

MISSION STATEMENT

The Special Investigating Unit is committed to provide the highest quality professional forensic investigation and litigation service to all State institutions at national, provincial and local levels. The activities of the Unit are designed to effectively combat maladministration, corruption and fraud involving the administration of State institutions and to protect assets and public money.

SPECIAL INVESTIGATING UNIT

ANNUAL
REPORT

1999 / 2000





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The Honourable Speaker
Dr F Ginwala
Parliament of the Republic of South Africa
P O Box 15
CAPE TOWN
8000

13 October 2000

Dear Madam

ANNUAL REPORT IN TERMS OF SECTION 4(1)(H) OF ACT 74 OF 1996

On behalf of the Special Investigating Unit, appointed in terms of Section 2 of Act 74 of 1996, we hereby submit to you the Annual Report for the period 1999/2000 as envisaged by the provision of Section 4 (1)(h) of Act 74 of 1996.

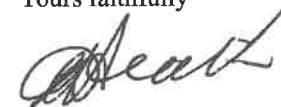
The report includes the most important features of the Unit for the year under review.

Due to the delay in the 1998/1999 Annual Report and the fact that it was only tabled in March 2000, the information contained in the Interim Report for the period April 1999 to September 1999 has been included in this Annual Report.

The achievements for 1999/2000 can be attributed to the grace of our Maker, hard and sustained work by the members of the Unit and the continued support received from various role-players.

My sincere gratitude is due to all concerned.

Yours faithfully



Judge W H Heath
HEAD OF THE UNIT

COMMENT BY THE HEAD OF THE UNIT

Extracts from an answering affidavit of Penuell Mpapa Maduna, Minister of Justice, in the South African Association of Personal Injury Lawyers vs SIU and others reads as follows:

"It is a regrettable and notorious fact that the levels of crime in South Africa are unacceptably high. One aspect of crime which requires special investigative measures relates to corruption and unlawful conduct involving state institutions, state property and public money. Very often, public servants and state officials perpetrate such conduct. The experience of other countries suggests that the investigation of conduct of this nature require special measures beyond the routine investigations conducted by conventional law enforcement agencies."

The need for Special Investigating Units to investigate corruption flows, inter alia, from the fact that those under investigation are sometimes senior state officials, including policemen and policewomen and members of the law enforcement agencies. Experience in other countries, particularly the United States, suggests that the conventional law enforcement agencies are not best suited to conduct such investigations.

South Africa has a number of institutions in place which could be utilized to combat serious maladministration, corruption and misappropriation of state funds – such as Commissions of Inquiry, the Office for the Investigation of Serious Economic Offences (OSEO), the Public Protector and Courts of Law. While all these institutions may be utilized to some extent to curb such problems, they lack the necessary cohesion to produce satisfactory results and are inadequately equipped to deal with the problem. Commissions of Inquiry generally do not have the "teeth" to enforce their recommendations, and irregularities or delicts exposed by them may result in litigation that is both costly and can take years to finalize in the courts. OSEO is primarily involved in the investigation of criminal offences and does not form part of the prosecuting authority. The Public Protector deals primarily with hundreds of individual complaints and, although that Office enjoys considerable powers of investigation, it can hardly be expected to provide the resources to deal with those matters in respect of which Commissions of Inquiry are appointed from time to time. It also lacks adjudicative powers to enforce its findings. Even the ordinary civil courts do not provide a speedy or cost-effective manner of dealing with corruption – such courts have to adjudicate upon thousands of disputes, and it may take a considerable period of time to have a matter placed on the court's role.

Another reason for the use of Special Investigative Units concerns the sometimes sophisticated nature of corruption, maladministration and the like, and the need for people with the requisite expertise to investigate often complex matters involving financial fraud. One of the prime tasks of the Special Investigating Unit is to conduct investigations into the matters within its mandate for the purposes of recovery of money or property which has been misappropriated. Since the investigations have an eye to ultimate recovery, it is also important that persons with the appropriate legal skills should staff the Unit.

Without minimizing the impact of crime generally, it should be emphasized that corruption, maladministration and misappropriation or abuse of public money affect society as a whole. When money designated for the essential running of state institutions such as hospitals and schools is misappropriated, society at large is made to suffer because there are fewer resources available for social upliftment. Inevitably, it is the poor and the vulnerable who suffer the most. In the context of the present case, I point out that the Applicant does not appear to dispute (as it manifestly could not) that some attorneys have made themselves guilty of abusing the system of compensation for road accident victims by enriching themselves at the victims' expense.

Against this background, the Act seeks to create an extraordinary and comprehensive mechanism for dealing decisively with corruption. It contemplates the establishment of two innovative institutions: (a) a Special Investigating Unit, with powers to investigate allegations of corruption and maladministration; and (b) a Special Tribunal, with jurisdiction to adjudicate upon any civil disputes brought before it by the Special Investigating Unit. These two institutions give teeth to the Government's commitment to root out corruption, by ensuring that there will be effective investigation into malpractice's and speedy remedial action. In short, the Act provides a mechanism through which allegations can be comprehensively and swiftly investigated, and through which remedial steps – which would ordinarily have to be pursued through the courts of law – can be taken swiftly and cost-effectively.

The Special Investigating Units and Special Tribunals Bill was introduced in Parliament by the Minister of Justice on 29 October 1996. It was supported by all parties in Parliament.

At the time that the Act was passed, the First Respondent was already heading a Commission of Enquiry into certain alleged malpractice's in the former Ciskei ("the Commission of Inquiry into matters relating to State Property in the Province of the Eastern Cape" established by Eastern Cape Provincial Notice No 10 of 1995). Acting in terms of Sec 14(1) of the Act, the President dissolved this Commission by means of Proclamation R24 of 1997, and established in its place a Special Investigating Unit (headed by the First Respondent) and a Special Tribunal.

As a matter of policy, it was considered appropriate to ensure that the Special Investigating Unit should be headed by a person whose integrity was beyond reproach. This was especially important given the nature and ambit of the tasks which the Unit would be required to perform. It was for this reason that it was thought desirable that these tasks should be supervised by a judge or acting judge of the High Court. Not only was the view taken that a judge or acting judge would be possessed of the necessary integrity, but it was also believed that a judge or acting judge would have the requisite skills and expertise to perform the functions envisaged by the Act."

We have always expressed similar statements and these sentiments have been echoed by national and international experts and colleagues in other investigative agencies in South Africa. The achievements of the Unit have given strong evidence of its unique and professional activities.

Notwithstanding these factors, the Ministry of Justice has in the past year since the 1999 election, save for a few amendments to proclamations and a few already processed, refused to process proclamations to the President's Office. The Minister has unilaterally informed the Unit on several occasions during the financial year that he has decided to refer matters to the NDPP, the Public Protector and lately refer matters back to the Premiers who have already requested that the Unit investigate matters which originated in their Provinces.

Notwithstanding serious financial constraints the Unit decided during 1998 to start with a strong affirmative action drive and appointed a large number of Investigators, Legal Representatives and support staff. This required extensive and intensive financial planning. We approached these appointments as a golden opportunity to supply training, to uplift people and to provide opportunities to previously disadvantaged and underprivileged sectors of society. These appointments have proved to be successful.

When the Minister of Justice made a statement during August/September 1999 that the Unit is not a permanent institution, that it could come to an end and that other Units may be established by the Government, it caused great disruption and serious insecurity amongst all members of the Unit. The continuous failure to refer the large number of outstanding proclamations to the Office of the President and the failure to approach the Unit with the same open hand as he has some other bodies, has caused great doubt in the future for members of the Unit. These factors have led to the resignation of 7 affirmative action appointments between April 1998 and March 2000. This constitutes 44% of the entire resignations at the Unit for the past financial year. It is anticipated that the spate of resignations will continue given the uncertainty created by the Minister. Valuable human resources were lost to the Unit.

Notwithstanding the factors which have affected the human resources at the Unit, the financial limitations and the absence of Orders by the Tribunal to attach assets, to interdict the loss of assets and to freeze assets, the Unit has performed well as reflected in the Verification Report and the financial reports. We are proud that again we could serve the Government and the nation. The Unit will continue to be proactive in the new financial year.



Judge W H Heath
HEAD OF THE UNIT

INTRODUCTION

Purpose –

The Special Investigating Unit has pleasure in presenting the Annual Report on its activities for the year ended 31 March 2000. This report is submitted to the Speaker of the National Parliament and particulars presented include those required by law.

The purpose of this Annual Report is to give an overview of the Unit's performance, financial status and achievements during the past year.

Role of the Special Investigating Unit –

The Special Investigating Unit is established in terms of legislation to investigate cases of corruption, fraud and maladministration that have been referred to it by the President. Upon completion of an investigation the Unit can institute civil action in the Special Tribunal in order to recover, protect or save state assets and state monies that have been or could be misappropriated or misused.

The Unit works closely with all other bodies, both national and provincial, such as the South African Police Services, the Public Protector, the Investigating Directorate: Serious Economic Offences, the National Prosecuting Authority, the Office of the Auditor General, The Public Service Commission, the National Intelligence Agency, South African Revenue Services and the Independent Complaints Directorate. In addition to this the Unit also has close links to NGO's and international organisations while also providing information and assistance to international law enforcement agencies.

In various respects the Unit plays a role not fulfilled by any of the institutions mentioned above. Each of these organisations have their focus areas and the Special Investigating Unit is the only one who has, as its focus area, the application of Civil Law in order to recover money and other assets, save such money and assets and/or safeguard such money and assets belonging to state institutions. The Unit has the capacity to take a matter from the stage where it is a mere allegation, through a full investigation and ultimately engage in litigation to bring the matter to finality. Due to the application of Civil Law the Unit has the added advantage that unlike instances where the Criminal Justice System is utilised and the guilt of an accused person has to be proved beyond reasonable doubt, the Unit only has to prove its cases on a balance of probabilities. Unlike in many cases of criminal prosecutions where subjective intent has to be proved, the Unit, due to the application of Civil Law, normally does not have to prove this element. A classic example of this can be found if one compares the criminal offence of fraud (where the State has to prove subjective intent) to the position in Civil Law where reliance is placed on misrepresentation which can also be committed negligently.

Legislative Framework –

The mandate for the function of the Unit is contained in Act 74 of 1996. The Unit carries out investigations as referred to it by the President via publication of a proclamation in the Government Gazette. Following the investigation civil action can be instituted in the Special Tribunal for the recovery, savings or prevention of loss of state assets and state monies should the investigation reveal that such monies or assets were misappropriated, unlawfully obtained, etc.

Significant events –

Significant events during 1999/2000 included:

- The tabling of the Special Report of the Auditor General on the audit to verify the value of savings/recoveries by the Special Investigating Unit before Parliament in June. This report verified that the Unit had saved, recovered or protected the loss of state assets and state money to the value of R1,3 billion during the financial year ending March 1999.
- The final closure of the Bankorp Lifeboat investigation. Although the Unit was convinced that a legal basis existed for the institution of action before the Special Tribunal, after thorough consultations with national and international banking experts and careful consideration by the legal team at the Unit, it was decided not to proceed with this legal action given the possible repercussions to the banking industry and the South African economy as a whole.
- Representation on various anti-corruption initiatives including the Cross-sectoral task team which was established as a direct result of the National Anti-corruption Summit held in April 1999
- A continued educational role being played by the Unit in respect of various addresses given at a national level at both private and public sector functions
- During the past 12 months the Unit received 186 enquires from various sources
- Of these enquiries 36 did not fall within the ambit of the Special Investigating Unit. 150 enquiries warranted further research and were captured on the Case Tracking System (CTS). Of these 67 were closed following preliminary investigation because there was no basis on which to refer the matters to the Department of Justice for the consideration of a proclamation by the President. 83 matters were referred to the Department of Justice following preliminary investigation for the consideration of a proclamation by the President.
- Audited figures for the period 1 April 1999 to 31 March 2000 indicated that the Unit recovered, saved or prevented the loss of R168 million. Of this R112 million were cash recoveries.
- Given the growth in the Unit it was essential that a new financial system be put in place in order to cope with the financial administration of the various functions relating to finance and administration. The Unit "switched over" to the new system in June 1999 and it has proved an unqualified success.
- The growth of the Unit in personnel towards the end of 1998 necessitated having to look at various aspects of personnel management. During the past financial year the Unit finalised an intensive evaluation and implementation of all job descriptions, salary structures and the adjustment of market-related salaries.
- Adv Sham Gyanda SC, who joined the Unit as part of our legal team in March 1999, was appointed as an Acting Judge in KwaZulu-Natal.

YEAR UNDER REVIEW

Investigations

During 1999/2000, fifteen (15) proclamations referring new investigations to the Unit were published. Allegations were received from various sources including individual members of the public, government officials, politicians and political parties, the Auditor General, the Public Protector, government departments, NGO's and the media.

High profile cases dealt with by the Unit during the past year included:

- The finalisation of phase one of the Mpumalanga Parks Board Case (Promissory Notes). Following the investigation of the promissory notes and the retrieval of the notes in New York a litigation procedure followed in the Special Tribunal resulting in the notes being declared unauthorised and as invalid ab initio on 21 June 1999.
- In phase two of the Mpumalanga Parks Board investigation (financial irregularities within the Parks Board) the investigation has been completed and legal action is to be instituted. The amount involved is R2 045 005,14. During the course of the year Nico Krugel, the Head of Finance for the MPB was found guilty of fraud and sentenced to 10 years imprisonment of which four years is suspended for five years. Criminal cases are still pending against other parties.
- The investigation and the first part of the legal process into the case against Ms Cynthia Maropeng and others of the Mpumalanga Provincial Legislature for the alleged theft of R1 143 216 was completed.
- Allegations against the Gauteng Gambling Board in the awarding of casino licences in the Gauteng Province. All complainants, potential witnesses and various bidders, as well as members of the Gauteng Gambling Board were interviewed by the Unit with the exception of two possible witnesses relating to corruption allegations. The investigation included the financial analysis (possible money trail) of role-players to determine if any corruption, receipt of commission and/or other favours were offered. The investigation is complete except for the tracing of the abovementioned two witnesses. These witnesses are being traced.
- In the Housing investigation in Gauteng the investigating team was and is currently investigating 142 000 individual subsidy applications, approximately 100 conveyancers and approximately 170 projects. The investigation into 37 000 individuals, 6 developers and 3 conveyancers has been completed. The following allegations are/were investigated:
DEVELOPERS:
 - Not all the houses in the project have been constructed;
 - Services were not installed or are not workable;
 - Houses are sub-standard;
 - No value for money;
 - False certificates issued to the Department of Housing;
 - Individuals not allocated the houses which they applied for;
 - Individuals not qualifying for subsidies are allocated houses.
 CONVEYANCERS:
Conveyancers do not adhere to their contract stipulations, in particular, the following:-
 - Payments are made to developers/sellers without the conveyancer being in possession of a Handover Certificate or Top Structure Certificate.
 - Conveyancers do not pay monies received from the Department into a separate account.
- In the housing case in KwaZulu Natal a total of 79 Acknowledgements of Debt amounting to R783 127,52 have been signed and a total of 25 Default Judgements were granted, amounting to R238 875,00. All the above figures refer to individual subsidies. An amount of R920 327,30 has been recovered from conveyancers.
- The Unit is investigating the unlawful appropriation of public monies paid out by the Road Accident Fund to various Attorney firms countrywide. A spot check of claims indicated that of a total of R11,8 million paid out by the Road Accident Fund, only R4,4 million landed in the hands of the claimants. Investigation of 56 complainant files and 38 attorney files were completed and no discrepancies could be found. Six Acknowledgements of Debts have been signed to the value of R278 115,79. In six instances, monies have been paid back to complainants amounting to R209 668,87.

- In the Eastern Cape the Unit investigated eight TLC's. The allegations range from serious maladministration in the non-collection of rates and taxes to irregularities relating to councillors allowances. Recoveries in total relating to these TLC's for the year ending 31 March 2000 is R4 857 873,72. During this period 3 078 letters of demand were served. In some instances the arrear rates amount to R130 million.
- Regarding the case involving the unauthorised renovations and repairs to magistrates offices and official residences, 49 offices were visited during the year (North West, Kwa-Zulu Natal, Eastern Cape, Mpumalanga and the Northern Province). In 40 cases it was found that the repairs and renovations that took place were unauthorised amounting to R40 million. The Unit has instituted action in 17 cases. In October the proclamation was amended to include magistrates offices and residences countrywide – this will broaden the investigation.
- In the case of the unauthorised expenditure by the Vice Chancellor of the University of Venda, the Unit is reclaiming R161 723,83. This follows an investigation by a team from the Unit. The Vice Chancellor made an initial repayment of R47 689,18 and the balance (R161 723,83) will be repaid to the University by November 2000.
- In a matter referred to the Unit it was discovered that a property in the Western Cape was to be sold at below market related value for a cost of R8 million. After enquires were made by the Unit the sale was stopped and the property was subsequently sold for R13 million – this represented a market related value and a R5 million profit for the government.
- Allegations of irregularities relating to the Western Cape Gambling Board were referred to the Unit. The Unit met with members of the Investigating Directorate: Serious Economic Offences to verify information to avoid duplication. After scrutinising the information no irregularities were found and the Unit therefore did not send the matter through for consideration of a proclamation.
- An investigation into alleged irregular activities and transactions by the ex-Board of Directors of Agri-Eco in the Free State was launched after the matter was referred to the Unit by way of a proclamation. This case involves approximately R84 million.
- During the year the Unit recovered R60 375 000 for the Free State Provincial Administration. This money had been paid over to Rodenbeck (Pty) Ltd for the building of low cost housing in the Free State Province. In addition to this the contractor was using the money as security to obtain loans from overseas investors. The money had been in the bank account of this company for eight months without the company building a single house in the Province. The Unit intervened as there was a likelihood that this money could have been transferred or moved offshore. The original amount together with R5 218 451 in interest was paid back to the Free State Housing Board. The Free State Provincial Government supported the actions taken by the unit.
- The Daily Bread Charitable Trust case in the Eastern Cape was finalised. This investigation dealt with payments made to the Trust for the Primary School Nutrition Programme. On completion of the investigation the matter was settled with the defendants (ex-trustees) and this settlement was made an order of the Special Tribunal. Total recoveries in this matter amounted to R3 493 862,74 of which assets amounted to R1 963 952,71 and a cash settlement of R1 529 910,03.
- The Unit is continuing to assist the Eastern Cape Development Corporation with the recovery of outstanding loans. During the past financial year Acknowledgements of Debt amounting to R6 708 564,56 were entered into. The Unit uncovered serious maladministration of the loans. The present board and CEO play an active role in assisting the Unit.
- The Lukanji Bookshop case in the Eastern Cape was also finalised in the past financial year. A judgement was granted in favour of the Unit for R994 424,60. This represented money paid out by the Provincial Department of Education for books that were to be delivered to schools. It transpired that Lukanji Bookshop never existed and the books were never delivered. A criminal case is pending against those involved.
- Acknowledgements of Debt to the value of R946 029,04 were signed in the Medical Bursary Case in the North West Province. This investigation arises out of contracts entered into by medical students who were granted study loans by the Provincial Government and failed to comply with the conditions of the contract to either repay the loan or work for the government for the period of study. As a result of maladministration and / or negligence, the money was not recovered.

Legal

The Legal component has had a turbulent but satisfying year. The challenges brought about by the extreme workload were at times breathtaking, but by staying focused and going the extra mile, the Legal Team managed to cope with a variety of difficulties. In the process the Legal Team lost the services of four of its members who were lured away by better offers and the uncertainty at the Unit. However, the arrival of two new members brought the numbers back to nine. One more member is due to leave shortly, but the appointment of two new members early in the new financial year will again bring the Legal Team back to full strength. The turnover in personnel naturally leads to some difficulties, but as a result of the dedication of the members, these difficulties are not insurmountable.

The members of the Legal Team play a key role in the manner in which the Unit operates. Not only are the lawyers responsible for the handling of litigation before the Special Tribunal, but they also play a prominent role during the investigation phase. Members of the Legal Team not only advise investigators as to what would be required for successful litigation, but also play a vital role in questioning sessions in terms of Section 5 (2) (c) of Act 74 of 1996. The fruits of these labours can be seen from the 135 (unaudited) orders successfully achieved in the Special Tribunal.

The Legal Team was also particularly honoured when one of its members, Advocate Shyam Gyanda SC was appointed as an acting Judge as from January 2000. The Special Investigating Unit would like to congratulate him on this honour and wish him the best of luck.

Members of the Legal Team are often faced with technical arguments before the Special Tribunal and this adversely affects the number of matters disposed of before the Special Tribunal. A number of changes to existing Proclamations as well as to some of the provisions of Act 74 of 1996, have been proposed and along with certain proposed amendments to the Rules of the Special Tribunal such changes should bring more clarity regarding these technical issues raised before the Special Tribunal. It is envisaged that once such technicalities have been removed, the Legal Team would be in a position to operate even more productively in the field of litigation before the Special Tribunal.

Recoveries, Savings and Prevention of loss

Following the audit by the Auditor General it is important to note that the Unit operates on a number of important principles in carrying out its work of recoveries, savings and prevention of loss.

The definitions of the principles on which the Unit operates are set out as per the Special Report of the Auditor General on the audit to verify the value of savings/recoveries by the Special Investigating Unit tabled before Parliament in June.

Prevention of loss:

Prevention of a potential loss of state assets. No physical transfer of cash or assets had taken place

Recovery of loss:

Recovery of a potential loss. Loss of assets which were physically transferred to a third party and subsequently recovered by the Unit

Transparency in tender process:

Through the intervention of the Unit, the initial tender procedures were stopped and the correct procedures were followed

State Land reclaimed:

Eviction of illegal occupants from state land

Debt Collection:

The collection of monies owing eg outstanding service charges at Local Authorities

Enforcement of obligation:

Enforcement of contractual obligations

Proclamations

During 1999/2000, 15 proclamations were published in the Government Gazette empowering the Unit to conduct in-depth investigations into a number of cases. This as opposed to the 53 proclamations received during the 1998/1999 financial year, representing a significant drop in number.

Eleven of these proclamations were received prior to June 1999. The last proclamation received by the Unit for the 1999/2000 financial year was in October 1999 – this comprised an amendment to a standing proclamation.

Matters referred to the Unit in these 15 proclamations include:

- National Co-op case relating to irregularities with regard to drought relief provided to farmers in the late 80's and early 90's
- The Independent Broadcasting Authority following an audit by the Auditor General which found that IBA Councillors had claimed monies and perks to which they were not entitled
- 22 TLC's in the North West Province
- Irregularities relating to the Department of Housing and Land Affairs within the Gauteng Province – specifically looking at the allocation of individual housing subsidies and low-cost housing developments in the Gauteng province
- Alleged irregularities relating to the awarding of casino licences by the Gauteng Gambling Board and allegations of bribery and kickbacks
- Alleged irregular enrolment of students at the Medical University of Southern Africa (MEDUNSA)
- Various provincial matters were also referred to the Unit during this time

During the past financial year the Unit received 186 enquiries from various sources including the public, government departments, NGO's, the media, businesses, etc. In 103 of these enquiries the Unit found no basis on which to refer the matter to the Department of Justice.

However, between 1 April 1999 and 31 March 2000, 83 motivations were submitted to the Department of Justice for their consideration. Of these, all 83 requests are still outstanding. As at 31 March 2000 the total number of proclamations outstanding is 127. The estimated value of the allegations in 26 requests submitted in the 1999/2000 financial year is R390 million – this is where the Unit could ascribe a value in terms of the information it had received. In the remaining 33 requests no value could be ascribed due to lack of information.

The breakdown of the outstanding proclamations for the 1999/2000 financial year is as follows:

<u>Province</u>	<u>Outstanding Proclamations</u>	<u>Value ascribed (if any)</u>
Western Cape	11	R32 million (6 cases)
Eastern Cape	4	R550 000 (2 cases)
Free State	8	R204 million (3 cases)
Gauteng	6	R27 million (2 cases)
KwaZulu-Natal	3	R2 million (1 case)
Mpumalanga	4	R18 million (2 cases)
North West	9	R45 million (3 cases)
Northern Cape	2	R7 million (2 cases)
Northern Province	4	R1 million (1 case)
National	8	R55 million (4 cases)

It is clearly evident from the above information that the proclamation procedure has caused the potential loss of millions of rands to the South African taxpayer in that in such a large number of cases, motivations and requests for proclamations have not yet been published, officially referring these cases to the Special Investigating Unit.

Cases completed

82 cases were completed through the Special Tribunal in the past year.

Personnel

Permanent personnel:

For the first time during the past financial year the Unit experienced the problem of staff turnover. This meant that the Unit lost experienced and skilled members and had to replace them. In addition to this a number of highly qualified members took up positions within the private and public sector leaving a void in vital areas such as investigations and litigation.

A highlight of the year was the appointment of Adv Shyam Gyanda SC as an acting Judge in Kwa-Zulu Natal on 17 January 2000. Adv Gyanda was appointed to the Unit on 1 March 1999 as a Senior Legal Representative. His appointment as an acting Judge was indicative of the calibre of personnel appointed to the Unit.

During the past year the Unit recruited 12 permanent personnel and 16 members resigned. Of these 16 resignations, six were in the investigating section, four were in the legal section and six were in the support section. Of the 12 members recruited, four were appointed into the investigation section, 1 to the legal section and seven to the support section.

Resignation of Permanent Members

(31 March 1999 to 1 April 2000)

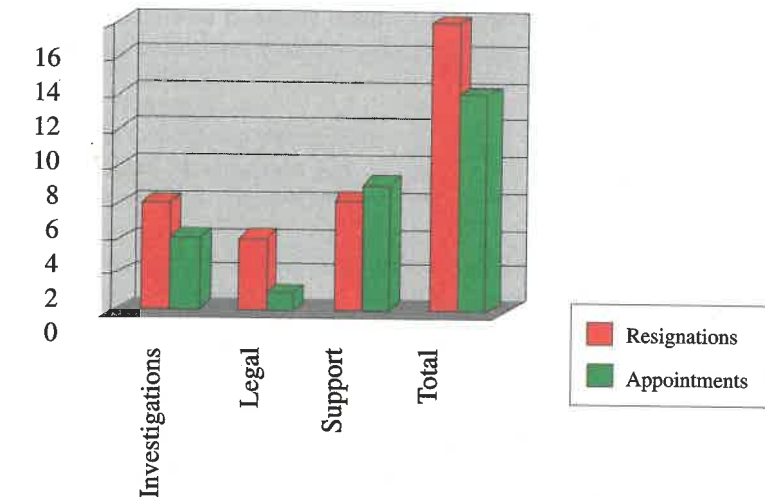
	Investigations	Legal	Support	Total
Black	4	2	0	6
Coloured	0	1	0	1
Asian	0	0	0	0
White	2	1	6	9
Total	6	4	6	16

Appointment of Permanent Members

(31 March 1999 to 1 April 2000)

	Investigations	Legal	Support	Total
Black	2	0	1	3
Coloured	0	0	1	1
Asian	0	1	1	2
White	2	0	4	6
Total	4	1	7	12

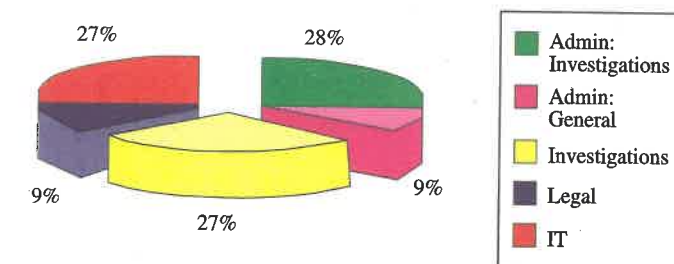
Appointments vs Resignation



Temporary positions:

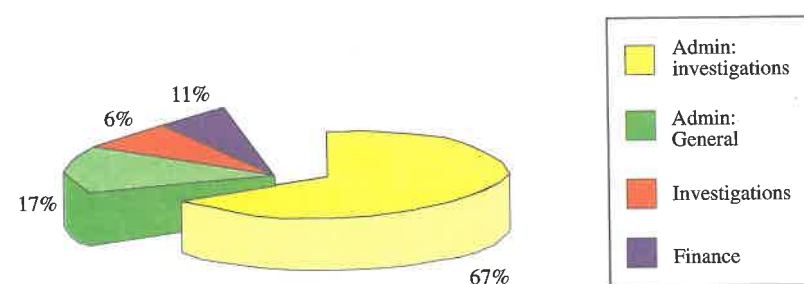
Given the workload of the Unit it became necessary during the year to employ contract personnel to support permanent personnel and boost the operational capacity of the Unit. These temporary positions, 11 in total, included administration of investigations and general administration, investigations, legal and information technology. On average the duration of these contracts was 8 months.

**Long-term temporary employees for the period
1 April 1999 - 31 March 2000**



In addition to this the Unit also made use of short-term temporary employees. A total of 66 temporary employees were used during the financial year. The majority of these appointments were for the capturing of data in investigations where large volumes of information and documentation had to be captured before it could be analysed. The average duration of these contracts was 11 days. Once again the majority of appointments in this category (59) were directed towards investigation administration, investigations and general administration.

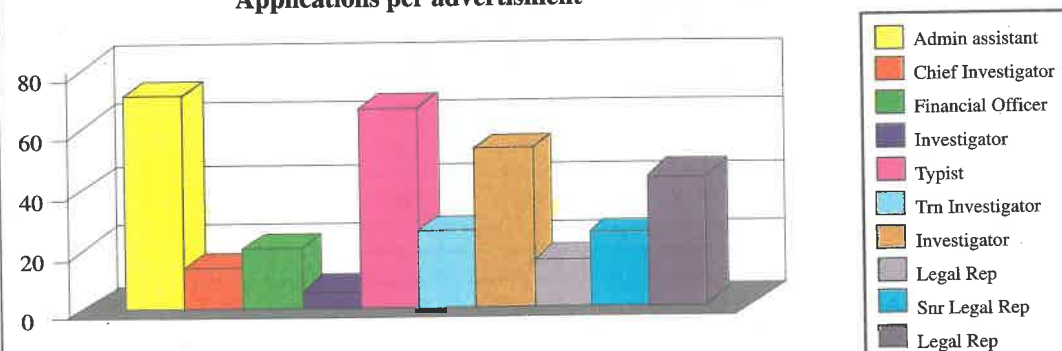
Short-term temporary employees for the period 1 April 1999 - 31 March 2000



Recruitment:

During the year the Unit advertised a number of positions. The response proves that the Unit enjoys wide support amongst the South African public and that the status and stature of the Unit are beyond question. The following table shows the applications received by the Unit for the various positions advertised.

Applications per advertisement



Training and development:

The following training and development programs were presented:

For all members:

- Information analysis
- Financial principles
- Training as Commissioners of Oath
- Public Finance Management Act
- Introduction to MS Windows

For management and supervisory members:

- Performance Management
- Presentation skills
- Management Development Program

For administrative and support members:

- Goal setting
- Telephone etiquette
- Time and workload management

For Legal and investigative members:

- Various case-study discussions
- Interviewing and interrogation techniques
- Undue influence

Additional:

The Trainee Investigators underwent an intensive 9-month in-house training program, including topics such as:

- Act 74 of 1996
- Rules of the Tribunal
- Proclamations
- Section 5 (2)(b) & (c)
- Rule 5's
- Service of process
- Preparation for trial
 - Pre trial
 - Indexing tribunal file
- Investigative skills:
 - Investigating Skills:
 - type of evidence needed
 - how to gather evidence
 - Finalising a case for presentation
 - Presentation of compiled case to legal advisor
 - Interviewing and questioning skills
 - Report writing
 - Case studies

Specialist training for the year included:

- IT and SIM training
- Job description writing
- Salary restructuring
- Activity based costing
- Cash-flow accounting
- Labour legislation
 - Employment equity
 - Skills Development

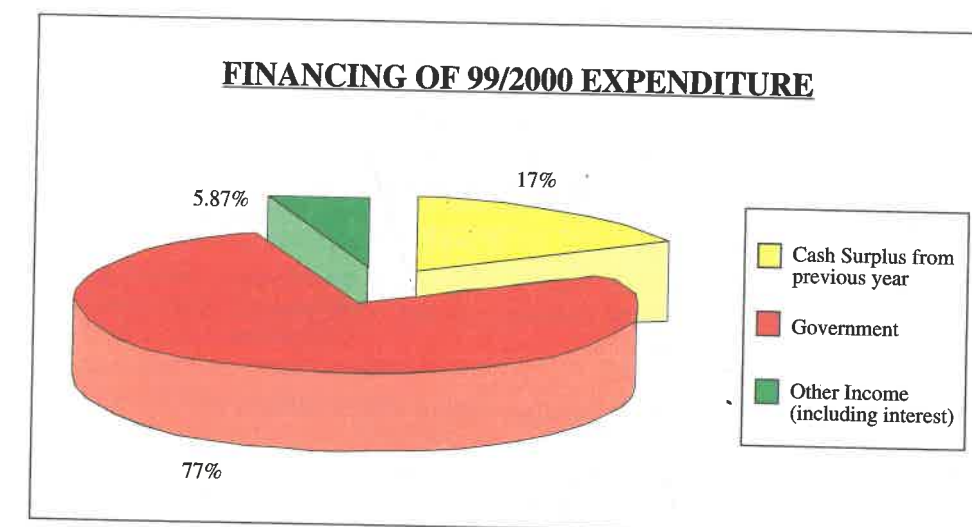
TOTAL ANALYSIS OF STAFF (31 MARCH 2000)										
	BLACK		COLOURED		INDIAN		WHITE		TOTAL	
DEPARTMENT	M	F	M	F	M	F	M	F	M	F
Head of Unit							1		1	
Legal					2	1	3	2	5	3
Finance	1			1		1	1	1	2	3
Admin-general		4		3				8	0	15
Admin – investigations		2		1		1		5	0	9
Investigations	12	6	2	1	2		24	8	40	15
PRO + Admin							1		1	0
IT Department							3		3	0
HR								1	0	1
SUB TOTALS	13	12	2	6	4	3	33	25	52	46
TOTALS PER CATEGORY	25		8		7		58		98	

STAFF TURNOVER		
TOTAL RESIGNATIONS	1999 / 2000	16
TOTAL APPOINTMENTS	1999 / 2000	13
TOTAL PROMOTIONS	1999 / 2000	8

Finance and Administration

R'Mil

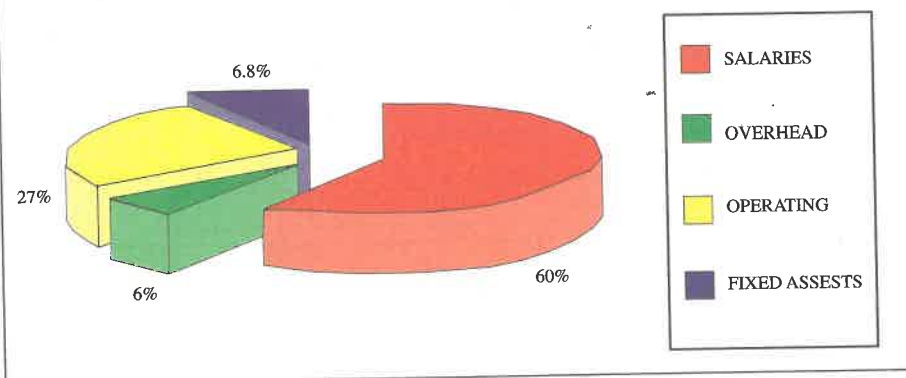
INCOME Cash Surplus from previous year	3,846
Government	16,894
Other Income (Including Interest)	1,294
TOTAL	22,034



R'Mil

TOTAL EXPENDITURE	21,741
SALARIES	13,040
OVERHEADS	1,361
OPERATING	5,845
FIXED ASSETS	1,486

TOTAL EXPENDITURE OF BUDGET 1999 / 2000



Information Technology

The Information Technology Section forms the electronic backbone of the Special Investigating Unit. Not only is it responsible for the data held on all systems and databases but it is also responsible for maintaining a large internal computer infrastructure geared towards providing information quickly and efficiently within the Unit. It also forms an integral part of the operations of the Finance Section.

During the past financial year the Unit had to upgrade the internet security platform to Novell Border Manager 3.5. This includes IP/IP Gateway services, NAT, Application Proxy Services with no filtering services on the Public Domain.

The Unit's Internet Mail platform was also replaced with FreeBSD/Unix.

With the threat of Y2K the Unit had to conduct extensive and stringent tests in order to ensure that all computer hardware and software at the Unit was Y2K compatible. During the year our financial system was also upgraded and this also past pre-Y2K testing. These tests and preparations were completed in the fourth quarter of 1999. All IT systems tested OK for the change of the century. In addition to this Q-Data did a systems/Y2K audit in December 1999 with very positive results.

The first three weeks of January 2000 were utilised to post check all operational aspects of the date-rollover. No problems were experienced before or after 31 December 2000.

The Unit's Access and security control system was also upgraded in co-operation with National Agencies and System Technologies. The new system shows a vast improvement with added functionality.

Information Technology staff underwent successful training in the following fields during 1999/2000:

- | | |
|----------------------------------|---|
| • Master Certified | • Master Certified Engineer/ |
| • Engineer/Internetworking | • Internet Security |
| • Master Certified Engineer/ | • Certified Microsoft Professional |
| • ManageWise 2.6 | • Certified Novell Engineer (NetWare 5) |
| • Network Certified Professional | |
| • Certified Novell Administrator | |

Network systems utilised at present include the following:

- | | |
|----------------------------|----------------------------|
| • Novell Netware 5 | • Microsoft Server 2000 |
| • Novell BorderManager 3.5 | • Microsoft SQL Server 7.0 |
| • Novell ZEN | • Redhat Linux |
| • Novell ManageWise 2.6 | • Slack Linux |
| • Microsoft NT server 4.0 | • FreeBSD |

National Contact

Once again, throughout the year, the Special Investigating Unit was invited to be represented at a number of conferences, seminars or functions where the work of the Unit could be highlighted.

The Unit views this as an integral part of its public awareness programme and an opportunity to educate individuals and organisations about the impact of corruption, fraud and maladministration – both in the private and the public sector.

In addition to this it provided a platform for the Unit to highlight the anti-corruption drive adopted by Government at the National Anti-corruption Summit held in Cape Town during April 1999, the role of the Special Investigating Unit, the role of other anti-corruption bodies, the co-operation of the various bodies and the problems being experienced.

Addresses, speeches and papers were presented at the following occasions or to the following organisations:

- | | |
|---|---|
| • National Anti-Corruption Summit | • Business Day Business Achievers Award Dinner |
| • South African Institute of International Affairs – East London | • University of Pretoria |
| • Editors: Independent Newspapers | • Buffalo Volunteer Rifles – East London |
| • Association of Round Tables of South Africa – Annual Conference | • Institute of Internal Auditors |
| • Insurance Institute of South Africa | • Security Association of South Africa |
| • British Chamber of Business | • University of Natal – Leadership and Ethics |
| • 1926 Club | • Association of Certified Fraud Examiners |
| • Rotary Club - East London | • Lawyers for Human Rights – National Project Meeting |
| • CBS Fraud Conference | • Johannesburg Attorney's Association Sakekamer |
| • SAS Port Rex – East London | • Munich Reinsurance Company |
| • Cape Chamber of Commerce | • Institute of Internal Auditors – Student Seminar |
| • TRC Conference: Law, Corruption and Morality | • Rotary Club of Durban Umhlatazan |
| • Johannesburg Press Club – Newsmaker of the Year | • University of Cape Town - Summer School |
| • Rand Water Board | • PSG Consult Conference |
| • Sabre International | • 8 th Annual Corporate Fraud Conference |

International Recognition

The international profile of the Unit was once again evident when Judge Heath was invited to attend various conferences/seminars and to deliver keynote addresses at meetings/functions that were attended by high profile persons and officials from around the world. These were held on international regional levels.

Conferences and seminars attended and papers delivered included:

- The Independent Commission Against Corruption Silver Jubilee Conference held in Hong Kong
- Integrity Round Table Conference on the State of Corruption in Zambia arranged by Transparency International, the Zambia Chapter. At this conference in Lusaka Judge Heath delivered a speech entitled "The fight against corruption, fraud, money laundering and maladministration of state institutions, assets and public money".
- The 2nd Annual SADC Regional Round Table discussion regarding Ethics and Anti-Corruption measures held in Tanzania
- IACC IX International Anti-Corruption Conference held in Durban
- Commonwealth Association on Public Administration and Management Seminar held in New Delhi, India. Judge Heath addressed 30 high profile delegates on "Independence vs Success – the reality of interference"

INTRODUCTION TO THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF AND ON THE ACHIEVEMENTS BY THE SPECIAL INVESTIGATING UNIT

We are grateful for the thorough way in which the Auditor General and their Agents have conducted the different audits and by way of explanation I have decided to add the following comments thereto:

AD PARAGRAPH 2.2.2(b)

The Unit was unique, it was and is not a State Institution and we were advised that it would be fine to appoint our own external firm of Auditors to assist us in developing the financial system as well as in the auditing of the financials of the Unit. The old Commission which was operating in the Eastern Cape was run on that basis and when the Unit was established an accounting practice was already implemented according to widely accepted auditing and accounting practices and during the first financial year the Unit carried on on that basis. In the second financial year the Auditor General decided that the office of the Auditor General should do the audit and we were very happy with that.

AD PARAGRAPH 3.1

A finding by the Constitutional Court in favour of the South African Association of Personal Injury Lawyers dealt with by the Auditor General in this paragraph could never result in sections of the Special Investigating Unit and Special Tribunals Act 1996 to be declared unconstitutional which could effect the future activities of the Unit. The challenge of SAAPIL is against the fact that a Judge is the Head of the Unit and if the Constitutional Court should find that a Judge should not be the Head of the Unit, the Unit can and will continue to operate but somebody else would be appointed as Head of the Unit once the Governing Party has decided to amend the legislation. The second issue raised by SAAPIL is that the searching of premises by the Unit is unconstitutional and again that will not effect the future activities of the Unit particularly not with regard to the financial system. The third issue raised by SAAPIL is that the specific proclamation which was issued and in terms of which the Road Accident Fund investigation was referred to the Unit is invalid. That again will not effect the future activities of the Unit specifically with reference to the financial system. Therefore the outcome of the Judgment is irrelevant with regard to an audit opinion and any qualification thereof. We therefore disagree with the statement that:

"Uncertainty therefore exists about the future of the Unit's activities, pending the outcome of this case."

AD PARAGRAPH 3.2

Reference is made to the Judgment of the Tribunal dated the 26th June 2000. The investigation was not an investigation regarding the recovery of a debt as such, but the Unit investigated mal-administration, negligent loss of State money, etc by TLC's. The defendants did not defend the actions. The Judgment by the President is under appeal to the full bench in Grahamstown and judgment has been reserved.

TRUST ACCOUNTS

Some amounts of money recovered by the Unit are paid directly to the Institutions on whose behalf the money is recovered. In other instances e.g. in the case of the TLC's, in order to build capacity at the TLC's, the money is paid to the TLC's who then pay the amounts over to the Unit in order to account properly for all recoveries and thereafter the amounts are repaid to the TLC's for use by them. In other cases payments are made directly to the Unit for payment over to the relevant Institutions. The Unit is therefore to a large extent dependent on State Institutions to report to the Unit the actual receipt of the money by them resulting from recovery orders, etc. obtained by the Unit. The Unit in consultation with the Auditors are however continuously working on solutions for the different problems. Having made use of the Unit's own internal auditors an external audit firm appointed by the Unit to assist in its internal auditing process and the auditing by the Auditor General's office through its agents have not indicated any losses suffered as a result of this rather complicated system.

AD OTHER EXPENSES

In Note 13 to the notes to the Annual Financial Statements the auditors deal with a number of expenses which includes legal fees in an amount of R898 574-00. No provision had been made in the past and no provision has been made up to now for legal fees payable by the Unit and this unexpected and very substantial expenditure is seriously and negatively influencing the Unit's budget and of course its cash flow scenario. The legal fees indicated for the financial year ending the 31st March 2000 is almost one sixteenth of the Unit's total budget.

AD PARAGRAPH 4.1

The Auditors deal in their report on the achievements by the Unit in paragraph 4.1 thereof with the Case Tracking System and points out that it has not been managed effectively. An expert at the Unit started writing a new programme for the Case Tracking System during this financial year ending the 31st March 2000 and the Unit started implementing the new system. It had the effect that all old and new cases had to be captured again and particularly taking into account the workload of the Unit, it was impossible to capture all the information timeously and to manage it effectively. The new programme has however significantly improved the Case Tracking System and will be of great assistance in the future writing of the variety of reports that the Unit is called upon from time to time to make available.

AD JUDGMENT BY PRESIDENT OF TRIBUNAL

In paragraph 4.2 of the report of the achievements the Auditor General deals again with the Judgment by the President of the Tribunal. I have already indicated that this Judgment is subject to an appeal. Up to that stage the Unit had been acting in hundreds of cases as Plaintiff and the Unit was in fact relying on the Judgment by a Judge of the Special Tribunal that the Unit was entitled to do so. That was in fact also the interpretation of the Unit up to the time of the Judgment by the present President of the Tribunal.

GENERAL

In general the Unit would like to express its appreciation to the office of the Auditor General and their Agents for the objectivity with which they approached the matters of the Unit particularly taking into account the unique position of the Unit and the fact that it is a new body with unique systems for which there is no precedent.



JUDGE W H HEATH

REPORTS

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF AND ON THE ACHIEVEMENTS
BY THE HEATH SPECIAL INVESTIGATING UNIT

FOR

THE YEAR ENDED 31 MARCH 2000

FINANCIAL AUDIT

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AUDIT ON THE ACHIEVEMENTS

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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE HEATH SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2000

1. AUDIT ASSIGNMENT

The financial statements as set out for the year ended 31 March 2000, have been audited in terms of the provisions of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the head of the Heath Special Investigating Unit (Unit) as the accounting officer. It is my responsibility to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. REGULARITY AUDIT

2.1 Nature and scope

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations that came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

2.2 QUALIFICATIONS

2.2.1 Qualification: Financial audit

Trust accounts and bank balances

The Unit currently operates a number of "trust accounts". These "trust accounts" are used as accounts in which the Unit surrenders and keeps in trust recovered money until such time as it is paid to the relevant third party.

The money recovered and held in trust and the bank balances in respect of these recoveries as at 31 March 2000 amounted to R4 615 588 and R5 570 807, respectively (Note 8 to the financial statements).

As stated in my previous report, there are still inadequate systems and control structures relating to the aforementioned trust accounts and bank balances, resulted in continued uncertainty with regard to the completeness of these accounts.

2.2.2 Qualification: Compliance audit

(a) Unit's legal/fiduciary position

The Unit was established under Proclamation No. R24 of 14 March 1997 in terms of the Special Investigating Units and Special Tribunals Act, 1996 (Act No. 74 of 1996).

Uncertainties exist regarding the Unit's legal/fiduciary position, which include final accountability, accounting policies, format of financial statements, reporting procedures, retaining of surplus and compliance with financial regulations in terms of the Exchequer Act, 1975 (Act No. 66 of 1975), and other regulations and procedures commonly used by government departments. Details appear in paragraph 2.2.14 on pages 16-17 of my previous Report on the Department of Justice for the 1998-99 financial year [PR 145/1999]. An extract from this report is attached as Schedule A.

Since no response was forthcoming from the former Department of State Expenditure on this Office's request on 18 May 1999, this Office decided to again maintain the status quo and proceed with the auditing of the financial statements of the Unit.

However, the absence of an authoritative legal opinion in this regard and of a decisive reply from the Department of State Expenditure consequently results in fundamental uncertainty regarding the above-mentioned matters.

(b) Policies and procedures

With the appointment of the head of the Unit as accounting officer, the Unit was under the impression that it would be exempted from the financial regulations in terms of the Exchequer Act, 1975, and other regulations commonly used by government departments. The Unit consequently developed its own regulations. The following non-compliance with these policies and procedures was identified during the audit:

- (i) Payroll amendments were not made by using payroll amendment forms.
- (ii) Salary adjustments and changes to the payroll were not supported by a generated report on these adjustments. However, the financial manager did review the payroll before payment was made.
- (iii) Monthly reconciliations between the payroll and the general ledger were not performed.

Steps were taken by management to re-perform reconciliations and rectify all matters that were incorrect.

2.3 QUALIFIED AUDIT OPINION

2.3.1 Financial audit

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 2.2.1, the financial statements and cash flow statement, in all material respects, fairly represent the results of the financial operations of the Unit for the year in accordance with generally accepted accounting practice.

2.3.2 Compliance audit

Based on the audit work performed, except for the matters included in paragraph 2.2.2, nothing has come to my attention that causes me to believe that material non-compliance with rules and regulations, applicable to financial matters, has occurred.

3. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Going concern

The going concern concept assumes that an entity is ordinarily viewed as continuing in business for the foreseeable future, with neither the intention nor the necessity of ceasing or closing down the operations.

Judgment by the Constitutional Court of South Africa regarding the appeal by the South African Association of Personal Injury Lawyers to the South African Constitutional Court against the dismissal of challenges in the High Court of Transvaal could result in sections of the Special Investigating Units and Special Tribunals Act, 1996, to be declared unconstitutional.

Uncertainty therefore exists about the future of the Unit's activities, pending the outcome of this case.

3.2 Judgement of the President of the Tribunal: Recovery of debt

Two judgements of the High Courts (Transkei and Eastern Cape Divisions) on appeal from judgements by the Tribunal prompted the President of the Tribunal to revisit the approaches of the Tribunal that had been accepted until then and to test everything done therein afresh in terms of the Special Investigating Units and Special Tribunals Act, 1996, and the regulations and rules made and issued in accordance with this Act.

The matters before the President of the Tribunal were actions wherein the Unit had sued as plaintiff in its own name, for the recovery of arrears in rates and taxes, water and refuse charges owing by various defendants to various Transitional Local Councils.

In his judgement dated 26 June 2000, the President of the Tribunal concluded that it was not within the ambit of the said Act for a special investigating unit to engage in the recovery of debt.

4. APPRECIATION

The assistance rendered by the Management and staff of the Unit during the audit is appreciated.



H van Zyl

for AUDITOR-GENERAL

Pretoria,

27/09/2000.

Annexure "A"

Extract from the Report of the Auditor-General on the accounts of Vote 20 – Justice for the 1998-99 financial year [PR 145/1999] Paragraph 2.2.4 on pages 16 to 17 of this report:

"UNCERTAINTIES IN RESPECT OF ACCOUNTABILITY REPORTING PROCEDURES AND COLLECTION OF DEBTS ON BEHALF OF THIRD PARTIES "

Uncertainties still exist regarding the Unit's legal/fiduciary situation, which include final accountability, accounting policies, format of financial statements, reporting procedures, retaining of surpluses and compliance with financial regulations in terms of the Exchequer Act, 1975, and other regulations and procedures commonly used by government departments. Details appear in paragraph 2.2.17 on page 16 of my previous report on the Department of Justice for the 1997-98 financial year [RP 191/1998]. An extract thereof is attached as schedule B.

On 18 May 1999 this Office referred the matter to the Department of State Expenditure for the purposes of determining the way forward and to consider the granting of ex post facto approval in terms of section 11(a) of the Exchequer Act, 1975, for the Unit to open a trading account. This was done with a view to enabling the Unit to report separately from the Department of Justice on the results of its operations.

No response was forthcoming from the Department of State Expenditure, and this Office consequently decided to maintain the *status quo* and to proceed with the auditing of the financial statements of the Unit, which were once again compiled in accordance with generally accepted accounting practice.

The amount reflected in the financial statements of the Unit as income received from the Department of Justice is R16 192 000 (1997-98: R 9 646 000), and agreed with the amount included as a transfer payment under programme 6: auxiliary and associated services. An amount of R 1 691 382 (1997-98: R497 267) derived from other sources is, however, also accounted for as income by the Unit. Expenditure incurred by the Unit amounted to R13 964 075 (1997-98: R4 456 566), which has been carried forward.

In this regard it must again be mentioned that, while the appropriation account of the department is prepared on the cash basis, the financial statements of the Unit are prepared on the accrual basis. However, apart from the provision for depreciation, the Unit's capital expenditure is not included in its expenditure. The amount reflected by the Unit as surplus of income over expenditure is therefore not the amount that should be surrendered in terms of the Exchequer Act, 1975.

Furthermore, other interpretations of the Unit's legal fiduciary situation may also be possible. The absence of an authoritative legal opinion in this regard and a decisive reply from the Department of State Expenditure may consequently result in uncertainty regarding the said matters."

HEATH SPECIAL INVESTIGATING UNIT

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000

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The annual financial statements as set out were approved and signed by me in my capacity as Head of the Unit.



JUDGE WH HEATH
HEAD OF THE UNIT

East London
23 June 2000

HEATH SPECIAL INVESTIGATING UNIT

BALANCE SHEET at 31 March 2000

	Notes	2000 R	1999 R
ASSETS			
NON-CURRENT ASSETS		3 719 277	3 981 204
Property, plant and equipment	2	3 719 277	3 981 204
CURRENT ASSETS		7 817 558	10 581 444
Inventory	3	24 904	85 487
Trade receivables	4	164 959	236 567
Prepayments	5	95 950	1 354 535
Cash and cash equivalents	6	1 960 938	4 166 756
Bank balances - recoveries	8	5 570 807	4 738 099
TOTAL ASSETS		11 536 835	14 562 648
EQUITY AND LIABILITIES			
EQUITY AND RESERVES		5 339 359	9 140 690
Accumulated profits		5 339 359	9 140 690
CURRENT LIABILITIES		6 197 476	5 421 958
Trade payables	7	1 581 888	1 086 323
Payables - recoveries	8	4 615 588	4 335 635
TOTAL EQUITY AND LIABILITIES		11 536 835	14 562 648

HEATH SPECIAL INVESTIGATING UNIT

INCOME STATEMENT for the year ended 31 March 2000

	Notes	2000 R	1999 R
REVENUE	11	16 959 000	16 749 363
OPERATING EXPENSES		22 004 113	13 964 075
Staff expenses	12	13 040 944	8 546 898
Travel and accommodation		1 967 451	1 708 277
Depreciation		1 748 109	716 704
Other expenses	13	5 247 609	2 992 196
OPERATING (LOSS)/PROFIT		(5 045 113)	2 785 288
OTHER OPERATING INCOME		14 070	-
OPERATING (LOSS)/PROFIT before interest		(5 031 043)	2 785 288
INTEREST RECEIVED		1 229 712	1 691 382
(LOSS)/PROFIT for the year		(3 801 331)	4 476 670

HEATH SPECIAL INVESTIGATING UNIT

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2000

	Accumulated Profit/ (loss)
	R
Balance at 31/3/1998	4 664 020
Net profit for the year	4 476 670
Balance at 31/3/1999	9 140 690
Net (loss) for the year	(3 801 331)
Balance at 31/3/2000	5 339 359

HEATH SPECIAL INVESTIGATING UNIT

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000	1999
		R	R
NET CASH INFLOW FROM OPERATING ACTIVITIES		113 072	8 598 708
Cash received from customers	14.1	17 030 608	16 538 340
Cash paid to suppliers and employees	14.2	(18 147 248)	(9 631 014)
Cash (utilized in)/generated by operating activities	14.3	(1 116 640)	6 907 326
Interest received		1 229 712	1 691 382
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1 486 182)	(3 540 506)
Investments to maintain operations			
Proceeds from disposal of property, plant and equipment		-	17 781
Investment to expand operations			
Acquisition of property, plant and equipment		(1 486 182)	(3 558 287)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 373 110)	5 058 202
CASH AND CASH EQUIVALENTS			
at beginning of year		8 904 855	3 846 653
CASH AND CASH EQUIVALENTS at end of year	14.4	7 531 745	8 904 855

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000

1. ACCOUNTING POLICIES

The following are the principal accounting policies of the Unit which are consistent in all material respects with those applied in the previous year, except as otherwise indicated. The financial statements have been prepared on the historical cost basis.

1.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost and depreciated on the straight line method at rates considered appropriate to reduce book values to estimated residual values, over the expected useful lives of the assets.

Depreciation rates used are as follows:

Office furniture and equipment	20%
Computer equipment	33.33%
Books and law reports	20%
Motor vehicles	25%
Computer software	50%

1.2 Rented assets

All costs relating to rental agreements are charged against income as incurred.

1.3 Revenue

Income comprises grants received from government and incidental income received on the cash basis. Interest received is recognized on the accrual basis.

1.4 Inventory

Inventory is valued at the lower of cost or net realizable value based on the first-in-first-out basis.

1.5 Cash flow statement

The direct method is used for the compilation of the cash flow statement.

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000 R	1999 R
2. PROPERTY, PLANT AND EQUIPMENT		
2.1 Books and law reports		
Carrying value at beginning of the year	48 914	41 414
- Gross carrying value	(14 810)	(5 277)
- Accumulated depreciation	34 104	36 137
Additions	-	7 500
Depreciation	(9 783)	(9 533)
	24 321	34 104
Carrying value at end of the year	48 914	48 914
- Gross carrying value	(24 593)	(14 810)
- Accumulated depreciation		
2.2 Computer software and equipment		
Carrying value at beginning of the year	2 222 504	671 995
- Gross carrying value	(530 879)	(100 180)
- Accumulated depreciation	1 691 625	571 815
Additions	350 652	1 550 509
Depreciation	(893 286)	(430 699)
	1 148 991	1 691 625
Carrying value at end of the year	2 573 156	2 222 504
- Gross carrying value	(1 424 165)	(530 879)
- Accumulated depreciation		

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000	1999
	R	R
2. PROPERTY, PLANT AND EQUIPMENT (continued)		
2.3 Office furniture and equipment		
Carrying value at beginning of the year		
- Gross carrying value	1 418 142	306 751
- Accumulated depreciation	(160 811)	(31 704)
	<u>1 257 331</u>	<u>275 047</u>
Additions	157 530	1 129 172
Disposals (book value)	-	(17 781)
Depreciation	(309 321)	(129 107)
	<u>1 105 540</u>	<u>1 257 331</u>
Carrying value at end of the year		
- Gross carrying value	1 575 672	1 418 142
- Accumulated depreciation	(470 132)	(160 811)
	<u>1 105 540</u>	<u>1 257 331</u>
2.4 Motor vehicles		
Carrying value at beginning of year		
- Gross carrying value	1 167 439	296 333
- Accumulated depreciation	(169 295)	(21 930)
	<u>998 144</u>	<u>274 403</u>
Additions	978 000	871 106
Depreciation	(535 719)	(147 365)
	<u>1 440 425</u>	<u>998 144</u>
Carrying value at end of the year		
- Gross carrying value	2 145 439	1 167 439
- Accumulated depreciation	(705 014)	(169 295)
	<u>1 440 425</u>	<u>998 144</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>3 719 277</u>	<u>3 981 204</u>

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000	1999
	R	R
3. INVENTORY		
Stationery and printing	<u>24 904</u>	<u>85 487</u>
4. TRADE RECEIVABLES		
Sundry receivables	85 458	65 674
Deposits	12 119	12 119
Staff loans	36 600	158 774
Other receivables	<u>30 782</u>	<u>-</u>
	<u>164 959</u>	<u>236 567</u>
5. PREPAYMENTS		
Licenses	60 900	-
Rent	35 050	392 705
Insurance	-	2 063
Motor vehicle purchases	<u>-</u>	<u>959 767</u>
	<u>95 950</u>	<u>1 354 535</u>
6. CASH AND CASH EQUIVALENTS		
Call account	1 913 558	5 468 740
Current accounts	527	(1 306 668)
Foreign exchange on hand	41 169	-
Petty cash	<u>5 684</u>	<u>4 684</u>
	<u>1 960 938</u>	<u>4 166 756</u>

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000 R	1999 R
7. TRADE PAYABLES		
Provision for Audit Fees	232 454	100 000
Staff expenses	1 027 347	432 819
Trade Creditors	<u>322 087</u>	<u>553 504</u>
	<u>1 581 888</u>	<u>1 086 323</u>
8. CREDITORS – RECOVERIES/BANK BALANCES		
8.1 Creditors	<u>4 615 588</u>	<u>4 335 635</u>
Amount reflected is owed to third parties and was obtained through either admission of guilt signed by the individual(s) concerned or through Court Orders issued by Special Tribunal. These amounts are held and are paid over to the relevant third parties once the case(s) is (are) completed.		
8.2 Bank balances	<u>5 570 807</u>	<u>4 738 099</u>
The difference between bank balances and amounts repayable, represents interest earned less bank charges which was subsequently paid into the Units account.		
9. COMMITMENTS		
Total rental commitment	<u>2 177 646</u>	<u>1 695 620</u>
Due within 1 year	875 911	551 686
Due thereafter	<u>1 301 735</u>	<u>1 143 934</u>

The above commitments are in respect of 13 rental agreements for a period ranging from 12 to 60 months.
The estimated monthly rental is R72 872.
Assets rented relate to properties and equipment.

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

10. 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.

	2000 R	1999 R
11. REVENUE		
Revenue comprises grants received from:		
Department of Justice	16 894 000	16 192 000
Eastern Cape Government	-	18 050
Northern Cape Government	-	240 000
Kwazulu-Natal Government	-	299 313
Department of Transport	<u>65 000</u>	<u>-</u>
	<u>16 959 000</u>	<u>16 749 363</u>
12. STAFF EXPENSES		
Salaries and wages	8 908 514	5 424 526
Provident fund and funeral contributions	1 167 066	777 095
Travel, subsistence and entertainment allowances	1 807 463	1 396 267
Computer and telephone allowances	443 494	331 625
Medical aid contributions	414 618	227 849
Leave provisions	<u>299 789</u>	<u>389 536</u>
	<u>13 040 944</u>	<u>8 546 898</u>

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000 R	1999 R
13. OTHER EXPENSES		
Annual report	15 652	37 142
Auditors remuneration	233 546	100 000
Bank charges	37 319	26 672
Books and publications	113 633	83 740
Car hire and taxi expenses	103 043	89 639
Conference and seminar expenses	-	25 344
Consultancy fees	840 858	549 695
Consumables	117 761	103 585
Courier services	26 217	13 465
Entertainment	3 210	5 064
Insurance	194 585	81 321
Internal audit expenses	40 292	-
Legal fees	898 574	2 809
Licences	30 783	22 271
Media and promotions	1 546	5 681
Motor vehicle expenses	432 141	163 171
Revenue stamps	6 525	-
Relocation and recruitment costs	107 173	519 399
Rent paid	687 280	130 980
Rental – equipment	149 028	88 724
Repairs and maintenance	77 906	68 899
Security	57 456	37 060
Stationery and printing	193 909	160 492
Sundry expenses	3 441	1 483
Telephone, fax and posting expenses	841 235	531 949
Training and development	34 496	143 340
Transcription fees	-	271
	<u>5 247 609</u>	<u>2 992 196</u>

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000 R	1999 R
14. NOTES TO THE CASH FLOW STATEMENT		
14.1 Cash received from customers		
Revenue	16 959 000	16 749 363
Decrease/(increase) in trade receivables	<u>71 608</u>	<u>(211 023)</u>
	<u>17 030 608</u>	<u>16 538 340</u>
14.2 Cash paid to suppliers and employees		
Revenue	16 959 000	16 749 363
Operating loss/(profit)	<u>3 801 331</u>	<u>(4 476 670)</u>
	20 760 331	12 272 693
Depreciation	(1 748 109)	(716 704)
(Decrease)/increase in prepayments	(1 258 585)	1 354 535
Interest received	1 229 712	1 691 382
(Decrease)/increase in inventory	(60 583)	85 487
Increase in trade payables	<u>(775 518)</u>	<u>(5 056 379)</u>
	<u>18 147 248</u>	<u>9 631 014</u>
14.3 Cash (utilized in)/generated by operating activities		
Operating (loss)/profit	(3 801 331)	4 476 670
Adjustments for		
Depreciation	1 748 109	716 704
Interest received	<u>(1 229 712)</u>	<u>(1 691 382)</u>
	<u>(3 282 934)</u>	<u>3 501 992</u>

HEATH SPECIAL INVESTIGATING UNIT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2000 (continued)

	2000 R	1999 R
14. NOTES TO THE CASH FLOW STATEMENT (continued)		
14.3 Cash (utilized in)/generated by operating activities (continued)		
Working capital changes		
Decrease/(increase) in inventory	60 583	(85 487)
Decrease/(increase) in trade receivables	71 608	(211 023)
Decrease/(increase) in prepayments	1 258 585	(1 354 535)
Increase in trade payables	<u>775 518</u>	<u>5 056 379</u>
	<u>2 166 294</u>	<u>3 405 334</u>
	<u>(1 116 640)</u>	<u>6 907 326</u>
14.4 Cash and cash equivalents		
Bank balances	1 960 938	4 166 756
Bank balances – recoveries	<u>5 570 807</u>	<u>4 738 099</u>
	<u>7 531 745</u>	<u>8 904 855</u>

REPORT OF THE AUDITOR-GENERAL ON THE ACHIEVEMENTS BY THE HEATH SPECIAL INVESTIGATION UNIT FOR THE YEAR ENDED 31 MARCH 2000

1. AUDIT ASSIGNMENT

The schedule of achievements as set out on page 45 for the year ended 31 March 2000 have been audited following the agreement with the Department of Justice and Constitutional Development and the Head of the Special Investigation Unit. These schedules are the responsibility of the Head of the Unit. It is my responsibility to express an opinion on this schedule of achievements based on my audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the schedule of achievements is free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the schedule of achievements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall presentation of the schedule of achievements.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the schedule fairly presents, in all material respects, the achievements of the Unit for the year ended 31 March 2000 in accordance with the agreed reporting framework.

4. EMPHASIS OF MATTERS

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Control Environment

The current Case Tracking systems (CTS) used by the Unit to manage and control achievements have not, in all cases, been managed effectively. Controls and procedures to ensure all case documentation are completed have in certain instances not been complied with.

Procedures to follow up on signed acknowledgement of debts in respect of compliance to repay outstanding debts need to be implemented to control the increasing value of cases.

4.2 Judgement of the President of the Tribunal: Recovery of debt

Two judgements of the High Courts (Transkei and Eastern Cape Divisions) on appeal from judgements by the Tribunal prompted the President of the Tribunal to revisit the approaches of the Tribunal that had been accepted until then and to test everything done therein afresh in terms of the Special Investigating Units and Special Tribunals Act, 1996, and the regulations and rules made and issued in accordance with this Act.

The matters before the President of the Tribunal were actions wherein the Unit had sued as plaintiff in its own name, for the recovery of arrears in rates and taxes, water and refuse charges owing by various defendants to various Transitional Local Councils.

In his judgement dated 26 June 2000, the President of the Tribunal concluded that it was not within the ambit of the said Act for a special investigating unit to engage in the recovery of debt.

5. APPRECIATION

The assistance rendered by the Management and staff of the Unit during the audit is appreciated.



H van Zyl
for AUDITOR-GENERAL
Pretoria,

27/09/2000.

"Schedule "A"

HEATH SPECIAL INVESTIGATING UNIT - VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES for the year ended 31 March 2000

Summary Report

	1	2	3	4	5	6
	Prevention of Loss	Recovery of Asset	Transparency in Tender Process	State Land Reclaimed	Enforcement of Obligation	Balances c/forward
					Cash Recovered Paid direct to institution	Paid to Unit's Trust Acc.
North West		1,963,953				
Mpumalanga						1,822,656
Northern Cape						49,005
Eastern Cape						57,453
Free State						(6)
Gauteng						
Western Cape						
Northern Province						
KwaZulu Natal						
TOTALS						

Narrations

1. Prevention of loss
2. Recovery of assets
3. Transparency of tender process
4. State land reclaimed
5. Enforcement of obligation
6. Cash recovered

HEATH SPECIAL INVESTIGATING UNIT - ANALYSIS OF RECOVERIES THROUGH UNIT'S TRUST ACCOUNT
for the year ended 31 March 2000

Summary Report

Province	Amounts to be collected			Cash Recovered		Cash Position				
	Balances b/forward	New cases	Total	Total Beginning of year	Current Year	Total	Beginning of year	Amounts received	Amounts Paid over	Balances c/forward
North West	3,495,542	3,806,511	7,302,053	311,897	1,822,656	2,134,552	311,897	1,822,656	(1,900,390)	234,163
	149,460	137,728	287,188	84,065	49,005	133,070	84,065	49,005	-	133,070
Mpumalanga										
	-	57,447	57,447	-	57,453	57,453	-	57,453	(56,947)	506
Eastern Cape	2,348,486	1,115,353	3,463,839	126,386	691,284	817,670	126,386	691,284	(655,168)	162,502
	-	72,221	72,221	-	7,200	7,200	-	7,200	-	7,200
Free State										
	631,543	1,022,188	1,653,731	3,397,748	482,173	3,879,921	3,397,748	482,173	(97,964)	3,781,957
Gauteng										
	136,597	-	136,597	49,831	40,291	90,123	49,831	40,291	(39,993)	50,129
Northern Province	3,926,893	873,524	4,800,417	373,107	149,121	522,228	373,107	149,121	(436,955)	85,273
	-	160,666	160,666	9,522	160,666	170,188	9,522	160,666	(9,400)	160,788
KwaZulu Natal										
	10,688,521	7,245,638	17,934,159	4,352,556	3,459,849	7,812,405	4,352,556	3,459,849	(3,196,817)	4,615,588
Total Trust Creditors										
Interest Less bank charges							286,143	561,913	-	848,056
Bank Account Number 2										
							99,400	7,763	-	107,163
Total Bank Balances							4,738,099	4,029,525	(3,196,817)	5,570,807

Notes



Notes