



ANNUAL REPORT

2015/2016





POISED TO STRIKE
against corruption

ANNUAL REPORT

2015/2016

TABLE OF CONTENTS

PART A: GENERAL INFORMATION		6
1.1	List of abbreviations	8
1.2	Foreword to the Annual Report	11
1.3	Strategic overview	14
1.4	Background to the Special Investigating Unit	16
1.5	The Executive Committee (EXCO)	18
PART B: PERFORMANCE INFORMATION		20
2.1	Proclamations	22
	2.1.1 Proclamations issued during the period under review	22
	2.1.2 Presidential reports submitted in the 2015/2016 financial year	22
2.2	Statement of responsibility for performance information	37
2.3	Overview of the SIU's performance	38
	2.3.1 SIU's performance highlights	38
2.4	Detailed investigations performance	49
	2.4.1. National	49
	2.4.1.1 Department of Rural Development and Land Reform (DRDLR) and the SITA	49
	2.4.1.2 National Department of Public Works (DPW)	50
	2.4.1.3 Department of Communications	51
	2.4.1.4 National Department of Public Works (DPW)	52
	2.4.1.5 Department of Transport	53
	2.4.1.6 South African Post Office Ltd (SAPO)	53
	2.4.1.7 Department of Labour and the Compensation Fund	54
	2.4.1.8 Universal Service and Access Agency of South Africa (USAASA)	55
	2.4.1.9 Department of Communications	55
	2.4.1.10 Department of Co-operative Governance and Traditional Affairs (COGTA)	55
	2.4.1.11 Department of Water Affairs (DWA)	56
	2.4.1.12 National Department of Rural Development and Land Reform and its agents (DRDLR)	57
	2.4.1.13 Eskom Holdings Ltd	57
	2.4.1.14 Department of Human Settlements (Low Cost Housing Contracts) (NDHS)	58
	2.4.1.15 South African Police Service (SAPS)	58
	2.4.1.16 National Department of Rural Development and Land Reform	59

2.4.2	Provincial	60
2.4.2.1	Department of Public Works (DPW): Prestige Directorate, Western Cape	60
2.4.2.2	Eastern Cape Department of Education (EC Education)	60
2.4.2.3	Kwazulu-Natal Provincial Treasury (KZN Provincial Treasury)	61
2.4.2.4	The Guardian's Fund (GF) components of the KwaZulu-Natal and Gauteng offices of the Master of the High Court of the Department of Justice and Constitutional Development (DoJ&CD)	61
2.4.2.5	Department of Public Works, Kwazulu-Natal Province (KZN DPW)	62
2.4.2.6	Limpopo Province Intervention	62
2.4.2.7	Department of Health: Gauteng Province (GDoH)	63
2.4.3	Local	64
2.4.3.1	Buffalo City Metropolitan Municipality (BCM)	64
2.4.3.2	Greater Tubatse Local Municipality	64
2.4.3.3	Vhembe District Municipality	65
2.4.3.4	Bushbuckridge Local Municipality: Mpumalanga Province	65
2.4.3.5	Midvaal Local Municipality: Gauteng Province (MLM)	66
2.4.3.6	Ekurhuleni Metropolitan Municipality (EMM): Gauteng Province	67
2.4.3.7	Tshwane Metropolitan Municipality (TMM): Gauteng Province	67
2.4.3.8	North West Province Municipalities (NWM)	68
2.4.4	State-owned entities	69
2.4.4.1	The State Information Technology Agency (Pty) Ltd (SITA)	69
2.4.4.2	The State Information Technology Agency (Pty) Ltd (SITA)	71



PART C: REPORT ON CORPORATE GOVERNANCE	72
3.1. Fraud and corruption	74
3.2. Minimising conflict of interest	75
3.3. Code of conduct	75
3.4. Health, safety and environmental issues	75
3.5. Audit Committee Report	76
3.6. Risk Management Committee	79
3.7. ICT Governance Committee	79
3.8. Human Resources Committee	79
 PART D: HUMAN RESOURCE MANAGEMENT	 80
4.1. Introduction	82
4.2. Key achievements	82
4.3. Human Resources oversight statistics	83
4.3.1 Personnel costs by programme	83
4.3.2 Personnel costs by salary band	83
4.3.3 Performance rewards	84
4.3.4 Training costs	84
4.3.5 Employment and vacancies	85
4.3.6 Employment changes	85
4.3.7 Reasons for staff leaving	86
4.3.8 Labour relations: Misconduct and disciplinary action	86
4.3.9 Equity target and employment equity status	86
 PART E: FINANCIAL INFORMATION	 88
5.1. Statement of responsibility for the financial statements	90
5.2. Report of the Auditor-General	91
5.3. Annual Financial Statements	94

LIST OF TABLES

Table 1.1:	SIU core values	15
Table 2.1:	Completed proclamations	23
Table 2.2:	SIU annual performance information 2015/2016	39
Table 2.3:	Update on referrals made between April 2015 and March 2016	47
Table 3.1:	Number of reported injuries on duty according to demographic group	76
Table 3.2:	Audit Committee members and meeting attendance	76
Table 4.1:	Personnel costs by programme	83
Table 4.2:	Personnel costs in terms of salary band	83
Table 4.3:	Performance rewards	84
Table 4.4:	Employee training costs	84
Table 4.5:	Employment and vacancies according to occupational level	85
Table 4.6:	Employment and vacancies according to skills level	85
Table 4.7:	Employment appointments and terminations	85
Table 4.8:	Reasons for staff attrition	86
Table 4.9:	Disciplinary action data	86
Table 4.10:	Employment equity targets and status for male employees	86
Table 4.11:	Employment equity targets and status for female employees	87
Table 4.12:	SIU employees with disabilities	87



PART A: **GENERAL** **INFORMATION**



1.1 List of abbreviations

ACTT	Anti-Corruption Task Team
Adv.	Advocate
AFU	Asset Forfeiture Unit
AGSA	Auditor-General of South Africa
AOD	Acknowledgement of Debt
APP	Annual Performance Plan
ASB	Accounting Standards Board
BCM	Buffalo City Metropolitan Municipality
CARA	Criminal Assets Recovery Account
Capex	Capital Expenditure
CC	Close Corporation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission
COID	Compensation for Occupational Injuries and Diseases
DC	Disciplinary Committee
DoJ&CS	Department of Justice and Correctional Services
DPCI	Directorate for Priority Crimes Investigation (the Hawks)
DPW	Department of Public Works
DRDLR	Department of Rural Development and Land Reform
DWA	Department of Water Affairs
EC	Eastern Cape
EMM	Ekurhuleni Metropolitan Municipality
eNaTiS	Electronic National Traffic Information System
EXCO	Executive Committee

FS	Free State
GDoH	Gauteng Department of Health
GF	Guardian's Fund
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IBM	International Business Machines
ICT	Information and Communications Technology
IIU	Internal Integrity Unit
KZN	KwaZulu-Natal
MEC	Member of the Executive Council
MEEC	Mpumalanga Economic Empowerment Corporation Limited
MIG	Municipal Infrastructure Grant
MLM	Midvaal Local Municipality
MoA	Memorandum of Agreement
MSA	Municipal Systems Act
NDHS	National Department of Human Settlements
NEHAWU	National Education, Health and Allied Workers' Union
NHC	National Housing Code
NPA	National Prosecuting Authority
NWM	North West Province Municipalities
OHS	Occupational Health and Safety
PAA	Public Audit Act
PRECCA	Prevention and Combating of Corrupt Activities Act
PFMA	Public Finance Management Act
POCA	Prevention of Organised Crime Act
PSETA	Public Service Sector Education and Training Authority
RSC	Regional Services Levy
RFP	Request for Proposals



SABC	South African Broadcasting Corporation
SANACO	South African National Apex Tertiary Co-operative Ltd
SAPO	South African Post Office
SAPS	South African Police Service
SARS	South African Revenue Service
SCM	Supply Chain Management
SITA	State Information Technology Agency
SIU	Special Investigating Unit
SSA	State Security Agency
TFI	Trainee Forensic Investigators
TMM	Tshwane Metropolitan Municipality
VAT	Value Added Tax

1.2 Foreword to the Annual Report

The Special Investigating Unit (SIU) is a major participant in South Africa's multi-agency approach in the fight against corruption and maladministration. The principal goal of the SIU is to reduce the level of corruption and maladministration by conducting forensic investigations and instituting civil proceedings as strategies to redress wrongdoings. The purpose is to deter parties from participating in corruption and maladministration by applying processes that are aimed at taking the profit out of such illicit activities. After the Special Investigating Units and Special Tribunal Act, No. 74 of 1996 had been amended in October 2012, the SIU focuses primarily on civil litigation, referral of matters to the National Prosecuting Authority (NPA) for prosecution and Asset Forfeiture orders, referral of potential disciplinary action to relevant State institutions and reporting to the President on the outcome of investigations.

Overview of performance

Since 2009 the Presidency has issued 58 proclamations, which provide the terms of reference for SIU investigations. These proclamations authorise the SIU to conduct its investigations across the local, provincial and national spheres of government, as well as into the affairs of State-owned entities. Five proclamations were issued during the 2015/16 financial year. These proclamations vary significantly in their scope and ambit and usually envisage a large number of sub-investigations which are covered by a single proclamation. Proclamation R59 of 2014, which empowers the SIU to investigate the procurement and administration of 2 162 leases at the Department of Public Works (DPW), serve to illustrate this.



Practical constraints in setting accurate performance targets

12

Even though the SIU fully subscribes to the accepted approach to strategy as applied in the public sector, it is important to highlight the practical difficulty it is faced with when setting accurate targets in its Annual Performance Plan (APP). The annual submission date for the final APP – end of January – remains problematic as the SIU's knowledge of proclamations to be signed, as well as matters that will come under investigation during the financial year that will commence a mere two months later, is naturally limited. Not only does this have a negative impact on the actual targets, but also on the specific key performance indicators that need to be identified. These indicators may vary greatly, depending on the types of proclamations issued. In some instances, for example, the validity of contracts are an issue, in others the regularity of appointments are the issue, sometimes overpayments are to be recovered, other times only disciplinary issues are to be dealt with, etc. These realities were of specific concern during the year under review and will, along with other major achievements not measured by the APP, be dealt with in greater detail later in this report.

The SIU exceeded two of its seven targets during the 2015/16 financial year. It will continue on its path to seek more accurate measures that will put the focus on its pivotal role in the fight against corruption and maladministration. In pursuit of this objective the SIU held a strategic breakaway session, resulting in major changes to the APP for the 2016/17 financial year.

Capacity building

Amendments to the empowering legislation, effected in October 2012, brought about a drastic shift in the SIU's approach towards realising its desired outcomes. Because the SIU now enjoys legislative power to conduct civil litigation in its own name or in the name of the affected State institution, it can operate much more efficiently by approaching the courts for appropriate relief. The main outcomes are:

- Civil litigation (a direct SIU responsibility);
- Criminal referrals (this requires the SIU to make referrals to the NPA); and
- Disciplinary recommendations (this requires the SIU to make referrals to affected State institutions).

An additional burden has been placed on the legal capacity of the SIU because of the strong legal focus of each of the main outcomes, but the SIU addressed this challenge successfully with the completion of a mentorship programme for junior lawyers, which resulted in 13 internal members qualifying as forensic lawyers. Ninety-two study bursaries were awarded to staff members and nine staff members were appointed as Forensic Lawyers upon the successful completion of an in-house Forensic Lawyer Mentorship programme. The SIU is also in the process of recruiting additional senior forensic lawyers.

Working with our partners in fighting corruption

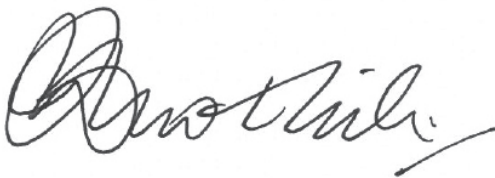
The SIU is an active participant in multi-agency efforts to combat corruption. It actively promotes co-operation with other role players in the fight against corruption and maladministration. The SIU operates within a broader framework, acknowledging that South Africa has adopted a multi-agency approach in this fight and that the SIU cannot win this battle by itself. The SIU has a particular role to play and this will only be effective if done in co-operation with its partners.

This approach is reflected in the SIU's interaction with other partners, but particularly in the significant contribution it makes to the activities of the Anti-Corruption Task Team (ACTT).

Expression of appreciation

The SIU is grateful for the continued support of the Office of the President; Parliament, particularly the Portfolio Committee on Justice and Correctional Services; the Ministry and the Department of Justice and Correctional Services (DoJ&CS). Gratitude is also extended to Heads of Government institutions, its partners in law enforcement, as well as South African citizens.

I would also like to express my heartfelt appreciation to all SIU members for dutifully executing the mandate of the SIU.



Head of the Special Investigating Unit

Adv. JL Mothibi

29 July 2016



1.3 Strategic overview

Mission Statement

The primary tasks of the SIU are to uncover corruption, maladministration and malpractices in the State institutions it is authorised to investigate and to ensure that perpetrators of such nefarious acts are made to pay by being dismissed, prosecuted or made to part with their ill-gotten gains. Should it fulfil its tasks dutifully, diligently and efficiently, the SIU will contribute significantly to the reduction of such actions and reverse the climate of impunity that has become evident among those with the power to allocate State resources, whether in the form of jobs or contracts.

14

Mission

Co-operating with other State entities to fight corruption, malpractice and maladministration effectively through forensic investigations, civil proceedings, referrals for criminal prosecution and referrals for disciplinary action.

Vision

Working together towards ridding society of corruption, malpractice and maladministration.

Values

It is evident that the war on corruption, malpractice and maladministration cannot be won by:

- a. any single agency acting alone, and it requires co-operation between all the agencies and other stakeholders;
- b. agencies that have corrupt elements in their midst. As such, only fit and proper persons may be engaged by the SIU, while the SIU expects from all its members at all times to maintain the highest standards of proper conduct, professionalism and integrity.

In attempting to ensure that there is no doubt as to what is required, the SIU has developed a set of core values. They are set out in the table immediately below.

Table 1.1: SIU core values

Value	Value statement
Integrity	Maintaining and ensuring proper conduct among members of the SIU.
Co-operation	Nurturing excellent co-operation and co-ordination with other corruption-busting and law-enforcement agencies.
Professionalism	Conducting forensic investigations and/or facilitating civil proceedings in a professional manner.
Drive and passion	Ensuring that all tasks are performed with the requisite drive and passion.
Effectiveness	Aligning and improving systems and processes to convert minimum resources into maximum results within the shortest possible time.
Independence	Acting without fear, favour or prejudice.



1.4 Background to the Special Investigating Unit

As an independent statutory body established by the President to investigate and report on government corruption and maladministration, the SIU reports directly to the President and Parliament in terms of its activities. The SIU is funded through the DoJ&CS.

It was set up by the President in terms of the SIU Act – the Special Investigating Units and Special Tribunal Act, No. 74 of 1996, with the primary mandate to recover and prevent financial losses to the State due to activities of corruption, fraud and maladministration. The SIU also supports departments to implement systemic improvements that will advance service delivery.

The SIU is a public entity with powers of investigation and litigation. In accordance with a presidential proclamation, it has the authority to subpoena, search, seize and interrogate witnesses under oath. Civil action can be taken to correct any wrongdoing uncovered during investigations, for example, the SIU can recover money for the State by obtaining a court order which compels a person to reimburse any wrongful benefit received. The unit also oversees the cancellation of contract when proper procedures were not honoured within departments. It also has the power to discontinue transactions or other actions that were not properly authorised.

Where the SIU does not have the power to arrest or prosecute offenders for criminal conduct, it will report matters to the attention of the Directorate for Priority Crime Investigation (DPCI; the Hawks) in the South African Police Service (SAPS), as well as the NPA. It has a close working relationship with these entities, helping to ensure effective investigation and prosecution. The SIU also works closely with the Asset Forfeiture Unit (AFU) in the NPA, where its powers are more appropriate or effective in recovering the proceeds of crime.

Any matter as set out in section 2 of the SIU Act may be investigated by the SIU. It includes the following:

- Serious maladministration in connection with the affairs of any State institution.
- Improper or unlawful conduct by employees of any State institution.
- Unlawful appropriation or expenditure of public money or property.
- Any unlawful, irregular or unapproved acquisitive act, transaction, measure or practice that has a bearing on State property.
- Intentional or negligent loss of public money or damage to public property.

- Corruption in connection with the affairs of any State institution.
- Unlawful or improper conduct by any person who has caused or may cause serious harm to the interest of the public.

The SIU offers a unique and integrated service through the application of a project-based approach. It also concentrates on processes, people and financial losses in departments, including the following:

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



1.5 The Executive Committee (EXCO)

The SIU Executive Committee is a top management committee responsible for making decisions on strategic operational matters in terms of the SIU and the Special Tribunal Act No. 74 of 1996. The committee constitutes all the executive managers and the Head of the Unit as the chairperson of the committee.

18



**Adv. JL Mothibi,
Head of the Special Investigating Unit**

JL Mothibi is an advocate of the High Court of South Africa. He worked previously as magistrate and as public prosecutor. At the South African Revenue Service he served in various capacities: Head of Employee Relations, Head of Corporate Legal Services and Head of Governance. He also worked as Head of Compliance at the South African Airways before being appointed as General Manager Group Operational Risk Management at Nedbank Group. At Standard Bank Group he worked as Group Head of Operational Risk Management. Before joining SIU he was Executive Director Legal Governance Risk and Compliance for AfroCentric Group, including Medscheme Holdings. On 1 May 2016 he was appointed as Head of SIU.

Qualifications: B.Proc, LL.B, Post Grad Diploma in Labour Law, Certificate in Public Sector Governance, Certificate in Banking Law and Financial Markets and International Executive Development Programme.



**Adv. G Visagie,
Corporate Legal Counsel**

G Visagie was admitted as an advocate of the High Court of South Africa in June 1982. He has experience as a public prosecutor, magistrate and senior State advocate (1980–1995). Before becoming a founder member of the Special Investigating Unit in 1997, where he has been a senior member for nineteen years, he was working for the Heath Commission for almost two years. Between March 2015 and May 2016 he served as Acting Head of the SIU.

Qualifications: B.luris, LL.B.



**M Nyathi,
Head of Business Support**

M Nyathi began her career as an accountant in 1988 at the Limpopo Development Corporation. She later worked as Internal Audit Manager for the National Department of Justice, Commission on Gender Equality as Head of Finance and Administration, the Independent Broadcasting Authority as Head of Finance and an Executive Director of the National Development Agency. She left public service in 2002 and joined Thermitrex SA (German owned company) first as its Chief Financial Officer. She later acquired a 20.1% stake of the company and became its Managing Director, making her the first black and first female Managing Director in the group. In 2009 she became the SIU's Head of Business Support. Amongst others, she served as a board member of Thermitrex SA, the African Thermit and the Polokwane International Airport. She was also a Board Audit Committee member for the South African National Energy Development Institute, a Board Audit Committee member for the African Exploration Mining and Finance Corporation and the Limpopo Provincial Audit Committee member. She was also a Chairperson of the audit committee of National Department of Housing and the National Department of Health.

Qualifications: B.Com Honours (Finance); MBA (Research paper on Corporate Governance); Diploma in Accounting Information Systems



**L Lekgetho,
Projects Director (Acting)**

L Lekgetho began his career at the NPA under the Directorate of Special Operations, also known as “the Scorpions”. He was appointed as a Forensic Investigator and he attended training at the FBI in Washington. He joined the SIU in 2005 where he occupied the following positions, Chief Forensic Investigator, Assistant Project Manager, Project Manager and Programme Manager. Currently he is Projects Director (Acting).

Qualifications: B.A Ed, B.Sc Honours, Diploma in Criminal Justice and Forensic Auditing, Postgraduate Diploma in Cyber Law, Certificate in Advanced Project Management, Certificate in Management Principles.

PART B: **PERFORMANCE** **INFORMATION**



PART B: PERFORMANCE INFORMATION

2.1 Proclamations

2.1.1 Proclamations issued during the period under review

- Proclamation R598 of 2015, dated 10 July 2015 (*Government Gazette* No. 38984; **Eastern Cape Department of Education – EC Education**). It includes the procurement of goods and services from Siegesmund Trust by or on behalf of the Department and payments made in respect thereof, and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Department. Proclamation R599 of 2015, dated 10 July 2015 (*Government Gazette* No. 38985; **Department of Rural Development and Land Reform – DRDLR – and the State Information Technology Agency – SITA**). This is an amendment to Proclamation R7 of 2014. It includes theft, fraud, corruption or maladministration in the affairs of the DRDLR in relation to the lodging and processing of deeds on the Deeds Registration System of the Pretoria, Johannesburg, Cape Town and Bloemfontein Deeds Registries, or in the processes of requesting for or the giving out of deeds information, including the causes of such fraud, corruption or maladministration and any loss, damage or prejudice actually or potentially suffered by the DRDLR or the State.
- Proclamation R27 of 2015, dated 20 July 2015 (*Government Gazette* No. 39005; – **DPW**). This is an extension of Proclamation R38 of 2010. It extends the period of investigation to 20 July 2015.
- Proclamation R40 of 2015, dated 12 October 2015 (*Government Gazette* No. 39005; **Buffalo City Metropolitan Municipality – BCM**). It includes the procurement of goods, works or services by or on behalf of the Municipality and payments which were made in respect thereof, and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Municipality in relation to the contracts awarded to Masiqhame Trading 520 CC (Close Corporation) for the supply and delivery of black refuse bags to the Municipality and Imvusa Trading 337 CC, for the construction of 150 top structures in respect of the Potsdam Unit P Stage 2 Housing Project.
- Proclamation R44 of 2015, dated 10 December 2015 (*Government Gazette* No. 39488; **Western Cape – DPW Prestige**). This is an amendment to Proclamation R54 of 2014. It includes the procurement of goods and services on behalf of the Department by the Department's Prestige Directorate in relation to 13 additional Prestige projects.

2.1.2 Presidential reports submitted in the 2015/2016 financial year

Table 2.1: Completed proclamations				
No.	Proclamation number	Department/ State institution	Scope	Date report submitted
1	Proc R37 of 2010	Department of Education, Eastern Cape Province	<ul style="list-style-type: none"> Losses suffered by the Department as a result of the mismanagement of its expenditure or through theft, fraud or other unlawful conduct and irregular practices of the staff of the Department and third parties; The mismanagement of the remuneration or benefits of the staff of the Department; remuneration or benefits granted to staff of the Department whilst these employees were not entitled to such remuneration or benefits or any part thereof; Failure by the Department to take appropriate steps to recover remuneration and benefits paid out or granted incorrectly or erroneously; irregularities in the recruitment, selection and appointment of staff to the Department. 	1 July 2015
2	Proc R43 of 2010 extended by R49 of 2012	DPW, KwaZulu-Natal (KZN) Province	<ul style="list-style-type: none"> Allegations that staff of the Department enjoy remuneration, income, allowances or rewards in conflict with the conditions of their employment with the Department and contrary to the Public Service Act, 1994; Allegations that staff of the Department have undisclosed or unauthorised conflicts of interest with service providers of the Department; The premature return by the Department of performance guarantees lodged by construction contractors; The unlawful or irregular conduct by staff of the Department, service providers to the Department and third parties relating to any of the aforementioned allegations. 	1 July 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
3	Proc R34 of 2011	The former Department of Roads and Transport, Eastern Cape Province	<ul style="list-style-type: none"> • Procurement of goods, works or services by or on behalf of the former Department and related expenditure incurred by the former Department 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 former Department; • Undeclared or unauthorised conflicts of interest by officials or employees of the Department. 	1 July 2015
4	Proc R58 of 2011	Kopanong Local Municipality, Free State Province	<ul style="list-style-type: none"> • Procurement of consulting or related services by or on behalf of the Municipality and related expenditure incurred 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; • Manipulation of the Municipality's supply chain management or procurement processes; • Related unauthorised, irregular, fruitless and wasteful expenditure; • Losses or prejudice suffered by the Municipality as a result of the unnecessary or wasteful engagement of consultancy or related services, payments made to consultancy or related service providers notwithstanding their non-performance, incomplete performance or defective performance and the settlement of claim made by consultancy or related service providers for payments not lawfully due to them. 	1 July 2015

Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
5	Proc R16 of 2012	Former Department of Local Government and Housing: Mpumalanga Province, and its successor in title – the Department of Cooperative Governance and Traditional Affairs: Mpumalanga Province, in its Water for All Project	<ul style="list-style-type: none">• Procurement of and contracting for consulting or related services by or on behalf of the Department and related unauthorised, irregular or fruitless and wasteful expenditure incurred in a manner that was not fair, competitive, transparent, equitable or cost-effective, in a manner that was contrary to applicable legislation or internal policies and procedures governing the Department;• Procurement of and contracting for sewerage suctioning or related services (including the provision of drainage services and the application of chemicals in the hygienic maintenance of VIP toilets and septic tanks) by or on behalf of the Department and related unauthorised, irregular or fruitless and wasteful expenditure incurred;• Maladministration of the affairs of the Department and any losses or prejudice suffered by the Department as a result of such maladministration in relation to its Water for All flagship project, the provision of sewerage suctioning or related services (including the provision of drainage services and the application of chemicals in the hygienic maintenance of VIP toilets and septic tanks) or the engagement of service providers or contractors to repair or refurbish water pipelines;	1 July 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
5	Proc R16 of 2012	Former Department of Local Government and Housing: Mpumalanga Province, and its successor in title – the Department of Cooperative Governance and Traditional Affairs: Mpumalanga Province, in its Water for All Project	<ul style="list-style-type: none"> Practices in terms of which officials or employees of the Department were promised, solicited or received benefits or other forms of unlawful gratification from anyone in connection with the execution of their duties or the failure to execute their duties, as the case may be, allegedly provided or rendered to or on behalf of the Department in relation to the Department's Water for All flagship project. including for purposes of, among others, facilitating or adopting a more lenient stance on the certification of invoices rendered for goods, works or services 	
6	Proc R48 of 2012	SITA	<ul style="list-style-type: none"> Procurement of goods, works or services by SITA for itself or for and on behalf of Departments for whose procurement SITA is responsible, as envisaged in the State Information Technology Agency Act, 1998, or on behalf of public bodies which so requested SITA: in a manner that was not fair, competitive, transparent, equitable or cost-effective; in a manner which was contrary to applicable legislation or internal policies and procedures governing SITA, the Departments or the public bodies concerned; which was conducted or facilitated by or through the intervention of SITA's personnel or the Client's personnel with undeclared or unauthorised conflicts of interest; which was facilitated by, through or in return for payment or offers of payment to or receipt by SITA's personnel or the Client's personnel of gratification, contrary to applicable laws or the employment conditions of such personnel; 	

Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
6	Proc R48 of 2012	SITA	<ul style="list-style-type: none">• The binding of SITA, the Departments or public bodies concerned to incur, irregular, unauthorised or fruitless and wasteful expenditure;• The failure to collect monies due, owing and payable to SITA.	1 July 2015
7	Proc R55 of 2012	The Guardians Fund components of the KZN and Gauteng offices of the Master of the High Court of the Department of Justice and Constitutional Development	<ul style="list-style-type: none">• Maladministration of the Guardians Fund by the KZN and the Gauteng offices of the Master of the High Court;• Applications by beneficiaries for and payment by the KZN and Gauteng offices of the Master of the High Court of funds to beneficiaries from the Guardians Fund, in a manner that was (a) contrary to applicable (i) legislation; (ii) manuals, policies, procedures, instructions, prescripts and practices of or applicable to the KZN or Gauteng offices of the Master of the High Court or the Department of Justice and Constitutional Development; or (iii) manuals, or (b) fraudulent.	1 July 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
8	Proc R65 of 2012	Public Service Sector Education and Training Authority (PSETA)	<ul style="list-style-type: none"> • Losses or prejudice suffered by the PSETA or the State as a result of (a) maladministration; (b) irregular payments or transfers made from the PSETA Grant Disbursement account; (c) irregular payments or transfers made from the PSETA National Skills Fund account; (d) the failure or refusal by the PSETA to refund the National Skills Fund with unused funds; (e) irregular use of skills development levy funds; (f) unauthorised, irregular or fruitless and wasteful expenditure incurred; or (g) irregular payments made by previous boards of the PSETA; • Procurement of and contracting for goods or services by or on behalf of the PSETA 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 PSETA and related unauthorised, irregular or fruitless and wasteful expenditure incurred. 	1 July 2015

Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
9	Proc R5 of 2014 amended by R56 of 2014	South African Post Office (SOC) Limited (SAPO)	<ul style="list-style-type: none">• The procurement of goods, works or services by or on behalf of the SAPO and payments made in respect thereof in a manner that was (a) not fair, competitive, transparent, equitable or cost-effective; (b) contrary to (i) applicable legislation; (ii) applicable manuals, guidelines, practice notes or instructions issued by the National Treasury; or (iii) manuals, policies, procedures, prescripts, instructions or practices of or applicable to the SAPO, and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the SAPO;• Irregularities, malpractices or maladministration in the affairs of the SAPO in relation to (a) the management of immovable property; (b) the implementation of the WebRipost system; (c) loans granted to Courier and Freight Group (Pty) Limited; and (d) the failure by officials or employees of the SAPO to take the necessary steps to prevent the SAPO from suffering financial losses or damages as a result of industrial action;• Irregularities relating to the recruitment, selection and appointment of officials or employees of the SAPO;	1 July 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
9	Proc R5 of 2014 amended by R56 of 2014	South African Post Office (SOC) Limited (SAPO)	<ul style="list-style-type: none"> • Payments which were made by the SAPO to fictitious officials or employees; • Any undisclosed or unauthorised interests the officials or employees of the SAPO may have had with regard to (a) vendors, contractors, suppliers or service providers who bid for work or did business with the SAPO or (b) contracts awarded by or on behalf of the SAPO. Proclamation R5 of 2014 is amended by (a) the further extension of the period referred to in this proclamation to the date of publication of Proc R56 of 2014; (b) the addition of the following paragraph after paragraph 5 of the schedule in Proc R5 of 2014 – “6. Irregular conduct by the Board Members of the SAPO in relation to the matters set out in paragraphs 1 and 3 above.” 	1 July 2015
10	Proc R74 of 2002	Department of Finance of the Mpumalanga Province	<ul style="list-style-type: none"> • Tender and procurement irregularities of computer hardware to the value of R1.7 million by the Information Technology section of the Department. 	2 October 2015

Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
11	Proc R76 of 2002	Uthungulu District Municipality situated in the KZN Province	<ul style="list-style-type: none"> • Irregularities relating to tender processes and awarding of service contracts by the Municipality; • Irregularities relating to awarding a contract by the Municipality to SDR Inspeksie Dienste to perform a debt collection service within the municipal area; • Irregular conduct by the Municipal Chief Financial Officer (CFO) relating to the purchase of a computer system for the Municipality, losses suffered as a result of attempts to purchase a server for the Municipality; • The continuous use of VGC Engineers as exclusive consultants of the Municipality at exorbitant costs whilst the latter were underperforming or not performing at all. 	2 October 2015
12	Proc R9 of 2004 amended by R49 of 2006	Umzinyathi Regional Council (which was succeeded by Amajuba and Umzinyathi District Municipalities), the Uthungulu District Municipality and the Umtshezi Local Municipality in the KZN Province	<ul style="list-style-type: none"> • The investment of Municipal funds by employees of the Municipalities contrary to the provisions of section 10G of the Local Government Transition Act, 1993 (Act No. 209 of 1993), and the provisions of other applicable legislation; • The appointment of brokers and/or third parties to deal with fluid funds of the Municipalities, as well as the placing of such funds at their disposal contrary to applicable legislation. 	2 October 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
13	Proc R7 of 2007 extended by R35 of 2010 and R15 of 2012	National Department of Housing; All Provincial Departments of Housing; The former Housing Development Boards and Corporations; Local Authorities and their agents	<ul style="list-style-type: none"> • Loss of State funds that were allocated to low cost housing schemes as a result of: <ul style="list-style-type: none"> • financial mismanagement and misappropriation; • fraudulent applications for housing benefits; • payments of fraudulent claims in respect of work done, services rendered or material supplied; • utilisation of defective materials in the construction of houses or professional services not rendered or materials not supplied. • Mismanagement and misuse of the State's low cost housing scheme in that: <ul style="list-style-type: none"> • sites and/or constructed house were allocated to non-qualifying persons; • officials and municipal councillors profited from development contracts awarded; • development contracts were awarded contrary to prescribed tender processes; • the National Housing Manual, National Housing Code (NHC) and applicable laws governing the State's low cost housing scheme were not complied with, inadequately planned and insufficiently supervised. 	2 October 2015

Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
14	Proc R22 of 2007	Mpumalanga Economic Empowerment Corporation Limited (MEEC)	<ul style="list-style-type: none"> Irregularities in financial management of MEEC and procurement made by MEEC. 	2 October 2015
15	Proc R37 of 2007	Free State Provincial Department of Finance; Free State Provincial Treasury (Moral Regeneration Movement)	<ul style="list-style-type: none"> Allegations pertaining to procurement irregularities, in respect of a contract for the Free State Moral Regeneration Movement to the value of R777,862.44; Conflict of interest in awarding certain contracts for the rendering of services and goods. 	2 October 2015
16	Proc R40 of 2007	Maluti-a-Phofung Local Municipality: Free State Province	<ul style="list-style-type: none"> Allegations pertaining to procurement irregularities, contrary to legislation, Treasury Practice Notes and the Policies of the Municipality; The procurement of services for the construction of a 132kv substation at Moeding, contrary to applicable legislation and the additional expenditure of approximately R1,345,505 for services on the construction for the substation; The involvement in the construction of ventilated pit latrines of an entity other than the bidder to which the contract was awarded; the awarding of a contract for the providing of health and hygiene education and training, and the awarding of a contract for electricity revenue management services to bidder(s), whose bid was not the highest scoring bid and resulting in losses suffered by the Municipality; A double payment of R304,106.40 on a single invoice and the failure to recover the excess paid. 	2 October 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
17	Proc R45 of 2007	Department of Transport: KZN Province (Administrative Cost Centres: Merbank, Port Shepstone & Stanger)	<ul style="list-style-type: none"> • The awarding of contracts for the supply of goods and/or services to the Department at its Merebank, Port Shepstone and Stanger Cost Centres by employees of the Department: <ul style="list-style-type: none"> • contrary to departmental policy, prescripts and/or procedure; • as a result of manipulated procurement processes; and/or • under circumstances where such employees have undisclosed conflict of interest. • Excessive or unnecessary ordering of stock or the unnecessary outsourcing of services; • Losses, theft and/or unauthorised use of stock of the Department and not maintaining proper stock control systems; • Performance of remunerative work by employees of the Department, outside the scope of their employment with the Department, contrary to applicable laws and the Department's policies; • Damage to or loss of public property as a result of the wilful or negligent acts or omissions by the employees of the Department. 	2 October 2015

Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
18	Proc R36 of 2008	Department of Health: Eastern Cape Province	<ul style="list-style-type: none">• Payments made to fictitious employees;• Payment of salaries, benefits, commission, allowances and overtime to employees that was not due or owing to them;• Non-compliance by the Department's employees with applicable legislation governing the procurement processes;• Procurement of goods for the Department by its employees at the Kgotsong Santa Hospital from entities in which relatives, friends or associates of the employees held an interest;• Payments made to service providers for work not completed or in excess of what was due;• Losses suffered by Department due to the forfeiture of indemnification for accident damages as a result of the failure by staff of the Department to timeously report accidents and submit insurance claims.	2 October 2015
19	Proc R2 of 2009 extended by R14 of 2012	Department of Education: Mpumalanga Province	<ul style="list-style-type: none">• Failure to comply with procurement and tender procedures in the procurement of services for the provision of transport for scholars;• Irregular payments made to service providers that provide transport for scholars.	2 October 2015



Table 2.1: Completed proclamations

No.	Proclamation number	Department/ State institution	Scope	Date report submitted
20	Proc R33 of 2011	Midvaal Local Municipality: Gauteng Province	<ul style="list-style-type: none"> • Maladministration in the affairs of the Municipality by its councillors, officials, employees or agents in respect of the improper, negligent or erroneous disposal of the Municipality's operating assets as being redundant assets; • The failure to properly implement the Municipality Indigent Policy; • The erroneous issuing of town planning certificates; • The failure to obtain money belonging to the Municipality from the trust account of the Municipality's attorneys and the failure to utilise such money for municipal purposes; • The failure to properly control the debt owing by the Municipality's debtors; • The failure to record the Municipality's assets in its asset registers; • The appointment of staff of the Municipality at the incorrect post levels; • Procurement of legal 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. 	2 October 2015

2.2 Statement of responsibility for performance information

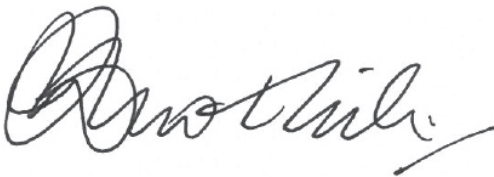
All information and amounts disclosed in this Annual Report are consistent with the annual financial statements audited by the Auditor-General. The Annual Report is complete, accurate and free from any omissions. It was prepared in accordance with the Annual Report Guide issued by National Treasury. The annual financial statements (Part E) 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 my opinion, the performance information fairly reflects the operations of the SIU for the financial year ended 31 March 2016.

Yours faithfully



Head of the Special Investigating Unit

Adv. JL Mothibi

29 July 2016



2.3 Overview of the SIU's performance

Strategic objectives:

1. Quality forensic investigations and civil litigation; and
2. Strategic partner relations developed and maintained.

2.3.1 SIU's performance highlights

At a glance – Key highlights

20

The number of final investigation reports submitted to the Presidency between 1 April 2015 and 31 March 2016.

5

The number of proclamations published between 1 April 2015 and 31 March 2016.

73 million

The potential value of money that may be recovered for the State.

52 million

The actual value of money and/or assets that has been recovered for the State.

583 million

The value of the five civil matters that were instituted by the SIU between 1 April 2015 and 31 March 2016.

6.8 billion

The value of the 307 matters that have been referred to the NPA for prosecution and the AFU for forfeiture orders.

717 million

The value of three contracts that were set aside as a result of the SIU's intervention(s).

310 million

The value of payments that were not made in two matters as a result of the SIU's intervention(s).

Table 2.2: SIU annual performance information 2015/2016

Performance measure		2014/15	2015/16	Narrative
Strategic objective 1: Quality forensic investigations and civil litigation				
Number of proclamations issued	Target	20	12	Five proclamations were published between 1 April 2015 and 31 March 2016. Two were for new investigations, two were amendments to existing proclamations and one extended an existing proclamation. This indicator was meant to measure the impact of detecting corruption and retarding maladministration and malpractice. The SIU is working hard to ensure that a pipeline of matters could be motivated for new proclamations which included streamlining the process of receiving proclamations. At the end of the financial year, seven motivations were with the Presidency, four were with the Department of Justice and nine motivations were being drafted for submission to the Department of Justice. The overall target for the year was 20 proclamations; however, the target for this indicator was not met. If the abovementioned motivations for proclamations had been published, then this target would have been met. The SIU can confirm that seven new proclamations were published on 15 April 2016. This target has not been achieved for two consecutive years, so this indicator has been removed for the 2016/2017 financial year.
	Actual	12	5	



Table 2.2: SIU annual performance information 2015/2016

Performance measure		2014/15	2015/16	Narrative
Strategic objective 1: Quality forensic investigations and civil litigation				
Percentage of issued proclamations finalised	Target	66%	60%	None of the five proclamations that were published between 1 April 2015 and 31 March 2016 were finalised. The SIU defines a proclamation finalised when the final report is submitted to the Presidency and not when the investigation is completed. Many of the proclamations issued were done in the latter part of the financial year. This makes it very difficult to achieve the target of 60% finalised within nine months of the date of issue. For the 2016/2017 financial year this target has been dropped and the SIU will rather report on the number of investigations closed out under published proclamations. This will more accurately reflect the amount of work being done under a published proclamation instead of waiting for the final presidential report to be submitted. This means that the target for this indicator was not met.
	Actual	0%	0%	

Table 2.2: SIU annual performance information 2015/2016

Performance measure		2014/15	2015/16	Narrative
Strategic objective 1: Quality forensic investigations and civil litigation				
Potential value of cash and/or assets recoverable (R)	Target	200 million	220 million	<p>A total of 38 Acknowledgement of Debt (AOD) documents were signed between 1 April 2015 and 31 March 2016 to the value of R2.8 million.</p> <p>Four preservation orders were obtained from the AFU to the value of R68 million in respect of four matters under investigation in KZN.</p> <p>In the Free State (FS) and KZN the investigation teams identified that the Department had paid for parking bays but they were never allocated by the landlord; that the landlord was not Value Added Tax (VAT) registered but had charged VAT on the rental; and that the Department had made overpayments on their lease agreements. The value of these potential recoveries is R2 million. The overall target for the year was set at R220 million and the potential value of cash and/or assets identified by the SIU that may be recoverable for the State amounted to R73 million. This means that the target for the year was not met. The SIU expected to continue to receive preservation orders based on the types of investigations being conducted. Based on the many referrals that were made to the AFU during the 4th quarter, it is expected that the preservation orders will be finalised and translated in the 2016/2017 financial year, which is why the indicator has been kept. The technical indicator definition has also been expanded for the 2016/2017 financial year to include more outcomes, i.e. settlement agreements and civil orders.</p>
	Actual	844 million	73 million	



Table 2.2: SIU annual performance information 2015/2016

Performance measure	2014/15	2015/16	Narrative
Strategic objective 1: Quality forensic investigations and civil litigation			
Actual value of cash and/or assets recovered (R)	Target	100 million	120 million
	Actual	145 million	52 million
<p>The AOD Enforcement Department at the SIU collected payments from debtors to the value of R16.4 million for the 2015/2016 financial year.</p> <p>A final payment was made by the Polokwane Housing Association to the Department for 492 units that were not constructed at the Ga Rena Rental Village Project. The value of the payment was R29.2 million.</p> <p>A final AFU order was obtained against a company to the value of R2 million. The Specialised Commercial Crime Court in KZN found that the defendants had benefitted from their criminal activities and a confiscation order in terms of section 18(1) of the Prevention of Organised Crime Act (POCA) 121 of 1998 was issued as part of the sentence.</p> <p>A total of R2.2 million was recovered in respect of monies owed to the Department for the funding of the Paterson Bulk Water Project.</p> <p>A total of R2 million was recovered by the DPW where the lessor was not registered as a VAT vendor and was therefore not entitled to charge VAT on the lease payments.</p> <p>The target for the year for this indicator was R120 million. The total value of the actual cash and/or assets recovered was R52 million. The target for the year was unfortunately not met. There was an expectation that the preservation orders received last year would result in final orders, however this has not happened. The technical indicator definition has been expanded for the 2016/2017 financial year to include more outcomes, i.e. South African Revenue Services (SARS) recoveries, civil orders and arbitration awards.</p>			

Table 2.2: SIU annual performance information 2015/2016				
Performance measure		2014/15	2015/16	Narrative
Strategic objective 1: Quality forensic investigations and civil litigation				
Number of civil matters instituted in Court or the Special Tribunal	Target	20	15	Five civil matters were instituted during this quarter.
	Actual	4	5	<p>Proclamation R38 of 2010 (extended by R27 of 2015): DPW (National)</p> <p>The SIU (1st plaintiff) together with the Department (2nd plaintiff) is pursuing an action for the recovery of fees from the contractor as a consequence of an overcharge. The plaintiffs are also seeking to recover the fees paid to the consultants arising from their failure to carry out their mandate in terms of the contract concluded between the parties. The summons was issued and served and the matter is currently being defended.</p> <p>Proclamation R38 of 2010 (extended by R27 of 2015): DPW (National)</p> <p>Legal proceedings have been instituted for the recovery of payments of R82 million on the grounds that the payment was illegal because it was contrary to the Public Finance Management Act (PFMA). The plaintiff was unjustly enriched and the respondent was unjustly impoverished because the plaintiff rendered no performance as <i>quid pro quo</i> for the payment of this amount.</p> <p>Proclamation R38 of 2010 (extended by R27 of 2015): DPW (National)</p> <p>An application was lodged in the High Court to set aside a lease agreement for non-compliance with Supply Chain Management (SCM) procedures and/or the fraudulent award of a tender. A settlement agreement was reached and the contract has been declared void ab initio. The value of the agreement is R139.4 million.</p>



Table 2.2: SIU annual performance information 2015/2016

Performance measure	2014/15	2015/16	Narrative
Strategic objective 1: Quality forensic investigations and civil litigation			
			<p>Proclamation R21 of 2012: National Limpopo Intervention</p> <p>The SIU instituted civil action to become a fourth defendant to the civil proceedings currently pending between Sankhyaa Learning Private Limited and the Limpopo Department of Education, a former Member of the Executive Council (MEC) for the Department and the Minister of Basic Education, which will afford the SIU the opportunity to:</p> <ul style="list-style-type: none"> • Support the Department in defending the claim made by Sankhyaa; • Introduce additional grounds of defence and relevant evidence in defending the Department and the State against the claim made by Sankhyaa; • Potentially institute a counter claim against Sankhyaa in which the SIU requests a declaration of invalidity of the contract that had been concluded between Sankhyaa and the Department, along with a claim for relief that is considered to be just and equitable by the court (which could include an order for the repayment to the Department or the State of certain monies previously paid by the Department to Sankhyaa); and • Intervene in any potential settlement negotiations between Sankhyaa and the Department, where the interest of the State may not be served by such settlement proposals.

Table 2.2: SIU annual performance information 2015/2016				
Performance measure	2014/15	2015/16	Narrative	
Strategic objective 1: Quality forensic investigations and civil litigation				
				<p>Proclamation R53 of 2014 (amended by R15 of 2015: SITA)</p> <p>The SIU instituted civil action to have a contract awarded to iFirm to the value of R265 million, set aside. The reason for setting aside the contract is non-compliance with SITA's procurement system, as well as non-compliance with section 217 of the Constitution.</p> <p>The target for the year for this indicator was 15 civil matters. The total number of the civil matters reported was only five. The target for the year was unfortunately not met. The indicator only counted matters that actually appeared in court. It did not accurately reflect the amount of work done by the SIU in the institution/defence or opposition of civil proceedings. For the 2016/2017 financial year the indicator has been redefined and the new method of calculation includes when the SIU institutes civil proceedings or intervenes/joins in civil proceedings or the date upon which the State institution, State Attorney or attorneys/counsel for the State institution acknowledges receipt of the SIU referred evidence for purposes of instituting, defending or opposing civil proceedings, arbitration proceedings or counter civil proceedings.</p>



Table 2.2: SIU annual performance information 2015/2016

Performance measure		2014/15	2015/16	Narrative
Strategic objective 2: Quality forensic investigations and civil litigation				
Number of referrals made to the NPA	Target	50	45	<p>The nature of the offences include:</p> <p>False tax clearance certificates submitted; false practical completion and handover certificates submitted; false claims submitted; failure to comply with the provisions of sections 38(1) of the PFMA; contraventions of section 86(1) of the PFMA; fraud, alternatively theft - an official was registered as a member of a CC while employed by the Municipality, no SCM procedure followed when appointing a service provider; contravention of sections 3, 4, 10, 12, 13, 17(1) and 21 of the Prevention and Combatting of Corrupt Activities Act (PRECCA); contravention of section 34(1) and 24(1) of PRECCA; fraud and corruption; recovery of the proceeds of unlawful activity in terms of the POCA; contravention of section 173(3) of the Municipal Management Finance Act (MFMA); an official acquired or held a private interest in a contract emanating from or connected with the Municipality in which she was employed; fraudulent acquisition of land grants; contravention of section 42(d) of the Restitution of Land Rights Act; contravention of section 18(1) (2) of the Construction Industry Development Board (CIDB) Act; an official misrepresented that the Department would make a R10 million financial contribution in the form of a donation to a specific company to assist in the hosting of the Information and Communications Technology (ICT) Indaba.</p> <p>The target for the year for this indicator was 45 referrals. The total number of referrals made to the NPA was 307. This means that the target for the year was exceeded by 582%.</p>
	Actual	171	307	

Table 2.2: SIU annual performance information 2015/2016

Performance measure		2014/15	2015/16	Narrative
Strategic objective 2: Quality forensic investigations and civil litigation				
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Target	100	60	<p>A total of 68 matters for potential disciplinary action were identified. The recommendations were made against officials for acts or omissions which amount to misconduct.</p> <p>The target for the year for this indicator was 60 matters. This means that the target for the year was exceeded by eight matters. The indicator has been redefined for the 2016/2017 financial year to include officials, board members, directors, vendors, suppliers, etc.</p>
	Actual	3,769	68	

Table 2.3 below gives an update on referrals that were made between 1 April 2014 and 31 March 2016

Table 2.3: Update on referrals made between 1 April 2014 and 31 March 2016

Performance measure		2014/15	2015/16	Narrative
Number of referrals made to the NPA	Target	50	45	<p>In respect of the 478 matters referred:</p> <p>Two matters are under review by the NPA. In 109 matters dockets were handed over to the SAPS and are still under investigation. In six matters the NPA are still conducting investigations. In two matters the cases are set down for trial. In one matter there was a plea bargain and the accused paid a fine of R50,000. In one matter the NPA have drafted the charge sheet and the matter will go to trial. In another matter the NPA have drafted a plea agreement with the accused and we are awaiting an outcome. In five matters the accused were arrested and are expected to appear in court. In six matters the NPA declined to prosecute. In nine matters the AFU are still conducting investigations.</p>
	Actual	171	307	



Table 2.3: Update on referrals made between 1 April 2014 and 31 March 2016

Performance measure		2014/15	2015/16	Narrative
				In another matter a R2 million confiscation order was obtained In one matter the AFU is appealing a decision that they cannot preserve the entire contractual amount and should only quantify the actual loss suffered for forfeiture This appeal impacts on some outstanding matters that are with the AFU for forfeiture There has been no feedback in respect of all the other matters that have been referred from the 2014/2015 financial year.
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Target	100	60	In respect of the 3,837 recommendations made: The State institutions have confirmed that they are considering the evidence in 39 matters. In 11 matters disciplinary proceedings have begun. In 16 matters the following outcomes were obtained: Not guilty, guilty, dismissal, suspended sentences with no pay for 14 days, dismissal of case, death, final written warning, resignation, appeal against dismissal. No feedback has been obtained in respect of all the other matters. In respect of the 3,456 recommendations made to Eskom during the 2014/2015 financial year, 3,352 cautionary letters were issued; 78 hearings have commenced; 14 sanctions were awarded and 12 employees resigned before the hearings could commence Only two hearings have not commenced.
	Actual	3,769	68	

2.4 Detailed investigations performance

2.4.1 National

2.4.1.1 Department of Rural Development and Land Reform (DRDLR) and the SITA

Proclamation R599 of 2015 published on 10 July 2015 amends Proclamation R7 of 2014, published on 14 February 2014

a) Scope of the investigation

The SIU is required to investigate, for the period 1 January 2008 to 14 February 2014, any:

- Theft, fraud, corruption or maladministration in the affairs of the DRDLR in relation to the lodging and processing of deeds on the Deeds Registration System of the Pretoria, Cape Town and Bloemfontein Deeds Registries, or in the processes of requesting for or the giving-out of deeds information, in a manner that was contrary to applicable (a) legislation; or (b) manuals, guidelines, policies, procedures, practice notes, instructions, prescripts or practices of or applicable to the DRDLR, including the causes of such fraud, corruption or maladministration, and any loss, damage or prejudice actually or potentially suffered by the DRDLR or the State.
- The procurement of and contracting for the ICT systems/projects or any goods, works or services in respect of the ICT systems/projects by or on behalf of the institutions, and irregular payments.
- The incurrence of unauthorised expenditure, irregular expenditure, fruitless and wasteful expenditure or expenditure not due, owing and payable, as a result of payments which were made by the institutions to the agents of the institutions, the institutions' suppliers and service providers or third parties for or in respect of the ICT systems/projects.
- Fraud, corruption or maladministration regarding the affairs of the institutions in respect of the ICT systems/projects.

- b) The amendment includes theft, fraud, corruption or maladministration in the affairs of the DRDLR in relation to the lodging and processing of deeds on the Deeds Registration System of the Pretoria, Johannesburg, Cape Town and Bloemfontein Deeds Registries, or in the processes of requesting for or the giving-out of deeds information, including the causes of such fraud, corruption or maladministration and any loss, damage or prejudice actually or potentially suffered by the DRDLR or the State.

c) Investigation outcomes

Indicator	Description	R Value/ Number
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	2



d) Proclamation status

The final report in respect of Proclamation R7 of 2014 is being prepared and will be submitted in the next financial year. Proclamation R599 of 2015 is ongoing.

2.4.1.2 National Department of Public Works (DPW)

Proclamation R27 of 2015, published on 20 July 2015 extends Proclamation R38 of 2010, published on 30 July 2010

a) Scope of the investigation

The SIU was required to investigate the incurrence of irregular expenditure and/or fruitless and wasteful expenditure and payment of expenditure not due, owing or payable to the Department for the period 1 October 2003 to 30 July 2010, focusing on specific contracts/tenders, leasing of buildings for client departments and Prestige accommodation. The new proclamation extends the period of investigation to 20 July 2015.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of civil matters instituted in Court or the Special Tribunal	<p>The SIU (1st plaintiff) together with the Department (2nd plaintiff) is pursuing an action for the recovery of fees from the contractor as a consequence of an overcharge. The plaintiffs are also seeking to recover the fees paid to the consultants arising from their failure to carry out their mandate in terms of the contract concluded between the parties. The summons was issued and served and the matter is currently being defended.</p> <p>Legal proceedings have been instituted for the recovery of payments of R82 million on the grounds that the payment was illegal because it was contrary to the PFMA. The plaintiff was unjustly enriched and the respondent was unjustly impoverished because the plaintiff rendered no performance as <i>quid pro quo</i> for the payment of this amount.</p> <p>An application was lodged in the High Court to set aside a lease agreement for non-compliance with SCM procedures and/or the fraudulent award of a tender. A settlement agreement was reached and the contract has been declared <i>void ab initio</i>. The value of the agreement is R139.4 million.</p>	3
The number of referrals made to the NPA	Contraventions of sections 3 and 4 of PRECCA	2

c) Proclamation status

The final report in respect of Proclamation R38 of 2010 is being prepared and will be submitted in the next financial year. Proclamation R27 of 2015 is ongoing.

2.4.1.3 Department of Communications

Proclamation R62 of 2014, published on 4 September 2014

a) Scope of the investigation

The SIU is investigating the recovery of any losses suffered by the Department, in relation to the following for the period 1 May 2009 to 5 September 2014:

- The donation of R10 million by the Department towards the hosting or organisation of the Information Communication and Technology Indaba which took place from 4 to 7 June 2012.
- Travel and accommodation expenses or other benefits which were paid by the Department in respect of a person who does not qualify therefore.
- The recruitment, selection and appointment of an employee to a position that did not exist in the Communications Unit of the Department.
- Improper or unlawful conduct by an official of the Department which resulted in the Department purportedly breaching a contract concluded between the Department and Gitshasbaya Consulting.
- Improper or unlawful conduct by employees or officials of the Department or third parties relating to the recruitment, selection and appointment of the CFO of the South African Broadcasting Corporation (SABC) on 14 February 2012.
- The procurement of goods, works or services by or on behalf of the Department and payments made in respect thereof in relation to the Nkowankowa event held in Limpopo on 21 June 2013 and World Telecommunications and Information Society Day event held in Richards Bay, KZN, on 17 May 2013.

b) Investigation outcomes

Indicator	Description	R Value/ Number
The number of referrals made to the NPA	An official misrepresented that the Department would make a R10 million financial contribution in the form of a donation to a specific company to assist in the hosting of the ICT Indaba.	4
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	2



c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.4 National Department of Public Works (DPW)

Proclamation R59 of 2014, published on 27 August 2014

a) Scope of the investigation

The SIU is required to investigate the procurement and administration of leases by the Department for the Department or other National Departments and organs of State for whose accommodation needs the Department is responsible; any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Department. Theft, fraud, corruption, irregularities, malpractices or maladministration in the affairs of the Department in respect of these leases, including the causes of such and any loss, damage or prejudice actually or potentially suffered by the Department or the State for the period 1 June 2003 to 27 August 2014. These are leases concluded with private landlords for and on behalf of the Departments concerned.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Potential value of cash and/or assets recoverable	Three AOD documents were signed; In the FS and KZN the investigation teams identified that: the Department had paid for parking bays but they were never allocated by the landlord; that the landlord was not VAT registered but had charged VAT on the rental; and that the Department had made overpayments on their lease agreements.	R2.2 million
Actual value of cash and/or assets recovered	Repayments recovered for overpayments on rental agreements.	R2 million
The number of referrals made to the NPA	False tax clearance certificates submitted.	5
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	9

c) Proclamation status

Ongoing.

2.4.1.5 Department of Transport

Proclamation R57 of 2014, published on 01 August 2014

a) Scope of the investigation

The SIU was required to investigate allegations between 10 October 2005 and 1 August 2014 with regard to the extensions by the Department of the Driving License Card Contract RT (G) 6969 SA and the (Electronic National Traffic Information System) eNaTIS Contract RT1194KA, as well as any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Department in respect of payments which were made in terms of Change Note 47, dated 11 October 2010.

b) Investigation outcomes

Indicator	Description	R Value/ Number
The number of referrals made to the NPA	Contravention of section 34(1), 24(1) and 12(1) of PACOCAA; Contravention of section 38 and 86 of the PFMA and fraud.	17
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	1
Contracts set aside	The extension of the contract between the Department of Transport and Tasima (Pty) Ltd has been declared <i>void ab initio</i> .	R355 million

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.6 South African Post Office Ltd (SAPO)

Proclamation R5 of 2014, published on 6 February 2014, amended by Proclamation R56 of 2014, published on 1 August 2014

a) Scope of the investigation

The SIU is required to investigate the procurement of goods, works or services by or on behalf of the SAPO and payments made in respect thereof, and irregularities, malpractices or maladministration in the affairs of the SAPO in relation to: (a) the management of immovable property; (b) the implementation of the WebRiposte system; (c) loans granted to Courier and Freight Group (Pty) Ltd; and (d) the failure by officials or employees of the SAPO to take the necessary steps to prevent the SAPO from suffering financial losses or damages as a result of industrial action, irregularities



relating to the recruitment, selection and appointment of officials or employees of the SAPO, payments which were made by the SAPO to fictitious officials or employees. Any undisclosed or unauthorised interests the officials or employees of the SAPO may have had with regard to (a) vendors, contractors, suppliers or service providers who bid for work or conducted business with the SAPO; or (b) contracts awarded by or on behalf of the SAPO. The period to be investigated is from 1 January 2004 to 6 February 2014.

Proclamation R5 of 2014 is amended by (a) the further extension of the period referred to in this proclamation to the date of publication of Proclamation R56 of 2014; and (b) the addition of the following paragraph after paragraph 5 of the schedule in Proclamation R5 of 2014: "6. Irregular conduct by the Board Members of the SAPO in relation to the matters set out in the paragraphs above."

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	6

c) Proclamation status

The final report was handed over to the Presidency on 1 July 2015.

2.4.1.7 Department of Labour and the Compensation Fund

Proclamation R55 of 2014, published on 01 August 2014

a) Scope of the investigation

The SIU was mandated to investigate the following for the period 1 November 2002 to 1 August 2014:

- Compensation claim payments which were made by the Fund and related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Department and/or the Fund.
- The conclusion by the Department and/or the Fund of a Public Private Partnership Agreement concluded with Siemens Business Services (Pty) Ltd and the validity of the agreement; a Termination Support Agreement concluded with EOH Managed Services Public Sector (Pty) Ltd; and an agreement with the Medical Services Organisation South Africa for claims adjudication and medical service provider processing services.
- The procurement of goods, works or services by the Department and/or the Fund and payments made in respect thereof, in relation to the RFP for a Turnaround Strategy; and the RFPs for a Forensic Audit.

b) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.8 Universal Service and Access Agency of South Africa (USAASA)

Proclamation R20 of 2014, published on 28 March 2014

a) Scope of the investigation

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

b) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.9 Department of Communications

Proclamation R10 of 2014, published on 24 February 2014

a) Scope of the investigation

The SIU is investigating 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 and the validity of the Memorandum of Agreement (MoA) concluded between the Department and Media Corner on 29 October 2012. The validity of: (a) the implementation of the MoA referred to above; and (b) any payments made in terms of the MoA. The period to be investigated is from 1 February 2012 to 24 February 2014.

b) Proclamation status

Ongoing.

2.4.1.10 Department of Co-operative Governance and Traditional Affairs (COGTA)

Proclamation R6 of 2014, published on 06 February 2014

a) Scope of the investigation

The SIU is required to investigate the appointment of the South African National Apex Tertiary Co-operative Ltd (SANACO) by the Department to manage and to provide technical support and administration services in respect of the Ward-Based Co-operative Programme of the Department,



and payments which were made by the Department in respect of the Ward-Based Co-operatives Programme of the Department. The period to be investigated is from 26 November 2010 to 6 February 2014.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	Contraventions of section 18(1)(2) of the CIDB Act and fraud.	6

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

56

2.4.1.11 Department of Water Affairs (DWA)

Proclamation R54 of 2012, published on 21 September 2012

a) Scope of the investigation

The SIU is required to investigate allegations falling within the period 1 January 2004 to 21 September 2012 with regard to the procurement of, and contracting for, goods, works or services by the Department of Water Affairs (DWA), and payments made in relation hereto and any undisclosed or unauthorised interest the DWA's personnel may have had with regard to contractors, suppliers or service providers who bid for work or conducted business with the DWA.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Actual value of cash and/or assets recovered	Monies were owed to the Department for the funding of the Paterson Bulk Water Project.	R2.2 million
Number of referrals made to the NPA	Fraud, alternatively theft.	3
Actual savings	The SIU investigation found that an amount of R29 million was paid to a contractor but part of the payment was irregular because it constituted part of an irregular amendment to the original contract. The SIU recommended to the Department that further payments to the value of R8.5 million should not be made to the contractor and the SIU had received confirmation that no payments were approved based on our investigation.	R8.5 million

c) Proclamation status

One final report is being prepared and will be submitted in the next financial year and one matter is ongoing.

2.4.1.12 National Department of Rural Development and Land Reform and its agents (DRDLR)

Proclamation R53 of 2012, published on 21 September 2012

a) Scope of the 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 DRDLR, as well as irregular, unauthorised and fruitless and wasteful expenditure. The period of investigation was from 1 April 2003 to 21 September 2012.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Potential value of cash and/or assets recoverable	33 AOD documents were signed; One preservation order from the AFU.	R47 million
The number of referrals made to the NPA	Evidence was handed to the AFU to recover the proceeds of crime.	122

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.13 Eskom Holdings Ltd

Proclamation R2 of 2012, published on 7 February 2012

a) Scope of the investigation

The SIU was required to investigate allegations falling within the period 1 January 2006 and 7 February 2012 with regards to:

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



b) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.14 Department of Human Settlements (Low Cost Housing Contracts) (NDHS)

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 the investigation

The SIU was required to investigate any 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.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Actual value of cash and/or assets recovered	A final payment was made by the Polokwane Housing Association to the Department for 492 units that were not constructed at the Ga Rena Rental Village Project.	R29.2 million
The number of referrals made to the NPA	False Tax Clearance certificates submitted; False practical completion and handover certificates submitted; False claims submitted; Failure to comply with the provisions of sections 38(1) of the PFMA; Possible contravention of PACOCAA and contraventions of section 86(1) of the PFMA.	13
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	2

c) Proclamation status

The final report was handed over to the Presidency on 2 October 2015.

2.4.1.15 South African Police Service (SAPS)

Proclamation R42 of 2010, published on 10 August 2010; extended by Proclamation R73 of 2011, published on 22 December 2011

a) Scope of the 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 identified, which occurred in the period January 2005 and August 2010. The period covered by the investigation was extended up to 22 December 2011 by Proclamation R7 of 22 December 2011.

b) Investigation outcomes

Indicator	Description	R Value/Number
Number of referrals made to the NPA	Contravention of section 17(1) of PACOCAA.	46

59

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.1.16 National Department of Rural Development and Land Reform

Proclamation R8 of 2011, published on 18 February 2011

a) Scope of the 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 levelled against employees of the DRDLR, as well as irregular, unauthorised and fruitless and wasteful expenditure. The period of investigation is from 1 January 2006 to 18 February 2011.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Potential value of cash and/or assets recoverable	Three AFU preservation orders were issued for farms situated in KZN.	R23 million
Number of referrals made to the NPA	Evidence was referred to the AFU to recover the proceeds of crime.	34
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	2



c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.2 Provincial

2.4.2.1 Department of Public Works (DPW): Prestige Directorate, Western Cape

Proclamation R44 of 2015, published on 10 December 2015, amends Proclamation R54 of 2014, published on 1 August 2014

a) Scope of the investigation

The procurement of goods and services on behalf of the Department by the Department's Prestige Directorate and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Department in relation to 17 Prestige Projects in the Western Cape. It includes the procurement of goods and services in relation to 13 additional Prestige projects in the Western Cape.

b) Proclamation status

Ongoing.

2.4.2.2 Eastern Cape Department of Education (EC Education)

Proclamation R598 of 2015, published on 10 July 2015

a) Scope of the investigation

The SIU is required to investigate the procurement of goods and services from Siegesmund Trust by or on behalf of the Department and payments made in respect thereof, and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Department.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	5

c) Proclamation status

Ongoing.

2.4.2.3 Kwazulu-Natal Provincial Treasury (KZN Provincial Treasury)

Proclamation R49 of 2014, published on 24 July 2014, amended by Proclamation R16 of 2015, published on 17 March 2015

a) Scope of the investigation

The SIU is authorised to investigate the appointment by the KZN Provincial Treasury, the Departments and the KZN Sharks Board of a service provider to the “Municipal Infrastructure Crack Team” of the Treasury, the Departments and the KZN Sharks Board to provide services for the Municipal Infrastructure Intervention Programme of the Treasury, and payments made to the service provider. The validity of funding provided by the Treasury in respect of the: (a) “Commemorating Prisoners of War – St Helena” event; (b) Durban International North Sea Jazz Festival; and (c) KZN Sharks Board and any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Treasury in respect of the provision of such funding; any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Departments and the KZN Sharks Board in respect of the funding received from the Treasury. The period of investigation is from 24 May 2012 to 24 July 2014.

61

b) Proclamation status

Ongoing.

2.4.2.4 The Guardian’s Fund (GF) components of the KwaZulu-Natal and Gauteng offices of the Master of the High Court of the Department of Justice and Constitutional Development (DoJ&CD)

Proclamation R55 of 2012, published on 21 September 2012

a) Scope of the investigation

The investigation focused on allegations of fraudulent applications submitted to and payments made by the KZN and Gauteng Guardian’s Fund Offices. The investigation covers the period from 1 January 2001 to September 2012.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	Applications lodged against late estates.	4
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	2

c) Proclamation status

The final report was submitted to the Presidency on 01 July 2015.



2.4.2.5 Department of Public Works, Kwazulu-Natal Province (KZN DPW)

Proclamation R43 of 2010, published on 27 August 2010

Proclamation R49 of 2012 extension, published on 7 September 2012

a) Scope of the 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 KZN DPW during the period 1 January 2005 to 7 September 2012. The investigation focused on the procurement process and alleged manipulation thereof by contractors and KZN DPW officials in order to secure tenders as well as the delivery of services.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Actual value of cash and/or assets recovered	A final AFU order was obtained against a specific company.	R2 million
Number of referrals made to the NPA	Fraud and corruption.	16
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	19

c) Proclamation status

One of the final reports was handed over to the Presidency on 1 July 2015.

2.4.2.6 Limpopo Province Intervention

Proclamation R21 of 2012, published on 23 March 2012

a) Scope of the investigation

Maladministration of the affairs of the Department(s) of Provincial Treasury; Health and Social Development; Roads and Transport; Education and Public Works in relation to their (a) Cash Management; (b) Supply Chain Management; (c) Contract Management; and (d) Budget preparation and implementation, including the causes of such maladministration.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of civil matters instituted in Court or the Special Tribunal	<p>The SIU instituted civil action to become a fourth defendant to the civil proceedings currently pending between Sankhyaa Learning Private Limited and the Limpopo Department of Education, a former MEC for the Department and the Minister of Basic Education, which will afford the SIU the opportunity to:</p> <ul style="list-style-type: none">• Support the Department in defending the claim made by Sankhyaa;• Introduce additional grounds of defence and relevant evidence in defending the Department and the State against the claim made by Sankhyaa;• Potentially institute a counter claim against Sankhyaa in which the SIU requests a declaration of invalidity of the contract that had been concluded between Sankhyaa and the Department, along with a claim for relief that is considered to be just and equitable by the court (which could include an order for the repayment to the Department or the State of certain monies previously paid by the Department to Sankhyaa); and• Intervene in any potential settlement negotiations between Sankhyaa and the Department, where the interest of the State may not be served by such settlement proposals.	1

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.2.7 Department of Health: Gauteng Province (GDoH)

Proclamation R21 of 2010, published on 14 May 2010

a) Scope of the investigation

The matter relates to alleged irregularities regarding the affairs of the GDoH in relation to the procurement of the services of various consultants and contractors. The period of investigation is from 1 January 2006 to 14 May 2010. The investigation covers the following areas:

- Irregular appointment of contractors, suppliers or service providers to render services and/or deliver goods for the project;



- Irregular procurement of goods, works or services in relation to the project (including cover quoting, splitting of orders and evasion of competitive bidding processes);
- Undue/irregular payments made to contractors, suppliers or service providers;
- The State not having received value for money as regards 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 on the project).

b) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.3 Local

2.4.3.1 Buffalo City Metropolitan Municipality (BCM)

Proclamation R40 of 2015, published on 12 October 2015

a) Scope of the investigation

For the period 1 February 2008 to 12 October 2015, the SIU is required to investigate the procurement of goods, works or services by or on behalf of the Municipality and payments which were made in respect thereof, and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the Municipality in relation to the contracts awarded to Masiqhame Trading 520 CC, for the supply and delivery of black refuse bags to the Municipality and Imvusa Trading 337 CC for the construction of 150 top structures in respect of the Potsdam Unit P Stage 2 Housing Project.

b) Proclamation status

Ongoing.

2.4.3.2 Greater Tubatse Local Municipality

Proclamation R52 of 2014, published on 1 August 2014

a) Scope of the investigation

For the period 11 March 2004 to 1 August 2014, the SIU was mandated to investigate (a) the procurement of goods, works or services by or on behalf of the Municipality; (b) fruitless and wasteful expenditure incurred by the Municipality through a settlement paid to Phambili; (c) the award of contracts by the Municipality to suppliers in which individuals in the service of the State held interests; (d) and the failure by the Municipality to collect money due and owing by its debtors in respect of a cost order made in favour of the Municipality by the North Gauteng High Court and municipal services rendered.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	4

c) Proclamation status

Ongoing.

2.4.3.3 Vhembe District Municipality

Proclamation R51 of 2014, published on 1 August 2014

65

a) Scope of the Investigation

The SIU was mandated to investigate for the period 1 May 2010 to 1 August 2014: (a) the procurement of goods, works or services by or on behalf of the Municipality; (b) the misappropriation of funds and the incurrence of wasteful expenditure or expenditure in relation to payments made to its contractors, suppliers or service providers; and (c) the award of contracts by the Municipality to suppliers in which individuals in the service of the State held interests.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	1

c) Proclamation status

Ongoing.

2.4.3.4 Bushbuckridge Local Municipality: Mpumalanga Province

Proclamation R8 of 2014, published on 14 February 2014

a) Scope of the investigation

The SIU was mandated to investigate the following for the period 1 May 2010 to 14 February 2014:

- The procurement of goods, works or services by or on behalf of the Municipality in a manner that was not fair, equitable, transparent, competitive or cost-effective and contrary to applicable legislation, manuals, guidelines, practice notes, instructions, codes, policies, procedures, prescripts issued by National Treasury or the Provincial Treasury or the Municipality;



- Any undisclosed or unauthorised interests the personnel 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;
- The misappropriation of funds and the incurrence of 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 the personnel of the Municipality.

a) Investigation outcomes

66

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	Fraud, theft and contravention of section 3 of PACOCAA.	12
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	3

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.3.5 Midvaal Local Municipality: Gauteng Province (MLM)

Proclamation R33 of 2011, published on 20 May 2011

a) Scope of the investigation

The SIU was mandated to investigate allegations of irregularities in the Midvaal Local Municipality (MLM) which include:

- 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 of the Municipality at an incorrect level;
- The MLM neglected to follow up on employees' arrear municipal services accounts.

b) Proclamation status

The final report was submitted to the Presidency on 2 October 2015.

2.4.3.6 Ekurhuleni Metropolitan Municipality (EMM): Gauteng Province

Proclamation R63 of 2010, published on 8 November 2010

a) Scope of the investigation

The SIU was mandated to investigate allegations of irregularities in the EMM, which include:

- The irregular procurement of goods, works or services by or on behalf of the Municipality and payments made in respect thereof; and
- The mismanagement of finances or assets of the municipality in respect of:
 - 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; or
 - duplication of payments to contractors, suppliers or service providers; and
 - the fraudulent and corrupt involvement of officials or employees of the Municipality or contractors, suppliers or service providers of the Municipality, in the making of such payments.

67

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	An official acquired or held a private interest in a contract emanating from or connected with the Municipality in which she was employed.	1

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.3.7 Tshwane Metropolitan Municipality (TMM): Gauteng Province

Proclamation R62 of 2010, published on 8 November 2010

a) Scope of the investigation

The SIU was mandated to investigate allegations of irregularities at the TMM, which include:

- 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;
- Fruitless and wasteful expenditure incurred by the Municipality;
- The irregular procurement of goods or services by or on behalf of the Municipality or its municipal entities;
- The mismanagement of the finances, assets or other resources of the Municipality; and
- Alleged interference by the City Manager in pending disciplinary proceedings against employees.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	Fraud and contravention of section 173(3) of the MFMA.	3
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	1

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.3.8 North West Province Municipalities (NWM)

Proclamation R72 of 2009, published on 10 November 2009

a) Scope of the investigation

The SIU was mandated to investigate allegations of irregularities in the NWM, which include:

- 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 and disproportionate remuneration of under-qualified and unsuitable candidates in municipal staff establishments;
- The remuneration of non-performing and underperforming municipal staff without taking appropriate disciplinary steps against such staff;
- Losses of municipal funds due to theft, fraud and misallocation;

- Disproportionate, wasteful and irregular expenditure of municipal funds;
- Mismanagement of expenditure of municipal funds and resources, and the accumulation of municipal debt;
- Losses to municipalities caused by inadequate management of and control over municipal contracts and resources;
- The procurement and alienation of goods and services contrary to the provisions of the MFMA and other applicable laws, as well as municipal policy and procedures;
- 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 of the applicable provisions of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and the MFMA;
- The misuse and misappropriation of funds deriving from the Municipal Infrastructure Grant (MIG); and
- The misuse of municipal resources for private benefit.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	An official was registered as a member of a CC while employed by the Municipality.	3
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	5

c) Proclamation status

The final report is being prepared and will be submitted in the next financial year.

2.4.4 State-owned entities

2.4.4.1 The State Information Technology Agency (Pty) Ltd (SITA)

Proclamation R53 of 2014, published on 1 August 2014, amended by Proclamation R15 of 2015, published on 17 March 2015



a) Scope of the investigation

The initial proclamation determined the period of investigation to commence on 8 September 2012 and end on 1 August 2014, and included payments which were made by the SITA to IBM (International Business Machines) in terms of an agreement dated 30 April 2013. The 2015 Proclamation amends the period of investigation to 3 August 2012 until 17 March 2015. The schedule was also amended to include any reference to:

- A “contract”, which means any (i) Integrated Supply Agreement, (ii) Strategic Relationship Document of Understanding, (iii) Enterprise Licence Agreement, (iv) Enterprise Software Solution Offering, (v) Enterprise Software and Services Option or (vi) Service Level Agreement;
- “Contracting”, which includes, but is not limited to, any negotiation processes involving a contract, the conclusion and signing of a contract and any novation, renewal, variation, extension, amendment, cancellation or termination of a contract;
- “IBM”, which refers to the International Business Machines Corporation and Subsidiary Companies, including IBM SA (Pty) Ltd (Registration No.: 1952/000308/07);
- “iFirm”, which refers to iFirm Consulting (Pty) Ltd (Registration No.: 2012/226990/07);
- “iFirm contracts”, which refers to the agreements between the SITA and iFirm dated 4 April 2014 and 21 May 2014;
- “Personnel of a State institution”, which includes any member of a board, director, official, officer, employee, member, agent, vendor, contractor or sub-contractor, supplier or service provider of a State institution;
- “Personnel of IBM”, which includes any member of the board, director, employee, member, agent, vendor, contractor, sub-contractor, supplier or service provider of IBM;
- “Personnel of iFirm”, which includes any member of the board, director, employee, member, agent, vendor, contractor, sub-contractor, supplier or service provider of iFirm;
- “Personnel of the SITA”, which includes any member of the board, director, official, officer, employee, member, agent, vendor, contractor, sub-contractor, supplier or service provider of the SITA;
- “Solution”, which refers to (i) the provision of any cloud infrastructure services solution, (ii) the provision of any goods, works or services, as envisaged in Tender RFB 989/2012, or (iii) any integrated procurement model for any government department or State institution;
- “State institution”; which means any (i) department for whose procurement the SITA is responsible, as envisaged in the SITA Act, Act No. 88 of 1998 or (ii) public body which requested the SITA to procure goods, works or services on behalf of the public body, as envisaged in the SITA Act,.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of civil matters instituted in court or the Special Tribunal	The SIU instituted civil action to have a contract awarded to iFirm to the value of R265 million set aside. The reason for setting aside the contract is non-compliance with SITA's procurement system as well as non-compliance with section 217 of the Constitution.	1
Actual savings	The SIU investigation found that the prescribed procurement process was not followed and that the award of the iFirm contract was not fair, equitable, transparent, competitive and cost-effective, and any expenditure in terms of this contract would constitute irregular expenditure. The SIU recommended that all payments to iFirm be suspended. SITA confirmed that the contract was suspended and that no payments in terms of this contract were made.	R302 million

71

c) Proclamation status

Ongoing.

2.4.4.2 The State Information Technology Agency (Pty) Ltd (SITA)

Proclamation R48 of 2012, published on 7 September 2012

a) Scope of the Investigation

The SIU is required to investigate the procurement of goods, works or services by SITA for itself or for and on behalf of Departments for whose procurement SITA is responsible, as envisaged in the SITA Act, 1998, or on behalf of public bodies which so requested SITA, and the failure to collect monies due, owing and payable to SITA. The period of investigation is from 7 October 2003 to 7 September 2012.

b) Investigation outcomes

Indicator	Description	R Value/ Number
Number of referrals made to the NPA	False Tax Clearance certificates submitted.	2
Number of instances where potential disciplinary matters were brought to the attention of the relevant State institution	Recommendations were made against officials for acts or omissions which amount to misconduct.	4
Contract set aside	The contract between SITA and Accenture was set aside for fraud, forgery and uttering.	R223.5 million

c) Proclamation status

The final report was handed over to the Presidency on 1 July 2015.





PART C: **REPORT ON** **CORPORATE** **GOVERNANCE**

72



PART C: REPORT ON CORPORATE GOVERNANCE

3.1 Fraud and corruption

The anti-corruption plan and the progress made in implementing the plan are covered in this section. The Internal Integrity Unit (IIU) is involved in all four areas that constitute the plan: prevention, detection, investigation and resolution.

Prevention

Before joining the SIU, prospective candidates are subjected to a pre-employment screening. Re-screenings are done periodically. The inspection process, performed by the State Security Agency (SSA), is applicable to members who come into contact with sensitive documentation or information, and helps to avert potential fraud and corruption.

In order to address possible conflicts of interest, the IIU runs a system whereby members need to declare their assets on an annual basis. Applications must be made to obtain permission to receive external remuneration, which will be adjudicated by the Head of the Unit. SIU members are forbidden to accept any gifts from service providers. Registers are available in all regions for the purpose of recording any gifts to members, which have to be signed off by managers or regional heads.

Detection

Investigations were conducted when possible fraud and corruption cases had been detected through re-screenings. When members become aware of colleagues' probable involvement in adverse activities, they usually report to the IIU.

Mechanisms are in place to report on fraud and corruption. In cases of whistle blowing, officials make confidential disclosures about suspected fraud and corruption. Members can report wrongdoings anonymously to the internal fraud hotline number (083 533 6429) or email (ethics@siu.org.za). These facilities are fully operational, albeit on a temporary basis while awaiting completion of the SCM procurement process.

Investigation

Internal investigations are conducted by the IIU upon receiving a mandate from the Head of the Unit.

Resolution

When disciplinary matters are detected, an internal investigation takes place after which the Disciplinary Committee (DC) decides whether to proceed with disciplinary action or not. The IIU's complaint affidavit initialises the disciplinary process. The internal integrity officer who investigates a matter will testify in the disciplinary hearing. IIU members also serve other members with suspension

letters and in recovering unit property such as laptops etc. If the matter is of a criminal nature (such as fraud) the IIU will report it to the SAPS on instruction from the Head of the Unit.

3.2 Minimising conflict of interest

SIU members have to declare their assets on an annual basis, including directorships, companies, outside remuneration, property etc. The IIU uses TransUnion reports supplied by the Companies and Intellectual Property Commission (CIPC) to verify whether all companies and directorships have been declared, and is tasked to follow up if discrepancies are exposed. The return rate for SMS members for 2015/2016 was 100%.

Before a member can start earning outside remuneration, he or she needs to request permission, which is granted by the Head of the Unit. The Head of the IIU will make recommendations and point out if there is any actual or potential conflict of interest or risk involved. The SIU Gift Policy is supplemented by an instruction regarding the receiving of gifts and clearly states that no gifts may be accepted from service providers. Other gifts need to be declared in the gift register and signed off by the member's manager or the regional head. If a conflict of interest is identified, the member will be questioned on the matter. Depending on the nature and seriousness of the matter, the member may need to undergo a disciplinary process.

75

3.3 Code of conduct

Our conduct and relationships are guided by key values and principles. They define the type of institution that the SIU aspires to be and must be visible in the way we conduct ourselves, how we engage with one other and other agencies, and how we deliver value added services. Our values create the moral and ethical compass that guides us as we pursue our mandate with integrity and honesty. The SIU currently has drafted a code of business conduct to align the SIU to best practices in a changing world. This code is due to be presented at the SIU policy workshop for adoption.

When there is a contravention of the code of conduct, members can report misconduct to any IIU member who will report the matter to the Head of the IIU. The Head of the Unit will then sign a mandate to investigate. Members can also report wrongdoing to their line manager who will deal with the matter and/or report it to the Human Resources (HR) department. The matter will be assigned to an investigator who has to conduct an investigation. A report on the contravention of the code of conduct is sent to the Head of the IIU, who will assess the matter and make recommendations to the Head of the Unit. The matter will then be referred to the Disciplinary Committee to be dealt with according to the prescripts of the internal disciplinary policy.

3.4 Health, safety and environmental issues

Committees remain functional in our respective regions. For the year under review, another



refresher course was presented to ensure that the Occupational Health and Safety (OHS) representatives are apprised of their duties and responsibilities, as well as keeping them abreast of the new developments.

A need for an OHS coordinator was identified and plans to establishment such a position are underway. However, the matter of risk assessment to ensure compliance of all our offices has not been completed yet.

Six incidents were reported during the year – three fewer than the previous year. These incidents were registered with the Department of Labour.

Table 3.1 Number of reported injuries on duty according to demographic group

Gender		Race			
Male	Female	African	Coloured	Indian	White
2	4	1	1	0	4

3.5 Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2016.

Audit Committee members and attendance

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

Table 3.2: Audit Committee members and meeting attendance

Name of member	No. of meetings attended
Prof H de Jager –Chairperson*	2
Ms B Ngunjiri – Chairperson	3
Mr M Maliehe	4
Mr H Hlomane	4
Mr M Ntumba*	2

* Member retired

The Auditor-General of South Africa (AGSA) and representatives of the firms to whom the internal 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 discharged all its responsibilities as contained therein.

The effectiveness of internal control

The SIU's systems of internal control are designed to provide assurances that, inter alia, assets are safeguarded and liabilities and working capital are managed effectively and efficiently. From the various reports submitted by the 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 the process of attending to them. Follow-up by the internal auditors is needed.

Internal Audit

During the review period the internal auditors continued 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 and led by a newly appointed Chief Audit Executive.

Financial statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements and the Annual Performance Report included in this 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.



Chairperson of the Audit Committee
B Ngunjiri

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

A Risk management committee is in place and is led by an independent chairperson. In addition, efforts are underway to ensure that risk management and related processes are embedded into the operation of the unit.

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 2016.

The Audit Committee urged management to pay attention to the different matters raised by the AGSA in its management letter and audit report and to ensure the appropriate corrective actions are taken to prevent recurrence in the future.

Auditor-General of South Africa

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues as at 31 March 2016.



Chairperson of the Audit committee

B Ngunjiri

29 July 2016

3.6 Risk Management Committee

The Risk Management department has been established under the leadership of the Chief Audit Executive. SIU Risk Management Plan has been developed and approved together with the Risk Management Framework and Risk Management Standards. The Risk Management department is in a process of Risk Management Framework roll out for the year 2016/17.

3.7 ICT Governance Committee

The ICT Governance Committee chaired by an independent non-executive director has been established to mainly ensure that an IT internal control framework is adopted and implemented to mitigate IT related risks facing the Unit. The Committee ensures that the IT strategy is integrated with the strategic and business processes to improve the Unit's performance and sustainability.

Monitoring and evaluating significant IT investments and expenditure and also ensuring that information assets are managed efficiently and effectively are integral part of this Committee. The Committee reports to the Audit Committee pertaining to its IT governance operations and the progress being made on management of IT risks.

3.8 Human Resources Committee

In January 2016, the Head of the Unit / SIU approved the establishment of the Human Resources, Remuneration and Transformation Committee. The committee is made up of two independent members who are seasoned HR professionals. The key mandate of the committee is to give advise and/or make recommendations to the Head of the Unit on key strategic HR, Remuneration and Transformation issues that impacts the organisation. The committee had one meeting during the financial year where the work plan of the committee was discussed and agreed upon. The input to the draft terms of reference were done and were referred to EXCO for approval.





PART D: **HUMAN** **RESOURCE** **MANAGEMENT**

80



PART D: HUMAN RESOURCE MANAGEMENT

4.1 Introduction

During the year under review the organisation placed huge emphasis on improving communication channels within the Unit to achieve this goal. EXCO engaged staff through quarterly General Staff Meetings (GSM) and regional visits. Engagements with National Education, Health and Allied Workers' Union (NEHAWU) through various forums were enhanced and this improved the general relations within the organisation. There was also strong focus on management and operations committee meetings where various issues were dealt with for the purposes of achieving key strategic objectives for the organisation.

4.2 Key achievements

Key achievements include:

- **Review of the organisational structure** – The SIU started the process of reviewing its organisational structure. The Unit has evolved over the past few years, resulting in some changes to the operating model and processes that underpin the current organisational structure. These changes have resulted in the need to review and update the organisational structure to ensure that it is in line with the current SIU operating model and able to support the strategic direction of the organisation.
- **HR policies** – The following policies were reviewed: retirement, performance appraisal, leave, disciplinary, training and development. Simultaneously, the following new policies were developed: inconvenience allowance and overtime, terminations and bereavement. Staff members were invited to provide their inputs and comments and the labour was consulted.
- **Learning and development** – There was continued focus on learning and development with more than half of staff attending various training programmes. Achievements in this area includes: 92 study bursaries which were awarded to staff members and nine staff members were appointed as Forensic Lawyers upon the successful completion of an in-house Forensic Lawyer Mentorship programme.
- **Employee benefits** – A pension-backed housing loan facility was introduced for employees, whereby housing loans can be accessed with the provident funds serving as surety. Alternative medical aid options were explored and researched as we recognise that medical aids are vital but very expensive for employees.

4.3 Human Resources oversight statistics

4.3.1 Personnel costs by programme

Table 4.1: Personnel costs by programme

Category	Personnel expenditure (R'000)	Average employee count for the period	Average personnel cost per employee (R'000)
Business Management	12,008	19	632
Business Operations	249,005	431	577
Business Support	35,486	101	351
Total	296,499	551	538

Note: Personnel expenditure per audited AFS amounts to **R 300,863,156** whilst per HR Report the amount is **R 296,499,000**. The difference of **R 4,364,156** is made up of training costs, Relocation costs, COID and accrual for leave pay, which are not processes through the payroll.

4.3.2 Personnel costs by salary band

Table 4.2 Personnel costs in terms of salary band

Occupational levels	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	Average employee count for the period	Average personnel cost per employee (R'000)
Top Management	-	-	-	-
Senior Management	32,471	10.95%	27	1,202
Professional Qualified	150,631	50.80%	188	801
Skilled	85,544	28.85%	190	450
Semi-skilled	26,485	8.93%	134	197
Unskilled	1,369	0.46%	12	114
Total	296,499	100%	551	538



4.3.3 Performance rewards

Table 4.3: Performance rewards

Occupational levels	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	-	0%
Senior Management	3,422	32,471	10.54%
Professional Qualified	11,749	150,631	7.80%
Skilled	3,729	85,544	4.36%
Semi-skilled	1,928	26,485	7.28%
Unskilled	82	1,369	5.99%
Total	20,911	296,499	7.05%

4.3.4 Training costs

Table 4.4: Employee training costs

Category	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost.	No. of employees trained	Ave training cost per employee (R'000)
Business Management	12,008	59	0.5%	25	2
Business Operations	249,005	1,234	0.5%	471	2
Business Support	35,486	250	0.7%	88	2
Total	296,499	1,543	0.5%	584	2

4.3.5 Employment and vacancies

Table 4.5: Employment and vacancies according to occupational level

Category	2014/2015 No. of employees	2015/2016 Approved posts	No. of employees, March 2016	2015/2016 Vacancies	2015/2016 % of vacancies
Operations	430	439	419	20	5%
Support	116	129	115	14	12%
Total	546	568	534	34	6%

Table 4.6: Employment and vacancies according to skills level

Occupational levels	2014/2015 No. of employees	2015/2016 Approved posts	No. of employees March 2016	2015/2016 Vacancies	2015/2016 % of vacancies
Top Management	0	1	0	1	100%
Executive / Senior Management	25	30	23	7	23%
Professional Qualified	186	199	183	16	8%
Skilled	190	192	184	8	4%
Semi-skilled	133	134	132	2	1%
Unskilled	12	12	12	0	0%
Total	546	568	534	34	6%

4.3.6 Employment changes

Table 4.7: Employment appointments and terminations

Occupational levels	Appointments 2015/16	Terminations 2015/16
Top Management	0	0
Executive / Senior Management	1	3
Professional qualified	3	6
Skilled	0	8
Semi-skilled	1	2
Unskilled	0	0
Total	5	19

*Note: Senior Management appointment – Head: Internal Audit Risk and Governance;
Terminations – CFO, 1 Programme Manager and 1 Senior Forensic Lawyer.*

4.3.7 Reasons for staff leaving

Table 4.8: Reasons for staff attrition

Categories	Number	% of total no. of staff leaving
Death	3	16%
Resignation	12	63%
Dismissal	0	0%
Retirement	2	11%
Ill health	0	0%
Expiry of contract	2	11%
Other	0	0%
Total	19	100%

4.3.8 Labour relations: Misconduct and disciplinary action

Table 4.9: Disciplinary action data

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

4.3.9 Equity target and employment equity status

Table 4.10: Employment equity targets and status for male employees

Occupational levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	4	4	2	0	2	0	8	0
Professional Qualified	53	9	14	0	17	0	44	0
Skilled	77	4	8	0	11	0	5	0
Semi-skilled	28	0	0	0	0	1	3	1
Unskilled	0	0	0	0	0	0	0	0
Total	162	18	24	0	30	1	60	1

Table 4.11: Employment equity targets and status for female employees

Occupational 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	3	0	0	2	0	2	0
Professional Qualified	19	7	1	0	5	0	30	0
Skilled	38	4	5	0	13	0	27	0
Semi-skilled	79	0	5	0	7	0	10	0
Unskilled	12	0	0	0	0	0	0	0
Total	151	14	11	0	27	0	69	0

Table 4.12: SIU employees with disabilities

Occupational 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
Total	0	0	0	3



PART E: FINANCIAL INFORMATION





5.1 Statement of responsibility for the financial statements

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

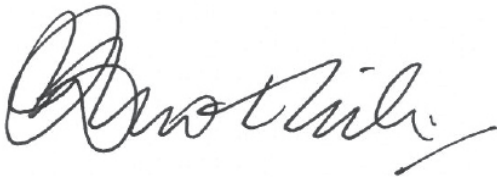
All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General. The annual financial statements are complete, accurate and free from any omissions. The financial statements were prepared in accordance with the Annual Report 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 my opinion, the annual financial statements fairly reflect the financial affairs of the entity for the financial year ended 31 March 2016.

Yours faithfully



Head of the Special Investigating Unit

Adv. JL Mothibi

29 July 2016

5.2 Report of the Auditor-General

Report on the financial statements

Introduction

I have audited the financial statements of the Special Investigating Unit set out on pages 94 to 131, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-general's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with 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.

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

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



Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Investigating Unit as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and 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

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2016:

- Objective 1: Quality forensic investigations, conducting civil litigation and assisting with other processes on pages 39 to 45
- Objective 2: Developing and maintaining strategic partner relations on pages 46 to 47

I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Quality forensic investigations, conducting civil litigation and assisting with other processes
- Developing and maintaining strategic partner relations

Additional matters

Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

Refer to the annual performance report on page(s) 39 to 47 for information on the achievement of the planned targets for the year.

Compliance with legislation

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

Annual Financial Statements and Annual Report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) of the Public Finance Management Act. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

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 legislation included in this report.

Leadership

Leadership did not adequately exercise oversight responsibility with regards to some aspects of financial reporting and compliance and related internal controls.

Financial and performance management

Management did not adequately implement effective review controls to ensure accurate and complete financial statements.

Auditor - General



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria

29 July 2016

5.3 Annual Financial Statements

SPECIAL INVESTIGATING UNIT

Established in terms of Act 74/1996 (Proclamation 118/2001)

Statement of Financial Position

For the year ended 31 March 2016

	Note	2016 R	2015 R
Assets			
Current assets		415 481 611	351 791 394
Cash and cash equivalents	10	242 224 669	121 307 051
Bank balances – recoveries	5	30 238 829	21 345 189
Prepayments	9	1 538 378	1 989 936
Trade and other receivables from exchange transactions	7	140 908 766	204 397 206
Trade and other receivables from non-exchange transactions	8	570 969	626 048
Consumables on hand	6	-	61 685
Assets held for sale	4	-	2 064 279
Non-current assets		40 070 091	33 923 471
Property and equipment	2	36 990 449	30 071 479
Intangible assets	3	3 079 642	3 851 992
Total assets		455 551 702	385 714 865
Liabilities			
Current liabilities		72 522 221	52 603 829
Trade and other payables from exchange transactions	11	14 883 492	5 143 611
Trade and other payables from non-exchange transactions	12	4 428	143 116
Income received in advance	14	426 737	4 574 761
Provisions	15	26 968 735	21 397 152
Payables – recoveries	13	30 238 829	21 345 189
Total liabilities		72 522 221	52 603 829
Net assets			
Accumulated surplus		383 029 481	333 111 036
Total liabilities and equity		455 551 702	385 714 865

Statement of Financial Performance

For the year ended 31 March 2016

	Note	2016 R	2015 R
Revenue			
Revenue from non-exchange transactions	16	313 701 344	301 949 049
Government grant		304 458 000	296 813 000
CARA funds		4 148 024	5 136 049
Other income		5 095 320	-
Revenue from exchange transactions		181 014 934	232 066 579
Services rendered	16	174 044 339	226 911 547
Interest earned – call accounts	19	6 929 595	5 140 791
Other income	18	41 000	14 241
Total revenue		494 716 278	534 015 628
Expenses			
Employees costs	17	(300 863 156)	(275 747 637)
Travel and accommodation	21	(11 133 743)	(8 649 183)
Depreciation	2	(5 335 222)	(6 493 944)
Amortisation costs	3	(194 166)	(195 439)
Impairment loss		-	(255 588)
Other operating expenses	20	(64 357 855)	(64 404 118)
Debt impairment	7	(62 913 691)	(106 511 742)
Total expenses		(444 797 833)	(462 257 651)
Surplus for the year		49 918 445	71 757 977

Statement of Changes in Net Assets

For the year ended 31 March 2016

	Notes	Accumulated Surplus R	Total R
Balance at 31 March 2014		261 353 059	261 353 059
Surplus for the year		71 757 977	71 757 977
Balance at 31 March 2015		333 111 036	333 111 036
Surplus for the year		49 918 445	49 918 445
Balance at 31 March 2016		383 029 481	383 029 481

Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Grants received		304 458 000	296 813 000
Cash received from services rendered		179 273 749	118 723 579
Other receipts		5 136 320	14 241
Interest income		6 929 595	5 140 791
		<u>495 797 664</u>	<u>420 691 611</u>
Payments			
Compensation of employees		(300 863 156)	(275 747 637)
Cash paid for goods and services		(64 374 332)	(85 947 439)
		<u>(365 237 488)</u>	<u>(361 695 076)</u>
Cash generated/(utilised) from operations	26	<u>130 560 176</u>	<u>58 996 535</u>
Cash flows from investing activities			
Purchase of assets	2	(12 291 182)	(12 986 268)
Proceeds from sale of assets		2 648 624	-
Cash movement on recoveries		8 893 640	(1 037 973)
Net cash outflows from investing activities		<u>(748 918)</u>	<u>(14 024 241)</u>
Cash flows from financing activities			
Movement in payables on recoveries			1 037 973
Net increase/(decrease) in cash and cash equivalents		120 917 618	146 010 267
Cash and cash equivalents at the beginning of the year		121 307 051	75 296 784
Cash and cash equivalents at the end of the year	10	<u>242 224 669</u>	<u>121 307 051</u>

Statement of Budget Comparison

For the year ended 31 March 2016

	Actual total	Original budget	Final budget	Variance
Income	494 716 278	445 940 000	498 988 000	(4 271 722)
Government grant	304 458 000	304 458 000	304 458 000	-
Projects income	178 192 363	137 282 000	189 730 000	(11 537 637)
Interest earned	6 929 595	4 200 000	4 800 000	2 129 595
Other income	5 136 320	-	-	5 136 320
Expenses	(444 797 833)	(445 940 000)	(498 988 000)	(54 190 167)
Direct cost: Salaries	(300 863 156)	(284 633 000)	(315 930 000)	(15 066 844)
Direct cost: Consultants				
Direct cost: Travel and accommodation	(11 133 744)	(19 891 083)	(18 240 889)	(7 107 145)
Direct operational costs	(1 253 674)	(9 425 156)	(11 876 156)	(10 622 482)
Project administration cost	(12 506 820)	(16 513 093)	(18 232 093)	(5 725 273)
Administration costs	(113 705 217)	(107 267 668)	(126 498 862)	(12 793 645)
Depreciation	(5 335 222)	(8 210 000)	(8 210 000)	(2 874 778)
Surplus for the year	49 918 445	-	-	49 918 445
Assets	12 291 181	32 628 000	147 217 000	134 925 819

Refer to note 34 for detailed commentary on the difference between final budget and actual.

Accounting policies

For the year ended 31 March 2016

1. Basis of preparation

The annual financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, (Act No. 1 of 1999).

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

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

Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. All amounts are stated in full, with no rounding except for cents that are not disclosed.

Going concern

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.1 Standards, amendments to standards and interpretations issued but not yet effective

The following Standards of GRAP and/or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 18 Segment reporting

The Standard requires the identification and aggregation of the operating segments of the entity into reportable segments. For each of the reportable segments identified, details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the entity is still being assessed, but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This Standard does not have an effective date yet.

GRAP 5 Borrowing costs

The accounting standard is still being assessed but it is expected that this will not have any impact on the entity since it currently does not have any borrowing costs.

GRAP 100 (revised) Discontinued operations

The precise impact of this on the financial statements of the entity is still being assessed, but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This Standard does not have an effective date yet.

GRAP 32 Service concession agreements grator

The precise impact of this on the financial statements of the entity is still being assessed, but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This Standard does not have an effective date yet.

GRAP 108 Statutory receivables

The precise impact of this on the financial

statements of the entity is still being assessed, but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This Standard does not have an effective date yet.

GRAP 17 Service concession arrangements – where grantor controls a significant residual interest in an asset

The precise impact of this on the financial statements of the entity is still being assessed, but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This Standard does not have an effective date yet.

GRAP 16 Intangible assets – website costs

The precise impact of this on the financial statements of the entity is still being assessed, but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This Standard does not have an effective date yet.

1.2 Significant judgments and estimates

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgments, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Depreciation and amortisation

Depreciation and amortisation recognised on property and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use and expected future use, as well as the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements.

1.3 Property and equipment

Initial recognition and measurement

Property and equipment are tangible non-current assets that are expected to be used for longer than one year.

Property and equipment items are recognised as assets when it is probable that future economic benefits will flow to the entity and the cost of the item can be measured reliably. Items of property and equipment are initially recognised as assets on acquisition date and recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

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

Property and equipment with a cost value of less than R5 000 are not capitalised, but expensed immediately.

Subsequent measurement

Subsequent to initial recognition, items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation

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

determined after taking into account an asset's residual value, where applicable.

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

The annual depreciation rates are based on the following estimated asset useful lives:

Item	Average useful life
Leasehold improvements	Over the lifespan of the lease
Office equipment	15 years
Furniture	20 years
Motor vehicles	8 years
Computer hardware	10 years

Impairments

The entity tests for impairment as soon as 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 charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

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 on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

1.4 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

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 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software	25 years

Impairments

Intangible assets with finite useful lives are tested annually for indications of impairment. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable

amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

1.5 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position only when the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests, in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest

components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests, as the case may be.

Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

Financial instruments at fair value:

- Derivatives.
- Compound instruments that are designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract.
- Instruments held for trading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- An investment in a residual interest for which fair value can be measured reliably.

Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial instruments at amortised cost:

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition, or are held for trading.

Financial instruments at cost:

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost, as set out above.

Derecognition

A financial asset is derecognised at trade date when:

The cash flows from the asset expire, are settled or waived;

- a) Significant risks and rewards are transferred to another party; or
- b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a

new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Policies relating to specific financial instruments

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less, and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition, and are subsequently measured at amortised cost, using the effective interest rate method.



Income received in advance

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

1.6 Non-current assets held for sale

Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale, are recognised in surplus or deficit.

Derecognition

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits

or service potential is expected to flow from the asset or disposal group. Gains / losses that result from derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of derecognition.

1.7 Leases as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

Measurement

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments, the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability), as the case may be. This resulting asset and / or liability will

be measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

1.8 Consumables on hand

Consumables on hand are initially measured at cost except where consumables are acquired at no cost, or for nominal consideration, then 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.

Effective 2015/16 Financial Year, Management has taken a decision not to recognise consumables in the Statement of Financial Position given its insignificant balance compared to the effort of managing movements on the account. All consumable costs will be expensed as they are incurred.

1.9 Employee benefits

Short-term employee benefits

Short term employee benefits encompasses

all benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year, including remuneration, paid vacation leave, sick leave and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

Post-employment benefits are provided as either defined contribution plans or defined benefit plans. Defined contribution plans are identified as any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.



1.10 Provisions and contingencies

Provisions are recognised when:

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed; it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

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.

Employees' entitlement to annual leave is recognised when it accrues. A provision is made on estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation. Provisions for performance bonuses are recognised annually, based on amounts estimated to be paid to employees.

1.11 Revenue, including transfer payments

Revenue from exchange transactions

Revenue from exchange transactions refers

to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services rendered

Revenue from services rendered is recognised with reference to the stage of completion of the service being rendered when the outcome of the transaction can be estimated reliably, as soon as all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that economic benefits or service potential associated with the transaction at the reporting date can be measured reliably;
- The costs to complete the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Revenue from non-exchange transactions

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset, and there is not a corresponding liability in respect of related conditions.

Revenue from non-exchange transactions arises when the entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset, and there is no liability to repay the amount.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from non-exchange transaction is measured at the fair value of the asset received, less amount of any liabilities that are also recognised due to conditions that must be satisfied.

When there are conditions attached to a grant, a transfer or a donation that gives rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

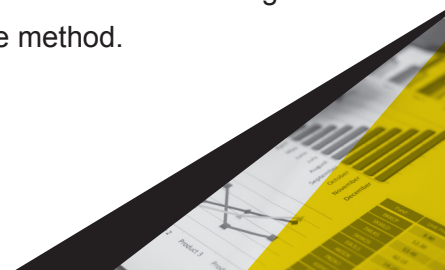
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Interest Income

Interest is recognised on a time proportion basis, which takes into account the effective yield on the asset, unless recoverability is uncertain.

Interest earned is recognised as income using the effective interest rate method.



1.12 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.

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

Non-exchange transactions are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attached 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.

1.13 Related parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control or joint control.

Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

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

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

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

1.14 Comparative figures

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

1.15 Irregular and fruitless and wasteful expenditure

Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) or is in contravention of the entity's supply chain management policies. 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.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

Recovery of irregular, fruitless and wasteful expenditure

The recovery of irregular and fruitless and wasteful expenditure is based on legislated procedures and is recognised when the recovery thereof from the responsible officials is probable. The recovery of irregular and fruitless and wasteful expenditure is treated as other income.

1.16 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting

events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.17 Finance cost

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

1.18 Budget Comparison Basis for preparation

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

1.19 Recoveries

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

Any balances of money collected and not paid over to departments at the end of the financial year are recognised in Statement of Financial Position as a liability.

1.20 Surplus or deficit

Gains and losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit, except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.21 Prepayments

Prepayments are payments made in advance for software used in more than one financial period. Prepayments are recognised in current assets and allocated to expenses during the financial year in which the cost relates.

Notes to the Annual Financial Statement

For the year ended 31 March 2016

2 Property and equipment

2016	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 941 136	(1 005 983)	935 153
Motor vehicles	8 644 617	(1 405 757)	7 238 860
Office equipment	6 970 202	(3 460 173)	3 510 029
IT equipment	41 247 951	(16 150 118)	25 097 833
Leasehold improvements	6 122 503	(5 913 929)	208 574
Total	64 926 409	(27 935 961)	36 990 449
2015			
Furniture and fixtures	1 671 232	(652 545)	1 018 687
Motor vehicles	8 464 212	(363 038)	8 101 174
Office equipment	6 238 180	(3 015 215)	3 222 965
IT equipment	30 205 551	(13 053 929)	17 151 623
Leasehold improvements	6 122 503	(5 545 473)	577 030
Total	52 701 679	(22 630 200)	30 071 479

Reconciliation of property and equipment – 2016

	Opening balance	Additions	Disposal/ Written-off	Assets held for sale	Depreciation	Total
Furniture and fixtures	1 018 687	269 904		-	(353 438)	935 153
Motor vehicles	8 101 174	180 405	-		(1 042 719)	7 238 860
Office equipment	3 222 964	732 023		-	(444 958)	3 510 029
IT equipment	17 151 623	11 108 850	(36 989)	-	(3 125 651)	25 097 833
Leasehold improvement	577 030	-			(368 456)	208 574
Total	30 071 478	12 291 182	(36 989)		(5 335 222)	36 990 449

Reconciliation of property and equipment – 2015

	Opening balance	Additions	Disposal/ Written-off	Assets held for sale	Depreciation	Total
Furniture and fixtures	6 054 281	134 791	(4 609 627)	-	(560 758)	1 018 687
Motor vehicles	3 670 513	8 464 212	-	(2 319 867)	(1 713 685)	8 101 174
Office equipment	5 092 058	185 114	(1 508 643)	-	(545 564)	3 222 964
IT equipment	16 210 802	4 202 151	(363 073)	-	(2 898 258)	17 151 623
Leasehold improvement	1 357 211	-	(4 502)		(775 679)	577 030
Total	32 384 865	12 986 268	(6 485 844)	(2 319 867)	(6 493 944)	30 071 479

3 Intangible assets

	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
2016			
Computer software	4 857 419	(1 777 777)	3 079 642
2015			
Computer software	4 857 419	(1 005 427)	3 851 992

Reconciliation of intangible assets

	Opening balance	Additions	Disposal/ Written-off	Amortisation	Total
2016					
Computer software	3 851 992	-	(578 184)	(194 166)	3 079 642
2015					
Computer software	4 069 879	-	(22 448)	(195 439)	3 851 992

	2016	2015
4 Assets held for sale		
Opening balance	2 064 279	-
Reclassification from non-current assets (property and equipment)	-	2 319 867
Less: impairment	-	(255 588)
Less: disposal	2 064 279	-
Closing balance	-	2 064 279

5 Trust account bank balances – Recoveries

Opening balance	21 345 189	22 383 162
Collections during the period	20 299 135	25 106 933
Payments during the period	(11 405 495)	(26 144 906)
Closing balance	30 238 829	21 345 189
Payables – Recoveries	30 212 919	21 320 988
Accrued interest payable to National Treasury	25 910	24 201
Total payable	30 238 829	21 345 189

Recoveries amounts are collected on behalf of departments and they were identified through either signed acknowledgements of debts or through court orders issued by the Special Tribunal. Amounts are collected in trust accounts and remain in the trust account until paid over to the relevant department at least once a year. The cash amounts are held in trust account and are not available for use by the Unit.

6 Consumables on hand

Opening balance	61 685	84 291
Purchases during the year		1 985 507
Used/expensed during the year	(61 685)	(2 008 113)
Closing balance	-	61 685

Consumables comprise stationery stock on hand at the various regions. Effective 2015/16 financial year, management has taken a decision not to recognise consumables in Statement of Financial Position given its insignificant balance compared to the effort of managing movements on the account. All consumables costs will be expensed as they are incurred.

7 Trade and other receivables from exchange transactions

Total debtors	374 389 028	374 963 777
---------------	--------------------	-------------

Less provision for impairment losses

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	170 566 571	64 054 828
Charged to Statement of Financial Performance	62 913 691	106 511 743
Balance at the end of the year	233 480 262	170 566 571
Net trade debtors	140 908 766	204 397 206

8 Trade and other receivables from non-exchange transactions

Advances and study loans	507 519	580 227
Rental deposits	23 929	33 429
Other receivables	39 521	12 393
Total	570 969	626 048

9 Prepayments

Prepaid expenses	1 538 378	1 989 936
------------------	------------------	-----------

Prepayments relate substantially to payment of software licences that contractually have to be paid up front. The costs are allocated proportionally to financial years to which they relate.

10 Cash and cash equivalents

Current account	242 224 669	121 307 051
-----------------	--------------------	-------------

Cash and cash equivalents comprise bank deposits that are available on demand. Included in the cash balances at 31 March 2016 are amounts ring-fenced for the funding of expenditure of the Anti-Corruption Task Team.

11 Trade and other payables from exchange transactions

Trade payables	13 923 541	3 632 839
Accrued expense: Operating lease	743 431	1 277 109
Employee savings scheme	216 520	233 663
Total	14 883 492	5 143 611

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Employee savings scheme comprise savings from employees due when required

12 Trade and other payables from non-exchange transactions

Other	4 428	143 116
-------	--------------	---------

13 Payables – Recoveries

30 238 829	21 345 189
-------------------	------------

For details see Note 5 as it is money collected on behalf of departments that still needs to be paid over.

14 Income received in advance

Opening balance	4 574 761	20 715 380
Recognised as revenue during the year	(4 148 024)	(5 136 049)
Paid back to Department of Justice (CARA funds)	-	(11 004 570)
Total	426 737	4 574 761

15 Provisions	Bonuses	Leave Pay	Total
Balance – March 2014	12 105 823	9 022 388	21 128 211
Provisions raised for the year	12 100 000	9 190 763	21 290 763
Provision utilised during the year	(12 105 823)	(8 915 999)	(12 021 022)
Balance – March 2015	12 100 000	9 297 152	21 397 152
Provision raised for the year	17 653 005	9 010 272	26 663 277
Provision utilised during the year	(12 100 000)	(8 991 694)	(21 091 694)
Balance – March 2016	17 653 005	9 315 730	26 968 735

	2016	2015
16 Revenue		
Revenue arising from non-exchange transactions	313 701 344	301 949 049
Grant from Department of Justice and Constitutional Development	304 458 000	296 813 000
Criminal Asset Recovery Account Fund	4 148 024	5 136 049
Other income	5 095 320	-
Revenue arising from exchange transactions	174 044 339	226 911 547
Cost recovery charged to Government departments	174 044 339	226 911 547
Total	487 745 683	528 860 596
17 Employee costs		
Salaries and wages	273 056 660	251 154 380
Provident and funeral fund contributions	25 028 892	21 264 076
Medical aid contributions	135 231	200 520
Training	1 543 421	723 190
Relocation cost	232 381	145 538
Unemployment Insurance Fund, COID & RSC levies	865 796	1 957 365
Accrual for leave pay	775	302 568
Total	300 863 156	275 747 637
18 Other operating income from exchange transactions		
TFI contract recoveries	-	8 100
Sundry income	41 000	6 141
Total	41 000	14 241
19 Finance income		
Call account	6 929 595	5 140 791

	2016	2015
20 Other operating expenses		
Internal audit fees	161 731	977 271
External auditors fees	2 985 168	2 540 747
Bank charges	265 573	255 526
Consulting and professional fees	760 672	3 009 210
Consumables	74 072	26 523
Courier services	267 978	309 136
Data scanning, traces and deed searches	241 956	173 529
Staff and meetings refreshments	601 196	11 749
Rental of equipment	1 291 324	1 451 991
Forensic services	-	553 380
Insurance	979 785	661 067
Internal integrity screening expenses	371 514	474 334
Legal fees	3 397 146	1 612 732
Late payment charge	5 805	64 836
Scrapping loss	30 828	6 508 293
Magazines, books and periodicals	95 016	133 746
Media and promotions	1 089 177	527 325
Motor vehicle expenses	1 863 445	1 581 911
Office expenses	6 836 091	6 341 204
Other expenses	3 913	-
Printing, fax and posting expenses	7 093 653	6 917 635
Relocation and recruitment cost	72 372	77 576
Rent paid	27 798 863	22 331 600
Repairs and maintenance	71 928	48 483
Security	395 830	449 941
Software license	5 452 269	4 801 107
Stationery	1 753 420	2 008 113
Subscriptions and membership fees	308 615	345 252
Transcription fees	88 515	209 901
Total	64 357 855	64 404 118

21 Travel and accommodation costs

Travel and accommodation	11 133 743	8 649 183
--------------------------	------------	-----------

Travel and accommodation costs relate mainly to costs incurred when members within the Unit travel on investigation projects.

22 Wasteful, fruitless and irregular expenditure

22.1 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

	2016	2015
Irregular expenditure		
Opening balance	65 449 325	59 948 916
Irregular expenditure incurred during the current financial year	2 507 247	4 909 987
Irregular expenditure condoned during the current financial year	(56 710 317)	590 422
Total	11 246 255	65 449 325

Analysis of expenditure awaiting condonation per age classification

Current year	2 507 247	4 909 987
Prior year	8 739 000	51 092 458
Total	11 246 255	56 002 445

Incident 1: Service provider used without proper documentation and following proper SCM procedures	Not condoned yet	-	2 589 830
Incident 2: Proper SCM processes not followed when extending the lapsed contract (Nelspruit office)	Not condoned yet	614 205	1 149 987
Incident 3: No proper deviations in place for deviating from normal SCM processes (Travel management)	Not condoned yet	345 392	360 343
Incident 4: Service provider used without following proper SCM process (Insurance)	Not condoned yet	948 037	-
Incident 5: Service provider used without following proper SCM processes (Reference checks)	Not condoned yet	382 465	-
Incident 6: Service provider used without following proper SCM processes (Courier services)	Not condoned yet	196 755	-
Incident 7: Promoted employees paid before written approval by Head of Unit	Not condoned yet	20 393	-

Incident 8: Incorrect awarding of points to bidders based on old regulation and SCM policy.	Note condoned	716 491
Incident 9: Service provider offering specialist services on a project continued to work on the project beyond the contracted amount without prior authorisation	Condoned	590 422
Incident 10: Service provider offering specialist services on a project continued to work on the project beyond the contracted amount without prior authorisation	Not condoned	93 336
Total		2 507 247
		5 500 409

Incident 1: Service provider used without proper documentation and following proper documentation and following proper SCM procedures relating to the booking of flights via a travel agent, as well as hiring of cars for travelling purposes. An employee was disciplined for this irregular expenditure and a final warning was issued to the employee.

Incident 2: SCM processes were not adhered to when extending existing contracts that expired. This includes cost of rental for SIU office in Nelspruit.

Incident 3: No proper deviations and SCM processes adhered to when deviating from normal SCM processes and procurement of travel agency services.

Incident 4: SCM processes not adhered to when procuring services of insurance services for movable assets.

Incident 5: SCM processes not adhered to when procuring services of insurance services for movable assets.

Incident 6: SCM processes not adhered to when procuring services of reference check service provider.

Incident 7: A few members of the Unit were promoted and paid for new positions before formal approval by Head of Unit. New positions were eventually approved.

Incident 8: Incorrect awarding of points to bidders. Point allocation was based on old regulation and SCM policy.

Incident 9: Service provider offering specialist services on a project continued to work on the project beyond the contracted amount without prior authorisation.

Incident 10: Service provider offering services on a project continued to work on the project beyond contracted amount without prior authorisation.

	2016	2015
22.2 Wasteful and fruitless expenditure		
Incident 1: Late payment charge		64 836
Incident 2: Interest payment to SARS for late payment of PAYE	4 690	
Incident 3: Payment of traffic fines incurred by employees	4 090	
	8 780	64 836

Incident 1: Late payment charge. The COID premium was paid late which resulted in penalties being charged and payable.

Incident 2: During February 2015, SIU ran two payrolls with the second being run after February month end. This resulted in employees' tax for this payroll being paid after required due date. SARS charged the SIU penalties and interest. The penalties were eventually waived and interest paid.

Incident 3: These are costs for traffic fines that were incurred by members and SIU only realised this when trying to renew licences for vehicle fleet. The fines had to be settled immediately as the Traffic Department refused to renew licences. The costs will be collected from relevant members.

23 Related parties

Controlling entity

Department of Justice and Constitutional Affairs

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*
 Office of the Chief Justice
 Department of Correctional Services

* Refer to Note 14 for full details.

Other related party transactions

Rental paid by Department of Public Works	5 095 320	3 994 131
---	------------------	-----------

This cost represents rental of premises occupied by the SIU in the East London office. Department of Public Works pays on SIU's behalf.

24 Operating lease

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

Not later than one year	4 057 955	5 322 414
Later than one year and not later than five years	5 868 935	3 790 874

Rental commitments in respect of properties and copiers	9 926 890	9 113 288
--	------------------	-----------

25 Member's emoluments

The following table records the emoluments paid to senior members of the SIU:

Senior management 2016

	Salary*	Other benefits	Acting allowance	Bonus	Total
Adv G Visagie	1 427 362	1 889	300 000		1 729 251
MK Nyathi	1 738 201	1 889	-		1 740 091
C Mothibeli	826 553	12 066	-		838 619
SG Gumede	1 075 304	1 889	-		1 077 194
MT Mkhungo	177 440	315	-		177 755
TM Cronje	1 020 658	1 889	-		1 022 457
ME Lecheko	965 862	1 889	-		967 752
C Kwant	1 073 609	1 889	-		1 075 498
WH Moore	1 227 575	1 889	-		1 229 465
LG Lekgetho	1 020 568	9 272	291 643		1 321 483
MG Leaser	1 068 490	1 889	-		1 070 379
DM Walker	1 139 334	1 889	-		1 141 223
MP Steenekamp	1 105 416	1 889	-		1 107 306
M Haroon	1 020 568	1 889	-		1 022 457
Z Buswana	1 020 568	124 566	126 938		1 272 072
MJ Campbell	722 864	32 814	-		755 678
NS Jose	1 020 568	1 889	-		1 022 457
C O'Brien	1 020 568	1 889	-		1 022 457
BM Stemele	1 020 568	1 889	-		1 022 457
GE Howes	1 020 568	1 889	-		1 022 457
BD Daniels	1 020 568	378	-		1 020 946
R Walser	1 020 568	1 889	-		1 022 457
A Gosai	1 020 568	1 889	-		1 022 457
PR Maharaj	1 020 568	1 889	-		1 022 457
JO Wells	1 105 416	1 889	-		1 107 306
B Avenant	1 020 568	1 889	-		1 022 457
V Sewpal	771 172	1 478	-		772 650
Total	27 691 979	88 618	848 641		28 629 238

Ms Mothibeli resigned in December 2015
 Mr Mkhungo was appointed in February 2016
 Mr Campbell resigned in December 2015
 Mr Sewpal was deceased in January 2016
 Mr Lekgetho was the acting Projects Director for the full period.

* Medical and pension benefits are included in salary cost

Note that, at the time of finalising this draft AFS, performance bonuses had not been determined as yet.

Senior management 2015

	Salary R	Medical & Pension R	Other benefits R	Bonus R	Total R
Adv Soni	1 849 994		1 636		1 851 630
Adv G Visagie	1 328 411		1 888	141 055	1 471 354
P Letwaba	103 419		297		103 716
MK Nyathi	1 647 584		1 888	187 048	1 836 520
C Mothibeli*	850 198		1 574		851 772
SG Gumede*	520 581		1 102		521 683
TM Cronje*	955 005		1 888		956 893
ME Lecheko*	751 013		1 574		752 587
C Kwant*	1 020 402		1 888		1 022 290
WH Moore*	1 148 560		1 888		1 150 448
LG Lekgetho	1 337 285		1 888	100 865	1 440 038
F Davids*	15 515		149		15 664
MG Leaser*	1 004 932		1 888		1 006 820
DM Walker*	1 004 932		1 888		1 006 820
MP Steenekamp*	1 049 380		1 888		1 051 268
M Haroon*	966 707		1 888		968 595
Z Buswana*	962 650		1 888		964 538
MJ Campbell*	956 018		1 888		957 906
NS Jose*	959 496		1 888		961 384
C O'Brien*	963 611		1 888		965 499
BM Stemele*	1 065 801		1 888		1 067 689
GE Howes*	959 123		1 888		961 011
BD Daniels*	966 599		104		966 703
R Walser*	955 359		1 888		957 247
A Gosai	939 109		1 888		940 997
PR Maharaj	954 030		1 888		955 918
JO Wells*	1 040 263		1 888		1 042 151
B Avenant*	958 464		1 888		960 352
V Sewpal*	853 622		1 740		855 362
Total	28 088 063		47 824		28 564 855

Adv V Soni resigned 28 February 2015.

Mr F Davids resigned in December 2013 but received a last payment in April 2014.

Mr P Letwaba resigned in April 2014.

Ms N Mothibeli joined the SIU as CFO in June 2014.

	2016	2015
Remuneration of Audit Committee members		
Prof H De Jager (Chairman until April 2015)	36 000	84 000
Mr M Maliehe	52 500	50 000
Mr H Hlomane	40 000	50 000
Mr M Ntumba	30 000	40 000
Ms B Ngunjiri (Chairperson effective October 2015)	73 000	-
	231 500	224 000

Prof H De Jager's term of office expired during the 2015/16 financial year.

Ms B Ngunjiri was appointed as new member of the Audit Committee and chairperson during the 2015/16 financial year.

Remuneration of HR Committee members

	2016 R	2015 R
A Clark (Chairperson)	-	-
T Maja	8 000	-
	8 000	-

This committee was established during the 2015/16 financial year.

Remuneration of ICT Steering Committee members

H Hlomane (Chairperson)	12 500	-
P Ramutsheli	8 000	-
M du Toit	-	-
	20 500	-

This committee was established during the 2015/16 financial year.

26 Cash generated from operations

	2016 R	2015 R
Surplus	49 918 445	71 757 977
<i>Adjustments for:</i>		
Depreciation	5 335 222	6 493 944
Amortisation	194 166	195 439
Debt impairment	62 913 691	106 511 743
(Profit) / Loss on disposal of property and equipment	30 828	6 508 293
<i>Changes in working capital:</i>		
Inventories	61 685	22 605
Prepayments	451 558	599 113
Increase in receivables	629 828	(113 923 131)
Decrease in payables	9 601 194	(3 284 417)
Provisions*	5 571 583	-
Income received in advance	(4 148 024)	(16 140 619)
	130 560 176	58 996 535

* Provisions were included in payables during the 2014/15 financial year.

27 Risk management

Financial risk management

The SIU's management monitors manage 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.

Liquidity risk

Liquidity risk is the risk that the organisation would not have sufficient funds available or may encounter difficulties to meet its future commitments.

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

The table below illustrates the SIU's exposure to liquidity risk from financial liabilities.

	2016	2015
	R	R
Trade and other payables		
Current	14 808 575	4 882 799
60 days	6 323	108 099
90 days	23 858	7 515
90 days+	44 736	145 198
Total	14 883 492	5 143 611

Interest rate risk sensitivity analysis

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)

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

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

A positive number below indicates an increase in 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.

	2016	2015
The estimated rate increases	100	100
Estimated increase in basis points	1 208 463	752 968
Effect on cash balances	1 208 563	753 068

Credit risk

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

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

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

	2016	2015
Current	75 972 282	93 904 081
60 days	5 389 896	38 451 763
90 days	-	25 796 036
> 90 days	293 026 850	216 811 897
Subtotal	374 389 028	374 963 777
Impairment of receivables	(233 480 262)	(170 566 571)
Total	140 908 767	204 397 206

Debtors past due but not impaired

60 days	2 227 222	38 451 763
90 days		25 796 036
> 90 days	77 014 825	46 245 326
Total	79 242 047	110 493 125

Categories of financial instruments

Financial assets measured at amortised cost

Trade and other receivables	142 589 219	207 074 876
-----------------------------	-------------	-------------

Financial liabilities measured at amortised cost

Trade and other payables	72 522 221	52 603 830
--------------------------	------------	------------

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

28 Taxation

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

29 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.

30 Capital commitments

2016

2015

Authorised capital expenditure – already contracted for:

Property, plant and equipment

9 887 273

2 018 174

The amount relates to SIU vehicle fleet ordered but not yet delivered at the end of the financial year.

31 Contingent liabilities

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

Plaintiffs	Nature of claim	
Botha	Claim services rendered	R316 000 plus costs R25 000
Complaints levelled against SIU by members	Several labour disputes	R1 280 000
AJ Basson	PAIA	R150 000 (Legal costs)
Waverley Place / City Property	Disputed annual escalation increase on rental	R6 661 410

129

32 Post-reporting date events

Major developments after close of financial year are as follows:

32.1 Two new leases for offices in Mafikeng and Bloemfontein regions were concluded. Lease period for Mafikeng is for a period of 5 years, commencing 1 April 2016, with a total contractual value of R4 071 146. Though building has been identified for the Bloemfontein office, the contract is still being finalised.

32.2 The SIU received approval from National Treasury for the rollover of funds at the end of 2015/16 financial year amounting to R120,9 million.

33 Standards of GRAP approved but not yet effective

Amendments to the following standards of GRAP will become effective for the financial periods commencing on or after 1 April 2016:

- GRAP 16 – Investment property
- GRAP 17 – Property, plant equipment

GRAP – Selection of an appropriate reporting framework by public entities becomes effective for financial periods commencing on or after 1 April 2018.

The Accounting Standards Board (ASB) has issued the following additional standards of GRAP for which effective dates have not yet been gazetted by the Minister of Finance:

- GRAP 20 – Related party disclosures
- GRAP 32 – Service concession arrangements (Grantor)
- GRAP 108 – Statutory Receivables
- GRAP 109 – Accounting by principals and agents

34 Comparison between the final budget and actual amounts covering the period 1 April 2015 to 31 March 2016

Basis of preparation

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

Project receipts and payments

SIU project income is based on recovery of fees and services from the state institutions that we are investigating under issues proclamations. We had anticipated 12 new proclamations for the year given the fact that we had received 12 proclamations in the prior year. We only received five during the year of which three were amendments of existing proclamations and two were new regional matters in the Eastern Cape region. In the case of these amendments, investigations had already started and were ongoing when the amendments were issued. In these instances SIU was already invoicing the State institutions.

The ability to predict and accurately budget for new proclamations given that the nature and duration of these proclamations differ vastly is an extremely difficult exercise.

This variance reason applies to project income, specialists, travel and accommodation, and direct operational costs. Travel and accommodation in particular will be affected by the maturity of the matters and the remaining number of ongoing matters.

Capex (Capital expenditure)

Furniture and fittings

SIU had a substantial Capex budget earmarked for spent on rental of premises that went on tender. The plan was to take occupation before the end of the financial year but this did not materialise. Budget could thus not be spent during the 2015/16 financial year.

Vehicles

SIU has placed an order for a new fleet of vehicles after the old fleet was sold having reached their useful lives. The fleet was not delivered as yet at the end of the financial year and no payments could be made.

Adjustment to original budget

Approved budget was amended mainly to the fact that National Treasury approved rollover of funds from previous financial year to year under review and these projects were brought into account.



PHYSICAL ADDRESS

74 Watermeyer Street
Rentmeester Building
Meyerspark
Pretoria

POSTAL ADDRESS

Postnet Suite 271
Private Bag X344
Silverton
0127

Tel: +27 (0) 12 843 0001

Fax: +27 (0) 12 843 0115

RP223/2016

ISBN: 978-0-621-44728-6



POISED TO STRIKE
against corruption

