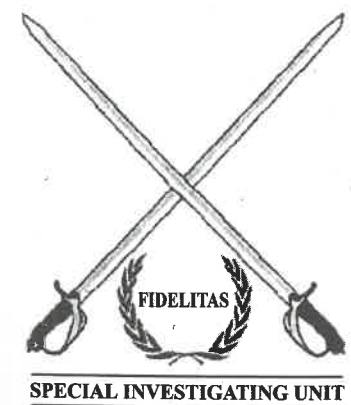


# **SPECIAL INVESTIGATING UNIT**

**ANNUAL  
REPORT  
2001/2002**





## CONTENTS

<b>Tabling of Annual Report .....</b>	<b>2</b>
<b>Mission Statement .....</b>	<b>3</b>
<b>Role of the SIU .....</b>	<b>3</b>
<b>Advantages of the SIU.....</b>	<b>3</b>
<b>Matters which the SIU can Investigate .....</b>	<b>3</b>
<b>Message by the Head of the Unit .....</b>	<b>4</b>
<b>Introduction .....</b>	<b>5</b>
<b>Overview of the period under review</b>	
• The period up to 31 July 2001 .....	5
• The period after 1 August 2001 .....	6
<b>Year under review</b>	
• Investigations .....	10
• Legal .....	15
• Personnel .....	16
• Information Technology .....	19
• Finance and Administration .....	20
<b>Annual Financial Statements .....</b>	<b>25</b>
<b>Report on Achievements .....</b>	<b>39</b>

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

4 June 2002


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, I hereby submit to you the Annual Report for the period 2001/2002 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.

Yours faithfully

  
W A Hofmeyr  
HEAD OF THE UNIT

**MISSION STATEMENT**

The SIU is committed to providing the highest quality professional forensic investigation and litigation service to all state institutions at national, provincial and local levels.

The activities of the SIU are effectively designed to combat maladministration, corruption and fraud involving state institutions and to protect state assets and public money.

**ROLE OF THE SIU**

The SIU deals with cases of corruption, fraud and maladministration that have been referred to it by the President.

When an investigation reveals sufficient evidence, the SIU can institute civil action in the Special Tribunal to recover, protect or save state assets or state monies that have been or could be misappropriated or misused.

Where any evidence of criminal offences is uncovered, the SIU works closely with other law enforcement agencies to ensure that perpetrators are prosecuted in the appropriate forum.

**ADVANTAGES OF THE SIU**

In some respects the SIU plays a role not fulfilled by any other institution. The SIU is the only institution that 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 SIU 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 SIU 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 SIU only has to prove its cases on a balance of probabilities. Unlike many cases of criminal prosecutions where subjective intent has to be proved, the SIU, 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 a negligent misrepresentation would constitute a cause of action.

**MATTERS WHICH THE SIU CAN INVESTIGATE**

The President may refer a matter to the SIU for investigation on the grounds of any alleged-

- serious maladministration in connection with the affairs of any state institution;
- improper or unlawful conduct by employees of any state institution;
- unlawful appropriation or expenditure of public money or property;
- unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having a bearing on State property;
- intentional, or negligent loss of public money or damage to public property;
- corruption in connection with the affairs of any state institution;
- unlawful or improper conduct by any person which has caused or may cause serious harm to the interests of the public or any category thereof.

## MESSAGE FROM HEAD

It has been an exciting and demanding period since I was appointed as Head of the SIU in August 2001.

This report deals fully with the challenges faced by the SIU, and I therefore want to highlight a few points.

The SIU is in a unique position to provide an effective and economic forensic investigation and litigation service to government departments that have suffered from corruption. Utilising the SIU for forensic investigations has definite advantages as compared to utilising private sector forensic auditors.

- The SIU provides forensic investigation services at no cost to a government department other than that budgeted for the SIU in its annual budget.
- The SIU can provide most of the services provided by the private sector, other than some high level skills. Taking into account all its costs, its services are provided at approximately a third of the cost of the private sector.
- Departments are provided with a completed investigation because it has police powers and its members are Commissioners of Oaths who can take proper affidavits. Private sector investigations often result only in a report, and proper evidence still needs to be obtained in a subsequent investigation leading to delays.
- The SIU is able to assist with the investigation and prosecution of the matter, thus helping to deal with the resource constraints in the criminal justice system.
- The Special Tribunal ensures that litigation proceedings are swift as opposed to the lengthy delays that may occur in other courts.

I therefore believe that there is a real basis for a partnership between the SIU and various government departments that have the need for ongoing investigations. In many ways, it would make much more sense for such departments to spend some of the monies (that are going to the private sector) on working with the SIU. Not only will this mean more economic and effective investigations, but it will also mean building capacity in the state that will be permanently available for investigations.

I would like to thank the Minister of Justice and Constitutional Development for the excellent co-operation from him and his Department. Although the procedure for obtaining proclamations is still somewhat cumbersome, he has co-operated with all requests from the SIU, and has adopted a very tough attitude to those guilty of corruption in the public sector.

I believe that stronger legal measures are necessary to deal more effectively with corruption. The various measures proposed by the Minister and the Justice Portfolio Committee are indeed to be welcomed.

Finally, I would like to thank the members of the SIU for the unstinting support and loyalty that I have received since my appointment. I believe that together we have indeed managed to put the SIU "back in business" as one of the prime institutions fighting corruption in South Africa.



Willie Hofmeyr  
Head of Unit

## INTRODUCTION

The SIU has pleasure in presenting the Annual Report on its activities for the year ended 31 March 2002. 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 SIU performance, financial status and achievements during the past year.

During this period, the previous SIU established by Proclamation R24 of 1997, known as the Heath SIU, was disbanded and all its cases were transferred to a new SIU established by Proclamation 118 of 2001. For the sake of convenience this report will refer to the new SIU as "the SIU", and to its predecessor as "the HSIU".

## OVERVIEW OF THE PERIOD UNDER REVIEW

### THE PERIOD UP TO 31 JULY 2001

This period was characterised by a great deal of uncertainty in the HSIU.

- **The SAAPIL judgment**

As previously reported, the Constitutional Court ruled in November 2000 in the SA Association of Personal Injury Lawyers (SAAPIL) matter that a judge could not head the HSIU. The state was given a year in which to remedy the situation.

The head of the HSIU, former judge Willem Heath, subsequently took long leave, and later resigned to take up a position in the private sector.

- **The Henning audit of the HSIU**

As indicated in the previous Annual Report, in February 2001 the Minister of Justice requested the National Director of Public Prosecutions to carry out a due diligence audit of the work of the HSIU.

Adv Jan Henning SC was appointed to conduct this audit that involved an extensive process of evaluating all cases of the HSIU, and making recommendations regarding the continuation, closure or referral to other institutions of all cases.

Although the Henning report was critical of some aspects of the work of the HSIU, it came to the conclusion that the HSIU did extremely valuable work, had unique powers to combat corruption and had skilled staff that could play a vital role in the fight against corruption. It therefore recommended that the HSIU should continue with its work.

- **Consequences of uncertainty**

The result of the SAAPIL judgment and the Henning audit was that the HSIU faced a prolonged period of great uncertainty about its future.

One of the results was that many staff members resigned to take up other positions. By the end of August, about one third of all staff members had left, including many investigators and lawyers.



In addition, the Henning audit was clearly a vital one for the organisation since its future depended on the outcome and recommendations of the audit. Thus most of the staff were involved in preparing material for the audit, and very little investigative or legal work could be done in the period from March to July 2001.

Furthermore, no new cases had been referred to the HSIU for some time. The result was that most of the work involved very old cases where there was little prospect of delivering visible results.

The situation was aggravated by the fact that the HSIU had no head. The management committee appointed by the previous head to continue running the HSIU did an excellent job under trying circumstances, but there was an understandable lack of direction during this period.

Another consequence of the uncertainty was that a number of amendments to the Act that were required for the efficient functioning of the HSIU were not processed, and this had a further debilitating effect on the ability of the HSIU to perform its functions.

#### **THE PERIOD AFTER 1 AUGUST 2001**

Understandably, the morale of the remaining staff members had reached a very low point by the end of July 2001. Thus, there was much excitement and relief when Mr Willie Hofmeyr was appointed as the new head of the SIU at the beginning of August 2001.

Immediate steps were taken to address the problems outlined above, and a 10 point strategy was developed with the management of the SIU to put it "back in business" as one of the premier corruption fighting institutions in our country.

The strategy included the following points:

##### **1. Creating certainty about the future of the SIU**

One of the major challenges was to create certainty about the future of the SIU for the staff.

Fortunately this issue had already been addressed to some extent by the findings of the Henning audit which confirmed the valuable role played by the SIU.

The Minister endorsed these findings and made it clear that he was convinced that the SIU had an important role to play, and the appointment of a new head made government's commitment to the SIU clear.

In addition, the new head arranged to meet regularly with the Minister and the National Director of Public Prosecutions to ensure that government is fully informed regarding developments at the SIU.

The SIU also participated in the discussions about the government's anti-corruption strategy led by the Department of Public Service and Administration.

In addition, the SIU embarked on a team building exercise for all staff that assisted significantly in improving morale and giving a greater sense of direction to staff.

##### **2. Referral of new cases for investigation**

The most tangible way to address the morale problems in the SIU, and make a visible gesture that it was "back in business" was to ensure the referral of new investigations to the SIU.

All previous requests for investigations were re-evaluated, and several requests were submitted to the Minister for approval. Almost all these investigations have since been allocated to the SIU for investigation.

##### **3. Filling the vacancies in the SIU**

A major strategic priority was to fill the nearly 40 vacancies, since this impacted seriously on its capacity to continue with existing investigations and to take on new cases.

This exercise was successfully concluded by the end of 2001. It was encouraging that a significant number of those who had resigned were willing to apply for the vacant positions once there was greater certainty about the future of the SIU.

##### **4. Improving the representivity of the SIU**

The SIU has an employment equity plan in place, as well as a properly constituted employment equity forum.

A major focus of the recruitment drive was to improve the representivity of the SIU, especially at management level. There has been good progress over the past year. The figures and graphs contained in the section on Personnel in this report give an indication of the progress made by the SIU.

##### **5. Ensuring competitive salaries**

A further priority issue was to re-evaluate the salaries and salary structure of the SIU. It operates in a field where it faces heavy competition from the private sector for skills that are in huge demand.

A proposal has been submitted to the Minister, and is currently under discussion.

##### **6. Elimination of backlogs and promotion of greater efficiency**

One of the problems identified by the Henning audit was that some cases took a very long time to complete, while others were not really worthwhile pursuing.

To address these problems, the SIU was restructured to work on a project management approach. This has been very successful and has introduced much clearer time frames and greater accountability into the investigations.

In addition, the SIU has given an understanding to a number of provincial administrations to produce reports more speedily, and to compile interim reports where aspects of an investigation have been completed.

##### **7. Legal changes to improve effectiveness of SIU**

Litigation by the SIU has been severely affected by a number of judgements in the Special Tribunal and High Court. A strategic priority was to draft the amendments to Act No. 74 of 1996 required to deal with these legal problems. Senior Council has been

briefed to advise the SIU on the amendments, as well as on related constitutional issues. It is hoped that the amendments will be tabled in Parliament in the second half of the year.

**8. Establishing a national presence**

Although the HSIU used to have a team focussing on each province, most of its staff members were based at the East London head office. This was because the SIU predecessor, an Eastern Cape Commission, was based there, and later because it was felt that it was important to keep all staff together to promote unity and integrity.

It became clear, however, that it was extremely difficult to provide a proper service to the various government departments, requiring investigations, from one centre. In addition, the location in East London made co-ordination of its activities with those of other law enforcement agencies difficult.

Consequently it was decided that the SIU should establish a national presence.

A Gauteng office has already been set up in Pretoria and further additional offices will be established over the next few years.

**9. Improved cooperation with other law enforcement agencies**

The SIU has sometimes been criticised for focussing too much on civil recovery and not doing sufficient to ensure criminal convictions.

When the new head was appointed, the Minister specifically requested that special attention be given to more effective criminal action against corrupt officials and those in the private sector who bribe or benefit from corruption.

Where it has appeared to the SIU in the source of investigations that there was evidence of criminal offences, it has always reported matters to the prosecuting authorities. However, the SIU concedes that it could have done more to ensure effective cooperation with other law enforcement agencies.

Over the past year a special effort has been made to improve cooperation with other law enforcement agencies to ensure effective criminal action where evidence is available indicating a criminal offence. The SIU is also evaluating some of its old matters to see whether criminal action was taken, and whether it is able to assist in some way.

Given the great resource constraints in the criminal justice system, it is not sufficient simply to refer matters to the Police or National Prosecution Authority where there may not always be the capacity to deal with them adequately.

The SIU has made its investigators available to assist the police in compiling dockets that are court ready. A good example is the Nontenja prosecution in Umtata where the SIU investigator has prepared the court docket and will also assist the prosecutor in court during the prosecution.

An exciting development is that the National Director of Public Prosecutions has indicated that he may be prepared to give delegations to experienced lawyers in the SIU to conduct prosecution in certain cases. This certainly makes sense since it will

eliminate the massive duplication of work for a prosecutor to get court ready in some of the huge investigations conducted by the SIU when there is already a lawyer fully acquainted with the matter.

**10. Building partnerships with government**

Considerable attention has been given to building a good relationship with the Premiers and other government departments that may require the services of the SIU.

The SIU sees itself primarily as an institution that works in cooperation with government to deal with corruption. In an overwhelming number of cases the SIU has enjoyed an excellent working relationship with the relevant government department, and indeed it would not be able to do its work effectively without such co-operation.

Of course this will not always be the case. There are occasions where the SIU investigates senior officials and it is difficult or even impossible to co-operate with the department involved.

**Conclusion**

Overall, the SIU has made significant progress over the past year in overcoming the difficulties of the preceding period and it faces the future with confidence.



## YEAR UNDER REVIEW

### INVESTIGATIONS -

#### • Department of Transport: Northern Province

The SIU is continuing with the investigation into alleged irregularities pertaining to the selling of learner's and driver's licences at traffic stations and TLC traffic centres throughout the Northern Province.

The aim of this investigation is to identify corrupt state officials, consider cancellation and withdrawal of unlawfully issued drivers licences and the re-testing of unlawful licence holders.

During the past year substantial progress was made in this case. Of the original 13 traffic stations that were being investigated, only three are still to be scrutinised.

The following are some of the irregularities that have been found during the course of the investigation:

- Learner's and driver's licences were issued contrary to the provisions of the Road Traffic Act
- There were no records of testing of candidates' eyesight
- Driver's licences were issued without any record of road test results
- Indications have been found that road tests took less than 20 minutes whereas the Act stipulates that each test must be at least 20 minutes or more
- Driver's licences were issued where there is no record of learner's licences having been issued
- Driver's licences were issued where there is no proper record on file
- Tests were conducted without following the prescribed procedure in terms of the Road Traffic Act.

During the year under review the Unit forwarded a preliminary report to the Department recommending that it consider cancelling all the unlawful driver's licences issued to date.

In addition, the SIU worked very closely with the Scorpions and the SAPS Organised Crime Unit. This co-operation led to the arrest of 25 Traffic Examiners and NATIS Clerks who were involved and/or implicated in selling drivers licences.

It is envisaged that this investigation will be completed by the end of 2002 when the Unit will submit a final report to the Department of Transport in the Northern Province.

#### • Department of Transport Fraudulent Reductions of Tare Weights: KwaZulu-Natal

During November 2001, the SIU was mandated to investigate the fraudulent reductions of tare weights at the Umbilo Motor Licensing Bureau. This investigation involved the alleged reduction of tare weights of motor vehicles belonging to large transport companies by employees of the Department.

An audit was carried out by the Department, and documentation was drawn from the archives and scrutinised.

Initially 14 transport companies were identified as having had the tare weight of their vehicles reduced. Following investigation another 37 companies have also been identified. Once the entire audit has been completed, claims against the owners of these companies will be formulated and lodged to recover any monies owing to the Department.

Employees of the Umbilo Licensing Bureau whose user codes were used in the fraudulent reduction of the tare weights have been questioned.

#### • Department of Local Government - Labour Contracts: KwaZulu Natal

In seven cases presently under investigation by the SIU it has been found that the Department of Local Government and Housing in KwaZulu-Natal had received false documentation for work performed. Relying on the documentation, the Department then paid money for work that had not been completed and/or work that had not been done at all.

In the case of Idube Raceway it was found that construction and earthmoving plant and equipment, hired on behalf of the Department, had been used irregularly at Idube Raceway. In addition to this, building and construction material had been purchased at Government expense and delivered to Idube Raceway for use in a building project there. It has also been discovered that labour charged to legitimate Government approved projects was channelled to Idube Raceway for construction purposes.

In the remaining six cases, the Government paid in excess of R950 000 for work that was not completed, work that was never done or labour that was never used in the completion of Local Government projects. The majority of these payments arose as a result of fraudulent progress certificates, false attendance registers, fictitious companies and fraudulent contracts.

#### • University of the North: Northern Province

During the past year the SIU has collected R65 000 in terms of Acknowledgements of Debt (AOD's) signed by persons who owe the University money.

The AOD collections are ongoing until the persons concerned have repaid all monies owing.

The SIU makes regular transfers of monies collected to the University.

- **Medical Bursaries: North West Province**

This investigation was initiated by the North West Province Government to investigate the alleged failure by medical students of Medunsa to repay State bursaries.

This is an ongoing investigation and during the past year, six Acknowledgements of Debt (AOD's) were signed totalling R261 000. In addition to this R231 000 was recovered in terms of previously signed AOD's. The monies collected have been transferred to the North West Provincial Government Revenue Account.

The SIU will continue to recover these amounts in terms of its mandate. It is however awaiting an amendment to the proclamation to allow a broadening of the mandate to include investigation into matters where medical students studied at universities other than Medunsa.

- **Department of Housing - Housing Subsidies: KwaZulu-Natal**

**T R Mfeka:**

Between May 2001 and February 2002 a forensic audit was conducted into the financial transactions of T R Mfeka. At the same time each financial transaction involving Housing Department funds was investigated and each beneficiary and seller was traced. It was alleged that T R Mfeka had been engaged in fraudulent transactions involving the government housing subsidy scheme.

As a direct result of the SIU's involvement, a claim of R354 000 was formulated against this attorney. However, due to the financial status of this attorney, the Department is instituting a claim against the Attorney's Fidelity Fund to recover this money. The SIU is acting in an advisory and supportive capacity in the litigation process.

A further 42 transactions are still being investigated on the basis that subsidies were awarded but the full subsidy amount was not received by the claimant. As the SIU is not empowered to act on behalf of private persons, an agreement has been entered into with the Law Clinic of the University of Natal to recover monies on behalf of the claimants. The SIU will provide logistical and investigative assistance to the Law Clinic to institute a claim against the Attorney's Fidelity Fund.

**Mlaba Mkhaye:**

A forensic audit is currently being conducted relating to the financial transactions involving the payment of Housing Department funds to this attorney. Each transaction between the attorney, the beneficiary, the seller and the Housing Department is being followed up and affidavits are being obtained.

The case involves approximately 1 500 financial transactions and additional resources have been made available to cope with the workload.

Both partners of the relevant firm have been struck off the roll of Attorneys. Since that their financial records are incomplete, no meaningful audit can be conducted without first reconstructing the majority of transactions.

As a result of this, the R3,4 million returned from Mlaba Mkhaye to the Department in the 2000/2001 financial year has been placed in a trust account pending the completion of the forensic audit. This is necessary to secure the funds.

**T Mvelase:**

The investigation into this attorney started in December 2001. It involves transactions between attorney T Mvelase, the Housing Department, beneficiaries, sellers and payees named on cheques payable by the Department.

Information from affidavits of persons who have been interviewed indicates that many of these transactions were simulated and have in fact not taken place. The SIU is to conduct a full forensic audit to verify this information.

It is suspected that theft and fraud have taken place.

- **Housing Projects: Gauteng**

During the past year the SIU continued the investigation into alleged irregularities in the Gauteng Housing Subsidy Scheme.

Emphasis was placed on the investigation into irregularities committed by developers and the non-performance of developers in terms of contract agreements. During the course of the year the SIU investigated ten housing projects and visited all ten project sites to establish whether houses were erected, services were installed and whether the quality of the houses met the standards required by the Department.

To date 47 projects have been examined and files relating to them have been closed.

The Department has been informed of certain administrative systems that require further improvement to enable them to execute better control over contract agreements and to avoid maladministration within the Department.

In addition to this, the SIU has recovered R150 000 from one developer. This amount was an overpayment by the Department for houses that were not developed. A further R122 000 was received during the year in terms of previously signed Acknowledgements of Debt (AOD's).

- **Agri-Eco: Free State Province**

**Directors Remuneration:**

During the past year investigations have revealed that certain individuals on the Board of Directors of Agri-Eco were claiming amounts not due to them or submitting double meeting and travelling allowances. The SIU is in the process of instituting claims against these directors for R265 000.

**Sentraal Oos Ko-operatief (SOK):**

The SIU's investigations have revealed that the contract signed between Agri-Eco and SOK was to the benefit of SOK and not Agri-Eco. It is the SIU's opinion, based on the investigation, that the Chairman of the Board traded recklessly. As a result the company went into liquidation. Furthermore, R5 million was paid to SOK without any work having been done to the benefit of Agri-Eco in terms of the contract. The SIU is considering reclaiming this amount.

**Diyatalawa Apple Project:**

Investigations have shown that, despite the project showing early signs of failure and despite large amounts of money being spent, certain senior officials pushed for the continuation of the project.



Indications are that phase one of the project failed and that officials pushed for the implementation of phase two. As a result of mismanagement the project lost R1,4 million.

- **Mpumalanga Flood Damage: Mpumalanga**

During the year under review the SIU completed its investigation into allegations of unlawful, unauthorised and/or irregular approval of payments relating to flood damaged schools in Mpumalanga.

In 1996 a number of schools in Mpumalanga were damaged during floods. During the investigation the Unit found that of the 33 schools investigated, the government had been overcharged for work performed in 23 cases. A total of R1,8 million was paid to contractors for work that was only worth R680 000.

In five of these cases the invoices had been certified by an official of the Department of Public Works as having been satisfactorily completed. The SIU determined that this was not the case. In some cases no work had been done.

During January 2002 it was determined that the claim in this case had prescribed and the SIU was obliged to close the files. However, criminal cases were opened in six matters where it was found that contractors had not done any work but had been paid by the Government. The official from the Department of Public Works has been dismissed.

- **Cases Closed**

During the past year 223 cases were closed for one or more of the following reasons:

- Completion of investigations
- Lack of sufficient evidence to motivate the issuing of proclamations
- Recommendations in the Henning Report to close the case or refer it to other agencies
- Referral of matters to agencies such as the Directorate of Public Prosecutions, the Public Protector and the Auditor General
- Proclamations not issued in response to motivations therefor
- Prescription of claims

Amongst the cases closed were:

- The upgrading of a pharmaceutical depot in the Northern Province
- The investigation of irregularities relating to the process of procurement of prescribed books and stationery by the Northern Province Department of Education
- 14 investigations into the Pre-school Nutrition Programme in the Eastern Cape
- The non-delivery of chemicals to schools in the Northern Province
- 70 investigations into alleged irregularities relating to MEDUNSA registrations. The Unit investigated allegations of Doctors not serving government after their studies and found no basis for further action

- The alleged irregularities against SACADA which were investigated by the Unit and where no claim could be established. The Unit did however report certain matters to the Director of Public Prosecutions for possible further investigation
- Closure of the investigation into allegations of fraud, theft and misappropriation of state assets and/or public monies from local government institutions following the report by the Motimele Commission of Inquiry in the North West. In this case, 38 potential investigations were closed following the recommendation in the Henning Report that the allegations appeared to be general and unsubstantiated.
- Allegations of corruption, fraud and maladministration against a number of TLC's throughout the country.

## LEGAL -

The past year has been a particularly trying time for the Legal Team of the SIU. Previous reports have referred to the judgments that severely curtailed the litigation conducted by the Legal Team. The effect of this problem has been, that for all practical purposes, litigation in the Special Tribunal came to a standstill. It was only in certain isolated instances that litigation could be proceeded with and this resulted in severe frustration, not only for members of the Legal Team, but also for the SIU as a whole and State Institutions affected by such litigation. The situation was compounded when the Head of the SIU first went on long leave and thereafter resigned from his position.

The impact of these developments was disastrous for the Legal Team. The HSIU had already lost one of its Senior Counsel, Shyam Gyanda SC, who was elevated to the bench as from February 2001. The Legal Team then also lost the services of Advocate Jannie Lubbe SC to the private sector. The complement of Attorneys, which was affected by resignations during preceding periods, was hit even harder by the resignations of three further Attorneys. The loss of these experienced members left a serious void in the Legal Team. By June 2001, the SIU's legal capacity consisted of only three Advocates, an Acting Attorney and a contracted Attorney.

The whole situation changed dramatically when the new Head of the Unit, Willie Hofmeyr, was appointed at the end of July 2001. Much was done to instill a sense of security, not only in the Legal Team, but also throughout the SIU.

On 31 July 2001, as a direct result of the SAAPIL Judgment that was handed down in the Constitutional Court in November 2000, the SIU and Special Tribunal established in terms of Proclamation No R 24, were disbanded in terms of Proclamation No R 118 of 2001.

A new SIU and Special Tribunal were established in terms of Proclamation No R 118 of 2001. In terms of paragraph 6 of Proclamation No R 118 of 2001, the new SIU is empowered to continue investigating matters which had been referred to the old HSIU by Proclamations mentioned in the schedule thereto.

Further to this, steps were taken to recruit new members for the SIU. This was regarded as absolutely essential to enable the Legal Team to fulfill its function of providing professional legal assistance to the Unit. As a result of the recruitment drive which ended in December 2001, the Legal Team was boosted by the services of three advocates and three attorneys. All these people are experienced practitioners with many years of experience behind them. When

the ground work has been laid for the Unit to again actively become involved in litigation, the Legal Team will be geared to handle such process effectively.

In order to address the difficulties experienced in the field of litigation, the Unit has embarked on a process to obtain amendments to the SIU's and Special Tribunals Act, Act 74 of 1996. The Unit seeks to clarify certain legal issues and in the process wish to streamline litigation emanating from its investigations. Such litigation is regarded as a key factor in the manner that the Unit's operations if the Unit is to be as effective as it is meant to be, litigation has to run smoothly. The Legal Team has embarked upon a thorough process to prepare draft legislation for submission to the authorities and it is hoped that such drafts will form the basis for future amendments to the said Act.

#### PERSONNEL -

##### • Training and Development

The majority of training courses attended by members of the Unit for the past financial year were presented by the Federal Bureau for Investigations (FBI) in co-operation with the South African Police Services Academy. Due to the limited number of delegates who could attend, the training material was then presented internally to the rest of the investigative and legal staff at the Unit.

The training included:

- Computer Crimes
- Public Corruption
- Interviewing and interrogation skills
- Advanced Economic Crimes

Following the appointment of the new Head of the Unit, the members attended a teambuilding session facilitated by Transformation Africa. Topics addressed during this session included:

- Teamwork
- Communication
- Planning
- Cultural Diversity
- Strategic Planning

The SIU's Computer-based training (CBT) facility became fully operational within the past year and the following programmes are available to members:

- Project Management
- Communication
- Performance Appraisal
- Managing for performance (a senior management training program)
- Financial Management for non-financial managers
- MS Office package consisting of MS Word, MS Excel, MS PowerPoint & MS Access on beginner, intermediate and advanced levels

Towards the end of the financial year, the SIU joined a multi-agency training initiative introduced by the Directorate of Special Operations. The aim of this initiative is to train and develop skilled financial investigators in South Africa. These investigators will be accredited by the newly established Financial Intelligence Centre and will play a major role in the country's strategy to combat money laundering. Scotland Yard is also actively involved in this development process. It is envisaged that this training initiative will be completed well before the end of 2002.

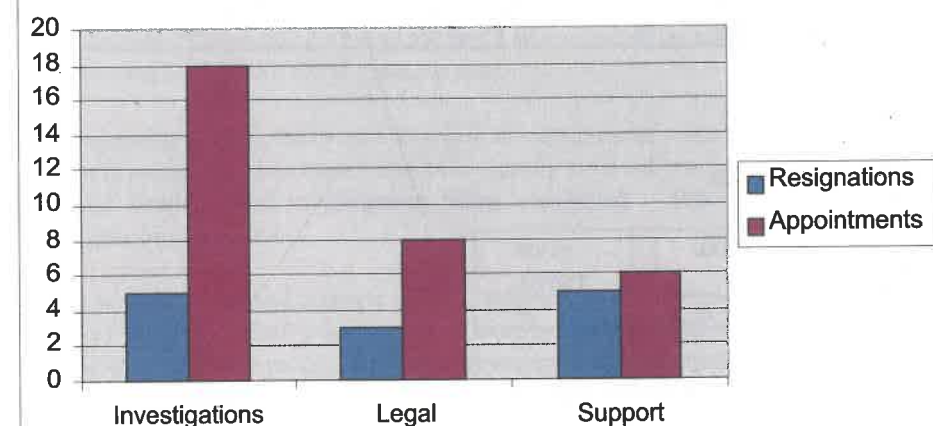
##### • Appointments and resignations

Towards the end of 2001 the SIU embarked on an extensive recruitment drive. In total, 40 offers of employment were made of which 32 were accepted. The majority of these positions were in the legal and investigative components of the SIU.

During the year under review 13 members resigned. This total included five resignations from the investigating section, five from the support section and three from the legal section.

By contrast, 32 appointments were made - 18 in the investigative section, six in the support section and eight in the legal section. Of this total, 20 were new appointments and 12 were internal promotions and/or interdepartmental moves. This has increased the SIU's staff compliment to 81 members.

**Appointments vs Resignations**



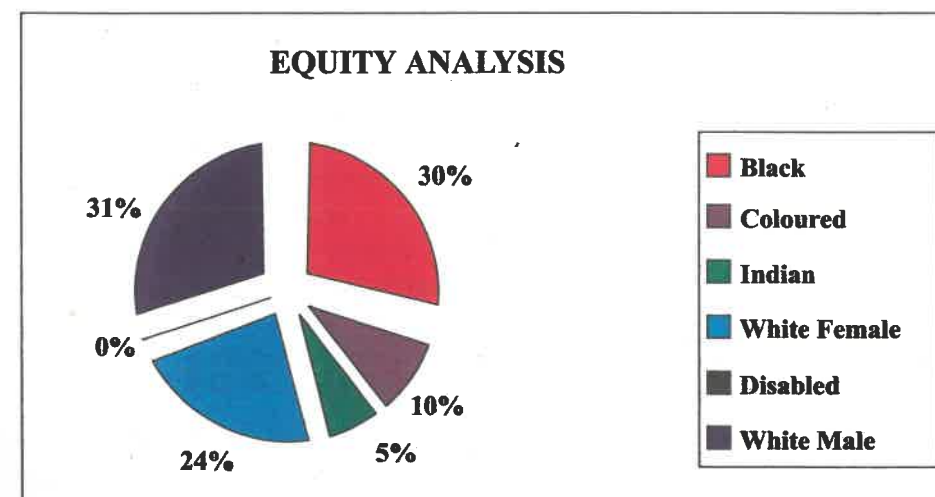


# Staff and Equity Analysis as at 31 March 2002

STAFF ANALYSIS										
DEPARTMENT	BLACK		COLOURED		INDIAN		WHITE		TOTAL	
	M	F	M	F	M	F	M	F	M	F
Projects Director							2	1	2	1
Legal	1	1					6	1	7	2
Finance				1	1		1	1	1	3
Admin-general		3		2				3	0	8
Admin - investigations		4		2	1			3	0	10
Admin-legal								3	0	3
Investigations	9	6	3	1			18	3	30	10
IT Department						1	1	1	1	
HR								2	0	2
SUB TOTALS	10	14	3	6	0	2	28	18	41	40
TOTALS PER CATEGORY	24		9		2		46		81	

## EQUITY ANALYSIS

CATEGORY	TOTAL	% OF TOTAL
Black	24	30
Coloured	9	10
Indian	2	5
White Female	18	24
Disabled	0	-
White Male	28	31
TOTAL	81	100



## INFORMATION TECHNOLOGY -

The role of the IT Department within the SIU is to assist members in their work by providing them with the necessary technological equipment, knowledge and support. This includes the following:

- The installation, upgrading and maintenance of a stable and secure network environment within the head office, as well as links to the satellite offices.
- The purchase of new hardware and software.
- Installation, upgrading the maintenance of users' computers.
- Installation and maintenance of peripheral equipment such as printers, photocopiers, fax machines, etc.
- Maintenance and upgrading of Access Control Systems and office keys.
- Maintenance of Internet and e-mail services.
- User support.

During the past financial year there have been several significant changes in the IT Department. IT staff restructuring, hardware and software upgrading and extensive refurbishments to the existing system are just a few of the many transformations which have taken place during the 2001/2002 financial year.

In the beginning of 2001, the focus was on the development of a new Case Tracking System in order for Investigators and support staff to accurately store and track information pertaining to each case received and investigation being conducted. This system has since been successfully implemented.

A large-scale analysis and upgrade of all computers in the Unit was performed during the middle of the year. Each computer was thoroughly examined and either refurbished or replaced by an upgraded model. This process was approached on a needs analysis basis. New computers were purchased for members in Administration and Support Services departments.

At the same time the Proximity Cards allowing members access to the building were replaced with a new card system. This strengthened the security of the Unit.

Towards the end of the year the IT Department furnished Managers with new notebook computers to enable them to continue their work in the field. This concept proved so successful that notebooks have subsequently been offered to other members of the Investigative and Legal staff.

The IT Department is currently in the process of linking the Durban, Umtata and Gauteng satellite offices to the main office in East London via ISDN lines. This will link satellite offices to the same network and ensure easy exchange of information and communication between these branches.



## **FINANCE AND ADMINISTRATION -**

### **Management report for the year ended 31 March 2002**

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

#### **1. General review of the state of financial affairs**

The financial affairs of the SIU are governed largely by the size of the staff complement. As a result of the SAAPIL judgement and Henning audit (see under/over spending below), the SIU had sufficient funds for its operations for the year ended 31 March 2002.

The majority of the overhead expenditure items increased by the inflation rate whereas most of the operational expenditure items showed a decrease as a result of the reduction of staff members.

There was a significant amount of spending on IT resources to enable our investigative and legal staff to perform their duties more effectively. (A detailed description is reported on page 19).

#### **2. Services rendered by the SIU**

##### **2.1 Services rendered**

As stated in our mission statement (page 3) the SIU is committed to providing the highest quality professional forensic investigation and litigation service to all state institutions at national, provincial and local levels.

##### **2.2 Tariff policy**

Currently the SIU provides its services at no cost to government departments.

##### **2.3 Free Services**

If the SIU was in a similar position to that of an organisation such as the Auditor-General the SIU would be able to recover a significant portion of its salary cost (the largest expense item on the Income Statement) as well as most of the travelling and accommodation expenses. This could be done by determining so-called "charge-out" rates to recover the salary costs of members and travel costs could be recovered by way of disbursements claimed.

#### **3. Under/(over) spending**

Due to the uncertainty faced by the SIU as a result of the SAAPIL judgement and Henning audit (page 5), many staff members resigned to take up other positions. By the end of August 2001, about one third of all staff members had left, including many investigators and lawyers. This had a profound impact on the spending of the SIU, as well as its ability to deliver services.

The SIU did, however, embark on a large recruitment drive that resulted in most of the vacant positions, being filled by the end of 2001.

#### **4. Capacity constraints**

As a result of a large number of vacancies in 2001, the SIU faced significant constraints on its capacity to deliver a proper service. This problem was largely resolved by a large recruitment drive to fill vacant positions. However, it is envisaged that the SIU will suffer significant capacity constraints in the next financial year in the light of the new or proposed activities for the year (as set out below).

#### **5. Corporate governance arrangements**

During the year ended 31 March 2002, the SIU has accomplished the following:

- Risk assessment: A risk assessment workshop was conducted in conjunction with our internal auditors. All risks identified were categorized and given a weighting. The SIU already has plans to mitigate most of these risks, and will develop strategies to mitigate the others with the assistance of our internal auditors.
- Internal audit: The SIU has continued with compliance audits by our internal auditors to ensure that policies and procedures are being adhered to. The external auditors are able to tailor their audit approach based on findings from our internal auditors' report.
- Audit committee: An audit committee was established towards the end of the financial year. This committee consists of a majority of third parties from outside the SIU.

#### **6. New/proposed activities**

The SIU is about to become part of a major investigation into corruption in the Department of Correctional Services in conjunction with the Jali Commission of Enquiry. The investigation will require significant extra capacity for the SIU. A proposal for additional resources is being prepared.

#### **7. Events after the accounting date**

None to report on.

#### **8. Progress with financial management improvements**

The SIU has attempted to comply with the PFMA as much as possible. This is evident per the items dealt with under the "Corporate governance arrangements" section above.

#### **9. Approval**

The annual financial statements together with schedules A and B on achievements set out on pages 40 to 41 have been approved by the Accounting Officer.



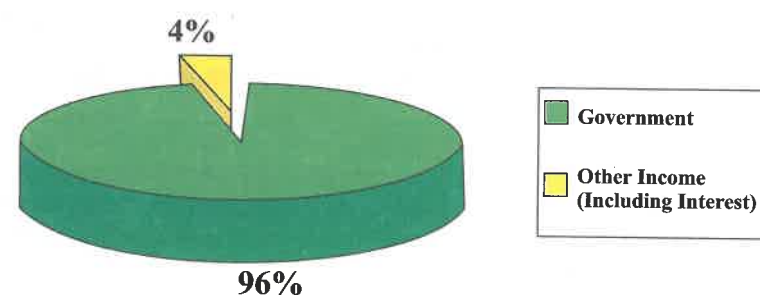
W A Hofmeyr  
Head of the Unit  
31 May 2002

**INCOME**

Government  
Other Income (Including Interest)  
**TOTAL**

R '000

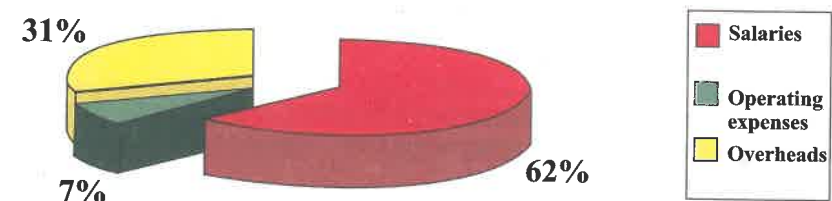
21,419  
801  
**22,220**

**SOURCES OF INCOME FOR 2001/20002****EXPENDITURE**

Salaries  
Operating expenses  
Overheads  
**TOTAL**

R '000

12,023  
1,332  
5,892  
**19,247**

**TOTAL EXPENDITURE 2001/2002****SPECIAL INVESTIGATING UNIT****ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2002

**CONTENTS****Page**

Audit Report	24-25
Balance sheet	26
Income statement	27
Statement of changes in equity	28
Cash flow statement	29
Notes to the annual financial statements	30-37

The annual financial statements set out on pages 26 to 37 were approved and signed by me in my capacity as Head of the Unit.

W.A. Hofmeyr  
HEAD OF THE UNIT

East London  
28 May 2002

## **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SPECIAL INVESTIGATING UNIT FOR THE YEAR ENDED 31 MARCH 2002**

### **1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 27 to 38, for the year ended 31 March 2002, 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 (SIU) as the accounting authority. My responsibility is to express an opinion on these financial statements based on the audit.

### **2. NATURE AND SCOPE**

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit 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.

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.

### **3. QUALIFICATION**

#### **3.1 Trust accounts and bank balances - difference**

Trust creditors and trust monies amount to R1 346 996 and R1 744 481, respectively. The difference of R397 485 is attributable to the interest earned less bank charges that has been used by the SIU to fund operational expenditure.

#### **3.2 Trust account management**

As stated in my previous reports, dated 23 July 2001 and 27 September 2000, there are still inadequate systems and control structures relating to the trust accounts and bank balances, which resulted in continued uncertainty with regard to the validity and completeness of these accounts. The lack of sufficient controls may lead to errors going undetected.

### **4. AUDIT OPINION**

#### **Audit of financial statements**

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3 the financial statements fairly present, in all material respects the financial position of the Special Investigating Unit at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice.

### **5. EMPHASIS OF MATTER**

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

#### **Matters affecting the financial statements**

#### **Conflicting Judgements**

As stated in my previous report, conflicting judgements were passed by the President of the Special Tribunal and the Full Bench of the High Court of the Eastern Cape Division regarding actions being instituted on behalf of the State by the SIU. The SIU has taken cognisance of these developments and amendments to the relevant act have been formulated and are being considered.

### **6. APPRECIATION**

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



H van Zyl  
for AUDITOR-GENERAL  
Pretoria,  
31/07/2002



# **SPECIAL INVESTIGATING UNIT**

## **BALANCE SHEET**

at 31 March 2002

	Notes	2002 R	2001 R
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	2 882 601	2 144 133
<b>CURRENT ASSETS</b>			
Inventory	3	29 450	30 062
Trade receivables	4	481 469	231 686
Prepayments	5	195 364	128 415
Cash and cash equivalents	6	3 767 474	1 791 115
Bank balances - recoveries	8	1 744 481	1 727 701
<b>TOTAL ASSETS</b>		<b>9 100 839</b>	<b>6 053 112</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY AND RESERVES</b>			
Accumulated surplus	16	6 578 656	3 603 774
<b>CURRENT LIABILITIES</b>			
Trade payables	7	1 175 187	1 104 561
Payables - recoveries	8	1 346 996	1 344 777
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 100 839</b>	<b>6 053 112</b>

# **SPECIAL INVESTIGATING UNIT**

## **INCOME STATEMENT**

for the year ended 31 March 2002

	Notes	2002 R	2001 R
<b>GROSS REVENUE</b>	11	21 419 000	18 222 096
<b>OPERATING EXPENSES</b>		19 245 165	20 741 369
Staff expenses	12	12 022 535	13 844 799
Travel and accommodation		1 331 799	1 095 864
Depreciation		1 465 995	1 662 774
Other expenses	13	4 424 836	4 137 932
<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>2 173 835</b>	<b>(2 519 273)</b>
<b>OTHER OPERATING INCOME</b>	14	<b>243 284</b>	<b>15 169</b>
<b>OPERATING SURPLUS/(DEFICIT) before interest</b>		<b>2 417 119</b>	<b>(2 504 104)</b>
<b>INTEREST RECEIVED</b>		<b>557 763</b>	<b>768 519</b>
<b>SURPLUS/(DEFICIT) for the year</b>		<b>2 974 882</b>	<b>(1 735 585)</b>

# **SPECIAL INVESTIGATING UNIT**

## **STATEMENT OF CHANGES IN EQUITY** for the year ended 31 March 2002

	<b>Accumulated Surplus R</b>
<b>Balance at 31/3/2000</b>	5 339 359
Net deficit for the year	( 1 735 585)
<b>Balance at 31/3/2001</b>	3 603 774
Net surplus for the year	2 974 882
<b>Balance at 31/3/2002</b>	6 578 656

# **SPECIAL INVESTIGATING UNIT**

## **CASH FLOW STATEMENT** for the year ended 31 March 2002

	Notes	2002 R	2001 R
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		4 132 279	(3 925 299)
Cash received from departments	15.1	21 169 217	18 155 369
Cash paid to suppliers and employees	15.2	(17 594 701)	(22 849 187)
Cash generated by/(utilised in) operating activities	15.3	3 574 516	( 4 693 818)
Interest received		557 763	768 519
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		(2 139 140)	( 87 630)
<b>Investment to maintain operations</b>			
Proceeds on disposal of property, plant and equipment		99 996	-
<b>Investment to expand operations</b>			
Acquisition of property, plant and equipment		( 2 239 136)	( 87 630)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1 993 139	(4 012 929)
<b>CASH AND CASH EQUIVALENTS</b> at beginning of year		3 518 816	7 531 745
<b>CASH AND CASH EQUIVALENTS</b> at end of year	15.4	5 511 955	3 518 816

## SPECIAL INVESTIGATING UNIT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2002

#### 1. ACCOUNTING POLICIES

The following are the principal accounting policies of the SIU 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 in accordance with general accepted accounting practise.

##### 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 Gross 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.

## SPECIAL INVESTIGATING UNIT

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2002

	2002	2001
	R	R
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>2.1 Books and law reports</b>		
Carrying value at beginning of the year	14 538	24 321
- Gross carrying value at beginning of the year	48 914	48 914
- Accumulated depreciation	( 34 376)	( 24 593)
Depreciation	( 9 249)	( 9 783)
Carrying value at end of the year	5 289	14 538
- Gross carrying value at end of the year	48 914	48 914
- Accumulated depreciation	( 43 625)	( 34 376)
<b>2.2 Computer software and equipment</b>		
Carrying value at beginning of the year	410 592	1 148 991
- Gross carrying value at beginning of the year	2 632 919	2 573 156
- Accumulated depreciation	( 2 222 327)	( 1 424 165)
Additions	2 096 114	59 763
Depreciation	( 629 042)	( 798 162)
Carrying value at end of the year	1 877 664	410 592
- Gross carrying value at end of the year	4 729 033	2 632 919
- Accumulated depreciation	( 2 851 369)	( 2 222 327)
<b>2.3 Office furniture and equipment</b>		
Carrying value at beginning of the year	814 297	1 105 540
- Gross carrying value at beginning of the year	1 603 539	1 575 672
- Accumulated depreciation	( 789 242)	( 470 132)
Additions	143 022	27 867
Disposals	( 6 602)	-
Depreciation	( 322 735)	( 319 110)
Carrying value at end of the year	627 982	814 297
- Gross carrying value at end of the year	1 729 190	1 603 539
- Accumulated depreciation	( 1 101 208)	( 789 242)



# SPECIAL INVESTIGATING UNIT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2002

	2002 R	2001 R
<b>2. PROPERTY, PLANT AND EQUIPMENT</b> (continued)		
<b>2.4 Motor vehicles</b>		
Carrying value at beginning of the year	904 706	1 440 425
- Gross carrying value at beginning of the year	2 145 439	2 145 439
- Accumulated depreciation	( 1 240 733)	( 705 014)
Disposals	( 28 071)	-
Depreciation	( 504 969)	( 535 719)
Carrying value at end of the year	371 666	904 706
- Gross carrying value at end of the year	1 980 091	2 145 439
- Accumulated depreciation	( 1 608 425)	( 1 240 733)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<u>2 882 601</u>	<u>2 144 133</u>
<b>3. INVENTORY</b>		
Stationery and toner	<u>29 450</u>	<u>30 062</u>
<b>4. TRADE RECEIVABLES</b>		
Sundry receivables	427 651	191 395
Deposits	12 119	12 119
Staff loans	1 500	4 451
Other receivables	<u>40 199</u>	<u>23 721</u>
	<u>481 469</u>	<u>231 686</u>
<b>5. PREPAYMENTS</b>		
Computer maintenance	26 815	22 444
Licenses	59 565	59 565
Rent	<u>108 984</u>	<u>46 406</u>
	<u>195 364</u>	<u>128 415</u>

# SPECIAL INVESTIGATING UNIT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2002

	2002 R	2001 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Call account	3 558 803	1 742 518
Current accounts	147 067	7 062
Foreign exchange on hand	55 404	38 196
Petty cash	<u>6 200</u>	<u>3 339</u>
	<u>3 767 474</u>	<u>1 791 115</u>
<b>7. TRADE PAYABLES</b>		
Staff expenses	805 149	822 572
Provision for audit fees	167 407	187 168
Trade creditors	<u>202 631</u>	<u>94 821</u>
	<u>1 175 187</u>	<u>1 104 561</u>
<b>8. CREDITORS - RECOVERIES/BANK BALANCES</b>		
<b>8.1 Creditors</b>	<u>1 346 996</u>	<u>1 344 777</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.		
<b>8.2 Bank balances</b>	<u>1 744 481</u>	<u>1 727 701</u>
The difference between bank balances and amounts repayable, represents interest earned less bank charges.		

# **SPECIAL INVESTIGATING UNIT**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2002

	2002 R	2001 R
<b>9. COMMITMENTS</b>		
Total rental commitment	<u>6 773 867</u>	<u>2 469 705</u>
Due within 1 year	1 603 053	857 418
Due thereafter	<u>5 170 814</u>	<u>1 612 287</u>
The above commitments are in respect of 22 rental agreements for a period ranging from 12 to 60 months. The estimated monthly rental is R133 588. Assets rented relate to properties and equipment.		
<b>10. TAXATION</b>		
The SIU is not a registered vendor for Vat purposes as no taxable supplies are delivered. No provision for normal income tax is made as the SIU is a public enterprise and funded with Government grants.		
<b>11. REVENUE</b>		
Revenue comprises grants received from:		
Department of Justice	21 419 000	17 739 000
Department of Transport	-	483 096
	<u>21 419 000</u>	<u>18 222 096</u>
<b>12. STAFF EXPENSES</b>		
Salaries and wages	9 032 901	10 282 174
Provident fund and funeral contributions	1 054 209	1 187 130
Travel, subsistence and entertainment allowances	1 332 189	1 739 920
Computer and telephone allowances	273 300	366 400
Medical aid contributions	247 476	326 894
Leave provisions	<u>82 460</u>	<u>( 57 719)</u>
	<u>12 022 535</u>	<u>13 844 799</u>

# **SPECIAL INVESTIGATING UNIT**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2002

	2002 R	2001 R
<b>13. OTHER EXPENSES</b>		
Annual report	28 922	18 599
Auditors remuneration	173 803	287 617
Bad debts	60 494	12 458
Bank charges	33 878	37 273
Books and publications	87 616	86 966
Car hire and taxi expenses	77 818	44 957
Conferences and seminars	41 853	350
Consultancy fees	271 678	265 227
Consumables	48 159	78 229
Courier services	38 269	12 947
Entertainment	1 345	1 908
Insurance	239 418	215 970
Internal audit expenses	45 699	45 600
Legal fees	426 244	600 932
Media and promotions	26 145	-
Motor vehicle expenses	348 293	385 173
Professional membership fees	9 006	1 792
Revenue stamps	452	2 014
Relocation and recruitment costs	130 911	6 515
Rent paid	823 880	734 760
Rental equipment	482 888	171 638
Repairs and maintenance	137 897	51 727
Security	18 251	59 490
Software licences	97 508	98 330
Stationery and printing	164 634	159 529
Telephone, fax and posting expenses	507 003	742 773
Training and development	92 786	15 158
Transcription fees	<u>9 986</u>	<u>-</u>
	<u>4 424 836</u>	<u>4 137 932</u>

# SPECIAL INVESTIGATING UNIT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2002

	2002 R	2001 R
<b>14. OTHER OPERATING INCOME</b>		
Insurance income	3 447	4 954
Surplus on disposal of property, plant and equipment	65 323	-
Surplus on foreign currencies held	17 208	5 737
Refund - Deeds office	150 000	-
Sundry income	7 306	4 478
	<u>243 284</u>	<u>15 169</u>
<b>15. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>15.1 Cash received from departments</b>		
Revenue	21 419 000	18 222 096
Increase in trade receivables	( 249 783)	( 66 727)
	<u>21 169 217</u>	<u>18 155 369</u>
<b>15.2 Cash paid to suppliers and employees</b>		
Revenue	21 419 000	18 222 096
Operating (surplus)/deficit	( 2 974 882)	1 735 585
	18 444 118	19 957 681
Depreciation	( 1 465 995)	( 1 662 774)
Increase in prepayments	66 949	32 465
Interest received	557 763	768 519
(Decrease)/increase in inventory	( 612)	5 158
(Increase)/decrease in trade payables	( 72 845)	3 748 138
Surplus on disposal of property, plant and equipment	65 323	-
	<u>17 594 701</u>	<u>22 849 187</u>

# SPECIAL INVESTIGATING UNIT

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2002

	2002 R	2001 R
<b>15. NOTES TO THE CASH FLOW STATEMENT (continued)</b>		
<b>15.3 Cash generated by/(utilised in) operating activities</b>		
Operating profit surplus/(deficit)	2 974 882	( 1 735 585)
Adjustments for:		
Depreciation	1 465 995	1 662 774
Interest received	( 557 763)	( 768 519)
Surplus on disposal of property, plant and equipment	( 65 323)	-
	<u>3 817 791</u>	<u>( 841 330)</u>
Working capital changes		
Decrease/(increase) in inventory	612	( 5 158)
Increase in trade receivables	( 249 783)	( 66 727)
Increase in prepayments	( 66 949)	( 32 465)
Increase/(decrease) in trade payables	72 845	( 3 748 138)
	<u>( 243 275)</u>	<u>( 3 852 488)</u>
	<u>3 574 516</u>	<u>( 4 693 818)</u>
<b>15.4 Cash and cash equivalents</b>		
Bank balances	3 767 474	1 791 115
Bank balances recoveries	1 744 481	1 727 701
	<u>5 511 955</u>	<u>3 518 816</u>

## 16. CONTINGENT LIABILITY

The surplus of R6 578 656 reflected in the balance sheet at 31 March 2002 can only be retained with the approval of National Treasury in terms of the PFMA. The Unit applied for approval.



**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE  
ACHIEVEMENTS OF THE SPECIAL INVESTIGATING UNIT FOR  
THE YEAR ENDED 31 MARCH 2002**

**1. AUDIT ASSIGNMENT**

The schedule of achievements as set out on pages 39 and 40, for the year ended 31 March 2002 have been audited following the agreement with the Department of Justice and Constitutional Development and the Head of the Special Investigating Unit (SIU). These schedules, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Head of the SIU. My responsibility is to express an opinion on the schedule of achievements, based on the audit.

**2. NATURE AND SCOPE**

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit 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**

**Control environment**

During the year under review the SIU used a manual case tracking system for managing and controlling achievements. The nature of the manual system, together with weaknesses in control, placed uncertainty on the completeness and accuracy of new cases taken on.

**4. AUDIT OPINION**

In my opinion, except for the effects on the result by the matter referred to in paragraph 3, the schedule of achievements fairly presents, in all material respects, the performance of the Special Investigating Unit for the year ended 31 March 2002 in accordance with the agreed reporting framework.

**5. EMPHASIS OF MATTER**

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

**Matters not affecting the financial statements**

**Conflicting Judgements**

As stated in my previous report, conflicting judgements were passed by the President of the Special Tribunal and the Full Bench of the High Court of the Eastern Cape Division regarding actions being instituted on behalf of the State by the SIU. Amendments to the relevant act have been formulated and are being considered.

**6. APPRECIATION**

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



H van Zyl  
for AUDITOR-GENERAL  
Pretoria  
31/07/2002

**SPECIAL INVESTIGATING UNIT - VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES**  
for the year 1 April 2001 - 31 March 2002

Schedule "A"

## Summary Report

Province	Balances carried forward	New Cases Per Tribunal ruling	Voluntary acknowledgements	AOD's issued	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
North West	11,142,883	0	206,485	0	206,485						0	309,231	0	0	11,040,137
Mpumalanga	216,316	0	0	0	0						0	15,014	0	0	201,302
Northern Cape	0	0	0	0	0						0	0	0	0	0
Eastern Cape	9,246,803	0	15,733	0	15,733						0	16,683	9,109,749	0	136,104
Free State	305,990	0	0	0	0						0	90,080	0	0	215,910
Gauteng	1,232,868	0	150,000	0	150,000						0	275,498	0	0	1,107,370
Western Cape	25,786	0	0	0	0						0	930	0	0	24,856
Northern Province	1,635,286	0	0	0	0						0	91,153	1,311,680	0	232,453
KwaZulu Natal	400,261	0	0	0	0						0	21,899	0	0	378,362
<b>TOTALS</b>	<b>24,206,193</b>	<b>0</b>	<b>372,218</b>	<b>0</b>	<b>372,218</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>820,488</b>	<b>10,421,429</b>	<b>0</b>	<b>13,336,494</b>

## Narrations

1. Prevention of Loss - No Physical transfer
2. Recovery of assets - Market related value of moveable assets
3. Transparency of tender process - Value of tender stopped/savings in new tender due to intervention
4. State land reclaimed - Land Bank value for agricultural land. Independent valuation for commercial/residential properties.
5. Enforcement of obligation - Value of contractual obligation.
6. Cash recovered - Cash value of tribunal order/settlement agreement

**SPECIAL INVESTIGATING UNIT - RECOVERIES OF MONEY**  
for the year 1 April 2001 - 31 March 2002

Schedule "B"

## Summary Report

Province	Amounts to be collected		Cases closed	Cash Recovered		Beginning of year	Cash Position		Balances c/forward		
	Balances b/forward	New cases		Total	Total beg. of year		Current Year	Amounts received		Amounts Paid over	
North West	9,693,361	231,987	3,662,721	6,262,627	2,857,538	309,231	3,166,769	348,376	309,231	-454,358	203,249
Mpumalanga	287,188	0	33,943	253,245	154,943	15,014	169,957	105,938	7,297	0	113,235
Northern Cape	57,447	0	57,447	0	108,956	0	108,956	52,009	0	-52,009	0
Eastern Cape	3,653,527	15,733	3,635,032	34,228	1,008,700	16,683	1,025,383	154,010	21,577	-17,700	157,887
Free State	3,219,471	0	2,791,885	427,586	2,913,481	90,080	3,003,561	129,889	90,080	-34,100	185,869
Gauteng	1,781,657	150,000	652	1,931,005	4,150,977	275,498	4,426,475	458,804	272,083	-195,375	535,512
Western Cape	142,597	0	0	142,597	110,208	930	111,138	12,989	10,530	0	23,519
Northern Province	4,655,121	0	4,150,357	504,764	2,817,198	91,153	2,908,351	51,904	91,153	-67,089	75,968
KwaZulu Natal	593,663	0	0	593,663	202,924	21,899	224,823	30,858	21,899	-1,000	51,757
Total Trust Creditors	24,084,032	397,720	14,332,037	10,149,715	14,324,925	820,488	15,145,413	1,344,777	823,850	-821,631	1,346,996
Interest Less Bank charges								268,880	128,605	0	397,485
Bank Account Number 2								114,044	0	-114,044	0
Total Bank balances								1,727,701	952,455	-935,675	1,744,481

**SPECIAL INVESTIGATING UNIT - VALUE OF COMPLETED INVESTIGATIONS AND RECOVERIES**  
for the year 1 April 2001 - 31 March 2002

Schedule "A"

## Summary Report

Province	Balances carried forward	New Cases Per Tribunal ruling	Voluntary acknowledgements	AOD's issued	New Cases	1 Prevention of Loss	2 Recovery of Asset	3 Transparency in Tender Process	4 State Land Reclaimed	5 Enforcement of Obligation	6 Cash Recovered Paid direct to institution	Paid to Unit's Trust Account	Cases Closed	Cases handed over to 3rd parties for collection	Balance carried forward
North West	11,142,883	0	206,485	0	206,485						0	309,231	0	0	11,040,137
Mpumalanga	216,316	0	0	0	0						0	15,014	0	0	201,302
Northern Cape	0	0	0	0	0						0	0	0	0	0
Eastern Cape	9,246,803	0	15,733	0	15,733						0	16,683	9,109,749	0	136,104
Free State	305,990	0	0	0	0						0	90,080	0	0	215,910
Gauteng	1,232,868	0	150,000	0	150,000						0	275,498	0	0	1,107,370
Western Cape	25,786	0	0	0	0						0	930	0	0	24,856
Northern Province	1,635,286	0	0	0	0						0	91,153	1,311,680	0	232,453
KwaZulu Natal	400,261	0	0	0	0						0	21,899	0	0	378,362
<b>TOTALS</b>	<b>24,206,193</b>	<b>0</b>	<b>372,218</b>	<b>0</b>	<b>372,218</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>820,488</b>	<b>10,421,429</b>	<b>0</b>	<b>13,336,494</b>

**Narrations**

1. Prevention of Loss - No Physical transfer
2. Recovery of assets - Market related value of moveable assets
3. Transparency of tender process - Value of tender stopped/savings in new tender due to intervention
4. State land reclaimed - Land Bank value for agricultural land. Independent valuation for commercial/residential properties.
5. Enforcement of obligation - Value of contractual obligation.
6. Cash recovered - Cash value of tribunal order/settlement agreement

**SPECIAL INVESTIGATING UNIT - RECOVERIES OF MONEY**  
for the year 1 April 2001 - 31 March 2002

Schedule "B"

## Summary Report

Province	Amounts to be collected		Cash Recovered				Cash Position		Balances c/forward		
	Balances b/forward	New cases	Cases closed	Total	Total beg. of year	Current Year	Total	Beginning of year		Amounts received	Amounts Paid over
North West	9,693,361	231,987	3,662,721	6,262,627	2,857,538	309,231	3,166,769	348,376	309,231	-454,358	203,249
Mpumalanga	287,188	0	33,943	253,245	154,943	15,014	169,957	105,938	7,297	0	113,235
Northern Cape	57,447	0	57,447	0	108,956	0	108,956	52,009	0	-52,009	0
Eastern Cape	3,653,527	15,733	3,635,032	34,228	1,008,700	16,683	1,025,383	154,010	21,577	-17,700	157,887
Free State	3,219,471	0	2,791,885	427,586	2,913,481	90,080	3,003,561	129,889	90,080	-34,100	185,869
Gauteng	1,781,657	150,000	652	1,931,005	4,150,977	275,498	4,426,475	458,804	272,083	-195,375	535,512
Western Cape	142,597	0	0	142,597	110,208	930	111,138	12,989	10,530	0	23,519
Northern Province	4,655,121	0	4,150,357	504,764	2,817,198	91,153	2,908,351	51,904	91,153	-67,089	75,968
KwaZulu Natal	593,663	0	0	593,663	202,924	21,899	224,823	30,858	21,899	-1,000	51,757
Total Trust Creditors	24,084,032	397,720	14,332,037	10,149,715	14,324,925	820,488	15,145,413	1,344,777	823,850	-821,631	1,346,996
Interest Less Bank charges								268,880	128,605	0	397,485
Bank Account Number 2								114,044	0	-114,044	0
Total Bank balances								1,727,701	952,455	-935,675	1,744,481



## Notes

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears slightly aged or off-white. There is no handwriting or printed text on the page.

## Notes

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be from a notebook or a standard sheet of stationery. There is no handwriting or other markings on the page.

## This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be from a notebook or a set of legal pads. There is no handwriting or other markings on the page.