



**PSiRA**  
Private Security Industry Regulatory Authority

# GOVERNANCE & FINANCIAL RESULTS



# OVERVIEW OF THE PRESENTATION

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- Overall budget variance analysis
- Revenue analysis
- Highlights of Financial performance
- Expenditure analysis
- Financial position highlights
- Cash collection trend
- Regulatory Audit Outcomes



# OVERALL BUDGET VARIANCE ANALYSIS 2012/13

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY



	Actual 2013	Budget 2013	Variance	%	Actual 2012	Growth from 2012 to 2013	Growth %
Revenue	158 077	165 050	-6 973	-4%	121 855	36 222	30%
Other income	805	7 602	-6 797	-89%	7 183	-6 378	-89%
Investment revenue	1 170	472	698	148%	537	633	118%
<b>Total Revenue</b>	<b>160 052</b>	<b>173 124</b>	<b>-13 072</b>	<b>-8%</b>	<b>129 575</b>	<b>30 477</b>	<b>24%</b>
Operating expenses	-54 252	-83 273	29 021	-35%	-50 472	3 780	-7%
Employee related costs	-76 064	-79 574	3 510	-4%	-64 844	11 220	-17%
Debt impairment	-33 433	-11 494	-21 939	191%	-24 066	9 367	-39%
Profit / (loss) on disposal of assets	-259	5 000	-5 259		-61	198	-325%
Finance costs	-14	0	-14		-1	13	-1300%
<b>Total Operating expenses</b>	<b>-164 022</b>	<b>-169 341</b>	<b>5 319</b>	<b>-3%</b>	<b>-139 444</b>	<b>24 578</b>	<b>-18%</b>
<b>Operating surplus</b>	<b>-3 970</b>	<b>3 783</b>	<b>-7 753</b>	<b>-205%</b>	<b>-9 869</b>	<b>5 899</b>	<b>-60%</b>
<b>Surplus for the period</b>	<b>-3 970</b>	<b>3 783</b>	<b>7 753</b>	<b>205%</b>	<b>-9 869</b>	<b>5 899</b>	<b>-60%</b>

# REVENUE ANALYSIS 2012/13

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY



Revenue	2012-2013	2011-12	Y on Y change	Y on Y change
Annual fees	111 737	77 133	34 604	45%
Training fee Income	18 457	16 659	1 798	11%
Fines	5 426	10 660	-5 234	-49%
Registration fees	19 327	15 620	3 707	24%
Other Revenue(Sale of goods, Infrastructure assessment, Grant)	3 130	1 784		
Interest & Penalties		6 571	-6 571	-100%
Other Income	805	612	193	32%
Interest received	1 170	537	632	118%
<b>Total Revenue</b>	<b>160 052</b>	<b>129 575</b>	<b>30 477</b>	<b>24%</b>

# REVENUE ANALYSIS 2012/13 (cont..)

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY

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### REVENUE

- 24% increase in total revenue : R130m (2012) to **R160m** ascribed to
- 45% increase in Annual fees : R77m (2012) to **R112m**
- Training fee income from R17m (2012) to **R18m**
- Registration fee income from R16m (2012) to **R19m**
- Fine income decreased from R11m (2012) to **R5m**
- Penalties and interest income decreased from R7m (2012) to R0m
- Annual fee regulations promulgated and implemented in January 2012
- Penalties and interest charges stopped due to court interdict to prevent PSIRA to take punitive measure against businesses not paying new fees pending SIA court case outcome.



# EXPENDITURE ANALYSIS

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY



Expense	2012-2013	2011-12	Y on Y change	Explanations
Employee benefits	76 064	64 844	17%	Cost of living adjustment of 6.1%, appointments, pension fund, medical aid
Depreciation	2 430	6 360	-62%	Investment in assets
Debt impairment	33 433	24 066	39%	Bad debts write-offs
Criminal record checks	4 638	3 613	28%	Dependant on volume of registration
Consulting fees	2 959	5 382	-45%	Termination of outsourced services
Communication costs	5 411	4 155	30%	Increased bandwidth Digital lines
Travel and accommodation	2 978	2 294	30%	16% increase in inspections and cost of fuel (claims)
Rentals	14 725	10 905	35%	Additional premises acquired - Corporate premises
Other operating costs	21 384	17 826	20%	
<b>Total expenditure</b>	<b>164 022</b>	<b>139 444</b>	<b>18%</b>	

# EXPENDITURE ANALYSIS

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY

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### EXPENDITURE CONTROL

- Rate of growth in expenditure reduced from 15% (2012) to -6%
- Rate of growth of employee costs increased from 11% (2012) to 17% due to the increase in the deficit of the Defined Benefit valuation based on IAS 19.
- Cost of living adjustment was negotiated at 6.1% below Public service of 7%
- Consulting fees reduced by 45% from R5.4m (2012) to R3m
- **Operating deficit reduced by -64% from R9.9m (2012) to R4m**



# FINANCIAL POSITION HIGHLIGHTS

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- **CASH & CASH EQUIVALENTS**

- Cash & cash equivalents increase by R11,104m from R11,689m due mainly to strict expenditure control being put in place until the SIA case has been finalised.

- **CURRENT LIABILITIES**

- Operating lease liability increased by R7,329m from R4,695m due mainly to the fact that the timing of the lease payments for Pretoria Corporate Offices has been deferred over the term of the lease resulting in the build-up of the lease liability

- **NON-CURRENT LIABILITIES**

- Retirement benefit obligation increased by R7,120m from R5,637m because the PSIRA Pension Fund is a defined Benefit fund which was valued according to IAS19 based on Government Bonds. This resulted in Liabilities exceeding assets of the Fund. PSIRA as the Employer needs to recognise the liability even though it is not a direct liability



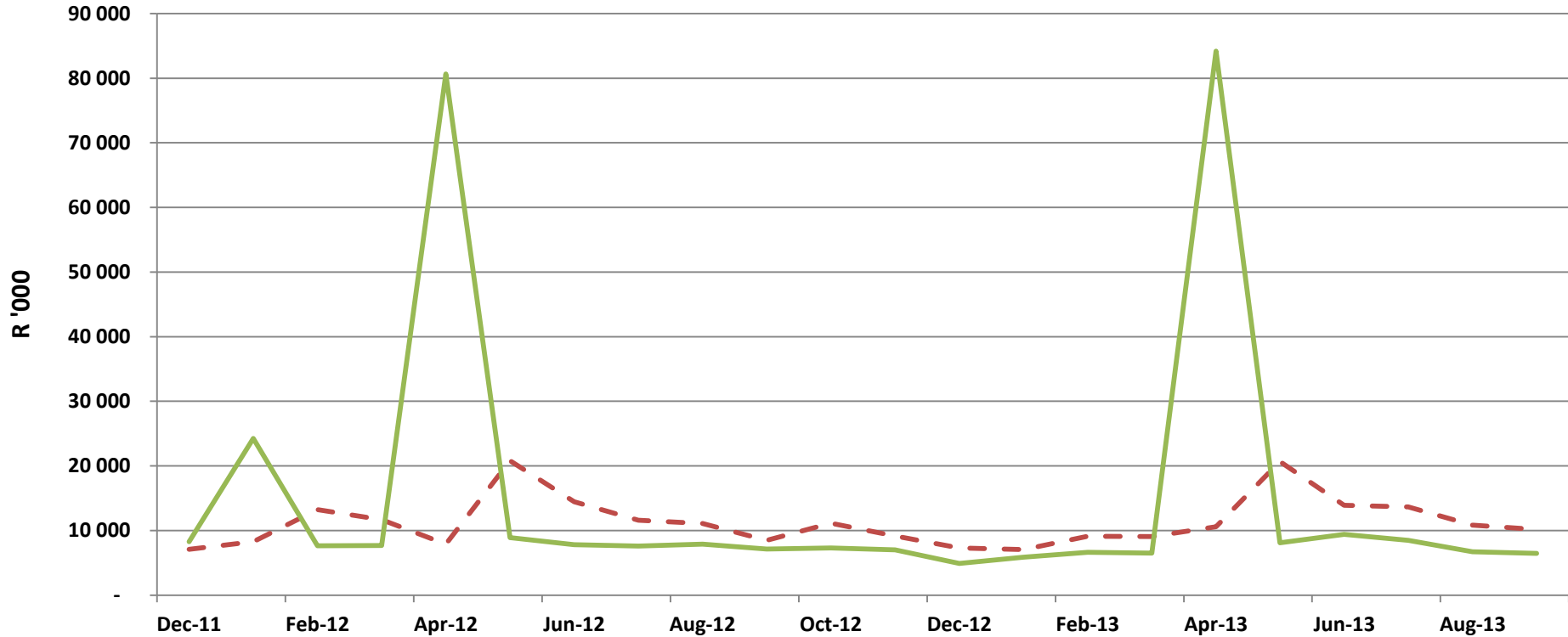


# CASH COLLECTION TREND

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY



Collection Trend



	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
Deposits	7 103	8 248	13 242	11 685	7 876	20 823	14 437	11 572	11 103	8 462	11 111	9 130	7 280	7 038	9 099	9 052	10 577	20 693	13 884	13 672	10 839	10 150
Invoices	8 288	24 255	7 657	7 662	80 673	8 904	7 798	7 607	7 883	7 147	7 282	6 995	4 919	5 880	6 611	6 511	84 174	8 083	9 423	8 483	6 712	6 446

# 2012/13 AUDIT OUTCOMES

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## AGSA OPINION

### Qualified Opinion

- Sufficient and appropriate audit evidence regarding unknown deposits and accounts receivable with credit balances

### Steps taken to address findings

- Enforcing Reference validation at all Major banks
- By enforcing reference validation PSIRA will be able to identify and allocate funds received to the correct Debtors account
- Policy decision to be taken to recognize credit balances if balance is older than 3 years
- Automation of billing where terminations and engagements are amended late
- Staffing
- System development



# 2012/13 AUDIT OUTCOMES

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## EMPHASIS OF MATTERS

### - Significant uncertainties

#### ***Finding***

- ✓ PSiRA is a defendant in a lawsuit

#### ***Steps taken to address findings***

- ✓ The lawsuit is still being defended. A contingency plan/budget has been drawn up to ensure sustainability of the entity while the case is being pursued in court

### - Restatement of corresponding figures

#### ***Finding***

- ✓ Corresponding figures for 31 March 2012 have been restated as a result of errors discovered during the year ended 31 March 2013

#### ***Steps taken to address findings***

- ✓ Continuous professional training of the relevant accounting staff
- ✓ Quarterly full annual financial
- ✓ Internal and external review of the AFS by management/internal auditors/external auditors statements to be produced



# 2012/13 AUDIT OUTCOMES

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## Going Concern

### *Finding*

- Existence of a material uncertainty that may cast doubt on the public entities ability to operate as a going concern

### *Steps taken to address findings*

- The revaluation of the pension fund in line with IAS19 has impacted negatively on the overall liabilities. However a subsequent statutory revaluation is likely to yield a more positive outcome
- Continued growth of the private security industry

## Debtors & Revenue Management

- Material losses
- Material impairments
- Revenue management
  - ✓ The debtors book is reviewed on a monthly basis with daily monitoring of funds received per account as well as monitoring of the collection processes (Intention to Suspend/ Suspension/ Withdrawal cycle)
  - ✓ Revenue not correctly billed is identified and procedures investigated and implemented to prevent it occurring going forward
  - ✓ A collection team has been tasked to concentrate on collections only(on a trail basis) The results of intervention is monitored and a full assessment will be done after it has been operational for 3 months.



# 2012/13 AUDIT OUTCOMES

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## Steps taken to avoid, detect correct Irregular expenditure:

- ✓ Capacitating of the Supply Chain Management unit (SCM Manager and Officer responsible for contracts appointed)
- ✓ Review/updating and approval of the Supply Chain Management Policy
- ✓ Implementation of Supply Chain Management Checklist covering the following: SBD4, SBD9, CGG, TCC, VAT vendor search, CIPC company registration search etc.
- ✓ Regular update of the Register for Irregular and Fruitless Expenditure
- ✓ Provide training to staff regarding SCM requirements
- ✓ Contract register in place to monitor expiry or termination of contracts



# 2012/13 AUDIT OUTCOMES

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## Report on other legal and regulatory requirements:

- Performance against predetermined objectives

### *Findings*

- Performance information not SMART
- Final strategic plan annual performance plan not submitted timely to the executive authority
- 38% of planned targets not achieved

### *Steps taken to address findings*

- 2013-14 Strategic plan and annual performance plan developed in line with FMPPI (Treasury)
- Performance Management Committee (subcommittee of Exco) constantly monitoring performance
- There has been an improvement of 10% in planned targets not achieved compared to previous year
- A management accountant employed in Jan 2013 to co-ordinate process of strategic planning



# 2012/13 AUDIT OUTCOMES

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## Compliance with laws and regulations

- Procurement and contract management (**refer to comment below under irregular expenditure**)
- Revenue Management (**refer to comment above under debtors and revenue management**)
- Strategic planning and performance

## *Findings*

- ✓ The accounting authority did not submit the final strategic plan and annual performance plan timely

## *Steps taken to address findings*

- ✓ The final strategic plan and annual performance plan for 2013/14 was submitted timely
- Annual financial statements (**refer to comment above under restatement of corresponding figures**)



# 2012/2013 AUDIT OUTCOMES

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY

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### AGSA Management Letter and Corrective Action Plan

The AGSA has raised a number of issues in the management letter report for the 2012/13 financial year. In response to these matters the PSiRA has designed a Corrective Action Plan (CAP). The CAP sets down:

- ✓ Timelines within which the issues will be resolved
- ✓ Who the responsible official is to resolve the issue
- ✓ The specific action to be taken to resolve the issue

Monitoring is performed by the CFO, Exco, Audit Committee and the Council.



# 2012/2013 AUDIT OUTCOMES

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY

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- ✓ Over and above the CAP, the AGSA has developed a Key Controls document which lists the key control matters that the PSiRA must take care of during the course of the new financial year (2013/14) in order to avoid a qualification. Regular meetings between the A-G, Director and CFO where progress is assessed are on-going.
- ✓ The PSiRA Internal Audit unit is also conducting follow up audits on the matters raised by the A-G and report their findings to the Audit committee.

# 2012/2013 AUDIT OUTCOMES

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY



### Fruitless and Wasteful expenditure:

Services rendered	Amount	Comment
SARS interest	13 343	Due to system error. Submission made to SARS for reversal
SARS penalties	176 876	Due to system error. Submission made to SARS for reversal
CCMA settlement	206 755	Settlement made to previous Director and a temporary employee
Interest on creditor accounts	641	
	<b>397 615</b>	

# TOWARDS A CLEAN AUDIT

## PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY



Audit outcomes	2011-12 Actual	2012-13 Actual	2013-14 Target	2014-15 Target
Opinion of AFS	Unqualified	Qualified	Unqualified	Unqualified
Opinion on Performance information	n/a	Qualified	Unqualified	Unqualified