



POISED TO STRIKE
against corruption

Special Investigating Unit

ANNUAL REPORT

2010 | 2011



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 2011

Dear Mr Sisulu

Special Investigating Unit Annual Report for April 2010 to March 2011

On behalf of the Special Investigating Unit, established by Proclamation R118 of 2001 in terms of Act No 74 of 1996, it gives me great pleasure to submit the SIU's annual report for April 2010 to March 2011 as envisaged by section 4(1)(h) of Act No 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
DPW	Department of Public Works
DSD	Department of Social Development
ELBS	Electronic Licence Booking System
ENE	Estimates of National Expenditure
eNaTIS	(electronic) National Traffic Information System
GIAMA	Government Immovable Asset Management Act
HSS	Housing Subsidy System
JCPS CLUSTER	Justice, Crime Prevention and Security Cluster in Cabinet
KZN	KwaZulu-Natal
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
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 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 new proclamations were issued by the President in terms of the Special Investigating Units and Special Tribunals Act, Act No 74 of 1996 (SIU Act), during the period under review:

- Proclamation R21 of 2010, dated 14 May 2010 (Government Gazette No 33190) (Department of Health, Gauteng), directed an investigation into allegations of irregular procurement of services during the period 1 January 2006 to 31 July 2010.
- Proclamation R27 of 2010, dated 8 June 2010 (Government Gazette No 33279) (South African Social Security Agency), extends the mandate of the SIU by directing an investigation into procurement irregularities and the irregular conduct of employees of the agency for the period 15 November 2004 to 8 June 2010.
- Proclamation R36 of 2010, dated 30 July 2010 (Government Gazette No 33425) (Department of Arts and Culture), directed an investigation into alleged financial irregularities with regard to funds allocated for the department's 2010 FIFA World Cup projects during the period 1 April 2006 to 30 July 2010.
- Proclamation R37 of 2010, dated 30 July 2010 (Government Gazette No 33425) (Department of Public Works), directed an investigation into alleged irregularities in the procurement of goods and/or services, including the procurement of accommodation, on behalf of other departments and institutions during the period 1 October 2003 to 30 July 2010.
- Proclamation R38 of 2010, dated 30 July 2010 (Government Gazette No 33425) (Department of Education, Eastern Cape), directed an investigation into the alleged failure of the department to comply with procurement procedures and the irregular recruitment and remuneration of officials by the department, during the period 1 April 2005 to 30 July 2010.
- Proclamation R42 of 2010, dated 10 August 2010 (Government Gazette No 33451) (South African Police Service), directed an investigation into alleged serious maladministration in connection with affairs of the service, procurement irregularities and the loss of public money by the South African Police Service during the period 1 January 2005 to 10 August 2010.
- Proclamation R43 of 2010, dated 27 August 2010 (Government Gazette No 33506) (Department of Public Works, KwaZulu-Natal), directed an investigation into the alleged failure of the department to comply with supply chain management processes and other serious irregularities by its personnel and service suppliers during the period 1 January 2005 to 27 August 2010.
- Proclamation R58 of 2010, dated 29 October 2010 (Government Gazette No 33718) (South African Broadcasting Corporation (SABC)), directed an investigation into alleged undisclosed business interests by SABC personnel, alleged procurement irregularities and mismanagement of finances at the SABC during the period 1 January 2005 and 29 October 2010.
- Proclamation R59 of 2010, dated 29 October 2010 (Government Gazette No. 33718) (Ikhala Further Education and Training College), directed an investigation into irregular procurement of goods and/or services at the college during the period 1 January 2006 to 29 October 2010.
- Proclamation R62 of 2010, dated 8 November 2010 (Government Gazette No 33744) (Tshwane Metropolitan Municipality), directed an investigation into alleged irregular personnel appointments, alleged irregular procurement of goods or services and other irregularities during the period 1 January 2007 and 8 November 2010.
- Proclamation R63 of 2010, dated 8 November 2010 (Government Gazette No 33744) (Ekurhuleni Metropolitan Municipality), directed an investigation into alleged procurement irregularities, misappropriation of funds resulting in losses to the municipality and other irregularities during the period 1 January 2007 to 8 November 2010.
- Proclamation R76 of 2010, dated 9 December 2010 (Government Gazette No 33865) (George Local Municipality) directed an investigation into alleged failure to comply with procurement procedures, wasteful expenditure and other irregularities during the period 1 January 2004 to 9 December 2010.
- Proclamation R2 of 2010, dated 14 January 2011 (Government Gazette No 33697) (National Heritage Council), directed an investigation into alleged procurement irregularities at the council during the period 1 January 2006 and 14 January 2011.
- Proclamation R3 of 2011, dated 14 January 2011 (Government Gazette No 33722) (Stellenbosch Local Municipality) directed an investigation into alleged non-compliance with supply chain management processes and other irregularities at the municipality during the period 1 September 2005 to 14 January 2011.
- Proclamation R6 of 2011, dated 4 February 2011 (Government Gazette No 34001) (Oudtshoorn Local Municipality) directed an investigation into serious maladministration and alleged non-compliance with procurement policies and procedures and other irregularities.
- Proclamation R87, dated 4 February 2011, (Government Gazette No 34001) (Stellenbosch Local Municipality) was issued as an amendment to Proclamation R3.
- Proclamation R8, dated 18 February 2011 (Government Gazette No. 34031) (Department of Rural Development and Land Reform) directed an investigation into alleged serious irregularities in relation to the department's land reform programme during the period 6 January 2006 to 18 February 2011.

Background to the Special Investigating Unit

The Special Investigating Unit (SIU) is an independent statutory body that is accountable to the President and to Parliament in terms of its activities. The SIU was established by the President to investigate corruption and maladministration in government and to 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 Tribunal Act, Act No 74 of 1996 (SIU Act). Its primary mandate is to recover and prevent financial losses to the state due to various 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 issuing of a presidential proclamation by the President, the SIU has powers to subpoena, search, seize and interrogate witnesses under oath. The SIU can take civil action to correct any wrongdoing it uncovers in its investigations. For example, the SIU can obtain a court order to compel a person to pay back the wrongful benefit received and thus recover the money for the state. The SIU also works with the department concerned to cancel contracts when proper procedures were not followed.

While it does not have the power to arrest or prosecute offenders, where criminal conduct is uncovered, it will bring the matter to the attention of the Hawks in the South African Police Service (SAPS), as well as the National Prosecuting Authority (NPA). It works closely with them to ensure that there is an effective investigation and prosecution. The SIU also works closely with the Asset Forfeiture Unit (AFU) in the NPA, where its powers are more appropriate or effective in recovering the proceeds of crime.

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

- 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 the following:

- 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



The 2010/11 financial year has been a remarkable one for the SIU. It has been flooded with additional work as government's efforts against corruption intensified. At the same time, the SIU has intensified its participation in the various inter-departmental anti-corruption initiatives.

Thus the need build internal capacity has once again become a major focus for the SIU. In addition, the SIU also established a formal relationship with Nehawu.

Increase in Operations

During the period under review, the SIU received 18 proclamations from the President authorising investigations – the most ever in its history.

Many of these investigations involve complex procurement matters such as those with the SAPS procurement department and the national Department of Public Works. Others were very large scale investigations such as that into the land reform program requested by the national Department of Rural Development and Land Reform.

For the first time, the SIU was also mandated to conduct investigations into major metropolitan municipalities, namely Tshwane and Ekurhuleni.

Another first is the investigation into the SABC, the first for profit state entity to request its assistance.

In addition, the SIU worked on more than 8 ongoing investigations during the year.

Contributing to government efforts against corruption

A key feature of the past year has been the SIU's intensified participation and key role in a number of inter-departmental anti-corruption initiatives.

The most important of these was the announcement of the formation of the Anti-Corruption Task Team (ACTT) by the President in July 2010. The ACTT consists of the Hawks, the SIU and the NPA (both prosecution and asset forfeiture). Subsequently, SARS, the FIC and the Accountant-General from National Treasury were also included.

The major focus of ACTT is on cases that fall within Output 5 in the Justice cluster, namely to convict 100 persons of corruption who have more than R5 million in illicit assets.

The SIU has contributed a significant number of ACTT investigations and has more than 25 staff working full-time with the ACTT to boost its investigating capacity.

One of the matters that demonstrates the benefit of a joint approach involved the illegal alienation of farms by a private businessman and corrupt officials in KZN. Several farms to the value of more than R36 million were recovered within 10 months.

The SIU also continued to play an important role in the Multi-Agency Working Group established by the Minister of Finance. One of the interesting projects has been a joint project with the ACTT to develop a comprehensive turn-around strategy for the Eastern Cape Department of Health.

The SIU has also agreed to provide investigative and legal capacity to the new Special Anti-Corruption Unit established by the Department of Public Service and Administration to deal with disciplinary action against those charged with serious corruption.

The SIU will also support the new inspectorate established by the Department of Cooperative Governance and Traditional Affairs to deal more effectively with corruption matters at a local government level.

Continue to build capacity

Over the past 10 years the SIU has built a formidable capacity to deal with corruption more effectively, growing from about 70 to about 600 staff.

Although there has been little increase in staff levels over the last two years, the SIU has geared itself for a significant recruitment drive to boost its capacity further after the recent increase in work.

In the interim, and thanks to good cooperation from the private sector, the SIU has also sourced a significant number of additional forensic investigators from the private sector at significant discount rates. This is intended as short-term intervention to allow it to deal with the large inflow of work and to be able to recruit and develop new staff. It will also to assist with skills transfer.

In January 2010 the SIU opened a new office in Mafikeng to deliver better service in the province.

Cooperation with others

A unique characteristic of the SIU's work that it occurs on an overwhelmingly cooperative basis. In most cases, departments and entities have been prepared to pay the Unit to carry out investigations, which is a reflection of government's increased commitment to fighting corruption.

Crucial to the success of Government's anti-corruption initiatives – and thus to the work of the SIU – is the emphasis on cooperating across law enforcement agencies and government departments.

Strategy development and implementation

The conclusion of the organisation design process has seen positive changes in the functions where it was implemented.

The improved efficiencies and project management approach that was introduced have been critical in ensuring that the SIU is able to deal effectively with the much larger workload.

The SIU adopted government's new Results Based Management Approach and developed its own Logic Model, identifying with the following key Outcomes and Outputs set by the Presidency.

OUTCOME 3: All people in South Africa are and feel safe

(Justice cluster)

- **Output 3:** Corruption eradicated, including bribery, by officials within the JCPS as one of the major contributors of ongoing criminal activity, as well as lack of trust and confidence in the system by the community
- **Output 5:** Investor perception trust and willingness to invest in South Africa is improved and by taking corruption related action in a defined number of highly visible cases

Target: convict 100 people of corruption who have assets of more than R5 million obtained through illicit means in 4 years by April 2014

OUTCOME 12: Efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

(Governance cluster)

- **Output 4:** Corruption tackled effectively
- Target:** improve SA rating in Transparency International corruption index to 40 out of 180 by April 2014 (currently 55)

Improving the SIU funding model

The funding provided by departments partnering with the SIU has been a major driver of the growth of the SIU over the past years. However, it has become too reliant on such funding which is likely to exceed its grant from National Treasury in 2011/12. Thus it has become a major strategic focus to fund more of its investigations from its grant.

Analysis of Results

During 2010/11 the SIU has sought to develop new performance indicators that reflect the increasing importance of more complex investigations that take longer to deliver results.

It intends to maintain the performance indicators relating to the long-standing investigations into social grants, driving licences and housing subsidies. These investigations have driven the big increase in performance by the SIU over the past 8 years. However, challenges arising from changes of priority and focus in these investigations means that some of the impressive results of previous years will not be repeated in the short term.

Thus there has been a decrease in those indicators that depend on the high volume of small investigations done in the above investigations.

The new focus on procurement will require more intensive and longer term investigations, but there is every indication that it will deliver substantial results over the next few years.

It is notable that the SIU has already identified government contracts to the value of about R15 billion with possible irregularities. Of these, about R10 billion related to possible procurement irregularities and R5 billion to possible conflicts of interest.

Internal staff relations

The last year also saw an intensive focus on developing a positive relationship with our employees and a formal recognition agreement was signed with Nehawu.

Governance

The SIU is proud of its record of 6 consecutive unqualified audit reports with no matters of emphasis. We would like to thank the Auditor-General and his staff for the ongoing positive relationship between our organisations.

Expression of appreciation

I would like to thank the Minister of Justice and Constitutional Development, Mr Jeff Radebe, for his important role in increasing the impact of the SIU and his unstinting support. His leading role in government's anti-corruption work has played a key role in the impact made by the SIU in the past year.

It has also been a pleasure to work with the new Director-General, Ms Nonkululeko Msomi who has tackled the challenges in the Department with energy and drive.

The achievements of the SIU also depend on the much-valued assistance of our key partners: the detectives in the South African Police Service and the Hawks, prosecutors in the National Prosecuting Authority, and the Office of the Accountant-General in National Treasury, and the Public Protector.

The SIU would also like to thank the Presidency and Parliament for their ongoing 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 SIU's strategic objectives and targets.

Overview of Performance

Table 1: Results of investigations

Performance Measures		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Evidence prepared for use in civil litigation ¹	Target	40	40	5 025	8 000	9 400	10 000	11 400
	Actual	45	2 133	4 829	9 696	11 177	9 843	7 654
Evidence prepared for use in criminal prosecutions	Target	200	800	2 000	3 943	4 050	4 600	5 500
	Actual	165	1 263	3 302	4 495	5 545	5 350	4 179
Evidence prepared for use in disciplinary processes	Target	330	660	2 300	7 000	1 300	2 600	8 000
	Actual	207	666	7 551	8 627	4 750	3 870	2 814
Evidence prepared for use in other remedial actions ²	Target	5 000	50 000	45 000	130 600	200 020	140 000	200 000
	Actual	0	27 758	95 846	139 331	198 052	50 357	52 192

1. Number of Acknowledgements of Debt (AOD) signed

2. This includes the number of recommendations for licence cancellation, number of recommendations for removals from the Social Pension System and Systemic Recommendations.

Table 2: savings, preventions and cash recoveries

Performance measures		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Actual Savings ¹	Target	R100 m	R150 m	R80 m	R160 m	R156 m	R80 m	R450 m
	Actual	R92 m	R299 m	R231 m	R301 m	R202 m	R12 m	R10 m
Preventions ²	Target	R400 m	R850 m	R1 250 m	R2 000 m	R2 500 m	R2 100 m	R4000 m
	Actual	R3 435m	R3 270 m	R1 759 m	R2672 m	R4 917 m	R197 m	R185 m
Cash recoveries ³	Target	R30 m	R40 m	R20 m	R40 m	R53 m	R70 m	R80 m
	Actual	R12 m	R13 m	R31 m	R61 m	R72 m	R69 m	R74 m
Total	Target	R530 m	R1 040 m	R1 350 m	R2 200 m	R2 709 m	R2 284 m	R4 530 m
	Actual	R3 539 m	R3 582 m	R2 021 m	R3 034 m	R5 191 m	R287 m	R269 m

1. The value of all social grants recommended for removal from the Social Pension System for each of the remaining months of the Financial Year. This measure includes prevention of future losses.

2. Present Value of Future Savings calculated using the value of the social grant recommended for removal from the Social Pension System annualized over a 10 year period at an agreed rate.

3. Value of the Acknowledgement of Debt (AOD) or civil litigations signed as well as the value of non-AOD recoveries for e.g. admission of guilt fines.

Matters where a proclamation has not been issued

Eastern Cape Local Government

The SIU has been assisting the Eastern Cape Provincial government to review selected municipalities since September 2009. Kouga Municipality was under review for the period 2010/11.

The SIU has been asked to:

1. Determine if there were any deviations and/or irregularities in the appointment of staff on a permanent and/or contractual basis;
2. Determine if there were any deviations, irregularities and weaknesses in the procurement process in terms of the MFMA and

applicable procurement prescripts and circulars;

3. Establish if staff have a conflict of interest as a result of undeclared interest;
4. Establish what process the municipality followed in disposing of assets in the form of erven/land; and
5. Assess/investigate allegations of irregular expenditure and/or financial mismanagement at the municipality.

Mpumalanga Municipalities

The Mpumalanga Department of Co-operative Governance and Traditional Affairs (COGTA) requested the SIU to assist with investigations into selected municipalities in the province. The Department has requested the SIU to conduct investigations at the following municipalities:

- Lekwa Local Municipality; Thaba Chweu Local Municipality; Emalahleni Local Municipality; Mkhondo Local Municipality; Govan Mbeki Local Municipality; and Nkomazi Local Municipality.

In the interim the SIU has, under the Operation Clean Audit initiative, provided support to the SAPS with investigations undertaken at several municipalities, particularly with housing-related matters.

The SIU is assisting the SAPS on the following matters:

1. Allegations relating to the sale of stands earmarked for low-income development in the Emalahleni area. The SIU conducted a preliminary investigation and uncovered instances of fraud and

corruption by councillors as well as members of the public. This matter was referred to the SAPS for further investigation.

2. Allegations of irregular appointment of a contractor for the construction of RDP units in the Delmas area and non-delivery by the contractor. The SIU conducted a preliminary investigation and a case of fraud, forgery and uttering was registered with the SAPS.
3. Allegations of cover quoting by an entity providing motor spares to the Emalahleni Municipality. This entity received R 7.5 million from the municipality. The SIU assisted the municipality to lodge a case with the SAPS and provided a comprehensive investigation plan to the SAPS.
4. The SIU provided guidance to the SAPS in their investigation into an alleged R3.2 million fraud at Thaba Chweu Municipality, as well as several investigations, including conflicts of interests, at Emalahleni Municipality.

Multi-Agency Working Group (MAWG) Eastern Cape Department of Health (ECDOH) Supply Chain Management (SCM) Reform Pilot Project

Brief overview:

The Multi-Agency Working Group (MAWG) on Supply Chain Management (SCM) was formally established in October 2009 under the political leadership of the Minister of Finance. The MAWG is mandated to review the entire state SCM system and to provide a set of priorities and proposals with appropriate action plans to deliver a rapid improvement in the system. Following the development of a set of recommendations by MAWG, the Minister of Finance announced a number of key systemic improvements that will be implemented to improve the state's SCM system.

The ECDOH was identified as an ideal starting point for a pilot project involving a multi-agency focus on systems improvements and anti-corruption. This initiative provides an opportunity for the ECDOH and the various systems improvement and anti-corruption actors, such as the Special Anti-Corruption Unit of the DPSA, the Anti-Corruption Task Team (ACTT) and the MAWG to work together within a framework that seeks to improve the individual and collective outcomes for all participants.

The project commenced on 14 February 2011 for an initial period of six months. It is, however, envisaged that this period will be extended for at least another year.

Focus areas

The intervention focuses on the SCM system of the Eastern Cape Department of Health and is intended to achieve:

- Improved functioning of the ECDOH's SCM system aimed at ensuring that the ECDOH gets value for money from its procurement, which will in turn enhance the capacity of the department to provide more and better quality health services.
- The development of a multi-agency co-operation protocol for institutional reform, which can be replicated across state agencies.

Approach

The initiative is being executed through a multi-agency intervention. It is a single project, combining the plans and resources of the ECDOH and the multi-agency team. The intervention also aims to build capacity within the ECDOH to maintain and improve the system over time. Accordingly, a developmental programme will be put in place along with the implementation of the project plan.

The model used in the process of documenting the project will be adopted to support the objective of building a replicable model for use in other areas of government.

The project is divided into the following streams to focus, on the core elements of the SCM value chain:

- Demand and logistics management
- Supplier management
- Goods acceptance and payment

- Contract management
- Monitoring, analyses, reporting and systems
- Human Resources
- Communications and change management
- Investigations, disciplinarys, prosecutions and enforcement

Phase 1 of the project is currently underway and is aimed at:

- Developing an understanding of how the current process works, including:
 - What goods and services the ECDOH is buying.
 - What procurement activities take place and the location of such activities.
 - Who the officials play a role in procurement activities.
 - What the delegation framework of the ECDOH looks like.
 - Who the suppliers of goods and services to the Department are.
 - What goods and services are of critical importance to the ECDOH.
 - What contracts are in place and how these are managed.
 - The current screening/vetting processes applied in relation to ECDOH officials.
 - What systems are in place, including BAS, LOGIS, MEDSAS, PAS etc. and how these systems interface.
 - The functional reporting structure in place at the ECDOH.
 - Developing a set of structural interventions to address issues identified during the above process.

State Information Technology Agency (SITA)

3 cases were referred to the SIU during 2010:

1. SITA requested that allegations of procurement irregularities, fraud and misconduct by a senior member of staff relating to the award of a contract be investigated. The allegations also pertain to the supplier and a third party. An earlier forensic report indicated that there are prima facie indications of contraventions of the Companies Act, fraud/corruption, that the Board was misled, and that SITA are now bound to a three-year agreement where they did not have the opportunity to explore all the recommendations made regarding the contract or to negotiate on issues that were still not finalised when the contract was signed. The SIU was requested to assess whether these allegations require further investigation.

2. Various allegations have been levelled against a former senior manager in Limpopo, involving procurement irregularities. It is alleged that the former official concluded contracts on behalf of SITA without following the required procurement processes. Nine contracts are involved, with a total value of around R30 million.

3. Various allegations of non-compliance with policies and legislation as well as allegations of corruption have been levelled against a former SITA Senior Manager. It is alleged that this manager had a relationship with certain suppliers and that he received kickbacks for resources deployed from those suppliers to specific government departments. Thirteen incidents appear to have occurred, amounting to around R35 million.

Proclamations issued in 2010/11

Department of Arts and Culture

Proclamation R36 of 2010, published on 30 July 2010

Brief overview:

In March 2010 the Minister of Arts and Culture requested the SIU to review allegations of serious maladministration in the department, emanating from two investigations conducted by external consultants.

The SIU was requested by the Department of Arts and Culture (DAC) to assist in both addressing gaps and concerns in the department's systems, as well as assisting with the quantifying of losses suffered and the recovery of that money. The SIU will also work to establish the level of legislative compliance at the department, and assist with the institution of disciplinary, civil and/or criminal charges against those responsible for noncompliance and losses.

Focus areas:

1. Underspending/misspending of funds: According to the DAC budget, R150 million was allocated towards the 2010 FIFA World Cup project for the period from 2007/08 to 2009/10. During the 2008/09 financial year, R35.2 million of this was shifted to "goods and services". A further R41.7 million of the R150 million was paid to beneficiaries whose projects were unrelated to 2010 FIFA World Cup – this was unauthorised expenditure.
2. Irregular expenditure: payments totalling R94 478 897.41 were made to service providers that were appointed in contravention of the prescribed procurement procedures. The investigation is ongoing.
3. Fruitless and wasteful expenditure: payments totalling R24 million were identified in which no proof of expenditure in the form of reports, receipts and invoices was provided to the department. There is a possible civil recovery of R709 424.44 from the service providers that were contracted to DAC.
4. The SIU found 13 possible criminal cases to be referred to the SAPS. The SIU is investigating possible conflict of interests where three entities in which an official had an interest, conducted business with the department.

Additional Findings:

5. The SIU opened a case relating to VAT Fraud amounting to R390 439.28.
6. 39 other matters were identified for investigations by the SIU, and 39 reports finalised. The SIU recommended that payments totalling R 8 363 900 should not be effected and the contract should be cancelled. Seven criminal cases were registered.
7. The SIU confirmed a number of conflicts of interest on the part of a senior official.
8. The department does not have a document retention policy as required by Treasury regulations.

Department of Public Works: KwaZulu-Natal (KZN)

Proclamation R43 of 2010, published 27 August 2010

Brief overview:

On 9 September 2009, the MEC for Human Settlements and Public Works: KZN established a task team to investigate alleged financial mismanagement and irregularities within the Department of Public Works: KZN.

The SIU has been requested to assist with a forensic investigation into allegations of fraud, corruption, financial mismanagement and other irregularities in the awarding of contracts to consultants and contractors of DPW during the period 01 January 2005 and 27 August 2010.

The investigation has been funded by the Department of Public Works: KZN for a period of 24 months.

Focus areas, approach and findings:

The SIU was asked to:

- Conduct forensic investigations into allegations of fraud, corruption and mismanagement of funds relating to the DPW.
- Assist with the preparation and institution of criminal proceedings in appropriate instances.
- Investigate instances of negligence and misconduct on the part of government officials for the purpose of instituting disciplinary proceedings.
- Quantify losses suffered by the DPW as a result of irregular/unlawful conduct identified.
- Assist with the recovery of losses suffered by the DPW through the

institution of civil proceedings against liable parties.

- To provide recommendations in respect of improvements to systemic weaknesses identified in order to ensure that the irregular/unlawful conduct in questioned is detected/prevented in future.

Highlights:

In a number of cases fronting and subcontracting by service providers have been identified and *prima facie* evidence is being gathered for criminal cases and civil recoveries. The value of possible civil recoveries at this stage is R7 million, but is expected to escalate as the investigations proceed.

In one matter, fraud and corruption with regard to tender irregularities identified to date is valued at about R100 million. This matter has been referred to the ACTT.

Department of Public Works (national)

Proclamation R38 of 2010, published on 30 July 2010

Brief overview:

In December 2009, the SIU was requested by the Department of Public Works (DPW) to assist in identifying, investigating and redressing suspected improprieties within the Supply Chain Management (SCM) system. The SIU has reviewed a number of reports made available by the DPW and other sources. It is clear that the challenges faced by the DPW are serious and deep-rooted and that a number of areas require investigation and resolution in various functional areas, particularly in the procurement arena, where vulnerabilities within the SCM process lead to abuse. It is anticipated that this will be a three year investigation.

Focus areas:

The SIU was requested to assist the DPW in identifying, investigating and redressing improprieties including fraud, corruption and maladministration within its SCM component. Focus areas include: specific contracts/tenders; Leasing of buildings for client departments; Prestige Accommodation; and General procurement irregularities.

The SIU was also asked to review SCM processes employed in the awarding of certain contracts to external service providers in order to confirm whether the system complies with the applicable legislation and prescripts; and to advise the DPW on appropriate remedial action in instances where the awarding of contracts took place contrary to accepted SCM prescripts.

The SIU will make systemic recommendations that seek to close systemic gaps through interventions that safeguard systems from possible future abuse. The impact of this is long term savings to the state and protecting the integrity of their systems to deliver key services.

There are currently 19 matters under investigation and the allegations include, amongst others:

- Abuse of emergency delegations; deviations from SCM processes; Inflation of bills of quantity; fruitless and wasteful expenditure; Corruption and collusion between DPW officials and contractors; Conflicts of Interest; non-disclosure of outside interests; and irregular payments.

Department of Education Eastern Cape

Proclamation R37 of 2010, published on 30 July 2010

Brief overview:

The SIU was asked to review:

- The awarding of tenders involving the Scholar Transport and School Nutrition Systems.
- The General Procurement Management system in the department.
- The Transfer Payments system and the Salary Payments system in the department.
- Whether the awarding of tenders in the HIV/AIDS section have been done in terms of valid procurement processes for the 2007/2008 and 2008/2009 financial years.

- The general utilisation of the ECD budgets, including the appointment of ECD practitioners in the department.
- Concerns around the arrear salary payments system in the Lusikisiki District Office.
- Specific concerns around the management of Ikhala FET College.
- The general operations and tender processes associated with the Learner Training Support Material (LTSM) unit in the department.

The SIU has completed an investigation into the irregular appointment of Grade R ECD practitioners at the Port Elizabeth District office. A fraud and corruption docket has been handed to the SAPS for further action, and case files have been prepared for disciplinary action against 10 individuals and have been referred to the department for action.

Findings:

- The SIU assisted with the preparation of case files in 10 disciplinary matters.
- 231 possible non-disclosure matters were identified with a total value of R49 910 720.48. Investigations are ongoing.

Ekurhuleni Metropolitan Municipality

Proclamation R63 of 2010, published on 8 November 2010

Brief overview:

The terms of reference of the investigation include irregular procurement; misrepresentations made by bidders/suppliers which gained them preference in the SCM process; and the mismanagement, misspending or misappropriation of municipal funds or assets.

The SIU anticipates that the investigation will take around 18 months, and has entered into an SLA with the municipality. The SIU is working closely with the municipality, especially its Internal Audit department, as well as the SAPS, AFU, NPA and the ACTT.

Irregularities have been identified and are prevalent in the following areas: Supply Chain Management; Asset Management; Service Delivery; Financial Management; and Waste Management.

Findings

1. Waste Management Investigation

Disciplinary action has been instituted against 5 officials within the Waste Management department. One official tendered his resignation upon receipt of the charge sheet. Charges include conflicts of interests; collusion between service providers and EMM officials; noncompliance with SCM processes; maladministration, fraud and corruption in respect of the awarding of contracts; and failure to ensure execution in terms of the contracts.

The SIU is also investigating 10 tenders awarded involving 19 contractors. The total value of the contracts is in excess of R500 million.

2. ICT Contract

A former Executive Director of the IT Department in the municipality failed to disclose a relationship between himself and a service provider. Had this disclosure been made, a contract would not have been awarded to the service provider.

In addition, he authorised more than 70% of the invoices submitted by the service provider. The value of the contract is R34 million. He is now in full-time employment of this service provider. In addition,

investigations revealed a further relationship existing between a senior member of the municipality's IT department and the service provider, as well as the non disclosure of the relationship and the benefits received by the staff member from the service provider. The forensic investigations have been completed, and referred to the Asset Forfeiture Unit for action. The matter has also been referred to the Anti-Corruption Task Team.

In another matter a service provider received an ICT contract of R94 million. A senior director at the Municipality authorised the payment of invoices submitted by a service provider without verifying that the services had been rendered. He admitted this and provided a statement to confirm that he had signed off on invoices to the value of R12.3 million for services not delivered. The charge sheet is currently being drawn up and the official has been placed on suspension. A criminal case is anticipated.

3. Security Contract

Investigations to date have revealed:

- 3.1 The initial budget allocated to the contract was R10 million. Analysis conducted has established that payments made to the service providers total in excess of R26 million.

- 3.2 One successful service provider admitted to not having completed the tender document presented to him on which the contract was awarded. He admitted that the signature affixed to the tender document did not belong to him. The BEE status as indicated on the document was also incorrect in that he is the sole owner and director, however, 70% BEE status was claimed on the bid document.
- 3.3 Various provisions of the Supply Chain Management Policy were contravened. No needs analysis was conducted prior to implementation of the project. This led to the procurement of unnecessary equipment which to date is still not installed and stored at the Municipality premises. The specifications of the tender were varied and no deviation report to this effect was executed or approved.
- 3.4 The description of cameras as specified on the bid specification documents are different to the cameras that had been installed. No variation order was issued and approved for the change in specifications.
- 3.5 During data analysis it has been noted that although a number of invoices had been captured on the system, no supporting documentation could be found for 248 of them. It is estimated that payments to the value of R1.7 million were made on these

invoices. It was also noted that some of the invoices have not been captured on the Municipality's finance system.

4. Adhoc Matters

The SIU also commenced with investigations into the following;

- 4.1 Theft of fuel – in the last three months of the last financial year, the municipality suffered a loss in excess of R700 000.
- 4.2 Electricity contract – allegations of the awarding of a contract valued at R100 million to a service provider who does not have the capacity nor the resources to perform in terms of the contract.
- 4.3 2010 Contracts - allegations have been received that 20 service providers were appointed for the greening of soccer fields, and R20 million was paid out to them. However, site inspections have revealed that none of the services were rendered.
- 4.4 Fraudulent procurement at the Ekurhuleni Metro Police Department where fraudulent payments amounting to R287 260 were found.
- 4.5 Licensing Fees – allegations have been received that officials at a number of DLTCs are involved in various irregular activities. Audits have commenced at two DLTCs to compare transactions performed on eNaTIS with the reconciliations and amounts paid over by the cashiers.

Gauteng Provincial Department of Health

Proclamation R21 of 2010, published on 14 May 2010

Brief overview:

The SIU is investigating 11 tenders to the combined value of R1.1 billion for services delivered by various external service providers to the Gauteng Provincial Department of Health (GDOH).

Partnerships have been formed with the South African Police Service (SAPS), the Directorate for Priority Crime Investigations (DPCI or the Hawks), the South African Revenue Service (SARS), the National Prosecuting Authority (NPA) and the Asset Forfeiture Unit (AFU). It is estimated that the investigation will take 3 years.

Focus areas, approach and findings:

The focus areas include eight tenders as well as irregularities identified by the Auditor-General in regards to fixed assets.

- To identify irregular/illegal conduct on the part of GDOH employees or third parties.
- To identify losses incurred by the GDOH as a result of the irregular/illegal conduct of officials and facilitate the recovery of losses incurred by the GDOH.
- To collect and prepare evidence with a view of facilitating the registration criminal cases and recommending and disciplinary proceedings against implicated parties.

- To identify systemic weaknesses that resulted in the failure to prevent/detect the irregularities perpetrated.

Thus far the SIU has investigated eleven tenders and has recovered R414 481.20 with the assistance of the Gauteng Shared Services Centre, and R77 849.68 through signed AODs. The SIU has finalised investigations into three tenders and found serious irregularities which include fraud, theft, and maladministration of government assets, BEE fronting and duplicate payments. Various cases of officials found to be involved in these irregularities will be referred to the department for disciplinary action. One matter has been referred to ACTT to the value of R16.3 million.

George Local Municipality

Proclamation R76 of 2010, published on 9 December 2010

Brief overview:

This investigation is conducted in terms of a Memorandum of Agreement between the SIU and the Department of Local Government in the Western Cape.

The SIU was requested by the Municipal Manager of the George Municipality and the Member of the Executive Council for Local Government, Environmental Affairs and Development Planning, to conduct a preliminary investigation into allegations of various irregularities, including corruption, at the George Municipality. The preliminary investigation has revealed the need for a proclamation to fully investigate the allegations.

The investigation commenced in January 2011 after the publication of the proclamation and it is anticipated that it should be concluded by 29 February 2012.

Focus areas, approach and findings:

The investigation is focused on concerns around the following:

- The establishment of the George Housing Agency (GHA) and all payments made to it by the George Municipality.
- Alleged manipulation of the application for drought relief funds and pursuant payments made to a specific service provider.
- All contracts between two service providers and the municipality.
- The sale of George municipal land .

- The appointment of a provider for professional services and construction of housing and infrastructure in the George Municipal area.
- The appointment of a provider for the construction of the George Municipal fire station building.
- The appointment of a provider for the construction of the George Municipal Building.

The department has agreed to extend the funded partnership and new Service Level Agreement should be settled and signed soon.

Department of Rural Development and Land Reform

Proclamation R8 of 2011, published on 18 February 2011

Brief overview:

The SIU was requested to investigate allegations of maladministration, misconduct and unlawful conduct within the Department of Rural Development and Land Reform which had taken place between 1 January 2006 and 18 February 2011. The scope of the investigation covers:

1. Serious maladministration in connection with the affairs of the department.
2. Improper or unlawful conduct by officials and/or employees of the department.
3. Unlawful appropriation or expenditure of public money or property.
4. Unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having bearing upon State property.
5. Intentional or negligent loss of public money or damage to public property.
6. Unlawful or improper conduct by any person which has caused or may cause serious harm to the interests of the public or any category thereof.

Partners in this investigation currently include the Department of Rural Development, South African Police Service, the Asset Forfeiture Unit and the National Prosecuting Authority. It is estimated that the investigation will take 3 years.

Focus areas, approach and findings:

The department has referred several projects to the SIU for investigation. The findings of an initial assessment revealed gross abuse of the various grant programmes offered by the department where the officials within

the department have colluded amongst themselves as well as with external parties to defraud the department. The SIU will phase various projects in over the next three years in order to investigate each project fully. This approach would make a greater impact over a shorter period.

Oudtshoorn Local Municipality

Proclamation R6 of 2011 published on 4 February 2011

Brief overview:

This investigation is conducted in terms of a Memorandum of Agreement between the SIU and the Department of Local Government in the Western Cape. Following a request from the Municipal Manager of the Oudtshoorn Municipality, the SIU embarked on a preliminary review into serious allegations of fraud. The preliminary work has revealed the need for a proclamation to fully investigate the allegations. The investigation commenced in March 2011 after the publication of the proclamation and it is anticipated that it will be concluded by 31 March 2012.

Focus areas, approach and findings:

The early stages of the investigation have focused on allegations of fraud and other irregularities with regard to payments made to fictitious companies; procurement of services; theft of assets; duplicate

payments; cover quoting; claims; appointments; promotions and increases etc.

No findings have been made so far as the investigation is still in progress.

South African Broadcasting Corporation Limited

Proclamation R58 of 2010, published on 29 October 2010

Brief overview:

The SIU was requested by the SABC Board to act on recommendations made in an AGSA report dated September 2009 into irregularities at the SABC. These allegations were related to supply chain management, fruitless and wasteful expenditure and human resource issues.

The SIU review covers the period 1 September 2007 to 30 June 2009, and was further extended to 31 March 2010. It is anticipated that the investigation will conclude by the end of March 2012.

The scope of the investigation includes, but is not limited to, the following issues:

1. Disclosure of interests by SABC employees and SABC board members.
2. Instances where SABC employees and Board members had interests in companies which received SABC business.
3. Overpayments to staff and Board members from outside the SABC payroll.
4. The suspension on pay for extensive periods of time of SABC employees.
5. The process for commissioning service providers.
6. Concerns around financial processes and procedures, especially with regards to revenue due to the SABC and payments made in instances where services were not rendered.

7. Quantify the losses suffered by the SABC as a result of the irregularities/criminal offences identified, and assist the SABC with the recovery of losses suffered, including facilitating the institution of civil proceedings with a view to recovering such losses, in appropriate instances.
8. Identify systemic weaknesses that resulted in the failure to prevent/detect the irregularities and provide recommendations on improvements in respect of systemic weaknesses identified.

Focus areas and results:

1. Conflict of interest:
 - Of the 1 358 employees, 178 completed declaration of interest forms.
 - Of the 2 248 business interests identified for these 1 358 employees, 178 business interests were declared (149 employees and 176 corporate entities).
 - Of the 20 board members for whom declaration of interest forms were sought, 13 completed such forms.
 - Of the 219 business interests identified for the 20 board members, 55 business interests were declared (10 board members and 53 corporate entities).
 - A further analysis was also performed in which an additional 1 106 business interests were identified.
 - SIU investigations additionally identified 20 SABC employees with business interests in corporate entities that conducted business with the SABC to the value of R1.2 billion.
2. SABC staff payments not processed through the SABC payroll in contravention of SARS regulations:
 - R31 million was identified as payments made directly to SABC employees that were not processed through the Human Resources payroll section.
 - R774 000 was identified in relation to third party payments relating to personal protection without fringe benefit tax being deducted.
 - R411 000 was identified in relation to security services without fringe benefit tax being deducted.
 - R102 000 was identified in relation to third party payments relating to MNET and DSTV privileges without fringe benefit tax being deducted.
 - R481 000 was identified in relation to third party payments in relating to legal costs without fringe benefit tax being deducted.
 - R2.1 million was identified as travel costs incurred for partners of employees who travelled without fringe benefit tax being deducted.
3. Cost of suspensions to the SABC: The SIU investigation sought to identify and quantify the payments made to SABC employees for extensive periods of suspension which could amount to fruitless and wasteful expenditure.
 - R12.8 million was paid out to 51 employees suspended with full pay for the period April 2006 to August 2009. In addition to this we identified 1 employee who was absent from work but who still got paid, at a total cost of R949, 000 to the SABC.
4. Commission paid to SABC employees: The SIU was mandated to quantify the monetary value of commissions paid to employees in the Commercial Enterprise Business SIU in the period 1 April 2008 to 31 March 2010.
 - R47 million was paid out in commissions to staff within the Commercial Enterprises division for the period 1 April 2008 to 31 March 2010.
5. SABC Petrol card analysis: The SIU performed data analytical procedures on the SABC petrol card expenditure data for the period December 2006 to January 2011 as a means to assist the SABC in identifying possible abuse of petrol cards issued.
 - The SABC had 843 petrol cards in use as at January 2011 of which 670 belong to SABC Fleet vehicles and 173 belong to top and senior management employees. Total cost of these petrol card for the period December 2006 to January 2011 is R29 million.
 - Investigation of anomalies identified is underway.
6. Overall quantification of discounts and credit notes: The SIU performed data analytical procedures on financial information as extracted from the SAP system for the period 1 April 2008 to 31 March 2010, specifically as related to revenue, discounts and credit notes.

The sum total of discounts, commissions and levies comprise 45 percent of total revenue. Due to a lack of appropriate available industry benchmarks, the SIU is unable to comment on whether these amounts are excessive in comparison to the revenue generated. However, taking into account the concerns of the SABC Board and public statements that SABC's discounts are disproportionate to the advertising rates charged as well as considering that discounts, commissions and levies account for just under half of total revenue earned, it does appear that the appropriateness of the discount structures in place warrant further investigations by the SABC.
7. Review of 20 revenue matters: 20 revenue contracts were analysed for compliance. Of the 20 revenue contracts reviewed for compliance, 17 have been identified for further investigation. Investigations into four of the 17 are currently underway.

- 8. Review of 14 procurement matters: The SIU investigated 14 procurement matters/contracts in order to determine if the Board and/or the relevant GCEO, was negligent or deliberate in the maladministration the SABC and to identify additional areas of significant risk and noncompliance with the relevant legislative frame work and approved policies.
 - 9. Criminal matter – International acquisitions: The SIU conducted an investigation into allegations made against a senior staff member in conjunction with the SAPS.
 - Significant acquisitions of content were made resulting in high volumes of inventory at SABC that became redundant. This resulted in impairment losses of about R150 million as at the end of the 2010 financial year.
 - The SABC also suffered revenue losses, because advertisers were not prepared to place their advertisements during the screening of these sub standard programmes. As a result of the latter, the SABC’s reputation also suffered.
 - Several witnesses confirmed that it was common place in the industry to receive small gifts and favours in the form of dinners from the suppliers of international content. The senior employee was a recipient of such favours.
 - 10. Allegations that a senior member of staff abused his position at the SABC to benefit his wife’s business partner.
 - The senior staff member promoted the services of his wife’s business partner in various ways which may have amounted to a conflict of interest in circumstances where he had a duty to disclose them and failed to do so.
 - Offers of discounted airtime potentially would have resulted in a loss of approximately R12 million to the SABC and in turn would have benefited his wife’s business partner who would have been paid to produce the advertisements.
 - Offered a deal to an advertiser which amounted to a discount of 48,87%. In terms of the SABC Sales Television Sales Policy the employee could only have granted a discount of 6%. This resulted in an actual loss of revenue to the SABC of R838 640.
 - Issued an instruction to SABC employees at the time the business partner in running a Valentine’s Day Campaign in conjunction with SABC. The SABC paid R27 237.47 production cost and invested unsold inventory to the value R2 204 500. The return on investment was R18 352.68 (-99,18%) in circumstances where the senior staff member had to disclose the conflict of interest and failed to do so.
- Investigations are complete and the case docket is with the SCCU for a decision on possible criminal prosecution.
- 11. The SIU became involved in the finalisation of a docket with which had been registered with the SCCU by SABC against a former senior SABC Divisional Head.
 - Possible Corruption.
 - Actual loss suffered by SABC due to fraud committed by a service provider as a result of fraudulently increasing invoice value, double invoicing and double charges on VAT amounting to R482 594.
 - Over invoicing and/or fraudulent invoices to the SABC where the SABC paid for services not rendered amounting to R1 600.00.
- The docket has been submitted to the SCCU and the DPP. The DPP will make a decision as to whether to prosecute or not.
- The SABC has extended the SIU’s mandate and further investigations are currently underway.

South African Police Service

Proclamation R42 of 2010, published on 10 August 2010

Brief overview:

The SIU has been mandated to investigate the following allegations:

1. Alleged non-compliance with threshold values when procuring goods, works and services by means of price quotations and/or competitive bids as stated in the relevant National Treasury Practice Notes issued in terms of section 76(4)(c) of the PFMA (particularly Practice Notes No. 8 of 2007/2008 and its predecessor, number SCM 2 of 2005) – with specific regards to all projects embarked upon by SAPS’ Building Services Division (SBSD).
2. Unlawful, irregular and illegal conduct which resulted in officials and third parties making themselves guilty of the following:
 - Contravention of the provisions of the PFMA and/or any other legislation;
 - corruption, and;
 - fraud.

3. Alleged non-compliance of the provisions of the GIAMA.

4. Alleged collusion and corruption between SAPS members and external service providers.

Focus areas, approach and findings

The investigation focuses on the period 2005-2010 (5 financial years).

The allegations emphasise the unlawful and irregular procurement

of services by the SAPS Building and Expert services and Information Systems Management for the period 1 January 2005 to date. The allegations concern the building of 33 police stations and other allegedly irregularly awarded contracts.

South African Social Security Agency (SASSA)

Proclamation R27 of 2010 published on 8 June 2010

Brief overview:

The SIU was appointed to investigate allegations pertaining to irregular procurement, contrary to legislation, Treasury Practice Notes and the Policies of the Department; and the incurrence of unauthorised expenditure, irregular expenditure, fruitless and wasteful expenditure and payment of expenditure not due or payable.

In the period under review the SIU has focussed on two significant investigations.

1. Stakeholder Engagement Meetings: 11 stakeholder engagement meetings were held for property acquisition purposes. Unfortunately, it has become clear that relevant procurement processes were not followed, resulting in SASSA suffering financial losses to valued at approximately R11 million.

2. RDP Fund: The Social Responsibility and Development Program Fund (RDP Fund, previously SRDP Fund) was established for the improvement of SASSA pay points. It is alleged that various service providers were paid from the RDP Fund on the instruction of the former SASSA CEO, without the proper procedures being followed and without the services complying with the purpose of the RDP Fund as set out in SASSA's RDP Fund Management Guidelines. The payments made to fictitious service providers from the RDP Fund amounts to R11.1 million. It is further alleged that withdrawals were made from the RDP Fund amounting to R8.4 million without the necessary authorisation.

All cases the SIU investigated in the period under review have been referred to the SAPS due to their criminal nature.

The SASSA contract is currently being reviewed with the possibility of it being renewed. All cases have been referred to the Anti-Corruption Task Team for further investigation.

Stellenbosch Local Municipality

Proclamation R3 of 2011 published on 14 January 2011.
Amended by Proclamation R87 of 2011 published on 4 February 2011

Brief overview:

This investigation is conducted in terms of a Memorandum of Agreement between the SIU and the Department of Local Government in the Western Cape. Following a request by the MEC for Local Government, Environmental Affairs and Development Planning, the SIU conducted a preliminary investigation into allegations of irregularities at the Stellenbosch Municipality.

The investigation into a number of matters not requiring a proclamation was concluded and the outcomes were reported to the department. The investigation into the remaining matters started in January 2011 when the proclamation was published. It is anticipated that this leg of the investigation will be concluded by the end of November 2011.

The first leg of the investigation focussed on a number of matters which did not require a proclamation, including:

- Allocation of an RDP house to a council member
- Attempted withdrawal of a criminal case by a former senior member of the municipality
- Irregular tender for motor vehicle insurance
- The alleged appointment of Municipal officials on an irregular

and/or unlawful basis

- Potential irregularities involved in the “re-instatement” of a former Executive Mayor
- Malicious charges against a former Municipal official

The second leg of the investigation commenced on 1 March 2011.

The department has agreed to extend the funded partnership and the new Service Level Agreement should be settled and signed soon.

Tshwane Metropolitan Municipality

Proclamation R62 of 2010, published on 8 November 2010

Brief overview:

The terms of reference of the investigation as set out in the proclamation are:

- The recruitment, selection and appointment of staff into positions that they are not qualified or otherwise best suited for; mismanagement of the affairs of municipal entities of the municipality; Excessive, unauthorised, irregular, fruitless and wasteful expenditure of the municipality’s funds the outsourcing of services that could be rendered by employees of the municipality to specialists and consultants; the irregular procurement of goods or services by or on behalf of the municipality or its municipal entities and payments made in respect thereof and related unauthorised, irregular, fruitless and wasteful expenditure or loss of the municipality’s funds.
- Mismanagement of the finances and assets of the municipality or its municipal entities; Interference by the City Manager in pending disciplinary proceedings against employees of the municipality and his failure to institute well founded disciplinary or other appropriate proceedings against councillors or employees of the municipality. The SIU envisages the investigation running over 24 months. The SIU has entered into an SLA with the municipality, and is working especially closely with its Internal Audit Department and the SAPS.

Focus areas:

Irregularities have been identified in the following aspects of the municipality's systems: Supply Chain Management; Asset Management; Service Delivery; Good Governance; Recruitment; Financial Mismanagement; Technical support; Waste Management.

Findings so far

1. Supply Chain Management

1.1 Conflict of Interests and Non-Disclosure:

- The SIU has identified 65 officials who have business interests in companies currently doing business with the municipality, and who are receiving payments as active vendors. The total payments made to these officials for the period under investigation is over R185 million. 112 officials have interests in companies to which no payments have been made in the period under review.
- 296 companies are owned by spouses of officials and 102 of these companies have received payments from

the municipality. Six received payments totalling over R64 million for 1 387 invoices submitted. Of these, 416 invoices were for amounts between R20 000 and R30 000 and for which irregular duplicate payments were made by the municipality.

- Four officials share the same bank accounts as four vendors. Payments by the municipality for work done and their salaries are being paid into the same account.

1.2 Procurement:

- The total value of procurement contracts currently under review is in excess of R800 million. Irregularities involve deviation approval in excess of R400 million; irregular awarding of contracts to service providers; collusion between officials and service providers; tender irregularities where deviations from tender specifications occurred without authorisation from the Bid Adjudication Committee; fraudulent payments to service providers for work not completed and/or services not rendered.

Proclamations issued in previous years

Department of Human Settlements (National)

Brief overview:

The SIU's work focuses on recovering money for the department and on removing corrupt officials and third parties from the low-cost housing system. The SIU's investigation model, focused on legal outcomes, allows the department to both deter and redress the irregularities/improprieties.

- Proclamation R7 of 2007 published on 25 April 2007. Amended by Proclamation R35 of 2010 published on 30 July 2010.
- Memorandum of Understanding dated 7 May 2007 in respect of subsidies/HSS investigations for a period of 5 years from 1 April 2007.
- SLA dated 11 March 2009 in respect of housing contracts (from 1 November 2008 to 31 March 2012).
- Addendum to SLA dated 11 March 2009 to investigate certain matters in respect of Thubelisha Homes.
- Memorandum of Agreement between the Western Cape Provincial Government (Department of Housing and Local Government) and the SIU dated 28 May 2008 in respect of People's Housing Process (PHP investigations) (from 1 May 2008 to 30 April 2011).

HSS:

To investigate the mismanagement and misuse of the State's low-cost housing scheme where subsidies were approved for non-qualifying beneficiaries.

Investigations into the housing subsidies systems resulted in 1 291 AODs to the value of R16 275 157 being signed. A total of 625 unlawful beneficiaries were arrested and taken to court in joint operations with the SAPS. 528 beneficiaries were convicted.

Contracts:

To investigate any fraud, corruption and maladministration in respect of the development and delivery of low-income housing in South Africa, by national and provincial departments, local authorities (and agents) and Housing Development Boards.

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 (HSS) as well as a list of priority contracts for each province.

Phase Two of the investigations entailed a detailed technical analysis of all priority contracts being considered for investigation. All priority contracts were put through a vigorous selection process. This process resulted in the selection of one hundred contracts for investigation.

The SIU has completed investigations in eight housing contracts and opened three criminal dockets with the SAPS. Two individuals have been arrested on numerous fraud charges and have already appeared in the court. Nine more projects are currently under investigation and will be finalised in the next financial year. As a result of complexities associated with these investigations and the investigation teams are being supplemented by an expert civil engineer for technical issues and a housing policy expert.

Syndicates:

To investigate syndicates which have been identified by the NDoHS as a result of the SIU's investigation into HSS.

In the period under review, the SIU finalised six investigations and referred four criminal cases to the SAPS for further action. Two departmental officials have been arrested for selling state owned houses.

Hotline Referrals:

To investigate referrals received from the Minister's hotline for the purposes of establishing the merits of such allegations received and advise the NDoHS on the way forward.

There are currently ten ongoing investigations. One investigation has been completed and a Criminal matter has been referred to the SAPS.

Procurement:

To investigate any fraud, corruption and maladministration in respect of housing related procurement matters agreed to between the SIU and the NDoHS.

The SIU completed an investigation into one procurement tender. The draft report is currently being reviewed by the housing policy expert and the expert civil engineer to verify the identified administrative irregularities and potential disciplinary actions against departmental officials.

PHP:

To investigate the losses of state funds through inter alia, fraud, corruption and maladministration in respect of the delivery of low cost housing in terms of the PHP within the Western Cape.

Focus Areas and results:

Focus Areas	Results
Total AODs signed	1 291
Value of AODs signed	R 16 275 157.00
Evidence Prepared for Criminal Action	625
Evidence Prepared for Criminal Action	490

Department of Transport

Proclamation R5 of 2005 published on 31 January 2005.

Amended by Proclamation R17 of 2008 published on 11 January 2008

Brief overview:

The SIU was mandated to conduct an investigation in respect of:

- The issuing of driving licences, including professional driving permits (PrDPs) and learner's licences, by examiners at driving licence testing centres (DLTCs) without complying with the requirements of applicable legislation for the issue thereof.
- The conversion of forged driving licences, invalid driving licences and foreign licences to the Credit Card Form (CCF) driving licence, issued in terms of applicable legislation pursuant to applications submitted to DLTCs.
- The registration of stolen vehicles onto the National Traffic Information System (eNaTIS).
- The failure to properly manage and control the activities of officials and the transactions. executed by them and to ensure compliance with the requirements of the relevant legislation regarding the issue and/or conversion of driving licences.

Findings:

- Lack of management and control at various DLTCs; Poor administration and processes at various DLTCs; corrupt officials and members of the public; fraudulent and/or irregularly issued Drivers Licences, Learners Licences and Professional Driver Permits; fraudulently and/or irregular conversion of foreign licences into South African Credit Card Form Licences; weaknesses in current legislation which regulate the issuing of licences; systemic gaps in processes and procedures and stolen vehicles that are introduced on eNaTIS.
- Successful instituting of first racketeering charges against DOT officials
- Successful prosecutions and convictions in disciplinary proceedings against DOT officials and Government officials
- Improvements in service delivery at DLTCs
- Suggested Improvements to processes and legislation
- Successful mentoring and training of members on project
- Exceeding ENE targets for duration of SLA

Highlights:

- Successful prosecutions and convictions of DOT officials, Government officials and private individuals

Licence Investigation

Focus area	Progress/results during the reporting period
Files uplifted and analysed	122 292 files were uplifted to be audited and verified 271 387 files were audited and verified
Invalidly issued/converted licences identified	37 065 invalidly issued and 16 603 invalidly converted licences identified 37 625 invalidly issued and 8 241 invalidly converted licences have been referred for cancellation 1 278 invalidly issued and 7 628 invalidly converted licences have been cancelled
Criminal cases investigated and registered	620 criminal matters investigated and registered. Of these: <ul style="list-style-type: none"> • 55 cases were registered against government officials • 15 cases were registered against municipal officials • 59 cases were registered against DOT officials • 491 cases were registered against private individuals
Arrests by the South African Police Service (SAPS)	188 people were arrested. Of these: <ul style="list-style-type: none"> • 6 were government officials • 19 were municipal officials • 3 were DOT officials • 160 were private individuals Of these, 72 prosecutions were instituted and 104 convictions were obtained during this reporting period
Disciplinary cases investigated and referred	169 disciplinary cases were investigated. Of these: <ul style="list-style-type: none"> • 168 cases were referred to the DOT/relevant municipality/relevant government department for the institution of disciplinary proceedings

Stolen Vehicles Investigation

Focus area	Progress/results during the reporting period
Files uplifted and analysed	1 559 files were uplifted to be audited and verified 42 916 invalid records were identified
Criminal cases investigated and registered	125 criminal matters investigated and registered. Of these: <ul style="list-style-type: none"> • 30 cases were registered against municipal officials • 4 cases were registered against DOT officials • 31 cases were registered against government officials • 60 cases were registered against private individuals
Arrests by the South African Police Service (SAPS)	64 people were arrested. Of these: <ul style="list-style-type: none"> • 3 were municipal officials • 11 were DOT officials • 20 were government officials • 30 were private individuals Of these, 5 prosecutions were instituted and 1 conviction was obtained.
Disciplinary cases investigated and referred	61 disciplinary cases were investigated. Of these: <ul style="list-style-type: none"> • 61 cases were referred to the DOT/relevant municipality department for the institution of disciplinary proceedings • 5 DOT officials were disciplined • 1 Government official was disciplined • 1 Municipal official was disciplined • 19 eNaTIS users were suspended

Department of Social Development (National and Provincial)

Proclamation R18 of 2005, published on 6 April 2005.

Amended and extended by Proclamation R5 of 2007 published on 30 March 2007

Brief overview:

The SIU was requested to assist the Department of Social Development and the South African Social Security Agency with managing concerns about the abuse of the social grants system. This involves:

- Conduct forensic investigation in respect of the relevant cases referred to the SIU from SASSA Head Office.
- Conduct the verification of benefits by making available a dedicated staff capacity for this purpose.
- Facilitate the institution of criminal charges if applicable (inclusive of charge sheets).
- Provide an indication of negligence on the part of government officials for disciplinary purposes.
- Obtain legal opinions where necessary.
- Provide recommendations on actions to detect and prevent similar activities from re-occurring.

Objectives for this investigation included:

- To identify irregular/illegal conduct on the part of government officials or third parties
- To facilitate the recovery of losses incurred by the SASSA
- To provide recommendations for possible disciplinary and/or criminal action(s) against any implicated official(s) and/or third parties
- To facilitate the institution of disciplinary proceedings in appropriate cases through providing SASSA with disciplinary case files containing evidence collected of misconduct
- To facilitate the registration and preparation of criminal cases with the SAPS
- To identify systemic weaknesses that resulted in a failure to prevent or detect irregularities

Focus Areas and results:

Focus Areas	Results
Benefit Verifications	R26 609
Evidence Prepared for Criminal Action	R2 809
Convictions Achieved	R2 477
Disciplinaries Prepared	R2 095
Total AODs signed	R6 326
Value of AODs signed	R56 269 044.00
Removals from the System	R6 326
Actual Savings (Prevention of Future Losses)	R10 620 750.00
Actual Savings (Prevention of Future Losses)	R185 182 200.00

The SLA expired at the end of March 2011. The SIU and SASSA are in ongoing discussions about the future of the investigation.

Eastern Cape Department of Health

Proclamation R36 of 2008, published on 4 September 2008

Brief overview:

Discussions between the SIU and the department about the scope and focus of the investigation are ongoing.

The SIU was mandated to investigate the following:

- The following aspects in relation to the Emergency Medical Services (EMS) based in East London, Mthatha, Port Elizabeth, Queenstown and Mount Ayliff:
 - Irregularities with the appointment of staff
 - Irregular expenditure
 - Abuse of overtime
 - Abuse of sick leave
- Fraud at Khotsong Hospital relating to:
 - Irregularities with regard to the appointment of staff
 - Violation of procurement processes
- Irregularities in relation to payments made to a specific service provider.

Free State Provincial Development Fund

Proclamation R37 of 2007, published on 27 November 2007

Brief overview:

The SIU was, on the basis of an internal audit report dated July 2005, mandated to investigate 11 companies that received payments totalling R34 million. The SIU was mandated to investigate monies paid contrary to the Free State Development Fund (FSPDF) Constitution and Guidelines as well as contrary to the prescripts of the Public Finance Management Act. The investigation commenced during September 2007 and was finalised in June 2010.

Focus areas:

The focus areas as contained in the Proclamation were as follows:

1. The fruitless, wasteful and unauthorized expenditure and loss of public money by the Free State Provincial Development Fund.
2. The failure by the Provincial Treasury to prevent or mitigate the fruitless and wasteful expenditure of public money from the FSPDF for the funding of projects.
3. The disregard of an application of one entity for funding by the FSPDF to purchase a brick manufacturing, sand and stone business in Bethlehem, and the granting of an application for funding by the FSPDF for the same purpose to another entity in which the brother of the personal assistant to a senior official of the Provincial Treasury held a substantial and undisclosed interest.
4. The granting of an application for funding by the FSPDF to an

entity in which the spouse of a Member of the Executive Committee of the Free State Provincial Government and senior member of the Provincial Treasury held a substantial and undisclosed interest.

Findings:

The SIU established that irregular payments amounting to R34 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 recommended that the matters be referred to the State Attorney for consideration of the institution of actions against the business entities for a possible recovery of R 12 million.

The investigation has been completed and final reports have handed over to the Provincial Treasury.

Mpumalanga Department of Education: Scholar Transport Subsidy Scheme

Proclamation R2 of January 2009, published on 21 January 2009

Brief overview:

The SIU investigation was preceded by two independent investigations into the scholar transport system in the Mpumalanga Department of Education. The reports from these investigations, which were submitted in May 2005 and March 2007, cited numerous instances of alleged maladministration, fraud, corruption and other serious malpractices, which allegedly resulted in substantial losses to the department.

Prior to the SIU commencing its investigations, the Premier of Mpumalanga also appointed a commission of enquiry to look into these concerns. An agreement was reached with the appointed Commissioner that the SIU would conduct investigations into ten priority matters identified in the initial reports. The total funds under investigation by the SIU in these matters is approximately R138 million.

Focus areas, approach and findings:

The SIU has reviewed reports from the initial investigations and a copy of the Scholar Transport Circular on the administration of the scholar transport system.

A detailed analysis of all documentation (tender submissions, appointment letters, contract extension letters, invoices and supporting vouchers) was conducted. From the analysis it was noted that documents including minutes of meetings for the bid specification committees, bid adjudication committees and bid evaluation committees were not available. This information and documents could not be traced.

Numerous irregularities have been identified from the invoices analysed, such as:

- There are invoices where the amounts and details have been altered by hand.

- There are invoices where the number of learners claimed differs from the number of learners on the lists of learners from the school.
- There are invoices and payments for routes which could not be identified.
- There are invoices which are not accompanied by the necessary supporting documents.

The investigation also revealed that false information was provided in tender submissions made by one service provider regarding the ownership and management of the entity.

Instances of double invoicing were identified in claims submitted by two service provider. Possible cover quoting was identified on submissions made by one provider. These matters will be referred to the SAPS for further investigation.

Newcastle Municipal Housing Project

Proclamation R7 of 2007, published on 7 December 2007

Brief overview:

The SIU was mandated to investigate allegations of irregularities in the upgrade of housing in Osizweni and Madadeni at the Newcastle Municipality.

Focus areas, approach and findings:

The SIU is currently investigating 4000 structures which were claimed as fully complete low-cost houses at Osizweni and Madadeni. The investigation is specifically focused on:

- Top Structure Verification: The investigation and analysis has verified and confirmed 999 of the 4000 sites through field investigations and interviews with occupants and owners. The

analysis of the field investigations has identified 18 areas of concern and accounts for over R19 million of the approximately R84 million paid to Newcastle Municipality for this project.

- Administrative irregularities: No formal application for the subsidy process has been followed in respect of this upgrade project. As a result the sites, occupants or owners are not listed on the HSS system. The occupants of the houses have not received title deeds for the sites.

- Other than top structures having been built on sites which do not belong to the recipient of the low-cost house, other concerns include:
 - No building inspections appear to have taken place before the houses were handed over;
 - No formal handover to the beneficiary appears to have taken place;
 - Houses are being bought and sold without the required title deeds; and
 - Houses are being utilised as business premises
- Financial Irregularities: The SIU analysed the management of approximately of R84 million allocated to the municipality's housing programme after serious concerns were raised. The investigation has identified a number of irregularities, including:
 - Duplicate and triplicate payments
 - Payments being made between 1 and 3 years before construction was completed.
 - There are insufficient control measures to ensure funding is correctly used.

North West Department of Local Government and Traditional Affairs

Proclamation R72 of 2009, published on 11 November 2009

Brief overview:

During November 2009 the President issued a Proclamation mandating the SIU to investigate certain allegations at 24 municipalities in the North West. The investigation commenced during January 2010 and is ongoing.

The SIU will investigate four municipalities in phase one namely, Ventersdorp, Madibeng, Mafikeng and Greater Taung. The period of investigation is 12 months and the investigation commenced during January 2010.

The SIU will conduct its investigation at four prioritised municipalities (Madibeng, Ventersdorp, Greater Taung and Mafikeng) as phase 1 of the project. In this phase the SIU will also uplift data from the remaining twenty municipalities for analysis and identification of red flags and irregularities for further investigation.

Findings:

Madibeng Local Municipality

The SIU reviewed ten contracts to the value of R138 million and discovered irregularities in the awarding of tenders and payments to the service providers. One service provider not registered for VAT was awarded a tender valued at R5. 4 million for cutting of grass at cemeteries. Another was paid R432 000 and claimed for VAT despite the company not registered for VAT with SARS. The SIU is investigating how these companies were awarded a tender and has referred the VAT fraud matter to SARS for investigation. The investigation also established that R243 000 was paid irregularly to 20 service providers for cleaning of canals and sweeping of streets. Evidence collected was referred to the SAPS for further investigation.

The SIU assisted the municipality in recovering R12 million from commercial debtors and contributed to a saving of R15 million. The SIU also discovered irregularities to the value of R5 047 880 in the municipality's Municipal Infrastructure Grants (MIG) allocation.

The SIU facilitated the recovery of R29 000 from an official who stole it from the municipality. Criminal evidence has been referred to SAPS who have arrested the suspect on a charge of fraud, and the SIU recommended disciplinary action against the official.

The team has identified several irregularities in the awarding of three tenders, valued at R27 million, to three service providers for the installation of high mast lights and other professional services. It was also established that the municipality awarded a R5 million tender for construction of water and sewer infrastructure to a service provider, but later terminated his services and awarded the same tender irregularly at an inflated amount of R15 million.

The SIU has signed an AOD to the amount of R12 619 with an official who submitted false travel claims to the amount of R43 032.17 and has recommended that the municipality institute disciplinary proceedings against the official. Evidence collected has been referred to the SAPS for investigation.

The SIU has signed eight AODs with seven officials to the amount of R20 000 for excess amounts paid to an insurer after the officials were negligently involved in motor vehicle accidents with the municipality's vehicles. The SIU is in the process of recovering an outstanding amount of R178 557 from other officials who were negligent which resulted in the payment to the insurer of excess amounts by the municipality.

An AOD to the value of R17 267.50 has been signed with a service provider who submitted false invoices and was paid for work not

done. Evidence collected has been referred to the SAPS for a fraud investigation, and the SIU recommended disciplinary action against the official who authorised the payment.

The SIU has identified 449 instances of return-to-drawer cheques valued at R4.7 million which need to be recovered from the debtors by the municipality. In one case a municipal official stole R17 400 from the debtor whose cheque was dishonoured by the bank. The SIU has signed an AOD to the amount of R17 400 and recommended disciplinary action against the official.

The SIU identified 12 companies who were awarded contracts by the municipality and which belong to municipal officials who had not declared their business interests and did not have permission from the municipality to conduct additional remunerative work.

The SIU identified 68 instances of one person registered as a director of various companies on the supplier database. Possible cover quoting concerns are thus under investigation.

The SIU has collected evidence relating to possible irregularities in the awarding of an IT contract valued at R473 000. The SIU has recommended the suspension of the Manager: Supply Chain Management whose company was awarded a contract to the amount of R432 000. However, the suspension has subsequently been lifted by the municipality.

Greater Taung Local Municipality

The SIU has reviewed four contracts valued at R18.2 million.

The SIU established an amount R90 000 paid for the rental of the former Executive Mayor's motor vehicle was irregular – disciplinary action against the officials who authorised the payments will be recommended. The SIU also identified irregularities in the purchasing of the former Executive Mayoral vehicle to the value of R301 058. This expenditure was not budgeted for, contrary to Section 32 of the MFMA. Action has been recommended against the Council for certifying this expenditure.

The team is investigating allegations that a service provider was paid R99 000 for the supply of fencing and gates at a taxi rank. The service provider was paid the full amount but only supplied the fencing, not the gates. The SIU will recover the losses incurred by the municipality as a result of the service provider being paid for work not done, and will recommend that disciplinary action be taken against the official who authorised the payments.

The SIU has identified irregularities in the awarding of a tender to install 100 high mast lights to the value of R14 million. It appears a former senior official deviated from the recommendations of the Bid and Adjudication committees without complying with section 114 of the MFMA.

The SIU has recovered an amount of R200 789 from a service provider who submitted false claims and was paid for incomplete work, and has recommended disciplinary action against the official who authorised these payments. The SIU also identified an irregular salary increase of an manager in the office of the Mayor. A disciplinary case against the implicated individual will be forwarded to the municipality.

Finally, the SIU has identified 135 instances where employees are registered as directors of companies at CIPRO. The SIU is establishing if these companies are registered on the municipal database and if they have been awarded contracts by the municipality.

Mafikeng Local Municipality

The SIU has reviewed two contracts to the value of R278 700.

It has finalised an investigation into the alleged abuse of the municipal credit card, and will refer evidence collected to the SAPS for further investigation of a possible criminal case.

The SIU has also finalised an investigation into alleged irregular payments for the renovation of the mayoral house. Since some renovations did occur the team is unable to quantify losses incurred.

The SIU has also finalised an investigation into allegations of irregularities in the contract awarded for a strategic session and soccer tournament. It was established that supply chain management process were not followed, and the investigating team has recommended that action be taken against the officials who authorised the payments.

It has been established that a service provider who catered for a special project overbilled the municipality. The investigation has been finalised.

Ventersdorp Local Municipality

The SIU has reviewed eleven contracts with a total value of R14.6 million where there are allegations of irregularities.

A case involving the irregular alienation of land has been finalised and the SIU has recommended that disciplinary action be taken against the officials involved.

The SIU has also finalised an investigation into the irregular and unprocedural reinstatement of two officials, and has recommended disciplinary action against officials who did not comply with policies and regulations.

Moses Kotane Local Municipality

The SIU is investigating the alleged irregular payment of R100 000 to a local radio station by the municipality. It is also investigating possible irregular payments of R2.3 million for the supply of roof sheeting which was not delivered by the service providers. It was established that payments were made into a personal bank account and not the business account of the service provider. Another service provider was paid an amount of R11 000 for catering services which were never rendered.

The SIU established irregularities in the appointment of an ICT data capturer and the Manager of Supply Chain Management.

The SIU is investigating irregular payments of R1.2 million made to attorneys despite the fact that the municipality has employed a Legal Manager.

The investigating team has signed the following AODs:

- One AOD to the value of R26 870 with a service provider who was paid for the installation of a kitchen unit, sliding door and television at the municipal libraries but did not deliver. Evidence collected has been referred to the SAPS for further action, and the SIU has recommended that the municipality take disciplinary action against the official who authorised the payments.
- Six AODs to the value of R18 673 for losses incurred by the municipality after the officials were negligently involved in accidents whilst driving municipal motor vehicles.

- One AOD to the value of R18 000 for irregular use of a 3G card by an official on suspension. 120 irregular appointments of employees.

- One AOD to the value of R88 959 with the CFO who negligently authorised a claim for a debtor who paid with a dishonoured cheque, where the losses were never recovered by the municipality from the debtor.

- One AOD to the value of R10 000 with a manager who stole funds from the municipal social club account. The evidence collected has been referred to the SAPS, and the SIU has recommended that the municipality take disciplinary action against the official. The same manager is also under investigation for the unauthorised use of a municipal vehicle, where the municipality incurred costs after the vehicle was damaged. The SIU has recommended that this manager be suspended for the duration of the investigation.

An investigation is being conducted into allegations around the purchase of a mayoral residence, where the price was R1.3 million, but the municipality made payments of R1.7 million. It is alleged that the previous owner of the house is a service provider who was allocated a tender for the renovation of the civic centre.

Finally, the SIU is also investigating allegations that the municipality paid R59 million for a turnaround strategy document.

Rustenburg Local Municipality

The SIU is investigating allegations that a security tender was irregularly awarded, and that irregular monthly payments of R362 000 were made to the service provider who provided poor service.

Tswaing Local Municipality

The SIU has reviewed one contract to the value of R 6.8 million. The SIU is currently analysing personnel files and has already found

The SIU is also reviewing the purchase of uniforms and fire fighting vehicles.

Dr Kenneth Kaunda District Municipality

The SIU has reviewed eleven contracts to the value of R14.6 million and has thus far not found any irregularities.

The SIU has identified irregularities in the extension of four employment contracts by the former Municipal Manager. The municipality's lawyer is in the process of cancelling those contracts as the proper HR policies and procedures were not followed.

The SIU has also identified the abuse of municipal credit cards, and has recommended the implementation of a policy to curb irregular expenditure. The municipality has already recovered the funds from the municipal official involved, and has also cancelled the credit cards.

Maquassi Hill Local Municipality

The SIU has investigated the awarding of a contract for the supply and installation of speeding cameras within the municipality. The service provider rendered the service on a 50/50 commission basis whereby the municipality were paid 50% of the amounts collected from the fines. The SIU discovered no irregularities and found that the municipality has benefited financially from the contract.

The SIU has also established that the former Acting Municipal Manager appointed a service provider without advertising the tender valued at R2.5 million. The investigation established that the service provider was paid by Dr Kenneth Kaunda District Municipality since Maquassi Hill Local Municipality did not have sufficient funds. The SIU is in the process of quantifying losses incurred by the municipalities, if any.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

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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 Special investigating Unit

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Special Investigating Unit, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting authority's report, as set out on pages 43 to 50.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Investigating Unit as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 51 to 69 and material non-compliance with laws and regulations applicable to the entity.

Predetermined objectives

Presentation of information

9. The reported performance against predetermined objectives was deficient in respect of the following criteria:

- Reasons for major variances between planned and actual reported targets were not explained in the report on predetermined objectives.

The following audit finding relates to the above criteria:

- Adequate explanations for major variances between the planned and actual reported targets for the objective "To increase the impact of the Special Investigating Unit's forensic services in the public sector" were not provided, as required in terms of the relevant reporting guidance. In total 85,7% of the reported targets with major variances were not explained.

Usefulness of information

10. The reported performance against predetermined objectives was deficient in respect of the following criteria:

- Consistency: The reported targets are not consistent with the approved strategic plan.

The following audit finding relates to the above criteria:

11. The actual achievements with regard to 87,5% of all planned objectives specified in the strategic plan for the year under review were not included in the report on predetermined objectives submitted for audit purposes.

Compliance with laws and regulations

Expenditure management

12. The accounting authority did not always take effective and appropriate steps to prevent irregular expenditure as per the requirements of section 51(1) (b) of the PFMA.
13. The accounting authority did not report within 10 working days to the National Treasury and the Auditor-General, in all cases where goods and services above the value of R1 million (VAT included) were procured, in terms of Treasury Regulation 16A6.4.

Procurement and contract management

14. Goods and services with a transaction value between R10 000 and R500 000 were procured without inviting at least three written price quotations from prospective suppliers as per the requirements of TR 16A6.1 and National Treasury Practice Note 8 of 2007-08.

Annual financial statements,

performance report and annual report

15. The annual report did not contain details of the entity's actual performance against the strategic objectives as agreed on by the executive authority, in contravention of the requirements of section 55(2)(a) of the PFMA read with Treasury Regulation 28.2.2.

INTERNAL CONTROL

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

Leadership

17. The accounting authority did not exercise oversight responsibility regarding performance reporting, compliance with laws and regulations, and related internal controls.

Financial and performance management

18. Management did not have adequate controls to ensure that the entity reported on all strategic objectives with regard to performance information.
19. Management did not review and monitor compliance with laws and regulations.

OTHER REPORTS

Investigations

20. An investigation is being conducted into possible procurement irregularities. The investigation is still ongoing as at the reporting date.

Auditor-General

Pretoria
31 July 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Audit Committee Special Investigating Unit (SIU)

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

Audit Committee members and attendance

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

Name of member	No. of meetings attended
Prof H de Jager Chairperson (External member)	4
SK Whitfield (External member)	4
Members representing the SIU	
G Visagie	4

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

Audit Committee responsibility

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

The effectiveness of internal control

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

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

On request of the Audit Committee and approved by management the scope of the Internal Audit was extended to do more work on Supply Chain Management (SCM). The reason for this step was a complaint which was lodged at SAPS concerning a misconduct in tender processes.

Financial Statements

The Audit Committee has:

reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General SA and management;

reviewed the Auditor-General SA management report and the responses of management thereto.

The Audit committee concurs and accepts the Auditor-General's conclusion on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the unqualified audit report of the Auditor-General SA

Management Reports

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

Risk strategy

The SIU has a risk management strategy in place and keeps a risk register.

Auditor-General South Africa

The Audit committee has met with the Auditor-General SA to ensure that there are no unresolved issues.

General

Although the Auditor-General SA and Internal Audit did extensive work on tender processes and procurement there were no significant findings.



Prof H de Jager
Chairperson of the Audit Committee

30 July 2011

Approval of the financial statements for the year ended 31 March 2011

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

- economy, efficiency and effectiveness of operations;
- internal financial controls; and
- 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 2010 to 31 March 2011 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 2011, which appear on pages 37 to 39 were approved and signed by me in my capacity as Head of the Unit.



Head of Unit

31 July 2011

Statement of financial position at 31 March 2011

	Notes	2011 R	2010 R
ASSETS			
Non-Current Assets			
		61 228 678	37 584 541
Property, plant and equipment	2	39 125 474	15 950 312
Intangible assets	3	1 700 305	605 305
Bank balances — recoveries	4.1	20 402 899	21 028 923
Current Assets			
		58 653 658	64 586 034
Inventory	5	182 637	214 448
Trade and other receivables from exchange transactions	6	47 309 006	47 977 808
Trade and other receivables from non-exchange transactions	7	392 760	631 934
Prepayments		1 590 564	2 253 784
Cash and cash equivalents	8	9 178 690	13 508 060
Total assets		<u>119 882 335</u>	<u>102 170 575</u>
LIABILITIES			
Non-current Liabilities			
		20 402 899	21 028 923
Finance lease obligations	9	-	-
Payables — Recoveries	4.2	20 402 899	21 028 923
Current Liabilities			
		75 934 456	34 420 207
Trade and other payables from exchange transactions	10	42 432 831	22 280 496
Trade and other payables from non-exchange transactions	11	304 277	281 759
Current portion of finance lease obligations	9	-	179 471
Deferred Income from exchange transactions	13	17 885 241	-
Income received in advance from exchange transactions	12	15 312 107	11 678 481
Total liabilities		<u>96 337 355</u>	<u>55 449 130</u>
Net assets		<u>23 544 980</u>	<u>46 721 444</u>
EQUITY AND RESERVES			
Accumulated surplus		23 544 980	46 721 444
		<u>23 544 980</u>	<u>46 721 444</u>

Statement of financial performance for the year ended 31 March 2011

	Notes	2011 R	2010 R
Revenue	14	312 240 156	263 808 359
Operating expenses		336 801 749	277 037 229
Employee cost	15	182 142 252	182 060 199
Travel and accommodation		22 279 732	14 798 769
Depreciation	2	9 375 147	9 988 726
Amortisation costs		559 326	870 511
Other expenses	20	122 445 292	69 319 024
Operating (deficit)		(24 561 593)	(13 228 870)
Other operating income	16	149 095	1 040 502
Operating (deficit) before interest		(24 412 498)	(12 188 368)
Interest Received	17	1 286 527	6 692 842
		(23 125 971)	(5 495 526)
Finance Costs	18	(50 493)	(735 155)
(Deficit) for the period		(23 176 464)	(6 230 681)
		(23 176 464)	(6 230 681)
Transfer (From)To Accumulated Surplus		(23 176 464)	(6 230 681)

Statement of changes in net assets for the year ended 31 March 2011

Balance at 31 March 2009

Movement for the year

Balance at 31 March 2010

Movement for the year

Balance at 31 March 2011

Accumulated surplus (deficit) R	Total R
52 952 125	52 952 125
(6 230 681)	(6 230 681)
46 721 444	46 721 444
(23 176 464)	(23 176 464)
23 544 980	23 544 980

Cash flow statement for the year ended 31 March 2011

	Notes	2010 R	2010 R
Cash inflow from operating activities		30 010 751	(18 018 405)
Cash receipts from departments		313 148 132	253 050 023
Cash paid to suppliers and employees		(284 373 415)	(277 026 115)
Cash generated from operations	25.1	28 774 717	(23 976 092)
Interest received		1 286 527	6 692 842
Finance cost		(50 493)	(735 155)
Cash outflow from investing activities		(34 160 650)	(1 929 966)
Investment to maintain operations		264 541	332 974
Proceeds from sale of moveable property and equipment			
Investment to expand operations		(34 425 191)	(2 262 940)
Purchase of moveable property and equipment			
Cash flow from financing activities		(179 471)	(164 007)
Long term loan (decrease)			
Net (decrease) in cash and cash equivalents		(4 329 370)	(20 112 378)
Cash and cash equivalents at beginning of year		13 508 060	33 620 438
Cash and cash equivalents at end of year	8	9 178 690	13 508 060

Summary of accounting policies for the year ended 31 March 2011

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 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

- **Trade receivables / Held to maturity investments and/or loans and receivables**

The SIU assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

- **Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the SIU for similar financial instruments.

1.3 Revenue from exchange transactions

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

assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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 Government departments in terms of partnership agreements to carry out specific engagements accounted for on an accrual basis.

1.4 Accounting for Government grants & disclosure of financial assistance

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching 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 of the period in which it becomes receivable.

Any incidental grants are accounted for on a cash basis.

1.5 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.

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act and the Public Office Bearers Act or is in contravention of the SIU's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.6 Employee benefits

Short-term employee benefits:

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

The expected cost of compensated absences is recognised as an expense as employees render service 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 retirements 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.

1.7 Moveable property and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for non-monetary or monetary assets, or a combination of both, the asset acquired is initially recognised at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets given up.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates for each category of property, plant and equipment are based on the following estimated average asset lives:

Item:

Computer hardware	33.1/3 %
Furniture	10%
Leasehold improvements	Over the lifespan of the lease
Motor vehicles	25%
Plant, office equipment and machinery	20%

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the statement of financial performance. The entity tests for impairment where there is an indication that an asset may be impaired.

An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is recognised in the statement of financial performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

1.8 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. An intangible asset is recognised in the statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the entity has the resources to complete the project; and
- it is probable that the SIU will receive future economic benefits or service potential.

(continued from page 44)

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an intangible asset is acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item:

Computer software	50%
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance. The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired.

An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

1.9 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 in which 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 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 have been recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.11 Financial instruments

Classification

The SIU classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category. A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the SIU becomes a party to the contractual provisions of the instruments. 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 instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses. Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the SIU's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the SIU assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the SIU, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as available-for-sale

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method except where material variances exist between the amortised cost and the nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the SIU's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

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 surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The SIU assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The SIU first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the SIU with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to

the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the SIU; or
- (b) the number of production or similar units expected to be obtained from the asset by the SIU.

Criteria developed by the SIU to distinguish cash-generating assets from non-cash-generating assets are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the SIU estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the SIU applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the SIU:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining

growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an amount that the SIU expects to obtain from the disposal of the asset knowledgeable, willing parties, after deducting the estimated costs of disposal.

Foreign currency future cash flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. The SIU translates the present value using the spot exchange rate at the date of the value in use calculation.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the SIU recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the SIU determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or

group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the SIU use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing. Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying

(continued from page 48)

amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the SIU with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the SIU; or

- (b) the number of production or similar units expected to be obtained from the asset by the SIU.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

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

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential. The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a non-cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired

state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the SIU recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Related parties

The SIU operates in South Africa together with other entities directly or indirectly owned by the South African government. As a result of the broad scope of the SIU's activities, any of the afore-mentioned entities are considered to be potential related parties. Senior (key) management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the group. All individuals from the level of executive management up to the board of directors are regarded as key management per the definition of the relevant GRAP Standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management members in their dealings with the SIU.

Other related party transactions are also disclosed in terms of the requirements of the standard.

1.15 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 of the minimum lease payments.

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

1.16 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 in 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.

1.17 Events after the Statement of Financial Position date

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

1.18 Comparative figures

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

1.19 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 2011

2 PROPERTY, PLANT AND EQUIPMENT

Description	2011			2010		
	Cost	Acc. Depr	Carry Value	Cost	Acc. Depr	Carry Value
Books and law reports	227 837	168 567	59 270	223 847	136 609	87 238
Computer equipment	22 064 807	8 263 615	13 801 192	11 170 292	7 206 625	3 963 667
Office furniture	8 650 374	4 889 904	3 760 470	8 244 808	4 440 084	3 804 724
Office equipment	7 26 527	3 943 317	3 322 210	5 643 018	3 995 414	1 652 604
Motor vehicles	9 184 664	7 179 386	2 005 278	9 184 664	6 109 125	3 075 539
Lease equipment	-	-	-	489 904	338 108	151 796
Leasehold improvements	23 396 648	7 219 594	16 177 054	6 196 490	2 981 746	3 214 744
Total	70 739 857	31 664 383	39 125 474	41 158 023	25 207 711	15 950 312

Reconciliation 2011

Description	Opening balance 01/04/2010	Additions in period	Disposals in period	Depr.	Balance at 31/03/2011
Books and law reports	87 238	3 992		31 960	59 270
Computer equipment	3 963 667	12 991 594	33 265	3 120 804	13 801 192
Office furniture	3 804 724	719 385	183 876	579 763	3 760 470
Office equipment	1 652 604	1 855 722	1 287	184 829	3 322 210
Motor vehicles	3 075 539	-	-	1 070 261	2 005 278
Lease equipment	151 796	-	2 113	149 683	(0)
Leasehold improvements	3 214 744	17 200 157	-	4 237 847	16 177 054
Total	15 950 312	32 770 850	220 541	9 375 147	39 125 474

Reconciliation 2010

Description	Opening balance 01/04/2009	Additions in period	Disposals in period	Depr.	Balance at 31/03/2010
Books and low 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 (restated)	5 442 389	1 654	1 14 413	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	2 039 216	220 099	9 988 726	15 950 312

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 710 729 (2010: R1 301 967) - refer note 16.1.

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

3 INTANGIBLE ASSETS

Description	2011			2010		
	Cost	Acc. Depr	Carry Value	Cost	Acc. Depr	Carry Value
Computer software	2 481 032	780 727	1 700 305	2 073 284	1 467 979	605 305

Reconciliation 2010

Description	Opening balance 01/04/2010	Additions in period	Disposals in period	Amort. charge	Balance at 31/03/2011
Computer software	605 305	1 654 341	15	559 326	1 700 305

Reconciliation 2009

Description	Opening balance 01/04/2009	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

Note

The useful lives of certain intangible assets have been reassessed. This resulted in an increase in the carry amount of intangible assets of R158 460 (2010: R460 804) - refer note 16.1.

	2011 R	2010 R
4 BANK BALANCES/PAYABLES — RECOVERIES		
4.1 Bank balances	20 402 899	21 028 923
4.2 Payables - Recoveries	20 401 498	21 020 228
Accrued interest payable to National Treasury	1 401	8 695
Total payable	20 402 899	21 028 923

The amount reflected is owed to third parties and was obtained through either signed acknowledgement of debts 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	37 085	72 596
Stationery and toner	145 552	141 852
Total	182 637	214 448

Stationery and toner comprise stock on hand at the various regions. IT consumables are items with a value less than R1 000.

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011 R	2010 R
6 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSATIONS		
Exchange transactions	47 309 006	47 977 808
Trade debtors		
Trade debtors	47 309 006	48 451 479
Interest in terms of IAS 39	-	(473 671)
Doubtful receivables allowance		
The unit's trade receivables are stated after allowances for doubtful receivables based on management's assessment of its recoverability. An analysis of the allowance is as follows:		
Balance at the beginning of the year	1 493 754	-
Charged to Statement of Financial Performance	833 768	1 493 754
Reversed from Statement of Financial Performance	-	-
Balance at the end of the year	<u>2 327 522</u>	<u>1 493 754</u>
7 TRADE AND OTHER RECEIVABLES FROM NON EXCHANGE TRANS-ACTIONS		
Non-Exchange transactions	392 760	631 934
Loans		
Employee loans	274 156	376 709
Ex-Employee loans	274 156	183 050
Leave provision	0	193 659
Leave provision	75 255	53 153
Deposits	17 630	12 707
Other receivables	25 719	189 365
The carrying amounts of trade and other receivables approximate their fair value.		
8 CASH AND CASH EQUIVALENTS		
Current account	9 178 690	13 508 060
Trust account — Income received in advance	-	-
Bank balances	<u>9 178 690</u>	<u>13 508 060</u>

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 2011

	2011	2010
	R	R
9 FINANCE LEASES		
The finance leases consisted of amounts paid towards the lease of copiers. The full term of the leases range over a period of 3 years and are repayable in monthly installments. The interest rate implicit in the leases were the prime rate plus 3.5% for the duration of the lease term. The carrying value of the assets of the leases in 2010 was R 151 796		
Contractual cash flows		
Within one year	-	179 471
Later than one year but not later than 3 years	-	-
	-	179 471
Less unearned finance income	-	-
Present value of lease payments	-	179 471
Included in the financial statements as:	-	179 471
Current liabilities	-	179 471
Non-current liabilities	-	-
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Exchange transactions	42 432 831	22 280 496
Trade Payables	29 858 515	8 733 437
Gross trade payables	29 858 515	8 766 843
Interest in terms of IAS 39	-	(33 406)
Accrual for leave pay	7 973 140	7 446 938
Lease smoothing provision	342 815	1 234 000
Employee costs — deductions	4 258 361	4 866 121
11 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Non Exchange transactions	304 277	281 759
Other	304 277	281 759
<ul style="list-style-type: none"> • 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 comprise the aggregate of all operating leases, amortised on a straight line basis over the periods of the individual leases. 		

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
12 INCOME RECEIVED IN ADVANCE FROM EXCHANGE TRANSACTIONS		
Department of Transport	4 985 019	-
Department of Human Settlements	-	3 403 054
NW Department of Local Government & Trade Aff	-	3 837 179
Eastern Cape Department of Education	-	982 248
SITA project	-	3 000 000
Department of Arts and Culture	-	
Department of Public Works KZN	-	
Department of Housing Contacts	9 463 431	
SABC	863 657	
Building renovations from lessee	-	456 000
	<u>15 312 107</u>	<u>11 678 481</u>
13 DEFERRED INCOME FROM EXCHANGE TRANSACTIONS		
Eastern Cape Department of Education	3 253 280	
PSETA	640 000	
Eskom	3 468 578	
Department of Arts and Culture	517 169	
KZN: Department of Public Works	385 569	
Department of Human Settlements	7 620 644	
Department of Co-operative Government - Municipal Infrastructure	2 000 000	
	<u>17 885 241</u>	<u>-</u>

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011 R	2010 R
14 REVENUE		
Revenue from Non-Exchange Transactions		
14.1 Grant received from Department: Justice and Constitutional Development	171 089 000	154 737 000
14.2 Revenue from Exchange Transactions	141 151 156	109 071 359
Department of Transport	20 534 583	22 523 585
Department of Human Settlements	24 633 908	14 248 149
Department of Social Development	36 000 000	57 500 000
ECPG: Department of Economic Dev & Env Affairs	-	540 234
Mpumalanga Provincial Government	-	1 666 668
Limpopo Provincial Government	-	2 560 314
Government. Employees Medical Scheme	4 465 900	601 620
SABC	7 772 919	-
KZN: Department of Human Settlements	843 453	-
DSD-NGOs	7 067 870	-
Department of Rural Dev and Land Ref	746 462	-
Department of Arts and Culture	4 654 522	-
Free State Provincial Treasury	2 923 093	-
EC Department of Transport	1 242 505	-
Eskom	2 677 025	-
KZN: Department of Public Works	1 739 701	-
PSETA	160 000	-
Tshwane Metropolitan Municipality	2 392 734	-
SITA	3 000 000	-
Ekurhuleni Metropolitan Mun	1 169 396	618 417
NW Department of Local Government & Trad Af	3 837 178	2 162 821
Department of Arts & Culture: Freedom Park	-	113 540
Department of Education-EC	4 235 529	555 876
Office of the Auditor-General	-	881 055
Eastern Cape Local Government	-	1 500 000
Department of Economic Affairs	6 000 000	3 000 000
Western Cape Local Government	4 272 277	4 228 111
Directory of Special Operations (NPA)	-	-
National Prosecuting Authority		
AFU — rental & secondment of staff	782 101	1 419 162
Revenue transferred to interest received as a result of discounting accounts receivable using the effective interest method, as per IAS 39		(4 574 522)
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)
Total Revenue	312 240 156	263 808 359

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
15 EMPLOYEE COSTS		
Total expenses include:		
Salaries and wages	163 336 110	163 303 001
Provident and funeral fund contributions	14 493 157	13 754 901
Medical aid contributions	1 110 257	992 178
Training	1 008 671	756 859
Relocation cost	906 054	585 738
UIF, COID & RSC levies	767 184	1 053 492
Accrual for leave pay	520 819	1 614 030
	<u>182 142 252</u>	<u>182 060 199</u>
16 OTHER OPERATING INCOME		
Computer expenses recovered from staff members	42 012	220 575
TFI Contract Recoveries	82 666	186 716
Sundry income	22 240	571 259
Department of Labour: COID refunds	2 177	61 952
	<u>149 095</u>	<u>1 040 502</u>
17 INTEREST RECEIVED		
Call accounts	812 855	2 118 320
Interest income on impaired financial assets amortised at the effective interest rate, as per IAS 39	473 672	4 574 522
	<u>1 286 527</u>	<u>6 692 842</u>
The interest rate risk is detailed in note 24.5.		

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
18 FINANCE COSTS		
Finance charge on impairment of financial liabilities amortised at the effective interest rate, as per IAS 39	(33 406)	(718 010)
Unpaid portion transferred to accounts payable		33 406
Interest paid on finance leases	(17 087)	(50 551)
	<u>(50 493)</u>	<u>(735 155)</u>

The interest rate risk is detailed in note 23.5.

19 CHANGES IN ESTIMATED: USEFUL LIFE OF ASSETS REVIEWED

19.1 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	76 082	13 913
Computer equipment	4 844 588	3 412 359	1 432 229
Office furniture	2 199 132	2 112 389	86 743
Office equipment	2 974 364	2 198 143	776 222
Motor vehicles	2 998 133	2 133 882	864 251
Leasehold improvements	5 756 966	7 219 594	(1 462 628)
Change in depreciation: 2011	<u>18 863 178</u>	<u>17 152 449</u>	<u>1 710 729</u>
Change in depreciation: 2010	<u>10 933 498</u>	<u>9 631 532</u>	<u>1 301 967</u>

The effect of the change in the estimated useful life of assets in the current year is to increase the carrying amount of property, plant and equipment by R 1 710 729, (2010: R1 301 967) and decrease the depreciation expense by R1 710 729 (2010: R1 301 967). The effect on future years will be an increase in the depreciation charge of R1 710 729 (2010: R1 301 967), reversing the credit of R1 710 729 (2010: R1 301 967) created in the current year.

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
19.2 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
Change in amortisation: 2011	519 030	360 571
Change in amortisation: 2010	1 724 537	1 263 733
	<u>1 724 537</u>	<u>1 263 733</u>
		<u>460 804</u>

The effect of the change in the estimated useful life of certain computer software on the current year is to increase the carrying amount of intangible assets by R158 459 (2010: R460 804) and decreasing the amortisation charge by R158 459 (2010: R460 804). The effect on future years will be an increase in the amortisation charge of R158 460 (2010: R460 804), reversing the credit of R158 459 (2010: R460 804) created in the current year.

20 OTHER EXPENSES

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

Auditor's remuneration	1 698 444	1 196 800
Consultancy fees	19 911 618	27 042 685
Computer consumables	192 888	43 005
Insourced investigative consultants*	56 586 392	-
Internal audit fees	624 263	981 708
Loss on disposal of property & equipment	(43 985)	270 455
Refund paid	-	2 251 984
Rent paid - properties	16 299 968	14 021 594
Telephone, fax and posting expenses	5 559 323	5 752 735
		<u>5 752 735</u>

* Due to the significant increase in forensic assignments accepted by the SIU in FY 2011/12. The additional workload required an increase in human resource capacity which was sourced from external forensic accounting firms. Over time the SIU intends to grow its internal staff complement.

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011 R	2010 R
21 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 fruitless or wasteful expenditure. Details of irregular expenditure are set out below.		
21.1 Irregular expenditure		
Opening Balance	-	3 296 810
Add: Irregular Expenditure - current year	166 862	-
Less: Amounts condoned	-	3 295 810
Irregular Expenditure awaiting condonation	<u>166 862</u>	<u>-</u>
Analysis of expenditure awaiting condonation per age classification Current year		
Current year	166 862	-
Prior years	-	-
Total	<u>166 862</u>	<u>-</u>
Details of Irregular Expenditure - Previous year		Amount
		<u>0</u>
		<u>-</u>

Details of irregular expenditure — current year

During the 09/10 financial year the Head of the Unit approved a deviation certificate which, inter alia, authorised the SIU to establish a panel of approved forensic consultant service providers and to enter into contracts with such approved service providers within a window period of 1 February 2010 to 31 January 2011.

Certain contracts with such service providers were entered into after 31 January 2011 and are thus not within the authority of the afore-mentioned certificate to deviate from normal supply chain management procedures.

Actions taken by the Unit to reduce the risk of reoccurrence include quarterly reviews of the SCM validity of all contracts with forensic consultant service providers.

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
22 RELATED PARTY TRANSACTIONS		
22.1 The following related party transactions are included in trade receivables:		
Asset Forfeiture Unit	662 122	1 133 982
Department of Correctional Services	1 160 702	1 160 702
Department of Social Development		22 500 000
Department of Transport	-	4 106 917
Directorate of Special Operations	104 098	104 098
Western Cape Local Government		1 752 645
Department of Housing	4 217 307	-
SITA Pty (Ltd)		3 000 000
Department of Co-operative Governance	2 000 000	-
Department of Rural Dev and Land Ref	746 462	-
SA Social Security Agency	6 000 000	-
ESKOM	6 145 603	-
Free State Provincial Treasury	2 923 093	-
KZN Department of Public Works	2 125 270	-
Department of Health & Social Development	7 067 870	-
PSETA	800 000	-
Tshwane Metropolitan Municipality	2 392 734	-
Western Cape Department of Local Government	424 864	-
Department of Economic Development and Environmental Affairs	278 748	278 748
Government Employees Medical Scheme	243 803	252 544
North West Municipality	6 000 000	
Department of Education	6 506 560	1 538 124
Ekurhuleni Metropolitan Municipality	467 758	495 428
Department of Arts and Culture (Incl. Freedom Park)	5 285 231	113 540
Auditor General South Africa		881 055
Department of Human Settlements	84 303	6 627 452

Note: The related party transactions with members of management are set out in Note 24.1

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
22.2 The following related party transactions are included in Payables - Recoveries:		
Department of Social Development	8 190 406	7 252 805
Department of Correctional Services	3 172 704	2 356 609
Department of Human Settlements	1 876 794	4 692 898
Department of Justice	447 650	443 280
Department of Transport	148 389	142 349
Eastern Cape Local Government	1 918 084	1 695 078
Eastern Cape Local Government (Development Corp.)		63 752
Department of Finance	1 000	1 000
Mpumalanga Local Government	7 000	7 000
Department of Traditional and Corporate Affairs	1 400	1 400
Department of Education	1 454 752	1 454 063
Department of Agriculture	57 600	57 600
Municipalities- Alfred Nzo Eastern Cape	38 500	-
Municipalities- Taung North West	200 389	-
Municipalities- Moses Kotane North West	56 197	-
Department of Health	77 850	-
Department of Tourism, Environment and Economical Affairs	57 500	57 500
Mpumalanga Economic Growth Agency	15 000	15 000
National Treasury	<u>8 695</u>	<u>8 695</u>

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011 R	2010 R
22.3 The following related party transactions are included in revenue:		
Exchange revenue		
Asset Forfeiture Unit	782 102	1 419 162
EC Department of Local Government & Trad Affairs	6 000 000	3 000 000
Department of Social Development	36 000 000	57 500 000
Eastern Cape Local Government	-	1 500 000
Eastern Cape Provincial Government	-	540 234
Directorate of Special Operations	-	-
Western Cape Local Government	4 272 277	4 228 111
Department of Human Settlements	24 633 908	14 248 149
Department of Transport	20 534 583	22 523 585
Limpopo Provincial Government	-	2 560 314
Mpumalanga Provincial Government	-	1 666 668
Government Employees Medical Scheme	4 465 901	601 620
Ekurhuleni Metropolitan Municipality	1 169 396	618 417
NW Department of Local Government & Trad Affairs	3 837 178	2 162 821
Department of Arts & Culture: Freedom Park	-	113 540
Department of Education Eastern Cape	4 235 529	555 876
Auditor General South Africa	-	881 055
SITA	3 000 000	-
SABC	7 772 920	-
KZN:Department of Human Settlements	843 453	-
Department of Social Development - NGOs	7 067 870	-
Department of Rural Dev and Land Reform	746 462	-
Department of Arts and Culture	4 654 522	-
Free State Provincial Treasury	2 923 093	-
EC Department of Transport	1 242 505	-
Eskom	2 677 025	-
KZN: Department of Public Works	1 739 701	-
PSETA	160 000	-
22.4 Other related party transactions		
Rental paid by Department of Public Works — not included in expenditure	<u>2 822 162</u>	<u>2 712 735</u>
Salaries paid by the NPA for staff seconded to the unit for the period 1 April 2010 to 31 March 2011, not included in expenditure		
The previous year was only for the period 1 August to 31 March 2010	<u>3 121 418</u>	<u>1 725 878</u>
23 OPERATING LEASES		
Rental commitments in respect of properties and copiers	<u>58 786 561</u>	<u>63 172 777</u>
Payable within 1 year	18 473 654	15 711 269
Payable within 2 - 5 years	37 257 530	40 289 380
Payable thereafter	<u>3 055 377</u>	<u>7 172 128</u>
The commitments are in respect of 17 rental agreements for premises for periods ranging from from 1 years to 6 years. The average monthly rental is R1 565, 293 (2010: R1 389 775). The balance of the lease smoothing provision is R342, 815 (2010: R1 233 999). There are also 19 copier rental agreements ranging from 1 year to 2 years. The average monthly rental is R 54 611.		

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

24 SENIOR MANAGEMENT REMUNERATION

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

		Salary	Special Allowance	Medical/Pension	Other benefits	Total 2011	Total 2010
Executive management							
W Hofmeyr*	Head of Unit						
F Davids**	Deputy Head	692 901		76 994	46	769 940	1 105 881
M Nyathi	Head Business Support	942 363		104 714	69	1 047 146	541 795
Z Ntolosi		994 369				994 369	904 825
S Sokupa***	Portfolio Manager	325 297			22	325 319	
P Bishop	Program Manager	823 616		58 361	68	882 045	796 212
G Visagie****	Exec manager: Governance	870 453		214 512	68	1 085 033	1 086 571
Senior management							
V MarshSmit	CFO	823 917		164 361	68	988 347	990 841
		5 472 916		618 942	341	6 092 199	5 426 125

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

** Mr Davids was paid for the period April to November 2010 and an amount of R279 970 was paid as notice pay

*** Mr Sokupa started in December 2010

**** Mr Visagie received a relocation allowance of R89 204.70

***** 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	142 518
Mr G Visagie	148 355
Mrs V MarshSmit	90 586

24.2 Remuneration (incl disbursements) of Audit Committee members

	2011	2010
	R	R
S Whitfield	50 078	28 950
H de Jager (Chairman)	16 710	41 273
	66 788	70 223

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

	2011	2010
	R	R
25 NOTES TO THE CASH FLOW STATEMENT		
25.1 Reconciliation of profit/(loss) to cash generated from operations		
Operating profit/(loss)	(23 125 971)	(5 495 526)
Adjusted for:		
Depreciation	9 375 147	9 988 726
Amortisation costs	559 326	870 511
Interest received	(1 286 527)	(6 692 842)
Loss on sale of moveable property & equipment	(43 985)	270 455
Operating profit before working capital changes	<u>(14 522 010)</u>	<u>(1 058 676)</u>
(Increase)/decrease in inventory	31 810	83 485
(Increase)/decrease in trade receivables	907 976	(10 758 336)
Decrease/(increase) in prepayments	663 220	(959 439)
Increase/(decrease) in trade payables	20 174 854	(871 492)
Increase/(decrease) in deferred income	17 885 241	-
Increase/(decrease) in revenue received in advance	3 633 626	(10 411 633)
Net changes in working capital	<u>43 296 727</u>	<u>(22 917 416)</u>
Net cash flows from operating activities	<u><u>28 774 717</u></u>	<u><u>(23 976 092)</u></u>

26.1 FINANCIAL INSTRUMENTS

26.1 Financial risk management objectives

The SIU's risk management committee monitors and manages the financial risks relating to the operations of the Unit through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk. Compliance with policies and exposure limits is reviewed by the internal auditors on a continual basis and report regularly to the audit committee. The SIU does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

26.2 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 2011

	2011	2010
	R	R
26.3 Categories of financial instruments		
<u>Loans and receivables</u>		
Loans and trade receivables (including cash and cash equivalents)	58 471 021	64 371 586
<u>Financial liabilities measured at amortised cost</u>		
Trade and other payables	75 934 456	34 240 736
Current portion of financial leases	-	179 471

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.

26.4 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The SIU only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise other departments in terms of partnership agreements to carry out specific engagements accounted for on the accrual basis. Management evaluated credit risk relating to customers on an ongoing basis.

The carrying amount of financial assets in the financial statements, which is net of impairment losses, represents the maximum exposure of the SIU to credit risk.

Current	30 071 556	28 867 150
60 days	901 069	6 016 394
90 days	11 703 125	15 061 690
Impairment in terms of IAS 39	-	(473 671)
Total	42 675 750	49 471 563
Impairment of trade and other receivables		
Opening balance	(473 671)	(562 518)
Impairment	473 671	88 847
Closing balance	-	(473 671)

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

26.5 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).

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus

The sensitivity analysis shows a reasonable possible change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. This disclosure only indicates the effect of the change in interest rate on unaccumulated surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis for one year to the next.

The estimated rate increases:	2010	2011
Estimated increase in basis points	100	100
Effect on net surplus	R91 787	R135 080

26.6 Liquidity risk

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

All financial asset and liabilities have a maturity profile of < 12 months

Notes to the Annual Financial Statements (continued) for the year ended 31 March 2011

27 RECONCILIATION OF BUDGET SURPLUS/DEFICIT WITH THE NET CASH GENERATED FROM OPERATING, INVESTING AND FINANCING ACTIVITIES FOR THE FINANCIAL YEAR ENDING 31 MARCH 2011

	Operating	Financing	Investing	Total
Actual amount as presented in the budget statement	24 461 000	-	(33 428 000)	(8 967 000)
Basis differences				
Timing differences	5 549 751	(179 471)	(732 650)	4 637 630
Actual amount in the cash flow statement	<u>30 010 751</u>	<u>(179 471)</u>	<u>(34 160 650)</u>	<u>(4 329 370)</u>

28 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.

29 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.

30 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.

The SIU has ceded a bank deposit of R1 218 730.22 to First National Bank as security to Belela Construction (Pty) Ltd for payment obligations under a construction contract entered into between Belela and the SIU.

31 CAPITAL COMMITMENTS

No commitments for the acquisition of fixed assets, contracted for but not provided in the Annual Report exist at 31 March 2011 (2010: R13 256 688).

32 CONTINGENT LIABILITIES

- 32.1** Currently one Court Application and one Court Action for an interdict against the SIU is 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 2011

32.2 Faiek Davids, the erstwhile Deputy Head of the SIU has brought an application to the CCMA alleging an unfair dismissal and certain unfair labour practices on the part of the SIU. At 31 March 2011 the parties are awaiting certain decisions from the CCMA. No provision has been made as the merits of the case are in favour of the SIU and the possibility of any outflow of funds under a settlement is remote.

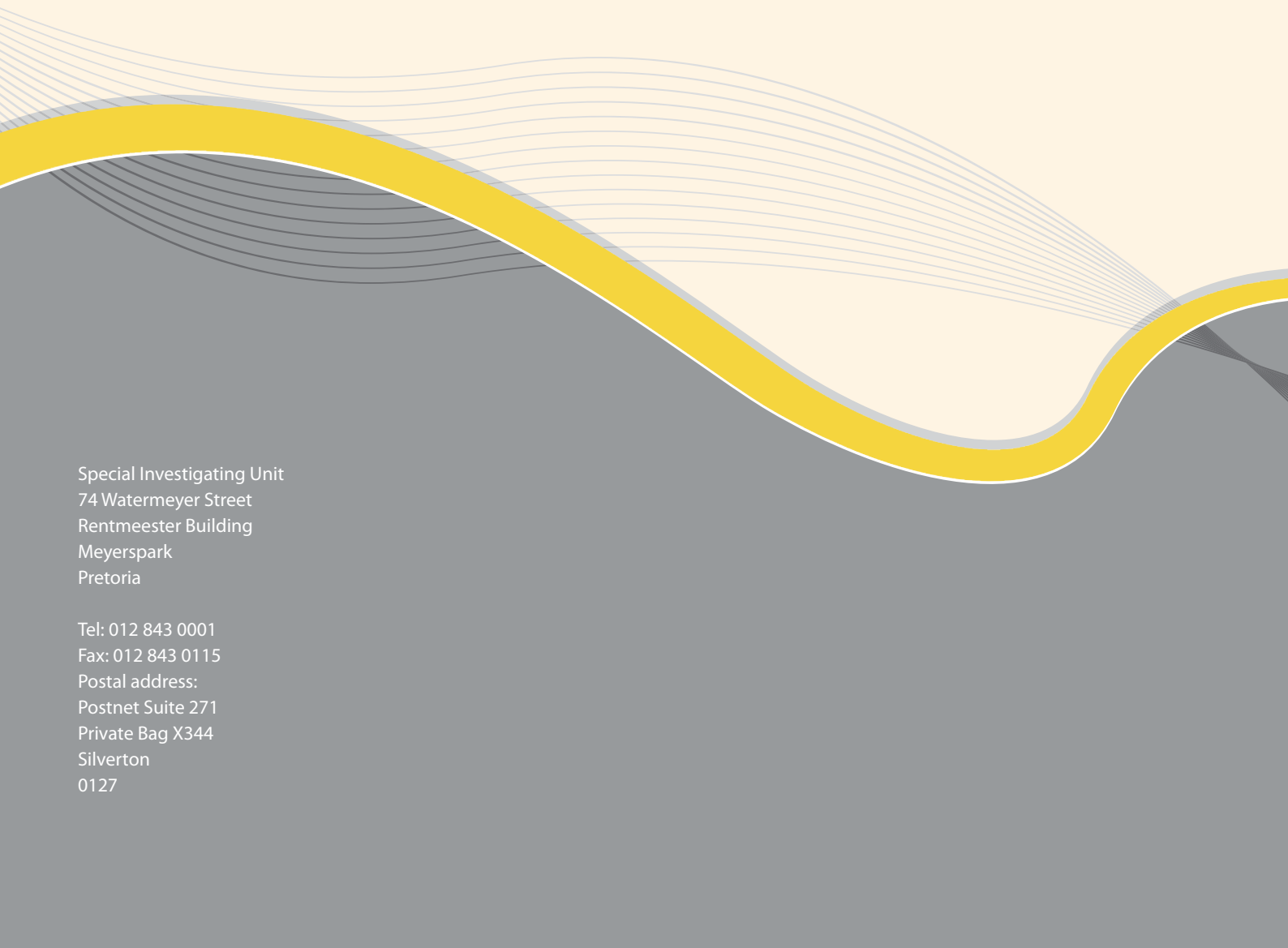
33 SUBSEQUENT EVENTS

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 affect any of the information contained in this statement.

34 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.

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



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