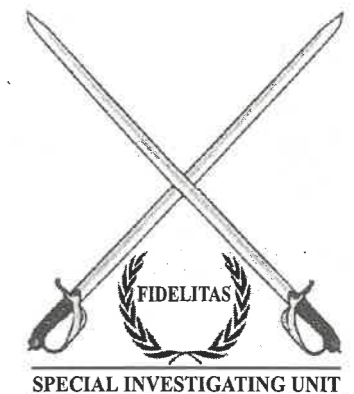


**SUPPLEMENT TO  
SPECIAL  
INVESTIGATING  
UNIT**

**ANNUAL REPORT  
2000/2001**



**CONTENTS**

**Report of the Auditor-General**

- Financial Statements for the year ended 31 March 2001 ..... 2
- Achievements for the year ended 31 March 2001 ..... 5

**Schedules**

- Schedule 'A' ..... 7
- Schedule 'B' ..... 8

**REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF  
THE SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2001**

**1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 23 to 35 of the Special Investigating Unit Annual Report, for the year ended 31 March 2001, have been audited in terms 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 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 which came to my attention and are applicable to financial matters.

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

**2.2 Qualification**

**2.2.1 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 2001 amounted to R1 344 777 (31 March 2000: R4 615 588) and R1 727 701 (31 March 2000: R5 570 807), respectively (note 8 to the financial statements). The difference between bank balances and amounts payable, represents interest earned less bank charges.

The interest earned on these "trust accounts" is utilised by the Unit for the funding of operational expenditure, as no collection commission is charged to the state organisations and no direct expenditure relating to an investigation is recovered from the organisation.

As stated in my previous reports, dated 29 September 2000, there are still inadequate systems and control structures relating to the aforementioned trust accounts and bank balances, which resulted in continued uncertainty with regard to the completeness of these accounts.

**2.2.2. Compliance audit**

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).

As stated in my previous reports, dated 29 September 2000, there still exists uncertainties regarding the Unit's legal/fiduciary position, which include final accountability, accounting policies, format of financial statements, reporting procedure, 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 and applicable to the Unit for the year under review. However, the Unit was effectively listed as a Schedule 3 Public Entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as from 1 April 2001.

**2.3 Qualified audit opinion**

**2.3.1 Financial audit**

In my opinion, except for the effect on the financial statements of the matter referred to in paragraph 2.2.1, the financial statements fairly presents, in all material respects the financial position of the Special Investigating Unit at 31 March 2001 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting practice.

**2.3.2 Compliance audit**

Based on the audit work performed, except for the matter referred to 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 operations.

Uncertainty exists regarding the future of the Unit, although there are indications that as long as the Unit still has work to complete the Unit would continue to operate. Attention is drawn to the Chairman's report regarding the uncertainty.

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

As stated in my previous reports, the President of the Tribunal was prompted by the High Court judgements to revisit the approaches of the Tribunal that had been accepted until then, with regard to 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 judgement, dated 26 June 2000, the President of the Tribunal concluded that it was not within the ambit of the Act for a special investigating unit to engage in the recovery of debt.

The Unit applied for amendments to the act to enable it and the Special Tribunal to resolve the issues. However, interim measures had been implemented to adhere to the judgement.

### 4. APPRECIATION

The assistance rendered by the management and staff of the Unit during the audit are sincerely appreciated.



H van Zyl  
for AUDITOR-GENERAL

Pretoria  
23/07/2001

## REPORT OF THE AUDITOR-GENERAL ON THE ACHIEVEMENTS BY THE SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2001

### 1. AUDIT ASSIGNMENT

The schedule of achievements as set out on page 36 of the Special Investigating Unit Annual Report for the year ended 31 March 2001, has been audited following the agreement with the Department of Justice and Constitutional Development and the Head of the Special Investigation Unit. This schedule is the responsibility of the Head of the Unit as the accounting officer. 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. QUALIFICATION

#### 3.1 Control environment

A case tracking systems (CTS) had been used by the Unit to manage and control achievements. This system had not been managed effectively, as reported in my previous report dated, 29 September 2000.

For the year under review no case tracking system had been used as the Unit is in the process of implementing a new system. The manual system increased the risk of completeness and accuracy of the recording of the achievements of the Unit. As a result of the shortcomings in the previous systems, achievements to the value of R3 523 395 (Eastern Cape: R2 946 839 and Northern Province: R 576 556) were duplicated in the prior year, which affected the respective opening balances, as indicated on schedule A.

### 4. AUDIT OPINION

#### 4.1 Qualified opinion

In my opinion, except for the effect on the achievements of the matter referred to in paragraph 3.1, the schedule of achievements fairly presents, in all material respects, the performance of the Unit for the year ended 31 March 2001 in accordance with the agreed reporting framework.



**5. JUDGEMENT OF THE PRESIDENT OF THE TRIBUNAL: RECOVERY OF DEBT**

As stated in my previous report dated 29 September 2000, the President of the Tribunal was prompted by two High Courts judgements to revisit the approaches of the Tribunal that had been accepted until then with regard to 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 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.

The Unit applied for amendments to the act to enable it and the Special Tribunal to resolve the issues. However, interim measures had been implemented to adhere to the judgement.

**6. APPRECIATION**

The assistance rendered by the management and staff of the Unit during the audit are sincerely appreciated.



H van Zyl  
for AUDITOR-GENERAL

Pretoria  
23/07/2001

**SPECIAL INVESTIGATING UNIT - VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES**  
for the year 1 April 2000 - 31 March 2001

**Summary Report**

Province	Balances carried forward	New Cases		Prevention of Loss	Recovery of Asset	Transparency in Tender Process	State Land Reclaimed	Enforcement of Obligation	Cash Recovered paid direct to institution	Paid to Unit's Trust Accounts	Cases Closed	Cases handed over to 3rd parties for collection	Balance carried forward
		Per Tribunal Ruling	AOD's issued										
North West	8 843 825	0	3 676 960	0	3 676 960					722 986	654 916	0	11 142 883
Mpumalanga	238 183	0	0	0	0					21 873	-6	0	216 316
Northern Cape	-6	0	51 503	0	51 503					51 503	-6	0	0
Eastern Cape *	9 468 827	0	189 688	2 387 130	2 576 818				2 607 812	191 030			9 246 803
Free State	65 021	0	3 147 250	0	3 147 250				0	2 906 281	0	0	3 05 990
Gauteng	1 375 346	8 488 046	2 277 538	0	10 765 583	10 637 006			0	271 056	0	0	1 232 868
Western Cape	102 307	0	0	0	0				0	20 085	0	56 435	25 786
Northern Province *	4 074 740	0	0	0	0				0	2 294 970	144 483	0	1 635 287
KwaZulu Natal	0	0	432 997	0	432 997				0	32 736			400 261
<b>TOTALS</b>	<b>24 168 243</b>	<b>8 488 046</b>	<b>9 775 935</b>	<b>2 387 130</b>	<b>20 651 111</b>	<b>10 637 006</b>	<b>0</b>	<b>0</b>	<b>2 607 812</b>	<b>6 512 520</b>	<b>799 387</b>	<b>56 435</b>	<b>24 206 194</b>

**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
- No Physical transfer  
- Market related value of moveable assets  
- Value of tender stopped/savings in new tender due to intervention  
- Land Bank value for agricultural land. Independent valuation for commercial/residential properties.  
- Value of contractual obligation  
- Cash value of tribunal order/settlement agreement

\* Opening balance adjustment due to duplication in 1999/2000

**SPECIAL INVESTIGATING UNIT - ANALYSIS OF RECOVERIES THROUGH UNIT'S TRUST ACCOUNTS**  
for the year 1 April 2000 - 31 March 2001

Schedule "B"

**Summary Report**

Province	Amounts to be collected				Cash Recovered			Cash Position			
	Balances b/forward	New cases	Cases closed	Total	Total beg. of year	Current Year	Total	Beginning of year	Amounts Received	Amounts Paid Over	Balances c/forward
North West	7 302 053	2 391 308		9 693 361	2 134 552	722 986	2 857 538	234 163	722 986	-608 773	348 376
Mpumalanga	287 188	0		287 188	133 070	21 873	154 943	133 070	21 873	-49 005	105 938
Northern Cape	57 447	0		57 447	57 453	51 503	108 956	506	51 503	0	52 009
Eastern Cape	3 463 839	189 688		3 653 527	817 670	191 030	1 008 700	162 502	166 368	-174 860	154 010
Free State	72 221	3 147 250		3 219 471	7 200	2 906 281	2 913 481	7 200	2 906 281	-2 783 592	129 889
Gauteng	1 653 731	128 578	-652	1 781 657	3 879 921	271 056	4 150 977	3 781 957	271 056	-3 594 209	458 804
Western Cape	136 597	6 000		142 597	90 123	20 085	110 208	50 129	20 085	-57 225	12 989
Northern Province	4 800 417	0	-145 296	4 655 121	522 228	2 294 970	2 817 198	85 273	2 294 970	-2 328 339	51 904
KwaZulu Natal	160 666	432 997		593 663	170 188	32 736	202 924	160 788	32 736	-162 666	30 858
<b>Total Trust Creditors</b>	<b>17 934 159</b>	<b>6 295 821</b>	<b>-145 948</b>	<b>24 084 032</b>	<b>7 812 405</b>	<b>6 512 520</b>	<b>14 324 925</b>	<b>4 615 588</b>	<b>6 487 858</b>	<b>-9 758 669</b>	<b>1 344 777</b>
Interest Less Bank charges								848 056	290 148	-869 324	268 880
Bank Account Number 2								107 163	24 663	-17 782	114 044
<b>Total Bank balances</b>								<b>5 570 807</b>	<b>6 802 669</b>	<b>-10 645 774</b>	<b>1 727 701</b>