. A tender amounting to R8 million, found to have been irregularly awarded, has been recommended for cancellation.

The department and the SIU are being guided by Operation Clean Audit 2014 in identifying and prioritising the next group of municipalities to be investigated by the SIU. Final closure reports were delivered to the department at the end of March 2010.

Great Kei Municipality

The SIU has concluded its investigation and a close-out report has been finalised and will be presented to the department, the Presidency and the municipality.

A number of criminal cases have been referred to the SAPS. These cases include the former mayor, the municipal manager, the CFO and another individual who are facing several counts of fraud, forgery and uttering, theft and other statutory contraventions.

Department of Education

The Department of Education approached and formally appointed the SIU as its forensic investigation service provider. A service level agreement has since been signed between the department and the SIU. The department is committing itself to a funded three-year partnership and the SIU is undertaking to offer the required forensic service to the department in that period.

Phase 1 of the project, which is the scoping and planning phase, has been completed and the department has been presented with the report.

The SIU is in the process of applying for a proclamation to conduct further investigation into matters arising from the preliminary investigations during Phase 1.

Provincial and Local Government Western Cape

Department of Local Government and Housing

The initial partnership between the Department of Local Government and Housing and the SIU ended on 31 March 2008. A new agreement, renewing the partnership, was signed on 1 May 2009 for a further three years until 30 April 2011. The monetary value of this agreement for the 2009/10 financial year is R5.4 million.

During the period under review, the department referred a number of ad hoc matters to the SIU for investigation. These include the following:

Stellenbosch Municipality

On 15 December 2009, the SIU was requested by the Department of Local Government and Housing to conduct a preliminary investigation into allegations of fraud and corruption involving council members, municipal officials and third parties made by a businessman in relation to the awarding of tenders for housing projects in Kayamandi. A criminal investigation has been referred to the SAPS and one person has so far been arrested on fraud and corruption charges.

The SIU is in the process of motivating for a Presidential proclamation to investigate further irregularities that came to light during the preliminary investigations at the municipality.

Oudtshoorn Municipality

The Department of Local Government and Housing requested the SIU to conduct a preliminary investigation into allegations of fraud at the Oudtshoorn Municipality. The SIU's preliminary investigation - based on a limited sample of transactions - indicated that the municipality had been defrauded of over R1.2 million through payments for services not rendered and/or goods not delivered. Criminal charges have been laid with the Commercial Branch of the SAPS.

The SIU has applied for a Presidential proclamation to investigate further irregularities uncovered by the preliminary investigations.

The Provincial Forensic Investigative Unit (FIU)

During the period under review the SIU and the FIU entered into a service level agreement in which the FIU will refer specific matters on an ad hoc basis to the SIU for investigation. In terms of this agreement, the SIU will provide a full and integrated forensic solution to the FIU and will investigate matters relating to the loss or potential loss of public money, the potential of compromising of financial systems, and other related matters referred to it.

During the period under review, the following matters were referred:

Locum investigation

The FIU requested the SIU to undertake an assessment of alleged fraud in locum placements during the 2008/09 financial year at level one hospital services in the Cape Town Metro district.

The investigation focused on the following areas:

- Verify the identity and registration of two medical practitioners who had been assigned by a locum placement agency as locums to Metro District Health Services.
- Verify the registration details of 269 medical officers assigned by various locum agencies during the 2008/09 financial year contained in a database provided by the Department of Health with the e-register of the Health Professionals Council of South Africa (HPCSA).

The preliminary investigation indicated that the Western Cape Department of Health (WCDOH) may have suffered a loss through paying invalid claims of about R94 000 during the 2008/09 financial period.

The SIU is in the process of completing the final report with its findings and recommendations.

Nan Pelargon infant formula investigation

The FIU requested the SIU to conduct a preliminary investigation into the alleged theft of infant formula. Nan Pelargon is an infant formula supplied by the

provincial government's Department of Health to its various health care facilities and institutions free of charge – it is for state use only and not for resale.

The investigation is still in the scoping and planning phase.

Provincial and Local Government Mpumalanga

Mpumalanga Economic Growth Agency

In November 2005, the former Mpumalanga Economic Empowerment Corporation, now known as Mpumalanga Economic Growth Agency (MEGA), approached the SIU to investigate the circumstances under which loans were granted, irregular payments were made to the former chief executive officer, and procurement contracts were irregularly awarded. This investigation is mandated by Proclamation R22 of 2007.

The investigation was aimed at improving MEGA's cash flow through the recovery of non-performing loans for reinvestment in the corporation and its stakeholders. The SIU had to identify systemic gaps and make recommendations to prevent irregularities and ensure greater compliance with the supply chain management legislation, policies and procedures.

An investigation into 14 non-performing loans has been finalised and one debtor has repaid R570 000. The investigation has revealed that payments on three loans amounting to R1.8 million, R600 000 and R200 000 respectively have been made to private debt collectors by the debtors. The SIU discovered that only R1.6 million had reached MEGA and advised that internal processes be utilised to recover the outstanding loans.

The SIU discontinued investigations into irregular payments to the former CEO and irregular payments for goods and services. This matter has been previously investigated by the former Directorate of Special Operations and is currently before the courts.

The investigation into the six procurement contracts was severely hampered by lack of documentation. MEGA had already instituted disciplinary action against all staff members implicated in irregularities. The agency entered into settlement agreements with these officials, in terms of which it undertook not to take further action against them in exchange for their voluntary resignation.

Department of Education

This investigation is mandated by Proclamation R2 of 2009. In October 2007, the Mpumalanga Department of Education approached the SIU and requested its assistance in investigating irregularities identified in awarding contracts to service providers for the scholar transport scheme, as well as corrupt activities by departmental officials involved in the administration of the scheme for the period 1 April 2001 to 31 December 2007.

The aim of this investigation is to recover losses suffered by the department due to overpayments made to some service providers, the identification of corrupt officials and systemic gaps, and making recommendations to prevent future irregularities. The SIU will also make recommendations on appropriate action against the officials found to be involved in irregular activities.

Mpumalanga Department of Cooperative Governance and Traditional Affairs

The Mpumalanga Department of Cooperative Governance and Traditional Affairs (COGTA) approached

the SIU to assist with the further investigation of irregularities and maladministration identified during previous investigations conducted in 18 municipalities.

The SIU is in the process of motivating for a proclamation to conduct further investigations.

Provincial and Local Government Free State

Matjhabeng Local Municipality

This investigation is mandated by Proclamation R41 of 2007. The municipal manager approached the SIU to investigate various procurement allegations. These allegations include:

- the irregular procurement of goods and services;
- the release of a contractor from a performance contract;
- the irregular hiring of vehicles;
- the irregular writing off of debts;
- the forfeiture of a deposit; and
- the hiring of fixed property.

The SIU has finalised the investigation. Evidence pointing to the contravention of certain sections of the Municipal Finance Management Act has been referred to the prosecuting authority. The investigation also revealed grounds for civil action but most of these could not be pursued as they are now prescribed - the suspect left the service of the municipality in 2006 and has since passed away.

Free State Moral Regeneration Movement

This investigation is mandated by Proclamation R37 of 2007. A former MEC for Finance in the Free State referred allegations of irregular procurement and maladministration at the Free State Moral Regeneration Movement (FSMRM). These allegations arise from a report by the Internal Audit Division of the Free State Provincial Treasury to the SIU.

The SIU was requested to investigate these allegations and take appropriate action, including setting aside irregularly procured contracts, identifying officials

and third parties responsible and accountable, and recommending and facilitating appropriate civil, criminal and disciplinary action against the individuals concerned.

The SIU has finalised this investigation and uncovered non-compliance with the PFMA and irregular, alternatively fruitless and wasteful expenditure by officials of the Free State Provincial Treasury. The SIU is in the process of making recommendations for appropriate civil, criminal and disciplinary action against the individuals identified.

Free State Provincial Development Fund

This investigation is mandated by Proclamation R21 of 2007. A former MEC for the Free State Provincial Treasury and Finance handed over an audit report to the SIU to investigate irregularities in certain projects of the Free State Provincial Development Fund (FSPDF). The SIU's intervention was aimed at recovering losses suffered by the provincial treasury and improving the department's financial controls to prevent future abuse.

Investigations have established that irregular payments amounting to R35.5 million were made to 11 private entities. The approval of some of these payments and some of the grants were found to be inconsistent with the FSPDF Constitution and the Guidelines. The investigation also revealed non-compliance with relevant sections of the PFMA and culpable conduct by certain promoters of funded projects. The SIU has finalised the investigation and is currently preparing recommendations on appropriate civil, criminal and disciplinary action against the individuals concerned.

Annual Financial Statements



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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 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 of the Special Investigating Unit for the year ended 31 March 2010

Introduction

I have audited the accompanying financial statements of the Special Investigating Unit, which comprise statement of financial position as at 31 March 2010, and the 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 information as set out on pages 24 to 62.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa. 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; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 to Parliament on the Financial Statements of the Special Investigating Unit for the year ended 31 March 2010 (continued)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Investigating Unit as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and *General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009*. I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.

Auditor-General

Pretoria
31/07/2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Audit Committee Report

31 March 2010

We are pleased to present our report for the financial year ended 31 March 2010.

Audit Committee members and attendance:

The audit committee consists of the members listed below, and should meet three times per annum according to its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Prof H de Jager (Chairperson) (external member)	4
SK Whitfield (external member)	4
G Visagie (SIU)	4

The head of the Special Investigating Unit is invited to all audit committee meetings.

Audit Committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 51(1)(a) of the PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal control applied by the entity over financial and risk management is effective, efficient and transparent.

In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations from it. However, immaterial weaknesses in internal control were identified by Internal Audit as well as the Auditor-General South Africa. The root cause of these deficiencies is a

shortage of human resources in the financial section of the SIU. Management gave the audit committee the assurance that they are attending to this matter.

The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the head of the unit during the year under review.

Evaluation of Financial Statements

We have:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Authority;
- reviewed the Auditor-General South Africa's management report and management's response thereto;
- reviewed the compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

Audit Committee Report (continued)

31 March 2010

We concur with and accept the Auditor-General South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted read together with the report of the Auditor-General South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits.

Risk management

The risk register is currently in a process of review.

Auditor-General South Africa

We have met with the Auditor-General South Africa to ensure that there are no unresolved issues.



Chairperson of the Audit Committee

Date: 31 July 2010

Approval of the Financial Statements

for the year ended 31 March 2010

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, affected 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 effectiveness of systems of internal control may vary over time.

I have reviewed the SIU's system of internal control for the period 1 April 2009 to 31 March 2010 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 2010, which appear on pages 31 to 56 were approved and signed by me in my capacity as Head of the Unit.



Head of Unit
30 July 2010

Statement of Financial Position

at 31 March 2010

	Notes	2010 R	2009 R
ASSETS			
Non-Current Assets			
		37 584 540	76 779 254
Property, plant and equipment	2	15 950 312	24 119 922
Intangible assets	3	605 305	1 635 422
Bank balances – recoveries	4.1	21 028 923	51 023 910
Current Assets			
		64 586 034	73 064 121
Inventory	5	214 448	297 932
Trade and other receivables	6	48 609 742	37 851 406
Prepayments		2 253 784	1 294 345
Cash and cash equivalents	7	13 508 060	33 620 438
Total assets		<u>102 170 574</u>	<u>149 843 375</u>
LIABILITIES			
Non-current liabilities			
		21 028 923	51 203 381
Finance lease obligations	8	-	179 471
Payables – Recoveries	4.2	21 028 923	51 023 910
Current Liabilities			
		34 420 207	45 687 869
Trade and other payables	9	22 562 254	23 433 747
Current portion of finance lease obligations	8	179 471	164 007
Income in advance	10	11 678 482	22 090 115
Total liabilities		<u>55 449 130</u>	<u>96 891 250</u>
Net assets		<u>46 721 444</u>	<u>52 952 125</u>
EQUITY AND RESERVES			
Accumulated surplus		46 721 444	52 952 125
		<u>46 721 444</u>	<u>52 952 125</u>

Statement of Financial Performance

for the year ended 31 March 2010

	Notes	2010 R	2009 R
Revenue	11	263 808 359	242 197 540
Operating expenses		277 037 229	253 162 276
Employee cost	12	182 060 199	154 384 132
Travel and accommodation	16	14 798 769	14 205 474
Depreciation	2	9 988 726	4 720 484
Amortisation costs	3	870 511	722 686
Other expenses	18	69 319 024	79 129 500
Operating (deficit)		<u>(13 228 870)</u>	<u>(10 964 736)</u>
Other operating income	13	1 040 502	959 928
Operating (deficit) before interest		<u>(12 188 368)</u>	<u>(10 004 808)</u>
Interest Received	14	6 692 842	8 732 294
		<u>(5 495 526)</u>	<u>(1 272 514)</u>
Finance Costs	15	(735 155)	(1 791 219)
(Deficit) for the period		<u><u>(6 230 681)</u></u>	<u><u>(3 063 733)</u></u>

Statement of Changes in Net Assets

for the year ended 31 March 2010

	Accumulated surplus/(deficit) R	Total R
Balance at 31 March 2008	56 015 858	56 015 858
Movement for the year	(3 063 733)	(3 063 733)
Balance at 31 March 2009	52 952 125	52 952 125
Movement for the year	(6 230 681)	(6 230 681)
Balance at 31 March 2010	46 721 444	46 721 444

Cash Flow Statement

for the year ended 31 March 2010

	Notes	2010 R	2009 R
Cash inflow from operating activities		(18 018 405)	(15 389 523)
Cash receipts from departments		253 050 023	220 800 399
Cash paid to suppliers and employees		(277 026 115)	(243 130 997)
Cash generated from operations	23.1	(23 976 092)	(22 330 598)
Interest received		6 692 842	8 732 294
Finance cost		(735 155)	(1 791 219)
Cash outflow from investing activities		(1 929 966)	(6 004 750)
Investment to maintain operations			
Proceeds from sale of moveable property and equipment		332 974	82 656
Investment to expand operations			
Purchase of moveable property and equipment		(2 262 940)	(6 087 406)
Cash flow from financing activities			
Long-term loan (decrease)		(164 007)	(77 215)
Net (decrease) in cash and cash equivalents		(20 112 378)	(21 471 488)
Cash and cash equivalents at beginning of year		33 620 438	55 091 926
Cash and cash equivalents at end of year	7	13 508 060	33 620 438

Summary of Accounting Policies

For the Year Ended 31 March 2010

1. 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 effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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 attached to them; 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 in the period in which it becomes receivable.

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.

Summary of Accounting Policies (continued)

For the Year Ended 31 March 2010

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 is 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, is recognised in the period in which the service is rendered and is not discounted.

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

The 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 retirement benefit plans are charged as an expense 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	10 years
Office equipment	5 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. The effect of the reassessment is disclosed in the notes to the financial statements.

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. The effect of the reassessment is disclosed in the notes to the financial statements.

Summary of Accounting Policies (continued)

For the Year Ended 31 March 2010

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
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1.8 Inventory

Inventories are 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 inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories 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; and
- a reliable estimate can be made of the obligation.

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.

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.

Summary of Accounting Policies (continued)

For the Year Ended 31 March 2010

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, at fair values, without any deduction for transaction costs which may incur 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.

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.

Summary of Accounting Policies (continued)

For the Year Ended 31 March 2010

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

Notes to the Annual Financial Statements

For the Year Ended 31 March 2010

2 PROPERTY, PLANT AND EQUIPMENT

Description	2010			2009		
	Cost	Acc. Depr	Carry Value	Cost	Acc. Depr	Carry Value
Books and law reports	223 847	136 609	87 238	186 805	63 973	122 832
Computer equipment	11 170 292	7 206 625	3 963 667	11 964 493	6 344 265	5 620 228
Office furniture	8 244 808	4 440 084	3 804 724	8 265 110	2 006 268	6 258 842
Office equipment	5 648 018	3 995 414	1 652 604	5 869 618	3 445 081	2 424 537
Motor vehicles	9 184 664	6 109 125	3 075 539	10 109 067	4 666 678	5 442 389
Lease equipment	489 904	338 108	151 796	489 904	174 797	315 107
Leasehold improvements	6 196 490	2 981 746	3 214 744	5 795 618	1 859 631	3 935 987
Total	41 158 023	25 207 711	15 950 312	42 680 615	18 560 693	24 119 922

Reconciliation 2010

Description	Opening balance 01/04/2009	Additions in period	Disposals in period	Depr.	Balance at 31/03/2010
Books and law reports	122 832	37 042	-	72 636	87 238
Computer equipment	5 620 228	1 291 078	51 715	2 895 924	3 963 667
Office furniture	6 258 842	124 777	52 625	2 526 270	3 804 724
Office equipment	2 424 537	183 790	1 346	954 377	1 652 604
Motor vehicles	5 442 389	1 654	114 413	2 254 091	3 075 539
Lease equipment	315 107	-	-	163 311	151 796
Leasehold improvements	3 935 987	400 874	-	1 122 117	3 214 744
Total	24 119 922	2 039 215	220 099	9 988 726	15 950 312

Reconciliation 2009

Description	Opening balance 01/04/2008	Additions in period	Disposals in period	Depr.	Balance at 31/03/2009
Books and law reports	76 995	-	-	(45 837)	122 832
Computer equipment	3 891 414	3 208 641	51 675	1 428 152	5 620 228
Office furniture	5 244 407	849 373	-	(165 062)	6 258 842
Office equipment	2 777 513	78 635	-	431 611	2 424 537
Motor vehicles (restated)	7 619 471	-	21	2 177 061	5 442 389
Lease equipment	402 650	75 750	-	163 293	315 107
Leasehold improvements	3 865 368	801 885	-	731 266	3 935 987
Total	23 877 818	5 014 284	51 696	4 720 484	24 119 922

Notes

The useful lives of certain property, plant and equipment have been reassessed. This resulted in an increase in the carry amount of property, plant and equipment of R1 301 967 (2009: R3 064 175) – refer to note 17.1.

Certain items of computer equipment has previously been classified as IT inventory. The reclassification of the equipment resulted in an increase in the comparative figure for computer equipment of R1 198 461 – refer to note 5. The change had no effect on depreciation, as the majority of goods were received at year-end.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

3 INTANGIBLE ASSETS

Description	2010			2009		
	Cost	Acc. Depr	Carry Value	Cost	Acc. Depr	Carry Value
Computer software	2 073 284	1 467 979	605 305	5 298 929	3 663 507	1 635 422

Reconciliation 2010

Description	Opening balance 01/04/09	Additions in period	Disposals in period	Amort. charge	Balance at 31/03/2010
Computer software	1 635 422	223 725	383 331	870 511	605 305

Reconciliation 2009

Description	Opening balance 01/04/08	Additions in period	Disposals in period	Amort. charge	Balance at 31/03/2009
Computer software	86 525	2 271 583	-	722 686	1 635 422

Note

The useful lives of certain intangible assets have been reassessed. This resulted in an increase in the carry amount of intangible assets of R460 804 (2009: R73 354) – refer to note 17.2.

2010	2009
R	R

4 BANK BALANCES/PAYABLES – RECOVERIES

4.1 Bank balances	21 028 923	51 023 910
4.2 Payables – Recoveries	21 020 228	51 023 910
Accrued interest payable to National Treasury	8 695	-
Total payable	<u>21 028 923</u>	<u>51 023 910</u>

The amount reflected is owed to third parties and was obtained through either signed acknowledgements of debt or through court orders issued by Special Tribunal.

Amounts are held in trust 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

IT consumables	72 596	38 187
Stationery and toner	141 852	259 745
Total	<u>214 448</u>	<u>297 932</u>

Stationery and toner comprise stock on hand at the various regions. Certain unissued computer equipment has been reclassified as property, plant and equipment. This change resulted in the restatement of the comparative figure for IT consumables from R1 236 648 to R38 187 and increased the comparative figure for computer equipment by R1 198 461 – refer to note 2.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
6 TRADE AND OTHER RECEIVABLES		
Trade debtors	47 977 808	37 581 372
Trade receivables	48 451 479	38 143 890
Interest in terms of IAS 39	(473 671)	(562 518)
Loans	376 709	168 743
Employee loans	183 050	142 583
Ex employee loans	193 659	26 160
Leave provision	53 153	98 791
Deposits	12 707	2 500
Other receivables	189 365	-
	48 609 742	37 851 406

The carrying amounts of trade and other receivables approximate their fair value.

Doubtful receivables allowance

The Unit's trade receivables are stated after allowances for doubtful receivables based on management's assessment of their recoverability. An analysis of the allowance is as follows:

Balance at the beginning of the year	-	-
Charged to Statement of Financial Performance	1 493 754	-
Reversed from Statement of Financial Performance	-	-
Balance at the end of the year	1 493 754	-

7 CASH AND CASH EQUIVALENTS

Current account	13 508 060	15 098 359
Trust account – Income received in advance	-	18 522 079
Bank balances	13 508 060	33 620 438

Cash and cash equivalents comprise bank deposits that are available on demand.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
8 FINANCE LEASES		
<p>The short-term loans consist of amounts paid towards the lease of copiers. The full term of the leases ranged 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 R151 796 (2009: R315 107) – refer to note 2</p>		
Contractual cash flows		
Within one year	179 471	214 567
Later than one year but not later than three years	-	196 686
	<u>179 471</u>	<u>411 253</u>
Less unearned finance income	-	67 775
Present value of lease payments	<u>179 471</u>	<u>343 478</u>
Included in the financial statements as:		
Current liabilities	179 471	164 007
Non-current liabilities	-	179 471

9 TRADE AND OTHER PAYABLES

Trade payables	8 968 042	11 531 838
Gross trade payables	9 001 448	11 664 792
Interest in terms of IAS 39	(33 406)	(132 954)
Accrual for leave pay	7 446 938	6 263 204
Employee costs – deductions	4 913 274	3 558 512
Lease smoothing provision	1 234 000	2 080 193
	<u>22 562 254</u>	<u>23 433 747</u>

- 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.
- Employees cost – 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.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010	2009
	R	R
10 INCOME IN ADVANCE		
Department of Transport	-	18 417 449
Department of Human Settlements	3 403 055	1 500 000
NW Dept of Local Gov & Trad Aff	3 837 179	-
Eastern Cape Dept of Education	982 248	-
SITA project	3 000 000	-
Mpumalanga Provincial Government	-	1 666 666
Alexander Forbes	-	50 000
Building renovations from Lessee	456 000	456 000
	<u>11 678 482</u>	<u>22 090 115</u>

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
11 REVENUE		
11.1 Grant received from Department: Justice and Constitutional Development	154 737 000	116 297 000
11.2 Income received from other departments	112 700 390	130 189 232
Department of Transport	22 523 585	20 350 000
Department of Correctional Services	-	16 781 252
Provincial Department of Transport	-	2 065 703
Department of Human Settlements	14 248 149	11 597 845
Department of Social Development	57 500 000	57 500 000
National Treasury Pension Administration	-	11 734 057
ECPG: Dept of Econ Dev & Env Affairs	540 234	245 896
Mpumalanga Provincial Government	1 666 668	3 333 332
Limpopo Provincial Government	2 560 314	3 395 549
Govt. Employees Medical Scheme	601 620	-
Ekurhuleni Metropolitan Mun	618 417	-
NW Dept of Local Gov & Trad Af	2 162 821	-
Dept of Arts & Culture: Freedom Park	113 540	-
Dept of Education-EC	555 876	-
Office of the Auditor-General	881 055	-
UN Development Programme	-	250 000
Eastern Cape Local Government	1 500 000	-
Department of Economic Affairs	3 000 000	-
Western Cape Local Government	4 228 111	2 935 598
11.3 National Prosecuting Authority	1 419 162	1 433 167
Dir of Special Operations (NPA)	-	213 718
AFU – rental and secondment of staff	1 419 162	1 219 449
11.4 Impairment of financial assets carried at amortised costs	(5 048 193)	(5 721 859)
Revenue transferred to interest received as a result of discounting accounts receivable using the effective interest method, as per IAS 39	(4 574 522)	(5 159 341)
Revenue transferred to accounts receivable, portion not yet received, as a result of discounting accounts receivable using the effective interest method, as per IAS 39	(473 671)	(562 518)
	<u>263 808 359</u>	<u>242 197 540</u>

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010	2009
	R	R
12 EMPLOYEE COSTS		
Total expenses include:		
Salaries and wages	163 303 001	139 103 053
Provident and funeral fund contributions	13 754 901	11 458 874
Medical aid contributions	992 178	896 393
Training	756 859	461 820
Relocation cost	585 738	197 041
UIF, COID and RSC levies	1 053 492	1 205 128
Accrual for leave pay	1 614 030	1 061 823
	<u>182 060 199</u>	<u>154 384 132</u>
13 OTHER OPERATING INCOME		
Computer expenses recovered from staff members	220 575	431 852
TFI Contract Recoveries	186 716	22 897
Sundry income	571 259	505 179
Dept of Labour: COID refunds	61 952	-
	<u>1 040 502</u>	<u>959 928</u>
14 INTEREST RECEIVED		
Call accounts	2 118 320	3 572 953
Interest income on impaired financial assets amortised at the effective interest rate, as per IAS 39	4 574 522	5 159 341
	<u>6 692 842</u>	<u>8 732 294</u>

The interest rate risk is detailed in note 24.5.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010	2009
	R	R
15 FINANCE COSTS		
Finance charge on impairment of financial liabilities amortised at the effective interest rate, as per IAS 39	(718 010)	(1 847 066)
Unpaid portion transferred to accounts payable	33 406	132 954
Interest paid on finance leases	(50 551)	(77 107)
	<u>(735 155)</u>	<u>(1 791 219)</u>

The interest rate risk is detailed in note 24.5.

16 COMPARATIVE FIGURES

During the year, the disclosure of the item Travel and Accommodation has been changed to include all categories on the face of the Statement of Financial Performance. Previously, certain categories have been disclosed under Other Expenses. This resulted in the restatement of the comparative figure for Travel and Accommodation from R6 788 277 to R14 205 474 and the restatement of Other expenses from R86 546 697 to R79 129 500.

17 CHANGES IN ESTIMATES: USEFUL LIFE OF ASSETS REVIEWED

17.1 Fixed assets

A change in the estimated useful life of certain assets resulted in the following changes in depreciation for the current year:

	Initial estimate	Revised estimate	Decrease in depr. Charge
	R	R	R
Books and law reports	89 995	74 852	15 143
Computer equipment	4 563 303	3 662 850	900 453
Office furniture	673 527	650 733	22 794
Office equipment	2 425 170	2 101 065	324 106
Motor vehicles	199 538	160 285	39 252
Leasehold improvements	2 981 964	2 981 746	218
Change in depreciation: 2010	<u>10 933 498</u>	<u>9 631 532</u>	<u>1 301 967</u>
Change in depreciation: 2009	<u>12 024 862</u>	<u>8 960 687</u>	<u>3 064 175</u>

The effect of the change in the estimated useful life of assets in the current year was an increase in the carrying amount of property, plant and equipment by R1 301 967 (2009: R3 064 175) and a decrease in the depreciation expense by R1 301 967 (2009: R3 064 175). The effect on future years will be an increase in the depreciation charge of R1 301 967 (2009: R3 064 175), reversing the credit of R1 301 967 (2009: R3 064 175) created in the current year.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

2010
R **2009**
R

17.2 Intangible assets

A change in the estimated useful life of certain computer software resulted in the following change in the amortisation charge for the year:

	Initial estimate	Re-estimate	Decrease in depr. Charge
	R	R	R
Change in amortisation: 2010	1 724 537	1 263 733	460 804
Change in amortisation: 2009	339 409	266 055	73 354

The effect of the change in the estimated useful life of certain computer software on the current year was an increase in the carrying amount of Intangible assets by R460 804 (2009: R73 354) and a decrease in the amortisation charge by R460 804 (2009: R73 354). The effect on future years will be an increase in the amortisation charge of R460 804 (2009: R73 354), reversing the credit of R460 804 (2009: R73 354) created in the current year.

18 OTHER EXPENSES

Included in administration costs are the following material and other disclosable expenses:

Auditors' remuneration	1 196 800	463 919
Consultancy fees	27 042 685	44 943 734
Internal audit fees	981 708	744 754
Loss on disposal of property & equipment	270 455	(30 960)
Refund paid	2 251 984	-
Rent paid – properties	14 021 594	10 009 030
Telephone, fax and posting expenses	5 752 735	5 595 960

19 EXPENDITURE

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

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
19.1 IRREGULAR EXPENSES		
Opening balance	3 296 810	-
Add: Irregular Expenditure – current year	-	3 296 810
Less: Amounts condoned	3 296 810	-
Irregular Expenditure awaiting condonation	<u>-</u>	<u>3 296 810</u>
Analysis of expenditure awaiting condonation per age classification		
Current year	-	3 296 810
Prior years	-	-
Total	<u>-</u>	<u>3 296 810</u>

Details of Irregular Expenditure – Previous year

Amount

During the previous year, the Unit entered into a competitive bid process to host its 2009 Change Management Conference.

R 3 296 810

Based on the Bid Evaluation Committee's recommendation, the bid was awarded without convening the Bid Adjudication Committee. An internal inquiry was initiated to investigate the incident.

The Executive was satisfied that:

- 1) there is no evidence of fraud, corruption or other criminal conduct on the part of the Unit or the officials;
- 2) the Unit received value for money from the appointed service provider, did not suffer financial loss and/or is not at risk in respect of claims by third parties; and
- 3) recovery procedures are not required given that no official or employee of the Unit is liable in law.

The Unit has notified the National Treasury of the irregularity and applied for condonation, which was received during the year under review.

Actions taken by the Executive to reduce the opportunity of such a reoccurrence include the monthly reporting of all procurement over R100 000 to the Unit's Risk and Governance Committee and ad hoc reviews by that committee.

Disciplinary steps taken/criminal proceedings

The Executive had taken the appropriate disciplinary steps as required.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
20 RELATED PARTY TRANSACTIONS		
20.1 The following related party transactions are included in trade receivables:		
Trade receivables: services rendered		
Asset Forfeiture Unit	1 133 982	921 936
Department of Correctional Services	1 160 702	12 494 430
Department of Social Development	22 500 000	16 104 493
Department of Transport	4 106 917	-
Directorate of Special Operations	104 098	104 098
Western Cape Local Government	1 752 645	351 624
Special Pensions Fund	-	3 603 698
SITA – Pty (LTD)	3 000 000	-
Dept of Economic Development and Environmental Affairs	278 748	-
Govt. Employees Medical Scheme	252 544	-
NW Municipalities	6 000 000	-
Department of Education	1 538 124	-
Ekurhuleni Metropolitan Municipality	495 428	-
Department of Arts and Culture (Freedom Park)	113 540	-
Auditor-General South Africa	881 055	-
Department of Human Settlements	6 627 452	847 845
Limpopo Provincial Government	-	3 037 329
Western Cape: Provincial Department of Transport	-	628 436
	<u> </u>	<u> </u>
20.2 The following related party transactions are included in Payables – Recoveries:		
Department of Social Development	7 252 805	37 604 601
Department of Correctional Services	2 356 609	3 282 321
Department of Human Settlements	4 692 898	3 006 160
Department of Justice	443 280	440 561
Department of Transport	142 349	134 849
Eastern Cape Local Government	1 695 078	1 650 325
Eastern Cape Local Government (Development Corp.)	63 752	2 158 886
Department of Finance	1 000	1 000
Mpumalanga Local Government	7 000	7 000
Department of Cooperative Governance and Traditional Affairs	1 400	1 400
Department of Education	1 454 063	1 447 329
Department of Agriculture	57 600	57 600
Department of Tourism, Environment and Economic Affairs	57 500	57 500
Mpumalanga Economic Growth Agency	15 000	-
National Treasury	8 695	-
	<u> </u>	<u> </u>

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
20.3	The following related party transactions are included in revenue:	
	Trade income for services rendered	
Asset Forfeiture Unit	1 419 162	1 219 449
EC Dept of Local Gov & Trad Af	3 000 000	-
Department of Correctional Services	-	16 781 252
Department of Social Development	57 500 000	57 500 000
Eastern Cape Local Government	1 500 000	-
Eastern Cape Provincial Government	540 234	245 896
Directorate of Special Operations	-	213 718
Western Cape Local Government	4 228 111	2 935 598
Department of Human Settlements	14 248 149	11 597 845
Special Pensions Fund	-	11 734 657
Department of Transport	22 523 585	20 350 000
Limpopo Provincial Government	2 560 314	3 395 549
Mpumalanga Provincial Government	1 666 668	3 333 332
Govt. Employees Medical Scheme	601 620	-
Ekurhuleni Metropolitan Municipality	618 417	-
NW Dept of Local Gov & Trad Af	2 162 821	-
Dept of Arts & Culture: Freedom Park	113 540	-
Dept of Education Eastern Cape	555 876	-
Auditor-General South Africa	881 055	-
Western Cape: Provincial Department of Transport	-	2 065 703
	<u> </u>	<u> </u>
20.4	Other related party transactions	
Rental paid by Department of Public Works – not included in expenditure	<u>2 712 735</u>	<u>2 825 793</u>
Salaries paid by the NPA for staff seconded to the unit for the period 1 September 2009 to 31 March 2010 – not included in expenditure	<u>1 725 878</u>	<u>-</u>
21 OPERATING LEASES		
Rental commitments in respect of properties and copiers	<u>63 172 777</u>	<u>76 440 512</u>
Payable within 1 year	15 711 269	15 581 534
Payable within 2–5 years	40 289 380	48 533 052
Payable thereafter	<u>7 172 128</u>	<u>12 325 926</u>

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

The commitments are in respect of 13 rental agreements for premises for periods ranging from two years to ten years. The average monthly rental is R1 389 775 (2009: R1 352 182). The balance of the lease smoothing provision is R1 233 999 (2009: R2 080 193). There are also 17 copier rental agreements ranging from one year to two years. The average monthly rental is R60 552.

22 SENIOR MANAGEMENT REMUNERATION

22.1 The following table records the emoluments paid to each executive and management member reporting directly to the Head of Unit during the year:

		Salary	Special Allowance	Medical/ Pension	Other benefits	Total 2010	Total 2009
Executive management							
W. Hofmeyr*	Head of Unit	-	-	-	-	-	-
F. Davids	Deputy Head	995 225		110 588	68	1 105 881	1 071 966
M. Nyathi**	Head Business Support	436 714	56 519	48 527	35	541 795	-
Z. Ntolosi	Head: Strategy	854 064	50 761	-	-	904 825	-
P. Bishop*	Acting Projects Director	690 967	44 963	60 214	68	796 212	-
G. Visagie***	Exec Manager: Governance	829 673	60 676	196 154	68	1 086 571	926 061
Senior management							
V. MarshSmit	CFO	813 827	55 330	121 616	68	990 841	830 965
		<u>4 620 470</u>	<u>268 250</u>	<u>537 098</u>	<u>308</u>	<u>5 426 125</u>	<u>2 828 992</u>

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

** Mrs M. Nyathi was employed on 1/10/09.

*** Mr G. Visagie and Mr F. Davids received relocation allowance of R201 326 and R62 616 respectively.

As part of the unit's performance management system, red flag bonuses (where members exceed the top of their scales) have been paid to the following members:

Mr P. Bishop	119 994
Mrs V. MarshSmit	<u>62 970</u>

22.2 Remuneration of Audit Committee members	2010	2009
	R	R
S. Whitfield	28 950	15 115
H. de Jager (Chairman)	41 273	44 176
	<u>70 223</u>	<u>59 291</u>

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
23 NOTES TO THE CASH FLOW STATEMENT		
23.1 Reconciliation of profit/(loss) to cash generated from operations		
Operating profit/(loss)	(5 495 526)	(1 272 514)
Adjusted for:		
Depreciation	9 988 726	4 720 484
Amortisation costs	870 511	722 686
Interest received	(6 692 842)	(8 732 294)
Loss on sale of moveable property and equipment	270 455	(30 960)
Operating profit before working capital changes	<u>(1 058 676)</u>	<u>(4 592 598)</u>
(Increase)/decrease in inventory	83 485	(1 330 241)
(Increase)/decrease in trade receivables	(10 758 336)	(21 397 141)
Decrease/(increase) in prepayments	(959 439)	(1 294 205)
Increase/(decrease) in trade payables	(871 492)	2 442 801
Increase/(decrease) in revenue received in advance	(10 411 633)	3 840 786
Net changes in working capital	<u>(22 917 416)</u>	<u>(17 738 000)</u>
Net cash flows from operating activities	<u>(23 976 092)</u>	<u>(22 330 598)</u>

24 FINANCIAL INSTRUMENTS

24.1 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 that analyse exposure by the 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 financial instruments, including derivative financial instruments, for speculative purposes.

24.2 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.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

	2010 R	2009 R
24.3 Categories of financial instruments		
<u>Loans and receivables</u>		
Loans and trade receivables (including cash and cash equivalents)	64 371 586	72 766 189
<u>Financial liabilities measured at amortised cost</u>		
Trade and other payables	34 240 736	45 523 862
Current portion of financial leases	179 471	164 007

All amounts as well as the finance leases are short-term and the carrying values are considered to be a reasonable approximation of the fair value.

24.4 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 evaluates 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, represents the maximum exposure of the SIU to credit risk.

Current	28 867 150	13 433 931
60 days	6 016 394	12 151 771
90 days	15 061 690	12 508 187
Impairment in terms of IAS 39	(473 671)	(562 518)
Total	49 471 563	37 531 371
<u>Impairment of trade and other receivables</u>		
Opening balance	(562 518)	(366 563)
Impairment	88 847	(195 955)
Closing balance	(473 671)	(562 518)

24.5 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).

24.6 Liquidity risk

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

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

25 RECONCILIATION OF BUDGET SURPLUS/DEFICIT WITH THE NET CASH GENERATED FROM OPERATING, INVESTING AND FINANCING ACTIVITIES FOR THE FINANCIAL YEAR ENDING 31 MARCH 2010

	Operating	Financing	Investing	Total
Actual amount as presented in the budget statement	(8 453 000)	-	3 389 000	(5 064 000)
Basis differences	-	-	-	-
Timing differences	16 003 373	(735 155)	3 303 842	18 572 060
Actual amount in the cash flow statement	<u>7 550 373</u>	<u>(735 155)</u>	<u>6 692 842</u>	<u>13 508 060</u>

26 TAXATION

The unit is not a registered vendor for VAT purposes as no taxable supplies are delivered. No provision for normal income tax is made as the Unit is a public enterprise and funded with government grants.

27 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 and liability.

28 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.

29 CAPITAL COMMITMENTS

Commitments for the acquisition of fixed assets, contracted for but not provided, in the Annual Financial Statements amounted to R13 256 688 (2009: R553 787).

30 CONTINGENT LIABILITIES

- 30.1** Currently one High Court Application and one High Court Action for an interdict against the SIU are pending in the North Gauteng High Court, Pretoria, relating to an investigation. No provision has been made, as the merits of the case are in favour of the SIU and the possibility of any outflow in settlement is remote.

Notes to the Annual Financial Statements (continued)

For the Year Ended 31 March 2010

31 SUBSEQUENT EVENTS

The SIU's request for the roll-over of its cash funds as at year-end has been authorised. There have been no events following the date of the statement of the financial position that materially affects any of the information contained in this statement.

32 STANDARDS OF GRAP APPROVED BUT NOT YET EFFECTIVE

Standards of GRAP that have been approved but are not yet effective have not been implemented by the Unit. These standards will be implemented during the financial year that they become effective. It is not expected that the initial application of these standards of GRAP will have a significant impact on the Unit's financial statements. The following is a detailed list of these standards:

GRAP 18	Segment Reporting
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Summary Report: Schedule A

For the Year Ended 31 March 2010

VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES

for the year 1 April 2009 - 31 March 2010

Province	Recoveries (Rand Value of AODs Signed)	Recovery of cash / asset to 3rd party	Prevention of loss: future projected savings	Prevention of loss: current year	Total value of all recoveries	Cash received into SIU trust accounts
North West	4 284 278	-	-	-	4 284 278	40 118
Mpumalanga	8 706 135	-	-	-	8 706 135	100 267
Northern Cape	2 375 683	-	-	-	2 375 683	-
Eastern Cape	8 713 587	-	-	-	8 713 587	131 555
Free State	2 400 144	-	-	-	2 400 144	110 826
Gauteng	9 779 549	-	-	-	9 779 549	31 452 435
Western Cape	10 277 400	-	-	-	10 277 400	89 771
Limpopo	4 561 839	-	-	-	4 561 839	246 273
KwaZulu-Natal	17 414 378	-	-	-	17 414 378	1 097 022
National	68 512 993	-	-	-	68 512 993	33 268 269
Mpumalanga: AFU recovery	-	323 606	197 600 870	12 425 980	210 026 850	-
Total Trust creditors	68 512 993	323 606	197 600 870	12 425 980	278 863 449	33 268 269

Summary Report: Schedule B

For the Year Ended 31 March 2010

ANALYSIS OF RECOVERIES THROUGH UNIT'S TRUST ACCOUNTS for the year 1 April 2009 - 31 March 2010

Province	Notes	Balances c/forward	New cases	Closed Cases Adjustments	Total	Beginning of year	Cash recovered	CASH POSITION			Balances c/forward
								Amounts paid over	Amount paid over to 3rd Party	Balances c/forward	
North West		13 088 767	4 284 279	1 060 074	16 312 972	897 306	40 118	-	-	937 424	
Mpumalanga		13 439 835	8 706 132	1 258 514	20 887 453	875 730	100 267	-	-	975 997	
Northern Cape		3 089 836	2 375 683	312 152	5 153 367	-	-	-	-	-	
Eastern Cape (including Third party receipts)	3	20 408 353	8 713 587	4 149 755	24 972 185	1 653 414	131 555	-	20 000	1 764 970	
Free State		5 527 831	2 400 144	564 790	7 363 185	984 225	110 827	-	-	1 095 052	
Gauteng	1	18 249 191	9 779 550	1 785 115	26 243 626	35 053 108	31 452 435	63 251 951	-	3 253 592	
Western Cape		20 064 764	10 277 401	612 425	29 729 740	791 522	89 771	-	-	881 293	
Limpopo		6 641 358	4 561 840	1 343 489	9 859 709	1 466 376	246 273	-	-	1 712 649	
KwaZulu-Natal		59 992 764	17 414 377	4 049 721	73 357 420	7 627 013	1 097 022	-	-	8 724 035	
Total AOD trust creditors		160 502 699	68 512 993	15 136 035	213 879 657	49 348 695	33 268 269	63 251 951	20 000	19 345 013	

Summary Report: Schedule B (continued)

For the Year Ended 31 March 2010

	Beginning of year	Other recoveries	Transferred	Amount paid over to 3rd Party	Balances c/ forward
Other Trust creditors					
Interest less bank charges paid to National Treasury	-	2 828 606	2 828 606	-	-
ECLG: Liquidation Matter	1 675 215	-	-	-	1 675 215
Total other trust creditors	1 675 215	2 828 606	2 828 606	-	1 675 215
Total trust creditors	51 023 910	36 096 875	66 080 557	20 000	21 020 228

Summary Report: Schedule B (continued)

For the Year Ended 31 March 2010

NOTES

Note 1

During the year under review, the unit made various payments to departments and third parties of the funds recovered on their behalf. The following payments were made from the Gauteng funds recovered:

	R
Emahlaleni Municipality	42 095
July 2009	24 888
March 2010	17 207
National Department of Human Settlements	5 578 671
Department of Social Development	55 085 302
Department of Correctional Services	2 545 883
	<hr/> 63 251 951 <hr/>

Note 2

Interest earned on Trust Accounts for the year was paid over to the Department of National Treasury

Note 3

In March 2010, R20 000 was paid to a third party as final settlement of her claim against the Road Accident Fund.

OVERVIEW

During the year under review cash recoveries amounted to R33 268 269, a 14.7% increase over the 2009 financial year. The collection rate has improved under difficult financial circumstances, to 25.6% (2009: 22.3%) with five years the maximum repayment period allowed.

The average number of debit orders increased from 2 438 to 2 909, an increase of 19.3%. Of these debit orders, an average of 20% are monthly returned as unpaid. During the same period, Persal deductions increased from 1 719 at the end of March 2009 to 2 741 in March 2010, an increase of 59.5%.

As the Persal deductions are guaranteed payments, with no risk of returned payments, the Unit is currently focusing on this method of recovery and the cooperation from departments and municipalities in this regard is commendable. The growing success of the method is reflected in the Unit's increased recovery rate.

Following up on defaulters is particularly difficult in rural areas. To address this issue, a number of tracers have been contracted. The composition of the debtors' book also precludes the Unit from attaining high recovery rates, as it is frequently faced with situations of genuine hardship and misunderstanding. The SIU's legal position is also difficult, as it is acting as an agent.

Accounting Policies

Recognition and Measurement of Achievements for the year ended 31 March 2010

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 of cash by the Unit on behalf of a third party
- Recoveries of cash or assets due to the Unit's involvement but transferred or paid directly to the third party

2. Cash 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 its intervention

Measurement

Prevention of loss – new cases

Where cases have been initiated in the current year, this 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 following years, 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 case.

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

Accounting Policies (continued)

Recognition and Measurement of Achievements for the year ended 31 March 2010

Measurement (continued)

Recovery of cash to 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 to third party – 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 cash recoveries when the Acknowledgements of Debt have been signed between the relevant parties and the Unit.

Measurement

Cash recoveries are presented as follows:

Amounts to be collected

- Balances brought forward: this represents monies owing in terms of AODs signed in prior years, payable directly to the Unit.
- AODs in favour of the Unit: this represents monies payable directly to the Unit as a result of AODs being signed during the current year.
- Balances carried forward: total value of AOD's signed in favour of the Unit as at 31 March 2009.

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: monies paid over to third parties during the year.
- Balances carried forward: total funds held by the Unit at year-end.



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