Financial Intelligence Centre

ANNUAL REPORT 2021/2022

Published by the Financial Intelligence Centre,
Private Bag X177, Centurion, 0046, South Africa
Tel: +27 12 641 6000 | Fax: +27 12 641 6215
ISBN: 978-0-621-50271-8 | RP: 106/2022

Financial Intelligence Centre

Annual Report 2021/22

PARTNERSHIPS AND COLLABORATION FOR AN INTEGRATED FIGHT AGAINST FINANCIAL CRIME

SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

To the Minister of Finance, Mr Enoch Godongwana

I have the honour of submitting to you the annual report of the Financial Intelligence Centre for the financial year 1 April 2021 to 31 March 2022.

Adv Xolisile J Khanyile

Director and Accounting Authority

CONTENTS

PART A
General Information

FIC General Information

Registered name	Financial Intelligence Centre
Postal address	Private Bag X177, Centurion, 0046
Telephone number	+27 12 641 6000
Website	www.fic.gov.za
External auditor	Auditor-General of South Africa
Bankers	Standard Bank and South African Reserve Bank's Corporation for Public Deposits

Abbreviations/acronyms

AFU	Asset Forfeiture Unit
AML/CFT	Anti-money laundering and countering the financing of terrorism
AML/CFT/PF	Anti-money laundering, countering the financing of terrorism and proliferation financing
BASA	The Banking Association South Africa
CTR	Cash threshold report
DPCI	Directorate for Priority Crime Investigation
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EWG	Expert working group
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIC Act	Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
FIU	Financial intelligence unit
FSCA	Financial Sector Conduct Authority
GRAP	Generally Recognised Accounting Practice
IAWG: IFFs	Inter-Agency Working Group on Illicit Financial Flows
ICT	Information and communications technology
IDC	Inter-Departmental Committee on Anti-Money Laundering and Combating the Financing of Terrorism
IFTR	International funds transfer report
IFWG	Intergovernmental Fintech Working Group
MoU	Memorandum of understanding
NCR	National Credit Regulator
NPO	Non-profit organisation
PA	Prudential Authority
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
POC Act	Prevention of Organised Crime Act, 1998 (Act 121 of 1998)
POCDATARA Act	Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004)
SAMLIT	South African Anti-Money Laundering Integrated Task Force
SARB	South African Reserve Bank
SAR	Suspicious activity report
SIU	Special Investigating Unit
SSA	State Security Agency
STR	Suspicious and unusual transaction report
TOG	Tactical operations group
TPR	Terrorist property report
UNSC	United Nations Security Council
VDR	Voluntary disclosure report

> Leveraging every component to combat criminal abuse in the financial system is vital for financial integrity, as is the synergy and focus of the role players involved. The FIC's efforts, along with those of others, to defeat attempts by criminal elements to abuse and subvert our financial system during this difficult time are prime examples of this.

FOREWORD by the Minister

Corruption is a major blight on our country. As I pointed out in the Budget Speech in February of this year, the corruption experienced in the past few years has lowered our economic growth potential, made us fiscally more vulnerable, and severely weakened the capability of the state.

However, it is not only corruption that hurts us in South Africa. All financial crime impedes the sustained economic growth which we need to reach our goal of a better life for all. We have had more than a decade of low economic growth.

We, therefore, have to detect, pre-empt and counteract financial crime wherever and in whichever form it may show itself. It is in this context that the Financial Intelligence Centre makes its presence felt. And I am pleased that during the year under review, the organisation was again exemplary in providing its financial intelligence and other products for use in the fight against financial crime. It also excelled in supervising and enforcing compliance with the FIC Act.

By fulfilling its mandate in identifying the proceeds of crime and assisting in combating money laundering and the financing of terrorism, the FIC continued to fulfil its primary role of protecting the integrity of South Africa's financial system and making it intolerant to abuse.

As a pivotal member, the FIC provides financial intelligence to law enforcement and investigative authorities in the Fusion Centre, including the Asset Forfeiture Unit, the South African Police Service's Directorate for Priority Crime Investigation, the National Prosecuting Authority, South African Revenue Service, and the South African Reserve Bank's Financial Surveillance Department. This pooling of resources is critical to the security of our financial system in support of our growing economy.

Collaboration between the Fusion Centre and the South African Anti-Money Laundering Integrated Task Force's (SAMLIT's) tactical operations groups is also leading to more comprehensive and improved financial intelligence being produced for law enforcement agencies to use in their investigations and applications for asset forfeiture. In addition, SAMLIT's tactical operations groups enable several banks to work together on specific matters, which leads to the FIC developing more comprehensive products which have benefited from the inputs of multiple banks.

The work of the two initiatives, the Fusion Centre and SAMLIT, have shown real successes in helping to fight fraud and corruption regarding the misuse of COVID-19 relief funds. In the two years since its inception, the Fusion Centre collaborative partnership of law enforcement agencies and other competent authorities preserved and recovered, approximately R1.75 billion in criminal assets. In the SAMLIT collaboration space, there were successful interventions which led to the preservation and directives issued to the amount of R86 million over the same two-year time frame.

During this financial year, the results of the Financial Action Task Force's (FATF's) assessment of South Africa's capability and capacity for implementing measures for combating money laundering and financing terrorism was completed. Many deficiencies were identified, and the FIC continues to assist in coordinating the role players in addressing these under the guidance of the Anti-Money Laundering/Counter-Terrorist Financing Interdepartmental Committee that is chaired by the National Treasury.

Appreciation and conclusion

In conclusion, I would like to extend my sincere gratitude to the leadership and employees of the FIC for their focus, determination, and willingness to share and collaborate. Your efforts to ensure the integrity of South Africa's financial system are integral to the fabric of securing the economic future of South Africa in the global community.

Mr Enoch Godongwana
MINISTER OF FINANCE

“

The FIC’s collaborative approach is important for its engagements with role players in the criminal justice system, government departments and entities, the private sector, non-governmental and non-profit organisations.

Such collaboration enhances the FIC’s ability to collect transactional and other information that is reliable, useful, accurate, comprehensive, timeous and up to date. This approach makes it possible for the FIC to reciprocate and speedily share quality information with its partners.

DIRECTOR’S Overview

The team at the Financial Intelligence Centre (FIC) moved forward with renewed determination through the waning COVID-19 waves, an embattled economy, and the social instability that marked the year under review.

In achieving its mandate, the FIC was able to exchange information with law enforcement agencies and other local and international agencies. We supervised and enforced compliance with the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act) and facilitated effective supervision and enforcement by supervisory bodies.

The team achieved and exceeded many of its performance targets while carrying out its mandate to assist in:

- Identifying the proceeds of crime
- Combating money laundering
- Combating financing of terrorism and related activities.

The FIC successfully implemented its strategic and annual performance plan. During the year under review, we produced 3 114 intelligence reports and contributed to the recovery of more than R5 billion in criminal proceeds. Over the past few years, there has been a noticeable increase in the uptake and use of the FIC’s financial intelligence. This higher utilisation of our intelligence augurs well for the future and we are particularly pleased about this. The focus on following the money flows is critical in uncovering individual and syndicated crimes. The FIC plays a pivotal role in its provision of financial intelligence to law enforcement and other competent authorities for their investigations and applications for asset forfeiture as the FIC does not itself conduct investigations.

Recovering from COVID-19 impacts

Though the COVID-19 pandemic continued to exert an influence over normal economic activities during 2021/22, the impact on the FIC was moderated by measures the organisation had implemented over the previous waves of the pandemic. Despite the national lockdown and other restrictions, international and domestic engagements and collaborations went ahead, which was made possible by technology including secure digital communication platforms.

Joint approach to fighting financial crime

During the 2021/22 financial year, the FIC pursued partnerships and collaboration with a wide range of national and international role players in pursuing a seamless and integrated approach to fighting financial crime.

The FIC’s collaborative approach is important for its engagements with role players in the criminal justice system, government departments and entities, the private sector, and non-governmental and non-profit organisations.

Such collaboration enhances the FIC’s ability to collect transactional and other information that is reliable, useful, accurate, comprehensive, timeous and up to date. This approach also makes it possible for the FIC to reciprocate and speedily share quality information with its partners.

The FIC’s key partners and collaborators during the period under review, included:

- Government institutions and groups involved in the criminal justice system, including the South African Revenue Service (SARS), South African Reserve Bank (SARB), law enforcement, prosecutorial authorities, and other investigative agencies.
- Accountable and reporting institutions, including banks, property practitioners, casinos and motor vehicle dealers.
- Global bodies such as the Egmont Group of Financial Intelligence Units (Egmont Group) and the Financial Action Task Force (FATF) that are engaged in combating money laundering and the financing of terrorism.

- The Inter-Agency Working Group on Illicit Financial Flows (IAWG: IFFs) whose aim it is to limit money flowing illicitly out of the country.
- The Anti-Corruption Task Team (ACTT), where the FIC adds value by contributing financial intelligence on large projects and collaborating on shared priorities of the team.
- The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which promotes the formulation of policies on the prevention of money laundering and terrorist financing in the region.
- The South African Anti-Money Laundering Integrated Task Force (SAMLIT) which is a FIC-led public-private partnership of domestic and foreign banks in South Africa, banking industry representatives and regulatory authorities that share financial information and build expertise to solve financial crime. To research and elevate the profile on various types of crimes, expert working groups (EWGs) and tactical operations groups (TOGs) in SAMLIT have been formed. Further insights on these are provided in this report.
- The Fusion Centre, which is a public-public collaboration in dealing with matters related to corruption and money laundering. The FIC provides financial intelligence and financial support to the Fusion Centre. As a collective of law enforcement agencies and other competent authorities, the Fusion Centre has preserved and recovered approximately R1.75 billion in criminal assets, since its inception two years ago. Of this amount, at least R660 million was preserved and recovered in the previous financial year.
- The Intergovernmental Fintech Working Group (IFWG), which focuses on financial technology (fintech) developments and their regulatory and policy implications for the financial sector and the economy.
- The Anti-Financial Crime Coalition that was created in December 2021 to fast-track the solving of high priority crimes.
- The FIC has entered into 38 memoranda of understanding (MoUs) with domestic institutions, six of which were signed during the 2021/22 financial year. These MoUs commit both parties to working together to ensure that the financial system is safe, stable and sustainable for all citizens. The FIC also has MoUs with 96 financial intelligence units across the globe.

Collaboration and partnerships benefited the work and operations of the FIC as outlined in Part B, the performance section of this report. A selection of case studies also appears in Part B. These illustrate the significance of the collaborative relationship between the FIC and its partners and use of the financial intelligence produced by the FIC. They also provide insights on crimes uncovered during the reporting period.

Highlights of the year

In 2021/22, the FIC exceeded 10 and achieved 7 of its 19 annual performance targets. More details on the FIC's performance are set out in Part B of this report. Highlights include:

- Producing 2 300 reactive and 782 proactive financial intelligence reports, and 32 on illicit financial flows. Of the 782 proactive reports, 131 related to high priority matters.
- Contributing to the recovery of over R5 billion in criminal proceeds, a considerable increase in comparison to the R3.3 billion recovered in the previous year.
- Blocking R204.4 million (in terms of section 34 of the FIC Act) as suspected proceeds of crime.
- Successfully using technology to monitor compliance, and exceeding targeted number of compliance review reports issued.
- Achieving success rate of 100 percent in matters referred for administrative sanctions.
- Leading far-reaching information and communications technology (ICT) initiatives, namely the ESAAMLG Information Exchange Platform and the Egmont Group ICT Renewal Project.
- Participating in the Inter-Departmental Working Group which is tasked with coordinating South Africa's action plan in response to the FATF mutual evaluation report.
- Responding 100 percent to requests for technical assistance from countries within the ESAAMLG region.
- Sharing knowledge via workshops and presentations across the globe, thus assisting countries to comply with agreed international standards. Speaking engagements are used as tools of collaboration.
- Updating various technology systems, platforms, and infrastructure to ensure the ICT environment is secure and up to date, and to ensure that productivity grows exponentially.

General financial review and spending trends

The FIC develops its own budget and manages its own funds. We are funded from the national budget, with funds voted as part of the National Treasury budget. For the 2021/22 financial year, the FIC had a final approved budget of R297.3 million (2020/21: R290.2 million).

During the year under review, the FIC focused on meeting its performance targets and paid particular attention to effecting and deriving value from international and domestic partnerships and collaborations that assist in combating financial crime.

Capacity constraints and challenges

In comparison to the previous financial year, the FIC experienced a significant increase in the number of voluntary resignations in 2021/22. This decreased the employee complement from 205 to 183, as at 31 March 2022, against the FIC's approved establishment of 216.

Human capital

The FIC's work is of a highly specialised and technical nature, often requiring employees with scarce skills such as forensic accountants, data technologists and other related specialists, qualifications, and expertise. Keeping the FIC capacitated with such individuals is a challenge. Increasing the baseline funds received will enable the FIC to offer permanent employment to fixed-term contractors and improve capacity.

The workforce is predominantly female at 55.5 percent, and 81.5 percent of the total workforce is from designated race groups. Bursaries were provided to 20 employees and 17 graduates were provided the opportunity to acquire workplace experience at the FIC during 2021/22.

Technology

ICT was used to good effect in achieving the desired strategic outcomes, enabling the FIC to surpass awareness session targets as well as compliance review report targets, and also creating a secure environment in which to conduct remote work. Employees have cyber-safe remote working tools.

To increase efficiency and effectiveness, certain processes were digitised, such as visitor registration (biometrics was introduced) and an assets management system, among others.

The FIC was involved in two international ICT collaboration efforts during the year, namely the Egmont Group ICT Renewal Project and the development of the ESAAMLG Information Exchange Platform. The FIC is the lead agency for the development of this groundbreaking platform that will enable ESAAMLG members to share information swiftly and safely.

Audit report matters

Good corporate governance and an efficient and effective operating environment enables the FIC to deliver on its mandate. The FIC received an unqualified audit opinion with material findings for the 2021/22 financial year.

Supply chain management

The FIC's supply chain management processes and systems comply with the required Regulations and Practices in the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and National Treasury regulations. These policies and procedures are in place to ensure that the FIC procures goods and services in a fair, competitive, transparent and equitable manner.

New or proposed key activities

No new activities were introduced or proposed during the year under review.

Discontinued key activities / activities to be discontinued

No activities were discontinued during the year under review.

Events after the reporting date

The FIC is not aware of any events after the reporting date of 31 March 2022, which are likely to have a material impact on the FIC's financial results or operations.

Economic viability

The FIC derives its income from the national budget, with funds voted as part of the National Treasury budget. This source of income, good corporate governance, financial management, and capable leadership ensure the entity's financial viability. However, with the current baseline, the FIC's financial position in the medium-term is uncertain.

Although the 2022 Medium-Term Expenditure Framework outcome resulted in a slight increase in the FIC's budget, cuts in the prior years have an impact on the organisation's ability to meet increased demand for its financial intelligence products. Should the FIC's budget allocation remain at its current levels, with projections below inflation increases, we will be forced to consider drastic measures to remain financially viable.

The FIC will also face constraints in meeting increased demands from its peers to grow its production of financial intelligence reports and analysis of Big Data. The FIC's ability to be proactive and/or respond to all requests will be impaired, resulting in a deterioration in the quality of outputs in future years.

Going forward

The FIC looks forward to making more impact in the fight against financial crime and reaping the benefits from the tripartite Anti-Financial Crime Coalition (see page 53 for more details on the coalition), which is aimed at securing more recoveries, prosecutions and convictions.

The true mark of success for a financial intelligence unit is when its financial information products are used by law enforcement agencies, and lead to prosecutions, convictions and recoveries of goods and funds.

Acknowledgements and appreciation

I would like to thank the Minister of Finance and the members of Parliament's Standing Committee on Finance for their guidance and oversight. I also thank our partners across government and the private sector for their cooperation and collaboration throughout the year.

I would like to thank the FIC's employees who have worked and continue to work tirelessly to fulfil our vision of being "a highly capable public entity that produces financial intelligence for making South Africa's financial system intolerant to abuse".

Adv Xolisile J Khanyile
Director and Accounting Authority
Financial Intelligence Centre

31 July 2022

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board and applicable to the public entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.

Yours faithfully

Adv Xolisile J Khanyile
Director
31 July 2022

STRATEGIC OVERVIEW

VISION: To be a highly capable public entity that produces financial intelligence for making South Africa's financial system intolerant to abuse.

MISSION: The FIC promotes increasing levels of compliance with the FIC Act in an efficient and cost-effective manner, enabling it to provide high quality, timeous financial intelligence for use in the fight against crime and the protection of national security.

VALUES: The FIC seeks to achieve its mandate through the employment of capable staff who are committed to the highest standards of excellence and professional service delivery in the fulfilment of their responsibilities.

The FIC strives to:

- Demonstrate integrity, respect, honesty, trust, humility and loyalty in everything that we do.
- Conduct our work with pride and discipline, accepting accountability and being prepared to 'go the extra mile'.
- Strive for excellence and professionalism – not only identifying problems but providing solutions.
- Value individual staff and provide space for creativity and growth.
- Maintain strong relationships with stakeholders and partners.
- Ensure the security of organisational assets and information.

LEGISLATIVE AND OTHER MANDATES

The FIC was established in terms of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). The Act works in concert with the following Acts, among others:

- The Prevention of Organised Crime Act, 1998 (Act 121 of 1998) (POC Act)
- The Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004) (POCDATARA Act)
- The South African Police Service Act, 1995 (Act 68 of 1995) (SAPS Act)
- The National Strategic Intelligence Act, 1994 (Act 39 of 1994) (NSI Act).

The FIC Act places obligations on financial institutions and other business to assist in counteracting money laundering and the financing of terrorism. The POC Act criminalises money laundering and provides for the confiscation and forfeiture of the proceeds of crime. The POCDATARA Act provides measures to counter the financing of terrorism.

The FIC Act established the FIC to:

- Identify the proceeds of unlawful activities.
- Combat money laundering activities and the financing of terrorist and related activities.
- Implement financial sanctions in terms of resolutions adopted by the United Nations Security Council (UNSC), including requiring accountable institutions to freeze property and transactions in terms of these sanctions.
- Share information with competent authorities, including the National Prosecuting Authority (NPA), law enforcement agencies, intelligence services, the Public Protector (PP), the South African Revenue Service (SARS) and supervisory bodies.
- Exchange information with relevant bodies in other countries regarding money laundering and the financing of terrorist activities.
- Supervise and enforce compliance with the FIC Act.
- Facilitate effective supervision and enforcement by supervisory bodies.

The FIC Act requires all businesses to report suspicious and unusual financial transactions (STRs) to the FIC. The Act introduces a regulatory framework of compliance control measures requiring certain categories of business (defined as accountable institutions in terms of the FIC Act) to fulfil compliance obligations. These are to:

- Adopt a risk-based approach to customer due diligence
- Develop a risk management and compliance programme

- Establish and verify the identity of customers in accordance with a risk-based approach
- Keep records of customers' information and transactions
- Implement a compliance function and appoint a compliance officer
- Train employees on how to comply with the FIC Act
- Register with the FIC
- Submit regulatory reports to the FIC.

The FIC Act assigns certain roles, responsibilities and powers to supervisory bodies to support the objectives of combating money laundering and preventing the financing of terrorism and related activities. The FIC has signed MoUs with supervisory bodies, which govern how these bodies relate to the FIC and how they in turn engage with the entities that report to them in terms of FIC Act compliance requirements.

Supervisory bodies are responsible for ensuring that the accountable institutions in the business sectors under their supervision comply with FIC Act requirements. For example, SARB's Prudential Authority (PA) is the supervisory body for the banking sector. This means SARB conducts inspections to assess the banking sectors' compliance with the FIC Act and helps banks comply with the regulations.

The FIC conducts inspections and enforces compliance where no supervisory body exists, or where the supervisory body fails to enforce compliance despite the FIC's recommendations.

The FIC's primary activities, as set out in its founding legislation, are to:

- Process, analyse, interpret, and retain information disclosed to and obtained by the FIC.
- Initiate analysis where appropriate, based on information in its possession.
- Inform, advise, cooperate with, and make its financial intelligence products available to investigating authorities, supervisory bodies, intelligence services and other competent authorities to facilitate the country's administration and enforcement of laws.
- Exchange information with similar bodies in other countries.
- Monitor and give guidance to accountable and reporting institutions, supervisory bodies and individuals regarding their compliance with the FIC Act.
- Provide information and guidance to accountable institutions in meeting requirements to freeze property and transactions related to the resolutions of the UNSC.
- Supervise and enforce compliance with the FIC Act in affected institutions and by individuals not regulated or supervised by a supervisory body, or where the supervisory body is unable to act.
- Implement a registration system for all affected institutions and individuals.
- Annually review the implementation of the FIC Act and report on this to the Minister of Finance.

In executing its mandate, the FIC seeks to:

- Protect the integrity of the financial system by making it more difficult for criminals to hide their illicit proceeds in the formal financial sector and to cut off resources for the financing of terrorism.
- Develop policy options for the Minister of Finance based on an assessment of the available financial intelligence.
- Contribute to the global framework against money laundering and the financing of terrorism.

By identifying the proceeds of crime and assisting in combating money laundering and the financing of terrorism, the FIC fulfils its primary role of protecting the integrity of South Africa's financial system and making it intolerant to abuse.

Institutions required to register with the FIC

The FIC Act requires all accountable and reporting institutions to register with the FIC.

An accountable or reporting institution is an individual or an institution that, by virtue of the business it conducts, falls within the ambit of Schedule 1 or 3 of the FIC Act.

In some instances, a group of companies or a legal entity may contain more than one accountable or reporting institution. For example, there may be different entities in a financial conglomerate or divisions in a legal entity.

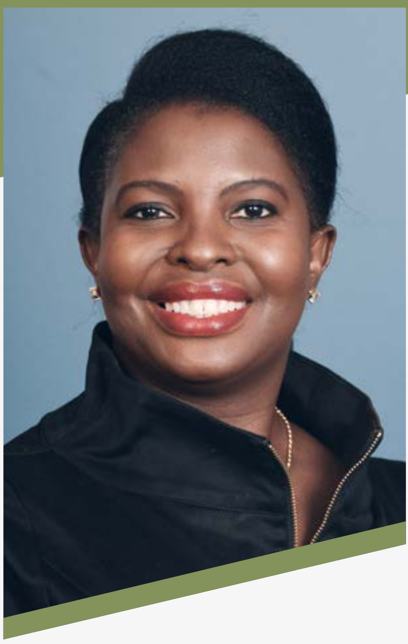
Conglomerates must ensure that all accountable and/or reporting institutions in the group are registered under the correct Schedule item of the FIC Act. In some instances, institutions must register per branch.

The FIC's public compliance communication 5B explains the registration requirements for all accountable and reporting institutions.

ORGANISATIONAL STRUCTURE

The FIC is a statutory body that operates outside the public service, but within the public administration, as envisaged in section 195 of the Constitution. It is registered as a Schedule 3A national public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA). The Director of the FIC, who is also the Accounting Authority, reports directly to the Minister of Finance and to Parliament. The FIC consists of five divisions:

- Office of the Director
- Legal and Policy
- Compliance and Prevention
- Monitoring and Analysis
- Corporate Services



Office of the Director

Director: Adv Xolisile J Khanyile

Legal and Policy

Executive Manager: Pieter Smit

Compliance and Prevention

Executive Manager: Christopher Malan

Monitoring and Analysis

Executive Manager: Pieter Alberts

Acting as of 23 November 2021

Corporate Services

Executive Manager: Macs Maboka

Figure 1: FIC organisational structure

Office of the Director	The Director is responsible for the FIC's strategy and stakeholder relations and represents South Africa in international bodies such as Financial Action Task Force (FATF), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the Egmont Group of Financial Intelligence Units.

Legal and Policy	The Legal and Policy division is responsible for administering the FIC Act. This includes assisting in developing proposals for amendments to the FIC Act when necessary. The division coordinates engagements of the FIC and other departments and agencies with international and regional inter-governmental bodies, as well as the FIC's technical assistance to countries in eastern and southern Africa. The division provides strategic policy advice on money laundering and financing of terrorism, including improvements to the framework of complementary legislation that underpins South Africa's regime for anti-money laundering, countering the financing of terrorism and proliferation financing (AML/CFT/PF). The division provides in-house legal advice, governance and compliance and secretariat support to the Appeal Board.

Compliance and Prevention	The Compliance and Prevention division is responsible for overseeing risk-based supervision and compliance with the FIC Act. This division coordinates the framework that ensures effective and efficient oversight by supervisory bodies and the FIC. The division conducts inspections, both on its own and in support of supervisory bodies, to determine the level of compliance with the FIC Act. It monitors and gives guidance to accountable and reporting institutions, supervisory bodies and others regarding FIC Act obligations. It also manages a registration system for accountable and reporting institutions. The division develops and issues guidance in consultation with the Legal and Policy division, provides training to supervisory bodies, and enhances compliance awareness to combat money laundering and the financing of terrorism by engaging with affected entities. The division also conducts compliance reviews to increase awareness on FIC Act obligations.

Monitoring and Analysis	The Monitoring and Analysis division receives and analyses information and data to identify the proceeds of crime, money laundering and the financing of terrorism. The division works closely with law enforcement agencies, intelligence agencies, other competent authorities and the private sector to combat crime and, provides support for investigations on request. The division's work also contributes to enhanced international co-operation.

Corporate Services	The Corporate Services division provides the FIC with support services to enable the organisation to operate efficiently. The division's primary functions are financial and administrative management, supply chain management, facilities management, human resources, ICT and enterprise architecture, and programme management.

PART B
Performance Information

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The audit conclusion of the Auditor-General of South Africa on the FIC's performance against predetermined objectives is in Part E of this report.

OVERVIEW OF THE FIC'S PERFORMANCE

Service delivery environment

During the year under review, the FIC operated in the context of overall poor economic conditions and social instability (rioting and looting in July 2021 that resulted in more than 300 deaths and an estimated R50 billion in damages). Through prudent financial management and smart work strategies, the FIC was able to implement its strategic plan and annual performance plan in this difficult environment.

The COVID-19 pandemic also continued to influence normal economic activities during 2021/22, but its impact on the FIC was more manageable as the organisation had implemented mitigating measures during the previous waves of the pandemic. There were no other external developments that significantly impacted the FIC's ability to deliver on its mandate.

Organisational environment

The FIC focused on meeting its performance targets and paid particular attention to effecting and deriving value from international and domestic partnerships and collaborations that assist in combating financial crime.

The FIC continued updating various systems, platforms and infrastructure to ensure the ICT environment was secure and up to date, and that productivity continued to grow exponentially. A digital, cyber-safe remote working environment allowed the organisation to continue operating regardless of disruptions related to the COVID-19 pandemic.

Of concern are the financial implications related to the technological advances. ICT infrastructure needs to be funded in a sustainable way.

Key policy developments and legislative changes

Proposed amendments to Schedules 1, 2 and 3 of the FIC Act were presented to the Minister of Finance for approval, after which the draft Government Notices to bring about these amendments were tabled at Parliament just outside the reporting period, on 17 May 2022. Parliament must first approve the amendments before the Minister of Finance can promulgate them. Once these amendments are implemented, the revised Schedules will see business sectors such as crypto asset service providers, high-value goods dealers and others added to the list of accountable institutions under the scope of the FIC Act. The revised Schedules will also bring about a rearrangement of supervisory responsibilities where the FIC will henceforth supervise compliance with the FIC Act by non-financial businesses and professions such as legal practitioners.

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The FIC continues to enhance compliance with the FIC Act through maintaining registration of accountable and reporting institutions. At the end of the year under review, 45 555 institutions were confirmed as active registrations within the ambit of the FIC Act.

To deliver on the mandate of combating crime and protecting the integrity of South Africa's financial system, the FIC provides law enforcement agencies with proactive, high priority financial intelligence reports, which can lead to investigations. During the year under review, 131 such proactive reports were issued to law enforcement and other competent authorities for their investigations and applications for asset forfeiture. The FIC does not itself conduct investigations.

To continue improving the effectiveness of legal and institutional AML/CFT frameworks, the FIC contributed to the implementation of eight policy-making meetings at regional and inter-governmental level – two ESAAMLG and six FATF – respectively.

Impacts and outcomes as per Strategic Plan
The FIC is guided by four strategic outcomes in its work to realise its vision, mission and values:
• Enhanced compliance with the FIC Act
• Improved production and utilisation of financial intelligence reports and services to assist in the identification and combating of crime
• Continuous improvement in the effectiveness of legal and institutional AML/CFT frameworks
• Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate

Contribution toward the Medium-Term Strategic Framework

The revised Medium-Term Strategic Framework (MTSF) 2019-2024 reflects government's plan of action over the remaining term of the sixth administration and prioritises commitments outlined in the 2021 State of the Nation Address: 1) defeat the coronavirus pandemic 2) accelerate economic recovery 3) implement economic reforms to create sustainable jobs and drive inclusive growth 4) fight corruption and strengthen the capacity of the state.

The FIC's work directly contributes to two of the seven national priorities of South Africa as identified in the MTSF:

Priority 6: Social cohesion and safe communities

Priority 7: A better Africa and world.

Case study

HUMAN TRAFFICKING: Syndicate using non-profit as front

Financial intelligence was used to identify a human trafficking syndicate along with its laundering of the proceeds of crime.

The subject used a registered non-profit organisation (NPO) and different gambling institutions to hide the cash received, with several cash deposits made to each. The FIC referred the matter to the Directorate for Priority Crime Investigation (DPCI) of the SAPS.

Regulatory reports filed with the FIC indicated that the subject opened a bank account for his linked business entity at the financial institution in question. Various other laws were transgressed in this case, including tax laws, because of the tax exemption afforded to the NPO, that was used as a front.

The matter was still under investigation.

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

Budget Programme 1: Administration

Purpose

This budget programme provides strategic leadership and services to internal users to ensure that the organisation is managed efficiently, effectively and in an economical manner.

Strategic outputs

Administration-related objectives can be traced within the objectives and targets that are set in the other two FIC budget programmes.

Budget Programme 2: Delivery of intelligence on financial crime and FIC Act-related regulatory services

This programme consists of three sub-programmes that are directly linked to strategic outcomes 1, 2 and 3.

Sub-programme 2.1: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on enhancing compliance with the FIC Act

Purpose

The sub-programme provides guidance to accountable and reporting institutions and monitors the supervision by supervisory bodies of their responsibilities under relevant legislation. It focuses on enhancing compliance with the FIC Act through a number of key activities:

- Information gathering and reporting
- Risk-based approach to compliance management and oversight
- Carrying out of administrative activities
- Assisting in criminal prosecutions relating to non-compliance.

Strategic outputs

Sub-programme 2.1 contributes to the following institutional outcomes:

- Increased awareness of the FIC Act
- Supervision of the FIC Act
- Enforcement of the FIC Act.

Performance

During 2021/22, the FIC exceeded its targets under this sub-programme.

Highlights for the year include:

- Presenting 24 webinars that reached a total of 7 102 attendees
- Successfully using technology to monitor compliance and exceeding targeted number of compliance review reports issued
- Achieving 100 percent success rate in matters referred for administrative sanctions.

Case study

CYBERCRIME: Money recovered from business e-mail compromise scammers

The FIC issued a directive and an affidavit in support of a preservation order application made by the Asset Forfeiture Unit (AFU) to prevent the dissipation of R135 000 held in the subject's bank account.

In this instance, the victim's e-mail address was compromised in a scam known as business e-mail compromise, enabling fraudulent payments to be made into the perpetrator's bank account.

Financial analysis revealed that within two months of the subject opening a new account with the financial institution, the account started receiving the fraudulent payments, referenced with the victim's card number.

Directives were issued to the financial institution to prohibit any transaction that could dissipate the identified proceeds of crime held in the bank account.

The full stolen amount of R135 000 was recovered for the victim, thanks to the collaboration between the FIC and AFU.

Table 1: Outcomes, outputs, output indicators, targets and actual achievements of sub-programme 2.1

Delivery of intelligence on financial crime and FIC Act-related regulatory services								
Outcome	Outputs	Output indicators	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2020/21	Reasons for deviations
Enhanced compliance with the FIC Act	Awareness of the FIC Act	1.1.1 Number of compliance awareness initiatives conducted per annum	19	20	22	24	2	Target exceeded. The target was exceeded by two owing to no additional costs for the virtual initiatives held.
		1.1.2 Number of compliance review reports issued per annum	60	70	80	82	2	Target exceeded. The target was exceeded by two due to a carry-over of compliance reviews from the previous financial year.
	Supervision of the FIC Act	1.2.1 Number of FIC inspection reports issued per annum	287	375	395	404	9	Target exceeded. The target was exceeded by nine reports due to a carry-over of inspections from the previous financial year.
	Enforcement of the FIC Act	1.3.1 Percentage success rate of matters referred for administrative sanctions	100%	80%	80%	100%	20%	Target exceeded. The annual percentage success rate of 100% (27/27) was achieved due to robust case selection, factual analysis, and case presentation.

Sector risk assessments

The FIC is required to assess the money laundering and financing of terrorism risks faced by the various sectors that are regulated under the FIC Act.

Seeing that such risks change over time, risk assessments are conducted periodically. Over the two previous financial years, the FIC conducted sector risk assessments on designated non-financial businesses and professions (DNFBPs), namely:

- Property practitioners*
- Legal practitioners
- Trust service providers
- Lenders of money against the security of securities
- Gambling institutions
- Motor vehicle dealers
- Kruger rand dealers.

Questionnaires were sent to businesses and professionals in these sectors. Their responses were collated and analysed, and the FIC subsequently drafted reports on the money laundering risks inherent to these sectors and also touched, to a lesser extent, on risks associated with the financing of terrorism.

Factors such as international experience and the FIC's own knowledge and experience relating to the submission of intelligence reports by these sectors were also included in the reports. During the 2021/22 financial year, the FIC finalised the reports and made them widely available to assist the DNFBPs to manage and mitigate their risks.

The reports include examples of alerts to be taken into consideration in respect of client risk, product and services risk, delivery channel risks, transaction risk and geographic risk.

**The FIC Act refers to property practitioners as estate agents, however, the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022, refers to a broad range of institutions including but not limited to estate agents.*

To enhance collaboration with other public institutions and the private sector, the FIC consulted widely with supervisory bodies, industry bodies, as well as the registered institutions in these DNFBPs. Inputs from these bodies were considered and, where applicable, included in the reports.

Note that the reports highlight the inherent money laundering and terrorist financing risks in these sectors and do not take into account steps introduced by supervisory bodies and institutions in some of these sectors to mitigate and manage risks.

Inherent versus residual risks of money laundering and terrorist financing

Inherent money laundering and terrorist financing risks refer to those risks that are inherent to an institution and that the institution is faced with prior to the application of any actions aimed at mitigating and managing the risks.

The risks remaining after the application of processes and procedures to manage and mitigate the risks are referred to as the residual risks.

After the publication of the sector risk assessment reports, the FIC also arranged webinars during the year under review, where the findings of the reports were shared with property practitioners, legal practitioners, gambling institutions and trust services providers.

Accountable and reporting institutions registered

All accountable and reporting institutions are obliged to register with the FIC in terms of the FIC Act. In the year under review, the number of institutions registered with the FIC increased to 45 555 in 2021/22 (2020/21: 44 499).

FRAUD: Pyramid scheme pretending to be 'building scheme'

Case study

The FIC received a request from the National Consumer Commission and the AFU regarding an entity that was marketed on social media as a 'building scheme'. The FIC's analysis process, however, deemed it to be a pyramid scheme.

Regulatory reports filed with the FIC identified the subjects, the bank accounts linked to them and the business entity. Analysis revealed that the accounts received multiple payments, which had been paid out via numerous debit payments and referenced with the names of individuals.

Balances adding up to R669 246.40 held in seven bank accounts were secured by the FIC issuing directives to block the accounts, and a subsequent request from a public agency led to an additional R714 484.54 being secured.

Table 2: Institutions registered with the FIC as at 31 March 2022

Schedule 1: Item number		Total registered institutions at 31 March 2022*	Total registered institutions at 31 March 2021
1	Attorneys	16 583	16 059
2	Trust companies	247	221
3	Property practitioners	10 083	10 498
4	Authorised users of an exchange	152	152
5	Unit trusts (collective investment scheme managers)	64	61
6	Banks	35	35
7	Mutual banks	5	4
8	Long-term insurers	160	117
9	Gambling	4 097	3 727
10	Foreign exchange	199	204
11	Money lenders against securities	80	72
12	Investment advisors or intermediaries	8 922	8 613
13	Issuers of travellers' cheques and money orders	111	111
14	Postbank	1	1
15	Stock exchange (incorporated under Item 4)		
16	Ithala Development Finance Corporation Limited	1	1
17	Approved person by Registrar of Stock Exchanges (asset managers) (incorporated under Item 12)		
18	Registrar of Financial Markets (asset managers) (incorporated under Item 12)		
19	Money remitters	193	192
Schedule 3: Item number			
1	Motor vehicle dealers	3 829	3 788
2	Kruger rand dealers	266	260
Other registrations			
1	Business entities with reporting obligations in terms of section 29 of the FIC Act	493	355
2	Voluntary disclosure reporters	34	28
Grand Total		**45 555**	**44 499**

Note: Attorneys and property practitioners register with the FIC based on the number of main businesses and branch offices, rather than the number of individual practitioners active in each office or branch. Therefore, the number of registrations in these sectors does not reflect the total number of individual practitioners subject to the FIC Act.

** Registration with the FIC is done on an open registration platform. The figures above are a reflection of the various business sectors registered as at 31 March 2022 on the FIC's registration and reporting platform.*

Compliance inspections

Supervisory bodies are responsible for overseeing FIC Act compliance of accountable institutions in the business sectors under their supervision.

Inspections are conducted in terms of section 45B of the FIC Act, by the FIC and supervisory bodies to assess the level of institutions' compliance with the FIC Act. The first FIC Act compliance inspections were conducted in August 2011 and to date, the FIC has issued 2 238 inspection reports.

In 2021/22, supervisory bodies issued 739 inspection reports (2020/21: 368), while the FIC issued 404 inspection reports (2020/21: 381). Of the total number of inspections conducted by the FIC, 362 were conducted as remote or off-site inspections (2020/21: 371) while one was conducted as an on-site inspection (2020/21: 10) and 41 were hybrid inspections consisting of a combination of on- and off-site inspections.

Off-site inspections were introduced during the second quarter of 2020/21 due to the national lockdown and its accompanying restrictions at the height of the COVID-19 pandemic.

The hybrid model for off- and on-site inspections resulted in excellent inspection coverage as well as financial savings and effective use of time. The off-site inspections proved to be as stringent and thorough as on-site inspections and will be continued in the foreseeable future.

Case study

DRUGS: Crunch time for illegal drug and steroid dealers

Financial intelligence obtained identified financial profiles and bank accounts linked to two subjects who were under investigation for alleged dealing in illegal drugs and steroids.

During the investigation, DPCI conducted a search and seizure operation. The FIC provided financial and other data, such as entity names linked to the subjects.

Cash threshold reports (CTRs) filed by the financial institutions indicated the movement of large amounts of cash and identified various bank accounts linked to the subjects. Financial analysis also detected sizable cash transactions and cross-border flows of money linked to the subjects under investigation.

Two arrests were made on charges of dealing and manufacturing scheduled substances, as per the Medicines and Related Substances Act, 1965 (Act 101 of 1965) and the Drug Trafficking Act, 1992 (Act 140 of 1992).

The subjects are out on bail, investigations continue.

REPORTING TO THE FIC

The FIC is South Africa's national financial intelligence unit. This means that it receives regulatory reports and other financial data, analyses this information and produces financial intelligence reports for referral to law enforcement agencies and other competent authorities.

WHO

Institutions listed as Schedule 1: accountable and Schedule 3: reporting institutions have a legal obligation to register with and report to the FIC. Accountable institutions include financial and non-financial sectors, such as banks, estate agents and casinos.

Accountable institutions are obliged to submit reports on cash transactions exceeding R24 999.99 (cash threshold report). Cash in this regard refers to money in the form of notes and coins and travellers' cheques only. Reports are also required in any situation in which the accountable institutions think it may be in possession or control of property belonging to a client that could be associated with terrorist or related activities. This is known as a terrorist property report.

Reporting institutions are obliged to submit cash threshold reports.

Both accountable and reporting institutions and any person managing or employed by a business who suspects that a financial transaction may be linked to the proceeds of an illegal activity, money laundering or terrorist financing, is obligated to report their suspicion to the FIC. This is known as a suspicious and unusual transaction report.

WHEN should information be reported?

A person who knows or suspects that transactions are taking place that are linked to unlawful activities related to the proceeds of crime, money laundering or terror financing should report this information to the FIC as soon as possible.

HOW should a report be submitted?

Reports can be submitted at https://goweb.fic.gov.za/goAMLWEb_PRD/Home

WHAT happens to this reported information?

FIC uses the regulatory reports received to conduct its analysis. From its analysis, the FIC develops financial intelligence reports, which may indicate potential proceeds of crime, financing of terrorism or money laundering and related activities. It then refers these reports to intelligence agencies, supervisory bodies and other competent authorities for their follow up and investigations, if warranted.

The referred information does not contain the actual suspicious and unusual transaction, cash threshold or terrorist property reports that have been received and analysed, as the FIC Act requires that these remain confidential. The referral contains descriptions of the transactions and analysis of their potential links to unlawful activity.

Reporter are legally protected; no legal action, whether criminal or civil, can be instituted against any person who complies in good faith with the reporting obligations of the FIC Act. The FIC Act protects their identity and the reporter cannot be forced to give evidence in criminal proceedings concerning their report.

WHY

Registration with and submission of reports to the FIC are legal requirements for accountable and reporting institutions.

Registration with the FIC is a pre-requisite for financial and non-financial institutions before they can fulfil further obligations required in terms of the FIC Act.

Once registered with the FIC, reporting and accountable institutions need to submit regulatory reports as required such as cash threshold, terrorist property and suspicious and unusual transaction reports. Over and above compliance, such reports assist in the fight against crime.

WHERE

The FIC has in place an electronic platform for registration and reporting directly to the FIC. The platform is accessible via the FIC website www.fic.gov.za. Registration and reporting to the FIC is free of charge.

Table 3: FIC Act inspection reports by supervisory bodies and the FIC in 2021/22

Total number of FIC Act inspection reports issued per business sector	
FIC inspection reports issued per business sector	**Inspection reports issued**
Legal practitioners	223
Trust companies and administrators	36
Motor vehicle dealers	102
Kruger rand dealers	21
Entities that lend money against the security of securities	11
Ithala Development Finance Corporation Limited	1
Gambling institutions **	7
Postbank Limited	1
South African Post Office	1
Ithala Development Finance Corporation Limited	1
Subtotal: Number of inspection reports issued by the FIC	**404**
Inspection reports issued by supervisory bodies	
Financial Sector Conduct Authority: Financial Service Providers division	42
Financial Sector Conduct Authority: Collective Investment Schemes Managers division	5
Financial Sector Conduct Authority: Authorised users of an exchange	41
South African Reserve Bank: Prudential Authority	1
South African Reserve Bank: Financial Surveillance department	31
Property Practitioners Regulatory Authority	201
Independent Regulatory Board of Auditors	0
Provincial Licensing Authority: Gauteng Gambling Board	27
Provincial Licensing Authority: Mpumalanga Economic Regulator	23
Provincial Licensing Authority: Limpopo Gambling Board**	0
Provincial Licensing Authority: Free State Gambling and Liquor Authority	8
Provincial Licensing Authority: KwaZulu-Natal Gambling and Betting Board**	0
Provincial Licensing Authority: Eastern Cape Gambling and Betting Board	69
Provincial Licensing Authority: Western Cape Gambling and Racing Board	32
Provincial Licensing Authority: North West Gambling Board	251
Provincial Licensing Authority: Northern Cape Gambling and Racing Board	8
Subtotal: Number of inspection reports issued by supervisory bodies	**739**
Grand total – inspection reports issued*	**1 143**

** Denotes total of FIC own and supervisory body own inspection reports issued up to 31 March 2022.*

*** Based on MoUs entered into with these institutions, the FIC took over the supervision and enforcement function of the Limpopo and KwaZulu-Natal gambling boards during the period. Figures for these provincial inspections are incorporated into the FIC's inspections statistics.*

Sanctions for non-compliance

The FIC and other supervisory bodies may impose a penalty, referred to as an administrative sanction, if they find that an institution or person with an obligation to submit regulatory reports has not complied with the FIC Act and its directives. The sanction may include:

- A caution not to repeat the conduct that led to the non-compliance
- A reprimand
- A directive to take remedial action
- The restriction or suspension of certain business activities
- A financial penalty of up to R10 million for a natural person and R50 million for a legal person.

Funds derived from financial penalties are paid into the National Revenue Fund, as per section 45C(7)(a) of the FIC Act.

During the 2021/22 financial year the FIC issued 27 sanctions, while the supervisory bodies issued 10. Of the total 37 sanctions that were imposed, seven went on appeal. Excluding those under appeal, the total financial penalty of the sanctions was valued at R41 680 646.76.

The sanctions issued were proportionate to the nature, seriousness and extent of the institutions' non-compliance, and took into account mitigating factors. The appeals were from businesses in the motor vehicle and Kruger rand dealer sectors as well as a bank, a long-term insurer and financial services provider. The details on the businesses which have appealed cannot be shared until the appeal process is concluded.

The table below sets out the 23 sanctions imposed by the FIC, that were not subject to an appeal and which amounted to financial penalties of R28 140 646.76.

Table 4: Sanctions issued by the FIC in 2021/22

	Institution	Non-compliance	Sanction
1	Ba-Gat Motors CC t/a Gys Pitzer Motors	• Section 28 – Failure to report / timeously report CTRs	• Financial penalty of R1 798 509 for failing to report and/or timeously report CTRs, of which R360 000 is payable, with the balance conditionally suspended for three years • Directive to deactivate its additional reporting profile • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
2	Bestvest 227 CC t/a Kloof Car Sales	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R170 500 for failing to report and/or timeously report CTRs, of which R50 000 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
3	BAJ Auto Investments (Pty) Ltd t/a Auto Investments	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R594 170 for failing to report and/or timeously report CTRs, of which R148 542 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
4	Claremont Holdings (Pty) Ltd t/a Claremont Volkswagen	• Section 43B(1) – Failure to register with the FIC • Section 28 – Failure to report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R1 345 918 for failing to report and/or timeously report CTRs, of which R538 367 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct

Table 4: Sanctions issued by the FIC in 2021/22 cont.

Institution		Non-compliance	Sanction
5	Arnold Chatz Cars Constantia Kloof (Pty) Ltd t/a Arnold Chatz Cars Constantia Kloof	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R896 459.76 for failing to report and/or timeously report CTRs, of which R134 000 is payable, with the balance conditionally suspended for three years • A caution not to repeat the non-compliant conduct
6	Rifle Range Car Sales (Pty) Ltd	• Section 28 – Failure to report CTRs	• Financial penalty of R661 481 for failing to report and/or timeously report CTRs, of which R292 790 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
7	Gold Reef Motors (Pty) Ltd t/a Halfway Toyota Howick	• Section 28 – Failure to report / timeously report CTRs	• Financial penalty of R1 203 572 for failing to report and/or timeously report CTRs, of which R180 000 is payable, with the balance conditionally suspended for three years • Directive to deactivate its additional reporting profile • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
8	KIA Motors South Africa (Pty) Ltd t/a KIA Roodepoort	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs • Section 29 of the FIC Act read with Regulation 24(3) of the Regulations – Failure to report / timeously report STR	• Reprimand for failing to timeously register with the FIC • Financial penalty of R357 383 for failing to report and/or timeously report CTRs, of which R88 265 is payable, with the balance conditionally suspended for three years • A financial penalty of R17 745 for failing to timeously report an STR • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
9	Mahers Motors (Pty) Limited t/a Paul Maher Ford	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty R934 755 for failing to report and/or timeously report CTRs, of which R140 200 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
10	Blue Water Investments CC t/a Jackson Motor City	• Section 43B(1) – Failure to timeously register with the FIC • Directive 2/2014 – Sharing of login credentials • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Reprimand for failing to comply with Directive 2/2014 • Financial penalty R503 443 for failing to report and/or timeously report CTRs, of which R201 377 is payable, with the balance conditionally suspended for three years • A caution not to repeat the non-compliant conduct
11	Randburg Coin CC	• Section 28 – Failure to report CTRs	• Financial penalty R7 520 831 for failing to report and/or timeously report CTRs, of which R902 000 is payable, with the balance conditionally suspended for three years • A caution not to repeat the non-compliant conduct

Table 4: Sanctions issued by the FIC in 2021/22 cont.

	Institution	Non-compliance	Sanction
12	Henque 1014 CC t/a Weirs Toyota	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty R412 095 for failing to report and/or timeously report CTRs, of which R147 640 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
13	ACS Pre-Owned (Pty) Ltd	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty R255 575 for failing to report and/or timeously report CTRs, of which R127 875 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
14	Atlantis Motors (Pty) Ltd (previously t/a Atlantis Nissan)	• Section 43B(1) – Failure to register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty R672 526 for failing to report and/or timeously report CTRs, of which R168 131 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
15	ADD X Trading 677 (Pty) Ltd t/a Top Gear Auto	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty R752 392 for failing to report and/or timeously report CTRs, of which R120 000 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • Directive to deactivate its profile registered under Org ID Number 33359 • A caution not to repeat the non-compliant conduct
16	Roal Investment Holdings (Pty) Ltd t/a Thekwini Toyota Westville	• Directive 04/2016 – Failure to update registration related information • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to update registration related information • Financial penalty of R399 362 for failing to report and/or timeously report CTRs, of which R99 840 is payable, with the balance conditionally suspended for three years • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
17	Atlantis Motors (Pty) Ltd t/a Mahindra Centurion	• Directive 04/2016 – Failure to update registration related information • Section 28 – Failure to report CTRs	• Reprimand for failing to update registration related information • Financial penalty of R102 273 for failing to report CTRs • Directive to remediate outstanding CTRs • A caution not to repeat the non-compliant conduct
18	Ben Morgenrood Auto CC	• Section 28 – Failure to report / timeously report CTRs	• Financial penalty of R730 465 for failing to report and/or timeously report CTRs, of which R106 000 is payable, with the balance conditionally suspended for three years • A caution not to repeat the non-compliant conduct

Table 4: Sanctions issued by the FIC in 2021/22 cont.

	Institution	Non-compliance	Sanction
19	FMGH Group (Pty) Ltd t/a Volvo Hillcrest	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R378 107 for failing to report CTRs, of which R65 460 is payable, with the balance conditionally suspended for three years • A caution not to repeat the non-compliant conduct
20	Village Mall Auto (Pty) Ltd t/a Lexus Fourways	• Section 28 – Failure to report / timeously report CTRs	• Financial penalty of R2 413 390 for failing to report and/or timeously report CTRs, of which R362 000 is payable, with the balance conditionally suspended for three years • A caution not to repeat the non-compliant conduct
21	Gold Reef City Mint (Pty) Ltd	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R743 559 for failing to report and/or timeously report CTRs, of which R185 889 is payable, with the balance conditionally suspended for three years. Should the institution fail to remediate the one outstanding report, it will be required to pay R111 530 • Directive to remediate outstanding CTR • A caution not to repeat the non-compliant conduct
22	MRA Motors CC t/a Main Reef Auto	• Section 43B(1) – Failure to timeously register with the FIC • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Financial penalty of R3 792 139 for failing to report and/or timeously report CTRs, of which R1 516 855 is payable, with the balance conditionally suspended for three years • Directed to initiate an engagement with the FIC in terms of Directive 03/2014. Should the institution fail to remediate all the transactions, it will be required to pay R1 137 640 • Directive to remediate all the transactions • A caution not to repeat the non-compliant conduct
23	Supertech Durban (Pty) Ltd t/a BMW Durban South	• Section 43B(1) – Failure to timeously register with the FIC • Directive 1/2013 – Failure to update registration-related information • Section 28 – Failure to report / timeously report CTRs	• Reprimand for failing to timeously register with the FIC • Reprimand for failing to comply with Directive 1/2013 • Financial penalty of R1 483 997 for failing to report and/or timeously report CTRs, of which R370 999 is payable, with the balance conditionally suspended for three years. Should the institution fail to remediate all the outstanding transactions, it will be required to pay R222 500 • Directive to remediate all CTRs • A caution not to repeat the non-compliant conduct

The table below details the eight sanctions imposed by SARB's PA and the Financial Sector Conduct Authority (FSCA), which did not go on appeal. The value of the sanctions amounted to R13 540 000.

Table 5: Sanctions issued by supervisory bodies in 2021/22

Supervisory body		Institution	Non-compliance	Sanction
1	SARB – PA	Fedgroup Life Limited	• Section 43 – Employee training relating to anti-money laundering and combating the financing of terrorism • Section 42A(2) – Governance of anti-money laundering and combating the financing of terrorism	• Financial penalty of R140 000 • A directive to take remedial action • Caution not to repeat the conduct which led to the non-compliance
2	SARB – PA	Sanlam Life Insurance Limited	• Sections 21G – CDD (enhanced due diligence requirements in respect of domestic prominent influential persons) • Sections 28 – Cash transactions above prescribed limit • Section 42 – RMCP • Regulation 24(3) read with regulation 29(7) of the Money Laundering and Terrorist Financing Control Regulations relating to STR reporting	• Financial penalty of R1.5 million, of which R500 000 conditionally suspended for a period of three years from 28 July 2021 • Caution not to repeat the conduct which led to the non-compliance
3	FSCA	Worldwide Advisory Services (Pty) Ltd	• Section 42(2) – Failure to identify ML/TF risks, failure to CDD based on risk classification • Section 21C – Failure to conduct ongoing CDD	• A financial penalty of R10 000 for non-compliance with the requirements relating to an RMCP, conditionally suspended for three years • A financial penalty of R40 000 for non-compliance with the requirement to conduct ongoing due diligence of which R20 000 is payable with the balance conditionally suspended for three years
4	FSCA	WDB Growth Fund (Pty) Ltd	• Section 21(1) and 21B – Failure to conduct CDD • Section 42(2) – Failure to identify and assess money laundering risks adequate to the size, nature and complexity of its business • Section 43B(4) – Failure to notify the FIC in writing of any changes to the particulars furnished within 90 days after such change	• A financial penalty of R10 000 for non-compliance with the due diligence requirements, suspended for a period of three years • A financial penalty of R10 000 for non-compliance with the due diligence requirements • A financial penalty of R10 000 for non-compliance with the requirement to update registration information
5	FSCA	Momentum Wealth (Pty) Ltd	• Section 21B(4)(e) – Failure to risk rate clients and to identify and verify beneficiary in accordance with the risk rating • Section 28 – Failure to file CTRs with the FIC	• A financial penalty of R100 000 for non-compliance with the due diligence requirements, conditionally suspended for a period of three years • A financial penalty of R4 800 000 for non-reporting of cash transactions

Table 5: Sanctions issued by supervisory bodies in 2021/22 cont.

Supervisory body		Institution	Non-compliance	Sanction
6	FSCA	Momentum Collective Investment (RF) (Pty) Ltd	• Section 21 – Failure to risk rate clients and to establish and verify the identity of clients • Section 28 – Failure to file CTRs with the FIC	• A financial penalty of R1 900 000 for non-compliance with the due diligence requirement • A financial penalty of R4 400 000 for non-reporting of cash transactions
7	FSCA	Foremost Finance (Pty) Ltd	• Section 42(1) and (2) – Failure to assess its inherent risks which further impacted on its ability to monitor, mitigate and manage the said risks and CDD was not conducted in terms of the inherent risks. Failure to develop and implement processes to verify identity, conducting of additional due diligence establishment of beneficial ownership. • Section 21 – Failure to conduct CDD	• A financial penalty of R80 000 for non-compliance with the requirements relating to an RMCP of which R60 000 was conditionally suspended for three years • A financial penalty of R80 000 for non-compliance with the due diligence requirements, of which R40 000 was suspended for three years
8	FSCA	KFS Finserv (Pty) Ltd	• Section 21(1)(a) – Failure to verify the identity of clients	• A directive to verify the identity of the clients whose identity was not verified in accordance with the RMCP and provide the FSCA with proof thereof • A financial penalty of R460 000 for non-compliance with the due diligence requirements of which R230 000 was conditionally suspended for three years

Section 45E of the FIC Act establishes an appeal board to adjudicate on appeals emanating from sanctions issued by the FIC and supervisory bodies for non-compliance with the FIC Act. During this financial year, the Appeal Board handed down two decisions based on sanctions imposed in the 2021/22 financial year. One appeal was withdrawn after a settlement was reached between the parties, as shown in the table below. The second institution lodged a further appeal following the decision handed down by the Appeal Board.

Table 6: Appeal Board decision handed down in 2021/22

No	Institution	Decision
1	Ravensberg Advisory and Consulting Services (Pty) Ltd	• FSCA imposed a sanction of R780 000 in February 2022, which was appealed • Following engagements between the parties it was agreed to settle the appeal • A Consent Order was issued in terms of which a financial penalty of R780 000 was imposed with R505 000 conditionally suspended for three years • The appeal has been withdrawn

Regulatory reporting

A total of 45 555 (2020/21: 44 499) reporting entities submitted more than 5.12 million regulatory reports during 2021/22 (2020/21: 5.24 million).

The FIC received 4 589 703 CTRs during the year under review. A total of 533 277 STRs were submitted to the FIC in 2021/22 (2020/21: 394 709), representing an increase of 35 percent in the number of STRs received.

The FIC received four terrorist property reports in the reporting period. Of the 45 555 registered entities, 3 362 (7.4 percent) were responsible for filing more than five million regulatory reports with the FIC.

Table 7: Regulatory reporting 2021/22

Schedule 1: Item No		Cash threshold and cash threshold aggregation reports*	Section 29 reports**	Terrorist property reports	Voluntary disclosure reports	Total
1	Attorneys	2 516	306	1		2 823
2	Trust companies	414	34			448
3	Property practitioners	10 340	227			10 567
4	Authorised users of an exchange	8 933	19 274			28 207
5	Unit trusts (collective investment scheme managers)	67	133			200
6	Banks	3 911 135	379 363	2		4 290 500
7	Mutual banks	45	13			58
8	Long-term insurers	241	221			462
9	Gambling	418 704	5 639	1		424 344
10	Foreign exchange agent or company	60 311	4 287			64 598
11	Money lenders against securities	537	4			541
12	Investment advisors or intermediaries	15 322	24 213			39 535
13	Issuers of travellers' cheques and money orders	231	30			261
14	Postbank	57 793	45			57 838
15	Stock exchange (incorporated under Item 4)					
16	Ithala Development Finance Corporation	251	1			252
17	Approved person by Registrar of Stock Exchanges (asset managers) (incorporated under Item 12)					
18	Registrar of Financial Markets (asset managers) (incorporated under Item 12)					
19	Money remitters	81 026	80 805			161 831
Schedule 3: Item No						
1	Motor vehicle dealers	19 631	16 961			36 592
2	Kruger rand dealers	1 296	372			1 668
Other reporting entities						
	Business entity with a reporting obligation in terms of section 29 of the FIC Act	910	1 347			2 257
	Individual reporting entity	0	2			2
	Voluntary disclosure reporters				6	6
	Stakeholders				7	7
Grand total		**4 589 703**	**533 277**	**4**	**13**	**5 122 997**

** Cash threshold aggregation reports are used to report a single client that has performed multiple transactions above the threshold amount of R24 999.99 within the defined aggregation period.*

*** Section 29 reports include all STRs, suspicious activity reports, terrorist financing activity reports and terrorist financing transactions.*

Reporting stream: Voluntary disclosure reporting

If a business or person employed by a business who is not an accountable or reporting institution listed in the FIC Act, comes across a suspicious and unusual transaction or activity, they must, in terms of their legal obligation under the FIC Act, register with the FIC as a business entity and report a suspicious and unusual transaction or suspicious activity report under section 29 of the FIC Act.

The voluntary disclosure reporting stream has been implemented by the FIC to accommodate institutions that are not businesses. The reporting capability is designed specifically for entities which do not fall under the definition of a business and cannot report under section 29. Non-profit organisations fall under this group. Furthermore, the Independent Regulatory Board for Auditors, which is a registered FIC stakeholder, also reports under the voluntary disclosure reporting stream.

The general public can report suspicious and unusual transactions using this reporting stream, once they have registered with the FIC.

Remediation and awareness to improve compliance

The FIC monitors the regulatory reports it receives to ensure they are complete, accurate and submitted in the prescribed reporting periods as defined in the FIC Act. During inspections, the FIC also identifies areas of concern such as non-reporting and incomplete or inaccurate reporting.

Where regulatory reports are insufficient, incomplete, or inaccurate, the FIC engages with the relevant reporting entities. This is so that the entities can correct or submit outstanding information. In terms of Directive 3 issued under the FIC Act, entities are required to provide the FIC with information about non-reporting of transactions that should have been reported. The FIC then engages with the entities to discuss the submission of the outstanding reports.

Requests for corrections often stem from a lack of understanding of the FIC's regulatory reporting requirements. Therefore, the FIC continually engages with businesses across South Africa to ensure they understand the FIC Act's requirements and their reporting obligations.

- ***Initiatives to raise awareness***

The FIC hosted 24 awareness sessions, exceeding the strategic target by two events, and reaching a total of 7 102 attendees. This is thanks to the change in approach from the FIC hosting face-to-face awareness sessions to online webinars during the peak of the COVID-19 pandemic in the previous financial year.

Virtual events not only helped the FIC extend its reach, but also saved costs related to venue hire, transport, hospitality and other logistical arrangements.

There were specific sessions held for DNFBPs during which they were advised on the risks identified through the sector risk assessment process. The focus was on a risk-based approach and the identification of risks, as well as how this translated into risk management and the documentation and implementation of an effective RMCP.

The mutual evaluation report of South Africa that was published in October 2021 found that there was not a proper understanding among accountable institutions, particularly in DNFBP sectors, of their money laundering and terrorist financing risks. The report specifically stated that DNFBPs should refine and implement RMCPs to mitigate their money laundering and terrorist financing risks.

Case study

THEFT AND FRAUD: Employer defrauded of R10 million

The FIC received an urgent request for assistance in a matter where it was alleged that the subject had defrauded his employer of more than R10 million. After he was confronted about it, the subject absconded from his work and went into hiding.

Eight bank accounts were analysed by the FIC to trace the crime proceeds, leading to five FIC Act intervention orders towards securing a total of R9 502 133.07.

Analysis of the bank records also revealed the subject's hiding spot – a hotel in Gauteng close to an airport. When the subject's hotel room was searched, it was discovered that he was deceased. The proceeds of the unlawful activity were recovered by the AFU from bank accounts of the deceased man.

To give effect to this recommendation by the assessors, the FIC has embarked on a process that will be continued in the 2022/23 financial year to assess RMCPs of selected accountable institutions and, where necessary, recommend improvements to these documents.

The presentations also emphasised sanctions, beneficial ownership, politically exposed persons (PEPs) and reporting to the FIC as these are priority items for the FIC commitment and industry.

The FIC participated in 11 awareness sessions hosted by other institutions. During these sessions, the FIC presented on money laundering and terrorist financing (ML/TF) risks and compliance matters to supervisory bodies, industry bodies, higher learning institutions, banking, and gambling institutions.

The FIC also published 22 media articles on topics such as section 29 reporting and compliance with the FIC Act.

The overall aim of the awareness sessions and the media articles, was to improve co-operation and collaboration with stakeholders and in the process improve FIC Act compliance of accountable institutions, reporting institutions, business in general as well as enhance the public awareness on selected AML/CFT related matters.

- ***Advice and guidance***

The FIC provides specialist advice and guidance via its public query process. While the service is aimed at improving compliance by businesses, it also improves the FIC's understanding of public compliance information needs, challenges, and concerns regarding compliance.

The requested queries and information provide insight to the FIC on which guidance publications and topics are suitable for discussion at awareness events. The FIC responded to 3 876 written and 12 013 telephonic queries from the public during 2021/22.

- ***Non-profit organisations***

NPOs have been identified by FATF as entities that are susceptible to being abused by criminals for financing of terrorism and/or money laundering purposes.

The FIC collaborated with the Department of Social Development in delivering 11 awareness webinars on the risks involved and how to prevent falling prey to money laundering, financing of terrorism and other financial crimes.

RISK MANAGEMENT AND COMPLIANCE PROGRAMME

What is an RMCP?

An RMCP is a documented plan that must set out how an accountable institution will deal with risks associated with money laundering and financing of terrorism in their institution. An institution's RMCP must contain policy documents, and detail all the processes, systems and controls used for aspects such as customer due diligence (identification and verification of clients), record-keeping, reporting and how the risk-based approach will be applied.

Who must have an RMCP?

All accountable institutions as listed in Schedule 1 of the FIC Act.

Why an RMCP is necessary

It is a legislative requirement that accountable institutions understand their exposure to money laundering and financing of terrorism risks. RMCPs assist accountable institutions in identifying and assessing these risks in order to protect and maintain the integrity of their business and the integrity of the financial system of South Africa. Accountable institutions must provide copies of their RMCP, if requested to do so, to supervisory bodies such as the FIC and FSCA. Non-compliance could result in an administrative sanction, which may include a financial penalty.

How does an RMCP work?

An RMCP must contain procedures on how an accountable institution will identify, assess, monitor, mitigate, and manage the risks mentioned above. A risk-based approach must be used by accountable institutions when interacting with clients. This approach gives flexibility to accountable institutions to decide what they consider to be high or low risk and how to manage these. The RMCP must also set out how the accountable institution will conduct customer due diligence, maintain records, deal with reporting obligations, and how it will ensure ongoing training for all its employees.

Compliance reviews

The FIC continued conducting compliance reviews at accountable and reporting institutions to strengthen its relationships with these institutions. A total of 82 compliance reviews were completed during the reporting period.

Reviews allow for open and constructive engagement, increasing accountable institutions' awareness on their FIC Act obligations, to improve the quality and quantity of regulatory reports they submit, and to assist with compliance related matters. As in the previous financial year, reviews were conducted by way of virtual meetings.

Compliance reviews differ from inspections in the following ways:

- Compliance reviews are not conducted under section 45B of the FIC, which governs the inspection regime for the FIC.
- The FIC officials conducting the compliance reviews are not formally appointed as inspectors.
- The purpose of compliance reviews is not to test compliance but rather to increase awareness and improve compliance through a process of engaging with the accountable or reporting institution, during which compliance requirements are explained and the institution's specific challenges, including its reporting history, is discussed.

The selection criteria for on-site compliance reviews include factors such as the ML/TF risks in the sector, reporting inefficiencies or queries received through the public query process by the specific institution or in general by institutions within the sector. The potential impact of such a review on improved compliance and reporting is taken into consideration in the selection of an institution, a group of institutions or a sector to be reviewed.

The FIC also makes use of a risk matrix to select certain institutions for the conducting of compliance reviews. The risk matrix is used to rate the institution in accordance with its risks related to money laundering and financing of terrorism. It includes risk factors such as media reports, the risk rating of the sector, the institutional type and compliance with the registration and reporting requirements.

Because the risk rating is done prior to the review it is based on the information available at the time, which is often limited. However, it still provides the FIC with a good indication on the money laundering and financing of terrorism risks associated with the institution and the sector.

During a compliance review, the FIC officials may, if necessary, discuss compliance obligations such as customer identification, the requirements of an RMCP, registration, and reporting with the institution. After the review, the FIC completes a compliance review report which is sent to the institution. Where necessary, recommendations for improving compliance measures are included.

It was evident from the compliance reviews that accountable and reporting institutions, in particular smaller institutions, were still experiencing challenges with some of the requirements that were introduced in the FIC Act in 2017. As part of a remedial action to address this problem as well as the shortcomings identified by the mutual evaluation assessors, the FIC is currently in the process of requesting all registered institutions to update their RMCPs to demonstrate a better understanding of the ML/TF risks their institutions face.

The requirement to risk rate clients for purposes of money laundering and financing of terrorism as well as the drafting of an RMCP that complies with the requirements of section 42 of the FIC Act are some of the most common areas of non-compliance that institutions need to address. In addition to requesting the updating of RMCPs, the FIC has also issued a public compliance communication to address the drafting of RMCPs by smaller institutions.

Table 8: Compliance reviews conducted during 2021/22

Sector	Total
Motor vehicle dealers	41
Property practitioners	24
Gambling	1
Attorneys	14
Kruger rand dealers	2
Total	**82**

Guidance products

The FIC develops guidance products that provide practical information on complying with the FIC Act. Draft versions of the guidance products are published so that accountable institutions, supervisory bodies, and other affected entities can provide feedback. The comments received are carefully considered and the guidance products updated where necessary before being finalised. During 2021/22, the FIC issued two guidance products.

Table 9: Guidance products issued in 2021/22

Public compliance communications	Subject
PCC 51	Guidance on measures relating to foreign prominent public officials, domestic prominent influential persons, their immediate family members and known close associates
PCC 52	Guidance on the identification of money laundering and terrorist financing risks and associated customer due diligence for clients of authorised users of an exchange in terms of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001)

Issued in December 2021, Public Compliance Communication (PCC) No 51 provides clarity on the ML risk posed by, and customer due diligence considerations to be applied to, a business relationship with a client who is a domestic prominent influential person (DPIP) or foreign prominent public official (FPPO) or is an immediate family member or known close associate of such a person.

PCC 51 must be read together with the FIC's Guidance Note 7, which provides clarity on and an explanation of the risk-based approach to FIC Act compliance. PCC 51 addresses the higher risks associated with DPIPs and FPPOs. Such higher risks need to be considered when applying the risk-based approach as contemplated in Guidance Note 7.

Issued in March 2022, PCC 52 explains that the client of an authorised user of an exchange, is the person who provides the authorised user of an exchange (authorised user) with a mandate. An authorised user must first identify and assess the ML and TF risks their clients present prior to determining if they will enter into a business relationship or single transaction with the client and perform the associated customer due diligence.

TAX FRAUD: A web of forgery and fraud

Case study

The FIC identified an investment bank account that was receiving the proceeds of tax fraud.

Using the FIC Act to conduct enquiries with the bank, the FIC issued an intervention directive and managed to secure proceeds of crime to the value of R410 000. That amount was also then subjected to a preservation order by the AFU.

Financial intelligence brought to light that the crime proceeds were received and moved through 13 related bank accounts, with most of the funds being transferred to the alleged perpetrator's other linked business bank accounts.

To trace the flow of the proceeds, the FIC enquired with the financial institutions about who the recipients were. Using enhanced financial intelligence analysis, the FIC identified a vehicle valued at more than R700 000 that had been purchased using the criminal proceeds in question.

During the commission of the fraud, both forgery and uttering in terms of Section 235 of the Tax Administration Act, 2011 (Act 28 of 2011) were used.

Sub-programme 2.2: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on the improved production and utilisation of financial intelligence products

Purpose

The sub-programme is primarily mandated to produce financial intelligence that typically:

- Identifies crimes and perpetrators
- Identifies assets derived from proceeds of crime
- Provides operational intelligence that assists in decision-making and planning on topical or defined issues
- Provides strategic intelligence that contributes to shaping policy and positions.

This sub-programme provides unique intelligence-based services that entail the analysis, interpretation, and representation of financial information in a manner that can be converted into evidence by law enforcement and prosecutorial services. These services are performed to support law enforcement agencies' efforts to prove crime and involve in-depth planning and coordination.

The sub-programme gathers and receives information internationally through a network of foreign information sources including financial intelligence units.

Strategic outputs

- Financial intelligence reports (i.e. proactive and reactive reports issued to stakeholders)
- Stakeholder engagements to improve the understanding and utilisation of FIC products and/or services
- Blocked funds involving crime and terrorism.

Performance

During 2021/22, the FIC excelled in this sub-programme, exceeding five and meeting one of its targets.

Highlights for the year include:

- Producing 3 114 financial intelligence reports of which 2 300 were reactive and 782 proactive financial intelligence reports, and 32 on illicit financial flows. Of the 782 proactive reports, 131 related to high priority matters.
- Contributing to the recovery of over R5 billion in criminal proceeds, which is a considerable increase in comparison to R3.3 billion in previous year.
- Blocking R204.4 million (in terms of section 34 of the FIC Act) as suspected proceeds of crime.
- Networking with stakeholders, various entities and financial information sharing partnerships such as SAMLIT and the Fusion Centre.

Case study

KIDNAPPING: Kidnap victim goes home

The FIC assisted with the rescue of a kidnap victim as well as the identification and arrest of three alleged kidnappers.

Starting with enquiries at financial institutions, the FIC ascertained that financial activity had taken place on the victim's bank account after the kidnap had occurred. The FIC requested further information on the transaction details for further analysis.

The transactions turned out to be ATM cash withdrawals from a town close to the victim's home address. After providing relevant information to the DPCI, the suspects were identified and tracked down.

At the point of arrest, the suspects were leaving a shopping mall with the victim in a vehicle.

The owner of the vehicle was also identified. A search of the owner's address led to the seizure of two other vehicles believed to have been used in the commission of other kidnappings, as well as 16 mobile phones thought to belong to kidnap victims.

The suspects were charged with kidnapping, extortion, armed robbery, and possession of stolen goods.

Table 10: Outcomes, outputs, output indicators, targets and actual achievements of sub-programme 2.2

Delivery of intelligence on financial crime and FIC Act-related regulatory services								
Outcome	**Outputs**	**Output indicators**	**Audited actual performance 2019/20**	**Audited actual performance 2020/21**	**Planned annual target 2021/22**	**Actual achievement 2021/22**	**Deviation from planned target to actual achievement 2021/22**	**Reasons for deviations**
Improved production and utilisation of financial intelligence reports and services to assist in the identification and combating of crime	Financial intelligence reports	2.1.1 Number of proactive high priority financial intelligence reports issued to stakeholders per annum	New indicator	32	30	131	101	Target exceeded. More cases identified.
		2.1.2 Number of proactive medium to lower priority financial intelligence reports issued to stakeholders per annum	New indicator	713	500	651	151	Target exceeded. More cases identified.
		2.1.3 Percentage of reactive financial intelligence reports issued to stakeholders	104%	134%	100% responded to subject to an annual maximum of 1 600	143%	43%	Target exceeded. 2 300/1 600 (143%). More than anticipated requests received and finalised.
		2.1.4 Number of high priority financial intelligence reports issued to stakeholders on illicit financial flows per annum[1]	N/A	N/A	10	32	22	Target exceeded. More cases identified.
	Stakeholder engagements to improve the understanding and utilisation of FIC products and/or services	2.2.1 Number of conducted stakeholder engagements to improve the understanding and utilisation of FIC products and/or services	54	30	30	48	18	Target exceeded. Additional training opportunities materialised.
	Blocked funds involving crime and terrorism	2.3.1 Percentage response to requests to block funds	100%	100%	100%	100%	N/A	Target achieved. (140/140)

[1]All financial intelligence reports issued to stakeholders on illicit financial flows will be regarded as high priority matters and will be accounted for separately.

Public-public collaboration and public-private partnerships

An integrated, collaborative approach to the gathering of information and data, and sharing of intelligence is key to safeguarding the country's financial system.

Therefore, two national initiatives were launched in 2019/20 to forge beneficial relationships between multi-disciplinary role players and to improve the use of financial intelligence.

The initiatives were namely SAMLIT and the Fusion Centre. They focus on the timeous sharing of financial and other information to expedite the prevention, detection, investigation, and resolution of criminal matters. Central to both initiatives is the effective use of financial intelligence provided by the FIC.

- ***South African Anti-Money Laundering Integrated Task Force***

Established in December 2019 by the FIC, SAMLIT is a public-private financial information sharing partnership involving 26 domestic and international banks registered in South Africa, the South African Banking Risk Information Centre (SABRIC) and The Banking Association South Africa (BASA). The regulatory authority members include the FIC, and SARB's PA and FinSurv.

SAMLIT's formation has been in step with the approach taken by financial intelligence units across the globe. This entails creating financial information sharing partnerships with the private sector, thereby building trust, and joint efforts in enhancing the fight against financial crime. These partnerships are geared towards improving the quality of reported information exchanged between the public-private partners.

SAMLIT's steering committee, which is chaired by the Director of the FIC, oversees the implementation of partnership's strategic objectives and operational priorities. SAMLIT's partners are drawn together on a case-by-case basis, which enables them to quickly identify and share details that can be analysed and passed on to law enforcement and prosecutorial authorities for their investigations and applications for asset forfeiture. In this collaboration space, there were successful interventions which led to the preservation and directives to the amount of R86 million in criminal assets over the two years of SAMLIT's existence.

Operational arrangements

For the sake of speed and efficiency various small, specialised groups operationalise the work within SAMLIT. The primary role of expert working groups (EWGs) is to identify and research financial crime trends and threats, and find possible solutions to address them. The role of tactical operations groups (TOGs) is to deal with unfolding crime swiftly and strategically.

Expert working groups

During this financial year, EWGs on corruption, modern slavery and human trafficking, and illegal wildlife trade made significant strides. Stakeholders and EWG chairpersons provided their insights.

Tactical operations groups

TOGs deal with matters that are detected or reported by SAMLIT's private sector partners and where proceeds of crime have been identified. During 2021/22, TOGs dealt with 21 matters involving fraudulent schemes, illicit financial flows, kidnapping, illegal wildlife trade, procurement fraud and corruption.

Collaboration & partnerships: EWG on Modern Slavery and Human Trafficking

Chaired by **Standard Chartered Bank**

Standard Chartered plc is a British multinational banking and financial services company headquartered in London, England. It operates across more than 70 countries.

EWG chairperson

Rozanne Gany, Head Financial Crime Compliance at Standard Chartered Bank

"Standard Chartered actively participates in SAMLIT and enjoys a good relationship with its members and the FIC.

While much work is being done to counter modern slavery and human trafficking – especially by NGOs – this is an area where the financial sector and the banks in particular can play a significant role.

Banks and financial institutions can follow the money trails and the financial flows that lead to the masterminds and the syndicates behind this global crime. Members of the Modern Slavery and Human Trafficking EWG include 12 banks and Refinitiv, a social marketing and technology solutions company.

This year the EWG has predominantly focused on developing a proper understanding of the scale of the problem, and of the situation in South African in particular.

As a first for South Africa, the EWG is assisting the public and private sectors by putting together a research report on the subject. Secondly, the group has produced training modules that can be rolled out to schools, NGOs, the banking sector and so on. This should help with crime awareness and prevention. Four awareness sessions have been presented. A subcommittee has been created to focus on survivor accounts and another one to work on identifying red flags and typologies. The working group continues to investigate technology tools and platforms that can assist in the fight against this crime.

Everyone has an obligation to contribute to stemming the tide of modern slavery and human trafficking as it is a problem that affects everybody. We reached out to our UK (United Kingdom) head office and tapped into research, guidance and mentoring, which in turn, was shared with the SAMLIT EWG."

ILLEGAL WILDLIFE TRADE: Rhino poaching kingpin under investigation

Case study

SARS enlisted the FIC's help to obtain financial intelligence regarding the assets and financial transactions of an alleged rhino poaching kingpin who was also under criminal investigation by the DPCI.

It was suspected that the subject was using a related party's bank account to launder money and facilitate all payments for the subject.

Because of the seriousness of the investigations, the FIC initiated a SAMLIT TOG involving several financial institutions to enhance collaboration and the sharing of the relevant financial intelligence.

Through the TOG and analysis of the regulatory reports, the FIC was able to identify the account number of the related party and show several connected transactions in various provinces.

The case is still under investigation.

Collaboration & partnerships: EWG on Corruption

Chaired by **ABSA Group Limited**

Absa Group Limited is listed on the JSE and is a diversified financial services group with a presence in 15 countries across the African continent, as well as in the United Kingdom and United States.

Comment by EWG chairperson

Anil Gopaul, Head: Financial Crime Intelligence and Surveillance at ABSA

"Corruption is prevalent in South Africa, and it is estimated that on average, one third of the GDP is lost to corruption. It is crucial to detect, but also to proactively prevent corruption.

The EWG on corruption was created in December 2021, so it is fairly new. The group started its work by determining the deliverables of each work stream, defining the scope of work, defining the common goals to be achieved, and identifying which public sector bodies need to be engaged with. This is extremely important in a multiplayer environment.

Having a public-private partnership like SAMLIT enables the country and ABSA to fight crime, and not just corruption, more effectively. SAMLIT exists to ensure we fight crime in South Africa and have successful prosecutions.

With the EWG, there is alignment on the focus, making it possible to move swiftly, leverage the other partners involved, and expedite investigations and subsequent persecutions. Each SAMLIT member has their own technology capabilities and members lean on each other's capabilities. There is a high level of trust. ABSA Group Limited is a member of SAMLIT and has had a longstanding relationship with the FIC."

ILLICIT FINANCIAL FLOWS: SAMLIT helps block millions

Case study

During August 2021, a financial institution identified that in three regions in South Africa, there were clients' accounts being used to facilitate illicit financial flows to a foreign jurisdiction.

Through a TOG, financial intelligence was obtained and supplied to SARB's FinSurv. Contraventions of exchange control regulations were suspected.

FinSurv issued directives to block monies held in 11 accounts, linked to a scheme amounting to R5.2 million. The swift action by the TOG resulted in the disruption of the activities of three illicit financial flow groups.

The case is still under investigation.

Collaboration & partnerships: EWG on Illegal Wildlife Trade

Chaired by **Investec**

Investec is a financial services company that provides private banking and wealth and investment services to clients in Europe, southern Africa, and Asia.

Comment by EWG chairperson

Gerald Byleveld, Head: Financial Crime Compliance / Group Money Laundering Reporting Officer at Investec

"Investec's involvement in saving wildlife dates back to 2012 when the company decided to support the Save the Rhino Lifeline campaign. The company has built good relationships with FIC, is a member of SAMLIT.

As one of the top five most prevalent transnational, organised crimes in the world at present, IWT deserves serious attention.

The EWG on IWT was created in June 2020. It was the first working group to be established by SAMLIT. The EWG consists of eight banks, including Investec, and the FIC, Western Union and United for Wildlife.

The work done by the EWG was not intended to repeat the work already done by various bodies or interest groups, and it has drawn its insights from a number of reports, most prominently those presented by ESAAMLG, OECD (Organisation for Economic Cooperation and Development), FATF and TRAFFIC (NGO on wildlife trade).

During the initial phase, considerable time was spent on becoming organised as a group and conducting the necessary research. The research work was divided into four streams: i) interviewing stream; ii) survey stream, iii) workshop covering cases and iv) the FIC stream. The FIC mined historical STRs for potential IWT crimes in order to create profiles and pinpoint financial behaviour and patterns.

The research results were subsequently compiled into a practical toolkit for financial institutions to use in identifying IWT crime, related transactions and the people typically involved in such crimes. A research report, *Financial Flows Associated with Illegal Wildlife Trade in South Africa* was published in November 2021. The report was well received and elicited much interest in South Africa and internationally and was commended by the Duke of Cambridge, Prince William, in his role as President of the Royal Foundation's United for Wildlife.

There were great spin-offs from the report and the interest and cohesion that it created. Three TOGs were established) to deal with IWT cases. Two cases were successfully resolved – one was a five-year conviction for money laundering in February 2022, and the other was a rhino horn case. There was a sudden spike in poaching in December 2021, with 25 rhinos being poached within 36 hours. Due to swift action and collaboration, 12 suspects were arrested and 70 rhino horns were seized.

These successes show that the outcomes are so much better when there is collaboration. Success also helped break down walls and increase the level of trust between the public sector (regulators, law enforcement agencies) and the private sector (banks).

The EWG has learned key lessons: It is important to include money remitters that people use for money transfers; it is crucial to find the right partners to collaborate with; and it is critical to approach external experts that can impart new insights.

Going forward, the EWG has its work cut out. We have created further work streams and sub-streams on different focus areas and deliverables: The public sector stream, TOGs; regional collaboration across Africa; webinars on how to implement the toolkit; case digest; and improved communication."

Collaboration & partnerships: Stakeholder comment

The Banking Association South Africa

The Banking Association South Africa (BASA) is an industry association which represents the approximately 30 domestic and international banks licensed to operate in South Africa. BASA acts on behalf of the industry, and not on behalf of individual banks.

Comment by Sadiyaa Amod, Manager - Legislation and Regulatory Oversight:

"BASA has an amicable, professional relationship with the FIC and the two organisations have successfully collaborated over the years. BASA hopes to continue engaging in a constructive manner with the FIC in effectively fulfilling its mandate of representing the banking sector.

BASA is pleased with the work done under the auspices of SAMLIT and the successful asset seizures and prosecutions secured as a result of the collaboration between the banking sector, FIC and law enforcement agencies. BASA also applauds the various expert working groups which have made valuable contributions in facilitating information gathering and conducting research to identify and analyse financial crime trends and threats. BASA remains committed to the work conducted by SAMLIT and looks forward to further strengthening the participation and assistance provided by the banking sector."

Collaboration & partnerships: Stakeholder comment

United for Wildlife

United for Wildlife was founded by His Royal Highness, the Duke of Cambridge and The Royal Foundation in 2014. It aims to make it impossible for traffickers to transport, finance or profit from illegal wildlife products. By working collaboratively with the transport and finance sectors, building key partnerships with law enforcement and NGOs, and sharing information and best practices across the sectors, and across borders, United for Wildlife is disrupting this criminal network globally.

Comment by David Fein, Group General Counsel for Standard Chartered and Vice Chair of the Transport Taskforce:

"The partnership between the South African Anti-Money Laundering Integrated Task Force (SAMLIT) and United for Wildlife has been brilliant. We have been working with SAMLIT since its founding and are delighted to be partners. Many of the members of United for Wildlife, for example Standard Chartered Bank, are also members of SAMLIT.

Following the FATF review report and recommendations on IWT[1], we have seen several countries respond with commitment and action, and one of those is South Africa. SAMLIT's creation of an IWT expert working group is a best practice that I have urged others to follow. By bringing together the public and private sectors, viewing the problem through a country lens, and educating people, raising awareness, and operationalising the response, SAMLIT is doing leading work globally.

For too long, IWT has been treated as just a conservation crime. It certainly is that but, it is also a significant financial crime, and it is critical that investigations start, not stop, with the arrest of the poacher or the seizure of wildlife products. By following the money, South African authorities can get to the organised criminal networks behind the trafficking and bring its leaders to justice.

The SAMLIT EWG on IWT produced a report on financial flows associated with illegal wildlife trade, which is excellent. It is an authoritative document that includes inputs from various sectors in an inclusive way. Prince William is positive about the work of SAMLIT and was pleased to write a letter of support in conjunction with its publication."

[1] *Money Laundering and the Illegal Wildlife Trade – FATF Report June 2020*

ILLEGAL WILDLIFE TRADE: SAMLIT tactical operations group helps intercept proceeds from rhino horn poaching

Case study

After receiving a request to assist in investigating a wildlife crime in the form of illegal trading related to rhino poaching, the FIC initiated registration of a SAMLIT TOG.

The subject was identified via regulatory reports filed due to transactions he had made through a personal account and at a gambling institution. The cash transactions included withdrawals and deposits of rounded amounts, and the subject had made a cash payment towards purchasing movable property at a vehicle dealership.

Financial analysis further revealed cash deposits received from mostly different names, as well as electronic credit payments from several financial institutions referenced as individuals.

The funds were mostly spent on debit card purchases of over R1.6 million, and the remainder on normal monthly expenses such as medical aid payments.

Two other subjects were linked to cross-border transactions in which funds mostly flowed outwards to countries in the East. The case is still under investigation.

Collaboration & partnerships: Stakeholder comment

South African Revenue Service

SARS was established in 1997 with the mandate to collect all revenues due, ensure optimal compliance with tax and customs legislation and provide a customs and excise service that will facilitate legitimate trade, as well as protect our economy and society. A dedicated anti-corruption unit investigates all cases of internal fraud, corruption, theft and serious misconduct.

Comment via official e-mail:

"During year 2021/22, the collaboration between SARS and FIC progressed to a common understanding of the strategic and operational scope and nature of the National Financial Intelligence System (NFIS).

A strengthened regulatory connection of SARS to the FIC now connects SARS via the FIC to the NFIS. This was confirmed in an operational agreement and in an updated MoU between the two agencies. In addition to strengthening the regulatory framework, a number of strategic and operational initiatives have been implemented as part of the SARS FATF programme with a view to consolidating and strengthening SARS' sustained participation in the NFIS.

The above developments have led to the following immediate benefits:

- Increased proactive and reactive financial intelligence being provided to SARS by FIC.
- Provision of thematic analysis products to SARS by the FIC.
- Analysis and investigation by SARS for civil, criminal and administrative tax and customs non-compliance as a result of financial intelligence received.
- Analysis by FIC as a result of reporting from SARS.

The collaboration and exchange of information will further increase with the release of the final report on State Capture from the State Capture Commission of Inquiry."

TAX EVASION: Man evades tax amounting to R60 million

Case study

After receiving assorted financial intelligence, including regulatory reports that were filed to the FIC, it was established that a company bank account had received more than R60 million from an attorney who was linked to offshore database leaks.

The FIC requested additional information from the financial institutions and collected open-source intelligence related to the subject.

Analysis showed that the company in question was connected to a single director, who was in turn associated with a further 100 companies, and that the company bank account received a total amount of R116 million within five months, spread over only eight transactions.

Within a few days of receipt, the funds were transferred to various parties in large, rounded amounts that did not make any business sense.

The relevant authorities were made aware that the subject could be linked to tax-related crimes, and the subject is currently under investigation.

- ***The Fusion Centre***

The Fusion Centre, which was launched in late 2019 and became fully operational in 2020, is a public-public collaboration. This multi-disciplinary partnership provides a national hub for centralised coordination in dealing with matters related to corruption and money laundering. Collaborating institutions include the NPA, the AFU, SIU, SARS, the DPCI, and SARB's FinSurv, which is responsible for cross-border exchange control matters. Each entity operates within its own mandate and brings to the hub its expertise and experience.

As a provider of financial intelligence and financial support, the FIC plays a pivotal role in the Fusion Centre. Collaborating entities use the FIC's financial intelligence for their investigations and applications for forfeiture of assets.

Successes

Through joint efforts, the Fusion Centre has made significant strides in cases of corruption, fraud, abuse of power, and maladministration related to the COVID-19 pandemic relief efforts between 2020 and 2022. So far, over the last two years of the Fusion Centre's existence approximately R1.75 billion has been preserved and recovered by the collaborative partnership of law enforcement agencies and other competent authorities. Of this amount, R660 million was preserved and recovered in the 2020/21 financial year.

During 2021/22, collaborating institutions collectively focused on enhancing the Fusion Centre's operational efficiency, for example setting up protocols that cover all the aspects of the partnership's operations, business processes, document handling and protection of information, among others. As the Fusion Centre has the potential to achieve further success in fighting financial crime, efforts are under way to strengthen its capacity and capability.

Evaluation of the Fusion Centre

The Fusion Centre is a structure within the Anti-Corruption Task Team (ACTT) to ensure practical implementation of steps to address the combating of corruption and money laundering.

During its monthly meeting of July 2021, the ACTT Executive Committee resolved that an evaluation of the Fusion Centre Joint Programme was necessary to reflect on its design, performance, and outcome. The findings of the evaluation were intended to feed into ACTT's 2021 annual retreat, to inform its strategy and operations going forward.

The Department of Planning, Monitoring and Evaluation (DPME) was thus approached to conduct an evaluation, which was conducted during August and December 2021.

The findings and recommendations of the evaluation are outlined below. These precipitated the formulation and finalisation of an improvement plan for the Fusion Centre, which was subsequently submitted to ACTT.

Case study

CORRUPTION: Stolen school sanitation funds recovered

Acting as a member of the Fusion Centre, the FIC carried out an urgent analysis of findings by the SIU relating to sanitising of schools COVID-19 procurement irregularities.

The matter involved an amount of R64 647 635.91 that was irregularly awarded to seven companies for school sanitation, that had never occurred.

During the analysis process, the FIC requested information in terms of the FIC Act and analysed the bank records in conjunction with the allegations made by the SIU and their client.

The resultant financial flow analysis led to tracing the proceeds of the unlawful activity through 15 bank accounts held by identified entities and individuals, prompting the FIC to issue 10 intervention directives to the value of R38 776 335.56.

Flow analyses also noted the purchase of five motor vehicles to the combined value of R4 517 782.40 that were registered in the names of family members and associates of the perpetrators, meaning that a total value of R43 294 117.96 in unlawful proceeds was recovered by the work of the FIC in conjunction with the other Fusion Centre members.

Table 11: Findings and recommendations following the evaluation of the Fusion Centre

Area evaluated	Finding	Recommendation
Relevance	The goals, purpose and design of the Fusion Centre were found to be relevant to respond to the problem identified; to deal with crime and corruption in the context of COVID-19. There were design errors in the operational plan for not listing the appropriate inputs, such as operational budgets and performance measurements.	The operational plan should have an approved budget for the Fusion Centre and have clear performance measurements.
Efficiency	The Fusion Centre was deemed highly efficient in the increase of recoveries and in relation to matters that are before courts and/or pending investigations. The lack of an operational plan with performance measurements made it difficult to measure how the activities produced the desired outcomes.	The Fusion Centre needs to develop an operational plan that is underpinned by clear theory of change with a performance measurement system in place, this to be done in consultation with collaborating agencies.
Effectiveness	The overlapping mandates and competition among agencies limited optimal operational effectiveness of the Fusion Centre.	The Fusion Centre needs to address the issue of overlapping mandates among the agencies by clarifying areas of collaboration, lines of responsibility and reporting, sharing of resources and clear rules of engagement to guide the interaction and collaboration between the various agencies.

Producing crucial financial intelligence

In response to requests for financial intelligence from law enforcement and other competent authority partners, the FIC produced 2 300 intelligence reports during 2021/22. This reflects an increase of about 10 percent in the number of requests received for financial intelligence, as compared to the previous year (2020/21: 2 080). Requested reports are called reactive reports.

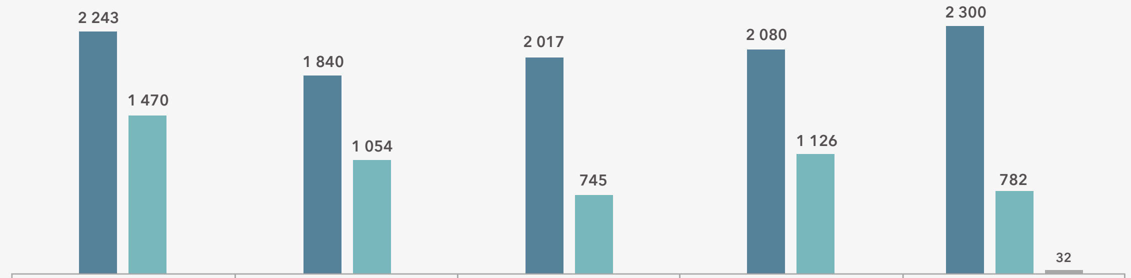
At the same time, the FIC proactively detected potential illicit activities and produced financial intelligence reports upon its own initiative. These are called 'proactive' reports and they are crucial in identifying high priority strategic issues in the country. The FIC compiled and referred 782 financial intelligence reports to law enforcement and other authorities in the criminal justice system for investigation of which 131 were high priority matters. In addition, the FIC produced 32 reports on illicit financial flows. In total, 3 114 proactive and reactive reports were produced in 2021/22.

In the production of financial intelligence reports, the FIC prioritises work according to factors such as the type of crime, monetary value involved, the profile of the alleged perpetrator and profile victim, actions required by the FIC and public interest. Categorisation is split into (a) high priority and (b) medium to low priority matters.

Prioritisation makes a positive impact on successes relating to high priority cases as complex intelligence matters require substantially more input and more time.

To compile statistics and to gauge the effectiveness of the financial intelligence it produced throughout the year, the FIC obtained feedback from authorities on what the outcome and impact was of their using the reports supplied by the FIC.

Figure 2: Proactive and reactive financial intelligence reports produced 2017/18 to 2021/22



	2017/18	2018/19	2019/20	2020/21	2021/22
Reactive	2 243	1 840	2 017	2 080	2 300
Proactive	1 470	1 054	745	1 126	782
Illicit Financial Flows					32

Reactive Proactive Illicit financial flows

Strategic analysis of cash threshold reports

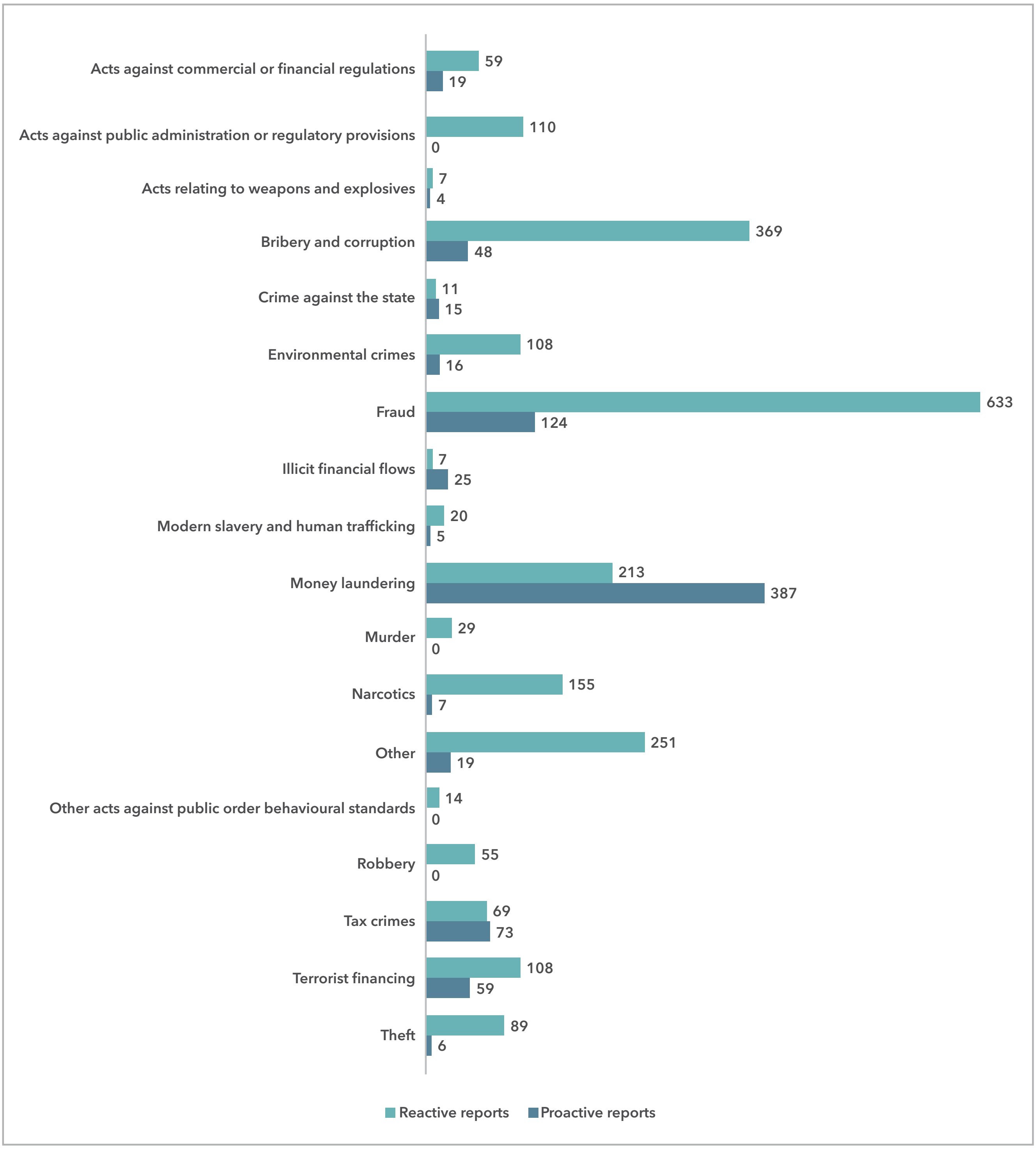
Throughout the year under review, the FIC continued with data analytics on CTRs to decipher underlying crime patterns and trends, possible cash-intensive syndicates and/or cash-related financial crime concerns and indicators that could be proactively probed.

Bearing in mind that South Africa's informal economy is predominantly cash-based, it is important for authorities to know what money is circulating within the country. Many criminals prefer to use cash as it leaves little to no audit trail.

CTRs were previously used primarily as secondary data but, in the pursuit of continuous improvement and meaningful collaboration, the FIC commenced closer analysis of these reports.

Also, risk modelling was created that can be used by data technologists to pick up outliers in cash threshold reports and match them with STRs. This analysis may assist law enforcement agencies to draw conclusions and set operational priorities regarding money laundering and financing of terrorism.

Figure 3: Proactive and reactive financial intelligence reports produced by crime type – 2021/22



Financial intelligence reports produced

The FIC's financial intelligence reports assist law enforcement, prosecutorial authorities and other competent authorities in their investigations and applications for forfeiture of assets. The FIC does not itself conduct investigations.

The majority of the intelligence reports produced in 2021/22 related to fraud, money laundering, and bribery and corruption. The tables below illustrate how the FIC's intelligence reports led to the recovery of monies and assets, and to bringing criminals to justice.

Figure 4: Value of suspected crime proceeds frozen in terms of section 34 of the FIC Act

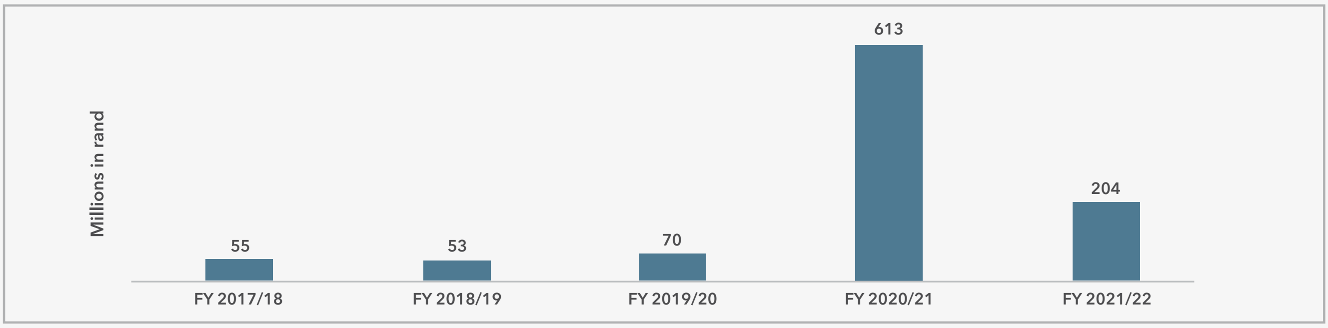


Figure 5: Value of the proceeds of crime recovered in cases where the FIC provided intelligence

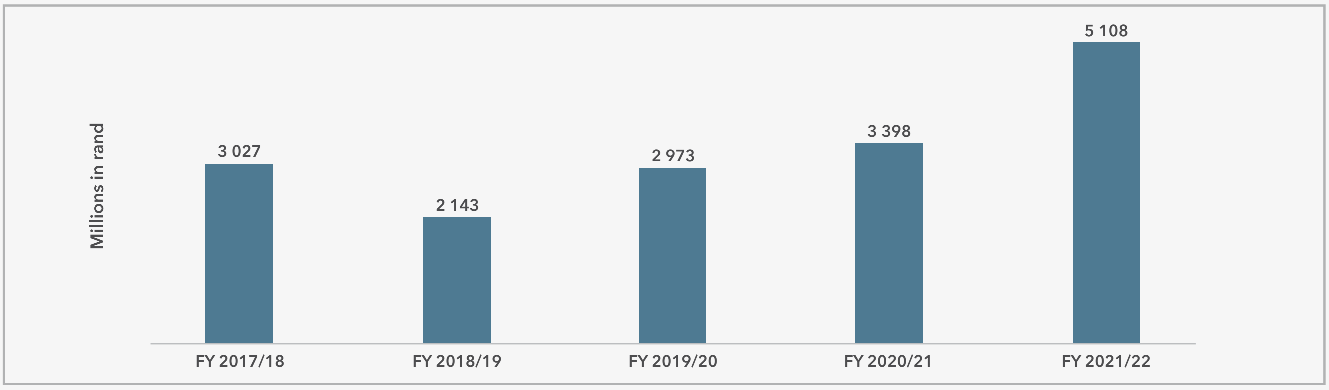
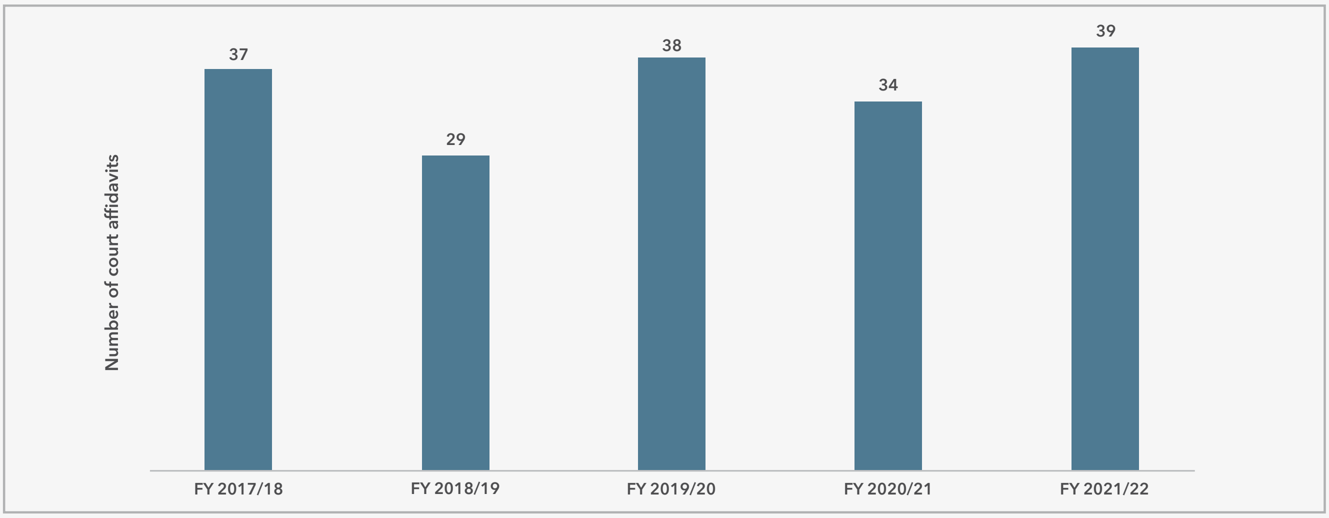


Figure 6: The FIC's contribution to prosecutions



Trends and typologies

During the FATF mutual evaluation of 2019, assessors suggested that strategic intelligence reports include crime trends and typologies, and that these be proactively disclosed to law enforcement agencies.

In response, since 2020/21, the FIC has employed data mining techniques to explore the rich data reserves of STRs and CTRs and in order to better support the fight on high priority crimes. This means that the FIC analyses regulatory reports and then produces financial intelligence reports about the patterns and trends uncovered in the analysed reports. Financial intelligence is shared with law enforcement agencies as well as other domestic and international stakeholders.

- ***Illegal wildlife trade typology study***

South Africa as a member of ESAAMLG and FATF participated in the joint typology study on money laundering related to illegal wildlife trade.

Due to the strategic importance of the matter being investigated by the typology study, the FIC and DPCI were nominated to form part of the project team on behalf of South Africa. Their participation ensured that the contents of the study report were representative of South Africa's reality.

At the initial stages of the typology study, the FIC coordinated national stakeholders including, SAPS, NPA, Department of Environmental Affairs, State Security Agency (SSA), and the banking sector, to respond to the questionnaire circulated by the project team leaders.

The domestic team supplied the requested information, including case studies, reviewed the draft report and submitted its comments to the project team.

Domestic memoranda of understanding

The use and value of the FIC's intelligence products depend on the development and maintenance of strong partnerships with stakeholders who understand how these products can be used to detect crime and support investigations. To broker increased uptake of the FIC's products and exchange of information, the FIC enters into partnership with various domestic institutions and foreign partners via memoranda of understanding.

Since its establishment, the FIC has entered into 38 MoUs with domestic institutions, six of which were signed during the 2021/22 financial year. These MoUs commit the parties to working together to ensure that the financial system is safe, stable and sustainable for all citizens.

Table 12: Memoranda of understanding entered into during 2021/22

No	Domestic entities	Date signed
1	National Credit Regulator	13 April 2021
2	National Consumer Commission	12 July 2021
3	Electoral Commission of South Africa	22 July 2021
4	Department of Social Development	20 September 2021
5	Department of Planning, Monitoring and Evaluation	3 November 2021
6	KwaZulu-Natal Gaming and Betting Board	24 June 2021

Anti-Financial Crime Coalition

The FIC, DPCI, AFU and NPA entered into an agreement with the purpose of establishing an Anti-Financial Crime Coalition. The tripartite agreement, signed in December 2021, is aimed at enhancing mutual cooperation, collaboration, assistance and exchange of information between the parties. Underlying the agreement is the need to fast-track identified high priority investigations, criminal prosecutions, and asset forfeiture cases to deliver impactful and timely results.

The overarching aim of the collaboration among the parties is to achieve maximum recovery of proceeds of crime and to support criminal prosecutions by:

- Enhancing coordination, collaboration and effectiveness of investigations, prosecutions, and asset recovery proceedings in identified high priority financial crime, and cases of money laundering and financing of terrorism.
- Reviewing and developing financial intelligence reports and/or affidavits that provide timeous and impactful results in the investigations, prosecutions, and recovery of assets in high priority financial crime, and cases of money laundering and financing of terrorism.
- Facilitating broader availability and access of agency systems and data to all parties.
- Developing and implementing a comprehensive training programme that would enhance the parties' skills and knowledge on financial crime analysis, investigations, prosecutions, and asset recovery, including but not limited to financial intelligence

services and products, asset tracking and verification, legal drafting, rules of evidence, financial crime investigations, money laundering and financing of terrorism prosecutions and asset forfeiture recovery processes.

Stakeholder engagements

The FIC held 48 domestic stakeholder engagements (against a target of 30) on the use of financial intelligence during 2021/22. Through these engagements, aimed mostly at law enforcement agencies, the FIC contextualised its mandate, as well as the proper sharing and use of financial intelligence.

National risk assessment

South Africa carried out a national risk assessment during 2018/19 to identify and quantify possible money laundering and terrorism financing risks facing the country. This inaugural national risk assessment was a multi-agency undertaking by the Cabinet-approved National Risk Assessment Inter-Departmental Working Group (NRA IWG).

Chaired by the FIC, the working group comprises government departments, law enforcement agencies, NPA, SSA, National Treasury, Department of Justice and Constitutional Development, and SIU among others.

The methodology followed in executing the assessment was based on international best practice and involved extensive consultation. The assessment report on national terrorism financing risk was published on 31 March 2022 and concluded that, "As is evident in international, regional and domestic terrorism financing trends, consistent monitoring and review is required to prevent the exploitation of the wide range of financial products and services in South Africa". The report is available on the FIC website.

The national risk assessment process affords South Africa a continuous opportunity to enhance its efforts in curtailing identified risks through an effective and collaborative risk-based approach.

Combating illicit financial flows

- ***Inter-Agency Working Group on Illicit Financial Flows***

The illicit flow of funds impede economic development by eroding trust in public institutions. It distorts macro-economic, monetary, and financial policy decisions, negatively affecting public revenues, discouraging private investment, misdirecting public sector spending, and damaging the credibility of governments by undermining the confidence of both taxpayers and private investors. Illicit financial flows are transfers of financial capital out of a country in contravention of national or international laws. Such flows can pose significant risk to the economic growth of a country.

As a result, the Inter-Agency Working Group on Illicit Financial Flows (IAWG: IFFs) was established in 2017/18. The IAWG: IFFs provides a platform for various government agencies and entities to collaborate on matters related illicit financial flows. Members work within their own mandates and strategies for identifying, stemming and addressing money flowing illicitly from the country. The government departments and entities that are members of the IAWG: IFFs include: National Treasury, FIC, SARS, SARB FinSurv, DPCI, SAPS, FSCA, AFU, NPA and SIU, as well as other agencies which may be invited.

In the year under review, the FIC chaired the IAWG: IFFs and, in terms of its mandate, continued to share financial intelligence with the partners. The FIC also produced 32 proactive financial intelligence reports related to IFFs which were disseminated to relevant authorities. The FIC continued to provide secretariat support and to chair the working group during 2021/22.

SECTION 27A OF THE FIC ACT

Section 27A of the FIC Act, introduced in the FIC Act's 2017 amendments, authorises a representative of the FIC to access records kept by or on behalf of an accountable institution in terms of sections 22, 22A or 24 of the FIC Act, on authority of a warrant issued by a magistrate or judge.

The FIC Act authorises the FIC to gain lawful access to financial records of identified pyramid and Ponzi schemes via a warrant. The AFU may use this evidence to apply for the preservation of the schemes' proceeds. The SAPS can use the evidence to investigate, arrest and charge perpetrators.

BLOCKING/FREEZING FUNDS

The FIC has the power to block or freeze funds that are suspected to be the proceeds of crime. It can use a section 34 directive to instruct an institution not to proceed with a transaction for a period of 10 days. This allows the FIC to make the necessary enquiries concerning the transactions and, where necessary, to inform and advise an investigating authority or the National Director of Public Prosecutions.

The FIC also shares this information with the AFU, which can seize and take control of the funds if necessary. During 2021/22, the FIC blocked R204.4 million as suspected proceeds of crime. During the financial year, the FIC issued 240 section 34 directives.

Sub-programme 2.3: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on the AML/CFT framework

Purpose

The sub-programme administers the FIC Act and provides advice on matters of strategy and policy relating to money laundering and financing of terrorism. It also engages on behalf of South Africa with international and regional inter-governmental bodies, which formulate and promote policies on combating money laundering and financing of terrorism and that set standards on these matters for countries.

Strategic outputs

Sub-programme 2.3 contributes to the following institutional strategic outcomes:

- Support to countries within the ESAAMLG region to improve compliance with international standards
- Policy and legislation that is aligned with international standards.

Performance

During 2021/22, the FIC achieved two of its three targets under this sub-programme.

Highlights for the year include:

- Playing a leading role in two far-reaching ICT projects, namely the ESAAMLG Information Exchange Platform and the Egmont Group ICT Renewal Project
- FIC Director, Adv Xolisile Khanyile's tenure as one of two vice-chairs to the Egmont Group
- Participating in the Inter-Departmental Working Group tasked with coordinating South Africa's action plan in response to the FATF mutual evaluation report
- Responding 100 percent to requests for technical assistance from countries within the ESAAMLG region
- Sharing knowledge via workshops and presentations across the globe thus assisting countries to comply with agreed international standards. Speaking engagements are used as tools of collaboration.

Case study

FRAUD AND THEFT: Illegal sale of municipal land halted

Responding to a request for assistance with an investigation into illegal sale of municipal land, the FIC saw from regulatory reports it received that a registered business bank account linked to the investigation was receiving large cash deposits from different individuals.

Bank statement analysis revealed that the account was receiving funds related to the sale of stands and land, as some transaction descriptions indicated stand numbers and individuals' identity numbers.

The transactions were categorised into three groupings: land purchases through cash settlement transactions, land purchases through electronic payments, and land purchases through payments of instalments.

It was also noted that some individuals were buying more than one piece of land or a stand. Directives were issued by the FIC to block R6 585 952.08 in the account of the business entity, and the AFU successfully obtained an order to preserve the funds.

Table 13: Outcomes, outputs, output indicators, targets and actual achievements of sub-programme 2.3

Delivery of intelligence on financial crime and FIC Act-related regulatory services								
Outcome	Outputs	Output Indicators	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations
Continuous improvement in the effectiveness of legal and institutional AML/CFT frameworks	Support to countries within the ESAAMLG region to improve compliance with international standards	3.1.1 Percentage response to requests for technical assistance from countries within the ESAAMLG region	100%	100%	Responded to 100% requests for technical assistance (3 out of 3)	100%	N/A	Target achieved.
	Policy and legislation that is aligned with international standards	3.2.1 Number of policy making activities attended within regional and inter-governmental organisations	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	Attended 5 FATF meetings 2 ESAAMLG virtual meetings	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	N/A	Target achieved.
		3.2.2 Timeous implementation of UNSC targeted financial sanctions	N/A	N/A	New UNSC designations and changes to existing UNSC designations implemented within 24 business hours of changes being made to the UNSC Consolidated List[2]	New UNSC designations and changes to existing UNSC designations were implemented within 24 business hours, consisting of 16 UNSC designations that took place and were applied in the FIC TFS consolidated list.	28 UNSC resolution designations took place and were applied on the FIC TFS list, but it cannot be determined that the designations were implemented within 24 hours of those changes having been made by the UNSC.	Target not achieved. Due to a malfunction that occurred in the FIC's ICT system that is used for the implementation of UNSC listings, the time and date stamped notifications were not generated as required when the changes were made in the FIC consolidated list during Q2. Therefore, it cannot be determined that the designations were made within 24 business hours of those changes having been made by the UNSC.

[2]Implementation of UNSC targeted financial sanctions are done on a case-by-case basis. Each new UNSC designation and each change to existing UNSC designations is implemented within 24 business hours of the changes being made to the UNSC consolidated list.

Deepening international collaboration

South Africa is part of a global network of close to 200 countries working to prevent money laundering and to combat financing of terrorism. The network includes members of FATF, ESAAMLG, the Egmont Group and various regional bodies across the globe. The FIC leads South Africa's delegations to FATF and ESAAMLG.

The FIC signs MoUs with financial intelligence units in jurisdictions around the world. These MoUs improve international co-operation and information sharing, and thus strengthen South Africa's capability for assisting and also requesting assistance from international partners in combating financing crime.

During 2021/22, the FIC concluded international MoU with Italy's financial information unit. This brought to 96, the total number of international MoUs the FIC had in place as at 31 March 2022.

The Egmont Group of Financial Intelligence Units

The Egmont Group is an international body consisting of 166 financial intelligence units. A key objective of Egmont is to provide a secure platform for financial intelligence units to exchange information to assist in combating money laundering and financing of terrorism.

Leadership position

Being a member of Egmont extends the FIC's ability to exchange information with counterparts around the world. In August 2020, the FIC's Director, Adv Xolisile Khanyile, was appointed as one of two vice-chairs to the Egmont Group. As vice-chair, Adv Khanyile has oversight over the Egmont Group's governance and external communications reference groups until end of July 2022.

In the governance reference group, Adv Khanyile oversaw the preparation and development of the Egmont Group's strategic plan for the 2022 to 2025 period. In the communications reference group, she was responsible for the finalisation and approval of the Egmont Group's communication guidelines and approval of its 2020/21 annual report. Adv Khanyile also joined the reference group for the Egmont Centre of Financial Intelligence Unit Excellence and Leadership.

Egmont Group ICT Renewal Project

During 2021, the project was initiated for the ICT security, ICT infrastructure, governance, and financial models of the new Egmont Group ICT system to answer the FIU requirements for modern, timely, and effective international information exchange. Financial intelligence units were invited to be part of a pool of experts for the different phases of the project. As a start, the FIC nominated two resources, i.e. a senior systems analyst and the ICT security manager, to be part of this project for international cooperation and its different phases and tasks. The FIC is committed to supporting and seeing the implementation of this project which is likely to come into effect over the next two to five years.

Intergovernmental Fintech Working Group and Crypto Assets Regulatory Working Group

The FIC is a member of the Intergovernmental Fintech Working Group (IFWG), which was established in 2016. At its formation, the IFWG began with National Treasury, the SARB, the FSCA and FIC as members. They were later joined by the NCR and SARS in 2019, and the Competition Commission in 2020.

The aim of the IFWG is to develop a common understanding among regulators and policymakers of financial technology (fintech) developments as well as the regulatory and policy implications for the financial sector and the economy.

In addition, the IFWG aims to assist in developing and adopting a coordinated approach to policymaking in respect of financial services activities emanating from fintech. The overall objective of the IFWG is to foster responsible fintech innovation by supporting the creation of an enabling regulatory environment and reviewing both the risks and the benefits of emerging innovations, thus adopting a balanced and responsible approach to such innovation.

At the start of 2018, the Crypto Assets Regulatory Working Group (CAR WG) was formed under the auspices of the IFWG to specifically review the South African position on crypto assets. The objective of the working group is to formulate a coherent and comprehensive policy stance on crypto assets and crypto asset service providers, while ensuring the continued integrity and efficient functioning of financial markets, maintaining financial stability, protecting the rights and interests of customers and investors, combating illegitimate cross-border financial flows, and mitigating risks stemming from money laundering and financing of terrorism.

The IFWG's CAR WG agreed that crypto assets could not remain outside of the South African regulatory purview and recommended that a staged approach be followed to bring crypto assets within the regulatory remit through the regulation of crypto asset service providers.

The CAR WG published a position paper in June 2021 detailing recommendations in respect of implementing an AML/CFT framework, and one for monitoring cross-border financial flows and application of financial sector laws.

The FIC played a significant role in informing the IFWG and its CAR WG about the AML/CFT requirements in respect of CASPs as required by the FATF, and in drafting the position paper mentioned above.

In addition, the IFWG set up an innovation hub – a centralised innovation capability shared by South African financial sector regulators and designed to facilitate policy responses to financial sector innovation through greater engagement between regulators and the market.

The Innovation Hub consists of three innovation facilitators:

- **The Regulatory Guidance Unit** exists to help market innovators resolve specific questions regarding the policy landscape and regulatory requirements.
- **The Regulatory Sandbox** provides market innovators with an opportunity to test new products and services that push the boundaries of existing regulation, all under the responsible supervision of relevant regulators. The sandbox is a controlled environment enabling the testing of innovative products and services against regulation or legislation.

  The purpose of the sandbox is to respond to transformational innovation in the financial sector and expedite regulators' understanding of the potential risks and benefits of innovative financial products and services. In turn, this provides a stronger foundation for regulators to amend policy and regulations and enable the introduction of these products and services to the market.
- **The Innovation Accelerator** exists to provide a collaborative, exploratory environment for financial sector regulators to learn from and work with each other – and the broader financial sector ecosystem – on emerging innovations in the industry.

Intergovernmental Fintech Working Group: HOW THE REGULATORY SANDBOX WORKS

- Developers of new fintech products apply to be allowed to operate in the sandbox.
- Developers are allowed to do live business with real customers and make real money from it, without requiring a licence.
- The regulators are then able to observe the fintech developers in the sandbox and gain valuable insights.
- Regulators can, for instance, gauge whether certain fintech developments or products pose risks for consumers or pose risks from a money laundering perspective. In such instances, the regulators start looking for ways to manage those risks.
- The regulatory sandbox is exciting because the FIC can observe and learn how technology can assist compliance with the FIC Act. This, as sandbox participants are not exempt from compliance with the FIC Act. Even those unlikely to ever be required to comply with the FIC Act, have to do so while they are in the sandbox. They are not subject to any sanction or penalty.
- Some of the participants in the IFWG regulatory sandbox are crypto assets service providers.

REGULATING CRYPTO ASSETS

According to FATF, crypto assets are digital representations of value that are electronically traded or transferred and can be used in payment and investments. These digital assets are distinct from a country's 'real money' or legal tender.

Crypto assets offer significant economic opportunities, but they can also be easily misused for financial crime or the financing of terrorist and related activities due to their availability, ease of use, anonymity, and decentralised nature.

The IFWG, of which the FIC is a member, published a position paper that defines cryptocurrency and proposes regulatory measures for crypto asset service providers. The paper considered international best practice as well as FATF's Recommendations and will help ensure South Africa's AML/CFT/PF system remains effective and up to date as technology evolves. The position paper was published in June 2021.

ARE CRYPTO ASSET SERVICE PROVIDERS REGULATED AND WHY?

Not yet. Crypto asset service providers do not fall within the category of financial and other institutions (referred to as accountable institutions) that are required to comply with other obligations of the FIC Act.

WHAT IS THE FIC'S VIEW?

The FIC's view is that those who provide services akin to financial services should be brought within the ambit of the FIC Act's regulatory space, this includes those who provide crypto asset trading platforms and custodial services.

This view is in line with current international developments, including the recently adopted FATF Recommendation 15, that member countries include 'virtual asset service providers' as part of their anti-money laundering and combating of financing of terrorism controls.

WHAT ARE THE REPORTING OBLIGATIONS OF CRYPTO ASSET SERVICE PROVIDERS AT PRESENT?

Crypto asset service providers (including crypto exchanges) are required to report transactions that they determine to be suspicious and unusual to the FIC. This is a general obligation that applies to all businesses in terms of section 29 of the FIC Act. In addition, the FIC Act's section 26B, places an obligation on all persons not to deal with persons and entities sanctioned in terms of resolutions of the UNSC.

WHAT IS THE FIC'S LEVEL OF ENGAGEMENT WITH CRYPTO ASSET SERVICE PROVIDERS?

The FIC and its partners have been engaging with crypto asset businesses regarding their joining the regulatory framework. Several domestic crypto asset service providers have voluntarily registered with the FIC as accountable institutions. The major crypto asset service providers that operate in South Africa apply policies to identify their customers and maintain customer and transaction records.

Crypto service providers in South Africa have cooperated with the FIC when approached for information. This has greatly assisted the FIC in providing financial intelligence to law enforcement and to the forfeiture of criminal proceeds.

Eastern and Southern Africa Anti-Money Laundering Group

The purpose of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is to promote the implementation of the FATF Recommendations on anti-money laundering and countering the financing of terrorism and proliferation among its members.

Since its inception in 2003, the FIC has interacted with ESAAMLG countries. The primary focus of such interaction relates to international co-operation on cross-border criminal activities and provision of technical support to countries to improve the quality of information exchanged with them and their financial intelligence units.

The majority of requests for assistance come from counterpart financial intelligence units in the region but, from time to time the FIC also receives requests from other public institutions with AML/CFT mandates (often on recommendation of the local financial intelligence unit). This means that the FIC must be flexible in engaging with a wide variety of authorities from requesting countries. For example, the FIC assisted the Non-Bank Financial Institutions Regulatory Authority of Botswana on issues related to risk-based supervision.

In some instances, the FIC brings authorities from requesting countries in contact with South African colleagues including supervisory bodies, investigating and prosecuting authorities, for a broader exchange of information and experiences that will benefit those authorities.

Hands-on technical assistance

The systems and policies for combating money laundering and financing of terrorism in countries in the region are still at a developmental stage. Several countries are reviewing their AML/CFT statutes and institutional capacity to implement the measures in a manner consistent with international standards as well as their identified risks.

Countries in the region have received assistance from the FIC over the past decade. Most technical support requests by these countries relate to advice on:

- The development of operational capacity and capability of financial intelligence units
- Financial intelligence unit governance issues
- Building capacity for AML/CFT compliance supervision (including risk-based supervision)
- Stakeholder engagements such as facilitation of in-country workshops
- ICT matters, especially with operationalisation or optimisation of reporting systems
- Egmont Group membership.

ESAAMLG Information Exchange Platform

The FIC was requested to produce a conceptual design document for the development of an information exchange platform for the ESAAMLG heads of analysis. So far, 18 FIUs have signed MoUs to collaborate on this platform which will use artificial intelligence. This is unprecedented and will enable ESAAMLG members to share information swiftly and safely.

A virtual project team made up of ICT experts from the FIC reviewed and endorsed the platform conceptual design document.

The FIC's ICT is the lead agency for the ground-breaking platform and was key in the development of the memorandum of understanding between the financial intelligence units, ESAAMLG Secretariat and the project funder.

Case study

CYBERCRIME: Online pyramid scheme collapses

Thanks to regulatory reports issued by financial institutions, negative media coverage, and a request for information from a law enforcement agency, the FIC became aware of a pyramid scheme. Financial intelligence gathering revealed 21 individuals and one entity were allegedly transacting with the crime proceeds linked to the scheme.

A SAMLIT TOG for private and public partners was created to regularly meet and share financial intelligence in the case. The FIC issued directives to secure some R8 million held across 54 bank accounts, which was also subject to two preservation orders by the AFU.

Financial analysis uncovered multiple credit payments received from members of the public and that the funds were transferred using the subjects' own bank accounts – often among each other.

The scheme was found to be in contravention of section 37(1) of the Consumer Protection Act, 2008 (Act 68 of 2008), as it provides an alternate work scheme to the members of the public.

Readiness assessments

Upon request, the FIC also undertakes Egmont Readiness Assessments of candidate financial intelligence units for Egmont membership and provides mentorship to them. The FIC does this in respect of financial intelligence units it co-sponsors so that it can best assist them in their Egmont membership processes.

As countries focused on dealing with the COVID-19 pandemic and its ramifications, the co-sponsors of financial intelligence units of Kenya, the Kingdom of Lesotho and Zimbabwe were unable to finalise the Egmont Group membership process during 2020/21. Consequently, the FIC had to prolong its sponsorship of these financial intelligence units and continued to provide them with technical assistance throughout the year under review.

Speaking engagements as tools of collaboration

The FIC not only supports domestic private and public bodies, but also countries and organisations across the globe in efforts to improve compliance with AML/CFT international standards. This is done through various speaking engagements and events, in-person and virtual. Such engagements and events are also essential tools of collaboration.

During the year under review, the FIC was involved in a range of knowledge-sharing events and presentations across the globe including:

- Global South Dialogue: Role of Africa's financial intelligence units in combating financial and economic crimes: South Africa's experience
- Peru: Open House Week FIU Peru Public-Private Partnerships: South Africa's experience
- United States: SA Perspective on IFFs and Egmont's role in information exchange
- Greater Horn and Southern African Countries Heads of FIUs: Nairobi and Kenya – Effective partnerships and collaboration.

To support financial intelligence units on the continent in particular, FIC also jointly hosted three training workshops with the Attorney General Alliance Africa on the following topics:

- Crypto assets and emerging trends regarding the Fourth Industrial Revolution, trade-based money laundering and the use open-source information
- Illicit wildlife trade and financial crime
- Producing strategic intelligence which can be taken up and effectively used by investigative, prosecutorial, and other authorities in helping to stem money laundering and financing of terrorism.

Case study

ROBBERY: Cash in transit money found

SAPS issued a request to the FIC for assistance with a case involving a cash in transit security officer who was robbed of cash amounting to R2.6 million.

Proceeds amounting to R92 701.48 from the crime were identified through financial intelligence and blocked in bank accounts through directives issued by the FIC. The AFU then obtained a preservation order to prevent the dissipation of the money.

The enquiry focused on the alleged involvement of various subjects suspected of using their bank accounts to receive deposits and disbursement of funds linked to the incident.

Bank statement analysis by the FIC on corresponding accounts revealed that items had been purchased with the proceeds of the crime. After being pointed to the relevant credit providers, SAPS confiscated the items.

Furthermore, the analysis indicated that two of the alleged perpetrators received cash deposits prior to the commission of the offence, suggesting that they were the architects behind the cash in transit robbery.

Financial Action Task Force mutual evaluation

FATF is the international inter-governmental body responsible for setting standards on combating money laundering, financing of terrorism and proliferation financing and assessing members' compliance with these standards

As part of assessing members' compliance with FATF standards, peer reviews or mutual evaluations are conducted from time to time. A mutual evaluation is an important opportunity for a country to have its AML/CFT/PF framework reviewed by its peers.

Between April and November 2019, South Africa underwent its third mutual evaluation (the previous ones were held in 2003 and 2009) by an assessment team made up of ESAAMLG, FATF and the International Monetary Fund. The mutual evaluation process included off-site and on-site engagement between the assessment team and the relevant South African authorities, private sector representatives as well as civil society.

The FIC played a leading role in ensuring that the views and positions of the South African delegation were fully and accurately conveyed to the assessment team.

The role players that provided information to the assessment team over the course of the assessment process, were:

Government departments and entities
National Treasury
Department of Justice and Correctional Services
South African Police Service
National Prosecuting Authority
South African Revenue Service
Department of Social Development
Department of International Relations and Cooperation
State Security Agency
Companies and Intellectual Property Commission

Supervisory bodies
South African Reserve Bank
Financial Sector Conduct Authority
Provincial licensing authorities
Property Practitioners Regulatory Authority*
Legal Practice Council
Independent Regulatory Board for Auditors

Private sector
Banking sector
Long-term insurance sector
Collective investment schemes
Financial service providers
Securities sector
Gambling sector
Property practitioners
Legal practitioners
Accountants and auditors

** The Property Practitioners Regulatory Authority was previously known as the Estate Agency Affairs Board*

Throughout the assessment process South Africa was required to demonstrate whether its measures, laws and regulations were being implemented effectively across all public and private sector role players.

The assessment team compiled a mutual evaluation report reflecting South Africa's effectiveness in maintaining the integrity of its financial system. The report, entitled *Anti-money laundering and counter-terrorist financing measures, South Africa, Mutual Evaluation Report October 2021*, is available on the National Treasury website, www.nationaltreasury.gov.za.

The draft mutual evaluation report was discussed virtually at the June 2021 FATF meetings. The FATF concluded that South Africa "has a solid legal framework for combating money laundering and terrorist financing but significant shortcomings remain".

South Africa was placed in the FATF's enhanced follow-up process and will have to report back to FATF in October this year on the progress made in addressing the shortcomings identified in the evaluation report. In addition, the country will be in an 'observation period' with the FATF's International Co-operation Review Group (ICRG) for 18 months from June 2021, when the report was first adopted.

A country is placed immediately into enhanced follow up if any one of the following applies:

- It has eight or more non-compliance or partially compliant (NC or PC) ratings for technical compliance (South Africa has 20 NC or PC ratings)
- It is rated NC or PC on any one or more of R.3, 5, 10, 11 and 20 (SA rated NC or PC in FATF Recommendations 5, 10, 20)
- It has low or moderate level of effectiveness ratings for six or more of the 11 effectiveness outcomes (South Africa has 11 low or moderate levels of effectiveness)
- It has a low level of effectiveness rating for four or more of the 11 effectiveness outcomes (South Africa has three low).

Extract on priority actions from the FATF mutual evaluation report

- The main domestic money laundering (ML) crime threats are consistently understood by the key authorities but the understanding of their relative scale, ML vulnerabilities, and the threats from foreign predicates is limited. Understanding of terrorist financing (TF) risks is underdeveloped and uneven. Some ML risks are being mitigated but some significant risks remain to be addressed. TF risks are not being adequately addressed.
- South Africa has suffered from a sustained period of "State Capture", which helped to generate substantial corruption proceeds and undermined key agencies with roles to combat such activity. Government initiatives from 2018/19 were starting to address the situation as of the on-site, including by replacing key staff and increasing resources at key law enforcement and judicial agencies.
- The FIC effectively produces operational financial intelligence that law enforcement agencies use to help investigate predicate crimes and trace criminal assets, but the law enforcement agencies lack the skills and resources to proactively investigate ML or TF.
- A reasonable number of ML convictions is being achieved but only partly consistent with South Africa's risk profile. Cases largely concern self-laundering and few cases of third-party ML and foreign predicate offenses are prosecuted. The proactive identification and investigation of ML networks and professional enablers is not really occurring. Most ML convictions relate to fraud cases and there are fewer investigations and successful prosecutions relating to other high-risk crimes. In particular, ML cases relating to "State Capture" have not been sufficiently pursued.
- South Africa has achieved some good results proactively pursuing confiscation of criminal proceeds, particularly using civil forfeiture powers but has had less success recovering assets from "State Capture" and proceeds which have been moved to other countries. Some recent cases suggest that this situation is improving.
- Use of cash is prevalent in South Africa and it has been assessed as high risk for ML and TF, including cross-border movement. Detecting and recovering cash proceeds of crime remains challenging and efforts to detect and confiscate falsely or undeclared cross-border movement of currency needs substantial improvement.
- South Africa has convicted one person for TF since the last mutual evaluation and was prosecuting one case as of the on-site which is inconsistent with its significant TF risks. A conservative approach to classifying politically motivated acts of violence as terrorism negatively impacts the investigation and prosecution of potential terrorist financiers. Targeted financial sanctions are not used to any great extent to fight terrorism, and implementation of resolutions of the United Nations Security Council for TF has not occurred since 2017.
- Law enforcement agencies face challenges to readily obtain accurate and updated beneficial ownership information about companies and trusts adequate to enable effective investigation of ML and TF.
- Larger banks are more developed at understanding their ML risks and implementing mitigating measures commensurate with those risks. Most smaller financial institutions and DNFBPs are focused on compliance, not on identifying and understanding risks. TF risk is understood by the private sector to some extent. Overall, the risk-based approach is inadequately implemented. Basic customer due diligence is being applied by many accountable institutions satisfactorily but, beneficial ownership requirements only to some extent. Larger banks and authorised dealers with limited authority (ADLAs) meet suspicious reporting obligations to a large extent, but some high-risk sectors rarely report. The potentially high-risk sectors of dealers in precious metals and stones (DPMS) and company service providers are not AML/CFT regulated, save for a general reporting obligation, as is also the case for virtual asset service providers.
- Risk-based AML/CFT regulation and supervision is relatively new. Most supervisory activities occur for banks and ADLAs but none of the supervision of financial institutions or DNFBPs uses a proper risk-based approach. Inspections in other sectors are too infrequent and focus on the presence of basic controls not the soundness of AML/CFT programmes. The FIC is a key coordinator among supervisors and provides a wide range of well-regarded guidance. Market entry controls to screen out criminality need fundamental improvements.
- South Africa provides constructive mutual legal assistance which has helped to resolve some criminal cases in other countries, but it is sometimes slow. Seeking international cooperation in investigations is not a priority, inconsistent with South Africa's risk profile, and following up on requests made needs major improvement.
- Since April 2019, South Africa has implemented targeted financial sanctions for PF fairly well, most of the time without delay, but some major improvements are needed, as the private sector's understanding is uneven, and supervision of PF-related obligations is new.

If South Africa has not made the necessary progress within the time frames set by FATF, it will be placed on FATF's "grey list" and subjected to intense scrutiny while it works to address the shortcomings that were identified in the mutual evaluation. The ICRG will draw up an action plan for the country and South Africa will need to report on progress made on the action plans until it can sufficiently demonstrate that it has addressed all the action items. The country will be removed from the grey list once it has addressed all the action items.

The Inter-Departmental Working Group (IDWG), which was formed to coordinate South Africa's participation in the evaluation process, continues to coordinate South Africa's follow-up process.

The IDWG has already developed an action plan for the South African authorities, which was agreed to by the Inter-Departmental Committee (IDC) on AML/CFT/PF (chaired by the National Treasury). The working group will continue to monitor progress of institutions and agencies on follow-up action plans to remediate the deficiencies identified.

Foreign Bribery Working Group

South Africa is one of the 30 countries that belong to the Organisation for Economic Co-operation and Development (OECD), an international organisation that works to build better policies for better lives.

The OECD adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention) together with the 1997 Revised Recommendation of the Council on Combating Bribery in International Business Transactions.

To ensure that member countries implement and enforce the Anti-Bribery Convention, the OECD's Working Group on Bribery reviews the actions taken by such member countries. A peer review monitoring system is in place in terms of which two member countries are selected to conduct the evaluation of another member country. This is done in four phases. South Africa will be evaluated by Australia and Hungary in June 2023.

In South Africa, the Department of Public Service and Administration is responsible to coordinate and facilitate the implementation of the Anti-Bribery Convention. An intricate network of interdepartmental structures — that includes 11 government departments and agencies as well as the FIC — are involved in this anti-bribery convention effort.

The FIC provides support on all foreign bribery cases investigated by the DPCI and engages with other financial intelligence units to assist with the facilitation of mutual legal assistance.

The FIC has also assisted in addressing concerns raised by the OECD Working Group on Bribery regarding South Africa's lack of active enforcement. The working group noted that South Africa's investigations were, after 10 years, far from reaching prosecution stage.

During the year under review, the FIC continued working in conjunction with the DPCI, NPA, AFU, and the Lesotho financial intelligence unit on a foreign bribery matter (dating back to 2020) involving government officials from the Kingdom of Lesotho and South African based individuals and entities.

There is a high possibility that the matter will be enrolled for court in 2022. It is hoped that this will show South Africa's commitment and ability to fight foreign bribery.

The FIC collated and analysed all the involved bank accounts of the individuals as well as the linked entities and managed to establish transactional linkages between the suspects.

Mutual legal assistance

Mutual legal assistance involves a legal process that facilitates the provision of evidence, the execution of sentences in criminal cases, and the confiscation and transfer of the proceeds of crime between South Africa and foreign states.

The procedure is for a state (requesting state) to apply to another state (requested state) for co-operation in the form of mutual legal assistance regarding the gathering of evidence of the perpetrator.

Budget Programme 3: Enablement of Financial Intelligence Capabilities

Purpose

This programme has internal units that enable the efficient, effective and economical functioning of the FIC's service delivery processes.

The enabling units are coordinated through the Corporate Services division but, are distinct from Administration in that the former provides delivery-related support, whereas the latter provides overall organisational support that does not necessarily form part of service delivery processes.

The primary focus of this budget programme is to enhance the ability to deliver services to internal clients and other identified stakeholders, thus greatly contributing towards the FIC becoming a sustainable and capable organisation.

Strategic outputs

The programme's strategic outputs are:

- Good corporate governance
- Effective and efficient operating environment.

Performance

Under this programme, the FIC exceeded one, met four, and did not achieve one out of the six targets.

Highlights for the year include:

- Updating various systems, platforms and infrastructure to ensure the ICT environment is secure and up to date, and ensure that productivity grows exponentially
- Providing a digital, cyber-safe remote working environment for users and the ICT infrastructure regardless of disruptions related to the COVID-19 pandemic
- Achieved performance targets for the percentage of female employees (57.92 percent against a target of more than 51 percent) and exceeded the percentage of employees from designated racial groups (80.87 percent against a target of 80 percent).

Table 14: Outcomes, outputs, output indicators, targets and actual achievements of budget programme 3

Enablement of financial intelligence capabilities								
Outcome	Outputs	Output indicators	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations
Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate	Good corporate governance	4.1.1 Unqualified audit opinion without findings (clean audit report)	Received an unqualified audit opinion for 2018/19 financial year	Received unqualified audit opinion without findings for 2019/20 (clean audit)	Received unqualified audit opinion 2020/21 (clean audit)	Received unqualified audit opinion with no findings for 2020/21 (clean audit)	N/A	Target achieved.
		4.1.2 Percentage of female staff complement in line with Employment Equity (EE) Act	55.50% (111/200)	Q1 – 56.5% (113/200) Q2 – 55.61% (114/205) Q3 – 55.34% (114/206) Q4 – 55.61% (114/205)	>51%	Q1 - 55.45% (112/202) Q2 - 56.06% (111/198) Q3 - 56.91% (107/188) Q4 - 57.92% (106/183)	N/A	Target achieved.

Table 14: Outcomes, outputs, output indicators, targets and actual achievements of budget programme 3

Enablement of financial intelligence capabilities								
Outcome	**Outputs**	**Output indicators**	**Audited actual performance 2019/20**	**Audited actual performance 2020/21**	**Planned annual target 2021/22**	**Actual achievement 2021/22**	**Deviation from planned target to actual achievement 2021/22**	**Reasons for deviations**
Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate *cont.*	Good corporate governance	4.1.3 Percentage of designated racial groups in line with EE Act	81.5% (163/200)	Q1 – 81.5% (163/200) Q2 – 81.46% (167/205) Q3 – 81.55% (168/206) Q4 – 81.95% (168/205)	80%	Q1 - 81.19% (164/202) Q2 - 80.80% (160/198) Q3 - 80.31% (151/188) Q4 - 80.87% (148/183)	Q1 – 1.5% Q2 – 1.46% Q3 – 1.55% Q4 – 1.95%	Target exceeded. There was a concerted effort by management to meet the transformation targets after an analysis was done.
		4.1.4 Percentage of disabled employees in line with the EE Act	2% (4/200)	Q1 – 2% (4/200) Q2 – 1.95% (4/205) Q3 – 1.46% (3/206) Q4 – 1.95% (4/205)	2%	Q1 - 1.98% (4/202) Q2 - 2.02% (4/198) Q3 - 2.13% (4/188) Q4 - 2.16% (4/183)	Q1 – 0 Q2 – 0.05% Q3 – 0.54% Q4 – 0.05%	Target achieved.
	Effective and efficient operating environment	4.2.1 Percentage of valid and compliant invoices paid within 30 days	Apr – 94% (272/288) May – 82% (179/219) Jun – 94% (245/262) Jul – 92% (199/216) Aug – 95% (203/214) Sep – 94% (297/316) Oct – 98% (266/271) Nov – 94% (250/265) Dec – 97% (265/272) Jan – 99% (192/194) Feb – 98% (193/197) Mar – 99.7% (291/292)	Apr – 100% (50/50) May – 99.1% (105/106) Jun – 74.3% (101/136) Jul – 85.5% (106/124) Aug – 84.8% (112/132) Sep – 94.8% (92/97) Oct – 98.6% (140/142) Nov – 96.5% (109/113) Dec – 97.2% (137/141) Jan – 92.5% (37/40) Feb – 98.67% (74/75) Mar – 98.09% (154/157)	100%	Apr - 100% (102/102) May - 100% (74/74) Jun - 100% (130/130) Jul - 98.3% (113/115) Aug - 95.3% (101/106) Sep - 100% (106/106) Oct - 100% (96/96) Nov - 97.7% (85/87) Dec - 99.3% (152/153) Jan - 100% (59/59) Feb - 97.5% (156/160) Mar -100% (133/133)	Apr - 0% May - 0% Jun - 0% Jul - 1.7% Aug - 4.7% Sep - 0% Oct - 0% Nov - 2.3% Dec - 0.7% Jan - 0% Feb - 2.5% Mar - 0%	Target not achieved. Invoices were paid late due to internal delays.
		4.2.2 Percentage uptime[3] for external facing ICT system	New indicator	Q4 - 99.94%	≥98%	99.55% Q1 - 98.81% Q2 - 99.93% Q3 - 99.90% Q4 - 99.94%	N/A	Target achieved.

[3]Uptime is calculated from monitoring applications that track whether the external facing ICT system was available when accessed by users over the period under review

A transformed and equitable workforce

The FIC remains committed to maintaining a transformed and equitable workforce. Against an employment equity target of more than 51 percent, the FIC has a female workforce of 57.92 percent. Furthermore, 80.87 percent of the FIC's workforce is from designated race groups. This against a target of 80 percent.

During the year under review, the FIC experienced a significant increase in voluntary resignations compared to the previous financial year. This decreased the employee complement from 205 to 183, as at 31 March 2022.

The FIC's work is highly specialised and of a technical nature, often requiring employees with scarce skills, qualifications and expertise. Keeping the FIC capacitated with such individuals is a challenge. The Corporate Services division works to ensure that the organisation has the skills it needs, and that existing employees are retained and constantly learning, and improving their abilities and expertise.

As such, the FIC invests in training and development to ensure that employees are motivated and kept abreast of technological advances.

Information and communications technology

ICT plays a critical role as it enables the FIC to fulfil its mandate by receiving, processing and storing vast amounts of sensitive data every day.

Since the onset of the COVID-19 pandemic, the technology needs of the FIC have expanded due to remote work arrangements. Many aspects of the work, even those areas traditionally 'non-digital', such as meetings, seminars, training and inspections, needed to be adapted to the virtual environment.

The FIC had to adapt to the 'new normal' ways of interacting, and of giving and receiving ICT support. All FIC employees were provided with internet connectivity options. Throughout 2021/22, the FIC ICT team continued to manage user support remotely to ensure the FIC could fulfil its mandate and achieve its strategic goals. The team continued monitoring the FIC ICT environment and reminding users of security protocols.

Innovation

The FIC has embarked on a digitisation journey to make the working life of employees and stakeholder engagement simpler, to increase efficiency and effectiveness, and improve processes. During the year under review, the FIC ICT team implemented the following solutions: E-financial disclosure, electronic signatures, governance, risk and compliance, assets management system, a visitors' smart management system, e-recruit and performance management system.

External collaboration

The FIC was involved in two main ICT collaboration efforts with external institutions, during the year, namely: a) the Egmont Group ICT Renewal Project and b) the ESAAMLG Information Exchange Platform (more information on page 60).

Enhanced infrastructure

The FIC's programme to modernise its ICT infrastructure continued in 2021/22. The multi-year programme involves the implementation of software and hardware to keep South Africa's AML/CFT technology platform up to date.

Cyber security

The COVID-19 pandemic has necessitated the provision of a "digital cyber-safe", remote working environment for users and the ICT infrastructure. At least once a month, users are made aware of cyber security measures and threats such as phishing, social engineering and fraudulent websites.

The use of the virtual private network and multifactor authentication continued to be enforced for all users to connect to the FIC network. A security assessment was performed of the FIC domain using an external service provider to increase the FIC's security score benchmark.

Case study

THEFT AND FRAUD: Fake bank confirmation letter

Responding to a request for assistance in a fraud investigation, the FIC issued a directive resulting in an amount of R176 981.50 being secured in the subject's bank account.

In addition, the FIC handed an affidavit to the AFU, leading to the AFU issuing a preservation order.

Regulatory reports filed with the FIC showed that the subject's bank account was linked to a banking scam, in which it was alleged that the victim's e-mail was intercepted so that a fraudulent banking confirmation letter could be delivered.

The amount fraudulently transferred was R578 206. Of that, an amount of R382 263.25 was immediately disposed of in an international account with a different financial institution. However, thanks to collaboration between the FIC, the AFU and the bank, the remaining amount was secured for the victim.

In addition, internal and external network penetration tests were conducted to harden the ICT infrastructure.

Strategy to overcome areas of under performance

1. **KPI 3.2.2** Timeous implementation of UNSC targeted financial sanctions

   Action plan: ICT addressed technical problems to ensure the full implementation of designations and changes to designations within 24 hours of those changes having been made by the UNSC.

2. **KPI 4.2.1** All compliant invoices due are paid within 30 days

   Action plan: Ongoing efforts by finance business unit to ensure that payment processes are adhered to.

Changes to planned targets

No in-year changes were made to the 2021/22 indicators and targets.

INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

No government relief packages were applied for or granted.

REVENUE COLLECTION

The FIC is a statutory body established to give effect to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). It is listed in the PFMA as a Schedule 3A public entity. As such, the FIC uses public funds to fulfil its legislated mandate and does not collect revenue from other sources. It follows that no measures were instituted during the course of the year to raise revenue or to ensure revenue collection.

Case study

HUMAN TRAFFICKING: Syndicate suspects pulled in

In a case involving human trafficking and laundering of the proceeds of crime, DPCI submitted an urgent request for assistance from the FIC to issue directives on the subject’s bank accounts. Unfortunately, there was only R15 000 in the account which was not directly linked to the case.

However, regulatory reports filed with the FIC showed that the subject opened a new bank account for a linked business entity. Analysis of these reports showed that the subjects were involved in a human trafficking syndicate.

Various other laws, such as those in immigration and customs, were also transgressed in this case. Two suspects, the driver, and co-driver, were detained by the DPCI. Collaboration between law enforcement agencies was the key to the success experienced in this case so far.

Investigations continue.

PART C
Governance

INTRODUCTION

The FIC corporate governance model is underpinned by values of authenticity, ethics, integrity and accountability.

Corporate governance is applied through the guidelines of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and run in tandem with the principles contained in the King IV Code of Corporate Governance (King IV). In line with King IV, the governance model is outcomes based to ensure long-term sustainability.

The FIC follows best practice in corporate governance through its oversight structures. These structures and/or committees are tasked with ensuring that the FIC meets its strategic objectives and operates in line with its mandate:

- Accounting authority
- Executive management committee
- Management forum
- Audit and risk committee
- Human resources and remuneration committee
- Information and Communications Technology steering committee.

The automated risk and compliance management tool, which is in place at the FIC, helped ensure that the organisation remained fully compliant during the year under review.

During the year under review, the FIC conducted an independent governance review with a particular focus on its compliance with the 17 principles of the King Code on good governance as a means to enhance its corporate governance model. The FIC is now implementing the recommendations of a work plan to close the gaps identified.

PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of the FIC by interrogating the FIC's annual financial statements and other relevant documents which are required to be tabled, as well as any other documents tabled from time to time.

The Standing Committee on Finance reviews the FIC's strategic plan, annual performance plan, annual financial statements, and the audit reports of the external auditor.

The Standing Committee on Finance and the Joint Standing Committee exercise oversight over the service delivery performance of the FIC and as such, review the non-financial information contained in the annual reports and is concerned with service delivery and enhancing economic growth.

Meetings attended and issues raised

One meeting was held with the Joint Committee on Ethics and Members' Interest of the National Assembly during the year under review, on 19 April 2022. Under discussion was a request for information from the FIC by the National Assembly.

Accounting Authority

The Director of the FIC is the Accounting Authority and reports directly to the Minister of Finance and to Parliament. The FIC does not have a board.

In addition to the day-to-day oversight responsibilities exercised by the executive management committee, findings of the Auditor-General of South Africa are resolved by the FIC's management forum.

The FIC committees met and were composed as summarised in the table below.

Table 15: The FIC's committees during 2021/22

COMMITTEE	EXECUTIVE MANAGEMENT COMMITTEE (EXCO)		
Role and purpose	The purpose of Exco is to positively position the organisation for the future. Exco sets and reviews the strategic direction, priorities and performance objectives of the organisation to enable the efficient and effective achievement of outcomes. Exco provides executive leadership to support the Director to meet organisational, legislative, policy and management accountabilities. Exco is supported by governance through other governance committees. These committees provide forums for senior executives to engage on a range of strategic agendas. A number of other committees and consultation mechanisms, both internal and external, also help to support decision-making by Exco and its sub-committees.		
No of meetings held	26	No of members	5
Members	Xolisile Khanyile | Chairperson and Director of the FIC Macs Maboka | Executive Manager: Corporate Services Pieter Smit | Executive Manager: Legal and Policy Christopher Malan | Executive Manager: Compliance and Prevention Dr Michael Masiapato | Executive Manager: Monitoring and Analysis Until 25 Oct 2021– left the employ of the FIC Pieter Alberts | Acting Executive Manager: Monitoring and Analysis – from 25 Oct 2021		

COMMITTEE	MANAGEMENT FORUM		
Role and purpose	This committee comprises Exco and senior management and is tasked with discussing and making decisions on operational matters and makes recommendations on strategic issues affecting the organisation from a senior management perspective and it reports to Exco.		
No of meetings held	7	No of members	16
Members	Xolisile Khanyile | Chairperson and Director of the FIC Macs Maboka | Executive Manager: Corporate Services Pieter Smit | Executive Manager: Legal and Policy Christopher Malan | Executive Manager: Compliance and Prevention Dr Michael Masiapato | Executive Manager: Monitoring and Analysis Until 12 Oct 2021– left the employ of the FIC Aaron Shongwe | Head: Information and Communications Technology Ettiene Cronje | Head: Programme Management Office Fikile Zitha | Senior Operations Manager: Legal and Policy Grace Madilonga | Head: Human Resources Marine Burdette | Senior Operations Manager: Monitoring and Analysis Matodzi Tshidzumba | Risk Manager: Office of the Director Motlatsi Ramoshu | Senior Operations Manager: Monitoring and Analysis Oniel Rajnund | Senior Operations Manager: Compliance and Prevention Panna Kassan | Head: Communications Philemon Mashapa | Head: Performance, Monitoring and Evaluation Pieter Alberts | Senior Operations Manager: Monitoring and Analysis Veronica MarshSmit | Chief Financial Officer Xolile Majija | Head: Corporate Legal Services, Governance and Compliance		

Table 15: FIC committees during 2021/22 cont.

COMMITTEE	AUDIT AND RISK COMMITTEE (ARC)		
Role and purpose	To provide independent assurance and assistance to the Accounting Authority on control, governance and risk management. The ARC does not replace established management responsibilities and delegations. The ARC will provide the Accounting Authority with prompt and constructive reports on its findings, especially when issues are identified that could present a material risk to the FIC.		
No of meetings held	3 scheduled and 3 special	No of members	6
Members	Bongani Mbewu I Chairperson Thomas Kgokolo I Member Until 31 Jul 2021 Precious Sibiya I Member Protas Phili I Member Dr Denisha Jairam-Owthar I Member Sphiwe Mayinga I Member From 1 Dec 2021		

COMMITTEE	HUMAN RESOURCES AND REMUNERATION COMMITTEE		
Role and purpose	This committee advises the Accounting Authority and the Minister with independent counsel, advice and direction in respect of all employee remuneration matters as well as human resources matters.		
No of meetings held	3 scheduled and 2 special	No of members	3
Members	Bryan Chaplog I Chairperson Thandiwe January-McClean I Member Michael Olivier I Member		

COMMITTEE	INFORMATION AND COMMUNICATIONS TECHNOLOGY STEERING COMMITTEE		
Role and purpose	This committee provides oversight on internal control systems, service delivery, governance and risk management of ICT. It monitors the FIC's ICT processes and advises on management and mitigation in this regard. It also ensures alignment between ICT and a business enabler, and the FIC strategy.		
No of meetings held	4	No of members	12
Members	Macs Maboka I Chairperson and Executive Manager: Corporate Services Aaron Shongwe I Head: Information and Communications Technology Carina Arpin I Manager: Monitoring and Analysis from 18 Jan 2022 Derick Mostert I Manager: Monitoring and Analysis until 5 Oct 2021 Ettiene Cronje I Head: Programme Management Office Fikile Zitha I Senior Operations Manager: Legal and Policy Khanyisa Ngozwana I Data Systems and Reporting: Information and Communications Technology Marine Burdette I Senior Operations Manager: Monitoring and Analysis Matodzi Tshidzumba I Risk Manager: Office of the Director Oniel Rajnund I Senior Operations Manager: Compliance and Prevention Philemon Mashapa I Head: Performance, Monitoring and Evaluation Veronica MarshSmit I Chief Financial Officer Xolile Majija I Head: Corporate Legal Services, Governance and Compliance		

RISK MANAGEMENT

The FIC subscribes to the public sector's risk management framework and other international best practices to identify, analyse, assess, treat, monitor and communicate risks internally. This approach ensures that risks are identified and assessed yearly and are shared with relevant stakeholders.

The objectives of the risk management function are to:

- Integrate risk concerns into the FIC's daily decision-making and implementation processes.
- Identify and manage risks within the risk appetite and risk tolerance parameters, which coincide with the FIC's strategy and objectives.
- Improve the FIC's ability to prevent, detect, investigate, correct, escalate, and respond to critical risk issues by executing risk management action plans and recommendations, and monitoring them effectively.
- Comply with appropriate risk management practices in terms of the Committee of Sponsoring Organisations of the Treadway Commission framework and ISO 31000 standards, corporate governance guidelines and King IV.
- Create a risk awareness culture and embed risk-based approaches to decision-making at operational, tactical and strategic levels of the FIC.

The FIC has adopted an enterprise-wide risk management framework. This management framework codifies how risk is identified, measured, managed, reported and monitored across the organisation. The FIC recognises that, in the complex financial sector environment in which it operates, risk management processes and strategies are evolutionary. The framework is therefore reviewed and modified on an ongoing basis, taking into account the risk appetite and risk tolerance of the organisation.

The FIC also performs risk assessments annually to identify new and emerging risks. In fulfilling its enterprise-wide risk management responsibilities, the FIC uses both top-down and bottom-up approaches to risk identification, assessment, mitigation, monitoring and reporting. The top-down approach entails risk processes to be reviewed by its management forum (as the operational risk committee), executive management, the Audit and Risk Committee and the Accounting Authority.

Achievements in mitigating strategic risks during 2021/22 included:

- In line with the COVID-19 regulations, the FIC applied a rotation system for employees coming to work on various days to limit the pandemic exposures within the organisation.
- The combined assurance providers have provided assurance on the internal controls and risk mitigations to be effective and adequate.
- The provision of awareness sessions, guidance, monitoring and supervision of information required by the affected stakeholders and ongoing maintenance and enhancement of the systems linking information sources with the FIC.
- Requesting the supervisory bodies to include registration with the FIC as part of their licensing requirements.
- The FIC performed a strategic assessment on proceeds of crimes in various geographical areas and shared with relevant law enforcement agencies.
- The FIC held regular meetings with the Fusion Centre members from law enforcement to discuss matters identified for appropriate action by relevant agencies and in some of these matters the FIC assisted with section 34 directives resulting in preservation orders.
- The FIC participated in key national forums of anti-money laundering and financing of terrorism in the country.
- Invested in additional laptops, data SIM cards and virtual private network capabilities to enable employees to work remotely and access the primary data centre, or the disaster recovery centre should the need arise.
- Health and Safety Committee put preventive measures in place (FIC COVID-19 strategy and plan) to reduce infections and both the pandemic policy and procedures were approved during the year under review.
- Business continuity management plans were strengthened to ensure that business operations could continue even during a pandemic.

Major risk categories

The enterprise risk management framework is continuously enhanced and updated to respond to risks and to ensure that the management of risks are embedded in the FIC's overall corporate governance structures, strategy and strategic planning, annual performance plan, reporting processes, policies, ethical values and culture. The FIC has identified the following principal risk categories that are significant to the FIC: strategic, regulatory and legal, operational, and reputational.

Risk profile

The FIC's corporate risk profile is a function of the inherent and residual risks of all the process level business risks identified and assessed in the various divisions and business units. The corporate risk profile gives a panoramic view of the performance and rating of the FIC's principal risks and risk landscape. The table below outlines the strategic risks mitigated in 2021/22.

Table 16: Strategic risks mitigated in 2021/22

Principal risks
• Inadequate collection of information may result in non-compliance with the FIC Amendment Act
• Inadequate production and utilisation of the FIC products and services by the stakeholders
• Inadequate promotion of national interests in maintaining the integrity of the South African financial system
• Inadequate operating environment
• Inadequate resource and governance
• Inadequate resources and response to comply with the COVID-19 regulations and directives resulting in the FIC not being able to sustain its operations.

Risk governance and combined assurance

The FIC has a combined assurance model and risk maturity framework to determine the effectiveness of risk management within the entity, and in line with King IV, to ensure a more integrated approach to managing risks.

This methodology is carried out through a collaboration of functions between management, risk management, compliance, and internal and external audit. These assurance providers participate in the annual review of the enterprise risk management framework and the development and assessment of the single risk universe of the FIC.

Internal audit

The FIC appointed an external service provider to manage the internal audit function during the reporting period. The FIC subscribes to the risk-based audit methodology. The FIC appointed the internal audit service provider for a five-year period to deliver on the internal audit function. The five-year contract started on 1 August 2017 and runs until 31 July 2022. Their contract has been extended by 12 months and runs from 1 August 2022 to 31 July 2023.

The internal audit service provider submits a three-year rolling plan to the FIC through the Audit and Risk Committee for each financial year. All findings developed are tracked by management and reported to the Audit and Risk Committee quarterly.

Compliance with laws and regulations

The FIC's governance and compliance follows a three-pronged approach which is informed by its operations. These are: (i) the regulatory universe, which deals with compliance with legislation, (ii) the external reporting obligations, which deals with all the FIC's reporting obligations to external stakeholders, and (iii) policy compliance, which ensures all organisational policies are in place in terms of the FIC's policy and procedure development framework.

In the year under review, the FIC embarked on a journey to professionalise its compliance management processes in line with the Compliance Institute of South Africa and other international compliance best practice prescripts. The recently developed Compliance Management Framework will undergo internal socialisation and approval processes in the 2022/23 financial year.

Two quarterly reviews were conducted during the financial year in all three areas and the outcomes were reported in all relevant governance committees internally and the Audit and Risk Committee for external and independent assurance. The FIC was found to be compliant in all areas against which it was assessed.

The FIC has a fully established crisis management team as per its business continuity management strategy.

During the year under review, the FIC conducted workshops to keep employees abreast of business continuity management and plans for business impact analysis. The FIC performed 13 ICT disaster recovery test exercises and six disaster recovery exercises were held to assess readiness to respond to disasters.

Fraud and corruption

The FIC implemented an ethics, integrity management and anti-fraud and corruption framework in 2021/22, together with a fraud and corruption risk register.

Awareness sessions on the prevention of fraud and corruption were conducted with employees.

The FIC has a policy in place to enable whistle blowers to report any misconduct or unethical behaviour anonymously. The FIC uses the National Anti-Corruption Hotline operated by the Public Service Commission for reporting misconduct or unethical behaviour.

The Public Service Commission communicates reported matters to the FIC within a week, following which, each matter is reviewed and investigated (if deemed necessary) within 40 days. On each matter received, the FIC reports back to the Public Service Commission within 40 days as mandated by the MoU between the FIC and the Public Service Commission.

Those who report to the hotline remain anonymous. Reference numbers are issued so they can follow-up on reported matters should they wish to do so. No FIC-related corruption cases were reported to the hotline during the period under review.

Minimising conflict of interest

The supply chain management unit introduced a code of conduct that employees sign. The unit also implemented a terms of reference that includes a declaration of conflict of interest for the request for quotations and tenders. The declaration of the conflict of interest has been embedded in supply chain processes including at the bid adjudication and evaluation committees.

All employees are required to adhere to the FIC's policy and procedure on gifts, donations and sponsorships. The policy is geared to preventing internal fraud and corruption.

The FIC has organised awareness sessions on conflict of interest and conducting business with the state during the period under review. All employees are required to declare their interests, irrespective of whether these generate regular income or not. The FIC has and continues to update and align its policies and procedures to comply with the Public Administration Management Act, 2014 (Act 11 of 2014).

Code of ethics and conduct

The FIC's code of ethics and conduct requires all employees to observe the highest standards of integrity in carrying out the FIC's legal mandate. It also provides a framework for the conduct by which all practices involving the FIC are to be carried out, managed and regulated. The code sets down common ethical standards that the FIC employees should adhere to on a consistent basis to ensure that their actions are in accordance with the FIC's primary values and standards.

Although the code was developed to be as comprehensive as possible, it is not an exhaustive set of rules regulating standards of conduct. The Accounting Authority has a duty to ensure that the conduct of employees conforms to the basic values and principles governing public administration and the norms and standards prescribed by the relevant government legislation and policies. The Accounting Authority should also ensure that employees are acquainted with these measures, and that they accept and abide by them. Breaches of the code are dealt with swiftly and decisively.

Health, safety and environment

The FIC is committed and endeavours to comply with the provisions of the Occupational Health and Safety Act,1993 (Act 85 of 1993) (OHS Act), general safety regulations and the Compensation for Occupational Injuries and Diseases Act, 1997 (Act 61 of 1997) (COID Act) to enable a high level of protection for the health and safety of the FIC's employees, contractors, customers, the public and the environment.

Furthermore, the FIC was required to comply with the provisions of the Disaster Management Act, 2002 (Act 57 of 2002) (DMA) in the wake of the COVID-19 pandemic. The DMA specified compliance requirements in managing and curtailing the spread of COVID-19 in the workplace.

The FIC's Health and Safety Committee's responsibilities include:

- Making recommendations to the FIC or, where the recommendations fail to resolve the matter, to an inspector in terms of the OHS Act regarding any matter affecting the health or safety of persons at the workplace or any section thereof.
- Discussing any incident at the workplace or section thereof in which or in consequence of which any person was injured, became ill or died, and may in writing report on the incident to an inspector from the Department of Labour.
- Performing other health and safety functions as may be prescribed.
- Keeping records of each recommendation made to the FIC in terms of subsection (1) (a) and of any report made to an inspector in terms of subsection (1) (b) of the OHS Act.

The FIC's Health and Safety Committee has a charter, policy and procedures and appointed evacuation officers, fire fighters, incidents investigators, health and safety representatives, and first aid officers.

REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2022.

Background

The Audit and Risk Committee (hereinafter referred to as ARC) is an independent statutory committee appointed by the Accounting Authority. It derives its duties from section 77 of the PFMA read together with National Treasury Regulations 27.1. Further duties are delegated to the ARC by the Accounting Authority. This report includes both these sets of duties and responsibilities.

ARC terms of reference

The ARC has adopted formal terms of reference that has been approved by the Accounting Authority. The ARC has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

ARC members, meeting attendance and assessment

The ARC consists of five independent, non-executive members. It meets at least four times a year as per its terms of reference. During the year, one member resigned and was subsequently replaced by another member.

The ARC comprises the following members:

Name	Qualifications	Contract commencement date	Contract end/ termination date
Bongani Mbewu (Chairperson)	BCom (Acc), BCom (Hons), CIA, CCSA, CGAP, CRMA, MPhil (Int Audit)	1 August 2021	31 July 2024
Dr Denisha Jairam-Owthar	PhD (ICT, MBA in Technology Management, BCOMPT (Accounting Sciences)	1 August 2021	31 July 2024
Precious Sibiya	BAcc, Postgraduate Diploma in Accountancy (UKZN), CA (SA)	1 August 2021	31 July 2024
Protas Phili	BCom (Acc), BCom (Hons), CA (SA), Certificate of Advanced Auditing (RAU / UCT), MCom	1 August 2021	31 July 2024
Thomas Kgokolo	CA (SA), MBA	1 August 2018	31 July 2021
Sphiwe Mayinga	MBA (GIBS), LL.M, LL.B, BProc, PG Dip BM, SLDP, MAP Admitted Attorney	1 December 2021	31 July 2024

The meetings held and attendance at the meetings during the year were as follows:

Name	Meeting dates					
	2021			2022		
	28 April	27 May	28 July	28 January	23 February	28 February
Bongani Mbewu (Chairperson)	Present	Present	Present	Present	Present	Present
Dr Denisha Jairam-Owthar	Present	Present	Present	Present	Absent with apology	Present
Precious Sibiya	Present	Present	Present	Absent with apology	Present	Present
Protas Phili	Present	Present	Present	Present	Present	Present
Thomas Kgokolo	Absent with apology	Present	Present	Not a member	Not a member	Not a member
Sphiwe Mayinga	Not a member	Not a member	Not a member	Present	Present	Present

ARC role and responsibilities

The ARC reports that it has complied with its responsibilities arising from section 51 (1)(a)(ii) of the PFMA and National Treasury Regulation 27.1. The ARC also reports that it has adopted appropriate formal terms of reference as its ARC charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The ARC is responsible for, and fulfilled the following responsibilities, among others:

- Reviewed the accounting policies and practices of the entity.
- Reviewed and recommended disclosed financial information.
- Considered the processes introduced to improve the overall governance and ethics of the entity and reviewed reports from management and the internal auditors relating to governance, risk and control processes.
- Monitored ethical conduct by the entity, its executive and senior management.
- Monitored the entity's compliance with applicable legislative requirements.
- Reported in terms of any fruitless, wasteful and irregular expenditure in terms of the PFMA.
- Ensured cooperation between internal and external auditors by clarifying and overseeing the appropriateness and implementation of the combined assurance plan.
- Considered the King Code of Governance recommendations and their applicability to the entity.
- Assisted management in carrying out its risk management and ICT responsibilities; and
- Received and dealt appropriately with any complaints and/or allegations of wrongdoing, including fraud. No such complaints were received during the year under review or to the date of this report.

The internal auditors had and have direct access to the Chairman of the ARC and its members. The ARC's agendas provided for confidential one-on-one in-committee meetings with the internal and external auditors.

Effectiveness of internal controls

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the entity.

The internal audit function is outsourced, and the outsourced internal audit representatives attended all ARC meetings.

Based on the assessment of the work done for the year under review, the ARC believes that the internal audit function has provided professional, independent and objective assurance to the operations of the FIC and has added value to the FIC.

Internal audit reports were concluded and discussed with management and action plans were monitored for implementation on an ongoing basis.

Oversight of risk management processes

The ARC is responsible for the oversight of the risk management function. Management reports to the ARC on the organisation's risk management processes. The ARC reviewed and recommended for Accounting Authority approval of the risk management policy, risk management strategy, enterprise risk management plan, business continuity management plan, corruption prevention detection and investigation plan and other risk management policies and plans. The ARC has reviewed the risk register and the reports from management and is generally satisfied with how risks are being managed within the FIC.

In-year management and monthly/ quarterly report

The ARC has had sight of the quarterly reports submitted to the Executive Authority, the Minister of Finance, during the year under review and can confirm that the entity reported quarterly to the National Treasury as is required by the PFMA.

Evaluation of annual financial statements

The ARC has reviewed the accounting policies and the annual financial statements of the entity and is satisfied that they are appropriate and comply with the standards of Generally Recognised Accounting Practice (GRAP).

Evaluation of the finance function

The ARC is satisfied that the chief financial officer has the appropriate qualifications and experience. Moreover, the ARC is satisfied with the overall skills and competence within the finance function.

Auditor's report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The ARC concurs and accepts the conclusions of the Auditor-General of South Africa on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General of South Africa.

However, the ARC has noted with concern that there has been a regression in the audit outcomes from the previous unqualified audit opinion with no material findings to unqualified audit opinion with material findings. The ARC has discussed the factors that led to the regression of the audit opinion and requested management to prepare an action plan for monitoring by the ARC in its quarterly meetings. The ARC would like to further implore management to make sure that the unqualified audit opinion with material findings is changed within a reasonable period and the opinion is improved to a clean audit that the organisation obtained in the previous two years. To this end, the ARC will monitor the action plans arising from the audit to satisfy itself that these matters are effectively resolved.

Bongani Mbewu
Chairperson of the Audit and Risk Committee
31 July 2022

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table was completed in accordance with the compliance to the B-BBEE requirements as required by the B-BBEE Act and as determined by the Department of Trade, Industry and Competition.

Table 17: B-BBEE compliance performance information 2021/22

Has the public entity applied any relevant code of good practice (B-BBEE Certificate Levels 1- 8) with regard to the following:		
Criteria	**Response Yes /No**	**Discussion (measures taken / not taken to comply)**
1. Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Not applicable	The FIC's mandate and work does not extend to issuing of licences, concessions or authorisations.
2. Developing and implementing a preferential procurement policy?	Yes	The FIC has in place SANAS accredited B-BBEE verification
3. Determining qualification criteria for the sale of state-owned enterprises?	Not applicable	Selling of state-owned enterprises does not fall within the scope of the work of FIC.
4. Developing criteria for entering into partnerships with the private sector?	Not applicable	FIC does not enter into partnerships with the private sector
5. Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Not applicable	FIC does not award grants, incentives or investment schemes

PART D

Human Resource Management

INTRODUCTION

The FIC regards its people as its most important asset – it is on their collective efforts, attitudes, skills and abilities that the organisation's existence and performance rests.

During the year under review, the FIC experienced a significant increase in voluntary resignations compared to the previous financial year. This decreased the employee complement from 205 to 183, as at 31 March 2022, against the FIC's approved establishment of 216.

Committed to maintaining a transformed and equitable workforce, the FIC exceeded two and met one of its employment equity targets as follows:

Female employees: 106/183	Employees with disabilities: 4/183	Employees from designated race groups: 148/183
>51% Target	>2% Target	80% Target
57.92% Actual	2.16% Actual	80.87% Actual

During 2021/22, the FIC ensured that it remained responsive to organisational needs and people priorities:

- **Critical competencies:** As part of creating a future fit workforce, a project was embarked upon to develop critical technical competencies in data management and analytics within the FIC. The project was initiated after the FIC reviewed its strategic outcomes, which created the urgent need to unlock data management and analytics capabilities in the organisation. Management identified 20 roles within the FIC with the potential to unlock these capabilities. This then led to the development of a data analytics and management technical competencies dictionary which was used to review and update the job descriptions of the identified roles. The FIC will enter an upskilling phase in the next reporting period to develop the mentioned technical competencies.
- **Employee retention:** The FIC continued on its journey of enabling the creation of a workforce of the future by providing meaningful and credible careers to its employees through the phased implementation of its talent management strategy. The FIC has a retention strategy that targets the retention of employees who possess critical skills and those who occupy critical roles.
- **Employee relations:** The FIC recognises that its growth relies on partnerships, not only with its external stakeholders but with its very own employees. During 2021/22, the FIC entered into a recognition agreement with a trade union which has majority membership within the FIC. The successful negotiation of a recognition agreement led to the FIC and its employees starting a new chapter of employment relations. The organisation continues to engage the union on matters of strategic importance in relation to employment conditions.
- **Remuneration:** The FIC continues to strengthen its remuneration framework to remain relevant and competitive in the labour market. The FIC initiated a number of remuneration and benefits programmes during the financial year, aimed at strengthening its value offering.
- **Talent reviews:** A total of 142 employees were reviewed for promotion, succession, and lateral intra- and inter-divisional growth opportunities. These talent reviews provided the FIC with essential insights into the composition of the FIC's talent pool in relation to the strategic and operational demands for the short- to medium-term.
- **Learning and development:** A total of 30 employees attended various technical skills learning interventions. These were aimed at ensuring that employees remained motivated and abreast of advances in their areas of expertise. The FIC is also dedicated to developing employees for careers that focus on countering financial crimes. In light of this, the FIC provided 20 bursaries to employees and gave 17 graduates the opportunity to gain workplace experience at the FIC during the 2021/22 period.
- **Employee wellness:** The FIC continued to provide employee wellness interventions during the 2021/22 financial year. Employees operated and were managed virtually due to the national lockdown imposed because of the COVID-19 pandemic. Over this period, the FIC has been transitioning into establishing a working environment that is future-fit while at the same time taking care of the overall wellbeing of its workforce. Four personal development sessions were offered to employees covering themes such as managing relationships, financial wellness, mental health mindfulness and mindful eating.

The FIC will continue to assess HR risks and challenges with a view to optimising people performance and improving the employee experience. Attracting and retaining technical skills remain a key focus as well as the following HR priorities:

- Implementing critical competencies, especially in data management and analytics
- Implementing the critical elements of its FIC's remuneration framework
- Implementing critical elements of the talent journey
- Enhancing the FIC's learning and development service offering.

HUMAN RESOURCES OVERSIGHT STATISTICS

Table 18: Personnel cost by programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee (R'000)
Total expenditure	311 422	175 043	56.21%	214	818

Note: Personnel expenditure includes terminations during the reporting period but excludes year-end accrual adjustment and compensation for occupational injury and disease.

Table 19: Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Top management	11 717	7%	5	2 343
Senior management	21 905	13%	12	1 825
Professional qualified	33 103	19%	29	1 141
Skilled	96 922	55%	135	718
Semi-skilled	11 396	7%	33	345
Unskilled	0	0	0	0
Total	**175 043**	**100%**	**214***	**814**

**Reflects the number of active and terminated employees paid during the reporting period and excludes year-end accrual adjustment and compensation for occupational injury and disease, and does not include employee-related accrued expenditure.*
Expenses reflect the actual, paid amount for training.
Percentage figure rounded off.

Table 20: Performance rewards

Programme	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top management	744 506	13 910	6.35%
Senior management	1 717 323	24 636	7.84%
Professional qualified	2 077 851	37 259	6.28%
Skilled	6 090 994	109 104	6.28%
Semi-skilled	632 623	12 662	5.55%
Unskilled	0	0	0
Total	**11 263 297***	**175 043**	**32.3%**

**The amount indicated is for 2020/21 performance bonuses, which were paid during the 2021/22 financial year.*

Table 21: Training costs

Programme	Personnel expenditure (R'000)	Training expenditure	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
Employee training	175 043	R584 450	3.34%	179	R3 265
Bursaries		R321 464	1.84%	20	R16 073
Total		**R905 914**	**5.18%**	**199**	***R4 552**

The main reason for the reduced spend on training and development during the 2021/22 financial year was the variety of challenges posed by the COVID-19 pandemic. The industry in its entirety has experienced significant challenges with several interventions not being available online or with training providers cancelling interventions.
** The average training cost per employee R4 552 is derived by dividing training expenditure by the number of employees (905 914 / 199).*

Table 22: Employment and vacancies

Programme	Number of employees 2020/21	Approved posts 2021/22	Number of employees 2021/22	Vacancies 2021/22	% of vacancies
Top management	5	5	4	1	3.2%
Senior management	12	12	12	0	0%
Professional qualified	29	30	24	5	16.17%
Skilled	122	132	112	23	17.4%
Semi-skilled	37	37	31	2	6.5%
Unskilled	0	0	0	0	0
Total	**205****	**216**	**183*****	**31**	**14.4%***

The FIC vacancy rate has increased significantly during the period under review in comparison the previous financial year. As part of the talent review process, potential successors for critical positions and targeted development measures have been identified.
** Percentage acquired by dividing number of vacancies by number of approved posts (31 / 216)*
*** Opening balance as at 1 April 2021*
**** Closing balance as at 31 March 2022*

Table 23: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	5	0	1	4
Senior management	12	0	0	12
Professional qualified	29	1	5	24
Skilled	122	5	23	112
Semi-skilled	37	1	2	31
Unskilled	0	0	0	0
Total	**205**	**7**	**31**	**183**

Table 24: Reasons for employees leaving

Reason	Number	% of total no. of employees leaving
Death	1	3.2%
Resignation	29	93.5%
Dismissal	1	3.2%
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	**31**	**100%**

The primary reason for employees leaving the FIC is to pursue opportunities to grow their careers and/or earn a higher income.
The turnover is addressed by ongoing review of the HR framework.

Table 25: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	1

Table 26: Equity target and employment equity status (male)

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	1	1	1	0	0	1	0
Senior management	4	2	0	1	1	1	2	1
Professional qualified	8	4	0	2	2	2	3	2
Skilled	40	25	4	16	5	13	12	8
Semi-skilled	3	14	0	1	0	1	-	2
Unskilled	0	0	0	0	0	0	0	0
Total	**57**	**46**	**5**	**21**	**8**	**17**	**18**	**13**

** The equity targets above are for the period 1 October 2020 to 30 September 2021, as submitted to the Department of Labour.*

Table 27: Equity target and employment equity status (female)

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	1	0	1
Senior management	2	2	0	2	1	1	2	2
Professional qualified	8	7	1	2	0	3	6	3
Skilled	41	29	5	15	6	15	9	16
Semi-skilled	24	14	1	1	0	1	4	3
Unskilled	0	0	0	0	0	0	0	0
Total	**76**	**53**	**7**	**20**	**7**	**21**	**21**	**25**

** The equity targets above are for the period 1 October 2020 to 30 September 2021, as submitted to the Department of Labour.*

Table 28: Equity target and employment equity status (people with disabilities)

Levels	DISABLED EMPLOYEES			
	Male		Female	
	Current	Target	Current	Target
Top management				
Senior management				
Professional qualified				
Skilled	2			
Semi-skilled			2	
Unskilled				
Total	**2**		**2**	

** Ongoing effort is being made to attract people with disabilities. The equity targets are for the period 1 October 2020 to 30 September 2021, as submitted to the Department of Labour.*

PART E
Financial Information

INDEX

The reports and statements set out below comprise the annual financial statements presented as at 31 March 2022:

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL INTELLIGENCE CENTRE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Financial Intelligence Centre set out on pages 92 to 119, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Intelligence Centre as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (Act No.1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2022.

Irregular expenditure

8. As disclosed in note 28 to the financial statements, the public entity incurred irregular expenditure of R1 526 965, as it did not follow applicable procurement legislation.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

13. In accordance with the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 2 – Delivery of intelligence on financial crime and FIC Act-related regulatory services	Pages 24, 42 and 56 in the annual performance report

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 2 – Delivery of Intelligence on financial crime and FIC Act-related regulatory services

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on pages 24, 42 and 56 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislation are as follows:

Procurement and contract management

22. Some of the contracts were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the PPPFA and Preferential Procurement Regulation. This non-compliance was identified in the procurement processes for licences.

23. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and Preferential Procurement Regulation 2017. This non-compliance was identified in the procurement processes for licences.

OTHER INFORMATION

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the director's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

29. Inadequate measures were put in place by management to ensure compliance with procurement legislation. This was mainly due to inadequate review and monitoring controls and capacity constraints in the supply chain management unit.

Auditor General

Pretoria

31 July 2022

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
   - conclude on the appropriateness of the accounting authority use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Financial Intelligence Centre to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority of the Financial Intelligence Centre (FIC) is pleased to submit the report, together with the FIC's annual financial statements, for the year ended 31 March 2022.

The Accounting Authority acknowledges responsibility for the preparation and integrity of the financial statements and related information included in the Annual Report. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on her in terms of the PFMA and other applicable legislation, she has developed and maintains a system of internal controls, designed to provide reasonable assurance regarding the achievement of objectives.

1. Establishment, mandate and operations of the FIC

The FIC is established in terms of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). The mandate of the FIC is to identify the proceeds of crime, combat money laundering and the financing of terrorism.

The FIC Act works in concert with the Prevention of Organised Crime Act, 1998 (Act 121 of 1998), the Protection of Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004).

The FIC Act established the FIC and placed obligations of financial institutions and other businesses deemed vulnerable to money laundering and terrorist financing. The Prevention of Organised Crime Act introduced the crime of money laundering. The Protection of Constitutional Democracy Against Terrorist and Related Activities Act introduced measures to address the financing of acts of terrorism.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Internal Controls

Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with best business practice, as well as policies and procedures established by the Accounting Authority and independent oversight by the Audit and Risk Committee. The system contains self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

4. Accounting policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as per the prescribed framework by National Treasury, and directives issued by the Accounting Standards Board.

5. Corporate governance

General

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and Risk Committee

The Audit and Risk Committee comprised five members for the year ended 31 March 2022 and met six times during the year, in accordance with its approved Charter that requires a minimum of four meetings.

Internal audit

The FIC has outsourced its internal audit function, which reports functionally to the Audit and Risk Committee.

6. Review of the financial statements

The financial results are contained in the Annual Financial Statements. In my opinion, the Annual Financial Statements fairly reflect the operations of the FIC for the financial year ended 31 March 2022 and its financial position as at that date.

7. Subsequent events

The Accounting Authority is not aware of any matter or circumstance arising between 31 March 2022 and the date of this report, not dealt with in the Annual Financial Statements, which would significantly affect the operations or results of the FIC.

8. Bankers

Standard Bank of South Africa Limited and South African Reserve Bank's Corporation for Public Deposits..

9. Auditors

Auditor-General of South Africa.

Adv X J Khanyile
Director: Financial Intelligence Centre
Accounting Authority
31 July 2022

Statement of Financial Position

as at 31 March 2022

	Notes	2022 R'000	2021 Restated* R'000
Assets			
Current assets			
Inventory	3	88	52
Receivables from exchange transactions	4	472	541
Prepayments	5	12 815	8 549
Cash and cash equivalents	7	75 041	87 585
		88 416	**96 727**
Non-current assets			
Property, plant and equipment	8	35 724	42 657
Intangible assets	9	18 333	17 654
Deposits – long-term receivables	6	815	716
		54 872	**61 027**
Total assets		**143 288**	**157 754**
Liabilities			
Current liabilities			
Finance lease obligation	10	681	630
Operating lease liability	15	45	-
Payables from exchange transactions	11	16 665	20 620
Provisions	12	7 863	12 133
Third party deposits	13	30	60
Income received in advance	14	31 593	44 478
		56 877	**77 921**
Non-current liabilities			
Finance lease obligation	10	119	800
Operating lease liability	15	26 003	20 468
		26 122	**21 268**
Total liabilities		**82 999**	**99 189**
Net assets		**60 289**	**58 565**
Accumulated surplus		**60 289**	**58 565**

Statement of Financial Performance
as at 31 March 2022

	Notes	2022 R'000	2021 Restated* R'000
Revenue			
Revenue from exchange transactions			
Non-exchange revenue	16	310 144	291 425
Exchange revenue	17	2 634	2 847
Total revenue from exchange transactions		**312 778**	**294 272**
Expenditure			
Employee related costs	18	(180 936)	(183 716)
Depreciation and amortisation	19	(16 702)	(18 075)
Impairment of financial assets	21	(421)	-
Finance costs	20	(89)	(109)
General expenses	22	(113 074)	(107 330)
Total expenditure		**(311 222)**	**(309 230)**
Gain or (loss) on disposal of assets		168	(196)
Surplus (deficit) for the year		**1 724**	**(15 154)**

Statement of Changes in Net Assets
as at 31 March 2022

	Notes	2022 R'000	2021 Restated* R'000
Opening balance at 1 April 2019 as previously reported		**163 246**	**163 246**
Prior year adjustment	32	(3 590)	(3 590)
Accumulated surplus restated at 1 April 2019		**159 656**	**159 656**
Surplus restated at 31 March 2020		**(5 654)**	**(5 654)**
Surplus previously reported		(4 116)	(4 116)
Prior year adjustment	32	(1 538)	(1 538)
Surplus transferred to National Treasury		(50 000)	(50 000)
Accumulated surplus restated at 1 April 2020		**104 002**	**104 002**
Surplus restated at 31 March 2021		**(15 154)**	**(15 154)**
Surplus previously reported		(14 250)	(14 250)
Prior year adjustment	32	(905)	(905)
Surplus transferred to National Treasury		(30 282)	(30 282)
Accumulated surplus restated at 1 April 2021		**58 565**	**58 565**
Surplus for the year		1 724	1 724
Balance at 31 March 2022		**60 289**	**60 289**

Cash Flow Statement
as at 31 March 2022

	Notes	2022 R'000	2021 Restated* R'000
Cash flows from operating activities			
Receipts			
Cash receipts from grants		297 259	290 243
Interest income		2 054	2 599
Insurance		(28)	296
		299 285	**293 138**
Payments			
Suppliers and employees		(300 829)	(280 288)
Finance costs		(89)	(110)
		(300 918)	(280 398)
Net cash flows from operating activities	23	**(1 633)**	**12 740**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4 471)	(4 589)
Proceeds from sale of property, plant and equipment		1 121	51
Purchase of other intangible assets		(6 931)	(970)
Net cash flows from investing activities		**(10 281)**	**(5 508)**
Cash flows from financing activities			
Movement in income received in advance		-	14 730
Finance lease payments		(630)	(489)
Cash repaid to National Treasury		-	(30 282)
Net cash flows from financing activities		**(630)**	**(16 041)**
Net decrease in cash and cash equivalents		**(12 544)**	**(8 809)**
Cash and cash equivalents at the beginning of the year		87 585	96 394
Cash and cash equivalents at the end of the year	7	**75 041**	**87 585**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). Management used assessments and estimates in preparing the annual financial statements, based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Offsetting

Assets, liabilities, revenue and expenses have not been offset except where offsetting is required or permitted by GRAP.

1.2 Materiality

In determining materiality for the preparation of financial statements, consideration is given to the nature of the activities of the FIC and the areas where significant judgment is exercised.

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Non-financial materiality

The non-financial materiality is derived from legislation that requires the FIC to report certain incidents, or alternatively legislation requires disclosure in the annual report.

Financial materiality

In determining financial materiality the FIC applies the National Treasury's Practice Note and adjusts the financial statements for any errors identified during the external audit process, irrespective of the amount.

1.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of the asset.

The carrying amount of an item in property, plant and equipment is recognised on disposal or when no future economic benefits or service potential is expected from its use. The gain or loss arising from the derecognition is included in the surplus or deficit when the item of property, plant and equipment is derecognised.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The FIC recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits or service potential embodied within the part that will flow to the FIC, and the cost of such item can be measured reliably. All other costs are recognised in the Statement of Financial Performance as and when the expense is incurred.

At each financial position date, the FIC assesses whether there is any indication or aspect about the residual value and useful life of an asset that has changed since the preceding reporting period. If any such indications exist, the expected useful life and/or residual value is revised accordingly.

The recoverable service amount of property, plant and equipment is the greater of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the asset's remaining service potential determined by the depreciated replacement cost approach.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to its recoverable service potential, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

The review of the estimated useful life, residual value and depreciation method is performed annually. The estimated useful lives are as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	5 to 20 years
Motor vehicles	Straight-line	10 to 15 years
Office equipment	Straight-line	2 to 25 years
Computer hardware	Straight-line	3 to 15 years
Leasehold improvements	Straight-line	over the lease period
Security equipment	Straight-line	10 to 20 years

1.4 Intangible assets

Intangible assets comprise identifiable, non-monetary assets without physical substance. An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the FIC and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent to initial recognition, intangible assets shall be carried at their respective costs less any accumulated amortisation and any accumulated impairment losses. The cost of intangible assets with finite useful lives are amortised over the estimated useful lives. All other licences are amortised over the underlying contract period.

The review of the estimated useful life, residual value and amortisation methods are performed annually.

Amortisation is calculated on a straight–line basis to allocate the depreciable amount of the intangible asset on a systematic basis over the useful life. Amortisation commences when the asset is ready for its intended use. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

The estimated useful lives are as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 to 20 years
Computer licences	Straight-line	1 to 7 years

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits or service potential embodied in the specific assets to which it relates. All other expenditure is expensed.

An intangible asset is derecognised when the asset is disposed of or when there is no further economic benefit or further service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying amount and is recognised as a surplus or deficit in the Statement of Financial Performance.

1.5 Financial instruments

Classification

The financial instruments recognised in the Statement of Financial Position consist of cash at bank and cash equivalents, receivables, trade and other payables and lease liabilities

Initial recognition and measurement

Financial instruments are recognised in the Statement of Financial Position when the FIC becomes a party to the contractual provisions of a financial instrument. Financial instruments are initially recognised at fair value that includes transaction costs.

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at amortised costs using the effective interest rate method according to the following:

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method of the difference between that initial amount and the maturity amount minus any reduction for impairment or uncollected amounts.

Financial liabilities held at amortised cost

Finance lease liabilities are included in financial liabilities held at amortised cost.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and by allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Receivables

Receivables are stated at amortised cost, which due to their short term nature, closely approximate their fair value.

Long-term receivables

Long-term receivables are initially recorded at fair value and subsequently measured at amortised cost.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost, which due to their short-term nature, closely approximate their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash with banks that are readily convertible to a known amount of cash and are stated at amortised cost which, due to their short-term nature, closely approximate their fair value.

1.6 Taxation

Tax expenses

The FIC is exempt from income tax in terms of the provisions of section 10(1)(cA) of the Income Tax Act, 1962 (Act 58 of 1962).

1.7 Leases

Leases are classified as either finance or operating leases.

Finance leases – lessee

Finance leases are leases that substantially transfer all risks and rewards associated with ownership of the asset to the FIC. Title may or may not transfer.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The cash equivalent cost is the lower of the fair value of the asset and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability, using the effective interest rate method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets subject to finance lease agreements are capitalised at their cash cost and depreciated on the straight-line basis over the duration of the lease contract.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised on a straight-line basis as a reduction of the lease payments over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventory

Inventory is stated at cost on initial recognition and measured at the lower of cost or current replacement costs and comprises mainly printing and stationery supplies consumed or distributed in the rendering of services.

1.9 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

The cost of short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts that the FIC has a present obligation to pay as a result of services provided by employees. Providing for the employee benefits has been calculated at undiscounted amounts based on the current salary rates, because of their short-term nature.

Retirement benefits

The FIC contributes to a defined contribution fund in respect of employees. The contributions are included in employee costs in the year to which they relate.

Termination benefits

Termination benefits are recognised as an expense when the FIC is committed, without a realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the FIC has made an offer encouraging voluntary redundancy; it is probable that the offer will be accepted and the number of acceptances can be reliably estimated.

1.10 Provisions

Provisions are recognised when:

- The FIC has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.11 Revenue recognition

Non-exchange revenue

A transfer is recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

Transfer from the National Treasury

The transfer from the National Treasury is recognised when the resources that have been transferred meet the criteria for recognition as an asset.

Exchange revenue

Exchange revenue comprises finance income and other income.

Finance income

Finance income comprises interest received on funds invested. Interest is recognised on a time proportion basis as it accrues, using the effective interest rate method. Exchange revenue comprises finance income and other income.

1.12 Finance cost

Finance cost comprises interest expenses on borrowings, changes in fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the Statement of Financial Performance using the effective interest rate method.

1.13 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are converted into South African rands at the rate of exchange ruling at the date of such transaction. Balances outstanding on the foreign currency monetary items at the end of the reporting period are translated into South African rands at the rates ruling at that date.

Foreign exchange differences on settlement of foreign currency monetary liabilities during the reporting period are recognised in the Statement of Financial Performance.

1.14 Comparative figures

Comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless another Standard of GRAP requires or permits otherwise. Comparative information is reclassified when the presentation or reclassification of current period items are amended, disclosing the nature, amount and reason for the reclassification.

1.15 Accounting for non-exchange transactions

Recognition of revenue from non-exchange transactions.

An inflow of resources from a non-exchange transaction, recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As a present obligation of a recognised liability, in respect of an inflow of resources from a non-exchange transaction, recognised as an asset, is satisfied, the carrying amount of the liability is reduced and an amount equal to the reduction is recognised as revenue.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Non-exchange transactions are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Non-exchange transactions that become receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance according to the nature of the payment. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation or approved internal policies.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregularity unless it is impracticable to determine, in which case reasons for this are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery.

1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with an entity.

An entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.
A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or *vice versa*, or an entity that is subject to common control, or joint control.

1.19 Contingent liabilities

A contingent liability is:

- A possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the FIC; or
- A present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable; or
- A real present obligation, that may not be recognised, either because either the timing or measurement is not known.

Contingent liabilities are not recognised as liabilities because they are either:

- Possible obligations, as it has yet to be confirmed whether the FIC has a present obligation that could lead to an outflow of resources embodying economic benefits or service potential; or
- Present obligations that do not meet the recognition criteria of a liability.

Contingent liabilities are continuously reviewed to determine if the outflow of resources have become probable. A provision is raised in the financial statements in the period in which the outflow of resources becomes probable.

1.20 Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements, where applicable. Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective and/or not applicable

The FIC has not implemented the following approved Standards of GRAP as the Minister of Finance has not yet determined an effective date.

GRAP 25 (as revised 2021): Employee Benefits

GRAP 104 (amended): Financial Instruments

	2022 R'000	2021 Restated* R'000
3. Inventory		
Consumables on hand	88	52
Consumables comprise stationery on hand		
4. Receivables from exchange transactions		
Sundry debtors	512	449
Payroll receivables	202	-
Employees and previous employees	52	13
Accrued interest	127	131
Impairment of debtors	(421)	(52)
Total receivables from exchange transactions	**472**	**541**
Reconciliation of impairment		
Opening balance	(52)	(52)
Bad debts written off	52	-
Increase in provision for bad debts – refer to note 21	(421)	-
	(421)	**(52)**
5. Prepayments		
Subscriptions	55	162
Membership and professional fees	2 732	1 211
Employee training	46	206
Computer licences and support	6 985	6 644
Advertising	-	7
E-tolls	2	9
Insurance	287	310
Office rental	2 703	-
Motor vehicle repairs and maintenance	5	-
	12 815	**8 549**

6. Deposits

	2022 R'000	2021 Restated* R'000
Rental – Byls Bridge Office Park	694	609
Municipal – Byls Bridge Office Park	121	107
	815	**716**

The FIC entered into a 60-month lease contract for its current office premises. The lease commenced on 1 December 2018 and terminates on 30 November 2023. There is an option to renew the lease contract for a further 60 months.

Refundable deposits were paid for electricity usage and the office rent. These deposits will be refunded at the end of the lease term and are disclosed at amortised values. Refer to note 17.

7. Cash and cash equivalents

	2022 R'000	2021 Restated* R'000
Cash on hand	5	9
Cash at bank – Standard Bank	44 888	87 576
Call deposit – Corporation for Public Deposits	30 148	-
	75 041	**87 585**

The cash balance includes R31 592 601 (2021: R44 477 739) that was received from the Criminal Asset Recovery Account (CARA) and is ring-fenced for the funding of the line of business solutions modernisation (LOB) programme. Refer to note 14.

In terms of National Treasury Regulations 31.3.3 the FIC opened a cash call account with the Corporation for Public Deposits for the placing of surplus funds. The cash on this call account amounts to R30 148 266.

8. Property, plant and equipment

	2022			2021		
	Cost / valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost / valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Office furniture	9 309	(7 028)	2 281	8 979	(6 680)	2 299
Motor vehicles	2 552	(1 008)	1 544	3 960	(2 123)	1 837
Office equipment	13 001	(8 116)	4 885	11 298	(6 354)	4 944
Computer hardware	66 989	(54 128)	12 861	66 759	(48 433)	18 326
Fixtures and fittings	6 198	(4 743)	1 455	5 920	(4 517)	1 403
Security equipment	332	(299)	33	332	(266)	66
Leasehold improvements	40 828	(28 163)	12 665	40 065	(26 283)	13 782
Total	**139 209**	**(103 485)**	**35 724**	**137 313**	**(94 656)**	**42 657**

Reconciliation of property, plant and equipment – 2022

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Office furniture	2 299	334	(1)	(351)	2 281
Motor vehicles	1 837	567	(809)	(51)	1 544
Office equipment	4 944	1 703	-	(1 762)	4 885
Computer hardware	18 326	808	(137)	(6 136)	12 861
Fixtures and fittings	1 403	278	-	(226)	1 455
Security equipment	66	-	-	(33)	33
Leasehold improvements	13 782	780	(6)	(1 891)	12 665
	42 657	**4 470**	**(953)**	**(10 450)**	**35 724**

Reconciliation of property, plant and equipment – 2021

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Office furniture	2 463	140	-	(304)	2 299
Motor vehicles	1 599	321	(40)	(43)	1 837
Office equipment	3 971	2 591	(80)	(1 538)	4 944
Computer hardware	21 952	2 892	(122)	(6 396)	18 326
Fixtures and fittings	1 085	497	(5)	(174)	1 403
Security equipment	99	-	-	(33)	66
Leasehold improvements	15 562	67	-	(1 847)	13 782
	46 731	**6 508**	**(247)**	**(10 335)**	**42 657**

	2022 R'000	2021 Restated* R'000
Assets subject to finance lease (included in PPE)		
Office equipment	747	1 499

The leased office equipment is encumbered as set out in note 10.

Restatement of opening balance

The opening carrying value for computer hardware, office equipment and office furniture was restated through the adjustment of accumulated depreciation due to a calculation error in depreciation in the prior years. Refer to note 32. Accumulated depreciation increased by R395 405 for computer hardware and R2 820 for office equipment with the accumulated depreciation for office furniture decreasing by R112 485 as a result of the restatement. The adjustments resulted in a net decrease in the comparative figure for property, plant and equipment of R285 740.

Reassessment of property, plant and equipment

The useful life of certain assets has been reassessed, resulting in an increase in the carrying value of property, plant and equipment to the value of R52 503. Included in the reassessed assets were zero value assets with an initial cost of R168 469.16. Refer to notes 19 and 33.

Disposals

The net disposal of R953 424 includes assets with a net carry value of R40 016 that were stolen from employees and a carry value of R41 893 for damaged assets written off. The cost of the losses incurred through these incidents were claimed from the insurance company. The FIC also sold six fleet vehicles during the year. Carrying value of these vehicles included in disposals were R809 337.

9. Intangible assets

	2022			2021		
	Cost / valuation **R'000**	Accumulated amortisation and accumulated impairment **R'000**	Carrying value **R'000**	Cost / valuation **R'000**	Accumulated amortisation and accumulated impairment **R'000**	Carrying value **R'000**
Computer software	53 330	(35 125)	18 204	46 709	(29 681)	17 028
Computer licences	1 064	(935)	129	2 029	(1 403)	626
Total	**54 394**	**(36 060)**	**18 333**	**48 738**	**(31 084)**	**17 654**

Reconciliation of intangible assets – 2022

	Opening balance **R'000**	Additions **R'000**	Amortisation **R'000**	Total **R'000**
Computer software	17 028	6 621	(5 445)	18 204
Computer licences	626	310	(807)	129
	17 654	**6 931**	**(6 252)**	**18 333**

Reconciliation of intangible assets – 2021

	Opening balance **R'000**	Additions **R'000**	Amortisation **R'000**	Total **R'000**
Computer software	23 588	8	(6 568)	17 028
Computer licences	836	962	(1 172)	626
	24 424	**970**	**(7 740)**	**17 654**

Leasehold improvements relate to the set up and installation cost of the leased premises.

Other information

Project in progress – Intangible asset

Included in the carrying value of software is one project, CMAS (compliance monitoring and assessment system), a sub project of the LOB programme, amounting to R7 518 942. The project took significantly longer to commence due to a delay in Ministerial approval of the project. The project is now back on track with an estimated completion date towards the end of the 2022/23 financial year.

Reassessment of intangible assets

The useful life of certain assets has been reassessed, resulting in an increase in the carrying value of intangible assets to the value of R485 164. Included in the reassessed assets were zero value assets with an initial cost of R90 262. Refer to notes 19 and 33.

	2022 R'000	2021 Restated* R'000

10. Finance lease obligation

	2022 R'000	2021 Restated* R'000
Minimum lease payments due		
- within one year	719	719
- in second to fifth year inclusive	120	839
	839	1 558
less: future finance charges	(39)	(128)
Present value of minimum lease payments	**800**	**1 430**

	2022 R'000	2021 Restated* R'000
Present value of minimum lease payments due		
- within one year	681	630
- in second to fifth year inclusive	119	800
	800	**1 430**

	2022 R'000	2021 Restated* R'000
Non-current liabilities	119	800
Current liabilities	681	630
	800	**1 430**

The finance leases are secured over the leased assets – refer to note 8. The annual effective interest rate for all the finance leases was 7.75 percent.

11. Payables from exchange transactions

	2022 R'000	2021 Restated* R'000
Trade payables	8 740	11 441
Accrued leave payables	7 861	9 178
Payroll payables	64	1
	16 665	**20 620**

The comparative figure for trade payables was restated with an accumulated increase of R5 460 220 due to value-added tax due to SARS on certain imported services and with R287 069 due to back-dated utility charges, retrospectively recovered by the landlord. Refer to note 32.

12. Provisions

Reconciliation of provisions – 2022

	Opening balance R'000	Additions R'000	Paid during the year R'000	Total R'000
Provision for bonuses	11 263	7 863	(11 263)	7 863
Legal	870	-	(870)	-
	12 133	**7 863**	**(12 133)**	**7 863**

Reconciliation of provisions – 2021

	Opening balance R'000	Additions R'000	Paid during the year R'000	Total R'000
Provision for bonuses	12 558	11 263	(12 558)	11 263
Legal	-	870	-	870
	12 558	**12 133**	**(12 558)**	**12 133**

	2022 R'000	2021 Restated* R'000
13. Third party deposits		
Opening balance	60	60
Additions	10	30
Paid to National Reserve Fund	(30)	(10)
Refunded to applicants	(10)	(20)
	30	**60**
14. Income received in advance		
Criminal Asset Recovery Account funds		
Opening balance	44 478	30 930
Funds utilised during the year	(12 885)	(1 182)
Funds received during the year	-	14 730
	31 593	**44 478**

The funds were received and are ring-fenced for funding the LOB programme. Refer to note 7.

	2022 R'000	2021 Restated* R'000

15. Operating lease

	2022 R'000	2021 Restated* R'000
Current liabilities	45	-
Non-current liabilities	26 003	20 468
	26 048	**20 468**

Minimum lease payments:		
Within one year	30 012	28 326
Within two to five years	142 274	132 565
Five years +	72 900	112 621
	245 186	**273 512**

15.1 Centurion leased premises

The FIC had entered into a lease contract for its current office premises located in Centurion. The lease contract commenced on 1 December 2018 and terminates on 30 November 2023. The lease contract has an option to renew the lease for a further 60 months. No lease incentive has been received.

15.2 Cape Town leased premises

The FIC had entered into a 36-month lease contract for its other office premises located in Cape Town. The lease commenced on 1 November 2019 and terminates on 31 October 2022. No lease incentives have been received. With the lease coming to an end in October, it is management's intention to extend the lease for a further period. Negotiations are currently under way.

16. Non-exchange revenue

	2022 R'000	2021 Restated* R'000
Transfer from National Treasury	297 259	290 243
Income: CARA – refer to note 14	12 885	1 182
	310 144	**291 425**

17. Exchange revenue

Interest bank	2 050	2 237
Other income	484	559
Interest finance assets – refer to note 6	100	51
	2 634	**2 847**

18. Personnel costs

Salary costs	155 072	155 075
Performance bonus	7 863	11 250
Unemployment insurance fund	409	365
Compensation for Occupational Injuries and Diseases	130	124
Provident fund	13 715	13 370
Group life	3 747	3 532
	180 936	**183 716**

	2022 R'000	2021 Restated* R'000

19. Depreciation and amortisation

Property, plant and equipment	10 450	10 335
Intangible assets	6 252	7 740
	16 702	**18 075**

There was an error in the calculation of depreciation for certain assets during 2018/19 and 2019/20. The comparative for depreciation was restated and increased by R326 993. The opening balance of accumulated surplus was restated to include the total movement in the prior years. Refer to notes 8 and 32 for detail.

	2022 R'000	2021 Restated* R'000

20. Finance costs

Finance charges – leased assets	89	109

21. Impairment of assets

Impairment of debtors

Trade and other receivables – refer to note 4	421	-

22. General expenses

	Notes	2022 R'000	2021 Restated* R'000
Audit and Risk Committee member fees	22.1	1 108	929
Advertising		784	310
Auditors remuneration	22.2	3 283	1 861
Bank charges		109	84
Cleaning		1 182	1 212
Computer expenses, subscriptions and support	22.5	19 697	19 331
Legal fees		3 217	5 107
Office consumables		319	247
Professional fees	22.7	3 168	2 150
Corporate gifts		-	7
Insurance		519	541
Conferences and seminars		149	315
Internal audit		1 291	1 159
Lease costs – equipment		-	28
Media, subscription and publications		3 382	3 971
Motor vehicle expenses		110	227
Postage and courier		7	8
Printing and stationery		82	210
Recruitment and placement fees		487	613
Personal protection equipment		143	101
Remuneration committee member fees	22.4	524	510
Repairs and maintenance	22.3	679	1 229
Rent and operating costs	22.6	35 278	35 253
Research and development costs	22.7	6 079	1 011
Security		3 029	2 722
Membership fees		3 492	3 458
Telephone, fax and internet		3 378	3 755
Employee training		1 220	1 434
Travel – local		315	138
Travel – overseas		411	99
Training academy – interns		2 407	2 755
Subsistence and accommodation – local		140	48
Subsistence and accommodation – international		477	19
Contractors and temporary workers		13 389	13 269
Parking – employees		3 219	3 219
		113 074	**107 330**

	2022 R'000	2021 Restated* R'000
22.1 Audit and Risk Committee member fees		
Dr D Jairam-Owthar	220	185
B Mbewu	255	203
P Phili	260	206
PN Sibiya	225	158
T Kgokolo	54	177
S Mayinga	94	-
	1 108	**929**
22.2 Auditors remuneration		
Auditor-General of South Africa	3 283	1 861
22.3 Repairs and maintenance		
Payments made to service providers	258	975
Material purchased for general upkeep of assets	421	254
	679	**1 229**
22.4 Remuneration Committee member fees		
B Chaplog	173	200
J Olivier	183	155
TJ Mclean	168	155
	524	**510**

22.5 Computer expenses (licence, support and subscriptions)

Legislation introduced by SARS, whereby value-added tax is payable by a South African recipient of certain imported services, resulted in the understatement of computer expenses. The comparative figure for computer expenses increased with R822 302 in 2021 and R4 637 919 in the prior years. Refer to notes 32 and 11.

22.6 Rent and operating cost

Backdated utility charges by the landlord for water and sanitation resulted in an increase in the comparative figure for rent and operating cost by R82 665. Refer to notes 32 and 11.

22.7 Research and development cost

The comparative figure for professional fees was restated with the reclassification of R1 010 528 as research and development costs. The costs relate to the blueprint design for the LOB programme.

23. Cash (utilised) / generated from operations

	2022 R'000	2021 Restated* R'000
Surplus (deficit)	1 724	(15 154)
Adjustments for:		
Depreciation and amortisation	16 702	18 075
Loss / (gain) on sale of assets	(168)	196
Income amortised	(12 885)	(1 182)
Operating lease – smoothing	5 580	7 645
Allowance for impairment	421	-
Provision for legal fees	-	870
Performance bonus provision	7 863	11 263
Prepayment releases	27 814	38 243
Amortised income	(100)	(51)
Net interest	4	362
Prior year adjustment	-	904
Other income – movement in debtors	(63)	(263)
Changes in working capital:		
(Increase)/decrease in inventories	(36)	5
Receivables other (refund of expenses)	(293)	-
Prepayments paid	(32 080)	(38 665)
Increase/(decrease) in trade and other payables	(3 953)	3 050
Provisions – bonuses paid	(12 133)	(12 558)
Third party deposits	(30)	-
	(1 633)	**12 740**

24. Employee benefit obligation

Defined contribution plan

Employees of the FIC as well as certain contract workers and interns are members of Liberty Life Umbrella Provident Fund. This is a defined contribution fund and it is governed by the Pension Fund Act, 1956 (Act 24 of 1956) as amended.

Employees are able to elect the rate at which they contribute towards the provident fund. The current contribution rates available for selection are as follows: 10 percent, 15 percent, 17.5 percent and 20 percent.

	2022 R'000	2021 Restated* R'000
The total economic entity contribution to such schemes	17 462	16 902

25. Related parties

Related party transactions

25.1 National executive

The FIC has been established by National Treasury in terms of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). The Minister of Finance is the executive authority and the FIC is ultimately controlled by the national executive.

Non-exchange transfers		Opening balance R'000	Funds utilised R'000	Funds received R'000	Closing balance R'000
National Treasury	25.1.1	-	(297 259)	297 259	-
Criminal Asset recovery Account (CARA)	25.1.2	44 478	(12 885)	-	31 593
		44 478	**(310 144)**	**297 259**	**31 593**

25.1.1 The FIC received a non-exchange transfer from National Treasury as detailed in note 16 for its activities to identify the proceeds of crime and combat money laundering and the financing of terrorism. There were no amounts owing to or by the FIC to National Treasury. Refer to note 16.

25.1.2 Funds received from the CARA is ring-fenced for the funding of the LOB programme. Refer to notes 14 and 16.

25.2 State controlled entities

As a national public entity fully funded by government, any other entity of national government is a related party. All FIC transactions with such entities are at arm's length and on normal commercial terms, except where employees of national departments or national public entities participate in the FIC's processes and did not recover any costs from the FIC for services rendered, and the FIC did not recover any costs for services provided.

	2022 R'000	2021 Restated* R'000
Services rendered at no cost		
South African Police Service (SAPS)	111	108

During the year under review, members of SAPS were allocated office space at the FIC's head office at no cost. These members were also provided with the use of 15 x Microsoft 365 licences.

During the year under review, no related party services were received.

25.3 Key management personnel - 2022

Name	Position	Cash component R'000	Performance bonus R'000	Provident Fund R'000	Total R'000
Adv XJ Khanyile	Director	3 068	-	-	3 068
C Malan	Executive Manager: Compliance and Prevention	1 960	204	326	2 490
P Smit	Executive Manager: Legal & Policy	2 073	186	278	2 537
M Masiapato	Executive Manager: Monitoring & Analysis – see note 25.3.1	1 271	193	109	1 573
P Alberts	Acting Executive Manager: Monitoring & Analysis — see note 25.3.2	792	-	103	895
M Maboka	Executive Manager: Corporate Services	1 983	161	353	2 497
V MarshSmit	Chief Financial Officer	1 580	182	389	2 151
		12 727	**926**	**1 558**	**15 211**

25.3.1 Dr M Masiapato, Executive Manager: Monitoring and Analysis, resigned and left the FIC at the end of October 2021. Leave pay of R107 581 is included in the cash component of R1 271 454.

25.3.2 Mr P Alberts was appointed as acting Executive Manager: Monitoring and Analysis in November 2021. An acting allowance of R224 550 is included in the cash component of R792 362.

Connectivity cost of R299 per month has been paid to all employees since August 2021 to enable them to stay in contact with the office while they have to work from home.

Key management personnel - 2021

Name	Position	Cash component R'000	Performance bonus R'000	Provident Fund R'000	Total R'000
Adv XJ Khanyile	Director	3 069	-	-	3 069
C Malan	Executive Manager: Compliance & Prevention	1 827	271	386	2 484
P Smit	Executive Manager: Legal & Policy	2 106	245	168	2 519
M Masiapato	Executive Manager: Monitoring & Analysis	1 920	226	178	2 324
M Maboka	Executive Manager: Corporate Services	1 928	175	333	2 436
V MarshSmit	Chief Financial Officer	1 534	147	371	2 052
		12 384	**1 064**	**1 436**	**14 884**

26. Risk management

Interest rate risk management

The FIC's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the FIC to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets

Cash at the bank earns interest at a rate linked to the prime interest rate. Management accepts the risk exposure on receivables due to the amounts being negligible.

Financial liabilities

Finance lease payments are fixed, resulting in no risk exposure.

Liquidity risk

Liquidity risk is the risk that the FIC will not be able to meet its financial obligations as they fall due.

In terms of its borrowing requirements, the FIC ensures that adequate funds are available to meet its expected and unexpected financial commitments.

Market risk

The FIC's activities expose it primarily to the risks of fluctuations in interest rates and foreign currency risk.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Credit risk management

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the entity.

Maximum exposure to credit risk

The FIC's exposure to credit risk to loans and receivables is limited.

Foreign currency risk management

Management accepts the risk as a result of changes in rate of exchange and therefore has not hedged foreign currency risk. These transactions are not of a material nature.

	Notes	2022 R'000	2021 Restated* R'000

Financial assets

	Notes	2022 R'000	2021 Restated* R'000
Financial instrument			
Cash		75 041	87 585
Receivables		472	541
Deposits		815	716
		76 328	**88 842**
Financial liabilities			
Finance lease obligation		800	1 430
Trade and other payables		16 665	20 620
Third party deposits		30	60
Provisions		8 063	12 133
		25 558	**34 243**

Floating rate financial assets	**Change in rate**	2022 R'000	2021 Restated* R'000
Bank balance	1.00 %	750	876
Receivables	1.00 %	5	5
Deposits	1.00 %	8	7
		763	**888**
Floating rate financial liabilities		-	-
Finance lease obligation	1.00 %	8	14
Trade and other receivables	1.00 %	167	206
Provisions	1.00 %	81	121
		256	**341**

27. Fruitless and wasteful expenditure

	Notes	2022 R'000	2021 Restated* R'000
Opening balance		1	-
		1	**-**
Add: Fruitless and wasteful – current		16	7
Less: Amount written off – current		-	(6)
Closing balance		**17**	**1**
Training cost	27.1	16	6
Leave pay	27.2	-	1
		16	**7**

27.1 Training employees

Nine employees did not attend an official external training session due to a number of different reasons. The Director instructed different sanctions to be instituted against the affected employees, where relevant. There was an objection lodged against one of the findings. Mechanisms have been put in place to safeguard against similar incidents in future.

27.2 Leave pay

The Sage 300 leave system was not properly set up at the correct monthly leave accrual rate and did therefore not allocate leave at a consistent rate for the graduate employees. The system error was identified and fixed in January 2021 but only after three graduates, who left the FIC, were overpaid on their leave days.

	Notes	2022 R'000	2021 Restated* R'000
28. Irregular expenditure			
Opening balance		21	418
Add: Irregular Expenditure – current year	28.1	1 527	21
Less: Amounts condoned / written off	28.2	(13)	(418)
		1 535	**21**
Incidents/cases identified in the current year:			
Software licence		793	-
Expansion of contract		734	-
		1 527	**-**

28.1 Irregular expenditure

Award of software licences – R793 265

During the 2021/22 audit, a three-year contract awarded for the acquisition of software licences, was not calculated in accordance with the requirements of the PPPFA and Preferential Procurement Regulations. This resulted in the contract being awarded to the bidder that did not score the highest points. The value of the contract for the 2021/22 financial year amounted to R793 265.

Expansion of a contract – R733 700

During the 2021/22 audit, due to a calculation error, the expansion of a contract was not approved by the proper delegated official. The expansion amounted to R733 700 that exceeded the authority's delegation with R80 684.

28.2 Amounts condoned / approval for removal

National workshop hosted – R12 966

The FIC hosted a national workshop in preparation for the mutual evaluation by the International Monetary Fund, Financial Action Task Force and the Eastern and Southern Africa Anti-Money Laundering Group, which was held from 9 to 12 November 2019.

Throughout the duration of the workshop, more officials, including senior managers, attended the sessions even though they had not indicated to the FIC that they would be attending. This resulted in an unapproved increase in the number of physical break-away rooms and dinners not requested as all employees received subsistence allowances.

National Treasury did not condone the irregular expenditure. After confirmation was provided that the additional dinners were recovered from the relevant employees, the Director approved the writing off of the irregular expenditure albeit instructing units to amend their processes to ensure that a person who did not respect invitations to workshops, would not be allowed to attend such workshops going forward, to ensure the FIC did not incur similar irregular expenditure in the future.

Possible irregular expenditure

Transactions to the value of R848 740 was identified as possible irregular expenditure and are at different stages of the determination process.

	2022 R'000	2021 Restated* R'000
Opening balance	839	577
Possible irregular expenditure written off due to change in legislation	-	(174)
New possible irregular expenditure raised during the year	10	436
Balance	**849**	**839**

29. Contingencies

29.1 Accumulated surplus

In terms of section 53(3) of the PFMA, a public entity may not accumulate surplus funds without written approval from National Treasury. The calculation of the surplus has been defined in National Treasury instruction No. 12 of 2021/2022 and amounts to R18 436 000. This surplus has to be declared to National Treasury during the period 1 August 2022 to 30 September 2022 and a formal request to retain these funds has to be submitted to the National Treasury during the same period. The FIC will submit a request to retain the calculated surplus during the period 1 August 2022 to 30 September 2022 as instructed in the instruction note.

On 29 October 2021, National Treasury granted approval for the retention of R15 955 000 of the surplus retention request submitted for the year ended 31 March 2021. The FIC had to utilise R3 500 000 of the approved retained surplus to fund the first installment of the backdated recovery of value added tax by SARS. Refer to note 32 for details. The remaining balance due to SARS was funded from the 2021/22 FIC budget allocation.

The FIC opened a call account with the South African Reserve Bank and transferred R30 000 000 into the CPD account.

29.2 Litigation and claims.

During the 2021/2022 financial year the FIC joined proceedings in the following cases, where the status of the cases are at various stages:

29.2.1 The High Court delivered judgment and dismissed the application brought before the court to make certain confidential information public. The opposition is appealing the judgment and the FIC is intervening in the proceedings to prevent its confidential information being made public.

29.2.2 The FIC is opposing an appeal launched at the Johannesburg High Court against the decision of the Appeal Board upholding a sanction issued by the FIC. The matter has been set down for hearing on 2 November 2022.

29.3 An application was brought to the Equality Court of the Western Cape during January 2022. The FIC instructed its legal advisors to oppose the application.

	2022 R'000	2021 Restated* R'000

30. Capital Commitments

Approved and committed capital expenditure	**73**	**575**

31. Gain / (loss) on disposal of assets

Gain / (loss) on disposal of property, plant and equipment	**168**	**(196)**

32. Prior year errors

Prior year errors have been accounted for retrospectively and the comparative figures have been restated.

The correction of the errors results in adjustments as follows:

Statement of financial position	Notes	2021 R'000	2020 R'000
Increase in accumulated depreciation	32.1	(286)	(286)
Increase in trade payables	32.2	(5 747)	(4 842)
		(6 033)	**(5 128)**
Decrease in opening accumulated surplus		**5 128**	**3 590**
Statement of financial performance			
Increase in depreciation	32.1	-	327
Increase in general expenses – computer expenses	32.2	822	1 045
Increase in general expenses – rent & operating costs	32.2	83	166
		905	**1 538**

32.1 Accumulated depreciation

There was an error in the calculation of depreciation for certain assets during 2018/19 and 2019/20. This resulted in an increase of R12 415 in the opening balance of accumulated depreciation for computer hardware, an increase of R2 820 in accumulated depreciation for office equipment and a decrease of R56 488 in the accumulated depreciation for furniture. This resulted in an increase in the opening balance of accumulated surplus with R41 253. Refer to note 8.

32.2 Payables from exchange transactions

32.2.1 Value added tax

The FIC is not registered for value added tax but, was informed by SARS that it needed to pay value added tax on certain imported ICT services. The recoveries dated back to 2014 and resulted in an increase in the opening balance of trade payables of R3 593 142 and a decrease in the opening balance of accumulated surplus with R 3 593 142. Refer to note 11.

32.2.2 Rent and operating costs

During the year the landlord of the Centurion offices raised backdated utility charges for water and sanitation. This resulted in an increase in the opening balance for trade payables of R38 404 and a decrease in the opening balance of accumulated surplus of R38 404. Refer to note 11.

33. Change in estimate: Useful life of assets reviewed

	Initial estimate for 2022 R'000	Revised estimate for 2022 R'000	Increase/ (decrease) current year R'000	Increase/ (decrease) future years R'000
Property, plant and equipment				
Computer hardware	143	84	(59)	83
Office equipment	28	17	(11)	15
	171	**101**	**(70)**	**98**
Intangible assets				
Computer software	981	496	(485)	496
	981	**496**	**(485)**	**496**

Property, plant and equipment

The change in the estimated useful life of property, plant and equipment in the current year resulted in an increase in the carrying value of property, plant and equipment of R70 285, and a decrease in the depreciation expense of R70 285. The effect of the change on future years will be an increase in depreciation of R98 884 reversing the credit of R70 285 created in the current year. Refer to notes 8 and 19.

Intangible assets

The change in the estimated useful life of intangible assets in the current year resulted in an increase in the carrying value of intangible assets of R485 164 and a decrease in the depreciation expense of R485 164. The effect of the change on future years will be an increase in depreciation of R496 313 reversing the credit of R485 164 created in the current year. Refer to notes 9 and 19.

PART F

Materiality and Significance Framework

MATERIALITY AND SIGNIFICANCE FRAMEWORK

BACKGROUND

This document was developed to give effect to the May 2002 amendment to the National Treasury Regulations, whereby the following new requirement was placed on public entities:

Section 28.1.5 –

> *"For purposes of material [sections 50(1), 55(2) and 66(1) of the Public Finance Management Act (PFMA)] and significant [section 54(2) of the PFMA], the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority."*

South African Auditing Standards 320.03 defines materiality as follows:

> *"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have if it is to be useful."*

Accordingly, we will be dealing with this framework under two main categories: the quantitative and qualitative aspects.

QUANTITATIVE ASPECTS

Materiality level

The FIC has assessed the level of a material loss as R1 531 000, based on audited financial statements. This is the average of 0.5 percent of income and expenses and 1 percent of assets.

Nature of the FIC's business

The FIC continues to be an operational cost-driven organisation that utilises public funds to fulfil the legislated mandate. Thus, calculation of the materiality value involves expenditure as one of the factors and this is balanced with the total income and the value of the institution's assets.

The FIC is a statutory body that has been formed to give effect to the Financial Intelligence Centre Act and has been listed as a PFMA (Public Finance Management Act, 1999 (Act 1 of 1999) Schedule 3A public entity. It was accordingly decided to give preference to a relatively low level of materiality due to the FIC being so closely governed by various Acts and the public accountability and responsibility it has to its stakeholders.

QUALITATIVE ASPECTS

Items or transactions may be material on qualitative grounds, rather than the amounts involved.

These qualitative grounds may include, amongst others, the following:

- Any new ventures that the FIC may enter into.
- Unusual transactions entered into that are not of a repetitive nature and that should be disclosed purely due to the nature thereof where knowledge thereof may affect the decision-making of the user of the financial statements.
- Transactions entered into that could result in reputational risk to the FIC.
- Any fraudulent or dishonest behaviour of an employee of the FIC at senior or management level.

APPLICATION OF THE FIC MATERIALITY AND SIGNIFICANCE FRAMEWORK TO THE PUBLIC FINANCE MANAGEMENT ACT

PFMA Section	Quantitative Aspects	Qualitative Aspects
Section 50 (1) The accounting authority for a public entity must – • on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or the legislature.	Any facts discovered which in aggregate exceed the materiality figure, which will be calculated on an annual basis as defined in this document. The FIC assessed this value as R1 531 000.	Any item or event of which specific disclosure is required by law. Any fact discovered by which its omission or misstatement, in the opinion of the FIC, could influence the decisions or actions of the executive authority or the legislature.

PFMA Section	Quantitative Aspects	Qualitative Aspects
Section 55 Annual report and financial statements The annual report and financial statements referred to in subsection (1)(d) must – a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned. b) include particulars of: i. any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. ii. any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure. iii. any losses recovered or written off.	• Losses through criminal conduct – all losses that are legally confirmed and if the amount exceeds the materiality level. • All losses through irregular/ fruitless /wasteful expenditure where transactions/actions have been determined as such.	The following will be taken into account in measuring materiality for presentation: • Disclosure requirements. • Compliance with legislative requirements, regulations and policies. • Nature of transaction.
Section 66 (1) Restrictions on borrowing, guarantees and other commitments (1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction is authorised by this Act, and in the case of public entities, is also authorised by other legislation not in conflict with this Act.	All transactions not in compliance with S66 (1).	
Section 54 (2) Information to be submitted by accounting authorities Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction: a) establishment or participation in the establishment of a company b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement c) acquisition or disposal of a significant shareholding in a company d) acquisition or disposal of a significant asset e) commencement or cessation of a significant business activity f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Unless exempted in terms of Sec 54(4) the following will apply: (d) Asset acquisition or disposals that exceed R10 000 000 in value. (e) Any commencement or cessation of significant activity, irrespective of amount.	Unless exempted in terms of Sec 54(4) the following will apply: (a – c) & (f) Any of the transactions or actions to be entered into in (a)–(c) will qualify to be included as these are not the normal business of the FIC.

Financial
Intelligence Centre

www.fic.gov.za