



A U D I T O R - G E N E R A L

REPORT
OF THE
AUDITOR - GENERAL
TO PARLIAMENT
ON THE
FINANCIAL STATEMENTS OF VOTE 24 - DEPART-
MENT OF SAFETY AND SECURITY
FOR
THE YEAR ENDED 31 MARCH 2003

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE DEPARTMENT OF SAFETY AND SECURITY - VOTE 24 FOR THE YEAR ENDED 31 MARCH 2003

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 1 to 25 , for the year ended 31 March 2003, 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 Accounting Officer. 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 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. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Safety and Security (the department) at 31 March 2003, and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. EMPHASIS OF MATTER

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

4.1 DEFICIENCIES IN INTERNAL CONTROLS

4.1.1 ASSETS AND INVENTORY MANAGEMENT

(a) Official Housing and messes

An evaluation of the housing register revealed that the national housing register of the department was incomplete. This has resulted in the national housing register of the SAPS not reconciling to the housing register supplied by the Department of Public Works. Differences were also noted between the housing registers kept by the area offices and the national housing register of the SAPS.

(b) Vehicle management and maintenance

The audit revealed that the process with regard to the registration and licensing of vehicles is inadequate. Furthermore, vehicles are not always recorded on the department's internal register.

The following performance deficiencies were also noted:

- Vehicles were disposed off, despite repair costs not exceeding 80% of the purchase price.
- The expected number of maximum kilometers was exceeded.

- Vehicles are not serviced on a regular basis.
- A critical need for more vehicles is experienced in some areas.

4.1.2 LOSS CONTROL MANAGEMENT

A follow-up audit at several police stations, area and provincial offices revealed that cases of losses in respect of state property, including motor vehicle collisions, are not timeously reported, recorded, properly investigated and finalised.

Our audit also revealed no significant improvement in respect of losses of firearms. According to information supplied by the department, 921 (2002-01:943) firearms, valued at R1 334 049, were reported as stolen or missing for the year under review.

These losses were made up as follows:

	Number of firearms	Value (R)
Stolen and robbed		
Robbed - In townships and other places	474	713 414
Liquor involved	4	4 896
Housebreaking - properly locked	108	132 025
Not locked	12	11 550
Theft - out of dwelling	45	51 777
Out of state vehicle	13	13 931
Out of private vehicle	6	7 375
Out of offices	55	68 301
Collisions	9	12 414
Subtotal	726	1 015 683
Lost		
During handing over	23	43 008
During inspections	104	197 352
Lost in bathrooms	7	10 311
Lost under influence of alcohol	5	3 290
Lost from person	32	40 500
Lost during execution of official duties	24	23 904
Subtotal	195	318 365
Grand total	921	R 1 334 049

4.1.3 PERSONNEL EXPENDITURE

The audit revealed the following:

- Lack of control, in some instances, over the input and updating of personnel information on the PERSAL system and Personnel and Salary Subsystem (PERSAP).
- Certain shortcomings in controls governing the processing and approval of leave.
- Non-compliance with internal rules and regulations in respect of payment of salaries and allowances which resulted in cases of erroneous payments.
- Inadequate physical controls with regard to the transfer of cash for wages from logistics to the workstations.

4.1.4 GENERAL FINDINGS AT PROVINCIAL COMMISSIONERS, AREA COMMISSIONERS, POLICE STATIONS AND OTHER UNITS

The audit revealed the following deficiencies:

- Stores for safekeeping of confiscated items were not always effectively controlled.
- Overtime was not always properly controlled and managed.
- Several cases of poor control and safekeeping of weapons were noted.
- Asset registers for government property were not always updated.
- The weapon register was not completed on a regular basis for the issue and return of weapons.

4.2 PERFORMANCE AUDIT

4.2.1 Personnel management

The following shortcomings pertaining to the effective, efficient and economic utilisation of the department's resources in respect of personnel expenditure were noted:

- Deficiencies with regard to the decentralisation of the enlistment function, which has resulted in

appointments, contrary to the requirement of the positions filled, being made.

- Salary payments arising from retrospective promotions, in some instances, backdated as far back as 1995, as a result of arbitration rulings and employee agreements.
- The department lost 37% of 353 cases referred to the arbitration process, which has resulted in financial losses.

4.3 **INTERNAL AUDIT**

The department has co-sourced the activities of the internal audit component with a consortium in December 2002 for a period of 3 years at a total cost of R29,3 million. Due to the limited extent of work performed by internal audit, I placed limited reliance on their work.

4.4 **MATTERS FOLLOWED-UP FROM THE PRIOR YEAR AUDIT**

4.4.1 **Consultancy services**

The department and a consultancy firm are still engaged in a litigation process since the 1996-97 financial year, which emanated from the cancellation of a contract after the scope of the contract was modified. At the time of cancellation an amount of R10 021 251 was paid to the firm. Since the initial court date was set down for 3 May 1999 four (4) years have passed and according to the department it seems unlikely that the consultancy firm would still continue with its litigation against the department.

4.4.2 **Auctions**

Two auction firms defrauded the department on five occasions to the amounts of R 1 233 095 and R 4 171 502 in the 1996-97 and 1999- 2000 financial years, respectively.

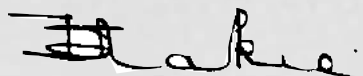
A civil case was instituted against one of the relevant auction firms and default judgement in favour of the department was obtained in the High Court of the Republic of South Africa on 18 February 2003 in respect of an amount of R4 171 502.

Furthermore, a civil action was also instituted against the other relevant auction firm in June 2001 in respect of the amount R1 233 095. However, it was noted that the State Attorney, upon reviewing all relevant documents, indicated that the SAPS should accept the above loss as being against State expenditure. At present, the matter is being investigated to determine whether an official of the SAPS could be held liable for the debt.

The matter will be followed-up by this Office during the next audit.

5. **APPRECIATION**

The assistance rendered by the staff of the department during the audits is sincerely appreciated.



S A Fakie
Auditor-General
Pretoria



**ANNUAL FINANCIAL
STATEMENT**

DEPARTMENT OF SAFETY AND SECURITY
VOTE 24
MANAGEMENT REPORT
For the year ended 31 March 2003

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

An amount of R19 203 719 000 was allocated to the Department at the beginning of the financial year. This amount was adjusted in the Adjustment Estimate with an additional amount of R509 825 000 which totaled an allocation of R19 713 544 000.

This adjustment facilitated the financing of additional expenditure emanating from the salary adjustments and the effect of the increase in general inflation, a supplementary infrastructure allocation for the construction, purchase and maintenance of policing facilities and infrastructure, and unavoidable expenditure which emanated from the securing of the World Summit on Sustainable Development. An additional allocation was also made to finance the migration from the 1800 MHz frequency band to comply with the Telecommunications Amendment Act 2001. In addition to the above-mentioned, an amount of R9,936 million was rolled-over from the previous financial year in respect of the continued implementation of the Firearms Control Act, 2000. The total actual expenditure at the end of the financial year amounted to R19 713 542 554, leaving a saving of R1 446,11 which was paid back. A relatively insignificant deviation from planned category spending occurred, only just exceeding one percent, although eight percent deviation is allowed.

In terms of the Department's endeavours to maintain the ratio between personnel and operational expenditure, it was estimated in the original allocation to spend 77,0% of the allocation on personnel expenditure. Due to the additional amounts allocated in the Adjustments Estimate and the department's policy decision to finance all outstanding backlogs on rank and leg promotions, the actual expenditure on personnel, as at the end of the financial year, was 77,3% of the total expenditure.

The enlistment process which started during April 2002, is now fully underway. The additional resources provided over the four years i.e 2002/03 to 2005/06 allow for the enlistment of approximately 45 500 members, consisting of 33 200 entry level constables and 16 300 civilians. Taking into account personnel losses of approximately 4 000 per annum, the effective gains will be approximately 21 200 and 12 300 for entry level constables and civilian personnel respectively, totalling 33 500 at the end of March 2006. Apart from the personnel cost, R439 million will be spend over this period for the training and equipping of these additional personnel. It is therefore estimated that the personnel compliment will rise to approximately 152 000 at the end of the 2005/06 financial year. Additional funding in this regard will further promote the sector policing strategy.

As a strategic objective, capital infrastructure investment is continuously being enhanced, specifically in respect of the construction, purchase and maintenance of policing infrastructure and the modernization of the vehicle fleet of the Department. A total amount of R256 840 000 was spent in the capital works environment, including the maintenance of policing facilities, and R524 million for the purchasing of vehicles. The allocations over the medium-term also facilitated the further enhancement of these objectives.

2. Services rendered by the department

2.1 List of services rendered

Extra departmental services rendered by the Department for the 2002/03 financial year were the following:

2.1.1 Extra departmental services which are not rendered free of charge

- Classification and detection of fingerprints for other departments, private institutions and other persons

- Name clearance - Criminal record enquiries
- Connection of panic buttons to a police station (Alarm systems excluded)
- Guard duties, training, correctional supervision, performances, gymnastic-, orchestral - and dog shows.

2.1.2 Automatically available and non automatically available records, in terms of the Promotion of Access to Information Act, 2000

(a) Automatically available records

- Statements contained in Police dockets
- Accident reports or sketch plans
- Photographs and video material
- Information required for insurance purposes
- Post mortem reports

In terms of the Promotion of Access to Information Act, 2000, fees are payable for the reproduction of documents as indicated below:

- For every photocopy of an A4-size page or part thereof
- For every printed copy of an A4-size page or part thereof held on a computer or in electronic or machine-readable form
- For a copy in a computer-readable form on
 - Stiffy disc
 - Compact disc
- For a transcription of visual images, per A4-size page or part thereof
- For a copy of visual images
- For a transcription of an audio record, per A4-size page or part thereof
- For a copy of an audio record

(b) Records not automatically available

- Request fee (Request fee payable by every requester, other than a personal requester referred to in section 22(1) of the Promotion of Access to Information Act, 2000)
- Access fee (Access fee payable by a requester, other than those exempted under section 22(8) of the Act) stipulated in paragraph 2.1.2 (a)

2.1.3 Inter-departmental services

- Release of statistical information regarding crimes and road accidents
- Court orderly duties
- Escorting of officials to enter premises to serve summonses
- Evaluating the security of buildings which other departments intend to occupy

- Tracing of State patients who have absconded from hospitals and assisting in the transport of mentally impaired patients.

2.2 **Tariff Policy**

A Committee was established within the Department to review on an annual basis all fees, charges and tariffs that are not or cannot be fixed by any law and that relate to revenue accruing to a revenue fund. The Department's proposed tariff structure for the 2002/03 financial year was approved by the National Treasury. Inflation targets as set out in the Budget Review are the guiding factors for increases.

2.3 **Free Services**

So-called free services are rendered by members or officials working in canteens and at sport grounds. It should inter-alia be noted that messes at training institutions are functional responsibilities of the Department and are therefore not regarded as free services. This environment is under review.

3. **Utilization of donor funds**

The Department currently has agreements with local and foreign donors. The aim of these projects culminates into the following:

- To enhance and develop personnel management systems in the Department and to roll out policies to divisions and provinces;
- To enhance staff performances and align the Department with national objectives for the functioning of a modern police service;
- To address training needs in the fields of serious and organised crime;
- To equip members with the necessary skills with the aim of decreasing the mortality rate of members;
- To develop a performance management system for the Department;
- To promote social crime prevention by conducting studies on rural safety, domestic violence and anti-rape strategy, youth violence in schools, local crime prevention and firearm control;
- To enhance human resource management and training which include emerging leadership programmes, the evaluation of training processes, project and programme management, driver training and adult basic educational training;
- To enhance the Deoxyribonucleic Acid (DNA) criminal database system which includes the refurbishment of the DNA lab, the purchasing of equipment, training of new recruits and the training of forensic investigators;
- Compilation of a development plan for the Kwa-Zulu/Natal Province;
- Technical assistance;
- To improve safety and security for the people of the Eastern Cape. The aim is to prevent crimes against women and children and to improve the services delivered to people affected by such crimes in project priority areas; and
- To curb drug trafficking and crime across the Southern and East African borders.

4. **Corporate Government Arrangements**

Corporate Government Arrangements have been effected in the Service to the following extend:

4.1 **Fraud Prevention Policy**

The Department's Strategic Plan encompasses a Service Integrity Framework, which focuses on all major issues relative to integrity and prevention of corruption. These factors promote the standards of excellence

of the Service.

A Service Integrity Framework was developed and implemented with the core purpose of enhancing the levels of integrity among police officials in the Department and focuses primarily on combating of corruption.

The effectiveness of and compliance with the framework are monitored and evaluated on an ongoing basis.

4.2 **Effectiveness of internal audit and Audit Committee**

The executive Management of the Department and the Audit Committee approved the internal audit function to be co-sourced in order to address issues such as inadequate staffing and skills of this component.

A selection process was carried out in accordance with the government competitive tender procedures and on 4 December 2002 a consortium of external professional audit firms was appointed for a period of three (3) years.

An interim audit plan for the period 1 February 2003 to 30 June 2003 was compiled and approved by the Audit Committee. This plan is being executed under the supervision of the Audit Committee.

The scope of the internal audit function is to ascertain that the Department's network of control processes and risks are properly addressed. This is done to ensure that:

- Risks within the Department are identified and minimized;
- Resources are adequately protected;
- Financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions are in accordance with policies, standards, procedures and applicable laws and regulations; and
- Programs, plans and objectives are achieved.

The main benefits derived from the Internal Audit Component, relates to the complains of the department to all Acts, regulations and prescripts.

4.3 **Risk Management**

In accordance with the provisions of Section 38 of the Public Finance Management Act, 1999 and the National Treasury Regulations, the Department performed a risk assessment under the auspices of the Audit Committee. The strategic objectives of the Department outlined in its strategic plan, were used as a point of departure.

Risks were prioritised and graded in terms of severity and the outcome of the risk assessment was used to prepare both annual and strategic three-year audit plans for the Financial years ended 2002, 2003 and 2004.

The major risk areas that were identified, are:

- Operational management;
- Administration and financial management;
- Budget Management and financial statements;
- Information management;
- Asset and liability management; and
- Human Resource Management

4.4 **Management process to minimise conflict of interest**

Senior managers furnished management with a written document declaring their interest in external activities and/or business enterprises which may constitute a conflict of interest with that of the Department. The system encompassing all issues of substance which may impact or compromise the actual or potential conflict of a person's financial interest, are closely monitored by means of a variety of mechanisms, including internal audit scrutiny.