



Annual Report
2012 - 2013





POISED TO STRIKE
against corruption

VISION

Working together to rid society of corruption

MISSION

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

Values

Integrity | Cooperation | Effectiveness
Professionalism | Drive | Equality



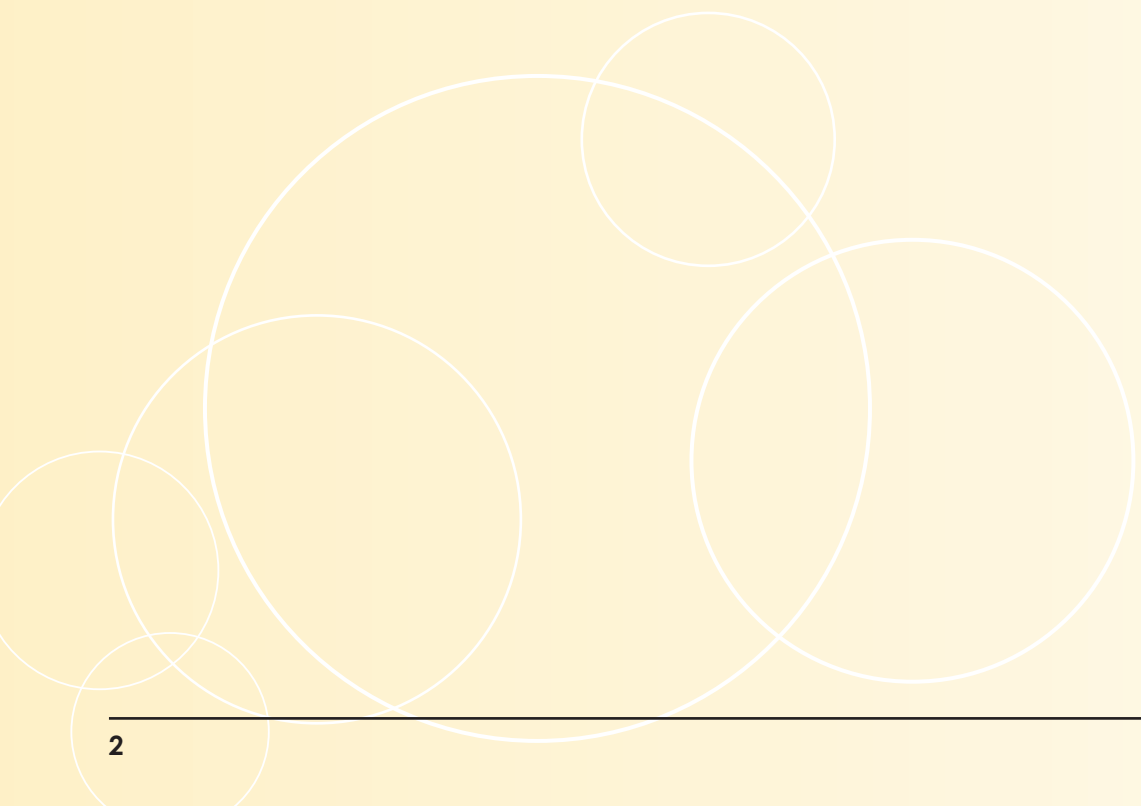


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Part 1: General Information

1.1 LIST OF ABBREVIATIONS

ACC	Anti-corruption Command
ACTT	Anti-corruption Task Team
AFU	Asset Forfeiture Unit
AGSA	Auditor-General of South Africa
AOD	Acknowledgement of Debt
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BNG	Breaking New Ground
BSC	Bid Selection Committee
CBC	Cape Bar Council
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission
CoGTA	Department of Cooperative Governance and Traditional Affairs
DCS	Department of Correctional Services
DDG	Deputy Director-General
DoJ&CD	Department of Justice and Constitutional Development
DPCI	Directorate of Priority Crimes Investigation (Hawks)
DLTC	Driving Licence Testing Centre
DPP	Director of Public Prosecutions
DPW	Department of Public Works
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
ECDoH	Eastern Cape Department of Health
eNaTIS	Electronic National Traffic Information System
FIC	Financial Intelligence Centre
GDoH	Gauteng Department of Health
GHA	George Housing Association
HOD	Head of Department

ICD	Independent Complaints Directorate
IDP	Integrated Development Programme
IGR	Intergovernmental Relations
ISM	Information System Management
MAWG	Multi-agency Working Group
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
NDoS	National Department of Human Settlements
NPA	National Prosecuting Authority
PFMA	Public Finance Management Act
PHP	People's Housing Process
RDP	Reconstruction and Development Programme
SAPS	South African Police Service
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCCU	Specialised Commercial Crimes Unit
SCM	Supply Chain Management
SITA	State Information Technology Agency
SIU	Special Investigating Unit
SIU Act	Special Investigating Units and Special Tribunal Act (Act No 74 of 1996)
SLA	Service Level Agreement
SMS	Senior Management Service
SOCPEN	Social Pensions System
STS	Scholar Transport System

1.2 STRATEGIC OVERVIEW

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.

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.

VALUES

<i>Integrity</i>	Cultivating ethical behaviour among members of the Unit - to always strive for honesty and truth in our work.
<i>Co-operation</i>	Nurturing excellent co-operation with our law enforcement partners and stakeholders.
<i>Professionalism</i>	Investigations and litigations are conducted professionally yielding quality results that exceed stakeholder expectations.
<i>Drive</i>	Working together to realise the vision of the Unit.
<i>Effectiveness</i>	Aligning and improving systems and processes to convert minimum resources into maximum results.
<i>Equality</i>	Acknowledging the crucial role equality plays in our lives as South Africans.

STRATEGIC OUTCOMES ORIENTATED GOALS

To contribute to the reduction of corruption and the perceptions of corruption.

The SIU aims to make this contribution as part of the broader anti-corruption strategy of government

STRATEGIC OBJECTIVES

- To Increase the impact of SIU's forensic services in the public sector by completing investigations successfully
- To achieve optimum institutional form
- To foster excellent cooperation with Law enforcement partners and stakeholders
- To develop effective, accountable and engaging leadership
- To secure appropriate capacity and funding
- To align and improve systems and processes
- To build an engaged, diverse and competent SIU
- To invest in appropriate technological capacity

1.3 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, 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 consequently recover the money for the state. The SIU also works with the department concerned to cancel contracts when the proper procedures were not followed, and to stop transactions or other actions that were not properly authorised.

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 Directorate for Priority Crime Investigation (DPCI) (Hawks) in the South African Police Service (SAPS), as well as the National Prosecuting Authority (NPA). It works closely with these two entities to ensure that there is 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.

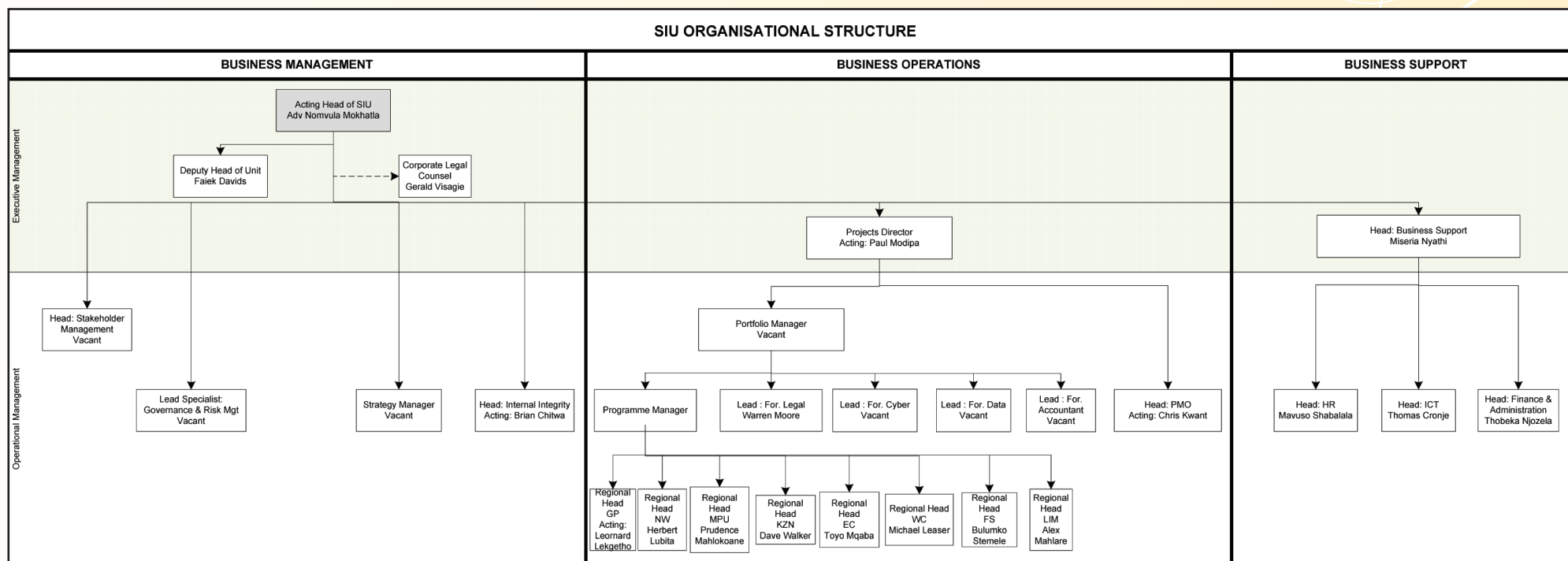
The SIU may investigate any matter set out in section 2 of the SIU Act, including the following:

- 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
- Unlawful or improper conduct by any person who has caused or may cause serious harm to the interest of the public

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:

- Conducting forensic audits and investigations
- Instituting legal action, such as civil, criminal and disciplinary or other remedial action
- Recommending and facilitating the implementation of improved systems

1.4 ORGANISATIONAL STRUCTURE



1.5 FOREWORD TO THE ANNUAL REPORT



OVERVIEW OF PERFORMANCE OF THE UNIT

During the year under review the Unit began a gradual turnaround of results in the more complex procurement investigations. Most importantly the Unit directed its resources to strengthening its focus area of dealing with corruption and maladministration using civil remedies as provided in the amended SIU Act.

This coincides with its revised targets and new indicators as outlined in the Unit's performance report. The Unit has focused on contracts worth approximately R2.6 billion where irregularities had been identified during the period under review. In the period 2012/13 under review the Unit saved government R57 million, prevented future losses of R378 million and recovered approximately R171 million in cash or assets to government.

STRATEGIC OUTLOOK

The SIU remains on track in its vision to work together with government, law enforcement agencies and other organisations to rid society of corruption. Through quality investigations and litigations the Unit continues to be a state body that fights corruption thereby contributing to Governments' plans to building a resilient anti-corruption system and intensifying the fight against crime and corruption.

CAPACITY BUILDING

The establishment of the Civil Litigation Section to build internal capacity to litigate civil matters has created a need to have capable and trained forensic lawyers. The forensic lawyer mentorship programme continued during the period under review. A total of 14 candidates have qualified to be mentees to be developed into forensic lawyers who will be able to add to this capacity where cases are expected to increase.

The full programme started in December 2012. The experienced lawyers have undergone an advanced in training in Trial Advocacy to refresh their skills in conducting trials. These senior lawyers will also undergo a train the trainer programme ensure that they are capacitated to be able to properly mentor the aspirant forensic lawyers.

The Unit further expanded its bursary scheme this financial year extending it to 114 members with 56 members taking advantage of this opportunity. Up to 97% of the applications were approved during this financial year. The significant portion of the applicants is within the business operation which is indicative of the eagerness of the SIU members to sharpen their skills and acquire new knowledge.

MULTI-AGENCY CONTRIBUTION AND COOPERATION

The Unit's multi-disciplinary approach which has been consistent of the past years coupled with its contributions to the multi-agency efforts over the past financial year has ensured that the Unit begins to make an indelible mark against the scourge of corruption specifically in government procurement. The Unit remained part of the ACTT which includes the Hawks and made valuable contributions during the period under review.

INTERNATIONAL

The SIU undertook two important missions representing South Africa. The SIU was invited to the second Commonwealth Regional Conference for Heads of Anti Corruption Agencies in Africa in Zambia. The SIU also sent a delegation to meet the Swaziland's Anti Corruption Commission (ACC). The meeting followed a Memorandum of Understanding signed by the Ministries of Justice in South Africa and the Kingdom of Swaziland. The Unit attended the opening of the Commonwealth Training Centre in Botswana February 2013.

EXPRESSION OF APPRECIATION

The SIU appreciates the support it received from all the stakeholders, these include of Office of the President, Minister of Justice and Constitutional Development and the department. The Unit maintained positive and rewarding relations with Parliament in particular the Portfolio Committee on Justice. We extend a word of appreciation to the Heads of Departments who continue to cooperate with us in our investigations. The Unit still enjoys valuable support from its partners in law enforcement particularly in the various multi-agency initiatives. We are grateful for all the support South Africans have given to the Unit and its members.



Adv Nomvula Mokhatla
Acting Head of the Unit

Part 2: Performance Information

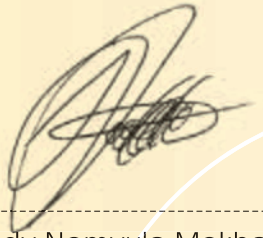
2.1 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2013

The Acting Head of the Unit is responsible for the preparation of the SIU's performance information and for the judgements made in this information.

The Acting Head of the Unit is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the operations of the SIU for the financial year ended 31 March 2013



Adv Nomvula Mokhatla
Acting Head of the Unit

2.2 OVERVIEW OF THE SIU'S PERFORMANCE

Strategic Objective: To increase the SIU's forensic services in the public sector by completing investigations successfully.

2.2.1 Civil, Criminal, Disciplinary and Other Remedial Actions

Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
Evidence prepared for use in civil litigation (Number of cases in which evidence is prepared for a formal civil litigation process e.g AODs).	Target	5 025	8 000	9 400	10 000	11 400	2 500	3 500	Remedial actions were put in place in the last quarter to meet this target and we are happy to report that these efforts resulted in us exceeding the target. We are hoping to see more results from the new Civil Litigation Unit that has been established, for the 2013/2014 financial year.
	Actual	4 829	9 696	11 177	9 843	7 654	6 412	3 570	
Evidence prepared for use in criminal action. (Evidence prepared for use in criminal prosecutions).	Target	2 000	3 943	4 050	4 600	5 500	2 000	2 000	Due to the restructuring of SASSA project and the downscaling of preparing evidence for criminal prosecutions members focused more on obtaining AODs and cash recoveries. The SIU hopes to focus more on civil litigations in line with the establishment of the new Civil Litigation Unit.
	Actual	3 302	4 495	5 545	5 350	4 179	2 499	997	

Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
Evidence prepared for disciplinary action. (Evidence prepared for use in disciplinary action).	Target	2 300	7 000	1 300	2 600	8 000	2 500	3 500	We have been unable to meet this target and this is a declining indicator. The number of files prepared for disciplinaries of government officials reduces as we move our focus away from high yielding process-driven investigations to procurement focused investigations which typically yield lower numbers. We have revised this indicator for the 2013/2014 financial year because of these constraints. AODs signed on the SASSA project resulted in 766 files being referred for disciplinary action. The Dept of Housing investigation also referred 53 files for disciplinary processes.
	Actual	7 551	8 627	4 750	3 870	2 814	2 731	850	
Evidence prepared for other remedial actions. (Recommendations made to improve systems to prevent future irregularities or to terminate a particular irregularity such as irregular driving licence or social grant).	Target	45 000	130 600	200 020	140 000	200 000	3 000	2 000	Our involvement in a syndicate investigation in the SASSA project allowed us to recommend to SASSA that 82 beneficiaries who did not qualify for social grants be removed from Socpen. The target was also exceeded because of the 3,372 AODs that were signed on the SASSA project.
	Actual	95 846	139 331	198 052	50 357	52 192	5 431	3 454	

Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
No of completed investigations contributing to JCPS Output 5 (number of Output 5 persons arrested where SIU contributed significantly to the investigation. An Output 5 individual is a person who benefited from corruption by more than R5 m and against whom a freezing order of more than R5 m can be obtained).	Target	0	0	0	0	0	20	30	The achievement of this target shows that the SIU is making a significant contribution in the fight against corruption, based on the number of arrests that have been made from SIU referrals to the Anti-Corruption Task Team.
	Actual	0	0	0	0	0	15	38	

2.2.2 Savings, Prevention, Recoveries and Identified irregularities in millions

Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
Savings for financial year (the value of savings in the current financial year generated by actions taken in the reporting period).	Target	80	160	156	80	450	30	35	<p>The target was exceeded because of the following signification contributions:</p> <ol style="list-style-type: none"> 1. R9.5m from the SASSA project from AODs signed and recommendations to remove beneficiaries from Socpen 2. The SASSA ICT team identified an irregularity with a contract which resulted in a saving of R47m. This recommendation was significant enough for SASSA not to award Phase 2-4 of this contract.
	Actual	231	301	202	12	10	15	57	

Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
Preventions of future losses (the approximate value of future savings generated by actions taken in the reporting period, e.g. the cancellation of a contract or the removal of a recurrent payment such as a social grant or other payment due under an existing contract).	Target	1 250	2 000	2 500	2 100	4 000	200	210	Based on our recommendation Phase 2-4 of a SASSA contract was cancelled which prevented future losses of R220m. Based on the number of AODs signed and recommendations made to remove beneficiaries from Socpen, the contribution from the SASSA project was R155m. One of our municipal investigations also contributed R1.5m towards this target
	Actual	1 759	2 672	4 917	197	185	169	378	
Cash recoveries (value of the cash or assets recovered).	Target	20	40	53	70	80	30	35	A standout contribution in terms of this indicator was the cash recovery of R70m from one of our procurement investigations in KZN. Another highlight was the contribution from three of our municipal investigations (2 in Gauteng and 1 in the North West) that also contributed by signing Acknowledgement of Debts (AODs) and by obtaining a cash recovery to the value of R 27.1m. Our efforts in the SASSA investigation also resulted in an overall contribution from this project of R68m for the year
	Actual	31	61	72	69	74	224	171	

Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
Value of procurement matters where irregularities were found. (value of the contracts where irregularities were found due to conflicts of interest, or procurement or other irregularities).	Target	0	0	0	0	0	20 000	1 000	<p>This indicator measures the face value of the procurement contracts that are being investigated where an irregularity is identified. The following projects reported matters:</p> <ul style="list-style-type: none"> • Dept of Housing - R1bn • Dept of Public Works (National) - R812m • Land Reform - R76m • Dept of Public Works (KZN) - R296m • Dept of Health investigations - R38m
	Actual	0	0	0	0	0	5 066	2 637	

2.2.3 Business Management and Support

Strategic Objectives	Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
To achieve optimum institutional form	Passage of Legislative Amendments (funding and independence perspectives)	Target	-	-	-	-	-	-	Approval of legislative amendments	
		Actual	-	-	-	-	-	-	Promulgation of the legislative amendments	
To foster excellent cooperation with our law enforcement partners and stakeholders	Number of active proclamations in force	Target	-	-	-	-	-	-	35	
		Actual	-	-	-	-	-	-	38	
	Number of referrals to stakeholders	Target	-	-	-	-	-	-	2 000	
		Actual	-	-	-	-	-	-	997	

Strategic Objectives	Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
To develop effective, accountable and engaging leadership	No. of operational Management Meetings	Target	-	-	-	-	-	-	8	
		Actual	-	-	-	-	-	-	4	
	No of Management Committee Meetings	Target	-	-	-	-	-	-	3	
		Actual	-	-	-	-	-	-	2	
	No. of Executive Committee Meetings	Target	-	-	-	-	-	-	8	
		Actual	-	-	-	-	-	-	6	
	No. of General Staff Meetings	Target	-	-	-	-	-	-	2	
		Actual	-	-	-	-	-	-	1	
	No. of Strategic Planning Sessions	Target	-	-	-	-	-	-	1	
		Actual	-	-	-	-	-	-	1	
	No. of Operational Planning Sessions	Target	-	-	-	-	-	-	1	
		Actual	-	-	-	-	-	-	1	
	Recruitment of Management Staff	Target	-	-	-	-	-	-	19	
		Actual	-	-	-	-	-	-	19	
To secure appropriate capacity and funding	The achievement of our establishment number for total headcount	Target	-	-	-	-	-	-	668	
		Actual	-	-	-	-	-	-	583	
	Partner funding as a percentage of our total revenue	Target	-	-	-	-	-	-	35%	
		Actual	-	-	-	-	-	-	36%	

Strategic Objectives	Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
To align and improve systems and processes	Align systems and processes to achieve the necessary efficiency	Target	-	-	-	-	-	-	Live implementation of Performance Information Management System (PIMS) as a standalone system Organisational Redesign of Finance Align PIMS to meet AG and Internal Audit requirements	
		Actual	-	-	-	-	-	-	Stand alone system implemented Level 3 processes developed on Finance Redesign Rolled out updated version of PIMS as per AG recommendations	
To invest in appropriate technological capacity	Key enabler to improve our delivery on forensic investigations	Target	-	-	-	-	-	-	IT Infrastructure set up for Anti-Corruption Task Team office IT Infrastructure set up in Mafikeng SIU office	
		Actual	-	-	-	-	-	-	Achieved	

Strategic Objectives	Performance Measures	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
To build an engaged, diverse and competent SIU	Diversity Management – compliance to the Employment Equity Plan	Target	-	-	-	-	-	-	Recruitment in line with the EE plan African Female 84 African Male 84 Coloured Female 12 Coloured Male 12 Indian Female 11 Indian Male 11 White Female 45 White Male 45
		Actual	-	-	-	-	-	-	Recruitment in line with the EE plan African Female 76 African Male 36 Coloured Female 5 Coloured Male 3 Indian Female 8 Indian Male 7 White Female 20 White Male 22

Strategic Objectives	Performance Measures		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Narrative
	Training of Investigators to improve deliver	Target	-	-	-	-	-	-	Level 2 Procurement Training 417 Project Management Training 103 Forensic Lawyer Mentorship Training 14 Plan Forensic Accounting Mentorship Training	
		Actual	-	-	-	-	-	-	Level 2 Procurement Training 400 Project Management Training 98 Forensic Lawyer Mentorship Training 14 Plan Forensic Accounting Mentorship Training not achieved	

2.3 DETAILED INVESTIGATIONS PERFORMANCE

2.3.1 National

NATIONAL DEPARTMENT OF PUBLIC WORKS (DPW)

Proclamation R38 of 2010, published on 30 July 2010

BACKGROUND

The SIU was requested to assist the Department of Public Works (DPW) in identifying, investigating and redressing improprieties, including but not limited to fraud, corruption and maladministration, within the SCM component of the Department. During the period under review the leasing environment continued to be a key area of concern for both the DPW and SIU. The SIU has developed a policy mapping and lease check list which has proven to be a very effective investigative tool. The SIU has provided assistance to the Lease Intervention Team appointed by the Ministers of Public Works and National Treasury.

The SIU has made significant progress in its inquiry into the 27 projects under investigation during the period under review and has been working closely with the DPW in this regard. The SIU's approach includes the review of SCM processes in the awarding of certain contracts.

Focus Areas

- Specific contracts/tenders.
- Leasing of buildings for client departments.
- Prestige accommodation.
- General procurement irregularities.

PROCESS FOLLOWED

The SIU adopted a multi-disciplinary approach, which involved forensic accountants, data analysts, cyber forensic analysts and lawyers. External procurement experts and chartered accountants were brought in to assist the investigation team.

Over 261 interviews were conducted and more than 50 statements/affidavits were obtained from witnesses, complainants and/or departmental officials. Large volumes of files and supporting documentation relevant to the investigation were gathered.

FINDINGS/OUTCOMES

The SIU investigations revealed the extensive practice of over-pricing and collusion among some officials and sections of the construction industry.

Nine final reports were presented to the Department for action during the period under review, 1 April 2012 to 31 March 2013.

Leases

- *IPID-Lease (City Forum Building)*: This matter involves a lease agreement which was acquired by fronting under the auspices of a BEE landlord. The application to have this lease, which is valued at R139 million, to be declared invalid was been lodged in the North Gauteng High Court in September 2012. Disciplinary action against two officials involved is under way and criminal proceedings have been reported to the ACTT.
- *117 Herbert Baker's lease*: Head of Property Management is currently suspended and disciplinary proceedings are currently under way. The lease is valued at R6.3 million.
- *Wachthuis lease (SAPS)*: The investigation into the R609 million lease agreement has resulted in disciplinary action against two officials. The unit has made 19 systemic recommendations and also recommended cancellation of the lease agreement. Other SIU findings on this investigation are:
 - o Undue payments made on behalf of landlord: R723 349.55
 - o Tenant renovations: R56 million deviation identified.
 - o DPW to institute civil action.

- *Mthatha*: A total of ten lease agreements were investigated during the period under review. The investigations have resulted in the obtaining of three AOD's amounting to R752 072.58 by the DPW official who irregularly rented out the premises, the eviction of eleven tenants and signing of new agreements signed with seven tenants, on market related rentals. One matter has been referred for criminal action and three matters which involved VAT fraud amounting to R2.5 million, have been found and referred to SARS for further action.
- *Mthatha - Amatola Water Board (AWB)*: The AWB was awarded a tender valued at R19 million for the upgrading of various non-compliant water and sanitation services for the SAPS, DoJ & CD and DCS. Work stopped due to dissatisfaction with services rendered by the AWB and the withholding of payment by the DPW. The SIU facilitated the settlement of a dispute between the AWB and DPW. (As both parties are organs of state, their relationship is governed by the Intergovernmental Relations Framework Act, No 13 of 2005). The AWB continued their work for the DPW, as per the settlement.
- *Prestige Furniture*: Six matters amounting to R3.2 million were investigated. Disciplinary action which involves one official is under way and 12 systemic recommendations were made to ensure the integrity of systems. The SIU found that services were rendered and goods were delivered. No civil action is recommended.
- *Bloemfontein corruption*: The SIU has obtained evidence that the former Regional Manager of the DPW's Bloemfontein office, had awarded contracts amounting to R10 million to companies which awarded bursaries to his two children. Disciplinary action was undertaken, which resulted in the dismissal of this senior manager who was then a Director General. A criminal enquiry was also registered with the SAPS.
- *Conflict of interest*: The investigation established that four officials had undeclared interests in companies doing business with the department. Disciplinary action against the identified officials is on-going.

Other matters

- *Skilpadhek border post*: This investigation involved the irregular and or unlawful settlement between the Department and a contractor with regard to the cancellation of the SBP main contract for the upgrading of essential infrastructure. DPW's legal department was at no stage consulted for legal advice with regard to the settlement paid. Civil proceedings were instituted in the North Gauteng High Court in October 2012 for the recovery of R50.8 million. The matter is on-going and a criminal case amounting to R374 million has been lodged is currently on-going.
- *Project Jarmen*: Project Jarmen was a multi-phase project undertaken by the DPW for the construction of various buildings and facilities at the Waterkloof Airforce Base. It was alleged that there were irregularities relating to the SCM process followed in appointing a contractor for Project Jarmen, and that an open and competitive tender procedure was not followed. No irregularities were identified in the awarding of the contract amounting to R35 million. However, four systemic recommendations were made to prevent possible future abuse of the systems.

DEPARTMENT OF HUMAN SETTLEMENTS: LOW COST HOUSING CONTRACTS

Proclamation R7 of 2007, published on 25 April 2007
Extended by Proclamation R35 of 2010, published on 30 July 2010
Extended by Proclamation R15 of 2012, published on 5 March 2012

BACKGROUND

The investigation into low-income housing was first proclaimed in 2007. The original focus of the SIU was on low-income housing subsidies. The investigations have since changed its focus to low-income housing contracts. The objectives of the investigations are to investigate any fraud, corruption and maladministration in respect of the development and delivery of low-income housing within national and provincial departments, local authorities (and agents) and former Housing Development Boards.

During the period under review, the SIU conducted investigations into numerous low-income housing projects. The investigations relating to Viljoenskroon, Ladybrand, Ventersburg in the Free State and Bethelsdorp North Area C low-income housing projects in the Eastern Cape, were completed during the period under review. Furthermore, civil recoveries relating to the Cala/Elliott low-income housing investigations are still being undertaken by the Eastern Cape Provincial Department of Human Settlements and the SIU is rendering on-going assistance to the Department in this regard.

The total amount involved in the projects mentioned above, is R270 million (including the Cala/Elliott matter amounting to R158 million).

PROCESS FOLLOWED

Based on the complexity of the low-income housing delivery environment, as well as the matters currently being investigated, a highly skilled, multi-faceted professional resource team was appointed to conduct the low-income housing contract investigations. This team comprised of a chartered accountant, a professionally registered civil engineer, procurement, corporate governance and legislative compliance expert. They were assigned to the various investigations with a view to ensure

timeous delivery of quality products, in addition to the SIU members dedicated to these investigations in the respective provinces.

FINDINGS

Free State

Viljoenskroon

The Free State Department of Human Settlements (FSDoHS) followed incorrect procurement procedures in the appointment of a construction company for the construction of 300 low-income housing units. No application for the housing project was submitted and the FSDoHS therefore did not evaluate a project application in respect of this project. The FSDoHS made advance payments amounting to R4.9 million to a contractor.

The project application process, as prescribed by the National Housing Code (NHC), was not followed. No evaluation process was undertaken by the FSDoHS.

Irregularities associated with the tender process, included the extension of the application of the original tender and the awarding of work to contractors who were not part of the original tender process, or failed to be selected as part of the original tender. All expenditure made in this regard, amounting to R12 974 421.66, therefore constituted irregular expenditure.

The advance payments amounting to R4.9 million constituted irregular expenditure as per section 1 of the PFMA.

An amount of R28 000 was claimed by the contractor for the foundation, floor slab and up to wall plate level relating to this site. However, the SIU discovered that no construction had been undertaken by the appointed contractor. The payment of R28 000 was therefore made in contravention of the NHC and constituted irregular expenditure. The SIU established that the contractor is liable for the losses incurred by the department.

Ventersburg

On 27 November 2006 the FSDoHS appointed a construction company to construct 100 houses. On 30 March 2007, the FSDoHS entered into a further addendum with the contractor, which made provision for advance payments of R924 000. Subsequently, advance payments amounting to R896 000 were made. Although 100 top structures were constructed, no water and sewage connections were provided in respect of 53 of the 100 sites.

The FSDoHS did not adhere to the approved subsidy quantum for the relevant period and approved 100 subsidies at a higher value. This resulted in irregular expenditure of R1.5 million.

The completion of 53 top structures without the provision of services was irregular and the expenditure incurred amounts to R2.2 million.

An irregular advance payment was made by FSDoHS to a contractor. The advance payments were made prior to the conclusion of an addendum on 30 March 2007 and were approved by the HOD on 21 February 2007. The total amount of R896 000 therefore constituted irregular expenditure.

Evidence obtained in terms of section 86(1) of the PFMA indicated that the accounting officer at the time wilfully or in a grossly negligent way failed to comply with the provisions of section 38 of the PFMA, as he permitted:

- Irregular expenditure amounting to R1.5 million in approving an increased subsidy value per subsidy approved;
- Payment of subsidies in respect of 53 sites where no water and sanitation connections were provided, which constituted irregular expenditure amounting to R2.2 million.

Ladybrand

Correct procurement procedures were not followed in the appointment of a contractor for the construction of 100 low-income housing units. No application for the housing project was submitted; thus no project application evaluation was done.

The project application process as prescribed by the National Housing Code (NHC) was not followed, no evaluation process was undertaken by

the FSDoHS and it appears as if sole reliance was placed on the selection by the MEC of projects for approval.

Irregularities associated with the tender process, including the extension of the application of the original tender (in time and in scope) and the award of work to contractors that were not part of the original tender process, or failed to be selected as part of the original tender process, amounting to R6.1 million.

Irregular expenditure amounting to R437 516.88 was incurred by the FSDoHS in respect of “top up” payment that was effected after the original payment made in respect of 71 surface beds and foundations. The SIU discovered that payments of R60 594.48 were made by the FSDoHS to the contractor for foundations and surface beds for three sites upon which no top structures had been erected.

EASTERN CAPE**Bethelsdorp North Area C**

The Eastern Cape Department of Human Settlements (ECDoHS) concluded an agreement with a private developer in respect of Phases 2 and 3 of this project. This appointment was originally in respect of the development of 1 000 units in the area and a further 211 units were later added to the project, increasing the number to 1 211. The required environmental management consents were not obtained by the private developer prior to the commencement of the project. Various further agreements were concluded between the ECDoHS and the developer in respect of the project, including the awarding of 1 211 relocation grants by the ECDoHS to the developer.

The appointment of the private developer of Phases 2 and 3 of the project after 1 April 2002, was contrary to the provisions of the NHA and the NHC, and all expenditure amounting to R74 million incurred as a result of this appointment, was irregular.

Evidence obtained in terms of section 86(1) of the PFMA indicated that the accounting officer at the relevant time wilfully or in a grossly negligent way failed to comply with the provisions of section 38 of the PFMA, as she permitted:

- The appointment of a private developer for Phases 2 and 3 of the project after 1 April 2002, contrary to the provisions of the NHA and the NHC, resulting in irregular expenditure amounting to R74 million;
- The HOD, at the relevant times, permitted payments amounting to R85.7 million to be made, which was in contravention of the NHC and the NA, constituting irregular expenditure; and
- The payment by the ECDoHS amounting to R1 135 639 in respect of relocation allowances, despite the fact that no supporting documents were supplied by the developer in support of this payment and no verification exercise in respect of this expenditure took place, which resulted in irregular expenditure.

OUTCOMES

Viljoenskroon

- An amount of R28 000, for which no value could be determined, should be recovered from the contractor; and
- Disciplinary action should be instituted against three identified officials regarding the irregular appointment process of the contractor and subsequent irregular expenditure of R12.9 million, the irregular certification of progress resulting in R28 000 being paid out by the FSDoHS (which constituted irregular, fruitless and wasteful expenditure) as well as the authorisation of advance payments amounting to R4.9 million

Ventersburg

- The SIU has referred evidence obtained, pointing to the commission of an offence by the HOD at the relevant time, to the NPA; and
- Disciplinary action should be instituted against one official in respect of advance payments to the contractor amounting to R896 000. (Other identified officials have already left the employ of the FSDoHS and disciplinary action against them is therefore not possible).

Ladybrand

- The HOD must ensure adherence to the housing project application policy and evaluation procedures as prescribed by the NHC;
- The HOD should ensure compliance with the applicable procurement regime in respect of low-income housing projects;
- The HOD should ensure full compliance with the provisions of the NHA and the NHC in respect of the project payment regime;

- The amount of R60 594.48, for which no value could be determined, should be recovered from the contractor; and
- Disciplinary action should be instituted against three identified officials regarding the irregular appointment process of the contractor and subsequent irregular expenditure of R6.1 million, the irregular increase in the subsidy quantum without approval of the MEC, and the irregular certification of foundations and surface beds which resulted in an amount of R60 594.48 being paid out by the FSDoHS, constituting fruitless and wasteful expenditure.

Bethelsdorp North Area C

- The SIU has referred evidence obtained, pointing to the commission of other offences (fraud, theft, contraventions of the relevant environmental legislation) to the NPA; and
- The 42 identified officials would be requested to provide written explanations as to why they should not be charged with misconduct.

MATTERS OF SIGNIFICANCE IDENTIFIED

Due to the SIU investigation into the Cala/Elliot low-income housing project (Eastern Cape), the ECDoHS instituted civil proceedings against the identified contractor amounting to R61.4 million. This matter is currently still sub judice.

In respect of the Bethelsdorp North Area C low-income housing project (Eastern Cape), the ECDoHS has informed the SIU that it will not enter into any further contractual arrangements with the private developer who was to be awarded a contract worth R568 million. This is due to the findings and recommendations of the SIU investigation.

DEPARTMENT OF SOCIAL DEVELOPMENT

Proclamation R18 of 2005, published on 6 April 2005
 Amended by Proclamation R5 of 2007, published on 30 March 2007
 Amended by Proclamation R27 of 2010, published on 8 June 2010

BACKGROUND

The investigation into the payment and/or receipt of social grants or benefits by unqualified beneficiaries began in June 2005. The SIU has down-scaled the grant investigation during the past financial year, in order to prioritise syndicate and procurement related investigations.

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

PROCESS FOLLOWED

The SIU has agreed to assist SASSA in the following processes:

- Identify, investigate and redress improprieties, including fraud, corruption and maladministration within SASSA (including fraudulent foster care grants and large amounts paid out as social grants);
- facilitate the recovery of any losses incurred (either by way of acknowledgements of debt (AoDs) or through civil litigation through the SIU or the office of the State Attorney);
- facilitate the referral of criminal charges where evidence collected supports such improprieties/allegations; and
- facilitate the institution of disciplinary proceedings (including the preparation of the necessary evidence).

The SIU conducted data analysis during the investigation into procurement affairs at the agency. The analysis was conducted to identify conflicts of interest and other irregularities.

FINDINGS

Grant investigation

- Identified improprieties within SASSA as prioritised by the SIU and SASSA from information obtained through data analysis and from other sources of information.

Improprieties identified:

- Beneficiaries with irregular identity numbers;
- beneficiaries whose gender, according to their ID numbers (and the customary ID number formula), do not match the gender indicated on the SOCPEN system;
- children with invalid ID numbers;
- children whose gender, according to their ID numbers, do not match the ID number on the system;
- children whose date of birth (DOB) according to the ID number, does not match the DOB on the system;
- children on SOCPEN receiving grants with missing application dates; and
- beneficiaries' whose DOB, according to the ID number, does not match the DOB on the system.

Syndicate-related investigation

- Large payments within social grants (as prioritised):
 - Syndicate related cases where officials of the SASSA are implicated;
 - Fraudulent claims from -doctors in the Free State, appointed by the SASSA, to conduct to medical assessments on beneficiaries.

The Investigation is still in the scoping and planning phase and the value of losses due to fraudulent claims still need to be quantified.

Procurement investigations

Procurement irregularities within the SASSA supply chain management processes. Employees identified in the Chess 2 audit report with business interests in suppliers contracted to SASSA. The Chess 2 audit report is a report made to SASSA containing an analysis conducted by the SIU in respect of procurement irregularities found within the SASSA supply chain management processes. This report identified the following:

- 2 032 SASSA employees with business interests in external companies.
- 8 250 invoices with the same supplier, invoice date and amount.
- 112 invoices paid to different suppliers with the same amount, date and invoice numbers.
- Eight employees sharing bank account numbers with other employees. Four of these employees share the same surname and the others have different surnames.
- 57 employees sharing addresses with other employees.
- Fourteen employees with identity numbers that do not match the gender of the employee.
- A total of 14 898 instances where different suppliers were identified with sequential invoice numbers on the same day, which could indicate splitting of invoices.

High risk suppliers identified

- A travel company was paid over R22 million by SASSA. However, it was red flagged during a number of different data analytical tests.
- A security company was paid more than R60 million by SASSA and was red-flagged with various irregularities during data analysis.
- 23 suspicious transactions involving a printing company was identified.
- Allegations of corruption were received via the anti-corruption hotline relating to the outsourcing of medical assessments of disability grants.

OUTCOMES

The SIU has down-scaled the investigation during the reporting period and more focus was placed on syndicate investigations. However, the SIU still has been able to achieve its objectives of deterring and dissuading irregular beneficiaries, recovering losses and enhancing savings. This is reflected in the following results achieved during the period under review.

Achievements	April 2012 to March 2013
Total new cases before court	865
Convictions	822
Disciplinaries prepared	766
Total AODs	3 372
Value of AODs	R68 954 219
Recommendations for removal from Socpen system	3 454
Actual savings	R9 581 660
Preventative savings	R155 709 000

In respect of the syndicate matters under investigation in the Western and Eastern Cape, the SIU has referred evidence obtained in 86 instances to the SAPS to investigate criminal charges against fraudulent beneficiaries, five SASSA officials were suspended and the office manager of SASSA in Guguletu was arrested and convicted on six charges of fraud and corruption. The manager was sentenced to two years imprisonment, which was suspended for five years, and he was ordered to repay SASSA an amount of R252 000.

Criminal cases against the other SASSA officials are pending. The estimated savings in respect of the removal of these beneficiaries from the SOCPEN estimated at R8 million.

NATIONAL DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

Proclamation R8 of 2011, published on 18 February 2011

BACKGROUND

The investigation began in February 2011 upon publication of the proclamation in the Government Gazette. The investigation focuses on allegations of irregularities in the awarding and administration of grants under the Department's land reform programme. The investigations continued in KwaZulu-Natal, Gauteng and Western Cape. During the period the SIU expanded its investigative capacity to Limpopo, North West, Mpumalanga, the Eastern Cape, Northern Cape and Free State. Since its inception, the value of grants under investigation was estimated at approximately R699 million. During the period under review approximately 60 different matters relating to land reform grants were investigated.

The investigation commenced on 31 March 2011 and is expected to be concluded on 31 March 2014.

PROCESS FOLLOWED

The SIU team has to date collected, scanned and reviewed several thousand documents and since the start of the investigation, obtained affidavits from more than 3 000 individuals.

The project team followed a multi-disciplinary approach and engaged the services of various consultants with the relevant experience and expertise in land reform.

The SIU with the assistance of various other law enforcement agencies, made a significant impact in recovering land on behalf of the state.

FINDINGS

- Inflated numbers of beneficiaries.
- Non-existent/false beneficiaries. To date 636 examples have been traced.
- Duplication of beneficiaries across projects. To date 22 samples have been found.
- Beneficiaries were unaware that they were beneficiaries to a particular grant. To date 72 samples were found.
- Forgery of valuation documents and other documents.
- Allegations of officials soliciting bribes/benefits from property owners.
- Officials' family members being listed as beneficiaries.
- Officials and their family members being registered as owners of properties acquired through the DRDLR.
- Previous owners of the farms did not vacate the property after the property had been purchased by the DRDLR on behalf of the beneficiaries.
- Inflated prices paid to service providers for services rendered.
- DRDLR officials fraudulently certifying that services were satisfactorily rendered when in fact no services or only partial services were rendered.

OUTCOMES

Three matters were referred to the NPA for the institution of criminal prosecutions against both DRDLR officials and external parties in KwaZulu-Natal. Three accused are currently before court on charges relating to fraud.

A further seven criminal cases were referred to ACTT and SAPS for the institution of criminal proceedings against officials and external parties, on charges of fraud and corruption. The total amount involved on these seven criminal cases is in excess of R96.6 million in fraudulent grants.

As a result of improprieties identified by the SIU during the period in review three preservation orders in excess of R52.4 million in assets, have been obtained by the AFU as proceeds of crime. The AFU is in the process of obtaining final orders to have the assets forfeited to the State.

During the period under review the SIU has handed over 12 reports to the department with recommendations to institute disciplinary action in eleven matters. Disciplinary proceedings have been instituted in three matters and these are currently still ongoing. To date two officials have been dismissed, with a number of further disciplinary proceedings about to commence or being instituted.

DEPARTMENT OF WATER AFFAIRS

Proclamation R 54 of 2012, published on 21 September 2012

BACKGROUND

The report of the Auditor-General for the year 2010/2011 (dated 31 March 2011) identified instances of serious maladministration in the Department of Water Affairs (DWA). This was due to allegations received from the National Public Service Commission's fraud and corruption hotline. These allegations were investigated by the DWA's Internal Audit Unit, Gobodo, KPMG, Ligwa and Kwinana.

As a result of the above-mentioned reports, the DWA requested the SIU to investigate numerous irregularities in respect of the procurement of goods, works and services, human resources related matters (failure to disclose interests), financial mismanagement and misconduct, which have taken place between 1 January 2004 and 21 September 2012.

Other areas which the investigation is focusing on, include:

- Variation orders issued in respect of the Forest Fire Association project and the Buca Management projects which exceeded 20% of the original contract price.
- Non-delivery by the Sundays River Municipality in respect of the Patterson Bulk Water Supply project, as well as the Sundays River Municipality Regional Bulk Water Scheme.
- Fruitless and wasteful expenditure in respect of the Continental Building that was not occupied, but for which rental was paid.
- The employment and payment of 104 "ghost workers" in respect of the installation of infrastructure in Mpumalanga.

The investigation commenced on 1 November 2012 and will conclude on 31 October 2014. The value of the procurement matters under investigation is in excess of R 440 million.

PROCESS FOLLOWED

A multi-disciplinary team consisting of 31 members has been allocated to this investigation. The team consists of investigators, specialists and support staff:

The following reports and documents were received and analysed:

- 37 forensic reports compiled.
- 44 investigation reports from the Chief Directorate: Internal Audit.
- A report on the alleged irregularities in the construction directorate.
- A report of the Auditor-General for the year ended 31 March 2011.
- Disciplinary reports relating to the suspension of the acting director-general, chief financial officer, chief information officer and the Tender Board.
- The AG report finalised in May 2010 relating to procurement irregularities.
- Internal audit report on investigations in progress.
- Project files supplied by the DWA.
- Electronic data from the department.

The SIU legal experts conducted a review of the reports and documents to advise the investigating team on matters which the SIU had to focus on and matters where no further action can be taken, including those that should be considered for closure, among others.

The forensic data analysts conducted an analysis on the electronic data provided by the department, to identify officials with links to entities that conducted business with department. The SIU's investigation identified employees with registered entities to their name from the CIPC. The unit then focused on the transactions conducted on the Basic Accounting (BAS) and Systems (SAP) system during the period from January 2005 to

September 2012.

FINDINGS

Conflicts of interest

Thirty officials were linked to 27 entities that conducted business with the department:

- These entities received an amount of R14.3 million from the department.
- A further 29 officials were linked to companies that were registered on the department's supplier database.
- There is no indication as yet that these companies have received payments from the department.
- 35 spouses of officials of the department were linked to 35 entities conducting business with the department.
- These entities received an amount of approximately R11 million from the Department.

The SIU restricted the scope of the investigation to 20 officials. Only eleven employees did businesses with the department and one official had permission to perform outside work. The monetary value of the transactions amounting to R9 million and comprises of 50 transactions.

The SIU is also investigating a further eight cases against employees accused of giving business to their family and friends. These matters were identified by the department; the value of the transactions is yet to be determined.

No case has been referred to other state bodies during the period under review.

The following irregularities were identified:

- 135 Duplicate invoices of various goods and services rendered to the department by ten service providers amounting to R117 233 939.15
- 135 Transactions linked to ten companies with possible invalid VAT numbers (these invoices are linked to the duplicate invoices).
- 40 Transactions amounting to R26.9 million where payments were made with no invoices of various goods and services rendered to the department.

OUTCOMES

There are no specific outcomes to be reported from the period under review, as investigations are continuing.

SOUTH AFRICAN POLICE SERVICE

Proclamation R42, published 10 August 2010

BACKGROUND

The investigation into the irregular procurement of goods and services by the SAPS began in August 2010. The investigation focused on the Expert and Facility Management Services of the SAPS, specifically 33 specific SAPS building and/or renovation projects, the National Police Day 2009/10 and 2010/11 and other irregularities identified which occurred during the period January 2005 and August 2010.

PROCESS FOLLOWED

A multi-disciplinary approach involving data analysts, forensic lawyers, forensic investigators and forensic accountants was used during this investigation.

The SIU received data pertaining to the 33 police stations and/or projects for analysis by the SIU Forensic Data Analysis Experts. A number of tests were run and compared to other available databases, including the CIPC-database of registered companies.

The SIU also analysed payments made by the SAPS to its service providers in respect of 277 national suppliers and analysed in excess of 1 300 documents. The investigation team conducted 162 interviews and obtained 131 statements.

FINDINGS

The analysis initially revealed 215 possible conflicts of interest and 115 members with possible links to service suppliers. Further investigations resulted in the SIU focusing on 88 conflicts of interest, of which 70 members were found with undisclosed interests in 73 entities registered as suppliers on the SAPS supplier database. These entities conducted business to the value of R31.9 million with the SAPS.

22 employees were identified as having a direct interest in 48 entities which have not been disclosed and which are not registered on the SAPS supplier database.

99 entities that were directly linked to SAPS employees, which entities appeared to have done business to the value of approximately R21 million with the SAPS. Investigations into this phase is scheduled for the forthcoming year.

Police stations

An analysis of the documentation obtained on the construction and renovation of police stations, has revealed various irregularities that are currently under investigation. Irregularities identified include the following:

- Potential cover quoting and inflated billing;
- fruitless and wasteful expenditure;
- no proof of variation orders; and
- potential collusion between suppliers.

The SIU established that a total amount of approximately R206 million has already been paid on the eSikhoweni, Brighton Beach, Hazyview, Pienaar, Bizana and Inanda police stations.

National Police Day

Investigations have so far revealed that there was no budget set aside for the National Police Days. As a result all expenditure of approximately R110 million incurred by SAPS for 2009/10 and 2010/11 National Police Days, may amount to unauthorised expenditure.

OUTCOMES

The evidence obtained on the investigation into the Eastern Cape TetraNet was referred to the ACTT for criminal investigation.

The SIU will recommended disciplinary action against 88 SAPS members for undeclared business interests.

2.3.2 Provincial

DEPARTMENT OF HEALTH: GAUTENG

Proclamation R21 of 2010, published on 14 May 2010

BACKGROUND

National Treasury requested the Special Investigating Unit (SIU) to conduct an investigation at the Gauteng Department of Health (GDoH). This follows the Auditor-General's March 2008 report and an investigation conducted by a private forensic firm, which highlighted irregularities in the GDoH's financial affairs. The investigation began late during 2010 and focuses on the period 1 January 2006 to 14 May 2010. The planned finalisation date of the investigation is March 2014.

The investigation focuses on ten matters amounting to R1.1 billion. Of these cases, eight entail procurement matters in which tenders amounting to R702 million were found to have been awarded in an irregular manner. The other two matters related to fruitless and wasteful expenditure amounting to R425 million.

PROCESS FOLLOWED

The SIU followed its multi-disciplinary approach which involves forensic accountants, data analysts, cyber forensic examiners and lawyers. An external forensic IT specialist expert was brought in to assist in the investigation of the ICT tenders.

Over 516 interviews have already been conducted and more than 319 statements were obtained from witnesses and/or complainants and/or departmental officials. A large number of files and other supporting documentation (tender files, personnel files, indigent application files and any other information relevant to the investigations such as databases) were collected.

Four investigations are currently being investigated in conjunction with the Anti-corruption Task Team.

FINDINGS

The procurement of services and contracting of service providers or conference administrators for the Gauteng Aids Conference on 15 and 16 November 2007.

The procurement of cricket hats and back packs in support of the Gauteng AIDS Conference.

The GDoH procured cricket hats and backpacks in support of the Gauteng AIDS conference during 2007/2008. No competitive bidding process was followed and the process was found not to be fair, equitable, transparent, competitive, or cost-effective. The cost of the cricket hats amounted to R587 443, which was far more than if the lowest available quoted amount had been accepted. The expenditure of R1 million in this regard was irregular. The deviations from the tender processes were not recorded or reported to the relevant treasury and the Auditor-General.

The procurement of the printing of pamphlets and posters in support of the Gauteng Aids Conference

No competitive bids were obtained for the April 2007 and November 2007 procurement in respect of printing of pamphlets for the mass door to door Aids campaign in support of the Gauteng Aids Conference in various languages. The printing of the English pamphlets amounted to R236 843 more than if the Government Printing Works (GPW) had completed the work. The expenditure and the payment of R5.2 million to the supplier, was therefore irregular. The deviations from the tender processes were also not recorded, nor reported to the relevant Treasury and the Auditor-General.

The procurement of a conference administrator for the 2007 Aids Conference

The procurement process in this regard was not fair, equitable, transparent, competitive or cost-effective. The selected supplier was paid R1.3 million more than if the proper bidding process was followed. The total expenditure of R1.6 million and was found to be irregular.

The HOD was aware of this irregular expenditure and the deviation from the tender process, and did not report the matters to the relevant Treasury and AGSA.

The evidence obtained indicated a misrepresentation of a reference supplied to GDoH for the tender awarded to procure the services of the conference administrator.

The HOD also failed to ensure relevant SCM documentation and proper financial records of the financial affairs of the GDoH were kept in accordance with the prescribed norms and standards. The evidence obtained indicates that the HOD wilfully, or in a grossly negligent manner, failed to comply with the provisions of the PFMA, thus contravening section 86 (1) of the PFMA. The HOD's actions in awarding the tender for conference administrator services, were found to have resulted in a loss of R1.3 million for the department.

The Chief Director: SCM did not follow the required procurement process in awarding the tender for the conference administrator services. The Chief Director's actions resulted in a loss of R2.1 million. The evidence obtained indicates that the Chief Director committed five acts of financial misconduct by failing:

- To obtain competitive bids for the procurement of cricket hats for the 2007 mass door to door Aids Conference campaign.
- To obtain competitive bids for the procurement of back packs for the 2007 mass door to door Aids Conference campaign.
- To obtain competitive bids for the procurement in respect of the English pamphlets (1 500 000 -the first bulk print order) for the 2007/2008 mass door to door Aids Conference campaign.
- To obtain competitive bids for the English (1 500 000), Sotho (399 000), Zulu (399 000) and posters (720 000 - the second bulk print order) for the 2007/2008 mass door to door Aids Conference campaign.
- To consider quotations obtained for the procurement of a conference administrator for the 2007 Gauteng Aids Conference.

OUTCOMES

Three senior staff members and two senior staff members of GDoH were dismissed following the recommendations by the SIU. A disciplinary process is on-going and the SIU is providing all assistance to the GDoH.

The SIU is providing assistance to the State Attorney relating to two matters where the GDoH is involved in civil litigation against the:

- Chief Director: SCM to recover R2 137 157
- The former HOD to recover R1 312 870

The final report relating to the 2007/2008 Aids Conference was handed over to National Treasury and the GDoH for action. The report outlines the outcomes of the investigation into alleged irregularities in respect of the procurement of services and contracting of service providers, consultants or conference administrators for the mass door to door Aids Conference campaign during 2007 and 2008 and the Gauteng Aids Conference on 15 and 16 November 2007, and related payments.

CRIMINAL MATTERS

- The evidence obtained indicates that a misrepresentation in respect of a reference was made by the appointed conference administrator. This matter has been referred to the NPA for possible criminal prosecution.
- The HOD has left the employ of the department, and therefore disciplinary proceedings are not recommended. The matter relating to the appointment of the conference administrator is referred to NPA for possible criminal prosecution.
- The criminal matter involving the Chief Director matter has been referred to the NPA.

DEPARTMENT OF PUBLIC WORKS: KWAZULU-NATAL

Proclamation R43 of 2010 published on 27 August 2010
Extended per Proclamation R49 of 2012 published on 07 September 2012

BACKGROUND

The SIU is mandated 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 the KwaZulu-Natal Department of Public Works (KZN DPW) during the period 1 January 2005 to 7 September 2012. The investigation focused on the procurement process and alleged manipulation thereof by contractors and KZN DPW officials, in order to secure tenders as well as the delivery of services. The total value of contracts under investigation is estimated at R900 million. The investigation started in November 2010 and is expected to be completed in December 2014.

PROCESS FOLLOWED

The investigation has incorporated a multi-disciplinary approach utilising investigators, forensic accountants and lawyers, data analysts, cyber forensic investigators, consulting investigators as well as private quantity surveyors to ascertain non-delivery on site.

345 KZN DPW project files including numerous tender documents and payment data were collected and analysed. In addition, more than 100 bank accounts were summonsed and analysed to date.

230 witnesses were interviewed and 175 affidavits obtained during the investigation

FINDINGS/OUTCOMES

- 103 contracts awarded to contractors where irregularities amounting to R470 million were identified. These involve misrepresentations to KZN DPW and the CIDB and include the payment of R130 000 to KZN DPW and CIDB officials. These officials were in a position to influence the award of tenders and/or CIDB grades to contractors in order for them to be awarded contracts

with KZN DPW.

- The registration of twelve criminal cases pertaining to the 103 contracts irregularly awarded.
- It was established that an amount of R7.6 million in non-delivery of services relating to 37 projects executed by a single contractor
- Established alleged irregularities of fronting involving two companies that have been awarded over 70 projects to the value of over R190 million
- The above services relating to the provision of general building and civil works on building sites on behalf of KZN DPW.
- One contractor was arrested and charged with 53 counts of fraud relating to contracts to the value of R140 million awarded by KZN DPW. Assets to the value of R70 million were seized.

LIMPOPO SECTION 100 INTERVENTION

Proclamation R21 of 2012, published on 23 March 2012

BACKGROUND

In January 2012, National Treasury established that the State is suffering serious financial losses due to maladministration, fraud and corruption. It thus requested the SIU to assist with investigations into allegations of procurement irregularities, fraud, corruption, financial mismanagement and misconduct relating to five Limpopo provincial government departments. The departments involved are the Department of Health and Social Development, the Department of Roads and Transport, the Department of Education, the Department of Public Works and the Provincial Treasury.

These five provincial departments were placed under section 100 administration. The investigation covers transactions over a period of two years between 1 April 2010 and 30 March 2012. The investigation commenced in March 2012 and is expected to be completed on 31 March 2014. The proclamation focuses on a period of two years, between 1 April 2010 and March 2012. The value of the procurement issues under investigation is over R1 billion.

PROCESS FOLLOWED

The investigation team has thus far consisted of forensic investigators, data analysts and forensic lawyers. However, forensic accountants and members of cyber forensics will become part of the team as and when the need arises.

The forensic data analysis division conducted data analysis on the electronic data obtained from various systems including BAS, PERSAL and CIPC.

FINDINGS

The results from the data analyses highlighted possible conflicts of interest matters where government officials had undisclosed business interests.

The investigation team prioritised 302 matters, involving senior management service (SMS) and middle management service (MMS) officials, for investigation into possible conflicts of interest. The conflict of interests investigation consisted of the following three aspects:

- Officials conducting business within their own and/or another department;
- SMS officials not disclosing their business interests in their annual financial disclosures; and/or
- officials conducting remunerative work outside the public service without the required permission.

The investigation team will continue to support Provincial Treasury and/or DPSA by testifying at the disciplinary hearings, as and when required

Auditor-General reports

The investigation team reviewed the Auditor-General (AG) reports of 2010/2011 and 2011/2012 in respect of the five departments and identified matters for further investigation. The following conflicts of interest are currently investigated as follows:

• Department of Roads and Transport	11
• Department of Public Works	5
• Department of Health	4
• Department of Education	4
• Provincial Treasury	1

The total number of matters identified for further investigation across the various departments, amounts to 25.

Investigations into these matters are at the beginning stages and therefore outcomes cannot be identified at this stage. However, the irregularities identified in four departments (Public Works, Health, Education and Treasury) are procurement related and entail cases where SCM processes were not followed and inferior work was performed by service providers and the department did not get value for monies paid.

All matters in the Department of Roads and Transport relate to officials conducting business with other departments without first obtaining permission from the Executive Authority and officials who failed to disclose interests in business entities while carrying out business with the department.

Ad hoc matters

During the investigation, the departmental administrators referred matters to SIU for further investigation - these are referred hereto as ad hoc matters. The investigation team has received a total of 21 of these matters as follows:

- Department of Roads and Transport 6
- Department of Public Works 3
- Department of Health 6
- Department of Education 3
- Provincial Treasury 3

The six matters from Roads and Transport were referred to the Anti-Corruption Task Team (ACTT) for further criminal investigation. The matters in other departments were found to fall outside the ambit of the SIU proclamation and are therefore in the process of being referred back to the department as well as to the relevant Prosecuting Authority for further attention.

OUTCOMES

During the period under review the investigation yielded the following outcomes:

- A total of 41 disciplinary cases were referred to different departments for sanctioning.
- A total of 43 new disciplinary cases were compiled and are ready for hand-over to the relevant departments for action.

- A total of 25 ad hoc cases were investigated and are at different stages of investigation/completion.
- Five arrests were made on the Roads and Transport (GAAL) matter and the value of the contract investigated is R15 million.
- The SIU contributed on 38 investigations amounting to R5.57 billion to the ACTT.
- The SIU reviewed 2010/2011 AGSA reports to identify possible matters for further investigation. With the help of Financial Intelligence Centre, 154 payments to service providers were identified for further investigation. The investigation is ongoing.

DEPARTMENT OF HEALTH: EASTERN CAPE

Proclamation R36 of 2008, published on 4 September 2008.

BACKGROUND

The Department of Health in the Eastern Cape entered into a Service Level Agreement with the Special Investigating Unit (SIU) in 2008. However, the investigation did not commence as planned for various internal reasons within the Department of Health. In 2012 the SIU commenced with the investigation which was completed in May 2013.

The investigation covered the period 2004 to 2008 and focused on the following:

- Payments made to fictitious and deceased officials.
- Non-compliance by officials to procurement legislation and dividing procurement lots into segments.
- Procurement of goods at the Khutsong SANTA hospital.
- Losses suffered by the Department as result of contracts with suppliers and service providers.

The total value of the procurement matters investigated was R25.4 million.

PROCESS FOLLOWED

The investigation adopted a multi-disciplinary approach and the team consisted of forensic accountants, data analysts, cyber forensic investigators and forensic lawyers. The team performed the following processes:

- Uplifted and analysed 3 158 payment bundles.
- Conducted 122 interviews.
- Obtained 122 witness affidavits.
- Performed and analysed ITC and CIPC searches on the following:
 - 17 employees.
 - 315 suppliers.
- Analysed 5 691 invoices and supplier quotations.

FINDINGS

The SIU identified procurement irregularities amounting to R2.9 million. The investigation into procurement irregularities at the East London Emergency Medical Services identified procurement irregularities in 61 instances. The SIU found that the former Head of the Supply Chain Management and several Supply Chain Management officials at the East London Emergency Medical Services were involved in the above procurement matters.

Sixty-one criminal cases of fraud, forgery and uttering amounting to R5.1 million were referred to the National Prosecuting Authority for a decision on whether to prosecute or not.

Twenty-seven of the above-mentioned matters amounting to R3.4 million were referred to the Assets Forfeiture Unit as prescription affected the SIU's ability to recover the losses.

The SIU identified 39 cases where there were tax irregularities and these were referred to SARS for further investigation.

OUTCOMES

The investigation resulted in the following outcomes:

- Prepared 61 matters that were referred to the National Prosecuting Authority for possible criminal prosecution.
- Prepared 27 matters that were referred to the Asset Forfeiture Unit to recover the proceeds of crime.
- Prepared 39 matters for referral to the South African Receiver of Revenue for tax irregularities amounting to R10.8 million.

The SIU is in the process of finalising the closure report to the President on the investigation.

MPUMALANGA CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: WATER FOR ALL PROJECT

Proclamation R16 of 2012, published on 5 March 2012.

BACKGROUND

The Water for all Project (WFA) was one of the Big Five flagship programmes prioritised by the Mpumalanga Provincial Government during 2007. The main objective of WFA was to accelerate the roll-out of water infrastructure within the province to meet higher levels of services by 2010.

Upon its inception, the WFA was managed by the Office of the Premier and later moved to the Department of Co-operative Governance and Traditional Affairs (CoGTA) where an over-commitment of R50 million was discovered. The Department appointed a private accounting firm to conduct a forensic investigation. The firm identified a number of irregularities around the appointment of service providers, excessive claims and payments from/to service providers and possible corruption by senior officials. These findings were referred to the Special Investigating Unit (SIU) for further investigation with the purpose of recovering losses, handing over obtained evidence to the National Prosecuting Authority (NPA), providing the department with systemic recommendations and assisting with disciplinary action.

The investigation focuses on the period between 1 April 2007 to the 05 March 2012. The investigation started during April 2012 and is expected to be completed by December 2013. Contracts amounting to R221 million are under investigation.

PROCESS FOLLOWED

The investigation included, but was not limited to, the following processes:

- A review of the relevant legislation, internal policies and procedures.
- A review of the information provided by the Department on the awarding of contracts, delivery on contracts, payments, etc. to determine whether there were any deviations to legislation, internal

policies and procedures.

- A detailed analyses of payment vouchers of which approximately 165 were perused. A request was lodged for bank statements in terms of section 5 (2) notices. Subsequent analyses thereof followed. More than 60 bank statements were requested and analysed. Reports and information from the Financial Intelligence Centre, company searches, ITC, property searches, etc. were also obtained. The relevant tender documents, minutes of tender committee meetings, executive committee resolutions, treasury budget allocations, SCOPA reports, financial reports as well as all correspondence in relation to the matters under investigation, were requested and analysed.
- Interviews were conducted and affidavits were obtained from the relevant officials in the department, municipalities as well as other relevant witnesses.
- Comprehensive financial profiles and lifestyle audits were conducted on individuals suspected to have benefited irregularly.

FINDINGS

Some of these matters are already being investigated jointly by the SIU and the Anti-corruption Task Team.

The procurement of a consultancy services

The investigation established that false/inflated claims were submitted by the service provider appointed to provide consultancy services to the Department on the WFA project. Some of the employees of the service providers disputed the time claimed on the timesheets when interviewed on work said to have been done by them and some their employment with the service provider. An amount of R1.1 million has been quantified as overpayments.

The tax clearance certificate submitted by the service provider was found to belong to another company owned by the same directors. The tender was awarded to the service provider on the strength of the tax certificate provided by them. Given that the tax certificate was invalid, the award of the tender is irregular. A recommendation is being considered for the

recovery of the full contractual amount of R3.5 million from the service provider.

The rates claimed on the invoices differ from the rates on the bid and the rates on the contract. There is no indication that this change was approved by the BAC.

The procurement of services for the drainage of VIP toilets and septic tanks

According to the accounting firm's report, duplicate payments of R12.9 million were made. The investigation uncovered that even though these payments are reflected on BAS, the payments were never transferred to the service provider, nor are they reflected on their bank statements.

The investigation did, however, uncover that the service provider claimed for services that were never rendered.

The procurement of the services to repair and refurbish water pipelines in the Nkomazi Region

Contractors were appointed on this project while the acting HOD knew there were no available funds budgeted for this project. Contractors started working without any appointment letter or service level agreement and their services were suspended on 29 June 2009. An amount of R4.7 million was found to have been paid for work completed at the time of suspension. These contracts were never renewed and work was never completed.

Financial profiling of key individuals

Financial profiling conducted on one of the senior officials linked to the WFA project, indicated that the official might be living beyond his means of income. The investigation uncovered possible corruption between the official and service provider/s. This investigation is on-going.

OUTCOMES

The SIU obtained an acknowledgement of debt amounting to R275 903 for a duplicate payment made to one of the service providers.

MPUMALANGA DEPARTMENT OF EDUCATION: SCHOLAR TRANSPORT SCHEME

PERIOD: 1 APRIL 2011 – 31 MARCH 2012
Proclamation R14 of 2012, published on 2 March 2012

BACKGROUND

A Commission of Inquiry was appointed by the Office of the Premier from 1 September 2009 to November 2010 to investigate a number of irregularities in the Mpumalanga Scholar Transport programme of the Department of Education.

The findings of the Commission were referred to the SIU for further investigation. An amendment to the existing proclamation was issued in this regard on 2 March 2012, mandating the SIU to investigate the following focus areas identified by the Commissioner:

- Different kilometres claimed for the same route: These are invoices submitted by service providers where the kilometres claimed, fluctuate from month to month.
- Different service providers claiming on the same route: These are claims where different service providers submitted different invoices for the same route.
- Service providers submitting claims with rates higher than R0.35: These are claims where the recalculated rate based on the number of children and the distance travelled as per the invoice, was greater than the approved rate of R0.35 per learner.
- More than one invoice submitted per month per route: These are claims where service providers submitted multiple invoices in a specific month for the same route.

PROCESS FOLLOWED

- The period under review was 1 January 2007 to 21 January 2009.
- The investigation team consisted of four investigators, a data analyst, a project manager and a forensic lawyer.
- The investigation started with a process review with the purpose of understanding how the scholar transport was administered from a school level up until the stage when payments were made at provincial level. A number of schools, circuit offices and district offices were selected for this exercise. Officials from these offices were interviewed and processes were mapped out. The Department's policies and procedures relating to the administration of the scholar transport scheme, were also considered and the application of these was also tested at the various schools, circuit offices and district offices selected for review.
- Documentation consisting of invoices, appointment letters, lists of learners, school registers, etc for the matters referred for investigation, were gathered for review. The documents were scanned and properly indexed.
- The investigators analysed approximately 4 000 invoices, interviews were conducted and statements were collected from the relevant service providers and other witnesses.

FINDINGS / OUTCOMES

Payments made to 53 different companies were reviewed. The investigating team analysed invoices submitted by these service providers and paid by the Department since 2007.

From the analysis conducted by the investigating team, irregular invoices amounting to R3.3 million were identified. It was found that the eleven service providers under investigation submitted more than one invoice for the same service.

To date the investigating team has obtained Acknowledgement of Debt agreements amounting to R345 403.30. Possible recoveries of R2 971 411.40 are still outstanding. Section 5(2) c hearings will be held in this regard around July 2013, failing which the matters will then be referred to the Civil Litigation Unit.

All matters are in the process of being handed over to the NPA for possible criminal charges.

It was noted that the system used by the department makes it difficult to identify duplicate invoices, making it easy for service providers to abuse the system. The Unit has recommended that mandatory manual verification of invoices be implemented, especially when invoices are submitted several months after the service has been rendered.

The investigating team also identified that service providers were submitting different invoices per route and/or school serviced and that these did not necessarily amount to duplicate claims. It was further noted that invoices were captured and/or paid on the same date, even though they were for different months. When the Commission reviewed these payments, the assumption was made that these claims were duplicates. Further investigation revealed that these claims were for different months. The investigating team also noted that service providers had submitted claims on the same routes, but these were not over the same period. The analysis conducted by the Commission did not take this into consideration.

NORTH WEST MUNICIPALITIES

Proclamation R72 of 2009, published on 10 November 2009

BACKGROUND

The investigation into 24 North West Municipalities began in January 2010. The first phase of the investigation was on the four prioritised municipalities of Madibeng Local Municipality, Ventersdorp Local Municipality, Greater Taung Local Municipality and Mahikeng Local Municipality. Investigations have now progressed to include the other 20 municipalities.

The investigation focused on period between January 2005 and November 2009. The investigation will be completed on 31 December 2013. The focus of the investigations involves allegations of irregularities committed in various functions, including the Supply Chain Management (SCM), fleet and asset management, Municipal Infrastructure Grants (MIG) and Human Resources at the relevant municipalities.

The investigation was estimated to be conducted over a period of three years. Investigations are currently being conducted into a number of contracts awarded irregularly amounting to R150 million. These include MIG projects.

PROCESS FOLLOWED

The investigation team comprised of forensic investigators, forensic analysts, forensic accountants, forensic auditors and forensic lawyers. Their predominant focus was the financial analysis of payment information provided in respect of tenders investigated, conflicts of interest matters identified and financial analyses conducted on bank statements as part of our mandate.

The team has reviewed payment records on invoices submitted by the service providers and payments effected by the municipalities, and has analysed more than 40 bank statements of accounts identified into which payments were effected.

As part of the investigation, after conducting more than 100 interviews, more than of 50 statements were obtained from witnesses and municipal officials.

FINDINGS AND OUTCOMES

Madibeng Local Municipality

Grass cutting

During the previous financial year, the SIU reported that sundry payments of R16 000 were made to a service provider allegedly belonging to a sibling of the former Executive Mayor. In addition to the previous finding, the financial analysis revealed that a total of R5.4 million was paid to the service provider. The investigation has now been finalised.

Moses Kotane Municipality

The SIU investigated allegations that the former Municipal Manager appointed a service provider for the construction of phase 2 of the Civic Centre without following SCM processes. The investigation found that a contract worth R20.2 million was awarded and payments of R14.3 million to the service provider by the municipality. The municipality was invoiced and made payments amounting to R1.6 million for steel that was not delivered for the construction of the roof of the steel dome of the civic centre.

The SIU facilitated the recovery of the losses and obtained an AOD amounting to R769 500 for non-delivery of material with the contractor. The former Municipal Manager has already been found guilty and dismissed, and a disciplinary process has been recommended against the Chief Financial Officer and the Chief Director who authorised these payments. The investigation has been completed and evidence obtained will be referred to NPA.

Other outcomes of this investigation include:

The investigation into conflicts of interest has been completed and the SIU assisted the municipality with the drafting of charge sheets. Criminal cases are to be registered with SAPS. Three councillors were identified in this regard.

The following investigations have also been completed:

- The irregular appointment and extension of the employment contract of a Section 57 manager, Director Technical Department Service: The allegation could not be substantiated and a final report is being compiled.
- The irregular use of a mayoral guest house by the Municipal Manager: The allegation is unfounded and final report is being compiled
- The municipal driver used for private business by the Municipal Manager: Investigations revealed that the Municipal Manager does not use a driver and this has been substantiated with statements from senior officials within the municipality. The allegation is unfounded and final report is being compiled
- The misuse and misappropriation of funds from the Municipal Infrastructure Grants: Interviews were conducted with the Finance Manager who informed the investigating team that MIG funds were transferred by the District Municipality to respective Local Municipalities to make payments. The MIG funds were also used to pay Project Management Unit salaries and administration. Her statement and the print-out were obtained to substantiate this. The allegation is unfounded and final report is being compiled.

Rustenburg Local Municipality

An investigation is currently ongoing on the irregular appointment of three ICT service providers. Documents in this regard have been obtained and are under review.

The SIU investigated an allegation that a person dismissed by the municipality for theft of machinery, was awarded a tender by the municipality a few months later. The allegation could not be substantiated and the investigation has been closed. The final report is being compiled.

Ventersdorp Local Municipality

The SIU conducted an investigation into the appointment of the same official in the position of an Integrated Development Programme (IDP)

Manager and an Intergovernmental Relations (IGR) Manager. It was alleged that Municipal Manager instructed HR to make the combined appointment with a higher salary scale. The person appointed to perform the IGR duties failed to perform the duties and this resulted in a losses amounting to R375 206. An acknowledgement of Debt plus interest was obtained from the former Municipal Manager. An investigation report leading to a disciplinary file for misconduct will be prepared against the former Municipal Manager.

Moretele Local Municipality

Allegations were made that tenders are being awarded to a company linked to one of the Municipal Councillors.

A search on CIPC was conducted and it was established that the councillor is not a Director of the company. An interview and a statement will be obtained from the Municipal Manager to confirm that no tenders were awarded to the councillor. Original documents from CIPC will be obtained to confirm this and a closure report will then be submitted.

The following investigations were finalised and final reports are being compiled:

Irregular appointment of a manager in the Office of the Mayor: The allegation could not be substantiated

Tender irregularities: The former CFO was interviewed and advised that he awarded himself a contract. The investigators found no declaration of interests in the relevant Human Resource file. The CFO is no longer employed by the municipality. A criminal case was opened by the former Municipal Manager and investigated by the Kerksdorp Commercial Crime Unit.

Excessive remuneration of Section 57 managers: Human Resources files of all Section 57 managers were obtained and analysed. There was no information relating to salary increases in 2006 in the Human Resource files. The investigators obtained salary information from the payroll officer. According to the information obtained, there was nothing irregular regarding the salary increases awarded in 2006 for Section 57 managers. A statement from the Director of Human Resource was obtained to confirm this finding.

Training Academy: A search on the municipality's financial system indicated that payments were made to a training academy. Payment vouchers were requested and received. However, after searching only some vouchers were found. Interviews and statements are to be obtained from the Municipal Manager, Human Resource Manager and Human Resource Director to establish whether training was provided by the Training Academy. Due to insufficient documentation a proper analysis could not be performed.

Serious bulk water problems (R48 million): The CFO was interviewed regarding this allegation. A report was prepared and obtained from the CFO. It has since been established that an outstanding amount is owed by the municipality and not by residences or businesses. The municipality has reached an agreement to pay off the debt. A copy of the agreement is to be obtained and the matter will then be closed.

Kagisano Local Municipality

Investigations are currently underway in respect of an allegation that the municipality received a grant from the Department of Water Affairs in early 2005 towards drought relief within the jurisdiction of the Kagisano Local Municipality. The money was intended for the drilling and equipping of boreholes in the area. The subcontractors were appointed by the main contractor and it was alleged that, although payments were effected in full, these companies colluded to claim payments for boreholes that were existing before they were appointed. Investigation are ongoing.

Ngaka Modiri Molema District Municipality

An allegation was made that a Councillor used municipal vehicles for personal purposes during the year 2007. The analyses into logbooks are currently underway.

2.3.3 Local government

TSHWANE METROPOLITAN MUNICIPALITY

Proclamation R62 of 2010, published on 08/11/2010

BACKGROUND

The investigation into the affairs of the Tshwane Metropolitan Municipality began in 2010. The investigation focuses on the period January 2007 and November 2010. The investigation focuses on the following:

- Supply chain management
- Service delivery
- Good governance
- Recruitment
- Financial mismanagement

The contracts under investigation amount to R800 million.

PROCESS FOLLOWED

The investigation team comprised of forensic investigators, forensic analysts, cyber forensic examiners, forensic accountants and auditors, and a senior forensic lawyer.

The team has reviewed in excess of 15 000 payment records on invoices submitted by the service providers and payments effected by the municipality, and has analysed more than 120 bank statements of accounts identified into which payments were made. Six computers were seized and analyses performed by the cyber forensic unit. In addition to this, approximately 19 000 transactions were analysed in respect of indigent applicants.

More than 330 interviews were conducted and more than 60 statements were obtained from witnesses and municipal officials.

FINDINGS

Procurement

Financial mismanagement in municipal entity: Overpayments to the amount of R1.5 million for the construction of water and sewage networks for Soshanguve Block X Extension 1.

Non-compliance with PAYE contributions: Investigations established that three employees were collectively indebted to SARS to the amount of R644 278. The investigation has further established a donation to the value of R66 402 which was provided to Soshanguve East Youth Forum during their youth month celebration for which no supporting documentation could be found.

One of the senior officials of the municipal entity was found to have enriched himself to the amount of R70 000 by writing out a cheque to himself in the entity's cheque book. Investigations further revealed financial mismanagement to the amount of R200 000 overspent on university fees.

Upgrading of a library - electrical contract: The appointment of a service provider for the electrical work in the upgrading of a library provider was found to be irregular. The SIU identified irregular and unauthorised expenditure amounting to R282 636.

Electrification of Olievenhoutbosch extension 36: Several irregularities were identified in the electrification of the Olievenhoutbosch extension 36 development. This includes an additional eight houses identified where electrical cabling had to be done amounting to R47 310 (incl. VAT) which was also not authorised.

Procurement matter within Metro Police: The investigation has confirmed collusion between the senior procurement official within the Metro Police and seven service providers. The collusion involves the awarding of several contracts worth R77.7 million. The SIU established that an official received gratification to the value of R16 million.

Soshanguve Giant Stadium and Hammanskraal stadium: Preliminary findings indicate that in excess of R286 million has been spent and stadiums have not been completed. A quantity surveyor is assessing the scope of the work completed and establishing the value of payments already made.

CCTV investigation: It has been confirmed that a service provider that was not recommended by the BAC had been appointed. The service provider was found to have invoiced the municipality and payments approved by a senior official included fraudulent invoices to the amount of R1.4 million.

Irregular awarding of tender and over-spending on original tender amount: The original tender amount was R12.4 million for the supply and distribution of electricity boxes. Payments identified to date exceed R40.3 million. A former employee has, subsequent to the awarding of the tender, become a director to one of the companies.

Deviation investigations

An additional seven matters have been finalised during the period under review.

Home of Jazz festival: Deviation was approved but most of the work invoiced for under the contract was not for the Home of Jazz Festival, but related to other municipal projects. Payments were, however, effected under this contract. A total of R8.1 million has been invoiced and paid to the service provider. The first three invoices, amounting to R416 170, pertain to the Home of Jazz programme, and thus these invoices fell within the scope of the terms of reference stipulated in the contract. The SIU established that eight invoices amounting to R7.7 million were submitted for projects which fell outside the terms of reference resulting in unauthorised and irregular expenditure. It was further established that no competitive bidding process was followed for the eight payments effected.

Service provider appointed irregularly through deviation and fraudulent invoices submitted on inflated working hours: Investigations established that the service provider was irregularly appointed to conduct a forensic investigation after the city manager instructed that a proper procurement

process should have been followed before their appointment. This was not done and the service provider was appointed through deviation. Despite the instruction, the former city manager nonetheless signed off on the appointment letter of the service provider. A total of R3.2 million was invoiced by and paid to the service provider. Thus the entire amount constitutes irregular expenditure. In addition to the above, the service provider inflated hours worked in that it billed the municipality for 144 hours within a six-day period alleging that three employees worked for 20 hours per day.

Department of Economic Development: A delegation of the City of Tshwane was due to depart to Washington for an event, but could not do so due to the late arrangements made by the service provider. An amount of R600 000 was paid to the service provider even though no service was rendered. The service provider failed to pay the travel agency.

Irregular awarding of contract – Department of Community Safety: It has been established that service providers were appointed through deviation based on preference of the senior officials within the department and no fair process was followed when the contracts were awarded. It has further been established that the contracts were awarded through deviations as a result of poor planning, resulting in emergency situations being created on the part of the heads of the department.

Irregular appointment of service provider by former city manager: The city manager disregarded SCM procedures and entered into direct negotiations with the service provider. This process was condoned by the project manager. This deviation was not reported to council and municipality incurred irregular expenses amounting to R4.2 million.

Financial mismanagement

1Time vendor account: The investigations into the 1Time vendor account and a report with recommendations have been completed. On SIU recommendations, stricter control measures have been put in place to prevent any further abuses of the account.

Indigents: Data analysis on registered indigents was performed and it was established that 8 002 applicants currently receiving the grants are deceased. A total of 13 000 applicants are registered on PERSAL indicating that they are state officials and thus not entitled to the grants. All applications from the municipality's finance department have been requested for criminal proceedings and recovery. Data and documentary proof is awaited from the Department of Home Affairs and the municipality in order to proceed with the cancellation of the grants and recovery of losses. PERSAL information has been obtained and it has been confirmed that these applicants were state employees and as such did not qualify for the grant.

Unauthorised expenditure

It was alleged that an amount of R75 million of unauthorised expenditure was incurred without authorisation from the council as is required in terms of Section 32(2) of the Municipal Finance Management Act (MFMA).

Sports, recreation, arts and culture: It was alleged that the city manager approved a deviation report for the New Year Celebrations to the amount of R553 360. Investigations established that the service provider was appointed irregularly without following any tender process. The appointed service provider was not part of the list of service providers originally recommended. It was further alleged that a senior official informed the service provider to include an amount of R490 000 in the final invoice for which no documentation indicating the work which was performed, could be found. The analyses conducted, established that the total cost for the Jazz Festival amounted to R3 339 585, resulting in irregular expenditure. Investigations have thus confirmed that the irregular expenditure amounts to R3 339 585.

Corporate & shared service: fraudulent payment of salaries: It has been established that a syndicate opened fraudulent bank accounts using five municipal employees' personal details, and submitted fraudulent change of banking detail forms to the payroll section. This resulted in their salaries being deposited into the fraudulent accounts. All losses were recovered.

Cash shortage at Premos restaurant: manager undertook in writing to replace cash shortage (R6 980) This investigation has been finalised. The money was paid back by the responsible official and disciplinary proceedings were recommended.

Supply of fuel to contractor by Housing & Sustainable Human Settlement Development: Disciplinary investigations are underway against the official who supplied fuel to a contractor amounting to R1.1 million. Investigations have identified a number of red flags when purchasing requisitions were analysed e.g. excessive number of times a vehicle's tank was filled in consecutive days.

Unauthorised trip to Namibia by an official in the office of the city manager: It has been established that an official went on an unauthorised trip and incurred expenses amounting to R57 414.

R57 023 820-00 application for funds transfer in adjustment budget not approved for Economic Development - Bus service: Investigations into overtime claims submitted by officials are ongoing.

OUTCOMES

Financial mismanagement in municipal entity: A civil case was opened and is before the Northern Gauteng High Court in Pretoria on the overpayment matter. A criminal case is in the process of being registered against the official at this municipal entity and another matter has been referred to SARS for action.

Upgrading of a library - electrical contract: It has been recommended that criminal action be instituted against the project manager due to gross negligence in that she contravened Section 173(3) of the MFMA, or failed to comply with conditions of delegations which were bestowed upon her by the accounting officer.

Electrification of Olievenhoutbosch extension 36: Disciplinary proceedings against four officials have been recommended and a criminal case is to be registered for unauthorised and irregular expenditure. The matter involving the DDG has been referred to the Department of Minerals and Energy for action.

Procurement matter within the Metro Police: Civil action will be recommended against the official for the recovery of the R16 million undue benefit received.

Home of Jazz Festival: Disciplinary charges have been recommended against four officials. A criminal case will be registered for the irregular expenditure against the officials who authorised the payments. A criminal case of fraud will also be registered against the service provider for submitting invoices, knowing that no services were rendered.

Service provider appointed irregularly through deviation and fraudulent invoices submitted on inflated working hours: Disciplinary action has been recommended against four officials. Criminal charges for the irregular expenditure are to be instituted against the former city manager and the director who irregularly appointed the service provider.

Department of Economic Development (trip to Washington): A report recommending the recovery of the amount from the service provider and disciplinary action to be instituted against the officials who recommended and authorised the payments, will be made. The report also details systemic recommendations.

Irregular awarding of contract – Department of Community Safety: A report recommending disciplinary action against the officials involved for negligent performance of duties as well as systemic recommendations, is currently in draft.

Irregular appointment of service provider by former city manager: Disciplinary action will be recommended against the project manager. A criminal case is to be registered against the former city manager and the project manager.

UNAUTHORISED EXPENDITURE

Sports, recreation, arts and culture – (New Year celebrations): A recommendation will be made for the recovery of the full amount from the service provider and disciplinary action to be instituted against the two officials. A criminal case of fraud will also be registered against the officials and the service provider.

Corporate and shared service - fraudulent payment of salaries: The municipality recovered the R150 336 loss from the insurance. The matter has been closed. A closure report is being compiled. A criminal case of fraud will be referred to SAPS.

Theft of laptop which an employee failed to register an insurance claim to the amount of R24 200: Departmental hearing was held and employee signed an admission of guilt and an amount will be deducted from his salary. This investigation has been finalised.

R589 915 cable theft combat - expense to be recovered from claims (Electricity and Energy Department): All internal processes were followed in dealing with this matter. A criminal case is under investigation with the SAPS. The matter is closed.

Fraudulent qualifications: Criminal action has been instituted against the four officials identified as having submitted fraudulent qualifications. Court proceedings against three of these officials have already been finalised. All three were found guilty and received sentences of a R12 000 fine or 24 months imprisonment suspended for three years; a R10 000 fine or 18 months imprisonment suspended for five years. The third matter has been postponed for sentencing as the accused pleaded guilty.

Fraudulent identity numbers: Investigations have been completed and four reports in respect of 29 officials with systemic and disciplinary recommendations, have been handed over to the municipality for action.

Social grants: All investigations in respect of applications submitted within Gauteng and North West provinces have been finalised and the Unit has commenced with investigations in Limpopo. A total of 73 AoDs were obtained amounting to R592 940, with officials who admitted to knowingly receiving grants they were not entitled to.

Metro Police pound investigation: The SIU assisted the municipal Forensic Investigation Services in this matter. Pound registers were audited and 696 irregular cost-free releases of vehicles were detected. Twenty-five affidavits were obtained and a draft charge sheet was generated. The matter was reported to the Executive Director: Forensic Investigation Services and disciplinary action is in process. A final report was generated by Forensic Investigation Services and forwarded to their ED. The SIU has completed its part of this investigation and the outstanding cost-free releases will be investigated by the municipality.

EKURHULENI METROPOLITAN MUNICIPALITY

Proclamation R63 of 2011, published on 8 November 2010

BACKGROUND

The investigation into alleged irregularities at Ekurhuleni Metropolitan Municipality began in December 2010. The investigation focused on the period between January 2007 and November 2010. The primary focus area for the investigation was the procurement of goods and services at the municipality amounting to R900 million and the investigation is expected to be completed in September 2013. The SIU is working closely with the municipality, especially its Internal Audit Department, the SAPS, AFU, NPA and more recently the ACTT.

PROCESS FOLLOWED

The investigation team comprised of forensic investigators, forensic analysts, cyber forensic examiners, forensic accountants, forensic auditors and forensic lawyers. The team focused on the financial analysis of payment information provided in respect of tenders investigated, conflicts of interest identified, financial analyses conducted on bank statements and imaging of computers seized.

The team has reviewed in excess of 10 000 payment records on invoices submitted by the service providers and payments effected by the municipality. It has also analysed more than 80 bank statements of accounts into which payments were made. In this regard approximately ten computers were intercepted and analyses performed by the cyber forensic unit.

The SIU conducted more than 200 interviews, obtained 70 statements from witnesses and municipal officials.

FINDINGS AND OUTCOMES

Waste management investigation

FINDINGS

The investigation established conflicting interests involving a regional executive director who was involved in awarding of a waste management contract. The awarding of the contract resulted in irregular expenditure amounting to R8 million. Disciplinary action has been instituted against said regional executive director. The Unit obtained evidence indicating that the director approved several invoices at inflated prices and abused his power to transfer funds from one vote account to another without the required approval. The disciplinary investigations against another three officials are still underway.

OUTCOMES

The regional executive director was found guilty of financial mismanagement and maladministration. The director lodged an appeal which was unsuccessful and was finally dismissed in November 2012.

Three further contracts have been investigated and two were finalised. The finalised matters relate to the formalisation of the Tembisa Community-based Waste Collection Pilot Project and the removal, cleaning and/or rehabilitation of illegally dumped non-toxic, non-objectionable solid waste and rubble, on an as-and-when-required basis. Investigations are progressing on the hiring of specialised vehicles on an adhoc basis.

Irregularities regarding the management of a pilot project and abuse of power by municipal employees

FINDINGS

It has been established that improper and irregular labour practices were followed by EMM officials. Investigations have also revealed intentional over-payments of community-based contractors by the project manager and administrative clerk. They acquired these payments as their own. It is also known as a "pay and return scheme". It was established that no payments were made of provident fund monies and medical

aid contributions to the project workers, as well as to beneficiaries of deceased project workers.

OUTCOME

The officials involved have been suspended pending disciplinary proceedings. The charges brought against them involve unlawfully and improperly misappropriating municipal funds as well as non-performance of duties.

Contract for the hiring of specialised vehicles

FINDINGS

Two service providers were found to have claimed VAT amounting to R51 996 and R18 326 in invoices submitted to the EMM using inactive VAT numbers. The SIU found incidents of cover quoting which involved one of the directors of the service provider not disclosing his interests in two entities which submitted quotations for the same work. Two other entities were awarded work without them being registered on the EMM supplier database. Quotations from phantom companies submitted by one of the service providers, were also identified. The same owner used fraudulent registration numbers of trucks in invoices submitted.

OUTCOMES

Two cases of VAT fraud (cover quoting) were referred to the Benoni SAPS against two service providers. The employee who submitted the quotations was interviewed and she confirmed that the companies were not registered for VAT, and that the quotations submitted for the phantom companies were created on her computer. A case of fraud is to be registered against the owner of the company. Reports have been drafted and will be handed over to SARS for action.

ICT contract

FINDINGS

Two service providers and a senior official were implicated on irregular awarding of information communication technology (ICT) contracts.

OUTCOMES

The one matter is still on-going in the Gauteng High Court. The AFU forfeiture application was executed in April 2012 and assets to the value of R27 million were seized at six properties belonging to the four accused.

The disciplinary hearing against the Director Infrastructure: ICT is still on-going. The criminal investigation is currently with the senior prosecutor at the Specialised Commercial Crimes Unit for a decision.

Security contract

FINDINGS

The final financial analyses revealed total losses amounting to R15.1 million to the municipality.

OUTCOMES

A criminal case has been registered and investigations are at an advanced stage. The SIU is currently consulting with the executor of the estate (the sole member of the company is deceased) for purposes of lodging a civil claim against the estate on behalf of the municipality.

2010 Soccer World Cup contracts

FINDINGS

R35 million was identified to have been paid for the upgrading of 20 sports fields, but only partial work was performed. It has been established that learner contractors were used to conduct the upgrades. Preliminary findings indicate that learner contractors were paid different amounts for doing the same work; the learner contractors were used by different departments during this period (for paving roads, lighting, installation of stalls, etc.). Site visits of the different sports fields for the 2010 legacy project were conducted. Most of the facilities have been vandalised. However, full payment was made on invoices submitted. Investigations are on-going.

R20.3 million was paid by the municipality for the upgrading of the Katshele stadium's parking lot. The contractor required approximately R2 million to complete the work. However, the contractor received payments in excess of the original contract amount. Investigations are on-going.

Licensing fees

OUTCOMES

An additional three officials together with six officials previously identified as being involved in a money rolling scheme, are facing disciplinary action on charges of non compliance with prescribed daily reconciliation procedures. The criminal cases are registered against these officials and the AFU is assisting with recovery of losses. The investigation has been finalised and the final report was handed over to the municipality.

JOINT INVESTIGATIONS

Cover quoting: EMPD

It is alleged that a clerk from the procurement section at Kempton Park stores created fraudulent quotations to the value in excess of R1 million for services/goods to be rendered/supplied to the EMPD. The clerk completed official requisitions and attached the quotations thereto. The

documentation was forwarded to the EMPD head office in Bedfordview, where it was approved by senior EMPD officials. The quotations were accepted and official orders were registered for the work to be done or the goods to be delivered. The clerk created fraudulent invoices and processed them by signing and thus declaring that the services were rendered. A case of fraud was registered. The suspect's official desktop computer was seized and handed over to the SIU's Cyber Forensic Unit for analysis.

Water meter contract

This matter does not fall within the scope of the proclamation. All relevant affidavits and evidence were handed over to the municipality's internal auditors.

Valuation roll investigation

The previous chief financial officer (CFO) at the EMM was a member of both the BEC and the BAC in his capacity as CFO. The project manager informed the investigating team that the procurement of the value assist software formed part of a separate tender. Details of this tender was requested from the tender department in order to verify the veracity thereof. Section 33 of the MFMA was not complied with as required. Information from interviews conducted and a process document obtained from supply chain management, established that it was the responsibility of the relevant departmental head, in this case the CFO, to comply with the section 33 process.

FINDINGS

Financial analysis to date has revealed that the service provider was overpaid by an excess of R15 million on the negotiated price agreement.

OUTCOME

Criminal cases are in the process of being registered. The final report is currently being compiled.

MIDVAAL LOCAL MUNICIPALITY

Proclamation R33 of 2011, published on 12/05/2011

BACKGROUND

The investigation into the Midvaal Local Municipality commenced in June 2011 and focused on concerns relating to maladministration by councillors and employees of the municipality and the alleged flouting of supply chain management procedures. The procurement of the legal services from a legal firm which acted on behalf of the Municipality and debt collectors from January 2002 to June 2012, was one of the specific areas of focus for the investigation.

In addition, investigations also focused on the abuse of the indigent process, irregular salary grading of administrative personnel, non-disclosure by officials of criminal records and/or convictions and irregular asset management processes. The total value contracts under review is R50 million. The investigation focused on the period January 2002 and May 2011 and it is expected to be completed in August 2013.

PROCESS FOLLOWED

The investigation team comprised of forensic investigators, forensic analysts and forensic auditors. Their predominant focus was on the financial analysis of payment information provided in respect of the above contracts, identification of all debtors who have defaulted on payments in respect of rates and taxes and/or water and electricity, identified as part of our mandate.

The team has reviewed in excess of 18 000 payment records on invoices submitted by the service provider during his tenure. More than 14 000 court records were collected in respect of properties that were seized by the service provider, in which he alleged that property owners were in default of paying rates and taxes and for which he obtained default judgements and which properties were then sold to third parties on auction.

As part of the investigation, after conducting numerous interviews, in excess of 80 statements and witness statements were obtained. Statements were obtained from property owners alleged that due process was not followed and that the service provider acted unlawfully, and from municipal officials relating to processes followed with regard to financial matters. Investigators have reviewed the asset management database of the municipality in relation to all assets selected to be auctioned.

The investigating team requested access to the municipality's payment system in order to obtain all information per individual of all legal action instituted, all payment arrangements made with regard to outstanding debtors accounts, and all payments which have in actual fact been made by these debtors. This will enable the investigating team to conduct a reconciliation of all accounts on the system, information provided by the service provider, court files and the files the sheriff supplied to determine if all legal procedures were followed and all funds collected on outstanding debt have been paid to the municipality.

FINDINGS

Alienation of land

Irregularities have been identified in relation to the sale of at least 85 properties. A number of properties, seized from persons and sold for as little as R1 and R10 and resold for a huge profit, have been identified.

Supply chain management

Riversdale sewage development

It is alleged that the adjudication process was flawed in that the successful service provider was not the lowest bidder and payments were effected on fraudulently submitted invoices.

Legal services

Procurement of legal services

Investigations have established that, during the period from January 2002 to June 2006, the municipality did not enter into any service level agreement and/or contract with the service provider. The municipality put out a tender for council attorneys and debt collection services for the first time during 2006. All payments made to the service provider during the period from 1 January 2002 to 1 June 2006, were found to be unauthorised. During this period the service provider paid R1.5 million to the municipality and invoiced R10.4 million for debt collection services. The service provider further facilitated 9 430 judgements and execution cases, 748 execution sales and clearances to the value of R13.5 million. This amounts to irregular expenditure. Investigations are on-going with financial analysis being conducted on the remaining invoices submitted.

It was further alleged that the recovered debt was kept for a significant period in the firm's trust account in order to accumulate interest before it was paid over into the municipality's account. The amount not paid over to the municipality's since 2005 amounts to more than R6.8 million. Financial statements in respect of the trust account from the legal firm, are yet to be received. During the period under review, the money had not been paid over.

The municipality engaged the services of another firm of attorneys in November 2008 for labour related legal services to the value of R1.1 million over a two-year period. It is alleged that the municipality procured these services without following any competitive procurement process. Investigations are on-going.

Sale of prepaid electricity at Henanda Kafee

Council's failure to collect debt owed to it by a vendor who acted as an agent for the municipality by selling prepaid electricity to the value of R869 261.29, resulted in the agent applying for voluntary liquidation and the council having to write off the debt.

Asset management

Between 2004 and 2008, the municipality erected certain billboards along roads within the municipal area. It is alleged that the municipality failed to record the erected billboards in its asset register.

One of the billboards subsequently burnt down, resulting in the municipality lodging an insurance claim against its insurers for the amount of R60 000. It is alleged that the municipality's insurers successfully repudiated the municipality's claim on the basis that the municipality failed to record the billboard in its assets register. The failure to record the billboard in the municipality's asset register, therefore, led to a loss of R60 000.

OUTCOMES

Alienation of land:

Riversdale sewage development: The town planner is facing disciplinary charges. A criminal case has already been registered and investigators will be working with the Commercial Crime Unit to finalise the investigation.

Sale of prepaid electricity at Henanda Kafee: A criminal case is currently being investigated. Investigations have been finalised and a report is in being compiled.

Asset management: Investigations have been finalised and a report containing systemic recommendations, is being compiled.

KOPANONG LOCAL MUNICIPALITY

Proclamation R 58 of 2011, published on 12 October 2011

BACKGROUND

The Executive Mayor and Municipal Manager at Kopanong Local Municipality (KLM) requested the SIU to investigate allegations of irregularities in the procurement and financial processes followed in the appointment of consultants at the municipality. The investigation covers the period from 1 July 2006 to 31 March 2009 and irregularities amounting to R7.8 million in financial transactions. The investigation is expected to be completed in February 2014.

PROCESS FOLLOWED

The project follows a multi-disciplinary approach with resources coming from cyber forensics, forensic accountants and a senior forensic lawyer, over and above the team of forensic and chief forensic investigators, programme manager and administration staff. Cyber forensics assisted in imaging computers from the municipality, obtaining crucial data and creating useable documentation.

The forensic accountant and data capturer captured and analysed financial documentation and bank statements relating to the municipality and work completed during the proclaimed period. A senior forensic lawyer assisted in documenting legal issues and identifying possible criminal, departmental and disciplinary referrals, as well as drafting and facilitating of all 5(2)a, 5(2)b and 5(2)c hearings. The legal documentation will be crucial in finalising the project and the reporting the outcomes thereof.

The data used for analysis was obtained from consultants that worked for Kopanong Municipality, bank statements, the Municipality's financial documents and documents that were imaged by cyber forensics and were found on the municipal computers.

The SIU conducted 72 interviews of witnesses/involved parties, and 40 statements were obtained.

FINDINGS

The investigation is still in progress and the following has been established:

- The prescribed statutory provisions, including National Treasury instructions and guidelines for the procurement of consultancy services, were not followed by the former municipal manager, and there are indications that this has resulted in irregular, unauthorised, fruitless and wasteful expenditure.
- The SIU has discovered that five consultants had claimed and were paid VAT amounting to an estimated R259 594.24, although they were not registered with SARS.

OUTCOMES

To date, there have been three VAT recoveries whereby three acknowledgements of debt amounting to R205 325.76 were obtained to recover the undue benefit. A further acknowledgement of debt totalling R103 500 was obtained after an inflated claim made by one of the service providers was established.

SWELLENDAM LOCAL MUNICIPALITY

Proclamation R12 of 2012, published on 29 February 2012

BACKGROUND

The Minister of Co-Operative Governance and Traditional Affairs (CoGTA) as well as the MEC for Local Government, Environmental Affairs and Development Planning ("LGEADP) in the Western Cape, requested the Special Investigating Unit (SIU) to conduct an investigation into various allegations of misconduct which took place between 1 January 2006 and 29 February 2012 at the Swellendam Municipality. The allegations focused on maladministration in the affairs of the Municipality by its councilors, officials, employees or agents in relation to:

- The supply chain management system at the Municipality;
- The management of the Municipality's finances and assets; and
- Applications by developers for the development of Swellengate and Swellenmark shopping centres and the Municipality's approval of such applications, including the causes of such maladministration, if any.

The investigation commenced in April 2012, and is to be completed in June 2013. The total monetary value of the procurement matters investigated amounted to R46.7 million.

PROCESS FOLLOWED

The SIU put together a specialised team of ten which includes a programme manager, a senior forensic lawyer, a cyber forensic specialist and five forensic investigators. The team analysed a total of 1 926 documents which included personnel files, council resolutions, payments, contracts, legal opinions, e-mail correspondence, etc. A total of 132 witnesses were interviewed and 28 statements were obtained.

FINDINGS

Unauthorised expenditure: Staff appointed without approved budget
It was alleged that the Municipal Manager appointed nine staff members without the necessary approved budget, whilst being forewarned by the Chief Financial Officer not to do so.

The investigation revealed various contraventions of the Municipal Finance Management Act (No 56 of 2003), the MFMA and that the appointment of the new staff by the Municipal Manager, without the adjustment budget having been approved, resulted in unauthorised expenditure amounting to R305 760.

Conflict of interest

It was alleged that various Municipal Councilors and staff members performed private work with the municipality without the necessary approval. It was found that a councilor and various other municipal officials are involved.

Non-compliance to SCM policies and procedures in regards to the appointment of the Appeals Committee for the (Municipal Manager's appeal hearing.

The Municipal Manager of Swellendam was suspended and charged with eleven charges relating to Supply Chain Management, Human Resource and financial misconduct in December 2010. The manager was found guilty on two of the charges and lodged an appeal. As a result, the Swellendam Municipality through a council resolution mandated the office of the acting Municipal Manager to administer the appeals process.

It was established that the interference of the Executive Mayor in the SCM process was irregular and constitutes possible irregular expenditure.

Irregular appointment of Element Consulting Engineers

The investigation into the alleged irregular appointment of an Engineering Consulting Agency for the period under review, revealed various contraventions of the Municipal Finance Management Act, No.56 of 2003 (the MFMA).

On 14 November 2008, the municipality appointed an Engineering Consulting Agency to do an assessment of the flood damage experienced in 2008.

There were various contraventions of the SCM policies in that an appointment letter extending the contractors mandate dated 20 January 2009, was signed by the Engineering Director and not the Municipal Manager as an Accounting Officer. The total cost of the project, including all the sub-contractors, amounted to R46.4 million.

Fruitless and wasteful expenditure: Double salary payments made for same positions

It was alleged that a total of eleven employees were suspended. Nine of these employees were ultimately reinstated after settlement negotiations. It was alleged that for eight months, the municipality had been paying an amount of R887 968 to these nine employees who were not rendering a service to the municipality at the time. In addition, it was further alleged that this loss was essentially due to the Municipal Manager refusing to reinstate the initially suspended employees.

This allegation was not substantiated and is closed.

Irregular sale of municipal land: Malagas

The investigation into allegations pertaining to the irregular sale of municipal land known as Malagas, has revealed no evidence of any irregularities. Information obtained from the Deeds Office confirmed that the Malagas property is privately owned.

Irregular appointment of ODS Consultants CC

It is alleged that an Organisational Development Services Company was appointed without following proper SCM procedures. This company was appointed to facilitate the selection process for Section 57 and 56 appointments.

The investigation established that the funding for the appointment of ODS came from the provincial government. This matter thus falls outside the scope of the SIU mandate. The matter will be referred to the Public Protector for further investigation

The application and approval processes of Swellengate and Swellenmark

The SIU was mandated to investigate maladministration in relation to the applications by developers for the development of the Swellengate and Swellenmark shopping centre developments, and the municipality's approval of such applications, including the causes of such maladministration.

Review of the consolidated report and supporting documentation suggests that the bulk of the issues seem to be of legal compliance in nature, which are related to forensic issues. The SIU will be recommending that this matter be sent to Senior Counsel for a legal opinion and/or court for administrative review.

Statutory non-compliances of the Municipal Property Rates Act, 2004
During the normal budget process for the municipality, the Chief Financial Officer discovered that the relevant by-laws had never been advertised nor Gazetted as required. In addition, there were other inconsistencies/statutory non-compliances that were identified, which resulted in the illegal levying and collecting of rates.

The review of the matter concluded that various sections of the Municipal Property Rates Act were indeed not complied with. It was not possible to determine any responsible party/ies as the bulk of the documentation needed to determine this, was not provided to the SIU.

2.3.4 State Owned Enterprises and other State Entities

SOUTH AFRICAN SOCIAL SECURITY AGENCY PROCUREMENT INVESTIGATION

Proclamation R27 of 2010, published on 8 June 2010

BACKGROUND

Proclamation R27 mandated the Special Investigating Unit (SIU), to investigate concerns around procurement affairs at the South African Social Security Agency (SASSA). An internal audit review was conducted on the procurement of ICT services and/or goods by SASSA during the period of 1 April 2006 to 30 September 2008. The audit revealed suspected procurement irregularities relating to contracts awarded to several suppliers/service providers by SASSA.

The SIU was approached by the SASSA Internal Audit Department to investigate allegations against 21 of the ICT suppliers, valued at R610 million.

PROCESS FOLLOWED

A multi disciplinary team for this investigation included three forensic accountants, data analysts, a cyber forensic specialist, forensic lawyers and two external ICT experts.

The data/documents that were analysed by the cyber forensic lab was 4 180 Gig, approximately 600 000 documents. Fifty-five witnesses were interviewed and five statements were obtained. Among others, the investigative team conducted an in-depth analysis into the procurement process and conflicts of interest.

FINDINGS

Irregularities were identified with regard to the awarding of ICT contracts to various service providers and ICT suppliers:

- Contracts were extended without having followed the tender processes. This occurred in an instance where a contract was extended for a period of two years with a capped amount of R72. 2 million without tender processes being followed.
- A contract to the value of R8.1 million was awarded to a service provider to develop and implement a Single User Interface for SASSA. A change request was made to increase the value of the contract by R362 520.
- In one instance the invitation to tender did not include the allocation of preference points (HDI – Historically Disadvantaged Individuals).
- Non-compliance with requirements for quotations as stipulated in SASSA's Finance Practice Manual 2006:
 - A contract to the value of R304 920 was awarded to a company based on a quotation which was in contravention of National Treasury Note No. 2 of 2005 which provides that competitive bids should be invited for bids exceeding R200 000.
 - Quotations were invited for the supply of printers. Five companies provided quotes and the contract valued at R83 290 was awarded to a specific company whose quote did not contain the information necessary to qualify for the contract (such as company registration number, VAT registration number, validity period of quote and price).
- No needs analysis/feasibility study was conducted before going out on tender. In all 21 ICT contracts no in-depth needs analysis/feasibility study was conducted. Although a four page document was drafted, it presented only a broad overview of all 21 contracts.
- In one investigation where a contract was awarded by SASSA for network and telephony infrastructure, the amount paid for the contract was increased by more than R5 million without the necessary authority and approval.

- Overpayment:
 - There was a discrepancy of over R1 million between the amount of the bid and the contract amount.
- Conflicts of interest:
 - In one matter the BEC recommended a company that quoted R7 million more than another company for the provision of 3G cards and the installation of a VPN system.
 - One company was awarded a tender even though it was not allocated highest scores during the evaluation process. This was for a contract for the installation of networks and telephony infrastructure.
 - The BEC and BAC were chaired by the same person. This occurred during the awarding of a contract to a company for networks and telephones.
 - The BEC awarded a contract to a company to provide mobile trucks and maintenance, despite its shortcomings.
 - The chairperson of the BAC re-wrote the BEC submission when this was not his function and also without the relevant documentation. This related to the contract of the implementation of an asset management system and for the verification of fixed assets.
- Fruitless and wasteful expenditure:
 - Overlapping of contracts for the same service. Four companies were contracted by SASSA to provide the same services.
 - Unexplained scope variation in a contract awarded to a company that was ceded from DSD regarding the implementation of the ERP system at SASSA, which resulted in fruitless and wasteful expenditure as the terms contained in the contract were never met.

- Two incidents of non-delivery of services were identified and this includes an instance where a company was contracted and paid to develop and implement a system, but this was never done. In one instance the value of the contract was R33.4 million for the installation of networks and telephony infrastructure.
- Criminal conduct:
 - The investigation has found possible evidence of criminal conduct against SASSA officials involved in a duplication of a contract. The two contracts were concluded between SASSA and a service provider for the same service. The duplicate contracts were signed and approved. The first contract was for 36 months amounting to R2 million, and the second for 60 months amounting to R3.5 million. A third contract amounting to R6.3 million was then concluded between the same service provider and SASSA two years later for the same service.

OUTCOMES

- Of the twelve investigations into the awarding of contracts by SASSA to service providers and suppliers for ICT equipment, services and infrastructure, the outcomes are as follows:
 - One investigation has been finalised and the final report is being compiled.
 - Four investigations have been finalised.
 - Four investigations will be finalised pending the outcome of a report from the ICT expert regarding the overlapping of services and value for money.
 - Three investigations are on-going.
- The SIU has also identified four contracts awarded by SASSA to four different suppliers for delivery of the same services (overlapping of services) and this could result in possible civil recovery of R128 million.
- The SIU investigation has resulted in an actual saving amounting to

R47 million following the cancellation of Phase 1, in which irregularities were identified regarding a fraud prevention system implemented at SASSA.

- The cancellation of the above contract also resulted in the prevention of future losses of R220 million which was to be spent in Phase 2 to 4 of the contract.
- Possible disciplinary action recommended against 34 SASSA officials in respect of eight of the current twelve investigations for the following allegations:
 - Allowing incorrect BEE and non-moderated marks go through as correct to the BAC and not performing duties as set out in the PFMA.
 - Not managing service delivery in terms of the SLA (payments made could not be linked with contract amounts).
 - Not managing the process and contract as stipulated in the policies and supply chain management (SCM) procedures.
 - Accounting officer can be held accountable for non-compliance with sections 50, 51 and charged with section 83 of the PFMA.
 - Not complying with the Code of Conduct for BAC members. See section 3 of the terms of reference regarding BAC duties.
 - Non-compliance with the BEC Code of conduct.
 - Signing a contract outside delegated authority.
 - Negligently failing to scrutinise the duration of the contract signed.
 - Non-compliance to PFMA section 50 and 51.

DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT – GUARDIAN FUND

Proclamation R55 of 2012 published on 21 September 2012

BACKGROUND

The investigation commenced in September 2012 at both the KwaZulu-Natal and Gauteng Master of the High Court offices. The proclamation covers the period from 1 January 2001 to September 2012 and the investigation process is expected to be concluded within 24 months.

The investigation focuses on maladministration of the Guardian Fund at the KZN and Gauteng offices of the Master and the fraudulent process of applications and payments of funds to beneficiaries by the two offices.

PROCESS FOLLOWED

The SIU has to date collected data from SITA, comprising of two SQL server backup databases for both the KZN and Gauteng offices. These databases were referred to the Unit's Forensic Data experts for analysis. The results of this process are currently being analysed for a comprehensive view of the concerns facing the Master's office. A scoping exercise was conducted and involves comparing processes that are currently being utilised by the Fund, with the legislation and policies that govern these processes. The processes undertaken so far, will assist the SIU in identifying systemic weaknesses and matters that require further investigation.

FINDINGS

The analysis has so far raised a number of red flags. The initial results point to various irregularities in the application and payment of both maintenance and inheritance funds being held by the Master. The SIU is in the process of collating these results, after which it will prioritise individual investigations. However, the investigation is still progressing. There are no substantial findings and therefore no outcomes achieved.

PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY (PSETA)

Proclamation R65 of 2012, published on 08 November 2012.

BACKGROUND

The PSETA Proclamation was signed on 16 October 2012 and published on 8 November 2012. The investigation covers the period of February 2005 to November 2012. The SIU commenced with investigations in December 2012 and in terms of the project plan, the investigations will be completed by 31 December 2014.

Focus areas

- Maladministration.
- Unauthorised, irregular or fruitless and wasteful expenditure incurred.
- Irregular payments made by the previous boards of the PSETA.
- The irregular procurement of and contracting for goods or services by or on behalf of the PSETA and related unauthorised, irregular or fruitless and wasteful expenditure by the PSETA.

PROCESS FOLLOWED

The investigation commenced with the SIU having obtained the data relating to the National Skills Fund and audit queries from the Auditor General. Data analysis commenced and AG audit queries are being attended to by reconciling payments with substantiating documents. The SIU is using forensic investigators, forensic accountants, cyber forensic specialists and forensic data analysts to complete the investigation.

FINDINGS

Grant Disbursement Account and National Skills Fund Account

The Auditor General in his 2010 report had queries pertaining to payments amounting to R22 989 289 made out of the National Skills Fund with no documentation to substantiate the payments.

Findings

The investigation conducted by the SIU commenced in December 2012 and investigations are on-going. No conclusive findings can be reported at this stage.

PSETA Lease

It is alleged that PSETA entered into a new lease agreement on 1 July 2010 for a period of five years without following proper Supply Chain Management processes. It is further alleged that there were no feasibility studies or needs assessments done to determine the office space requirements.

Findings

The investigation conducted by the SIU commenced in December 2012 and investigations are on-going. The SIU has identified that the lease for the premises currently occupied by PSETA was entered into irregularly. Currently the SIU is reviewing the entire contract.

THE STATE INFORMATION TECHNOLOGY AGENCY

Proclamation R48 of 2012, published on 7 September 2012

BACKGROUND

The investigation commenced in January 2013 following the regularity and performance audit reports by the Auditor-General of South Africa (AGSA). These audit reports identified numerous instances of alleged maladministration, fraud, corruption and other serious malpractices within the State Information Technology Agency (SITA).

In order to act on the identified allegations as contained in the AGSA report, the board of SITA requested the Special Investigating Unit (SIU) during November 2012, to conduct further investigations into the allegations of mismanagement and/or misconduct by SITA board members, officials and any other third party.

The following priority areas were identified:

- Identification of specific contracts requiring board approval and governance compliance;
- Investigation of twelve matters requiring board approval;
- Conflicts of interest and declaration of interests in relation to:
 - SITA board members; and
 - SITA employees.
- Specific matters referred to in the proclamation:
 - Procurement of IT goods and services to be used by the Department of Defence (DoD).
 - Procurement of services in respect of the tender for servers.
 - The appointment of a service provider for accommodation and travel.
 - The appointment of a senior specialist data analyst.
 - Procurement irregularities relating to three identified officials.
 - Allegations of unauthorised, fruitless and wasteful expenditure.

PROCESS FOLLOWED

Based on the complexity of the matters being investigated, a highly skilled team was allocated to the investigation. This team, in addition to the SIU members dedicated to the investigation, comprised of a chartered accountant and a procurement specialist.

During the initial phase of the investigation which commenced during January 2013, the SIU focused on:

- Analysing available information at the disposal of the SIU to identify trends to assist in the selection of appropriate contracts for investigation;
- selecting priority risk contracts for investigation; and
- performed a series of high level preliminary data analysis on financial and personnel information available, which was compared to SITA and external databases to identify high risk areas to be considered in the investigation.

FINDINGS/ OUTCOMES

Procurement contracts

The SIU has identified twelve contracts awarded by the SITA which required board approval. The purpose of the investigation into the twelve contracts is to confirm compliance with governance structures, including, but not limited to:

- Conditions/stipulations attached to the supply chain management policies, deviation from tender processes, operational procedures and relevant legislation in respect of, inter alia, technical evaluations of submitted business plans/proposals against the identified need;
- relevant legislation;
- policies, directives and delegated authority;
- all aspects of contract management and administration; and
- compliance to budgetary and financial requirements.

Potential conflicts of interest:

A preliminary data analytical review was performed by the SIU to identify employees of the SITA and board members who failed to declare there business interests.

A number of officials with business interests in entities that conducted

business with the SITA were identified. These are preliminary findings, which require further investigation.

The data analysis performed also indicated a number of business interests held by SITA officials which required further investigation.

Specific matters referred to in the proclamation

All related documentation was requested from the SITA. Some of the information was received and is being analysed.

Part 3: Report on corporate governance

3.1 Fraud and Corruption

The Unit has the Fraud Prevention and Response Plan. Hence an Anti-Corruption Forum is about to be established to deal with anti-corruption issues within the SIU.

The Unit subjects current employees to a rescreening process from time to time to ensure that members maintain a high level of integrity. The process requires employees to disclose their financial status to enable the Unit to manage and prevent risks of members getting involved in possible acts of fraud and corruption. 43 members were rescreened during the period under review.

3.2 Minimising Conflict of Interest

The SIU requests that members declare their interests through annual declaration of assets register. During the period under review 511 members' interests were entered into the register. The categories of disclosure were extended to cover extra areas such as spouse business interest.

3.3 Code of Conduct

A draft Code of Ethics has been developed during the reporting period and further engagements are expected in this regard in the next financial year.

3.4 Health, Safety and Environmental Issues

The SIU has adopted a proactive approach on the occupational Health and safety (OHS) issues at all SIU offices. The proactive steps include training thirty-nine employees including managers as OHS representatives and forming forums aimed addressing health and safety issues.

Certain members have been trained to be Health and Safety representatives nationally and eight managers to be in the executive team nationally. Additionally evacuation exercises were conducted in all offices.

The Unit aims to continue taking initiatives in conducting further training and other OHS related activities in the next final financial year.

3.5 Audit Committee Report

Name of member	No. of meetings attended
Prof H de Jager Chairperson (External member)	5
Mr M Maliehe (External member)	5
Mr H Hlomane (External member) Appointed September 2012	3
Ms T Njozela (External member) Appointed September 2012 – resigned 2 December 2012)	2
Mr M Nthumba (External member) Appointed September 2012	2
Members representing the SIU Mr G Visagie	4

The Auditor-General South Africa (AGSA) 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 and attended the meetings.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with the responsibilities arising from Section 77 of the PFMA and 27.1.1-13 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 AGSA the committee concluded that there are weaknesses in several of the components of the SIU. Where shortcomings were identified, management is in a process to attend to it. Urgent follow up by the Internal Auditors is needed.

INTERNAL AUDIT

The Internal Audit continued during the review period to provide the Audit Committee and management with independent information and assurances of the effectiveness of the internal controls for those areas examined in terms of the internal audit plan based on the risk assessment. The internal audit function is co-sourced during the year.

FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed and discussed the audited annual financial statements with management and the AGSA;
- taken note of the changes to the annual financial statements after having been submitted to the AGSA;
- reviewed and discussed the AGSA management report and responses of management thereto.

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 MANAGEMENT

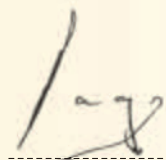
There are certain shortcomings in the risk management strategy of the SIU, management is made aware of it and is currently attending to the shortcomings.

REPORT OF THE AGSA

The Audit Committee concurs and accepts the unqualified opinion of the AGSA on the annual financial statements of the SIU for the year ended 31 March 2013.

The Audit Committee urged management to give attention to the different matters raised by the AGSA in their management letter and audit report, to ensure that appropriate corrective actions are taken to prevent re-occurrence in the future.

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues.



Prof H de Jager
Chairperson of the Audit Committee
31 July 2013

Part 4: Human Resource Management

4.1 INTRODUCTION

SIU as a project-based investigation agency is dependent on having the right people and right numbers at all levels and locations to deliver on its mandate. Having very capable investigators, adequate project, personnel management capacity together with organisational corporate management remained critical to ensure accountable delivery. The Unit made strides in strengthening these core capabilities, through appointments and resourcing creatively where necessary, e.g. through fixed term contracts and/or temporary consultants.

One of the critical people / HR issues that SIU management focused on is the processing and finalising the long-outstanding recruitments, which culminated in 78 appointments and/or promotions being made. Further to this, the SIU converted 104 temporary workers to fixed term contract employees, with a view to strengthen the project administrative support, while creating stability in this support function.

Executive management spent a significant amount of time attending to employee concerns and grievances through roadshows and regional office visits. In that way, the staff morale and positive outlook was improved significantly.

In the year under review, the critical HR priorities were:

- Defining, creating and developing an enabling and engaging organisational culture, through a climate survey and focus groups engagements. This also included a focus on improving the employee / industrial relations climate by engaging positively and in a targeted fashion with the labour representative union, through monthly and quarterly meetings (at regional and head office respectively).
- Developing and implementing an overarching career management framework, which incorporated development and roll out of talent management framework and programmes; development and delivery of strategic learning and development programmes;

development and implementation of a new performance management system. This was underpinned by development and/or review of relevant policies.

- Attracting and retaining skilled and experienced talent into the SIU, with a particular focus on recruitment of key positions.

Towards the end of the financial year, the organisation began strategic conversations around the efficacy of the current organisational structure, to review its relevance and ability to the delivery of the SIU mandate. In that vein, the re-establishment of the civil litigation component of the SIU commenced, following the amendment of the SIU Act. These activities will culminate in confirmation of the strength and efficacy of the structure and definition of the appropriate workforce plan, congruent to the desired/appropriate staff establishment, which will improve and create a realistic operational and financial planning. The learning and development programmes implemented as a focal area (cited above) were also targeted at creating pipeline skill and competence in key work areas in SIU, e.g. Forensic Lawyer Mentorship programme, through which 14 current investigation employees are being groomed to be forensic lawyers, where gaps and shortage were identified.

The SIU developed the new performance management and development system, intended to manage delivery in a structured and transparent fashion. This system will ensure alignment of individual employee performance to that of the organisation, and help determine the appropriate rewards where good performance exists. While this system and framework was under development, the SIU continued using the old system, linked only to the employee's job profile. Through this system, good performance (that meets a minimum of 60% of targets) was recognised to a marginal salary adjustment and/or a notional performance-related bonus for those employees that are at the top of their salary bands.

Employee wellness and safety remained a critical priority in the year under review. The Health and Safety infrastructure, which consists of Health and Safety Representative Structures, remained sufficiently active, and no critical health and safety incidents were reported in the year.

Two wellness days were held in this period, which covered health screenings including ear and eye tests, blood pressure, Glucose Levels, HIV Status and Height / Weight Measures.

The Employee Assistance programme continued, through an outsourced service provider (ICAS) continued to be available to staff and their immediate families. This EWP offers services like counselling, management advisory service, general health and HIV/AIDS support. When financial problems were identified as a risk area among members, a financial literacy programme was introduced and run for all SIU offices in this year and 161 employees attended.

POLICY DEVELOPMENT

In the area of policy development, the unit engaged with labour and staff on developing and/or reviewing key policies, which were either outdated, non-responsive or were inadequate, namely, Recruitment and Selection, Employment Equity, Retirement Funding, Employee Performance Management and Development and Disciplinary policy.

Challenges existed in the inadequate capacity in key departments and functions like Communications, Human Resources, Finance, Strategy and ICT. These had an adverse effect on service delivery and support to business operation. This was compounded by some of the outdated policies and unavailability of responsive systems and technology. These are prioritised in the Annual Operational Plans for the new financial year.

In the new financial year, SIU will continue with the outstanding HR policy review and development. Also, the implementation of the new performance management system will be a priority. A review of the operating structure will be finalised and appropriate actions taken, including structural and functional refinements / enhancements, plus evaluation of roles and jobs to ensure the right people can be attracted and/or retained. Another focal area will be the filling of all key and critical positions in the structure, including the Chief Financial Officer, Projects

Director, Head of PMO, and Head: Internal Audit, Governance and Risk. Some time will also be spent in finalising the establishment and population of the Civil Litigation Section.

4.2 HUMAN RESOURCES OVERSIGHT STATISTICS

4.2.1 Personnel Cost by programme

Programme Total Expenditure for the entity (R'000)	Personnel expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Management	7,767	18	431
Operations	186,046	465	400
Support	24,622	100	246
Total	218,436	583	374

4.2.2 Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	-	-	-	-
Senior Management	10,525	4.31%	11	956
Professional qualified	122,357	50.12%	202	605
Skilled	64,618	26.47%	212	304
Semi-skilled	19,982	8.18%	146	136

4.2.3 Performance Rewards

Programme	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	-	-
Senior Management	1,470	10,525	0.60%
Professional qualified	8,224	122,357	3.37%
Skilled	998	64,618	0.40%
Semi-skilled	583	19,982	0.24%
Unskilled	55	952	0.02%
TOTAL	11,322	218,436	

4.2.4 Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Management	7 767	38 449	0.49	5	7689
Operations	186 046	4,131 194	2.22	498	8295
Support	24 622	222 678	0.90	37	6018
Total	218 436	4,392 321	3.21	540	

4.2.5 Employment and vacancies

Programme	2011/2012 No. of Employees	2012/2013 Approved Posts	No. of Employees	2012/2013 Vacancies	2012/2013 % of vacancies
Management	13	11	18	-7	-63.64%
Operations	459	472	465	7	1.48%
Support	61	94	100	-6	-6.38%
Total	533	577	583	-6	-1.04%

Programme	2011/2012 No. of Employees	2012/2013 Approved Posts	2012/2013 No. of Employees	2012/2013 Vacancies	% of vacancies
Top Management	-	-	-	-	-
Senior Management	31	16	11	0	0
Professional qualified	142	189	202	-13	-6.88%
Skilled	279	272	212	60	-20.06%
Semi-skilled	68	88	146	-58	-65.91%
Unskilled	13	12	12	0	0%
Total	533	577	583	-11	-1.91%

Explanations: The vacancies at SIU remained open for an average of 1 year, due to the delays that emanated from a moratorium on recruitments that was placed by the former Head of Unit, and the current Head of Unit had to check veracity of the allegations that led to the moratorium and could only allow resumption appointments after July 2012. Some of the senior management and key positions had been vacant since their creation in 2009.

4.2.6 Employment changes

Salary Band	Employment at beginning of period	Appoint- ments	Terminations	Employment at end of the period
Top Management	-	-	-	-
Senior Management	13	2	4	11
Professional qualified	160	54	13	202
Skilled	246	17	51	212
Semi-skilled	65	86	5	146
Unskilled	13	0	1	12
Total	497	159	74	583

4.2.7 Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	3.1
Resignation	22	68.8
Dismissal	1	3.1
Retirement	1	3.1
Ill health	0	0
Expiry of contract	7	21.9
Other	0	0
Total	32	100

Explanations: The majority staff left through resignation, with majority going for better opportunities elsewhere. These departures were not totally dysfunctional nor preventable, given that SIU has strictly managed salary structures and was also busy with recruitments to fill vacancies.

4.2.8 Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	2
Dismissal	1

4.2.9 Equity Target and Employment Equity Status

	Levels							
	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	1	3	2	2	-	-	6	8
Professional qualified	53	68	14	18	20	25	55	68
Skilled	90	104	10	18	12	18	6	12
Semi-skilled	29	31	-	-	-	-	6	5
Unskilled	-	-	-	-	-	-	-	-
Total	173	206	26	38	32	43	73	93

	Levels							
	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	2	3	-	-	-	-	-	-
Professional qualified	18	30	2	3	5	6	35	42
Skilled	41	44	6	7	17	18	30	38
Semi-skilled	86	87	7	7	8	7	10	11
Unskilled	12	12	-	-	-	-	-	-
Total	159	176	15	17	30	31	75	91

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	1
Skilled	-	-	-	-
Semi-skilled	-	-	-	2
Unskilled	-	-	-	-
Total	-	-	-	3

Explanations: The delayed recruitment processes coupled with resignations led to the shortfall in reaching targets.

Part 5: Financial Information

ANNUAL FINANCIAL STATEMENTS

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

General Information

Business address

1 st Floor
Rentmeester Park
74 Watermeyer Street
Meyerspark
0184

Bankers

First National Bank of South Africa

Auditors

Auditor-General of South Africa

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.1 INDEX

	Page
The reports and statements set out below comprise the annual financial statements presented to the:	
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Statement of Financial Performance	79
Statement of Changes in Net Assets	80
Cash Flow Statement	81
Accounting Policies	82 - 90
Notes to the Annual Financial Statements	91 - 119

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.2 APPROVAL OF FINANCIAL STATEMENTS

The member is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the member to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The member acknowledges that she is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the member to meet these responsibilities, the member sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The member is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The member has reviewed the entity's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, she is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the NT/DoJ & CD for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the department has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the member is primarily responsible for the financial affairs of the entity, she is supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 74.

The annual financial statements set out on pages 78 to 119, which have been prepared on the going concern basis, were approved by the member on 31 July 2013 and were signed on its behalf by:



Adv Nomvula Mokhatla
Acting Head of the Unit
31 July 2013

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.3 REPORT OF THE AUDITOR GENERAL

Introduction

1. I have audited the financial statements of the Special Investigating Unit (SIU) set out on pages 78 to 119, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the *Public Audit Act of South Africa, 2004* (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. 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.
4. 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.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion the financial statements present fairly, in all material respects, the financial position of the SIU as at 31 March 2013 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.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during the year ended 31 March 2013 in the financial statements of the SIU at, and for the year ended, 31 March 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined Objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 11 to 19 of the annual report.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Report of the Auditor General

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. The material findings are as follows:

Usefulness of information

13. A total of 57% of targets not achieved, had no explanations of the reasons for variances between planned and actual achievements reported in the annual performance report as required per the National Treasury annual report preparation guide. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements.
14. Treasury Regulation 30.1.3(g) requires that the strategic plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 47% of the reported indicators are not consistent with the indicators as per the approved strategic plan. This is due to the lack of adequate monitoring of compliance with laws and regulations.
15. Treasury Regulation 30.1.3(g) requires that the strategic plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 41 % of the reported targets are not consistent

with the targets as per the approved strategic plan. This is due to the lack of adequate monitoring of compliance with laws and regulations.

Reliability of information

16. There were no material findings on the annual performance report concerning reliability of information.

Additional matter

17. I draw attention to the matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

18. Of the total number of nine targets planned for the year, two were not achieved during the year under review. This represents 22% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process. For further details on the extent of and reasons for deviations between planned targets and actual performance refer to Part 2, page 11 to 19 of the annual performance report.

Compliance with laws and regulations

19. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Strategic planning and performance

20. The accounting authority did not submit the proposed strategic plan to the executive authority for approval as required by Treasury regulation 30.1.1.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Report of the Auditor General

21. The strategic plan of the entity did not include the key performance measures for assessing the entity's performance in delivering the desired outcomes and objectives as required by Treasury Regulation 30.1.3(d).

Annual financial statements

22. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

23. The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

24. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Internal control

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control 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.

Financial and performance management

26. Management did not adequately review and monitor compliance with laws and regulations.

27. Management did not adequately implement controls over daily and monthly processing and reconciliations of transactions.

28. Management did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Auditor - General

Pretoria
31 July 2013



A U D I T O R - G E N E R A L

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.4 STATEMENT OF RESPONSIBILITY

Statement of responsibility for the financial statement for the year ended 31 March 2013


The Acting Head of the Unit is responsible for preparing financial statements that fairly present the financial position, performance and cash flows for the period and for the related information contained in the annual report.

The Acting Head of the Unit maintained adequate accounting records and an effective system of internal controls and risk management and compiled in all material respects with applicable laws and regulations except for as reported by the Audited-General. The Acting Head of the Unit prepared the annual financial statements presented on pages 78 to 119 using Standards of GRAP. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The SIU is financially dependent on a transfer payment from National Treasury. On the basis that the transfer payment has been listed on the Estimates of National Expenditure the Acting Head of the Unit believes that the SIU will continue to be a going concern in the year ahead. Based on this reason the annual financial statements were prepared on a going concern basis.

The annual financial statements for the year ended 31 March 2013 were approved and signed by the Acting Head of the Unit on 31/05/2013.



Adv Nomvula Mokhatla
Acting Head of the Unit
31 July 2013

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.5 STATEMENT OF FINANCIAL POSITION

	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	5	145 780	214 323
Trade and other receivables from exchange transactions	6	61 286 154	31 353 590
Other receivables from non-exchange transactions	7	2 588 030	2 042 498
Prepayments		450 088	2 758 267
Cash and cash equivalents	8	81 167 626	56 268 846
		145 637 678	92 637 524
Non-Current Assets			
Property, plant and equipment	2	19 622 365	33 113 911
Intangible assets	3	3 290 741	3 215 004
Bank Balances - Recoveries	4	21 840 461	22 380 921
		44 753 567	58 709 836
Total Assets		190 391 245	151 347 360
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	9	50 307 462	90 994 844
Trade and other payables from non exchange transactions	10	299 970	190 738
Income received in advance	11	21 517 394	24 002 372
		72 124 826	115 187 954
Non-Current Liabilities			
Payables - Recoveries		21 840 461	22 380 921
Total Liabilities		93 965 287	137 568 875
Net Assets		96 425 958	13 778 485
Net Assets			
Accumulated surplus		96 425 958	13 778 485

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.6 STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2013	2012
Revenue	12	(493 852 575)	(495 672 323)
Operating expenses		415 013 689	496 357 597
Employee costs	13	235 557 700	208 725 776
Travel and accommodation		15 416 238	25 829 887
Depreciation	2	17 277 252	15 113 242
Amortisation costs	3	196 031	1 465 118
Other expenses	17	116 697 398	245 164 369
Debt impairment	33	29 869 070	59 205
Operating (surplus) / deficit		(78 838 886)	685 274
Other operating income	14	(76 561)	(55 538)
		(78 915 447)	629 736
Interest received	15	(3 738 778)	(1 609 514)
		(82 654 225)	(979 778)
Finance costs	16	6 752	3 295
(Surplus) / deficit for the year		(82 647 473)	(976 483)

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.7 STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
Opening balance as previously reported	17 998 004	17 998 004
Adjustments:		
Prior year adjustment - 2010 and prior	876 900	876 900
Prior year adjustment - 2010 and prior	1 220 602	1 220 602
Prior year adjustment - 2010/11	(774 828)	(774 828)
Prior year adjustment - 2010/11	(6 518 676)	(6 518 676)
Balance at 01 April 2011 restated	12 802 002	12 802 002
Changes in net assets		
Surplus for the year as previously reported	5 440 509	5 440 509
Prior year adjustment - 2011/12	(1 514 067)	(1 514 067)
Prior year adjustment - 2011/12	(3 602 509)	(3 602 509)
Prior year adjustment - 2011/12	395 871	395 871
Prior year adjustment - 2011/12	256 679	256 679
Total changes	976 483	986 483
Balance at 01 April 2012	13 778 485	13 778 485
Changes in net assets		
Surplus for the year	82 647 473	82 647 473
Total changes	82 647 473	82 647 473
Balance at 31 March 2013	96 425 958	96 425 958

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Annual financial Statements for the year ended 31 March 2013

5.8 CASH FLOW STATEMENT

	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Grants Received		340 713 000	323 191 000
Sale of goods and services		92 354 415	185 719 097
Other receipts		514 555	1 368 124
Interest income		3 738 778	1 609 514
		<u>437 320 748</u>	<u>511 887 735</u>
Payments			
Employee costs		(235 557 700)	(208 725 776)
Suppliers		(172 858 285)	(244 326 407)
Finance costs		(6 752)	(3 295)
		<u>(408 422 737)</u>	<u>(453 055 478)</u>
Net cash flows from operating activities	22	<u>28 898 011</u>	<u>58 832 257</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(3 839 264)	(9 152 984)
Purchase of other intangible assets	3	(281 361)	(2 589 117)
Proceeds on disposal of PPE		121 394	-
Cash movement - recoveries		-	(1 978 022)
Cash movement - recoveries		540 460	-
		<u>(3 458 771)</u>	<u>(13 720 123)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Movement in payables - recoveries		(540 460)	1 978 022
		<u>(540 460)</u>	<u>1 978 022</u>
Net increase/(decrease) in cash and cash equivalents		24 898 780	47 090 156
Cash and cash equivalents at the beginning of the year		56 268 846	9 178 690
Cash and cash equivalents at the end of the year	8	<u>81 167 626</u>	<u>56 268 846</u>

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

5.9 ACCOUNTING POLICIES

1. Basis of preparation

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

The annual financial statements are presented in SA Rands since that it is the functional currency in which the majority of transactions are denominated. They have been prepared on a going concern basis. All accounting policies have been consistently applied to all of the periods presented.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 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

At each end of the reporting period the entity assesses whether there is objective evidence that a financial asset has been impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred the loss is recognised in equity.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Average useful life
Leasehold Improvements	Over the lifespan of the lease
Plant, office equipment and machinery	8 years
Furniture	15 years
Motor vehicles	4 years
Computer hardware	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. 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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs.

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.

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Accounting Policies

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.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Useful life
Computer software	10 years

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.

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Accounting Policies

1.3 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Classification

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

- Financial assets at fair value
- Financial assets at cost
- Financial liabilities measured at cost
- Financial liabilities at fair value

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 at fair value which shall not be classified out of the fair value.

Initial recognition and measurement

The SIU recognises financial assets or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

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

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

Transaction costs on financial instruments at fair value are recognised in surplus and deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial assets are subsequently measured at cost if the fair value cannot be reliably determined.

Financial liabilities are subsequently measured at cost if the fair value cannot be reliably determined.

Gains and losses arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.

For financial assets and financial liabilities measured at cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired.

Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

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Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

Financial assets at amortised cost

At each end of the reporting period the entity assesses whether there is objective evidence that a financial asset or group of financial assets has been impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit.

The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of return for similar financial assets.

The impairment loss is recognised in surplus or deficit by reducing the carrying directly.

An impairment loss is never reversed in subsequent periods.

Financial instruments designated at cost

Financial assets of cost are financial assets that are designated cost or are not classified as:

- Financial designated at emortised cost
- Financial Assets at fair value

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at 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 receivables are 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 at costs.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprises of 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.

Prepayments

Prepayments are initially measured at cost and subsequently measured at costs if the fair value cannot be reliably determined.

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Accounting Policies

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.

Gains and losses

Gains and losses on fair value measurements, re-classification, impairment, de-recognition are recognised in surplus or deficit.

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 over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Income received in advance

Initially measured at cost and subsequently measured at cost if the fair value cannot be reliably determined.

1.5 Leases as lessee

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

Finance leases - lessee

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.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently 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 operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

1.7 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.

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Accounting Policies

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

1.8 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

1.9 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.

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Accounting Policies

1.10 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 Head of the Unit is 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.

1.11 Comparative figures

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

1.12 Irregular and fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which 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.

1.13 Accounting for non exchange transactions & disclosure of financial assistance

Government grants are recognised when it is probable that the future economic benefits will flow to the organisation and when the amount of the grant can be reliably measured.

Government grant is recognised as revenue to an extent that there's no further obligation arising from the receipt of the transfer payment. A liability is recognised to an extent that the grant is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Non exchange transaction are recognised when there is reasonable assurance that:

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

Non exchange transactions are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A non exchange transactions 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.

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Accounting Policies

1.14 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.

1.15 Finance cost

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

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5.10 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013			2012		
2. Property, plant and equipment						
	Cost / Valuation	2013 Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	2012 Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	10 212 096	(6 103 352)	4 108 744	9 244 165	(5 658 505)	3 585 660
Motor vehicles	8 958 075	(8 958 011)	64	8 958 075	(6 704 743)	2 253 332
Office equipment	7 791 277	(5 612 685)	2 178 592	7 727 981	(5 028 028)	2 699 953
IT equipment	26 682 872	(15 709 129)	10 973 743	27 317 076	(14 147 651)	13 169 425
Leasehold improvements	26 295 712	(23 934 527)	2 361 185	25 593 221	(14 246 794)	11 346 427
Books and law reports	227 837	(227 800)	37	227 837	(168 723)	59 114
Total	80 167 869	(60 545 504)	19 622 365	79 068 355	(45 954 444)	33 113 911

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3 585 660	968 852	(1)	(445 767)	4 108 744
Vehicles	2 253 332	-	-	(2 253 268)	64
Office equipment	2 699 953	150 240	(4 487)	(667 114)	2 178 592
IT equipment	13 169 425	2 017 681	(49 070)	(4 164 293)	10 973 743
Leasehold improvements	11 346 427	702 491	-	(9 687 733)	2 361 185
Books and Law Reports	59 114	-	-	(59 077)	37
	33 113 911	3 839 264	(53 558)	(17 277 252)	19 622 365

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Notes to the Annual Financial Statements

	2013				2012
Reconciliation of property, plant and equipment - 2012					
	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3 760 471	618 392	(8 899)	(784 304)	3 585 660
Motor vehicles	2 005 278	1 098	-	246 956	2 253 332
Office equipment	3 322 210	462 454	-	(1 084 711)	2 699 953
IT equipment	13 801 192	5 589 767	(41 194)	(6 180 340)	13 169 425
Leasehold improvements	16 177 054	2 481 273	(1 213)	(7 310 687)	11 346 427
Books and law reports	59 270	-	-	(156)	59 114
	39 125 475	9 152 984	(51 306)	(15 113 242)	33 113 911

The gross carrying amount of fully depreciated property, plant and equipment that are still in use amounts to R1 840 (2012: R 1 840)

3. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 890 459	(1 599 718)	3 290 741	5 460 848	(2 245 844)	3 215 004

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	3 215 004	281 361	(9 593)	(196 031)	3 290 741

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Notes to the Annual Financial Statements

			2013	2012
Reconciliation of intangible assets - 2012	Opening balance	Additions	Amortisation	Total
Computer software	2 091 005	2 589 117	(1 465 118)	3 215 004

The gross carrying amount of fully amortised intangible assets that are still in use amounts to R42 (2012: R42)

4. Bank Balances - Recoveries

Bank balances	21 840 461	22 380 921
Payables - Recoveries	21 808 220	22 353 946
Accrued interest payable to National Treasury	32 241	26 975
Total payable	21 840 461	22 380 921

The amount reflected is owed to third parties and was obtained through either signed acknowledgements of debts or through court orders issued by the Special Tribunal. Amounts are held in trust and paid over to relevant third parties on the final settlement of each case. The cash balance are held in trust on behalf of the third parties and are not available for use by the Unit.

5. Inventories

IT consumables	25 292	26 322
Stationery	120 488	188 001
	145 780	214 323

Stationery comprises stock on hand at the various regions. IT consumables are items with a cost of less than R1 000.

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Notes to the Annual Financial Statements

	2013	2012
6. Trade and other receivables from exchange transactions		
Trade debtors	61 286 154	31 353 590
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	2 386 727	2 327 522
Charged to Statement of Financial Performance	29 869 069	59 205
Reversed from Statement of Financial Performance	-	-
Balance at the end of the year	32 255 796	2 386 727
7. Other receivables from non-exchange transactions		
Employee loans	483 976	327 838
Leave provision	45 889	59 760
Deposits	33 429	26 034
Other receivables	2 024 736	1 628 866
	2 588 030	2 042 498
The carrying amounts of trade and other receivables approximate their fair value.		
8. Cash and cash equivalents		
Current account	81 167 626	56 268 846

Cash and cash equivalents comprise bank deposits that are available on demand. Included in the cash balances of R81 167 626 at 31 March 2013 are amounts ringfenced for the funding of expenditure for the Anti-corruption Task Team. The total value of such ringfenced funds is R21.5 million.

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Notes to the Annual Financial Statements

	2013	2012
9. Trade and other payables from exchange transactions		
Trade payables	31 061 187	72 344 874
Accrual for leave pay	9 421 587	8 400 551
Lease smoothing provision	3 998 427	5 374 818
Employee costs - deductions	5 826 261	4 874 601
	50 307 462	90 994 844
10. Trade and other payables from non-exchange transactions		
Other	299 970	190 738
<ul style="list-style-type: none"> • Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. • 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. 		
11. Income received in advance		
From Exchange Transactions		
National Department of Transport	15 000	15 000
National Department of Rural Development & Land Affairs	-	3 441 048
South African Broadcasting Corporation	-	546 324
From Non-Exchange Transactions		
Criminal Assets Recovery Account Funds	21 502 394	20 000 000
	21 517 394	24 002 372

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Notes to the Annual Financial Statements

	2013	2012
12. Revenue		
The amount included in revenue arising from non-exchange transactions is as follows:		
Grant received from Department: Justice and Constitutional Development	340 713 000	323 191 000
CARA funds	28 497 606	-
	369 210 606	323 191 000
The amount included in revenue arising from exchanges of goods or services are as follows:		
South African Police Services	2 152 865	-
Midvaal Municipality	422 555	-
National Treasury: Limpopo Intervention	1 451 513	-
National Department of Human Settlements	18 144 448	47 172 554
National Department of Social Development	8 476 214	33 000 000
Swellendam Municipality	327 765	-
Mpumalanga Regional Projects	1 084 565	-
Master of the High Court	1 389 324	-
National Government Employees' Medical Scheme	205 281	1 267 403
South African Broadcasting Corporation	546 324	11 243 823
Department of Health Gauteng	1 860 938	-
Provincial Department of Health and Social Development, Gauteng	-	2 976 762
National Department of Rural Development and Land Reform	30 319 315	37 058 374
National Department of Arts and Culture	-	517 169
Municipality: Kaponong	2 105 870	-
Provincial Department of Transport Eastern Cape	2 902 445	11 182 542
Eskom	6 150 282	3 468 578
Provincial Department of Public Works KwaZulu-Natal	-	4 734 821
Public Sector Education and Training Authority	325 818	640 000
Tshwane Metropolitan Municipality, Gauteng	3 172 021	4 163 045
SITA	1 194 613	-

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Notes to the Annual Financial Statements

	2013	2012
12. Revenue (continued)		
Ekurhuleni Metropolitan Municipality, Gauteng	2 334 758	2 806 550
Department of Traditional Affairs	15 191 261	-
Department of Water Affairs	2 612 893	-
Provincial Department of Education Eastern Cape	-	3 253 280
Department of Health Eastern Cape	2 522 660	-
National Department of Cooperative Governance	-	2 000 000
Department of Education: Mpumalanga	338 680	-
Western Cape Provincial Local Government	557 693	5 683 836
National Department of Public Works	18 413 874	-
Asset Forfeiture Unit rental and secondment of staff	437 994	1 312 586
	124 641 969	172 481 323
13. Employee related costs		
Salaries and wages	212 975 071	186 842 665
Provident and funeral fund contributions	18 117 597	15 948 924
Medical aid contributions	156 691	1 270 275
Training	1 703 762	2 313 480
Relocation cost	633 000	1 061 588
UIF, COID & RSC levies	833 125	1 456 382
Accrual for leave pay	1 138 454	(167 538)
	235 557 700	208 725 776

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Notes to the Annual Financial Statements

	Note(s)	2013	2012
14. Other operating income from exchange transactions			
Computer expenses recovered from staff members		1 200	(20 950)
TFI Contract Recoveries		15 709	
Sundry income		6 690	74 740
Department of Labour: COLD refunds		52 962	1 748
		76 561	55 538
15. Interest received			
Call accounts		3 738 778	1 609 514
Interest rate risk management is detailed in note 23			
16. Finance costs			
Finance charge on impairment of financial liabilities amortised at the effective interest rate, as per IAS 39		6 752	3 295
Interest Rate risk management is detailed in note 23			
17. Other expenses			
Audit Internal		499 890	1 664 076
Auditors remuneration		1 847 252	1 412 900
Bank charges		323 335	301 174
Conferences and seminars		1 388 986	569 592
Consulting and professional fees		12 741 898	30 246 867
Consumables		44 082	60 675
Consumables computers		24 416	20 971
Courier services		327 931	399 271
Data scanning, traces and deed searches		5 184 719	10 926 258
Entertainment		95 164	13 435

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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
17. Other expenses (continued)		
Equipment - consignment amounts	1 552 737	2 198 733
Insurance	787 138	732 331
Internal Integrity expenses	1 193 331	1 716 596
Legal fees	628 830	1 609 137
Profit on disposal of property & equipment	(58 243)	51 307
Magazines, books and periodicals	284 404	90 102
Media and Promotions	741 261	363 288
Motor vehicle expenses	2 707 270	1 718 728
Office expenses	5 380 563	5 939 131
Other expenses	999	7 456
Printing, fax and posting expenses	6 859 072	6 389 887
Relocation and recruitment cost	1 559 683	858 039
Rent paid	20 551 411	18 918 452
Repairs and maintenance	265 927	121 345
Security	182 913	197 854
Software licences	2 860 965	6 952 310
Specialist Services	46 379 544	148 637 494
Stationery	2 261 807	2 415 023
Subscriptions and membership fees	29 113	498 430
Training	2 790	107 479
Transcription Fees	48 210	26 028
	116 697 398	245 164 369

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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
18. Irregular expenditure		
The Unit has not incurred any losses as a result of criminal conduct in the year under review. Details of irregular expenditure are set out below.		
Irregular expenditure		
Opening balance	33 592 544	14 083 436
Irregular Expenditure condoned	13 338	-
Irregular Expenditure awaiting condonation	9 193 535	19 509 108
Total	42 799 417	33 592 544

Analysis of expenditure awaiting condonation per age classification

Current year	9 206 873	19 509 108
Prior years	33 592 544	14 083 436
Total	42 799 417	33 592 544

Details of irregular expenditure - current year

	Condoned by (condoning authority)		
Incident 1 - Expenditure on certain forensic consultants incurred between April and August 2011	Investigation complete to be presented to the relevant authority for condonement.	-	1 864 059
Incident 2 - Expenses incurred in rendering services which are not currently explicitly authorised by the SIU Act	Investigation complete to be presented to the relevant authority for condonement.	205 281	1 267 402
Incident 3 - Expenditure on temporary employees procured through recruitment agencies	Investigation complete to be presented to the relevant authority for condonement.	8 651 177	15 554 825
Incident 4 - Procurement of forensic data analysis software	Investigation in progress.	-	822 822
Incident 5 - VIP training done without proper SCM process followed	Condoned	13 338	-
Incident 6 - Non compliance to SCM process	Investigation in progress.	337 077	-
		9 206 873	19 509 108

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Notes to the Annual Financial Statements

	2013	2012
Incident 1 - the Annual financial statements for the prior year reflected irregular expenditure of R 166 862, being the cost of services provided by certain forensic consulting firms for services rendered in February and March 2011. The cost of these services is irregular expenditure as a deviation certificate authorising the SIU to establish a panel of approved forensic consultant service providers and to enter into contracts with such approved service providers expired in January 2011.		

A second deviation certificate recording the approval by the Head of the SIU for the SIU to maintain the appointment of the panel of forensic consultant service providers and authorising the SIU to continue contracting with such approved service providers was signed in August 2011. Although the second certificate records the Head's ongoing approval of the appointment and use of the forensic consultants for an uninterrupted period from 1 February 2010 to the date of signature in August and beyond, the expenditure incurred between April 2011 and date of signature is irregular since the second certificate was not signed prior to this expenditure being incurred.

In the 2012/13 year these expenditure has not yet been condoned.

Incident 2 - During the current and prior financial years, the SIU provided training services to the Government Employees Medical Scheme and was remunerated for these services. The provision of such training services is not explicitly authorised by the SIU Act and is therefore regarded as irregular expenditure.

As the management letter for the 2011/12 year was only finalised on the 31 July 2012, the transactions that had already been processed is making up the figure of irregular expenses for 2012/13 year. These expenses have not been condoned.

Incident 3 - The SIU has utilised the services of temporary employees procured through recruitment agencies for a number of years. Although expenditure on such temporary employees reached significant levels in 2010/11 and 2011/12, management procured the services of these temporary employees by means of the "natural" process of requesting CVs from agencies, followed by interviews and appointment of the leading candidate into the vacancy concerned. Although the annual cost to company of the individual temporary employees has not and does not exceed R500 000 in any instance and despite the short term nature of the appointments, the aggregate annual expenditure on all temporary employees is the proper (and only) financial criterion on which a decision on whether to embark on a competitive bidding process(tender process) should be based.

Since management did not follow a competitive bidding process for the procurement of the services of temporary employees (as management regarded the procurement in question as being the procurement of an individual temporary employee, the cost of which was not expected to exceed R500 000 per annum), the entire amount of expenditure on temporary employees for the 2010/11 and 2011/12 is irregular expenditure.

Furthermore, certain of the recruitment agencies utilised by the SIU were not registered on the Unit's database of approved suppliers and certain agencies did not provide valid tax certificates for the entire duration of the financial year.

As the management letter for the 2011/12 year was only finalized on the 31 July 2012, the transactions that had already been processed is making up the figure of irregular expenses for 2012/13 year. These expenses have not been condoned.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
Incident 4 - In the 2011/12 financial year, the SIU procured certain forensic data analysis software. No project charter was developed to manage and implement the acquisition of this software and the SIU did not enter into a contract with the supplier of the software. A deviation certificate authorising the SIU to depart from normal supply chain procedures and requirements was signed by the Head of the Unit on the basis that the software was urgently required for certain investigations. However at 31 July 2012 the software has not yet been operationalised and the investigations are proceeding without the use of the software. There is no evidence that the software was received by the Unit and during the 2012/13 year this is seen as fruitless and wasteful expenditure .		

Incident 5 - Training was attended for the the salary system (VIP) without following proper SCM procedures. The situation was investigated and the necessary steps were taken. The expense was condoned.

Incident 6 - A fixed price has been negotiated beforehand with places of accommodation. The normal SCM process was not followed to obtain three quotation. These expenses have not been condoned.

19. Related party transactions

The following related party transactions are included in trade receivables:

	2013	2012
Asset Forfeiture Unit	641 915	706 540
National Department of Correctional Services	1 160 701	1 160 702
National Department of Transport	-	6 212 523
Directorate of Special Operations	104 098	104 098
PSETA	325 818	-
National Department of Housing	-	4 756 996
SITA Pty (Ltd)	1 194 613	-
National Department of Public Works	18 413 874	-
Department of Local Government and Traditional Affairs North West	15 191 261	-
South African National Social Security Agency	8 476 214	4 000 000
South African Police Services	2 152 865	-
National Department of Health & Social Development	-	9 922 541
Scholar Transport Scheme	338 680	-
Tshwane Metropolitan Municipality Gauteng	2 501 630	2 979 569
Swellendam Municipality	327 765	-
Provincial Department of Economic Development and Environmental Affairs	278 748	278 748

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Notes to the Annual Financial Statements

	2013	2012
19. Related party transactions (continued)		
National Government Employees Medical Scheme	-	38 895
Ekurhuleni Metropolitan Municipality Gauteng	2 100 879	701 638
National Department of Arts and Culture	1 750 745	1 864 285
Department of Transport Eastern Cape	7 955 885	-
Department of Health Gauteng	1 860 938	-
Kopanong Local Municipality	2 105 870	-
Master of the High Court	1 389 324	-
Midvaal Municipality	422 555	-
Mpumalanga Regional Projects	1 084 565	-
National Treasury: Limpopo Intervention	1 451 513	-
National Department of Human Settlements	-	1 013 783
Department of Education Eastern Cape	1 159 082	-
Department of Rural Development and Land reform	16 016 861	-
Department of Health Eastern Cape	2 522 660	-
Department of Water Affairs	2 612 893	-

Note: The related party transactions with members of management are set out in Note 22

The following related party transactions are included in Payables - Recoveries:

National Department of Social Development	8 389 672	8 739 504
Provincial Department of Correctional Services	3 187 924	3 533 743
National Department of Human Settlements	2 993 425	3 212 255
National Department of Justice	777 863	308 809
Provincial Department of Transport	242 829	231 829
Eastern Cape Local Government	3 719 963	1 854 021
Madibeng Municipality	4 310	1 010
National Department of Finance	1 000	1 000

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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
19. Related party transactions (continued)		
Mpumalanga Local Government	23 000	7 000
Provincial Department of Traditional and Corporate Affairs	11 400	1 400
National Department of Education	357 821	459 970
Provincial Department of Agriculture	59 600	59 600
Alfred Nzo Eastern Cape Municipality	-	42 000
Taung North West Municipality	224 546	202 437
Moses Kotane North West Municipality	210 758	123 123
Provincial Department of Health	85 900	85 900
MEGA	15 000	-
Local Government and Trading	325 655	-
Kopanong Municipality	12 910	-
Department of Tourism, Environment and Economical Affairs	57 500	57 500
South African Police Service	133 707	133 707
South African Broadcasting Corporation	23 031	23 031
Provincial Department of Land Affairs	141 698	128 878
The following related party transactions are included in revenue:		
Grant received from Department of Justice and Constitutional Development	340 713 000	323 191 000
Asset Forfeiture Unit	437 994	1 312 586
Eastern Cape Local Government & Traditional Affairs	2 152 865	-
National Department of Social Development	8 476 214	33 000 000
Master of the High Court	1 389 324	-
Gauteng Department of Health	1 860 938	-
Swellendam Municipality	327 765	-
Western Cape Local Government	557 693	5 683 836
Tshwane Metropolitan Municipality	3 172 021	4 163 045

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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
19. Related party transactions (continued)		
National Department of Human Settlements	18 144 448	47 172 554
National Department of Transport	422 555	-
National Government Employees Medical Scheme	205 281	1 267 403
Ekurhuleni Metropolitan Municipality Gauteng	2 334 758	2 806 550
North West Department of Local Government & Traditional Affairs	15 191 261	-
Eastern Cape Health	2 522 660	-
Provincial Department of Education Eastern Cape	-	3 253 280
Mpumalanga: Dept of Education	338 680	-
State Information Technology Agency	1 194 613	-
South African Broadcasting Corporation	546 324	11 243 823
Provincial Department of Human Settlements Kwazulu Natal	2 105 870	-
Provincial Department of Health and Social Development Gauteng	-	2 976 762
National Department of Rural Development and Land Reform	30 319 315	37 058 374
National Department of Arts and Culture	-	517 169
Provincial Department of Transport Eastern Cape	2 902 445	11 182 542
Eskom	6 150 282	3 468 578
Provincial Department of Public Works Kwazulu Natal	-	4 734 821
Public Sector Education and Training Authority	325 818	640 000
National Department of Co-operative Governance	-	2 000 000
Criminal Assets Recovery Account Fund (CARA)	28 497 606	-
Department of Water Affairs	2 612 893	-
National Dept of Public Works	18 413 874	-
National Treasury: Limpopo Intervention	1 451 513	-
Other related party transactions		
Rental paid by Department of Public Works - not included in expenditure	3 338 206	3 079 262

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Notes to the Annual Financial Statements

	2013	2012
20. Operating lease		
Rental commitments in respect of properties and copiers		
Payable within 1 year	9 718 292	18 155 721
Payable within 2 - 5 years	17 689 606	24 944 451
Payable thereafter	-	776 525
Rental commitments in respect of properties and copiers	27 407 898	43 876 697

The commitments are in respect of 14 rental agreements for premises for periods ranging from 1 years to 5 years. The average monthly rental is R1 562 352 (2012: R1 491 260). The balance of the lease smoothing provision is R3 998 427 (2012: R5 374 818). There are also 61 copier rental agreements ranging from 1 year to 3 years. The average monthly rental is R135 610. Refer to note 36 for details of a prior period error relating to the lease smoothing provision.

21. Member's emoluments

The following table records the emoluments paid to members of the Executive Committee reporting directly to the Head of Unit during the year:

Executive management 2013

	Salary	Medical/ Pension	Other benefits	Bonus	Total
N Mokhatla: Acting Head of the Unit	-	-	-	-	-
F Davids: Deputy Head	1 273 562	-	-	136 526	1 410 088
M Nyathi: Head Business Support	974 837	108 318	63	-	1 083 218
P Bishop: Projects Director	484 514	16 899	34	-	501 447
MD MNqaba: Regional Head Eastern Cape	813 330	118 975	80	194 020	1 126 405
P Modipa: Regional Head Gauteng	942 837	33 798	80	188 760	1 165 475
Z Ntolosi: Head Strategy	819 415	-	9	-	819 424
GP Elliott :CFO	762 659	-	17	-	762 676

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Notes to the Annual Financial Statements

	2013	2012			
21. Member's emoluments (continue)					
Executive management 2013					
	Salary	Medical/ Pension	Other benefits	Bonus	Total
T Njozela: Head of Finance	180 352	-	25	-	180 377
G Visagie: Corporate Legal Counsel	967 848	196 523	80	233 983	1 398 434
M Leaser: Regional Head Western Cape	716 654	97 739	80	-	814 473
P Mohlakoane: Regional Head Mpumalanga	706 464	28 681	80	23 122	758 347
B Stemele: Regional Head Free State	773 060	85 901	80	139 159	998 200
A Mahlare: Regional Head Limpopo	703 753	28 924	80	21 985	754 742
H Lubita: Regional Head North West	604 610	68 645	80	12 917	686 252
D Walker: Regional Head K wazulu Natal	878 538	36 607	80	115 680	1 030 905
	11 602 433	821 010	868	1 066 152	13 490 463

- Adv Mokhatla was appointed Acting Head of the Unit in December 2011 and is currently employed and remunerated by the NPA
- Mr Bishop resigned in September 2012
- Mr P Modipa has been acting since October 2012
- Mrs M Nyathi was reinstated in June 2012 and received backpay in the amount of R555 635 as well as providend fund backpay of R257 488
- Mr Ntolosi resigned in December 2012
- Mrs T Njozela was appointed in January 2013
- Mr GP Elliott resigned in January 2013.
- M Leaser - Exco since January 2013
- P Mohlakoane - Exco since February 2013
- B Stemele - Exco since February 2013
- A Mahlare - Exco since February 2013
- H Lubita - Exco since February 2013
- D Walker - Exco since October 2012

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	2013				2012
Executive management 2012	Salary	Medical/ Pension	Other benefits	Bonus	Total
N Mokhatla: Acting Head of the Unit	-	-	-	-	-
W Hofmeyer: Head of the Unit	-	-	-	-	-
F Davids: Deputy Head	1 226 298	-	-	156 122	1 382 420
M Nyathi: Head Business Support	1 066 600	115 292	23	-	1 181 915
P Bishop: Projects Director	1 013 026	60 230	68	181 600	1 254 924
MD MNqaba: Acting Head, Business Support	785 488	139 226	68	211 268	1 136 050
G Visagie: Head, Governance and Risk	914 985	222 827	68	228 116	1 365 996
Z Ntolosi: Head Strategy	1 123 728	-	-	240 683	1 364 411
V Marsh Smit: CFO	371 789	-	-	-	371 789
GP Elliott :CFO	838 362	-	34	130 816	969 212
S Sokupa: Portfolio manager	246 912	-	17	-	246 929
	7 587 188	537 575	278	1 148 605	9 273 646

- Mr W Hofmeyer was remunerated by the NPA and left 30 November 2011
- Adv Mokhatla was appointed Acting Head of the Unit in December 2011 and is currently employed and remunerated by the NPA
- Mrs EV Marshsmit resigned in July 2011
- Mr GP Elliott started in April 2011.
- S Sokupa resigned June 2011.

Remuneration (incl disbursements) of Audit Committee members

H De Jager (Chairman)	82 822	47 271
M Maliehe	57 492	42 138
H Hlomane	40 000	-
T Njozela - Resigned December 2012	20 000	-
M Ntumba	30 000	-
	230 314	89 409

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Notes to the Annual Financial Statements

	2013	2012
Remuneration (incl disbursements) of Remuneration Committee members:		
J Chabani	8 000	-
RHS Matabane	10 000	-
	18 000	-
22. Cash generated from operations		
Surplus / (deficit)	82 647 473	976 483
Adjustments for:		
Depreciation	17 277 252	15 113 242
Amortisation	196 031	1 465 118
Debt impairment	29 869 070	59 205
Loss on disposal of property & equipment	(58 243)	51 307
Changes in working capital:		
Inventories	68 543	(31 687)
Prepayments	2 308 179	(1 167 703)
(Increase) / Decrease in receivables	(60 347 166)	15 467 075
WIP - Software development	-	486 199
Trade and other payables from exchange transactions	(42 550 846)	35 022 423
Increase in provision relating to employee cost	1 972 696	585 571
Income received in advance	(2 484 978)	8 690 265
Deferred income from exchange transactions	-	(17 885 241)
	28 898 011	58 832 257

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Notes to the Annual Financial Statements

23. Risk management

Financial risk management

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 regularly reported to the audit committee.

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

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

Interest rate risk

Deposits attract interest at a rate that vary 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.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
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There were no changes in the methods and assumptions used in preparing the sensitivity analysis for one year to the next.

23. Risk management (continue)**The estimated rate increases:**

Estimated increase in basis points

Effect on surplus

100	100
811 676	562 688
811 776	562 788

Credit risk

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

Trade receivables comprise 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	59 953 920	13 884 888
60 days	6 643 931	213 123
90 days	26 944 100	19 642 307
Subtotal	93 541 954	33 740 318
Impairment of receivables	(32 255 797)	(2 386 727)
	61 286 154	31 353 591

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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
23. Risk management (continue)		

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 1.4 to the financial statements.

Categories of financial instruments**Loans and receivables**

Loans and trade receivables (including cash and cash equivalents)

145 491 898

92 423 201

Financial liabilities measured at amortised cost

Trade and other payables

72 124 826

115 187 954

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

24. Reconciliation between budget and cash flow statement - R '000

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

	Operating	Financing	Investing	Total
Actual amount as presented in the budget statement	13 514	-	(27 372)	(13 858)
Basis Differences	15 384	(540)	23 913	38 757
Actual amount in the cash flow statement	28 898	(540)	(3 459)	24 899

25. 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.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
26. Critical accounting judgements and key sources of estimation uncertainty		

No key assumptions concerning the future or other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year were applied in determining the carrying amounts of any asset or liability.

27. Guarantees

The SIU has a guarantee in place with First National Bank in favour of Atlas Properties Limited to the value of R231 817. The guarantee is for the Unit's offices in Cape Town and the expiry date is 29 October 2017.

28. Capital commitments**Authorised capital expenditure****Already contracted for but not provided for**

- Property, plant and equipment

	-	3 832 953
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This committed expenditure relates to fixed assets and will be financed retained surpluses.

29. Contingencies

The SIU is still awaiting approval from Treasury for the roll over of funds at the end of 2012/13 amounting to R81 167 626.

The Acting Head of the Unit has not been compensated for work done in her acting position. The estimation compensation could not be quantified yet.

Several legal actions and applications are pending involving the SIU:

1. An application against the Head of the Unit and others seeking an order declaring that the SIU is not entitled to investigate the affairs of the National Home Builders Regulation Council and to compel the SIU to release the SIU's preliminary report to the applicants. The applicants are not seeking damages to be awarded.
2. An application against the SIU seeking an order declaring a proclamation authorising the SIU to investigate the affairs of the Department of Correctional Services with regard to the BOSASA procurement to be invalid and unenforceable and interdicting the SIU from proceeding with its investigation. The applicants are not seeking damages to be awarded.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
No provision for costs or damages has been made in respect of the above cases 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.		

30. Subsequent Events

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.

31. 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 20 Related Party Disclosures
- GRAP 25 Employee Benefits
- GRAP 105 Transfer of Function between Entities under Common Control
- GRAP 106 Transfer of Function between Entities not under Common Control
- GRAP 107 Mergers

32. Government grants and subsidies

Government grant	340 713 000	323 191 000
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33. Debt impairment

Debt impairment	29 869 070	59 205
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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
34. Prior period errors		
During the 2011/12 financial year, it was discovered that the accounting for the lease smoothing provision was incorrect.		
There is no taxation effect of this error as the Unit is a public entity and does not pay income tax.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Lease accrual	-	(1 227 534)
Statement of Financial Performance		
Lease expenses	-	1 227 534
	<u>-</u>	<u>-</u>

During the 2012/13 year the SIU is correcting the prior period figures with regards to the bonus payouts during the 2012/13 year for the previous financial year. The same was done for the 2011/12 year.

There is no taxation effect of this error as the Unit is a public entity and does not pay income tax.

The correction of the error(s) results in adjustments as follows

	2012	2011
Statement of financial position		
Trade creditors	(3 602 509)	(6 518 676)
Statement of Financial Performance		
Employee cost	3 602 509	6 518 676
	<u>-</u>	<u>-</u>

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements**34. Prior period errors (continued)**

A prior year adjustment has been done for an overpayment of rental expenses.

There is no taxation effect of this error as the Unit is a public entity and does not pay income tax.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Other receivables from non- exchange transactions

Statement of Financial Performance

Rent paid

2012	2011 and prior
395 871	1 220 602
(395 871)	(1 220 602)
-	-

New software was developed during the period 2010-2012 and not capitalised.

There is no taxation effect of this error as the Unit is a public entity and does not pay income tax.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Work in progress

Intangible assets

Amortisation

Statement of Financial Performance

Specialist services

Amortisation cost

2012	2011 and prior
(486 199)	486 199
1 080 517	390 701
(337 639)	-
(594 318)	(876 900)
337 639	-
-	-

This prior year adjustment is to make provision for the costs related to the Deputy Head being reinstated. The costs relates to his salary, red flag bonus and leave provision. During 2011/12 financial year this costs were mentioned under contingencies.

There is no taxation effect of this error as the Unit is a public entity and does not pay income tax.

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

	2013	2012
The correction of the error(s) results in adjustments as follows		
Statement of financial position	2012	2011 and prior
Trade Creditors-Accruals	(1 382 420)	(448 394)
Leave pay provision	(131 646)	(326 434)
Statement of Financial Performance		
Leave pay	131 646	326 434
Salaries	1 382 420	448 394
	-	-

Re-assessment of Property, Plant and Equipment and Intangible Assets

In previous years, the estimated useful lives of assets have not been annually reassessed for changes based on changes in intention or estimate. This was an error as it does not comply with GRAP 17.

During the current year management has corrected this and the estimated useful lives of all assets are assessed at each period and in terms of GRAP 17.

The retrospective adjustment as required by GRAP 3 could not be processed due to the impracticability of the calculation as management assumptions could not be determined retrospectively. Therefore the SIU prospectively adjusted as per GRAP 3 par 45.

35. Fruitless and wasteful expenditure

Forensic data analysis software	822 822	-
In the 2011/12 financial year, the SIU procured certain forensic data analysis software. No project charter was developed to manage and implement the acquisition of this software and the SIU did not enter into a contract with the supplier of the software. A deviation certificate authorising the SIU to depart from normal supply chain procedures and requirements was signed by the Head of the Unit on the basis that the software was urgently required for certain investigations. However at 31 December 2012 the software has not yet been operation. An investigation is currently in progress.		
Operational cost on rental agreement	2 012 343	1 616 472

An operational cost in the amount of R28 938 (excl vat) was mistakenly carried over as rental on the invoices after the four months agreement has lapsed in February 2008. As from March 2008 SIU was invoiced and paid R28 938 (excl vat) more on rental. The incident is under investigation and the amount will be recovered from the landlord. This amount also been included in the prior year adjustment note.

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Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

2013					2012
36. Comparison between budget and actual amounts					
Description	Approved Budget	Final Budget	Actual Total	Difference: Final Budget and Actual	
RECEIPTS	415 835 000	415 835 000	497 724 958	81 889 958	
Government Grant	340 713 000	340 713 000	340 713 000	-	
Projects	75 122 000	75 122 000	152 701 582	77 579 582	
Recoveries	-	-	437 994	437 994	
Interest Income	-	-	3 738 777	3 738 777	
Other income	-	-	133 605	133 605	
PAYMENTS	415 835 000	415 835 000	429 312 083	13 477 083	
Direct Cost: Salaries	263 205 513	263 205 513	253 638 153	(9 567 360)	
Direct Cost: Consultants	50 086 659	50 086 659	44 908 325	(5 178 334)	
Direct Cost: Travel and Accommodation	17 359 891	17 359 891	17 294 103	(65 788)	
Direct Operational Costs	10 042 727	10 042 727	10 031 758	(10 969)	
Project Administration Cost	14 568 430	14 568 430	14 536 305	(32 125)	
Administration Cost	39 117 780	39 117 780	66 517 944	27 400 164	
Depreciation	21 454 000	21 454 000	22 385 495	931 495	
NET RECEIPTS/(PAYMENTS)	-	-	68 412 875	68 412 875	

SPECIAL INVESTIGATING UNIT

Annual financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

Budget Comparison

Basis of preparation

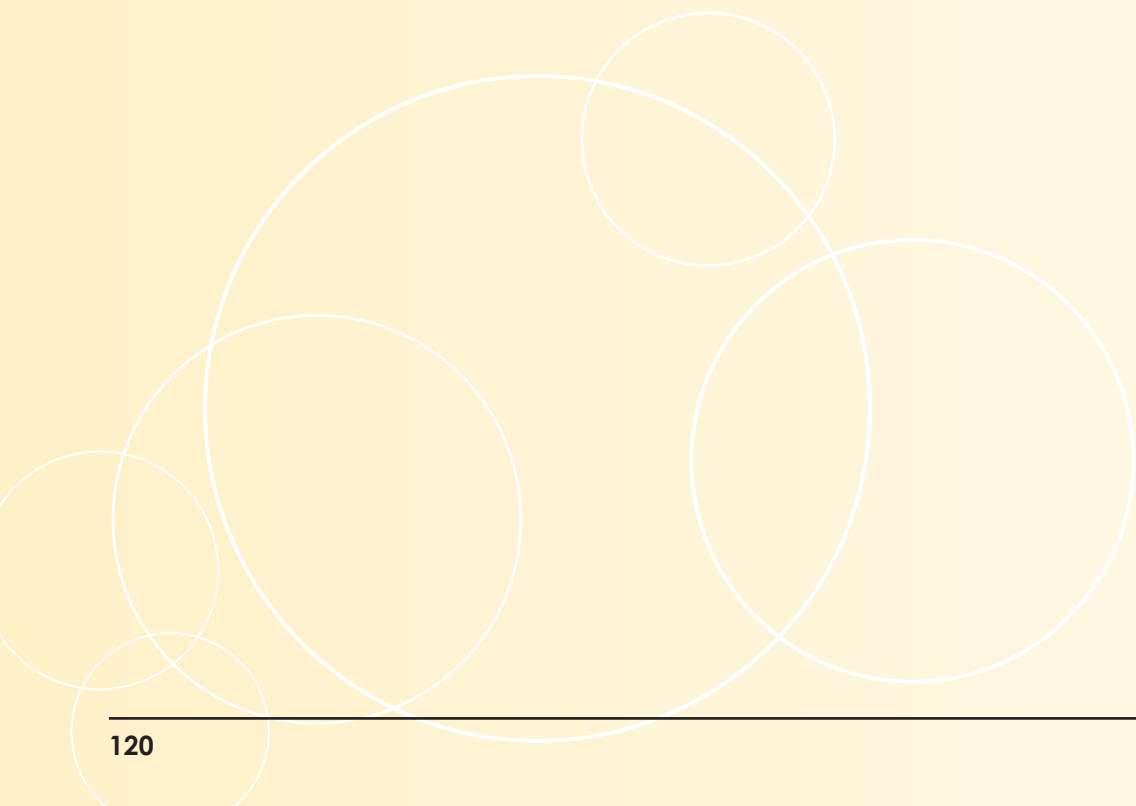
The Special Investigating Unit prepares its annual budget on a cash basis in terms of the Public Finance Management Act(Act no. 1 of 1999) and the National Treasury's Medium Term Expenditure Framework guidelines issued annually. The Statement of Financial Performance is prepared on an accrual basis.

Receipts

The difference between the budget amount and the actual amount is due to the fact that when the annual budget was prepared, the unit was awaiting amendments to its Act. These amendments would clarify the fact that the unit can charge and recover costs of forensic services rendered. The revenue projections for the annual budget were only based on the Service Level Agreements which were still enforceable. The amendments to the Act only came into effect in October 2012 and the Unit could only start to charge and recover cost post this approval date.

Payments

The difference between the budget amount and the actual amount is brought about by the bad debts provided for at the end of the financial year. The debts were provided for due to uncertainty in the recoverability of the invoices issued already whilst the SIU waited for the amendments to the ACT.





POISED TO STRIKE
against corruption

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