



*Annual Report*  
*2013/14*







POISED TO STRIKE  
*against corruption*

***Special Investigating Unit***  
***Annual Report***  
***2013/14***



## FOREWORD TO THE ANNUAL REPORT

During the reporting period, the SIU submitted a total of 30 final reports to the President. This included nine proclamations which were issued in the period between 2009 to 2014.

The Special Investigating Unit (SIU) continues to play its designated role in the fight against corruption. The principal goal of the SIU is to reduce the level of corruption and maladministration. It seeks to achieve this goal by using its forensic services in the public sector by completing investigations successfully. The results thereof are measured through the following four outcomes: criminal referrals, civil referrals, disciplinary referrals and systematic recommendations.

### Overview of performance

President Jacob Zuma has, during the period 2009 to 2014, signed 36 proclamations with five extensions, authorising the SIU to investigate within all three spheres of government as well as state-owned entities. Seven proclamations have already been issued in the 2013/14 financial year alone.

During the reporting period, the SIU submitted a total of 30 final reports to the President. This included nine proclamations which were issued in the period between 2009 to 2014.

The SIU exceeded six of its set targets and did not achieve three due to a shift in the investigation approach. Going forward, this will be addressed through newly defined performance measures aligned to the new investigation approach adopted by the SIU. Investigations conducted from 2009 to 2014 have resulted in the following outcomes:

- R799 million in potential cash recoverables.
- R113.8 million in actual value of cash/assets recovered.
- R111 million in actual savings.
- R27.5 million in the value of contracts set aside.
- R1.3 billion in the value of expenditure in procurement matters where financial misconduct has been identified.
- A total of 13 298 matters referred to the prosecuting authority.
- A total of 10 591 recommendations made for disciplinary processes.
- Evidence prepared for use in civil litigations.

These achievements indicate that the SIU is an important tool in the fight against corruption and maladministration.

### **Capacity building**

During the period under review, the SIU initiated processes aimed at speeding up turnaround times for finalising investigations. The focus has been on achieving legal outcomes. This process has required the SIU to strengthen its legal capacity through sourcing legal specialists. This will enable the SIU to do the following: finalise investigations within a relatively short period; assist state entities to institute disciplinary actions; assist in prosecuting those guilty of criminal offences; and recover losses through civil claims or other remedial action.

### **Working with our partners in fighting corruption**

The SIU continues to actively participate in multi-agency efforts to fight corruption. A number of SIU members form part of the Anti Corruption Task Team (ACTT).

The SIU also worked closely with other agencies like the Auditor General.

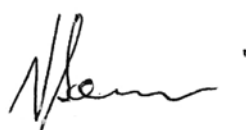
### **International activities**

In December 2013 and March 2014, the SIU hosted a Commonwealth senior leadership and management training programme for Heads of anti-corruption agencies in Africa. The training was a phased module approach aimed at empowering heads of anti corruption agencies. This initiative was also aimed at creating a platform for sharing information.

### **Expression of appreciation**

The SIU expresses its gratitude to the Office of the President, Parliament (in particular the Portfolio Committee on Justice and Correctional Services), the Ministry and Department of Justice and Correctional Services for their continued support. It also extends its appreciation to heads of government institutions and our partners in law enforcement and South Africans.

I also convey my deepest appreciation to all SIU members for their dedication in executing the mandate of the SIU.



**Head of Special Investigating Unit**

*V Soni SC*

31 July 2014

## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report was prepared in accordance with the Annual Report Guide as issued by National Treasury.

The annual financial statements (Part D) were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to the SIU.

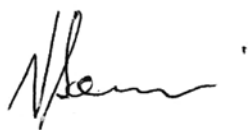
The accounting authority is responsible for the preparation of the annual financial statements and for the judgments made in this report.

The accounting authority is responsible for establishing and implementing a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors were engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the SIU for the financial year ended 31 March 2014.

Yours faithfully



**Head of Special Investigating Unit**

*V Soni SC*

31 July 2014



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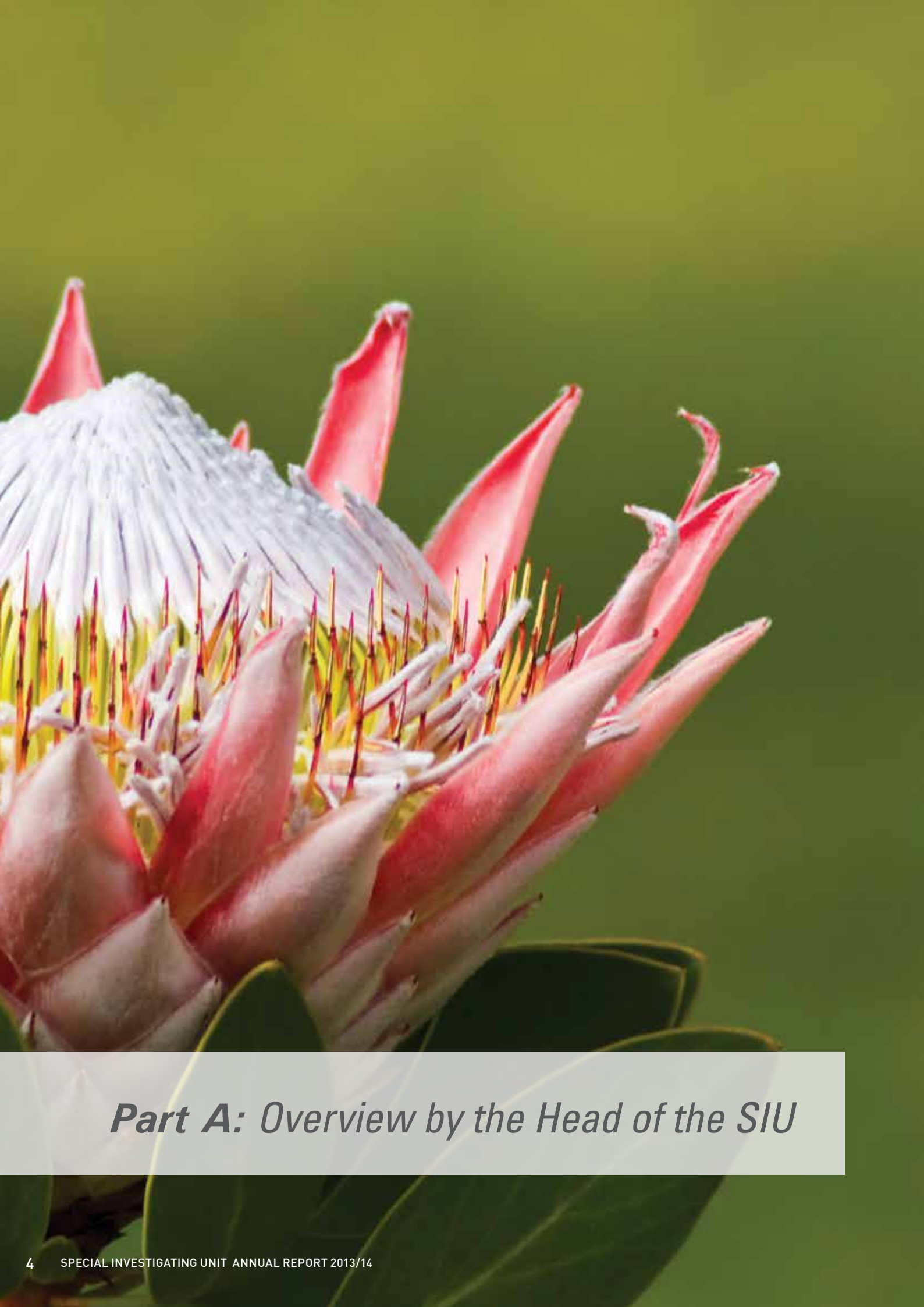
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## ***Part A: Overview by the Head of the SIU***

## 1.1 MANDATE OF THE SIU

The Special Investigating Units and Special Tribunals Act, Act No. 74 of 1996 (SIU Act), mandates the Special Investigating Unit (SIU) to investigate and litigate on proclamation by the President any alleged:

- a) serious maladministration in connection with the affairs of any state institution;
- b) improper or unlawful conduct by employees of any state institution;
- c) unlawful appropriation or expenditure of public money or property;
- d) unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having a bearing upon state property;
- e) intentional or negligent loss of public money or damage to public property;
- f) offence referred to in Part 1 to 4, or sections 17, 20 or 21 of Chapter 2 of the Prevention and Combatting of Corruption Act, Act No. 12 of 2004, and which offence was committed in connection with the affairs of any state institution; or
- g) unlawful or improper conduct by any person which has caused or may cause serious harm to the interests of the public or any category thereof.

The SIU is an independent statutory body that is accountable to the President and to Parliament in respect of its activities.

In conducting its activities, the SIU interacts with other agencies informed by the following:

- Section 4 (1)(d) of the SIU Act provides for the SIU to refer evidence regarding or pointing to the commission of an offence to the relevant prosecuting authority.
- Section 5(6)(a) and (b) of the SIU Act provides for the Head of the SIU to report and refer any matter that could best be dealt with by the Public Protector, to the Public Protector.

## 1.2 VISION, MISSION AND VALUES

### Vision

Working together to rid society of corruption.

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

### Mission

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

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

### Values

Table 1: SIU values

<b>Integrity</b>	Cultivating ethical behaviour among members of the Unit – to always strive for honesty and truth in our work.
<b>Cooperation</b>	Nurturing excellent cooperation with our law enforcement partners and stakeholders.
<b>Professionalism</b>	Investigations are conducted professionally, yielding quality results that exceed stakeholder expectations.
<b>Drive</b>	Working together to realise the vision of the Unit.
<b>Effectiveness</b>	Aligning and improving systems and processes to convert minimum resources into maximum results.
<b>Equality</b>	Acknowledging the crucial role equality plays in our lives as South Africans. Encouraging the upholding of the principle of equality at all times during the performance of our duties.

### Strategic outcomes-orientated goal

To contribute to the reduction of corruption and the perceptions of corruption, the SIU is outcomes driven.

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

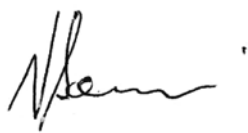
## 1.3 OVERVIEW OF SIU ACTIVITIES

### 1.3.1 Statement of responsibility for performance information for the year ended 31 March 2014

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

The 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 2014.



**Head of Special Investigating Unit**

*V Soni SC*

31 July 2014

### 1.3.2 Summary of key outcomes

Seven new proclamations were issued by the President for the 2013/14 financial year. Twenty-five proclamations issued during previous financial years are still active, bringing the total of active proclamations to 32 for the

2013/14 financial year. These are all expected to be completed during the 2014/15 financial year.

During this financial year, reports for 30 proclamations were submitted to the President.

### 1.3.3 Annual performance information

Table 2: SIU annual performance information 2013/14

Performance measures		2010/11	2011/12	2012/13	2013/14	Narrative
Value of potential cash recoverable (R)	<b>Target</b>	80 m	30 m	35 m	100 m	<p>The target for the year was set at R100 million, and this was exceeded by 161%. The target was exceeded because of outstanding performance by the SIU as follows:</p> <ul style="list-style-type: none"> <li>A total of R155.5 million in preservation orders was secured by the Asset Forfeiture Unit (AFU) in the Department of Rural Development and Land Reform (Land Reform) investigation.</li> <li>A total of 1 187 acknowledgements of debt (AODs) to the value of R13 664 779 were signed in the investigation into the Department of Social Development, specifically the South African Social Security Agency (SASSA).</li> </ul>
	<b>Actual</b>	74 m	224 m	171 m	261 m	
Actual value of cash recovered (R)	<b>Target</b>	0	0	0	32 m	<p>One of the contributors to this target was the AOD Enforcement Department, which receives payment from debtors who previously signed AODs. The total amount received and paid over to state institutions was R30 327 051. The most significant contribution to date has been from the Land Reform investigation that was successful in obtaining final AFU orders for property (land) that could be forfeited to the state. The total amount recovered since April 2013 is R43 551 741. The Civil Litigation Section intervened on behalf of the Department of Water Affairs (Water Affairs), which led to the repayment of R1.1 million in respect of grant project funding. Other contributions came from an AOD secured in the Department of Human Settlements (Housing) investigation.</p>
	<b>Actual</b>	0	38 m	0	75.8 m	
Actual savings (R)	<b>Target</b>	450 m	30 m	35 m	65 m	<p>The target for this indicator was not met. The target was increased to include an increase in the savings that would have been made for contracts that were set aside. Actual savings are calculated when the SIU recommends that a payment be stopped during a financial year. For AODs, the value of the saving is the amount of the social grant that the beneficiary would have received multiplied by the number of months that this grant was not paid out. Unfortunately, only one contract was set aside this financial year, which resulted in an actual saving of R11 820 101. The biggest contributor for this indicator has always been the SASSA investigation, but the number of AODs signed was far less, as the investigation is being finalised. The SIU reviewed this indicator, and it will be excluded as a measure of performance in future.</p>
	<b>Actual</b>	10 m	15 m	57 m	16.7 m	

Performance measures		2010/11	2011/12	2012/13	2013/14	Narrative
Value of contracts set aside (R)	Target	0	0	0	400 m	The target was not achieved. Only one contract to the value of R27 519 576 was set aside during this financial year. The main reason for not achieving this indicator is the age of the proclamations and the fact that many claims identified had prescribed. A decision was taken to exclude this indicator as a measure of performance for the following financial year.
	Actual	0	0	0	27.5 m	
Value of contractual obligations enforced (R)	Target	0	0	0	30 m	The target was not achieved. The challenges with this indicator include matters that have prescribed, or contractors having been liquidated or being in the process of liquidation when it is confirmed that performance can be enforced. These are some of the reasons for the SIU reviewing and deciding to exclude this indicator as a measure of performance.
	Actual	0	0	0	0	
Value of expenditure in procurement matters where financial misconduct has been identified (R)	Target	0	0	0	1 b	The target was exceeded by 30%. Significant contributions were made from the investigations currently underway, but the indicator does not provide a true reflection of the extent and impact of the SIU's investigations and it will be excluded as a measure of performance for the Unit in future.
	Actual	0	0	0	1.3 b	
Number of referrals made to the prosecuting authority	Target	5 500	2 000	2 000	50	As part of the assessment of the proclamations issued, more emphasis was placed on closing the older historical proclamations. Because of this, managers were expected to finalise their project outcomes within quicker turnaround times – including those matters that pointed to the commission of an offence – and these matters were immediately referred to the National Prosecuting Authority (NPA) and/or the AFU. This resulted in a substantial increase in the number of referrals made. Hence, the target was exceeded by 446%.
	Actual	4 179	2 499	997	273	
Number of recommendations made for disciplinary processes	Target	8 000	2 500	3 500	120	The target was exceeded by 172% because of the substantial contribution by the SASSA investigation. Of the 326 disciplinary recommendations, 214 were from this investigation. The South African Police Service (SAPS) investigations also led to 38 recommendations for disciplinary action. Other investigations in which disciplinary action was also recommended include the departments of Housing (25) and Water Affairs (13), Eskom (13) and the State Information Technology Agency (SITA) (14), amongst others.
	Actual	2 814	2 731	850	326	
Evidence prepared for use in civil litigations	Target	11 400	2 500	3 500	30	The SASSA investigation continues to be the major contributor to the achievement of this indicator because of the number of AODs that have been signed. For the financial year under review, this investigation contributed 89% of the total target (1 187 AODs). Other contributors include the Tshwane Metropolitan Municipality (Tshwane) (91), the Department of Rural Development and Land Reform (36), and SITA (11). The target was exceeded by 4 360%.
	Actual	7 654	6 412	3 570	1 338	



## 1.4 REPORT ON PROCLAMATIONS (INVESTIGATIONS)

### 1.4.1 National departments

#### 1.4.1.1 National Department of Public Works: Prestige project situated at Nkandla, KwaZulu-Natal

Proclamation R59 of 2013, published on 20 December 2013.

##### a) Scope of investigation

The SIU was requested to investigate alleged irregularities regarding the affairs of the National Department of Public Works (DPW) in relation to a prestige project involving the security upgrading of the private residence of the President, situated at Nkandla, KwaZulu-Natal. In terms of the proclamation, the following matters are being investigated:

- The irregular procurement of goods or services by the Department and the irregular appointment of contractors and service providers to provide goods or services for the upgrades
- The relationship between contractors, suppliers or service providers and departmental officials
- The manipulation of the Department's procurement processes by any unlawful scheme or practice, such as cover quoting or splitting of orders
- The evasion of competitive bidding processes by renewing, extending or amending existing contracts
- Undeclared or unauthorised interests held by departmental officials in contractors, suppliers or service providers appointed to supply goods or render services
- Undue or irregular payments made to contractors, suppliers or service providers
- The state not having received value for money with regard to the project

- Improper or unlawful conduct by contractors, suppliers or service providers of the Department or other third parties in relation to the project (which would include the undue influence of public representatives or any other person working on the project).

##### b) Proclamation status

Ongoing.

#### 1.4.1.2 National Department of Cooperative Governance and Traditional Affairs

Proclamation R6 of 2014, published on 6 February 2014.

##### a) Scope of investigation

The SIU is required to investigate the appointment of the South African National Apex Tertiary Cooperative Limited to manage and to provide technical support and administration services in respect of the Ward-based Cooperative Programme of the Department of Cooperative Governance and Traditional Affairs (COGTA). The period to be investigated is 26 November 2010 to 6 February 2014.

##### b) Proclamation status

Ongoing.

#### 1.4.1.3 Department of Communications

Proclamation R10 of 2014, published on 24 February 2014.

##### a) Scope of the Investigation

The SIU is required to investigate the validity of the award by the Department of a tender to render services in respect of a public awareness campaign relating to the broadcasting digital migration process project (DOC/21/2011/12/C) to Media Corner (Pty) Ltd; the validity of the Memorandum of Agreement concluded between the Department and Media Corner (Pty) Ltd on 29 October 2012: the validity of the implementation of the Memorandum of Agreement referred to above;

and any payments made in terms of the Memorandum of Agreement. The period to be investigated is from 1 February 2012 to 24 February 2014.

**b) Proclamation status**

Ongoing.

**1.4.1.4 Department of Rural Development and Land Reform and the State Information Technology Agency (Pty) Ltd**

Proclamation R7 of 2014, published on 14 February 2014.

**a) Scope of investigation**

The SIU is required to investigate the following in the period 1 January 2008 to 14 February 2014:

- Theft, fraud, corruption or maladministration in relation to the lodging and processing of deeds at the Pretoria, Cape Town and Bloemfontein deeds registries. Any loss, damage or prejudice actually or potentially suffered by the DRDLR or the state.
- The procurement of, and contracting for the information and communication technology (ICT) systems and projects, or any goods, works or services in respect of the ICT systems and projects by or on behalf of the institutions and irregular payments.
- The incurrance of unauthorised, irregular or fruitless and wasteful expenditure or expenditure not due, owing and payable, as a result of payments that were made by the institutions to the agents of these institutions, the institutions' suppliers and service providers or third parties for, or in respect of the ICT systems and projects.
- Fraud, corruption or maladministration regarding the affairs of the institutions in respect of the ICT systems and projects.

**b) Proclamation status**

Ongoing.

**1.4.1.5 The Guardian's Fund components of the KwaZulu-Natal and Gauteng offices of the Master of the High Court of the Department of Justice and Constitutional Development**

Proclamation R55 of 2012, published on 21 September 2012.

**a) Scope of investigation**

The investigation focuses on allegations of fraudulent applications and subsequent payments at the KwaZulu-Natal and Gauteng Guardian's Fund Offices in the period 1 January 2001 to September 2012.

**b) Proclamation status**

Ongoing.

**1.4.1.6 National and all provincial departments of Social Development**

Proclamation R18 of 2005, published on 6 April 2005.

Proclamation R5 of 2007 extension, published on 30 March 2007.

AND

**South African Social Security Agency**

Proclamation R27 of 2010, published on 8 June 2010.

**a) Scope of investigation**

The investigation relates to allegations of fraud against beneficiaries who applied for grants for which they did not qualify and/or who used fraudulent identity documents to apply for such grants. Allegations that agents or officials of SASSA were colluding with syndicates to facilitate fraudulent applications are also being investigated. It further relates to the potentially irregular awarding of 21 ICT contracts to external service providers. The contracts were awarded through a formal tender between 1 April 2006 and 30 September 2008.



**b) Proclamation status**

Ongoing.

**1.4.1.7 Department of Human Settlements  
(low-cost housing contracts)**

Proclamation R7 of 2007, published on 25 April 2007.

Proclamation R35 of 2010 extension, published on 30 July 2010.

Proclamation R15 of 2012 extension, published on 5 March 2012.

**a) Scope of investigation**

The SIU was requested to investigate fraud, corruption and maladministration in respect of the development and delivery of low-cost housing in South Africa, by national and provincial departments, local authorities (and agents) and housing development boards. A total of 36 low-cost housing projects, which comprised 97 individual contracts, formed part of the investigation into low-cost housing. The total value of the 36 projects is R5.7 billion.

**b) Proclamation status**

Ongoing.

**1.4.1.8 National Department of Public Works**

Proclamation R38 of 2010, published on 30 July 2010.

**a) Scope of investigation**

The SIU was requested to investigate irregular expenditure and/or fruitless and wasteful expenditure in relation to specific contracts/tenders, the leasing of buildings for client departments and prestige accommodation for the period 1 October 2003 to 30 July 2010.

**b) Proclamation status**

Ongoing.

**1.4.1.9 South African Police Service**

Proclamation R42 of 2010, published on 10 August 2010.

Proclamation R73 of 2011 extension, published on 22 December 2011.

**a) Scope of investigation**

The investigation focused on the Expert and Facility Management Services, specifically 33 SAPS building and/or renovation projects, National Police Day 2009/10 and 2010/11, and other SCM irregularities in the period January 2005 to August 2010. The period covered by the investigation was extended to 22 December 2011 by Proclamation R73 of 22 December 2011.

**b) Proclamation status**

Ongoing.

**1.4.1.10 National Department of Rural  
Development and Land Reform**

Proclamation R8 of 2011, published on 18 February 2011.

**a) Scope of investigation**

The proclamation mandated the SIU to investigate allegations of irregularities in the application, awarding and administration of grants and funds under the Land Reform Programme of the DRDLR. Allegations include possible fraud and corruption by employees of the Department, as well as irregular, unauthorised and fruitless and wasteful expenditure. The period of investigation is 1 January 2006 to 18 February 2011.

**b) Proclamation status**

Ongoing.

**1.4.1.11 National Department of Rural  
Development and Land Reform and  
its agents**

Proclamation R53 of 2012, published on 21 September 2012.

#### **a) Scope of investigation**

The proclamation mandated the SIU to investigate allegations of irregularities in the application, awarding and administration of land restitution claims of funds under the Land Restitution Programme of the DRDLR. The above allegations include possible fraud and corruption levelled against employees of the Department, as well as irregular, unauthorised and fruitless and wasteful expenditure. The period of investigation is 1 April 2003 to 21 September 2012.

#### **b) Proclamation status**

Ongoing.

#### **1.4.1.12 Department of Water Affairs**

Proclamation R54 of 2012, published on 21 September 2012.

#### **a) Scope of investigation**

The SIU was requested to investigate allegations related to the procurement of goods, works or services by the Department of Water Affairs (DWA) and undisclosed interests officials may have had in contractors, suppliers or service providers who bid for work or did business with the Department. The investigation focused on the period 1 January 2004 to 21 September 2012.

#### **b) Proclamation status**

Ongoing.

### **1.4.2 Provincial departments**

#### **1.4.2.1 Mpumalanga Department of Education: Scholar Transport Scheme**

Proclamation R14 of 2012, published on 2 March 2012.

#### **a) Scope of investigation**

A commission of enquiry was appointed by the Office of the Premier on 1 September 2009 to investigate a number of irregularities in the Mpumalanga Scholar Transport Scheme 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 March 2012, mandating the SIU to investigate the following focus areas identified by the commissioner:

- Different number of kilometres claimed for the same route
- Different service providers claimed for the same route
- Service providers submitted claims with rates higher than R0.35
- More than one invoice submitted per month per route

The period of investigation is 1 April 2012 to 31 March 2013.

#### **b) Proclamation status**

Ongoing.

#### **1.4.2.2 North West municipalities**

Proclamation R72 of 2009, published on 10 November 2009.

#### **a) Scope of investigation**

The SIU was mandated to investigate allegations of irregularities in the North West municipalities, which include the following:

- The appointment, extension of appointment, and promotion of municipal staff contrary to the prescripts of applicable law and municipal policies and procedures
- The external manipulation of, and undue preference in the appointment and promotion of municipal staff
- The disproportionate appointment and excessive remuneration of municipal staff
- The appointment of underqualified and unsuitable candidates as municipal staff members and their disproportionate remuneration

- The remuneration of non-performing and underperforming municipal staff members without taking appropriate disciplinary steps against such staff members
- Losses of municipal funds due to theft, fraud and misallocation
- The procurement and alienation of goods and services contrary to the provisions of the Municipal Finance Management Act (MFMA) and other applicable laws, as well as municipal policy and procedures
- The misuse and misappropriation of funds deriving from the Municipal Infrastructure Grant (MIG)
- The misuse of municipal resources for private benefit
- Disproportionate, wasteful and irregular expenditure of municipal funds.
- Mismanagement of expenditure of municipal funds and resources, and the accumulation of municipal debt
- The alienation of municipal land contrary to the provisions of section 14 of the MFMA and not by way of a fair, competitive, equitable, transparent and cost-effective process
- Interference by councillors in the administration of municipal affairs in contravention with the applicable provisions of the Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA), and the MFMA
- Losses to municipalities caused by inadequate management of, and control over municipal contracts and resources

#### **b) Proclamation status**

Ongoing.

#### **1.4.2.3 Department of Health: Gauteng**

Proclamation R21 of 2010, published on 14 May 2010.

#### **a) Scope of investigation**

The matter relates to alleged irregularities regarding the affairs of the Gauteng Department of Health (GDoH) in relation to the procurement of services from various consultants and contractors. The investigation covers the following areas:

- Irregular appointment of contractors, suppliers or service providers to render services and/or deliver goods
- Irregular procurement of goods, works or services (including cover quoting, splitting of orders and evasion of competitive bidding processes)
- Undue or irregular payments made to contractors, suppliers or service providers
- The state not having received value for money
- Improper or unlawful conduct by contractors, suppliers or service providers of the Department or other third parties in relation to the project (which would include the undue influence of public representatives or any other person on the project)

A total of nine specific contracts awarded to the value of R1.1 billion were investigated.

#### **b) Proclamation status**

Ongoing.

#### **1.4.2.4 Department of Education: Eastern Cape**

Proclamation R37 of 2010, published on 30 July 2010.

#### **a) Scope of investigation**

The SIU was requested to investigate and redress fraud, corruption and maladministration in the affairs of the Eastern Cape Department of Education. The following allegations were investigated:

- Awarding of tenders involving the scholar transport system and the school nutrition system (SNS) in the various schools over the period 2005/06 to 2013/14

- The Department's general procurement management system and all tenders awarded at both head office and district levels (with particular emphasis on the period 2006/07 to 2007/08)
- The Department's payment system and all payments made over the period 2005/06 to 2013/14
- The causes of the salary payments system that is in arrears in the Lusikisiki District Office and the rest of the Department (head office and district offices)
- Determining whether the awarding of tenders in the HIV/AIDS section from 2007/08 to 2008/09 took place in accordance with valid procurement processes
- The general financial utilisation of early childhood development (ECD) budgets, including the appointment of ECD practitioners in the Department, over the period 2006/07 to 2013/14

#### **b) Proclamation status**

Completed, Presidential report being finalised for submission

#### **1.4.2.5 Department of Public Works, KwaZulu-Natal**

Proclamation R43 of 2010, published on 27 August 2010.

Proclamation R49 of 2012 extension, published on 7 September 2012.

#### **a) Scope of investigation**

The SIU was mandated to investigate 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 focuses on the procurement process and alleged manipulation of the process by contractors and KZN DPW officials in order to secure tenders, as well as the non-delivery of services.

#### **b) Proclamation status**

Ongoing.

#### **1.4.2.6 Mpumalanga Cooperative Governance and Traditional Affairs: Water for All Flagship Project**

Proclamation R16 of 2012, published on 5 March 2012.

#### **a) Scope of investigation**

The SIU was requested to investigate allegations of wrongdoing in contracts to the value of R221 million in the period 1 April 2007 to 5 March 2012 in the Water for All Flagship Project. The investigation focused on the following:

- The procurement in relation to the Water for All Flagship Project on behalf of the Department
- The procurement of sewerage suctioning services, payments and related irregular expenditure and loss of funds
- The procurement of the services to repair and refurbish water pipelines in the Nkomazi Region
- Delmas water purification plant
- Improper conduct by officials

#### **b) Proclamation status**


Ongoing.

#### **1.4.2.7 Limpopo intervention**

Proclamation R21 of 2012, published on 23 March 2012.

#### **a) Scope of investigation**

The SIU was requested to investigate allegations of procurement irregularities, fraud, corruption, financial mismanagement and misconduct relating to five Limpopo provincial government departments: the departments of Health and Social Development,



Transport, Education, and Public Works, and the Provincial Treasury. The investigation focuses on the period 1 April 2010 and 20 March 2012.

**b) Proclamation status**

Ongoing.

**1.4.2.8 Department of Transport, Eastern Cape**

Proclamation R34 of 2011, published on 20 May 2011.

**a) Scope of investigation**

The SIU was requested to investigate allegations of irregular procurement at the Department of Transport, Eastern Cape. The investigation focused on matters including the Kei Rail Project, the Port St John's Project, ICT-related matters, Marlisha Roads, conflicts of interest by employees, Central High Trading and East Cape Midlands College. The scope of the investigation covered the period 10 May 2001 to 28 March 2010, and the total amount for all contracts was R149.9 million.

**b) Proclamation status**

Ongoing.

**1.4.3 Municipalities**

**1.4.3.1 Bushbuckridge Local Municipality: Mpumalanga**

Proclamation R8 of 2014, published on 14 February 2014.

**a) Scope of investigation**

The SIU was requested to investigate the procurement of goods, works or services by or on behalf of the Municipality. Any undisclosed or unauthorised interests the staff of the Municipality may have had with regard to contractors, suppliers or service providers bidding for work or doing business with the Municipality, or

contracts awarded by or on behalf of the Municipality, are included in the scope of the investigation. Other matters under investigation are the misappropriation of funds and wasteful expenditure or expenditure not due, owing or payable by the Municipality in relation to payments made to its contractors, suppliers or service providers, and the irregular issuing of motor vehicle licences and registration certificates by officials. The period under investigation is 1 May 2010 to 14 February 2014.

**b) Proclamation status**

Ongoing.

**1.4.3.2 Tshwane Metropolitan Municipality: Gauteng**

Proclamation R62 of 2010, published on 8 November 2010.

**a) Scope of investigation**

The SIU was mandated to investigate allegations of irregularities at the Tshwane Metropolitan Municipality (TMM), including the following:

- The recruitment, selection and appointment of staff into positions that they are not qualified for or otherwise best suited for
- Mismanagement of funds and of the affairs of municipal entities of the Municipality
- The irregular procurement of goods or services by, or on behalf of the Municipality or its municipal entities
- Alleged interference by the City Manager in pending disciplinary proceedings against employees

**b) Proclamation status**

Ongoing.

#### 1.4.3.3 Ekurhuleni Metropolitan Municipality: Gauteng

Proclamation R63 of 2010, published on 8 November 2010.

##### a) Scope of investigation

The SIU was mandated to investigate allegations of irregularities in the Ekurhuleni Metropolitan Municipality (EMM), which include the following:

- The irregular procurement of goods, works or services by, or on behalf of the Municipality and payments made in respect thereof
- The mismanagement of finances or assets of the Municipality in respect of the following:
  - › Payments made for goods not supplied, or works or services not rendered
  - › Payments made under maintenance contracts in respect of equipment never delivered or not commissioned
  - › Duplication of payments to contractors, suppliers or service providers
  - › The fraudulent involvement of officials or employees of the Municipality in the making of such payments

##### b) Proclamation status

Ongoing.

#### 1.4.3.4 Midvaal Local Municipality: Gauteng

Proclamation R33 of 2011, published on 20 May 2011.

##### a) Scope of investigation

The SIU was mandated to investigate allegations of irregularities in the Midvaal Local Municipality, which include the following:

- The improper, negligent or erroneous disposal of the Municipality's operating assets as being redundant assets

- The failure to properly control the Municipality's debtors
- The failure to properly implement the Municipality's Indigent Policy
- The unlawful or irregular procurement of legal services by or on behalf of the Municipality, payments made in respect thereof and related irregular or fruitless and wasteful expenditure by the Municipality
- The erroneous issuing of town planning certificates
- The failure to record the Municipality's assets in its asset registers
- The appointment of staff at incorrect levels
- Failure to follow up on employees' municipal services accounts in arrears

##### b) Proclamation status

Ongoing.

#### 1.4.3.5 Kopanong Local Municipality: Free State

Proclamation R58 of 2011, published on 12 October 2011.

##### a) Scope of investigation

The SIU was requested to investigate procurement allegations that include the procurement of and contracting for consulting or related services to an estimated value of R7.8 million in transactions spanning the period 1 July 2006 to 31 March 2009.

##### b) Proclamation status

Ongoing.

#### 1.4.3.6 Swellendam Local Municipality

Proclamation R12 of 2012, published on 29 February 2012.

##### a) Scope of investigation

The SIU was requested to conduct an investigation into various allegations of maladministration in the affairs of the Swellendam Municipality that have taken place between 1 January 2006 and 29 February 2012. The investigation focused on councillors, officials, employees or agents of the Municipality in relation to the following:

- The SCM system at the Municipality
- The management of the Municipality's finances and assets
- 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

##### b) Proclamation status

Completed, final report submitted to the Presidency on 31 March 2014.

#### 1.4.4 State-owned entities and other state entities

##### 1.4.4.1 South African Post Office (SOC) Limited

Proclamation R5 of 2014, published on 6 February 2014.

##### a) Scope of investigation

The SIU was requested to investigate the procurement of goods, works or services at the South African Post Office (SAPO). Irregularities, malpractices or maladministration in the affairs of the SAPO include the following:

- The management of immovable property
- The implementation of the WebRipost system
- Loans granted to Courier and Freight Group (Pty) Ltd

- Failure by officials or employees of the SAPO to take the necessary steps to prevent financial losses or damage as a result of industrial action
- Irregularities relating to the recruitment, selection and appointment of officials or employees of the SAPO
- Payments made by the SAPO to fictitious officials or employees
- Undisclosed or unauthorised interests by SAPO employees in businesses that bid for work or did business with the SAPO

The period to be investigated is 1 January 2004 to 6 February 2014.

##### b) Proclamation status

Ongoing.

##### 1.4.4.2 Universal Service and Access Agency of South Africa (USAASA)

Proclamation R20 of 2014, published on 28 March 2014.

##### a) Scope of investigation

The SIU was requested to investigate maladministration in the affairs of the Agency in relation to the recruitment, which resulted in the appointment of the Chief Executive Officer (CEO) of the Agency in 2013. The Agency's funding, by way of a subsidy to the amount of R500 million, to a service provider for the construction and expansion of an electronic communication network for Emalahleni Local Municipality and the procurement of services in relation to the Rapid Development of Public Access Facilities Programme and payments made in this regard.

##### b) Proclamation status

Ongoing.

#### 1.4.4.3 Eskom Holdings Ltd

Proclamation R2 of 2012, published on 7 February 2012.

##### a) Scope of investigation

The SIU was requested to investigate allegations falling within the period 1 January 2006 to 7 February 2012 with regard to the following:

- Procurement of helicopter services in the Eastern Cape
- Any undisclosed or unauthorised interests that the board members, officials or employees of Eskom may have had in contractors, suppliers or service providers of Eskom
- The procurement of coal supplies
- The procurement of coal transportation services
- The procurement of fencing in excess of the need for such work, goods or services

##### b) Proclamation status

Ongoing.

#### 1.4.4.4 The State Information Technology Agency (Pty) Ltd

Proclamation R48 of 2012, published on 7 September 2012.

##### a) Scope of investigation

The SIU was requested to investigate allegations in the period 7 October 2003 to 7 September 2012 with regard to the following:

- The procurement of works, goods or services by the Agency for itself or for and on behalf of departments or public bodies
- Irregular, unauthorised or fruitless and wasteful expenditure
- The failure to collect monies due, owing and payable to the Agency

##### b) Proclamation status

Ongoing.

#### 1.4.4.5 Public Service Sector Education and Training Authority

Proclamation R65 of 2012, published on 8 November 2012.

##### a) Scope of investigation

The SIU was requested to investigate allegations for the period 1 February 2005 to 8 November 2012 with regard to the following:

- Maladministration
- Irregular payments made from the Public Service Sector Education and Training Authority (PSETA) grant disbursement account
- Irregular payments made from the PSETA National Skills Fund (NSF) account
- The failure or refusal by PSETA to refund unused funds to the NSF
- Irregular use of skills development levy funds
- Unauthorised, irregular or fruitless and wasteful expenditure incurred
- Irregular payments made by previous boards of PSETA
- The procurement of goods or services by, or on behalf of PSETA

##### b) Proclamation status


Ongoing.

### 1.4.5 Proclamations in respect of investigations finalised during previous financial years but for which Presidential reports were submitted during the 2013/14 financial year

Table 3: Completed proclamations (Presidential reports submitted during the 2013/14 financial year)

No.	Proclamation number	Department/state institution	Scope of investigation	Date report submitted
1.	R56 of 2001 R59 of 2003 extension	Department of Transport of KwaZulu-Natal and/or its predecessor in law	Fraudulent and/or unauthorised changing of information in respect of the tare weight of motor vehicles on the National Information System by employees of the Department and the subsequent payment of lower motor vehicle licensing fees.  Investigation focus period: 1 January 1996 to 2 November 2001	30 April 2013
2.	R1 of 2002	Witness Protection Programme (WPP) Office: KwaZulu-Natal	Failure of employees to comply with Witness Protection Office procedures with regard to incurring expenditure and/or making payments; irregularities pertaining to the renting of accommodation utilised as places of safekeeping; misuse and neglect of government vehicles; and unlawful conduct of employees relating to the placement and safekeeping of witnesses.  Investigation focus period: 1 January 1995 to 18 January 2002	31 May 2013
3.	R66 of 2002 R56 of 2003 extension R58 of 2004 extension R59 of 2004 R44 of 2007	Department of Correctional Services (DCS)	Procurement irregularities; misuse of property and resources of the Department and theft of assets from the Department; any benefits or advantages received by departmental employees, other employees or members of the public in connection with the execution of, or failure to execute their duties; and the recruitment, appointment, promotion and dismissal of departmental employees and the related procedures.  Investigation focus period: 1 January 1996 to 8 August 2002	30 April 2013
4.	R70 of 2002	Tsantsabane and Kgatelopele municipalities in the Northern Cape	Tsantsabane Municipality: Irregular subsistence, travel and accommodation allowance claims made by the councillors and the subsequent payment thereof; failure to keep proper financial records, and not collecting debts, rates and taxes due.  Kgatelopele Municipality: Failure by the Municipality to pay pay-as-you-earn (PAYE) tax deducted from employees' salaries to SARS; failure to submit VAT returns to SARS; failure to keep proper financial records, and not collecting debts, rates and taxes due.  Investigation focus period: 1 January 1996 to 23 September 2002	30 April 2013
5.	R73 of 2002	Department of Social Development of the Free State	Expenditure incurred by the Department as a result of the unlawful and/or unauthorised use of motor vehicle transport and the use of an official credit card for private purposes by a former Member of the Executive Council (MEC) of the Department; fraudulent travelling claims made by the said former MEC of the Department.  Investigation focus period: 1 September 1999 to 1 July 2001	30 April 2013
6.	R77 of 2002	Performing Arts Council of the Free State or its predecessor in title (PACOFs)	Irregularities regarding the establishment of the Orange Free State Performing Arts Institute Trust in 1994 and its administration of financial affairs; irregularities regarding the establishment of the Performing Arts Council of the Orange Free State Early Retirement Trust in 1995 and the role of the Board of Directors of PACOFs in the improper, irregular and/or unlawful disposition of public funds to the amount of R2 000 000 in favour of the trust; the improper and/or unlawful conduct of the Board of Directors of PACOFs in establishing the Lily Lakewood Trust in 1994; and improper alienation of fixed property of PACOFs to the Trust.  Investigation focus period: 1 January 1994 to 25 October 2002	20 December 2013

No.	Proclamation number	Department/ state institution	Scope of investigation	Date report submitted
7.	R2 of 2003	Department of Transport of the Eastern Cape, the Transkei Road Transport Corporation and Umanyano Transport Services	The acquisition and transfer of assets; the registration of motor vehicles belonging to the liquidated Transkei Road Transport Corporation in the name of Umanyano Transport; and the involvement of the Department of Transport of the Eastern Cape in these matters.  Investigation focus period: 1 May 1997 to 31 January 2003	30 April 2013
8.	R58 of 2003	Certain offices of the Department of Justice and Constitutional Development (DOJ&CD)	<b>Part 1 – Magistrate’s offices:</b> Financial mismanagement by officials at the Libode, Maluti, Ngqeleni, Port Elizabeth, Umtata, Phuthaditjhaba, Makwane, Tseseng, Wepener, Thaba ‘Nchu, Benoni, Randburg, Johannesburg, Soshanguve, Vereeniging, Chatsworth, Nkandla, Impendle, Madadeni, Ntuzuma, Seshego, Tzaneen, Naphuno, Giyani, Thoyohando, Kwamhlanga, Mbibane, Mkobola, Nkomazi, Nsikazi, Odi, Lehurutse, Taung, Ganyesa, Brits, Mitchells Plain, Somerset West, Clanwilliam, Simonstown and Porterville offices.  <b>Part 2 – National and regional offices:</b> Matters incidental to the investigation of Part 1.  Investigation focus period: 1 January 1996 to 25 July 2003	31 May 2013
9.	R8 of 2004	Lydenburg Transitional Local Council (which has been succeeded by the Thaba Chweu District Municipality) in Mpumalanga	The investment of municipal funds contrary to the provisions of section 10G of the Local Government Transition Act, Act No. 209 of 1993, resolutions of the Municipality’s Executive Committee and requirements of the Auditor-General; the transfer of the proceeds of an investment of the Municipality into the account of an investment broker company and the retention of a portion of the proceeds of the investment and the interest accrued by the investment broker company; the retention of the advisory services of the investment broker company mentioned above by the Municipality and the payment of commission despite the losses suffered by the Municipality as a result of the actions of the investment broker company and the failure of the Municipality to recover these losses.  Investigation focus period: 1 December 1996 to 2 February 2004	30 April 2013
10.	R10 of 2004	Free State Tourism and Marketing Board	The procurement of goods and services at the Board’s expense without necessary authorisation and without following the prescribed tender procedures; failure by the Board to secure recovery of losses suffered in respect of the following:  1. Payments, loans and other monetary advances to the Board’s staff and third parties without the necessary authorisation 2. Bursaries and overpayments to/for personnel 3. Claims for subsistence and travel allowances 4. Loss, theft and misappropriation of the Board’s assets  Investigation focus period: 10 December 1997 to 2 February 2004	20 December 2013
11.	R11 of 2004	Provincial Department of Housing and Local Government of the Northern Cape and the Northern Cape Housing Board	The implementation of projects for the building of subsidised houses by the Department and Board in respect of the following housing projects: Postmasburg, Warrenton, Barcelona, Colesburg and Benede Oranje District; payments made by the Department to contractors and developers in respect of the above housing projects.  Investigation focus period: 1 January 1997 to 2 February 2004	30 April 2013

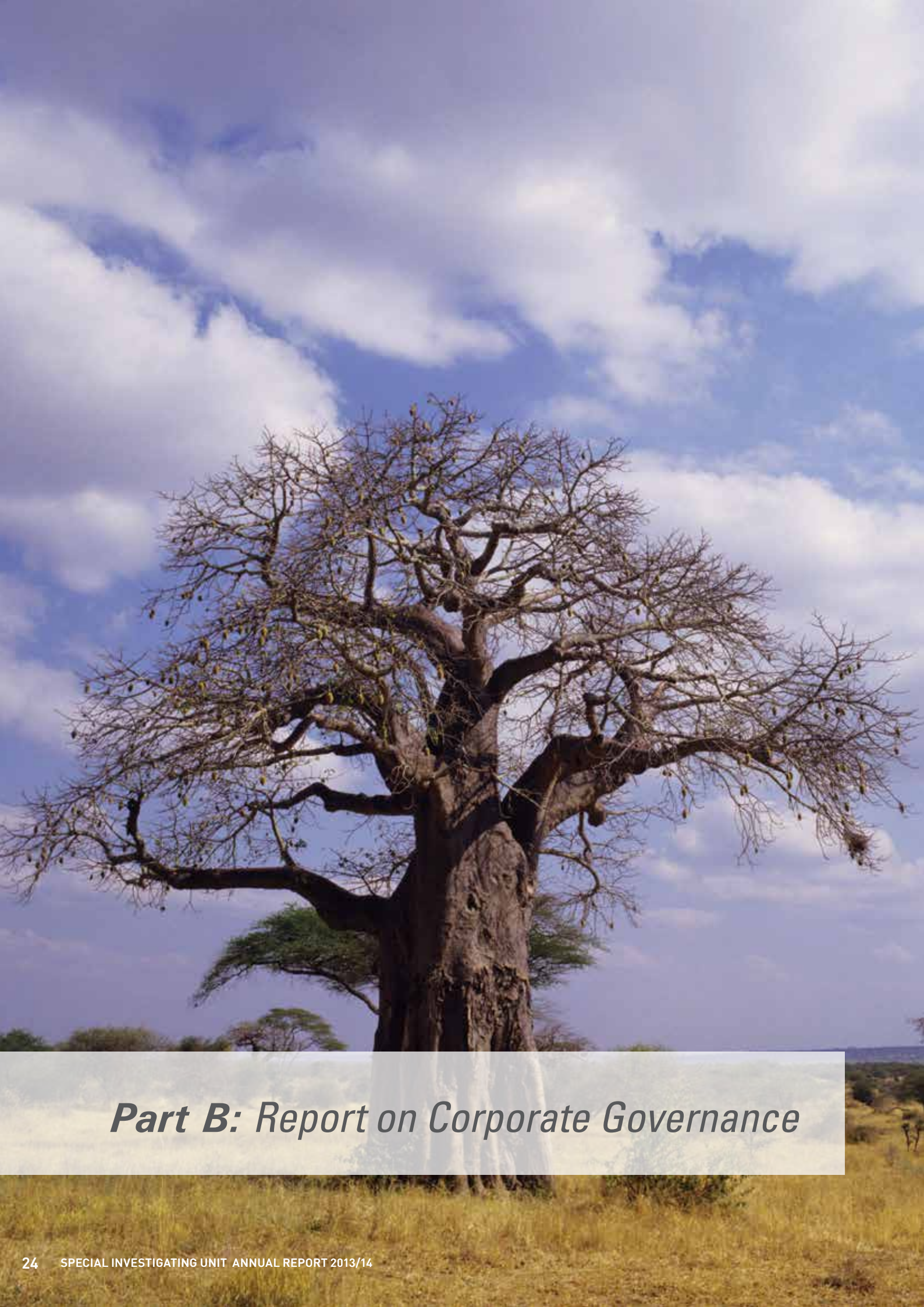


No.	Proclamation number	Department/ state institution	Scope of investigation	Date report submitted
12.	R49 of 2004	South African Housing Trust Limited (SAHT)	The manner in which SAHT and its wholly-owned subsidiary companies, Nu-Way Housing Developments (Pty) Ltd and Khayaletu Home Loans (Pty) Ltd, and the businesses of the said subsidiary companies were sold and the transactions in terms of their shareholding; and the non-disclosure of information by, and conflicts of interest of the directors of SAHT and its wholly owned subsidiary companies, Nu-Way Housing Developments (Pty) Ltd and Khayaletu Home Loans (Pty) Ltd, in relation to said transactions.  Investigation focus period: 1 January 1998 to 18 October 2004	30 April 2013
13.	R52 of 2004	Vista University	The establishment of the Vista University Early Retirement Trust and the R40 million donation by Vista University to this Early Retirement Trust.  Investigation focus period: 1 December 1993 to 20 October 2004	30 April 2013
14.	R5 of 2005 R17 of 2008 extension	Department of Transport (DoT): national, provincial and municipal, and the SAPS	<b>Part 1 – DoT national, provincial and municipal structures:</b> Irregular issuing of driver's and learner's licences and the conversion of forged, invalid and foreign driving licences in terms of applicable legislation; failure to properly manage and control the activities of officials and the transactions executed by them; and the registration of stolen vehicles on the electronic National Traffic Information System (eNaTIS).  <b>Part 2 – SAPS:</b> Registration of stolen vehicles on eNaTIS.  Investigation focus period: 1 January 1994 to 31 January 2005	31 May 2013
15.	R26 of 2005 R27 of 2005	Eastern Cape municipalities	Allegations of poor governance, lack of service delivery, corruption and maladministration at 12 municipalities: OR Tambo, Whittlesea, Maletswai, Somerset East, Inkwanca, Umtata, Nyandeni, Emalahleni, Mngquma, Ikwezi, Inxuba Yethemba and Ndlambe.  Investigation focus period: 1 January 1998 to 27 June 2005	31 May 2013
16.	R63 of 2005	Department of Housing, Local Government and Traditional Affairs: Eastern Cape  Nelson Mandela Metropolitan Municipality	The granting of housing subsidies by the Municipality to non-qualifying beneficiaries; payment of funds made by the Department to the Municipality for housing subsidy projects where such payments were not due or owing; and the submission of false letters purporting to express satisfaction with top structures erected on erven in order to ensure payment to the building contractors, where no top structures had been erected. Housing subsidy projects referred:  a) Motherwell Tjoks (1500) Project-linked Subsidy Scheme b) Bloemendal Block 23 South (1685) Project-linked Subsidy Scheme c) Jacksonville (1200) Project-linked Subsidy Scheme.  Investigation focus period: 16 March 2000 to 24 October 2005	30 April 2013
17.	R23 of 2006	Lejeweletswa District Municipality: Free State	Losses suffered by the Municipality as a result of payment for services not rendered or not properly rendered due to failure by officials of the Municipality to verify that services had been rendered and rendered properly, before making payment for such services.  Investigation focus period: 1 January 2000 to 12 May 2006	31 May 2013

No.	Proclamation number	Department/ state institution	Scope of investigation	Date report submitted
18.	R33 of 2006	Department of Agriculture: Free State, Ditswakotleng Fresh Farm Production Project (DFFPP), being a project of the Community Projects Fund Support Programme (CPFSP)	The approval and funding of the DFFPP by the Department as a community project qualifying for funding by the CPFSP, where the DFFPP did not qualify.  Investigation focus period: 13 July 1998 to 11 August 2006	30 April 2013
19.	R23 of 2007	Office for Witness Protection	The granting of witness protection; the payment or reimbursement of expenses or the provisioning of housing under the Witness Protection Act to persons who do not qualify for such protection; and the incurrence of unauthorised expenditure, fruitless and wasteful expenditure and loss of public money by the Office for Witness Protection.  Investigation focus period: 1 January 2001 to 31 August 2007	30 April 2013
20.	R25 of 2007	Great Kei Local Municipality (GKM): Eastern Cape	The disposal of residential erven and farms belonging to the Municipality contrary to applicable legislation and the policies of the Municipality, without Council approval and in a process that was not fair, competitive, transparent, equitable or cost-effective; procurement of goods and services by the Municipality contrary to prescribed tender procedures and the payment of fruitless and wasteful, irregular and/or unauthorised expenditure in respect thereof; and conduct or activities that might have caused damage or loss to the Municipality.  Investigation focus period: 1 January 2003 to 12 September 2007	31 May 2014
21.	R38 of 2007	Metsimaholo Local Municipality: Free State	The alienation of land belonging to the Municipality in a manner and by a process that is contrary to applicable legislation and resulting in losses suffered by the Municipality.  Investigation focus period: 1 November 2003 to 27 November 2007	31 May 2014
22.	R39 of 2007	Dihlabeng Local Municipality: Free State	The alienation of land, during 2005/06, belonging to the Municipality in a manner and by a process that is contrary to applicable legislation, to the lowest bidder at a purchase price substantially below the land's fair and reasonable market value.  Investigation focus period: August 2003 to 27 November 2007	30 April 2013
23.	R35 of 2008	Mhlatuze Water	Allegations pertaining to procurement irregularities, contrary to legislation, Treasury Practice Notes and the policies of the state institution; potential conflicts of interest by employees and the Board of the Mhlatuze Water Board (MWB) with suppliers or service providers for the state institution; and irregular conduct and activities that might have caused damage or loss.  Investigation focus period: 1 January 2004 to 4 September 2008	30 April 2013
24.	R36 of 2010	Department of Arts and Culture	The underspending or misspending of the Department's budgets for the 2010 FIFA World Cup projects for the 2007, 2008 and 2009 financial years; failure by staff of the Department to ensure that transfers and subsidies to beneficiaries in terms of the Department's Arts and Culture in Society Programme, the 2010 FIFA World Cup, the Investing in Culture Programme and the Cultural Development Programme were applied for their intended purposes; and the incurrence of irregular expenditure or fruitless and wasteful expenditure in respect of the abovementioned programmes.  Investigation focus period: 1 April 2006 to 30 July 2010	30 April 2013



No.	Proclamation number	Department/ state institution	Scope of investigation	Date report submitted
25.	R58 of 2010	South African Broadcasting Corporation (SABC)	Allegations that SABC personnel have undisclosed or unauthorised conflicts of interest with service providers of the SABC; payment or remuneration, commission or allowances or the provisioning of benefits to the SABC's personnel that were not due, owing or payable or that was in excess of stipulated limits; and the continued payment of remuneration or allowances or provisioning of benefits to the SABC's personnel suspended from duty for excessively long periods.  Investigation focus period: 1 January 2005 to 29 October 2010	30 April 2013
26.	R59 of 2010	Ikhala Further Education and Training College (Ikhala FET): Eastern Cape	Procurement of goods and services, including leased accommodation, by or on behalf of the College and other expenditure incurred by the College in a manner that was not fair, competitive, transparent, equitable or cost-effective, and which was contrary to applicable legislation or internal policies and procedures governing the College; and the unauthorised or irregular procurement of Erf 872 in Lukhanji Municipality situated in Limpopo Drive, Queenstown.  Investigation focus period: 1 January 2006 to 29 October 2010	30 April 2013
27.	R76 of 2010	George Local Municipality: Western Cape	Losses suffered by the Municipality as a result of unlawful conduct or irregular practices by the Municipality's staff or persons or entities doing business with the Municipality in relation to payments made to or for the disposal of municipal land to the George Housing Agency or corrupt benefitting as a result of the alienation of municipal property, and allegations pertaining to procurement irregularities, contrary to legislation, Treasury Practice Notes and the policies of the Department.  Investigation focus period: 1 January 2004 to 9 December 2010	30 April 2013
28.	R2 of 2011	National Heritage Council (NHC) (Department of Arts and Culture)	Procurement of goods, works or services by, or on behalf of the Council and related expenditure incurred by the Council in a manner that was not fair, competitive, transparent, equitable or cost-effective and which was contrary to applicable legislation or internal policies and procedures governing the Council, irregular expenditure, and making false financial statements.  Investigation focus period: 1 January 2006 to 14 January 2011	30 April 2013
29.	R3 of 2011 R87 of 2011	Stellenbosch Local Municipality: Western Cape	Procurement of goods, works or services by, or on behalf of the Municipality and related expenditure incurred by the Municipality in a manner that was not fair, competitive, transparent, equitable or cost-effective, and which was contrary to applicable legislation or internal policies and procedures governing the Municipality, mismanagement of the assets, finances and resources of the Municipality.  Investigation focus period: 1 September 2005 to 14 January 2011	30 April 2013
30.	R6 of 2011	Oudtshoorn Local Municipality: Western Cape	Procurement of goods, works or services by or on behalf of the Municipality and related expenditure incurred by the Municipality in a manner that was not fair, competitive, transparent, equitable or cost-effective and which was contrary to applicable legislation or internal policies and procedures governing the Municipality, and losses or prejudice suffered by the Municipality as a result of unlawful conduct or irregular practices of the Municipality's staff, the Municipality's suppliers and service providers or third parties, in respect of irregular transactions.  Investigation focus period: 1 January 2004 to 4 February 2011	30 April 2013



## ***Part B: Report on Corporate Governance***



## 2.1 FRAUD AND CORRUPTION

The SIU takes a preventative approach to possible fraud and corruption within its ranks through proactive measures that include pre-employment screenings and rescreening of its current members. In the process, the Unit's Internal Integrity Unit (IIU) conducted 51 pre-employment screenings during the 2013/14 financial year. The IIU has done 93 rescreenings, of which 11 were placed on hold due to various reasons, such as waiting for medical boarding, illness, awaiting trial for criminal charges, etc.

The Unit has the responsibility to ensure that allegations reported against its members are investigated and concluded. In the period under review, 14 matters were reported. Nine internal investigations were conducted and they were all finalised.

## 2.2 MINIMISING CONFLICTS OF INTEREST

The SIU has a standard practice declaration process for its members, which is done on an annual basis. Members are required to, among others, declare directorships, companies, outside remuneration, property, etc. In the year under review, 413 members returned their completed Annual Asset Registers/ Declaration of Interest forms. This is 72.5% of the total number of 570 SIU members. Of these, only 27.5% did not return the forms.

Before a member can start earning outside remuneration, he or she needs to request permission, which is granted by the Head of the Unit. In the year under review, eight requests for outside remuneration were received and all eight were approved.

## 2.3 CODE OF CONDUCT

The SIU Compliance and Ethics Programme, with the support of SIU's Executive and Management, aims to ensure that all SIU employees, business partners and suppliers adhere to high ethical business standards. A major objective of the Compliance and Ethics Programme is the enforcement of the SIU Code of Ethics and Code of Conduct and related policies.

The SIU Compliance and Ethics Programme shall:

- Provide support to help employees comply with the SIU Code of Ethics
- Seek to prevent and detect unlawful or unethical business conduct
- Manage the administration of mandatory compliance education training courses
- Oversee internal compliance investigations
- Promote consistency in the application of disciplinary action
- Provide quarterly updates to the Audit Committee of the SIU Executive regarding investigations and disciplinary action taken
- Provide the entire Executive with a full briefing on the Compliance and Ethics Programme at a minimum annually

There is a draft Code of Ethics and Code of Conduct that will be finalised and distributed accordingly. The codes set the minimum requirements of conduct for members in carrying out their functions. The codes have been developed to assist members to understand the standards of conduct and ethics that are expected of them. The two documents enable members to fulfil their statutory duty to act honestly and exercise a reasonable degree of care and diligence, and act in a way that enhances public confidence in the integrity of the SIU. Failure to comply with any provision of this Code is a serious violation and may result in disciplinary action, up to and including termination of employment and, if warranted, legal proceedings or criminal sanctions. Likewise, any

supervisor, manager, officer or team member who is aware of any violation and does not promptly report and correct it may be subject to similar consequences.

## 2.4 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Organised efforts and procedures for identifying workplace hazards and reducing accidents and exposure to harmful situations and substances were performed. This also includes training of staff in accident prevention, accident response emergency preparedness and the use of equipment.

## 2.5 AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.


### Audit Committee members and attendance

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

Name of member	No. of meetings attended
<b>Prof. H de Jager</b> Chairperson (External member)	4
<b>Mr M Maliehe</b> (External member)	4
<b>Mr H Hlomane</b> (External member)	4
<b>Mr M Ntumba</b> (External member)	4

### Members representing the SIU

Mr G Visagie (resigned February 2014)



The Auditor-General of South Africa (AGSA) and representatives of the firm PricewaterhouseCoopers to whom the internal audit function was co-sourced were invited and attended all the meetings. The Head of the SIU and other senior staff members 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 section 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.

### **The effectiveness of internal control**

The SIU'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 them. Urgent follow-up by the internal auditors is needed.

### **Internal Audit**

The internal auditors 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 was co-sourced during the year.

### **Financial statements**

The Audit Committee has:

- reviewed and discussed the audited annual financial

statements and the annual performance report included in the annual report with management and the AGSA;

- taken note of the changes to the annual financial statements after having been submitted to the AGSA; and
- 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 them 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 2014.

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

### **Auditor-General of South Africa**

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



**Chairperson of the Audit Committee**

*Prof. H de Jager*

31 July 2014

A close-up photograph of two footprints in light-colored sand. The footprints are slightly indented, showing the texture of the sand. The background is a vast, flat expanse of sand, with some small clumps and grains visible. The lighting is bright, creating soft shadows within the footprints.

## ***Part C: Human Resource Management***



## 3.1 INTRODUCTION

The permanent appointment of Vasantraï Soni SC as Head of the SIU, in October 2013, ended an era where the organisation had to make do with a Head that was either shared with another agency or appointed in an acting capacity. The SIU experienced significant leadership challenges during the year under review when the Deputy Head of the SIU was re-instated, but resigned within nine months, a new acting Projects Director was appointed and the contracts of both the heads of Human Resources and Finance came to an end.

The leadership changes impacted on the SIU's operations and led to a review of operational processes and procedures. As a result, planned recruitment initiatives had to be delayed and most of these positions are still filled by contract employees or employees appointed in an acting capacity.

In the year under review, the key priorities were as follows:

- The finalisation of the Forensic Lawyer Mentorship Programme: The Programme was introduced to assist with capacitating the civil litigation component. Three designated admitted attorneys complied with the requirements and were appointed as forensic lawyers.
- The development of employees through financial assistance to enrol in formal studies through the bursary scheme: A total of 116 employees were assisted to study towards qualifications in forensic accounting, criminal justice, forensic investigations, investigative auditing, anti-corruption and commercial crime.
- Support to employees through the Employee Assistance Programme to cope with a stressful and changing working environment: The interventions included professional counselling and the promotion of physical, social, emotional, occupational, spiritual and intellectual wellbeing. In this regard, financial workshops were held that included retirement planning, as well as health screening days where employees were tested for high blood pressure, glucose levels and HIV/Aids. Sessions were also organised with the SA National Blood Services to encourage employees to donate blood before the Easter and Christmas Holidays.
- The significant reduction of the SIU's reliance on employment agencies to provide temporary staff in key functions: These much-needed skills, previously provided by employment agencies, were converted into direct contracting arrangements, resulting in significant savings for the Unit.
- The automation of the human resource processes: This enabled staff to access employee information online and to receive payroll advice electronically.

## 3.2 POLICY DEVELOPMENT

The Unit developed and aligned five policies in the area of Recruitment and Selection, Employment Equity, Retirement Funding, Employee Performance Management and Development System (EPMDS) and Discipline. These policies have already impacted positively on delivery as follows:

- Recruitment for key positions started towards the end of the financial period.
- The Retirement Funding Policy provides employees with the option to either participate in the Government Employee Pension Fund or the SIU Provident Fund.
- Performance management mechanisms were instituted to track, in collaboration with the Project Management Office, specific deliverables of individual employees to enhance the performance management processes.

The key strategic issues for the Human Resources Department over the next financial year will be to do the following:

- Finalise the appointment of staff in key leadership positions.
- Develop a Workforce Plan and Framework to inform a new five-year Employment Equity cycle.
- Implement the EPMDS.
- Develop a Learning and Development Framework to support specific organisational priorities.
- Further improve the effectiveness of the Employee Assistance Programme.
- Review and improve policies related to learning and development, leave, time and attendance, remuneration, discipline and relocation.
- Finalise the automisation of human resource management processes to enable employees to request approval for absence on leave electronically.

## 3.3 HUMAN RESOURCES OVERSIGHT STATISTICS

### 3.3.1 Personnel cost by programme

Table 4: Personnel cost by programme

Programme	Personnel expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Management	19 820	32	619 375
Operations	211 988	466	454 910
Support	29 108	105	277 219
<b>Total</b>	<b>260 916</b>	<b>591</b>	<b>441 482</b>

### 3.3.2 Personnel cost by salary band

Table 5: Personnel cost by salary band

Programme	Personnel expenditure (R'000)	Percentage of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Top management	1 009	0.39	1	1 009
Senior management	35 485	13.60	33	1 075
Professional qualified	127 987	49.05	186	688
Skilled	72 654	27.85	211	344
Semi-skilled	22 659	8.69	148	153
Unskilled	1 122	0.42	12	93
<b>Total</b>	<b>260 916</b>	<b>100</b>	<b>591</b>	<b>441</b>

### 3.3.3 Performance rewards

Table 6: Performance rewards

Programme	Performance rewards	Personnel expenditure (R'000)	Percentage of performance rewards to total personnel cost
Top management	0	1 009	0
Senior management	5 419	35 485	15
Professional qualified	14 663	127 987	12
Skilled	1 723	72 654	2
Semi-skilled	1 634	22 659	7
Unskilled	116	1 122	11
<b>Total</b>	<b>23 555</b>	<b>260 916</b>	<b>9</b>

### 3.3.4 Training costs

Table 7: Training costs

Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a percentage of personnel cost	Number of employees trained	Average training cost per employee (R'000)
Management	19 820	18	0.09	3	6
Operations	211 988	2 708	1.28	101	26
Support	29 108	209	0.72	26	8
<b>Total</b>	<b>260 916</b>	<b>2 935</b>	<b>1.13</b>	<b>130</b>	<b>22</b>

**Explanation:** The training expenses for the operational staff include the training costs for 14 forensic lawyer mentees.

### 3.3.5 Employment and vacancies

Table 8: Employment and vacancies (business units)

Programme	2012/13 Number of employees	2013/14 Approved posts	Number of employees	2012/13 Vacancies	2013/14 Percentage of vacancies
Operations	465	501	466	35	6.9
Support	118	167	125	42	25.1
<b>Total</b>	<b>583</b>	<b>668</b>	<b>591</b>	<b>77</b>	<b>11.5</b>

Table 9: Employment and vacancies (skill level)

Programme	2012/13 Number of employees	2013/14 Approved posts	Number of employees	2012/13 Vacancies	2013/14 Percentage of vacancies
Top management	0	1	1	0	0
Executive/senior management	11	30	24	6	20
Professional qualified	202	198	195	3	1.5
Skilled	212	333	211	122	36.6
Semi-skilled	146	93	148	-55	-59.1
Unskilled	12	13	12	1	7.6
<b>Total</b>	<b>583</b>	<b>668</b>	<b>591</b>	<b>77</b>	<b>11.5</b>

**Explanation:** The appointment of the new Head of Unit and alignment of operational requirements to the changes in our legislation, led to a brief moratorium being put on the recruitment and appointment of staff. Towards the end of the financial period, key positions were advertised for the Deputy Head, Head of Finance, Head of Internal Integrity, Head of Human Resources and Head of Communications.

### 3.3.6 Employment changes

Table 10: Employment changes per skills level

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	0	1	0	1
Executive/senior management	11	1	5	7
Professional qualified	202	4	9	197
Skilled	212	2	7	207
Semi-skilled	146	2	8	140
Unskilled	12	0	0	12
<b>Total</b>	<b>583</b>	<b>10</b>	<b>29</b>	<b>564</b>

### 3.3.7 Reasons for staff leaving

Table 11: Reasons for staff leaving

Reason	Number	Percentage of total number of staff leaving
Death	1	3.4
Resignation	21	72.4
Dismissal	1	3.4
Retirement	2	6.8
Ill health	0	0
Expiry of contract	4	13.7
Other	0	0
<b>Total</b>	<b>29</b>	<b>100</b>

**Explanation:** The number of staff leaving the organisation is slightly less than in the previous financial year. The majority of staff left through resignations, and better work opportunities were cited in the majority of resignations.

### 3.3.8 Labour relations: misconduct and disciplinary action

Table 12: Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	1
Dismissal	1

### 3.3.9 Equity target and employment equity status

Table 13: Equity target and employment equity status (males)

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	1	0	0	0
Senior management	7	9	3	3	3	1	11	12
Professional qualified	51	84	15	13	17	20	48	72
Skilled	89	139	9	25	12	22	5	29
Semi-skilled	29	20	0	2	0	1	6	6
Unskilled	0	3	0	0	0	0	0	0
<b>Total</b>	<b>176</b>	<b>255</b>	<b>27</b>	<b>43</b>	<b>33</b>	<b>32</b>	<b>70</b>	<b>119</b>

Table 14: Equity target and employment equity status (females)

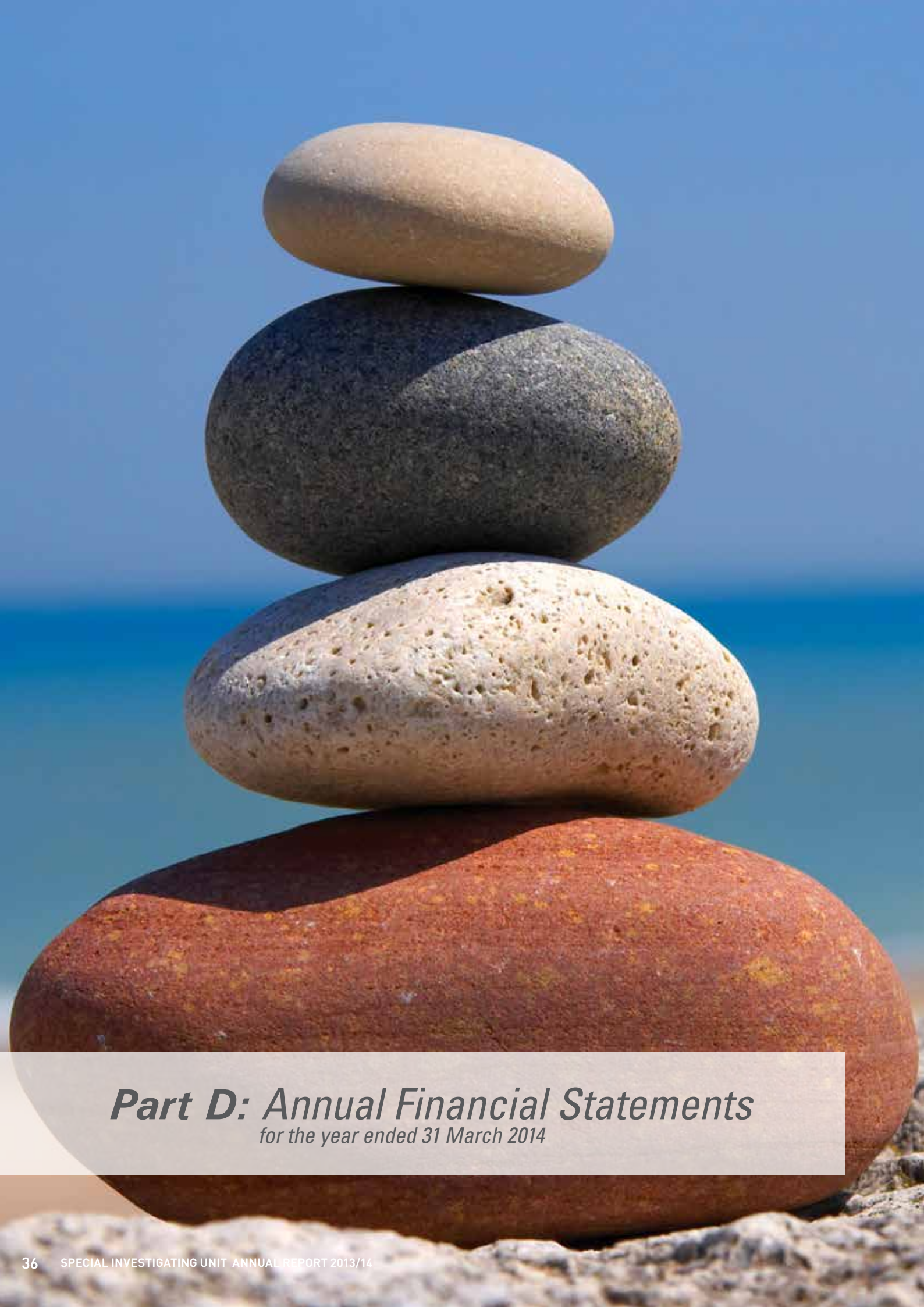
Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0
Senior management	3	8	1	0	2	1	3	4
Professional qualified	19	59	1	6	3	9	32	45
Skilled	42	64	6	12	17	23	31	64
Semi-skilled	87	38	7	6	9	3	10	9
Unskilled	12	13	0	1	0	0	0	0
<b>Total</b>	<b>163</b>	<b>182</b>	<b>15</b>	<b>25</b>	<b>31</b>	<b>36</b>	<b>76</b>	<b>122</b>

Table 15: Equity target and employment equity status (disabled staff)

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	2
Unskilled	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

**Explanation:** A brief moratorium on recruitment of staff and the resignation of key staff members led to a shortfall in reaching set targets.





***Part D: Annual Financial Statements***  
*for the year ended 31 March 2014*



## 4.1 STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General. The annual financial statements are complete, accurate and free from any omissions.

The financial statements were prepared in accordance with the Annual Report Guide as issued by National Treasury.

The annual financial statements were prepared in accordance with the Standards of GRAP applicable to the SIU.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors were engaged to express an independent opinion on the annual financial statements.

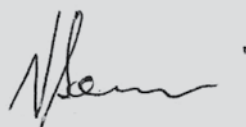
In our opinion, the annual financial statements fairly reflect the financial affairs of the entity for the financial year ended 31 March 2014.

Yours faithfully



**Chief Financial Officer**  
*Ntombi Mothibeli CA(SA)*

31 July 2014



**Head of Special Investigating Unit**  
*V Soni SC*

31 July 2014

## 4.2 REPORT OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SPECIAL INVESTIGATING UNIT

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the financial statements of the SIU set out on pages 42 to 72, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of budget comparison 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 the South African Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999), 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 judgment, 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 2014 and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of GRAP and the requirements of the PFMA.

## Emphasis of matters

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

## Restatement of corresponding figures

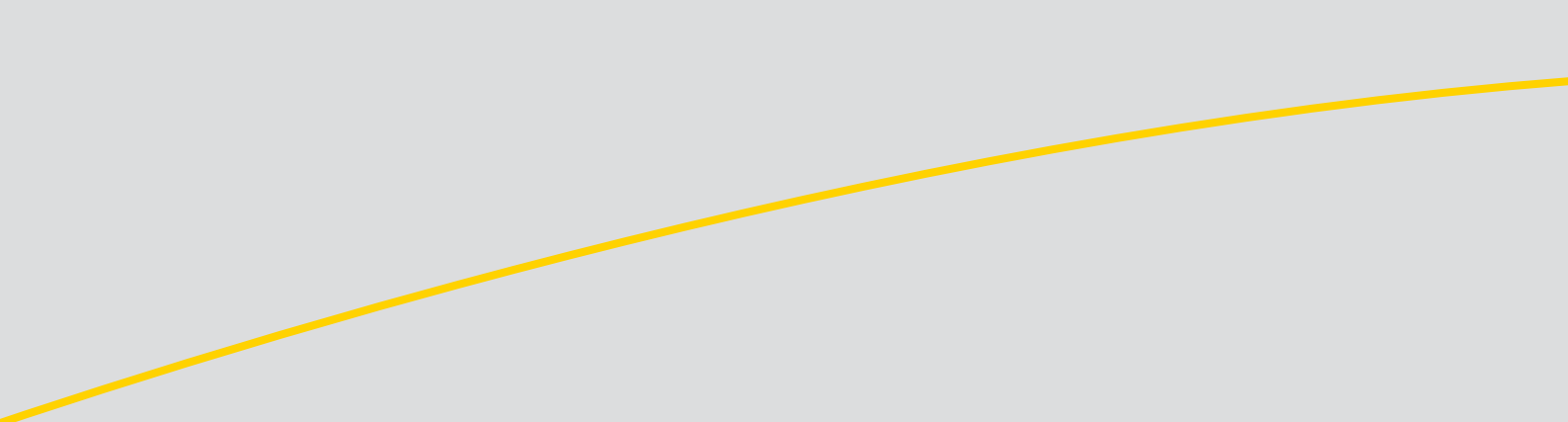
8. As disclosed in Note 33 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during the year ended 31 March 2014 in the financial statements of the SIU at, and for the year ended, 31 March 2013.

## 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 on the reported performance information against predetermined objectives for the selected objective presented in the annual performance report, non-compliance with legislation, as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the entity for the year ended 31 March 2014.
  - To increase the impact of the SIU's forensic service in the public sector by completing investigations successfully
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by National Treasury's Framework for Managing Programme Performance Information (FMPPi).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

- 
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective.

#### **Additional matter**

15. I draw attention to the following matter:

#### **Achievement of planned targets**

16. Refer to the annual performance report on pages 7 and 8 for information on the achievement of the planned targets for the year.

#### **Compliance with legislation**

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

#### **Strategic planning**

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

#### **Annual financial statements**


19. 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 in the statement of budget comparison, non-current assets, current assets, non-current liabilities, current liabilities, accumulated surplus, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Expenditure management**

20. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(iii) of the PFMA.

#### **Procurement and contract management**

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

- 
22. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.1. In some instances deviations were approved by the accounting authority even though it was not impractical to invite competitive bids, in contravention of Treasury Regulation 16A6.4.

#### **Internal control**

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

#### **Leadership**

24. Leadership did not adequately exercise oversight responsibility to ensure that sufficiently skilled resources are in place in the area of supply chain management.
25. Leadership did not adequately exercise oversight responsibility regarding financial reporting and compliance and related internal controls.

*Auditor - General*

Pretoria  
31 July 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 4.3 STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 R	Restated 2013 R
<b>Assets</b>			
<b>Current assets</b>			
Consumables on hand	5	84 291	145 780
Trade and other receivables from exchange transactions	6	174 931 291	61 286 154
Trade and other receivables from non-exchange transactions	7	776 846	2 588 030
Prepayments	8	2 589 050	450 088
Bank balances – recoveries	4	22 383 162	21 840 461
Cash and cash equivalents	9	75 296 784	81 167 626
		<b>276 061 424</b>	<b>167 478 139</b>
<b>Non-current assets</b>			
Property and equipment	2	32 384 866	37 791 232
Intangible assets	3	4 069 879	4 265 495
		<b>36 454 745</b>	<b>42 056 727</b>
<b>Total assets</b>		<b>312 516 169</b>	<b>209 534 866</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	10	29 616 827	48 389 908
Trade and other payables from non-exchange transactions	11	43 823	299 970
Income received in advance	13	21 134 146	21 517 394
Payables – recoveries	12	22 383 162	21 840 461
		<b>73 177 958</b>	<b>92 047 733</b>
<b>Total liabilities</b>		<b>73 177 958</b>	<b>92 047 733</b>
<b>Net assets</b>		<b>239 338 211</b>	<b>117 487 133</b>
<b>Net assets</b>			
Accumulated surplus		239 338 211	117 487 133
<b>Total net assets and liabilities</b>		<b>312 516 169</b>	<b>209 534 866</b>

## 4.4 STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2014

	Notes	2014 R	Restated 2013 R
Revenue from non-exchange transactions	14	(305 227 247)	(369 210 606)
Revenue from exchange transactions	14	(194 350 492)	(124 641 969)
		(499 577 739)	(493 852 575)
Operating expenses		381 867 742	413 322 615
Employee costs	15	259 127 370	235 557 700
Travel and accommodation		15 386 603	15 416 238
Depreciation	2	8 481 427	17 232 377
Amortisation costs	3	195 616	467 386
Other expenses	19	66 877 694	114 779 844
Debt impairment		31 799 032	29 869 070
<b>Operating surplus</b>		<b>(117 709 996)</b>	<b>(80 529 960)</b>
Other operating income	16	(13 685)	(76 561)
		(117 723 681)	(80 606 521)
Finance income	17	(4 127 396)	(3 738 778)
		(121 851 078)	(84 345 299)
Finance costs	18	-	6 752
<b>Surplus for the year</b>		<b>(121 851 078)</b>	<b>(84 338 547)</b>

## 4.5 STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2014

	Accumulated surplus R	Restated Total net assets R
Opening balance as previously reported	12 802 002	12 802 002
Adjustments:		
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
Prior year adjustment – 2011/12	19 370 101	19 370 101
<b>Balance at 1 April 2012 restated</b>	<b>33 148 586</b>	<b>33 148 586</b>
Changes in net assets		
Surplus for the year as previously reported	82 647 473	82 647 473
Prior year adjustment – 2012/13	1 917 554	1 917 554
Prior year adjustment – 2012/13	(226 479)	(226 479)
Total changes	84 338 547	84 338 547
<b>Balance at 1 April 2013 restated</b>	<b>117 487 133</b>	<b>117 487 133</b>
Changes in net assets		
Surplus for the year	121 851 078	121 851 078
Total changes	121 851 078	121 851 078
<b>Balance at 31 March 2014</b>	<b>239 338 211</b>	<b>239 338 211</b>

## 4.6 STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Notes	2014 R	Restated 2013 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants received		295 859 000	340 713 000
Cash received from services rendered		57 946 793	92 354 415
Other receipts		13 685	514 555
Interest income		4 127 396	3 738 778
		<b>357 946 874</b>	<b>437 320 748</b>
<b>Payments</b>			
Employee costs		(259 127 370)	(235 557 700)
Cash paid to suppliers		(101 161 115)	(172 858 285)
Finance costs		-	(6 752)
		<b>(360 288 485)</b>	<b>(408 422 737)</b>
<b>Net cash flows from operating activities</b>	24	<b>(2 341 611)</b>	<b>28 898 011</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	2	(3 541 189)	(3 839 264)
Purchase of other intangible assets	3	-	(281 361)
Proceeds on disposal of property, plant and equipment		11 958	121 394
Cash movement – recoveries	12	542 701	540 460
<b>Net cash flows from investing activities</b>		<b>(2 986 530)</b>	<b>(3 458 771)</b>
<b>Cash flows from financing activities</b>			
Movement in payables – recoveries		(542 701)	(540 460)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5 870 842)</b>	<b>24 898 780</b>
Cash and cash equivalents at the beginning of the year		81 167 626	56 268 846
<b>Cash and cash equivalents at the end of the year</b>	9	<b>75 296 784</b>	<b>81 167 626</b>

## 4.7 STATEMENT OF BUDGET COMPARISON

for the year ended 31 March 2014

	Actual total R	Budget total R	Variances R
<b>Income</b>	<b>503 718 822</b>	<b>448 385 383</b>	<b>55 333 439</b>
Government grant	295 859 000	295 859 000	-
Projects	203 718 739	149 000 000	54 718 739
Interest	4 127 398	3 509 611	617 787
Other income	13 685	16 772	(3 087)
<b>Expenses</b>	<b>381 867 746</b>	<b>448 385 383</b>	<b>66 517 637</b>
Direct cost: Salaries	258 969 463	277 520 637	18 551 174
Direct cost: Consultants	5 097 831	7 679 671	2 581 840
Direct cost: Travel and accommodation	17 185 541	17 339 748	154 207
Direct operational costs	4 410 066	4 541 439	131 373
Project administration costs	13 264 099	15 576 625	2 312 526
Administration costs	74 263 701	116 841 881	42 578 180
Depreciation	8 677 045	8 885 382	208 337
<b>Surplus/(Deficit)</b>	<b>121 851 076</b>	<b>-</b>	<b>(11 184 198)</b>
<b>Assets</b>	<b>3 541 190</b>	<b>15 784 000</b>	<b>(12 242 810)</b>



## 4.8 ACCOUNTING POLICIES

### 1. Basis of preparation

The annual financial statements were prepared in accordance with the Standards of GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act (Act No. 1 of 1999).

The annual financial statements are presented in South African Rand 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 judgments 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 judgment are 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 judgments include the following:

##### 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 and equipment

Property and equipment are tangible non-current assets (including infrastructure assets) that are held for use

in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property 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
- The cost of the item can be measured reliably.

Property and equipment is initially measured at cost.

The cost of an item of property 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 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, its deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of property 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.

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

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

Property and equipment with a cost value of less than R1 000 are not capitalised, but expensed immediately.

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

Item	Average useful life
Leasehold improvements	Over the lifespan of the lease
Plant, office equipment and machinery	15 years
Furniture	20 years
Motor vehicles	8 years
Computer hardware	10 years

The residual value, 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 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 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 and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Items of property 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 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 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, its 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.

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; or
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

In case of 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; or
- 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	25 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.

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 reassessed 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 that 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.

### **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 amount directly.

An impairment loss is never reversed in subsequent periods.

### **Financial instruments designated at cost**

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

- financial designated at amortised 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 in 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 other income in surplus or deficit.

Trade and other receivables are classified at cost.

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

### **Prepayments**

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

### **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, reclassification, impairment derecognition 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 is reflected 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 Consumables on hand**

Consumables on hand are initially measured at cost, except where consumables are acquired at no cost, or for nominal consideration. In such instance their costs are their fair value as at the date of acquisition.

Subsequently, consumables on hand are measured at cost until they are consumed.

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

## **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.

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 a defined contribution plan 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; or
- 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.

## **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 aforementioned 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 entity. All individuals from the level of executive management up to the Head of the Unit are regarded as key management as 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 that was made in vain and would have been avoided had reasonable care been exercised.

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

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

### 1.13 Accounting for non-exchange transactions and 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 grants are recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment. A liability is recognised to the 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 transactions 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 transaction 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.

### 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.

### 1.16 Budget comparison basis for preparation

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

### 1.17 Recoveries

Recoveries are collections done on behalf of departments and paid over at regular intervals. The money is collected into a bank account and remains in the bank account until paid out to the relevant department.

## 4.9 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. Property and equipment

	Cost/Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
<b>2014</b>			
Furniture and fixtures	8 621 461	(2 567 180)	6 054 281
Motor vehicles	8 606 925	(4 936 412)	3 670 513
Office equipment	8 206 720	(3 114 662)	5 092 058
IT equipment	26 766 870	(10 556 068)	16 210 802
Leasehold improvements	6 192 603	(4 835 392)	1 357 211
Books and law reports	-	-	-
<b>Total</b>	<b>58 394 580</b>	<b>(26 009 715)</b>	<b>32 384 865</b>
<b>2013</b>			
Furniture and fixtures	10 212 096	(3 720 290)	6 491 806
Motor vehicles	8 958 074	(4 548 439)	4 409 635
Office equipment	7 791 277	(2 150 196)	5 641 081
IT equipment	26 682 872	(7 795 384)	18 887 488
Leasehold improvements	26 295 712	(23 934 527)	2 361 185
Books and law reports	227 837	( 227 800)	37
<b>Total</b>	<b>80 167 868</b>	<b>(42 376 636)</b>	<b>37 791 232</b>

#### Reconciliation of property and equipment – 2014

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Furniture and fixtures	6 491 806	860 257	( 372 843)	(924 939)	6 054 281
Motor vehicles	4 409 635	-	(6)	(739 116)	3 670 513
Office equipment	5 641 081	1 037 368	(33 442)	(1 552 949)	5 092 058
IT equipment	18 887 488	863 742	(59 612)	(3 480 816)	16 210 802
Leasehold improvements	2 361 185	779 822	(189)	(1 783 607)	1 357 211
Books and law reports	37	-	(37)	-	-
<b>Total</b>	<b>37 791 232</b>	<b>3 541 189</b>	<b>(466 129)</b>	<b>(8 481 427)</b>	<b>32 384 865</b>

### Reconciliation of property and equipment – 2013

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Furniture and fixtures	6 929 330	968 852	(1)	(1 406 375)	6 491 806
Motor vehicles	5 148 752	-	-	(739 117)	4 409 635
Office equipment	6 190 105	150 240	(4 487)	(694 777)	5 641 081
IT equipment	21 564 175	2 017 681	(49 070)	(4 645 298)	18 887 488
Leasehold improvements	11 346 427	702 491	-	(9 687 733)	2 361 185
Books and law reports	59 114	-	-	(59 077)	37
<b>Total</b>	<b>51 237 903</b>	<b>3 839 264</b>	<b>(53 558)</b>	<b>(17 232 377)</b>	<b>37 791 232</b>

### 3. Intangible assets

	Cost/Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
<b>2014</b>			
Computer software	4 890 460	(820 581)	4 069 879
<b>2013</b>			
Computer software	4 890 460	(624 966)	4 265 495

### Reconciliation of intangible assets – 2014

	Opening balance R	Additions R	Disposals R	Amortisation R	Total R
Computer software	4 265 495	-	-	(195 616)	4 069 879

### Reconciliation of intangible assets – 2013

	Opening balance R	Additions R	Disposals R	Amortisation R	Total R
Computer software	4 461 113	281 361	(9 593)	(467 386)	4 265 495

#### 4. Bank balances – Recoveries

	2014 R	2013 R
Bank balances	22 383 162	21 840 461
Payables – recoveries	22 359 360	21 808 220
Accrued interest payable to National Treasury	23 802	32 241
<b>Total payable</b>	<b>22 383 162</b>	<b>21 840 461</b>

The amount reflected is owed to third parties and was obtained through either signed acknowledgements of debt 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 is held in trust on behalf of the third parties and is not available for use by the Unit.

#### 5. Consumables on hand

	2014 R	2013 R
IT consumables	-	25 292
Stationery	84 291	120 488
<b>Total</b>	<b>84 291</b>	<b>145 780</b>

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

#### 6. Trade and other receivables from exchange transactions

	2014 R	2013 R
Total debtors	238 986 119	93 541 951
<b>Less: Provision for impairment losses</b>		
The Unit's trade receivables are stated after provision for impairment losses based on management's assessment of its recoverability. An analysis of the allowance is as follows:		
Balance at the beginning of the year	32 255 796	2 386 727
Charged to Statement of Financial Performance	31 799 032	29 869 069
Reversed from Statement of Financial Performance	-	-
<b>Balance at the end of the year</b>	<b>64 054 828</b>	<b>32 255 796</b>
Net trade debtors	174 931 291	61 286 154

## 7. Other receivables from non-exchange transactions

	2014 R	2013 R
Employee loans	662 705	483 976
Leave provision	68 319	45 889
Deposits	33 429	33 429
Other receivables	12 393	2 024 736
<b>Total</b>	<b>776 846</b>	<b>2 588 030</b>

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

## 8. Prepayments

	2014 R	2013 R
Prepaid expenses	2 589 050	450 088

Prepaid expenses consist mainly of payments related to annual software licence renewals to the amount of R1.9 million.

## 9. Cash and cash equivalents

	2014 R	2013 R
Current account	75 296 784	81 167 626

Cash and cash equivalents comprise bank deposits that are available on demand. Included in the cash balances of R75 296 784 at 31 March 2014 are amounts ringfenced for the funding of expenditure for the Anti-corruption Task Team. The total value of such ringfenced funds is R21.1 million.

## 10. Trade and other payables from exchange transactions

	2014 R	2013 R
Trade payables	18 515 961	31 061 187
Accrual for leave pay	9 022 388	9 421 587
Accrued expense – operating lease	1 868 293	2 080 873
Employee costs – deductions	210 185	5 826 261
<b>Total</b>	<b>29 616 827</b>	<b>48 389 908</b>

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. Employee cost deductions comprise statutory salary deductions to be paid over to the relevant authorities. The accrued expense relating to operating leases comprises the aggregate of all operating leases amortised on a straight-line basis over the periods of the individual leases.

## 11. Trade and other payables from non-exchange transactions

	2014 R	2013 R
Other	43 823	299 970

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The amount comprises money paid for the Compassionate Fund.

## 12. Payables – recoveries

	2014 R	2013 R
Payables – recoveries	22 383 162	21 840 461

For details, see Note 4 as it is money collected on behalf of departments that still needs to be paid over.

## 13. Income received in advance

	2014 R	2013 R
<b>From exchange transactions</b>		
Department of Transport	-	15 000
<b>From non-exchange transactions</b>		
Criminal Asset Recovery Account Fund	21 134 146	21 502 394
<b>Total</b>	<b>21 134 146</b>	<b>21 517 394</b>

## 14. Revenue

	2014 R	2013 R
<b>Revenue arising from non-exchange transactions</b>	<b>305 227 248</b>	<b>369 210 606</b>
Grant from Department of Justice and Constitutional Development	295 859 000	340 713 000
Criminal Asset Recovery Account Fund	9 368 248	28 497 606
<b>Revenue arising from exchange transactions</b>	<b>194 350 492</b>	<b>124 641 969</b>
Work done for government departments in terms of partnership agreements		
<b>Total</b>	<b>499 577 740</b>	<b>493 852 575</b>

## 15. Employee-related costs

	2014 R	2013 R
Salaries and wages	234 964 016	212 975 071
Provident and funeral fund contributions	20 229 632	18 117 597
Medical aid contributions	176 838	156 691
Training	1 072 389	1 703 762
Relocation cost	655 492	633 000
Unemployment Insurance Fund, COLD and RSC levies	1 921 229	833 125
Accrual for leave pay	107 773	1 138 454
<b>Total</b>	<b>259 127 369</b>	<b>235 557 700</b>

## 16. Other operating income from exchange transactions

	2014 R	2013 R
Computer expenses recovered from staff members	-	1 200
TFI contract recoveries	-	15 709
Sundry income	12 392	6 690
Department of Labour: COLD refunds	1 292	52 962
<b>Total</b>	<b>13 684</b>	<b>76 561</b>

## 17. Finance income

	2014 R	2013 R
Call accounts	4 127 396	3 738 778

## 18. Finance costs

	2014 R	2013 R
Finance cost	-	6 752

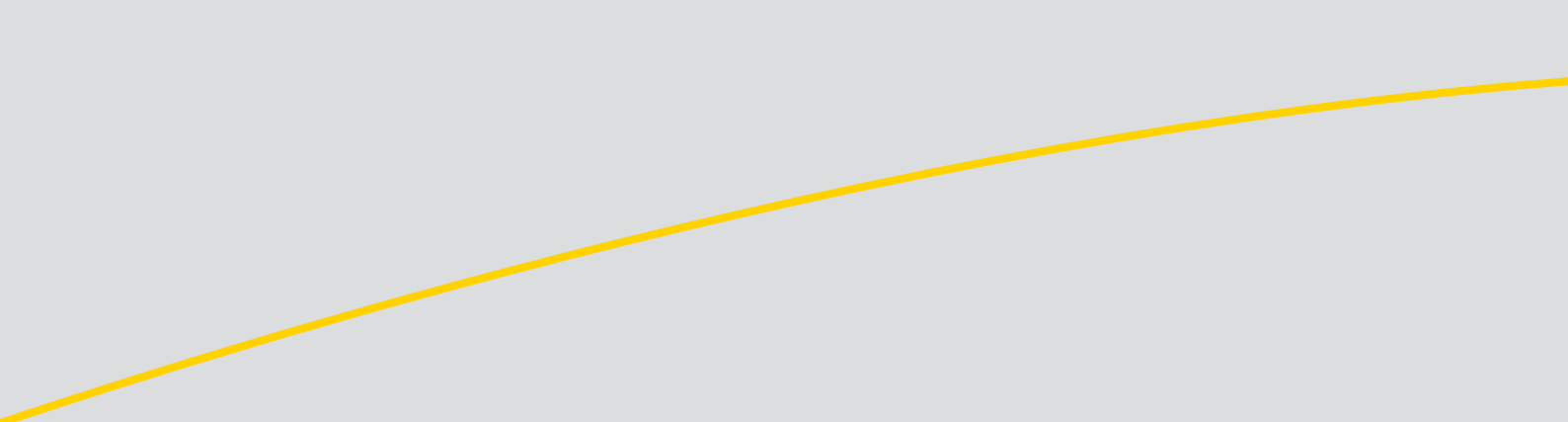
## 19. Other expenses

	2014 R	2013 R
Internal Audit	1 102 803	499 890
Auditors' remuneration	2 282 780	1 847 252
Bank charges	340 951	323 335
Conferences and seminars	603 805	1 388 986
Consulting and professional fees	4 283 071	12 741 898
Consumables	11 424	44 082
Consumables computers	63 970	24 416
Courier services	375 896	327 931
Data scanning, traces and deed searches	318 934	5 184 719
Donations	108 300	-
Entertainment	321 077	95 164
Equipment – consignment amounts	1 512 408	1 552 737
Insurance	761 734	787 138
Internal integrity expenses	956 227	1 193 331
Legal fees	490 179	628 830
Late payment charge	18 546	-
Loss/(profit) on disposal of property and equipment	454 169	(58 243)
Magazines, books and periodicals	362 139	284 404
Media and promotions	643 068	741 261
Motor vehicle expenses	2 590 438	2 707 270
Office expenses	6 296 707	5 380 563
Other expenses	24 140	999
Printing, fax and posting expenses	7 184 928	6 859 072
Relocation and recruitment cost	75 463	1 559 683
Rent paid	21 811 962	18 633 857
Repairs and maintenance	184 362	265 927
Security	414 296	182 913
Software licenses	5 291 780	2 860 965
Specialist services	5 097 831	46 379 544
Stationery	2 455 340	2 261 807
Subscriptions and membership fees	288 459	29 113
Training	42 679	2 790
Transcription fees	107 829	48 210
<b>Total</b>	<b>66 877 694</b>	<b>114 779 844</b>

## 20. 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.

		2014 R	2013 R
Opening balance		45 658 767	35 348 159
Irregular expenditure condoned		-	13 338
Irregular expenditure awaiting condonation		14 290 149	10 297 270
<b>Total</b>		<b>59 948 916</b>	<b>45 658 767</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>			
Current year		14 290 149	10 310 608
Prior year		45 658 767	33 592 544
<b>Total</b>		<b>59 948 916</b>	<b>43 903 152</b>
<b>Details of irregular expenditure – current year</b>			
	Condoned by (condoning authority)		
Incident 1: Consultation work was completed without SCM approval.	Not condoned yet	19 380	337 077
Incident 2: Service provider used without proper documentation and following proper SCM procedures.	Not condoned yet	7 240 198	-
Incident 3: Report editing services occurred without following SCM processes.	Not condoned yet	3 352	-
Incident 4: Incorrect award of the points was based on old regulation and SCM Policy.	Not condoned yet	861 422	-
Incident 5: Expenditure on temporary employees procured through recruitment agencies without following the SCM processes and procedures.	Not condoned yet	155 446	8 651 177
Incident 6: VIP training done without proper SCM process followed.	Condoned	-	13 338
Incident 7: Expenses incurred in rendering services that are not currently explicitly authorised by the SIU Act.	Not condoned yet	-	205 281
Incident 8: Proper SCM processes not followed when extending the existing contracts that lapsed.	Not condoned yet	1 199 543	1 103 735
Incident 9: Purchases not approved by delegated officials.	Not condoned yet	9 500	-
Incident 10: Incorrect awarding of points to bidders.	Not condoned yet	79 934	-
Incident 11: No deviations in place for deviating from normal SCM processes.	Not condoned yet	4 721 374	-
		<b>14 290 149</b>	<b>10 310 608</b>



**Incident 1:** A fixed price had been negotiated beforehand with places for accommodation. The normal SCM process was not followed to obtain three quotations. These expenses have not been condoned.

**Incident 2:** Service provider used without proper documentation and following proper SCM procedures regarding costs relating to the booking of flights via a travel agent, as well as the hiring of cars for travel purposes.

**Incident 3:** Report editing services occurred without following SCM processes.

**Incident 4:** Incorrect awarding of points, calculation was based on old regulation and SCM Policy.

**Incident 5:** SIU 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 the 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, some of the recruitment agencies utilised by the SIU were not registered on the Unit’s database of approved suppliers and some agencies did not provide valid tax clearance certificates for the entire duration of the financial year.

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

**Incident 6:** Training was attended for the salary system (VIP) without following proper SCM procedures. The situation was investigated and the necessary steps were taken. The expense was condoned.

**Incident 7:** 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 2011/12 was only finalised on 31 July 2012, the transactions that had already been processed make up the figure of irregular expenses for 2012/13. These expenses have not been condoned.

**Incident 8:** Proper SCM processes were not followed when extending the existing contracts that had lapsed. Included in this amount is the rental for the SIU’s Nelspruit branch.

**Incident 9:** Purchases not approved by delegated officials. Delegation of authority does not make provision for the relevant employees to sign the documentation.

**Incident 10:** Incorrect awarding of points to bidders.

**Incident 11:** No regulations in place for deviating from normal SCM processes. These amounts include amounts for consultants appointed to help with forensic investigations to the value of R4 083 526.

During the audit process of the 2013/14 financial year, the Auditor-General identified some weaknesses in the SIU's supply chain management. These weaknesses included the extension of contracts, deviation certificates and B-BBEE scoring.

We are currently investigating the extent of these weaknesses and their effect (if any) to the irregular expenditure reported in 2014/15. This exercise is still ongoing and will only be concluded towards the end of the current financial year.

## 21. Related parties

### Controlling entity

Department of Justice and Constitutional Development

### Entities within the same portfolio:

National Prosecuting Authority  
 Legal Aid Board South Africa  
 Public Protector of South Africa  
 South African Human Rights Commission  
 Justice Modernisation  
 President's Fund  
 Guardian's Fund  
 Criminal Asset Recovery Account  
 Board of Sheriffs

## 22. Operating lease

Total of future minimum lease payment under non-cancellable operating leases for the following periods:

	2014 R	2013 R
Not later than one year	4 950 340	9 718 292
Later than one year and not later than five years	4 630 888	17 689 606
<b>Rental commitments in respect of properties and copiers</b>	<b>9 581 228</b>	<b>27 407 898</b>

The operating leases are in respect of eight rental agreements for premises for periods ranging from one year to five years. The operating leases in Durban, Mafikeng, Bloemfontein and Polokwane escalate at 8% per annum, while the operating lease in Cape Town escalates at 7% per annum. All the leases are renewable at the option of the lessee. There are also 61 copier rental agreements ranging from one year to three years. Contingent rent is not payable and no restrictions are imposed by lease arrangements.

## 23. Members' 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 2014

	Salary R	Medical/ Pension R	Other benefits R	Bonus R	Total R
Adv.V Soni	1 009 087	-	892	-	1 009 979
Adv. N Mokhatla	-	-	-	-	-
F Davids	806 929	89 659	1 259	136 526	1 034 372
M Nyathi	1 387 351	155 874	1 888	*15 510	1 560 623
C Kwant	966 442	-	1 888	166 565	1 134 895
P Letwaba	262 150	-	446	-	262 597
T Cronje	803 035	89 226	1 888	105 449	999 598
B Chitwa	857 839	128 664	1 888	148 710	1 137 101
G Visagie	1 040 384	207 528	1 888	233 984	1 483 784
J Wells	869 798	96 644	1 888	186 699	1 155 029
L Lekgetho	878 190	35 690	1 888	136 880	1 052 649
P Modipa	976 413	35 690	1 888	188 760	1 202 752
T Njozela	673 223	-	1 565	-	674 788
<b>Total</b>	<b>10 530 841</b>	<b>838 975</b>	<b>19 269</b>	<b>1 319 083</b>	<b>12 708 167</b>

Adv. Soni was appointed Head of the Unit in October 2013.

Mr F Davids resigned in December 2013.

Mr Letwaba was appointed as the Chief Financial Officer in December 2013.

Mrs T Njozela's contract terminated on 31 December 2013.

Mr L Lekgetho has been acting as Projects Director since 7 October 2013.

Adv. Mokhatla's contract ended in September 2013.

Mr Chitwa has been acting Head of the SIU since 1 October 2012.

Mr Modipa acted as Projects Director until 30 September 2013.

\* Mrs M Nyathi was reinstated in June 2012 and received additional backpay in the amount of R15 510.

## Executive management 2013

	Salary	Medical/ Pension	Other benefits	Bonus	Total
	R	R	R	R	R
Adv. N Mokhatla	-	-	-	-	-
F Davids	1 273 562	-	-	136 526	1 410 088
M Nyathi	974 837	108 318	63	-	1 083 218
P Bishop	484 514	16 899	34	-	501 447
MD Mngaba	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	819 415	-	9	-	819 424
GP Elliott	762 659	-	17	-	762 676
T Njozela	180 352	-	25	-	180 377
G Visagie	967 848	196 523	80	233 983	1 398 434
M Leaser	716 654	97 739	80	-	814 473
P Mohlakoane	706 464	28 681	80	23 122	758 347
B Stemele	773 060	85 901	80	139 159	998 200
A Mahlare	703 753	28 924	80	21 985	754 742
H Lubita	604 610	68 645	80	12 917	686 252
D Walker	878 538	36 607	80	115 680	1 030 905
<b>Total</b>	<b>11 602 433</b>	<b>821 010</b>	<b>868</b>	<b>1 066 152</b>	<b>13 490 463</b>

Adv. Mokhatla was appointed Acting Head of the Unit in December 2011 and is currently employed and remunerated by the NPA.

Mr P 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 Provident Fund backpay of R257 488.

Mr Z Ntolosi resigned in December 2012.

Mrs T Njozela was appointed in January 2013.

B Stemele – Exco since February 2013.

Mr GP Elliott resigned in January 2013.

A Mahlare – Exco since February 2013.

M Leaser – Exco since January 2013.

H Lubita – Exco since February 2013.

P Mohlakoane – Exco since February 2013.

D Walker – Exco since October 2012.

#### Remuneration (including disbursements) of Audit Committee members:

	2014 R	2013 R
H De Jager (Chairman)	84 000	82 822
M Maliehe	50 000	57 492
H Hlomane	80 220	40 000
T Njozela	-	20 000
M Ntumba	54 088	30 000
	<b>268 308</b>	<b>230 314</b>

#### Remuneration (including disbursements) of Remuneration Committee members:

	2014 R	2013 R
J Chabani	72 000	8 000
RHS Matabane	-	10 000
	<b>72 000</b>	<b>18 000</b>

## 24. Cash generated from operations

	2014 R	2013 R
Surplus	121 851 078	84 338 547
Adjustments for:		
Depreciation	8 481 427	17 232 377
Amortisation	195 618	467 386
Debt impairment	31 799 032	29 869 070
Loss on disposal of property and equipment	454 169	(58 243)
Changes in working capital:		
Inventories	61 489	68 543
Prepayments	(12 138 962)	230 817
(Increase)/Decrease in receivables	(143 632 985)	(60 347 166)
Work in progress – Software development	-	-
Trade and other payables from exchange transactions	(19 029 228)	(42 495 704)
Increase in provision relating to employee cost	-	-
Income received in advance	(383 248)	(2 484 978)
Deferred income from exchange transactions	-	-
	<b>(2 341 610)</b>	<b>28 898 011</b>

## 25. 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 assets and liabilities have a maturity profile of less than 12 months.

### Interest rate risk

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

### Interest rate sensitivity analysis

The sensitivity analysis below was prepared 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 cash balances. A negative number below indicates a decrease in cash balances.

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 percentage adjustment to the interest rate would result in an equal but opposite effect on cash balances and therefore has not been separately disclosed below. This disclosure only indicates the effect of the change in interest rate on unaccumulated cash balances.

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

	2014 R	2013 R
The estimated rate increases:	100	100
Estimated increase in basis points	752 968	811 676
Effect on cash balances	<b>753 068</b>	<b>811 776</b>

### 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 counterparty.

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.

	2014 R	2013 R
Current	64 175 257	59 953 920
60 days	19 825 071	6 643 931
90 days	9 763 055	26 944 100
> 90 days	145 222 736	-
<b>Subtotal</b>	<b>238 986 119</b>	<b>93 541 951</b>
Impairment of receivables	(64 054 829)	(32 255 797)
<b>Total</b>	<b>174 931 290</b>	<b>61 286 154</b>

### 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 the Accounting Policy Note 1.4 to the financial statements.

Debtors past due but not impaired.

	2014 R	2013 R
60 days	19 825 071	6 643 931
90 days	9 763 055	26 944 100
> 90 days	81 167 907	-
<b>Total</b>	<b>110 756 033</b>	<b>33 588 031</b>

## Categories of financial instruments

Financial assets measured at amortised cost.

	2014 R	2013 R
<b>Loans and receivables</b>		
Loans and trade receivables (including cash and cash equivalents)	276 061 424	145 491 898
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	73 177 958	72 124 826

All amounts are short term and the carrying values are considered to be a reasonable approximation of the fair value.

## 26. Taxation

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

## 27. Critical accounting judgments 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 in the next financial year were applied in determining the carrying amounts of any asset or liability.

## 28. Guarantees

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

## 29. Contingent liabilities

The SIU is still awaiting approval from Treasury for the roll-over of funds at the end of 2013/14 amounting to R75 296 784. The approval was received from National Treasury on 14 July 2014.

Several legal actions and applications are pending involving the SIU. These include the following:

Plaintiff	Nature of claim	Amount (R)
Dietana	An application against the Head of the Unit and Other seeking an order declaring that the SIU is not entitled to investigate the affairs of Dietana. No fixed date has been set and the matter has not been enrolled on the court roll. The contingent liability includes only legal costs.	120 000
Muller	Oppose interdict.	150 000
Lubita	Unfair labour practice dispute.	250 000
Gardner	Unfair labour practice dispute.	250 000
Bosasa	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. No fixed date has been set to hear the matter. Council is of the opinion that a cost order might be obtained. The contingent liability includes only the legal costs.	50 000
Subramaney	Subramaney is claiming backpay from the SIU, which amounts to approximately R36 000. The matter is set to be heard in April 2014. The contingent liability includes legal costs and the backpay amount.	96 000
Seape	An application against the Head of the Unit and Other seeking an order declaring that the SIU is not entitled to investigate the affairs of the National Home Builders Regulation Council and compelling the SIU to release its preliminary report to the applicant. The applicant's claim was dismissed, but an appeal has been noted against the judgment. Parties are awaiting a hearing date. The contingent liability includes only legal costs.	110 000
<b>Total</b>		<b>1 026 000</b>

### 30. Subsequent events

Four employees claimed backpay from the SIU in the amount of R48 000. The case was presented to the Commission for Conciliation, Mediation and Arbitration (CCMA) and the matter was dismissed after being heard in July 2014.

### 31. Standards of GRAP approved but not yet effective

Standards of GRAP that have been approved, but which are not yet effective have not been implemented by the Unit. These standards will be implemented during the financial year in which 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 – date not yet announced

GRAP 20 Related-party disclosures – date not yet announced

GRAP 32 Service concession arrangements (Grantor) – date not yet announced

GRAP 105 Transfer of function between entities under common control – date not yet announced

GRAP 106 Transfer of function between entities not under common control – date not yet announced

GRAP 107 Mergers – date not yet announced

GRAP 108 Statutory receivables – date not yet announced

## 32. Prior period errors

During the year ended 31 March 2013 and previous years, operating costs were incorrectly included in the calculation of the equalised amount. In terms of GRAP 13.41, these costs should be excluded from the calculation of the equalised amount recognised in the financial statements. The financial statements have been retrospectively restated. The effect of this error in the results of 2013 is illustrated in the table below.

During the 2014 assessment of the fixed assets' useful life in terms of GRAP 17, we discovered that depreciation on property and equipment, as well as amortisation on intangibles, was incorrectly disclosed in the previous years, which also affected their respective carrying values.

	2014 R	2013 R
<b>Statement of Financial Performance</b>		
Decrease in rental paid	-	(1 917 554)
Depreciation	-	44 876
Amortisation costs	-	(271 355)
<b>Increase/Decrease in profit for the period</b>	<b>-</b>	<b>(2 144 033)</b>
<b>Statement of Financial Position</b>		
<b>Non-current assets</b>		
Property, plant and equipment	-	(18 168 868)
Intangible assets	-	(974 754)
<b>Current liabilities</b>		
Lease smoothing accrual	-	1 917 554
<b>Increase in equity</b>	<b>-</b>	<b>(17 226 068)</b>

## 33. Fruitless and wasteful expenditure

	2014 R	2013 R
Forensic data analysis software	-	822 822

The fruitless and wasteful expenditure relates to software that was acquired without following the normal SCM procedures on the basis that the software was urgently required for a certain investigation. The software was subsequently abandoned and not installed. An investigation was conducted into the matter and the outcomes of that investigations are currently being implemented where applicable.

## 34. Losses due to criminal conduct

	2014 R	2013 R
Loss of laptops	46 598	-

Four different members lost their laptops through theft. Two laptops were stolen from their cars and two from their homes.

### 35. Recoveries of previous fruitless and wasteful expenditure

	2014 R	2013 R
Operational cost on rental agreement	-	2 012 343
Misuse of funds	414	-
	<b>414</b>	<b>2 012 343</b>

An operational cost in the amount of R28 938 (excluding VAT) was mistakenly carried over as rental on the invoices after the four months' agreement had lapsed in February 2008. As from March 2008, the SIU was invoiced and paid R28 938 (excluding VAT) more on rental. The incident was investigated and the amount was recovered from the landlord

### 36. Comparison between budget and actual amounts

#### Budget comparison

##### *Basis of preparation*

The SIU prepares its annual budget on an accrual basis in terms of the Public Finance Management Act (Act No. 1 of 1999) and National Treasury's Medium-term Expenditure Framework guidelines issued annually. The Statement of Financial Performance is also prepared on an accrual basis.

##### *Receipts*

The over-recovery in income is due to the following:

The actual income is based on all active projects, subsequent to the amendments to the SIU Act, which allows the Unit to charge and recover for services rendered. The budget was based on the service level agreements that were enforceable prior to the legislative amendments.

##### *Payments*

The under-expenditure is due to the following:

Vacant positions not filled. The Unit intends to fill these positions in the first half of the financial year. A limited number of forensic consultants were engaged during the year. Training programmes (Forensic Accounting, Procurement and Project Management) were placed on hold.

##### *Capital expenditure*

The underspending on capital expenditure is due to the following:

- Included in the Capex budget was R10 million for the replacement of the current fleet. The process of replacing the fleet is still underway and will be finalised in the first quarter of the new financial year.
- The replacement of computer hardware is also underway and will be completed in the first quarter of the new financial year.

## 5 LIST OF ABBREVIATIONS

ACTT	Anti-corruption Task Team
AFU	Asset Forfeiture Unit
AGSA	Auditor-General of South Africa
AOD	Acknowledgement of Debt
BAC	Bid Adjudication Committee
CARA	Criminal Asset Recovery Account
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CoGTA	Department of Cooperative Governance and Traditional Affairs
CPFSP	Community Projects Fund Support Programme
DCS	Department of Correctional Services
DFFPP	Ditswakotleng Fresh Farm Production Project
DOJ&CD	Department of Justice and Constitutional Development
DoT	Department of Transport
DPP	Director of Public Prosecutions
DPSA	Department of Public Service and Administration
DPW	Department of Public Works
DRDLR	Department of Rural Development and Land Reform
DWA	Department of Water Affairs
ECD	Early childhood development
EMM	Ekurhuleni Metropolitan Municipality
eNaTIS	Electronic National Traffic Information System
EPMDS	Employee Performance Management and Development System
FET	Further Education and Training
FMPPI	Framework for Managing Programme Performance Information
GDoH	Gauteng Department of Health
GKM	Great Kei Local Municipality
GRAP	Generally Recognised Accounting Practice
HIRA	Hazard identification and risk assessment
HOD	Head of department
Housing	Department of Human Settlements
ICT	Information and communication technology
IDP	Integrated Development Programme
IIU	Internal Integrity Unit (in SIU)
KZN	KwaZulu-Natal
Land Reform	Department of Rural Development and Land Reform
MAWG	Multi-agency Working Group

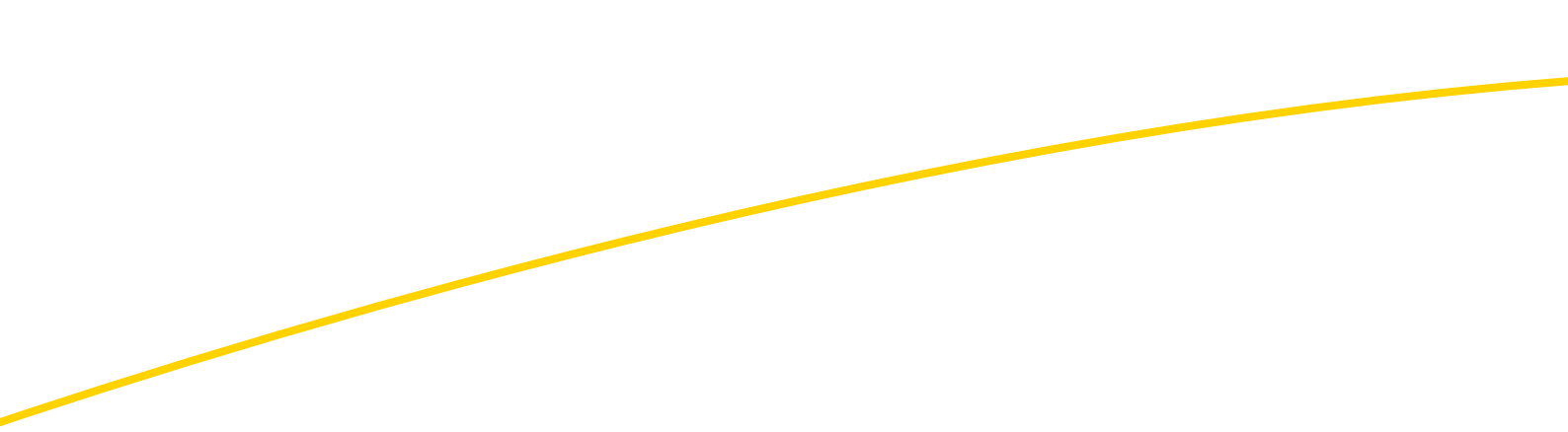


MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSA	Local Government: Municipal Systems Act
MWB	Mhlathuze Water Board
NHC	National Heritage Council
NPA	National Prosecuting Authority (Prosecuting Authority)
NSF	National Skills Fund
OHS	Occupational health and safety
PAA	Public Audit Act
PACOFs	Performing Arts Council of the Free State
PAYE	Pay as you earn
PHA	Polokwane Housing Association
PFMA	Public Finance Management Act
PMU	Project management unit
PPPFA	Preferential Procurement Policy Framework Act
PRECCA	Prevention and Combatting of Corrupt Activities Act
PSA	Public Service Act
PSETA	Public Service Sector Education and Training Authority
RAMP	Repair and Maintenance Programme
SABC	South African Broadcasting Corporation
SAHT	South African Housing Trust
SAPO	South African Post Office
SAPS	South African Police Service
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SHE	Safety, health and environment
SITA	State Information Technology Agency
SIU	Special Investigating Unit
SIU Act	Special Investigating Units and Special Tribunals Act (Act No. 74 of 1996)
SLA	Service level agreement
SNS	School nutrition system
SOCPEN	Social Pension System
TCC	Tax clearance certificate
TMM	Tshwane Metropolitan Municipality
Tshwane	Tshwane Metropolitan Municipality
TWM	Thabang William Mmusi
USAASA	Universal Service and Access Agency of South Africa
VIP	Ventilated improved pit latrines
Water Affairs	Department of Water Affairs
WPP	Witness Protection Programme



**NOTES**

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*against corruption*

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