ANNUAL REPORT 2023/24

Progressing the fight against financial crime

Financial Intelligence Centre

Published by the Financial Intelligence Centre
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South Africa
Tel: +27 12 641 6000
Fax: +27 12 641 6215
ISBN: 978-1-77997-025-1
RP: 164/2024

SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

To the Minister of Finance, Mr Enoch Godongwana, MP

I have the honour of submitting to you the annual report of the Financial Intelligence Centre for the financial year 1 April 2023 to 31 March 2024.

Pieter Smit
Acting Director and
Accounting Authority

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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, Pretoria

ABBREVIATIONS AND ACRONYMS

ACTT	Anti-Corruption Task Team
AFU	Asset Forfeiture Unit
AML and CFT	Anti-money laundering and combating the financing of terrorism
AML, CFT and CPF	Anti-money laundering, combating the financing of terrorism and combating proliferation financing
CTR	Cash threshold report
DNFBPs	Designated non-financial businesses and professions (which includes casinos, lawyers, notaries and other independent legal practitioners, accountants, trust and company service providers, estate agents, dealers in precious metals and dealers in precious stones)
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
SFC	Shared Forensic Capability
GLA Act	General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022)
GRAP	Generally Recognised Accounting Practice
IAWG: IFFs	Inter-Agency Working Group on Illicit Financial Flows
ICT	Information and communications technology
IFTR	International funds transfer report
IFWG	Intergovernmental Fintech Working Group
ML	Money laundering
MoU	Memorandum of understanding
NPCOC	National Priority Crime Operational Committee
NPO	Non-profit organisation
PF	Proliferation financing
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)
RMCP	Risk management and compliance programme
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
TF	Terrorist financing
TPR	Terrorist property report
UNSC	United Nations Security Council
VDR	Voluntary disclosure report

FOREWORD BY THE MINISTER

South Africa's economy is one of the top four economies on the African continent. The International Monetary Fund predicts that South Africa will remain one of the largest economies together with Egypt, Algeria and Nigeria, and has the potential to reach even greater heights in the foreseeable future. This, indeed, is an encouraging view.

However, the high level of financial crime over the last few years continues to hamper the country's ability to eradicate poverty, create employment, reduce inequality, and attract foreign investment. We thus cannot but continue progressing the fight against financial crime.

Overview

It is a national and international imperative to take all the steps needed to reduce the incidence of financial crime. These steps include implementing the various measures recommended by the Financial Action Task Force (FATF) when it declared South Africa as a jurisdiction under increased monitoring (commonly referred to as grey listing) in February 2023.

The FATF, the global financial crime watchdog, grey listed our country for falling short of meeting international standards to combat financial crimes such as money laundering, and the financing of terrorism and proliferation of weapons of mass destruction.

To borrow from technology jargon, we could say that our country's "anti-virus solutions" were found to be outdated. It has become necessary to "reboot, and download and install the latest security updates". South Africa's policymakers, regulators and private sector have therefore been working together at an intense pace to address the deficiencies identified by the FATF. The goal is to achieve full compliance with FATF standards by the February 2025 deadline and to exit the grey list.

The FIC has been working diligently alongside the National Treasury, law enforcement agencies and supervisors, and has, in many instances, been spearheading the effort to exist the grey list through the special structures created for this purpose. I believe that intentional collaboration among all the role players across government will help us exit the grey listing timeously.

Thankfully, we can also count on international support. South Africa has solid, strategic relationships as a member of the FATF and the Eastern and Southern Africa Anti-Money Laundering Group, and the FIC is a member of the Egmont Group of Financial Intelligence Units.

Furthermore, the FIC has memoranda of understanding with 102 financial intelligence units in other countries and can request information and assistance from these international partners in combating financial crime.

During the financial year, South Africa received technical assistance in assessing the terrorist financing risks in the South African non-profit sector. South Africa also benefited from the knowledge and experience of the Mauritius Financial Intelligence Unit. Mauritius was grey-listed by FATF in 2020 but succeeded to exit the list in less than two years, which is fast by international standards.

Milestones

This annual report elaborates on the FIC's competence and performance during 2023/24, its advances in ensuring broader compliance with the FIC Act as well as its commendable contribution in addressing the deficiencies identified by FATF so that South Africa can exit the grey list.

As a strong link in the value chain to address financial crime in the country, the FIC continues to provide financial intelligence and forensic analysis that enables law enforcement and other competent authorities to conduct their investigations, secure prosecutions and apply for forfeiture of criminal assets.

To address the deficiencies pointed out by FATF, the legislation defining the parameters of South Africa's financial regulation and monitoring had to be amended and augmented. Most of these amendments were promulgated during the previous financial year and brought about fundamental changes to the depth and breadth of the FIC's work.

In all of these endeavours the participation of the private sector as customer-facing entities continues to be key. Registering with the FIC and providing regulatory reports to the FIC is fundamental in combating financial crime. The alertness of business enhances the collective effectiveness in protecting South Africa's financial system.

Appreciation and conclusion

I applaud the employees and the leadership of the FIC, who worked prodigiously throughout 2023/24. In the face of vast change impacting the organisation and its regulatory environment, these men and women have consistently kept the pace required.

I extend a special thank you to Adv Xolisile Khanyile for remaining on as Director of the FIC beyond her original term, up to the beginning of September 2023. I also express my appreciation to Pieter Smit, who took up the role of Acting Director of the FIC, and who continues to do sterling work.

In progressing the fight against financial crime, we are reaching the culminating point where, to quote my laptop computer, "we are rebooted, the security updates have been successfully installed and are ready to use".

Mr Enoch Godongwana, MP
Minister of Finance

ACTING DIRECTOR'S OVERVIEW

> As this report demonstrates, the results of the Financial Intelligence Centre's hard work are tangible in progressing the fight against financial crime.

I am pleased to present the 2023/24 annual report of the Financial Intelligence Centre (FIC). It was a year characterised by focused and urgent implementation of the numerous legislative and regulatory developments that took place in the previous financial year, and the imperative of meeting the Financial Action Task Force requirements to help South Africa exit the grey list.

Overview of strategy and performance

The FIC successfully implemented its strategic and annual performance plan during the year under review, achieving and exceeding many of its performance targets, while carrying out its mandate to:

- Identify the proceeds of crime
- Assist in combating money laundering
- Assist in combating financing of terrorism
- Assist in combating the financing of proliferation of weapons of mass destruction
- Supervise all non-financial accountable institutions
- Produce forensic evidence pertaining to the flow of financial transactions.

The FIC contributed to the recovery of R98.5 million in criminal proceeds during 2023/24 by providing financial intelligence to law enforcement and other competent authorities for their investigations, prosecutions and applications for asset forfeiture. The FIC does not itself conduct investigations. We produced a total of 3 924 intelligence reports.

Over the period under review, the FIC continued to supervise and enforce compliance with the FIC Act, inclusive of its amendments. The FIC achieved a major milestone in making this function risk-based by developing technology (the Risk and Compliance Analytical Assessment tool) that assists in identifying accountable institutions at higher risk of being abused for money laundering and terrorist financing purposes. For this process, the FIC required accountable institutions to submit their risk and compliance returns. By using the Risk and Compliance Analytical Assessment tool on the submitted risk and compliance returns, the FIC was able to produce reliable risk assessment results, which in turn helped it to allocate its resources more efficiently and determine the most appropriate supervisory actions required.

The FIC also worked closely with various government departments, entities and agencies in contributing to South Africa's collective effort to strengthen the effectiveness of its regime for anti-money laundering and combating the financing of terrorism, and to resolve deficiencies identified in the mutual evaluation of South Africa. This was carried forward in the Financial Action Task Force International Co-operation Review Group's grey listing action plan for South Africa in February 2023. The results of the analysis of the information in the risk and compliance returns, and the subsequent risk-based supervisory inspection actions, were used to report on the progress the country has made in addressing the shortcomings identified in the 2019 mutual evaluation.

In Part B of this report, we provide detail on the role of the FIC in the lead up to the Financial Action Task Force mutual evaluation, outcomes of the evaluation, the country's subsequent grey listing, and the work that lies ahead in the coming period.

During the 2023/24 financial year, the FIC delivered on the eight strategic action items, outlined in this report, which South Africa has committed to resolving by January 2025.

Joint approach to fighting crime

During 2023/24, the FIC continued collaborating and partnering with a wide range of national and international role players in progressing the fight against financial crime.

The FIC's key partners and collaborators during the period under review, included financial intelligence units, law enforcement agencies, government departments and entities, the private sector, and non-governmental and regional organisations, such as:

- Government institutions and groups involved in the criminal justice system, law enforcement, prosecutorial authorities and other competent authorities as well as the Financial Sector Conduct Authority , South African Revenue Service and South African Reserve Bank.
- Accountable institutions, including legal practitioners, banks, estate agents and gambling institutions, crypto asset service providers and credit providers.
- The Inter-Agency Working Group on Illicit Financial Flows, whose aim is to limit money flowing illicitly out of the country.
- The South African Anti-Money Laundering Integrated Task Force, 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 help expedite solving of financial crime.
- The Fusion Centre, which is a public-public collaboration in dealing with matters related to corruption and money laundering.
- The Intergovernmental Fintech Working Group, which focuses on financial technology developments and their regulatory and policy implications for the financial sector and the economy.
- Global bodies engaged in combating money laundering, the financing of terrorism and proliferation financing, such as the Egmont Group of Financial Intelligence Units and proliferation financing, and the Financial Action Task Force.
- The Eastern and Southern Africa Anti-Money Laundering Group, which promotes the formulation of policies on the prevention of money laundering and terrorist financing in the region.
- The Brazil, Russia, India, China, South Africa Countering Terrorist Financing sub-working group, which the FIC chaired in 2023.
- The Organisation for Economic Co-operation and Development Foreign Bribery Working Group, in which the FIC provides support on foreign bribery cases investigated by South African authorities.

Furthermore, the FIC has 102 memoranda of understanding in place with international financial intelligence units. Memoranda of understanding were concluded with the financial intelligence units of Kazakhstan and Pakistan during the reporting year. The FIC also has 42 memoranda of understanding with domestic institutions that work together to ensure that the financial system is safe, stable and sustainable for all citizens. In addition, the FIC signed a co-operation agreement with the domestic branch of INTERPOL during the financial year.

Collaboration and partnerships advanced the work and operations of the FIC. The case studies that appear in Part B of this annual report are a testimony to the significance of the financial intelligence the FIC produces and the impact this has on the FIC's collaborative relationships and partnerships and overall efforts to address financial crime.

General financial review and spending trends

The FIC is funded from the national budget with funds voted as part of the National Treasury budget. For the 2023/24 financial year, the FIC had a final approved budget of R385.7 million (2022/23: R316.8 million).

In February 2023, the Minister of Finance announced the allocation of an additional R265.3 million in funding over the Medium-Term Expenditure Framework period, for the FIC to help exit the country from the Financial Action Task Force grey list. With this allocation, the FIC increased its human resources and general capacity, and operationalised the Shared Forensic Capability as described in this report.

Capacity constraints and challenges

The FIC's challenges during the period under review related to capacity and budgetary constraints, the sharp increase in workload and urgency to meet non-negotiable deadlines. Most challenges were resolved or mitigated during the year, and employees worked hard as a team to maintain good performance and morale.

Due to legislative and regulatory developments, the FIC's mandate expanded during 2023/24. This intensified the pressure and workload, thus propelling the organisation to recruit and upskill a record number of employees. The FIC's delivery requires employees with scarce skills and expertise. Consequently, keeping the FIC capacitated requires considerable effort and capital.

Advocate Xolisile Khanyile's contract as Director of the FIC came to an end on 30 June 2023, her tenure at the FIC was extended to 30 August 2023. The Minister of Finance appointed Pieter Smit, the Executive Manager for the Legal and Policy division at the FIC, as the Acting Director of the FIC effective from 1 September 2023.

Human capital

The FIC recruited 86 new employees in the financial year. This brought the FIC workforce complement to 257 on 31 March 2024 (2022/23:197).

The FIC also promoted current employees and invested in developing their expertise to capacitate the organisation in the areas that the Financial Action Task Force found lacking during the mutual evaluation.

A total of 85.2 percent of the FIC's workforce is from designated race groups and 58.7 percent is female. This demonstrates the FIC's resolve to maintaining a transformed and equitable workforce. Changes to legislative and regulatory frameworks during the previous financial year have broadened the scope of the FIC's work and increased its workload. This means that the FIC is likely to continue recruiting new skills during the next financial year.

Technology

In progressing the fight against financial crime, the FIC's information and communications technology capability plays a critical role. Throughout the reporting period, the FIC updated systems, platforms and infrastructure to ensure the information and communications technology environment was secure and up to date, enabling the FIC to function as efficiently and effectively as possible.

Strategic segments of the technology modernisation programme reached completion and were successfully implemented. These technology capability enhancements bring South Africa's anti-money laundering and combating of financing of terrorism technical platform in line with international practice and address the recommendations made following the mutual evaluation.

A comprehensive cyber security strategy is in place, as well as a cloud computing strategy. A dedicated cyber security team ensures that information under the FIC's custody remains safe at all times.

The FIC gave effect to all 169 United Nations Security Council targeted financial sanctions on the FIC website within 24 hours of the designations being made, as required by the Financial Action Task Force.

The FIC's website underwent a redesign to better support the FIC in delivering on its mandate. The redesign improved the aesthetics as well as the functionality of the website.

The FIC's website offers an online search tool, the targeted financial sanctions list, to assist accountable institutions in finding possible matches between their clients' names and/or entities' names on the list. This is important for accountable institutions to help prevent transactions from taking place between institutions and persons or entities associated with terrorism or proliferation, or the financing thereof, as identified in terms of a resolution of the United Nations Security Council.

Audit report matters

The FIC relies on good corporate governance to deliver on its mandate and received an unqualified audit opinion without findings for the 2023/24 financial year.

Supply chain management

Supply chain management processes and systems of the FIC comply with the required Regulations and Practices in the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) as well as 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

The new Shared Forensic Capability started operating in May 2023 under the auspices of the FIC. It is an initiative of the Justice, Crime Prevention and Security Cluster, reporting to the National Priority Crime Operational Committee and using resources from programme 2 at the FIC.

The purpose of the capability is to provide forensic service support to law enforcement agencies and other authorities in terms of section 40 of the FIC Act, as amended by the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022). Forensic support includes specialised resources in forensic accounting, analysis and reporting, as well as producing forensic evidence and presenting such evidence in court.

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 2024, 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 and financial management, and capable leadership ensure the entity's financial viability.

Going forward

The FIC will continue to focus on building capacity and resources, going forward, with a view to improving its performance against annual performance targets. Special attention will be paid to improving the employee experience and optimising personal performance.

The FIC will continue contributing to South Africa's collective effort to exit the Financial Action Task Force grey list. This entails implementing the aspects specified in the action plan, strengthening the effectiveness of the regime for combating money laundering and terrorist financing, and resolving deficiencies identified in the mutual evaluation of South Africa by the Financial Action Task Force. At the financial year end, the FIC was finalising South Africa's national risk assessment on terrorist financing, the conclusions of which will be published in the next annual report.

Following the formation of the Government of National Unity in the seventh administration, the FIC welcomes Mr Enoch Godongwana, MP, in the position of Minister of Finance for another term. We look forward to continuing on the work that has been taking place under the leadership and guidance of the Minister.

Acknowledgements and appreciation

In conclusion, I would like to thank Minister Enoch Godongwana for his unwavering support and stabilising leadership.

My thanks and appreciation also go to the many organisations and individuals who gave the FIC their time, expertise, collaboration and co-operation throughout the year. These include national and international law enforcement agencies, financial intelligence units, prosecutorial authorities, supervisory bodies, government departments and entities, task teams, working groups, non-governmental and non-profit organisations, the private sector, and accountable institutions as well as the Eastern and Southern Africa Anti-Money Laundering Group, Financial Action Task Force and Egmont Group of Financial Intelligence Units.

A wholehearted thank you to the executive management team that has supported me unreservedly, and to every single employee of the FIC for their exceptional diligence, commitment and effort. As this report demonstrates, the results of everyone's hard work are tangible in progressing the fight against financial crime.

Pieter Smit
Acting Director and Accounting Authority
Financial Intelligence Centre

31 July 2024

HIGHLIGHTS OF THE YEAR

The FIC exceeded 7 and achieved 8 of its 20 annual performance targets in 2023/24.

Highlights include:

Contributing to the recovery of **R98.5 million** in criminal proceeds.

Producing a total of **3 924** proactive and reactive financial intelligence reports.

Holding **50 engagements** to improve the understanding and utilisation of FIC intelligence reports.

A FIC case study was selected for **inclusion in the latest Best Egmont Case Award book.**

Developing and implementing the **Risk and Compliance Analysis Assessment tool** to assist in risk assessment.

Contributing to the reforms on beneficial ownership. The national beneficial ownership framework was implemented and became **functional in less than a year.**

Implementing software and hardware upgrades to keep South Africa's AML and CFT technology platform up to date.

Improving the **aesthetics and functionality** of the FIC website.

Establishing the **Shared Forensic Capability** within the FIC and providing forensic support.

Hosting webinars to improve compliance, which was attended by **32 914** people.

Contributing to South Africa's collective effort to strengthen the effectiveness of its AML and CFT regime and resolve deficiencies identified in the FATF mutual evaluation report.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General of South Africa.
- 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 F) have been prepared in accordance with the prescribed standards of Generally Recognised Accounting Practices (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 which has been 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 2024.

Yours faithfully

Pieter Smit
Acting Director

31 July 2024

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 also 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 is a statutory body established to give effect to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act).

The FIC is listed as a Schedule 3A public entity according to the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA).

The FIC Act works in tandem with the following Acts:

- Prevention of Organised Crime Act, 1998 (Act 121 of 1998) (POC Act)
- Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004) (POCDATARA Act)
- South African Police Service Act, 1995 (Act 68 of 1995) (SAPS Act)
- Intelligence Services Act, 2002 (Act 65 of 2002) (IS Act)

The FIC Act places obligations on financial institutions and other business (as listed in Schedule 1 of the Act) to assist in counteracting money laundering, the financing of terrorism, and financing of the proliferation of weapons of mass destruction. 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.

Objectives of the Financial Intelligence Centre

The FIC Act established the FIC to assist in:

- Identifying the proceeds of unlawful activities.
- Combating money laundering activities and the financing of terrorism and related activities.
- Initiating analysis based on information in its possession or information received other than by means of reports.
- Identifying persons involved in money laundering activities and proliferation financing activities.
- Implementing 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.
- Sharing information with investigating authorities, including the National Prosecuting Authority (NPA), law enforcement agencies, intelligence services, the Public Protector (PP), the investigative division of the Auditor-General of South Africa (AGSA), the South African Revenue Service (SARS) and supervisory bodies.
- Producing forensic evidence based on the flow of financial transactions.
- Exchanging information with relevant bodies in other countries regarding money laundering and the financing of terrorist activities.
- Facilitating effective supervision and enforcement by supervisory bodies.

The FIC Act introduced a regulatory framework of compliance control measures requiring certain categories of business (defined as accountable institutions in Schedule 1 to the FIC Act) to fulfil the following compliance obligations:

- Implement a risk-based approach to customer due diligence including aspects such as ongoing due diligence, enhanced due diligence, screening for domestic and foreign politically exposed persons and establishing the beneficial ownership in legal structures.
- Develop a risk management and compliance programme (RMCP).
- Keep records of customers' information and transactions.
- Adhere to the governance obligations as outlined in the FIC Act.
- Undertake business risk assessments for money laundering (ML), terrorist financing (TF) and proliferation financing (PF).
- Train employees on how to comply with the FIC Act and the institution's RMCP.
- Register with the FIC.
- Submit to the FIC regulatory reports relating to i) suspicious and unusual transactions, ii) cash transactions exceeding the prescribed threshold, iii) property that is linked to sanctioned persons and entities, terrorist activity or terrorist organisations, and iv) electronic cross-border transfers of funds.

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.

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 sector's compliance with the FIC Act and helps banks comply with the regulations.

The FIC supervises and enforces compliance by designated non-financial businesses and professions (DNFBPs) and other persons not supervised by a supervisory body in terms of the FIC Act.

To achieve its objectives, the FIC must carry out the following functions:

- 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, co-operate 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 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 FIC Act compliance with affected institutions that are not 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 submit a report, which includes information that demonstrates the implementation of the Act, 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 and block the accumulation of 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 institutions to register with the FIC.

An accountable institution is an individual or an institution that, by virtue of the business it conducts, falls within the ambit of Schedule 1 of the FIC Act. Listed below are the accountable institutions as they appear in Schedule 1 of the FIC Act:

Item 1 Legal practitioners (including attorneys, conveyancers, notaries, advocates practising with a trust account, commercial legal practices)

Item 2 Providers of specifically mentioned services to trusts and companies, including accountants in so far as these services are provided

Item 3 Estate agents. Although the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022, refers to property practitioners, encompassing a wider definition of property professionals, only estate agents currently fall within the ambit of the FIC Act as accountable institutions

Item 4 Authorised users of an exchange (as defined in the Financial Markets Act, 2012 (Act 19 of 2012)

Item 5 A manager registered in terms of Collective Investment Schemes Control Act, 2002 (Act 45 of 2002) (unit trusts)

Item 6 Business of a bank, as defined in the Banks Act, 1990 (Act 40 of 1990)

Item 7 A mutual bank, as defined in Mutual Banks Act, 1993 (Act 124 of 1993)

Item 7A A co-operative bank as defined in the Co-operative Banks Act, 2007 (Act 40 of 2007)

Item 8 A person in the life insurance business, as defined in Insurance Act, 2017 (Act 18 of 2017)

Item 9 Person who carries on the business of making available a gambling activity as contemplated in section 3 of the National Gambling Act, 2004 (Act 7 of 2004)

Item 10 Foreign exchange dealers

Item 11 Credit providers

Item 12 Financial services providers requiring authorisation in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002)

Item 13 A person who issues, sells or redeems travellers' cheques, money orders or similar instruments

Item 14 The South African Postbank Limited

Item 19 A person who carries on the business of a money or value transfer provider

Item 20 Dealers in high-value goods where any transaction is equal to or more than R100 000 per item, whether the payment in any form, is made in a single or multiple operation that appears to be linked

Item 21 The South African Mint Company, to the extent that it distributes non-circulation coins in retail trade and where in respect of such transactions it receives payment in any form to the value of R100 000 or more

Item 22 Providers of crypto assets, including exchanges providing services relating to crypto assets

Item 23 A clearing system participant, as defined in the National Payment System Act, 1998 (Act 78 of 1998)

Note: A group of companies or a legal entity may contain more than one accountable institution. Conglomerates must ensure that all accountable institutions in the group are registered with the FIC.

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. The Director of the FIC, who is also the Accounting Authority, reports directly to the Minister of Finance and to Parliament.

Office of the Director

Acting Director: **Pieter Smit**

The Director is responsible for the FIC's strategy and stakeholder relations and represents South Africa in international bodies such as the Financial Action Task Force, Eastern and Southern Africa Anti-Money Laundering Group and the Egmont Group of Financial Intelligence Units. The term of the former Director of the FIC, Advocate Xolisile Khanyile, ended on 31 August 2023. The Minister of Finance, Mr Enoch Godongwana, MP, appointed Pieter Smit as Acting Director of the FIC, with effect from 1 September 2023.

Figure 1: The FIC organisational structure

Legal and Policy

Executive Manager: **Pieter Smit**

The Legal and Policy division is responsible for administering the FIC Act. This includes assisting in drafting legislative amendments when necessary.

The division engages with international and regional inter-governmental bodies and co-ordinates the FIC's technical assistance to countries in eastern and southern Africa.

The Legal and Policy division provides strategic policy advice on combating money laundering and financing of terrorism, including improvements to the legislative framework.

The division provides in-house legal advice, governance and compliance and secretariat support to the Appeal Board.

Compliance and Prevention

Executive Manager: **Christopher Malan**

The Compliance and Prevention division is responsible for overseeing risk-based supervision and compliance with the FIC Act. This division co-ordinates 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 institutions, supervisory bodies and others regarding FIC Act obligations. It also manages an online registration system for accountable 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 of FIC Act obligations.

Monitoring and Analysis

Executive Manager: **Priya Biseswar**

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, intelligence agencies, South African Revenue Service, 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.

Shared Forensic Capability

Acting Executive Manager: **Pieter Alberts**

The Shared Forensic Capability started operating in May 2023 under the auspices of the FIC.

It is an initiative of the Justice, Crime Prevention and Security Cluster, reporting to National Priority Crime Operational Committee and using resources from programme 2 at the FIC.

The Shared Forensic Capability's purpose is to provide forensic service support to law enforcement agencies and other authorities.

Corporate Services

Executive Manager: **Macs Maboka**

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, information and communications technology and enterprise architecture, and project 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 F of this report.

OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

Service delivery environment

Overview of the external context within which the public entity operated

Socio-economic: During the year under review, the FIC operated in a challenging external environment of low gross domestic product growth, high inflation and high unemployment.

As reported by Statistics South Africa, inflation averaged 6 percent, while unemployment averaged about 32 percent for the year. Real economic growth slowed significantly to 0.6 percent from 1.9 percent in the previous year. The country's productivity and profitability were negatively impacted by logistics bottlenecks and power outages that reached an all-time high equivalent to 289 days in the 2023 calendar year, up from 157 in 2022.

Government: Government continued taking steps against corruption and state capture as recommended in the State Capture Commission Report which was submitted to President Ramaphosa by Chief Justice Raymond Zondo in June 2022.

External developments and/or challenges that may have impacted on the demand for the FIC services or on the ability to deliver those services

Grey listing: On 24 February 2023, the Financial Action Task Force (FATF) listed South Africa as a jurisdiction under increased monitoring, commonly referred to as grey listing. When the FATF grey listed South Africa, a jointly agreed Action Plan was adopted itemising 22 actions linked to the strategic deficiencies identified in the regime for anti-money laundering and the combating of the financing of terrorism (AML and CFT).

To exit the FATF grey list, South Africa has to address the action items by specified deadlines scheduled between January 2024 and January 2025. During the year under review, the relevant agencies and authorities in the country focused their efforts on meeting these deadlines, with the FIC contributing to the progress made.

Increasing crime: The level of financial and commercial crime remained high and evolving throughout the year. Increasing crime underlines the importance of the FIC's role in the fight against financial crime by providing financial intelligence and support to law enforcement agencies. It also means that the demand for FIC's services may increase.

Other developments: There were no other significant external developments that affected the FIC.

Organisational environment

Funding: By optimising the additional funds that the Minister of Finance allocated to the FIC for the year under review, the FIC was able to deliver on its Strategic Plan and Annual Performance Plan, not only meeting but exceeding several of its performance targets in the process. The FIC achieved 15 of its 20 annual performance targets in 2023/24, exceeding performance in seven of the 15 targets. The FIC focused on operationalising the changes that were made to the legislative and regulatory framework during the previous financial year.

Successes: The FIC increased its general capacity as required and recruited 86 employees during the year under review. The total head count increased from 197 employees in 2022/23 to 257 on 31 March 2024.

Challenges: Most challenges were resolved or mitigated during the year, and employees worked hard collectively to maintain good performance and morale. The FIC's mandate expanded (due to the amended legislative and regulatory framework mentioned above). This increased the workload, and thus the organisation was challenged to recruit and train a record number of employees. Going forward, the FIC still requires more skills on board.

Key policy developments and legislative changes

During the reporting period, there were no key policy developments or legislative changes that directly impacted the FIC.

In December 2022, President Cyril Ramaphosa signed into law the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022) and amendments to the Protection of Constitutional Democracy Against Terrorism and Related Activities Amendment Act.

The President also signed a proclamation for the commencement of sections 31 and 56 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act), which came into effect on 1 February 2023, relating to international funds transfer reports, while the Minister of Finance published the amendments on 19 December 2022, to Schedules 1, 2 and 3 of the FIC Act.

The implementation of these amendments continued in the reporting period to ensure that South Africa's legal framework against money laundering and financing of terrorism continues to meet international standards and best practice.

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The FIC provides financial intelligence reports to law enforcement agencies and other competent authorities for use in the fight against crime and the protection of the integrity of South Africa's financial system.

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 and CFT frameworks
- Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate.

During the financial year, the FIC made progress towards achieving its five-year targets in relation to the outcome indicators, as outlined in the FIC Strategic Plan 2020/21-2024/25.

The FIC continued to enhance compliance with the FIC Act through maintaining registration of accountable institutions. Registration is a legal requirement, which provides the FIC with the details of its regulated environment, making it easy to reach registrants when necessary to request information, and to hold them accountable for compliance and reporting obligations. As at 31 March 2024, 51 020 institutions were registered with the FIC, and 558 FIC Act inspections had been conducted.

The FIC produced a total of 3 924 intelligence reports that directly contributed to the recovery of R98.5 million in criminal proceeds. To continue improving the effectiveness of legal and institutional AML and CFT frameworks, the FIC participated in seven policy-making meetings at regional and inter-governmental level, one ESAAMLG and six FATF, respectively.

Contribution toward the Medium-Term Strategic Framework

The Revised Medium-Term Strategic Framework (MTSF) 2019-2024, containing government's plan of action, prioritised overcoming the COVID-19 pandemic, rolling out of infrastructure, increasing local production, creating jobs, expanding energy generation capacity, and enhancing state capability to deliver which included having to combat corruption and fraud.

The FIC's work contributed to three of the seven national priorities of South Africa as identified in the MTSF:

Priority 1: A capable, ethical and developmental state,

Priority 6: Social cohesion and safe communities and

Priority 7: A better Africa and world.

CASE STUDY

FRAUD

Syndicate sold a farm that was not for sale

A criminal complaint was lodged with the police wherein the complainant stated that he had paid just under R1 million believing that it was a partial payment toward the purchase of a farm.

The complainant stated that he was approached by two individuals, claiming to be property agents selling farms on behalf of farm owners. After viewing the farm and subsequent negotiations, a purchase price was agreed, which would be paid in instalments. After the first transfer, the complainant suspected something was amiss.

It seemed that the two 'agents' had formed a syndicate and had been using a front company to commit fraud. The FIC analysed the front company's bank account and found that the proceeds of the fabricated sale were layered via transfers to multiple accounts that were all held in the name of the company. From the analysis it was noted that some of the accounts had been opened recently and may have been opened for the sole purpose of facilitating fraud for the syndicate.

Section 34 directives were issued on balances in the bank accounts and most of the funds were recovered.

CASE STUDY

FRAUD, THEFT, MONEY LAUNDERING
More than R2 million disappears into the pockets of 27 individuals and 22 companies

A government department sent the FIC a statement showing that an amount of more than R2 million had been fraudulently diverted to a bank account.

The FIC obtained the necessary information and found that the money had been transferred to 59 different accounts held by 27 individuals and 22 companies. Some of the funds were linked to the proceeds of unlawful activity and the FIC went on to issue a section 34 directive, thus securing R257 438. The FIC deposed to an affidavit in support of a POC Act preservation order which was successfully obtained.

The information and analysis was referred to the National Prosecuting Authority, Directorate for Priority Crime Investigation and the Asset Forfeiture Unit for criminal investigation and prosecution of fraud, theft and money laundering charges against the identified individuals and companies.

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 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 actions relating to non-compliance with FIC.

Strategic outputs

Sub-programme 2.1 contributes to the following institutional outcomes:

- Awareness of the FIC Act
- Supervision of the FIC Act
- Enforcement of the FIC Act.

Performance

During 2023/24, the FIC met three of its four targets under this sub-programme, exceeding in two of them. One target was not achieved. Highlights for the year include:

- Presenting 48 compliance awareness events that reached a total of 32 914 attendees.
- Exceeding the targeted number of risk-based compliance review reports issued and successfully addressing FATF-identified recommended actions.
- Achieving 100 percent success rate in matters referred for administrative sanctions.
- Developing and implementing a new supervisory risk assessment tool, namely the Risk and Compliance Analytical Assessment tool.

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 2021/22**	**Audited actual performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviations**
Enhanced compliance with the FIC Act	Awareness of the FIC Act	1.1.1	Number of risk and compliance awareness initiatives conducted per annum.	24	30	40	48	8	Target exceeded. The additional 8 targeted sessions were held to address FATF grey listing concerns to increase the submissions of risks and compliance returns.
		1.2.1	Number of risk-based compliance review reports issued.	82	95	120	129	9	Target exceeded to address compliance adherence that may impact grey listing remediation.
	Supervision of the FIC Act	1.3.1	Number of FIC risk-based inspection reports issued.	404	402	610	558 Q1 - 36 Q2 - 157 Q3 - 62 Q4 - 304	(52)	Target not achieved. The loss of 3 inspectors during the financial year impacted the reaching of the target.
	Enforcement of the FIC Act	1.4.1	Percentage success rate of matters referred for administrative sanctions.	100%	100%	100%	100%	0	Target achieved. (100% = 9/9)

Registration of accountable institutions

All accountable institutions must register with the FIC in terms of the FIC Act, and comply with regulatory obligations such as:

- Implementing customer identification, verification and due diligence
- Appointing a compliance officer
- Training employees on FIC Act compliance and anti-money laundering, combating financing of terrorism and combating proliferation financing (AML, CFT and CPF) risk exposure
- Undertaking business risk assessments for AML, CFT and CPF
- Maintaining and implementing a risk management and compliance programme
- Filing regulatory reports relating to suspicious and unusual transactions, cash transactions exceeding the prescribed threshold and on property that is linked to sanctioned persons, terrorist activity or terrorist organisations.

On 31 March 2024, there were 51 020 institutions registered on the FIC database (2022/23: 45 392).

Table 2: Institutions registered with the FIC as at 31 March 2024

	Schedule 1: item number	2023	2024	Variance
1	Legal practitioners	16 480	17 604	1 124
2	Trust or company service providers	318	1 680	1 362
3	Estate agents*	9 060	9 593	533
4	Authorised users of an exchange	154	151	-3
5	Unit trusts (collective investment scheme managers)	66	70	4
6	Banks	36	36	0
7	Mutual banks	5	10	5
7A	Co-operative banks	4	4	0
8	Long-term insurers	87	110	23
9	Gambling institutions	4 196	4 338	142
10	Foreign exchange	205	204	-1
11	Credit providers	538	1 483	945
12	Investment advisors or intermediaries	9 233	9 533	300
13	Issuers of travellers' cheques and money orders	116	111	-5
14	The South African Postbank Limited	1	2	1
15**	....			
16**	....			
17**	....			
18**	....			
19	Money or value transfer services providers	217	222	5
20	High-value goods dealers	3 946	4 621	675
21	The South African Mint Company	1	1	0
22	Crypto asset service providers	41	89	48
23	Clearing system participants	30	1 069	1 039
	Voluntary disclosure reporters	20	36	16
	Business entities with reporting obligations in terms of section 29 of FIC Act	638	53	-585
	Grand total	**45 392**	**51 020**	**5 628**

* Item 3 of Schedule 1 of the FIC Act refers to estate agents. This definition of estate agents is narrower than that of property practitioners as defined in the Property Practitioners Act, 2019 (Act 2 of 2019), which came into effect on 1 February 2022.

** Items 15 to 18 under Schedule 1 to the FIC Act were deleted.

Regulatory reporting

Accountable institutions, identified in the FIC Act as being vulnerable to possible money laundering or financing of terrorism, submit regulatory reports to the FIC.

The FIC interprets and analyses the information provided in the regulatory reports and proceeds to develop financial intelligence reports. Law enforcement, prosecutors and other competent authorities use these intelligence reports for their investigations, prosecutions and applications for asset forfeiture.

During the year under review, the 51 020 institutions that are registered on the FIC database submitted approximately 7.4 million (2022/23: 5.3 million) regulatory reports.

INFORMATION

REPORTING STREAM

Voluntary disclosure reporting explained

The voluntary disclosure reporting stream has been implemented by the FIC over the last three years to accommodate institutions that do not fall under the definition of a business and cannot report under section 29 of the FIC Act. 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 also report suspicious and unusual transactions using this reporting stream, once they have registered with the FIC.

Table 3: Regulatory reports received during 2023/24

	Items	Voluntary disclosure	Cash threshold	Section 29*	Terrorist property	International funds transfer	Total
1	Legal practitioners		1 384	1 071	4	0	**2 459**
2	Company service providers		2	2		0	**4**
2	Trust service providers		19	37		0	**56**
3	Estate agents		1 940	391	7	0	**2 338**
4	Authorised users of an exchange		4 109	79	1	0	**4 189**
5	Unit trusts (collective investment schemes managers)		31	70		0	**101**
6	Banks		2 935 184	282 199	3	842 125	**4 059 511**
7	Mutual banks		6	76		0	**82**
7A	Co-operative banks		15			0	**15**
8	Long-term insurers		145	551		0	**696**
9	Gambling institutions		186 381	12 415		0	**198 796**
10	Foreign exchange agents or companies		42 226	4 963		0	**47 189**
11	Credit providers		1 052	2 655		0	**3 707**
12	Investment advisory or intermediaries		1 151	26 753		615	**28 519**
13	Issuers of travellers' cheques and money orders		52	139		0	**191**
14	The South African Postbank Limited		1 661	2		0	**1 663**
19	Cross-border money or value transfer services providers - authorised dealers		9 157	51 681		2 949 683	**3 010 521**
20	High value goods dealers		9 145	22 127		0	**31 272**
21	The South African Mint Company		1	4		0	**5**
22	Crypto assets service providers		43	7 248		0	**7 291**
23	Clearing system participants			1		0	**1**
	Business entities with a reporting obligation in terms of Section 29 of the FIC Act		14	2 519		0	**2 533**
	Individual reporting entities			1		0	**1**
	Voluntary disclosure reporter**	7					**7**
	Grand total	**7**	**3 193 718**	**414 984**	**15**	**3 792 423**	**7 401 147**

* Section 29 reports include all suspicious and unusual transaction reports, suspicious activity reports, financing of terrorism activity reports and reports on financing of terrorism transactions.

** Voluntary disclosure reports are submitted to the FIC by those who do not have a section 29 obligation, due to the fact that no transaction has been entered into by the reporter, to report in respect of terrorist financing and/or money laundering.
While there is no obligation to submit such reports, the FIC encourages entities and persons to report suspicion or knowledge of financing of terrorism or business conducted by persons or entities subject to financial sanctions via a voluntary disclosure report. VDRs are submitted voluntarily.

Awareness initiatives to improve compliance

The FIC monitors the regulatory reports it receives from accountable institutions to ensure they are complete, accurate and submitted in the prescribed reporting periods as defined in the FIC Act.

Where regulatory reports are insufficient, incomplete or inaccurate, the FIC liaises with the relevant entities so that they can correct or submit outstanding information.

The mutual evaluation report of South Africa that FATF published in 2021 found a lack of understanding among accountable institutions, particularly designated non-financial businesses and professions (DNFBPs), of their money laundering and terrorist financing risks. Therefore, the FIC continually engages with these sectors across South Africa, mainly legal practitioners, estate agents, trust service providers, and company service providers, to ensure they understand the FIC Act's requirements, as well as their compliance and reporting obligations.

Engagements during 2023/24 included hosting awareness sessions (webinars), participating in events hosted by other institutions, providing contact centre communication, publishing media releases, issuing guidance documents, and conducting compliance reviews.

Compliance awareness sessions

The FIC hosted 48 awareness sessions (either virtually or through face-to-face roadshows), exceeding the strategic target by eight events. Attendance of the hybrid sessions and webinars is generally higher, can reach stakeholders across remote locations and those perhaps not able to attend in-person awareness sessions.

The number of people who attend the FIC's webinars continues on an upward trend. During the financial year, a total of 32 914 people attended the webinars, which is almost double the number of attendees in 2022/23 (16 801) and more than four times the number that attended in 2021/22 (7 102).

The webinars hosted during the year under review, aimed at improving accountable institutions' understanding of and compliance with the completion and submission of risk and compliance returns, suspicious and unusual transaction reporting, and overall compliance with the risk-based obligations as required in the FIC Act.

The FIC received positive feedback from attendees who had found the webinars to be helpful in improving their understanding of the FIC Act. Some requested that the FIC provide more practical examples of the application of the FIC Act, which the FIC took into consideration as the webinars progressed.

The FIC also participated in 33 awareness sessions hosted by other institutions. These awareness sessions covered various topics, including, but not limited to the FATF grey listing implications for the country, risk and compliance returns, as well as the development of risk management and compliance programmes.

Communicating in the media

The FIC published 26 media articles on topics including targeted financial sanctions, the submissions of risk and compliance returns, regulatory reporting, as well as general compliance with the FIC Act.

Contact centre advice and guidance

The FIC's compliance contact centre provides advice and guidance on aspects including registration with the FIC and interpretation of the FIC Act. The service is aimed at improving compliance and awareness, but it also helps the FIC to understand the needs, challenges and concerns that the accountable institutions may have. The FIC is then able to respond accordingly. The requested information and advice also provide insight to the FIC on which guidance publications and topics to focus on during awareness events.

During 2023/24, the FIC responded to 6 181 written (2022/23: 3 942), and 20 310 (2022/23: 10 256) telephonic queries.

Webinars for non-profit organisations

Non-profit organisations 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 presenting eight awareness sessions to non-profit organisations on how to prevent falling prey to money laundering, financing of terrorism and other financial crimes. They were also encouraged to report suspicious and unusual transactions and behaviour by submitting voluntary disclosure reports to the FIC.

Guidance products

The FIC develops guidance products that provide practical information on complying with the FIC Act, and improve understanding and application of a risk-based approach. 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 are updated where necessary before being finalised.

During 2023/24, the FIC published eight guidance products on targeted financial sanctions and international funds transfer reporting, as well as sector-specific guidance for crypto asset service providers, legal practitioners, and trusts and company service providers.

Table 4: Guidance products issued in 2023/24

	Guidance notes and public compliance communications	Topic
	Published as final guidance products	
1.	Guidance Note 8 on South African Reserve Bank Prudential Authority (SARB PA) Directive 01 of 2022	To provide guidance to the relevant reporting entities on the application of the SARB EFT Directive 01 of 2022; in collaboration with National Payment System Department of SARB. Reporting entities are required to provide information and scrutinise information linked to electronic fund payments, to align the payment system with FATF Recommendation 16.
2.	PCC 57 (previously draft 120) on the new Schedule item 22 accountable institution referred to as crypto asset service providers	On the interpretation of crypto asset service providers, and highlights the money laundering, terrorist financing and proliferation financing risks associated with crypto asset service providers.
3.	PCC 6A (previously draft PCC 6A) on the new Schedule item 2 accountable institution, referred to as trust and company service providers	On the interpretation of trust and company service providers; it highlights the ML, TF and PF risks associated with trust and company service providers.
4.	PCC 47A (previously draft PCC 47A) on the new Schedule item 1 accountable institution referred to as legal practitioners	On the interpretation of legal practitioners; it highlights the ML, TF and PF risks associated with legal practitioners.
5.	PCC 5D (previously draft PCC 5D) on registration with the FIC in terms of section 43B of the FIC Act	On how to correctly register with the FIC in accordance with their Schedule item.
6.	Guidance Note 9 (previously draft Guidance Note 104A) on international transfer of funds reporting	On submitting an international funds transfer report in terms of section 31 of the FIC Act.
7.	PCC 44A (previously draft PCC 44A) on targeted financial sanctions aimed at counter terrorist financing and counter proliferation financing risks	On the targeted financial sanctions aimed at countering terrorist financing. Raises risk awareness related to terrorist financing.
8.	PCC 58 (previously draft PCC 119) on the new Schedule item 20 – referred to as High value goods dealers	On the interpretation of high value goods dealers; it highlights the ML, TF and PF risks associated with high value goods dealers.
	Consultation completed, final publication in process	
9.	Draft PCC 121 beneficial ownership on the application of section 21B and interpretation of beneficial ownership	On establishing the beneficial owner of the client and discusses some examples of complex structures which should be considered.

Compliance reviews

The FIC engages with accountable institutions regularly to review their level of compliance. During reviews, the FIC is able to strengthen its relationships with these institutions and to remediate compliance deficiencies encountered.

Reviews also provide an opportunity for the FIC to increase institutions' awareness of their FIC Act obligations and to assist them, first hand, with improving the quality and quantity of regulatory reports they submit.

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

INFORMATION

COMPLIANCE REVIEWS
differ from inspections this way:

- *Compliance reviews are not conducted under section 45B of the FIC, which governs the inspection regime for the FIC.*
- *FIC officials that conduct 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 open, constructive engagement.*
- *Compliance requirements are explained and the institution's reporting history and challenges are discussed during a review.*

The FIC also uses a risk matrix to rate institutions in accordance with their exposure to risks of money laundering and terrorist financing. Risk factors such as media reports, the risk rating of the sector, the institutional type and compliance with the registration and reporting requirements are considered.

During a compliance review, the FIC may discuss compliance obligations such as customer identification, what is required in developing and maintaining an RMCP, registration, and reporting. After a review, the FIC completes a compliance review report, which is sent to the reviewed institution. Where relevant, such a report contains recommendations for improving compliance.

During 2023/24, the FIC conducted 129 compliance reviews and issued reports to assist reviewed institutions with improving their understanding and execution of the compliance obligations under the FIC Act. The compliance review team focused on areas that accountable institutions often find challenging, such as drafting and implementing an RMCP and identifying suspicious transactions.

Table 5: Compliance reviews conducted during 2023/24

Sector	Number of reviews
Item 1: Legal practitioners	32
Item 2: Trust and company service providers	27
Item 3: Estate agents	30
Item 9: Gambling institutions	3
Item 11: Credit providers	29
High value goods dealers – Precious metals dealers	4
High value goods dealers – Precious stones dealers	1
Other high value goods dealers	3
Total	**129**

INFORMATION

RISK MANAGEMENT AND COMPLIANCE PROGRAMME

Section 42 of the FIC Act requires all accountable institutions (as listed in the FIC Act) to have in place a risk management and compliance programme (RMCP).

What is an RMCP?

An RMCP is a documented plan that sets out how an accountable institution will deal with risks associated with money laundering, terrorist financing and proliferation financing. 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, how the risk-based approach will be applied and how employees will be trained accordingly. This applies to institutions' branches and subsidiaries. Institutions are also required to have adequate safeguards to protect the confidentiality of information exchanged.

Why an RMCP is necessary

It is a legislative requirement that accountable institutions understand their exposure to risks of money laundering and terrorist financing. An RMCP assists accountable institutions in assessing these risks in order to protect and maintain the integrity of their business and the integrity of the financial system of South Africa. Institutions must provide copies of their RMCP, when requested, to supervisory bodies such as the FIC and FSCA. Non-compliance may result in an administrative sanction, which may include a financial penalty.

Sector risk assessments

The Financial Action Task Force (FATF) requires countries to understand their money laundering and terrorist financing (ML and TF) risks and apply a risk-based approach to supervision.

To fulfil this requirement, the FIC periodically assesses the ML and TF risks faced by the various sectors that are regulated under the FIC Act. The areas that the FIC assesses relate to clients, products, services, delivery channels, transactions and geographic areas. The findings of the risk assessments are subsequently published in a report and shared so that players in the various sectors can take the necessary steps to mitigate and manage risks.

During the financial year, the FIC conducted assessments of the inherent risks faced by some of the sectors for which it recently assumed supervisory responsibility, namely accountants, company service providers, and dealers in precious metals and stones. The sector risk assessments were finalised and published in December 2023. These risk assessments provide information on the inherent risks of money laundering and terrorist financing facing these sectors when conducting their business. The assessments also outline the risks that these sectors face in terms of the products and services offered, the types of clients in each sector, how transactions are concluded, the delivery channels used and geographical location.

INFORMATION

INHERENT VS RESIDUAL RISK

Inherent risk refers to the level of risk that is applicable prior to any steps being taken to mitigate or manage the risks. Residual risks refer to the risks that still remains after risk mitigation measures have been implemented.

In addition, the FIC reviewed risk assessments previously conducted on the gambling sector, estate agents and legal practitioners. Revised sector risk assessment reports were published in the 2023/24 financial year. Also published for comment, was a draft sector risk assessment report on crypto asset service providers. The final report will be published in the new financial year, after taking into account comments received from role players.

Non-profit organisation sector risk assessment – a first for South Africa

Terrorist organisations have been found to exploit legitimate non-profit organisations (NPOs) as conduits for money laundering and terrorist financing. Countries are therefore also required by FATF to identify non-profit organisations NPOs that are at risk of having their resources diverted to fund terrorist activities.

INFORMATION

FATF DEFINITION OF NPO

"Legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of 'good works'."

South Africa received technical assistance from the European Union Anti-Money Laundering / Counter Terrorist Financing (AML/CFT) Global Facility (EU Global Facility) to conduct its first NPO Terrorist Financing Sector Risk Assessment during the financial year.

The work on developing the NPO TF Sector Risk Assessment was jointly managed between the EU Global Facility and the FIC, as leads and managers for the project respectively. The FIC convened, co-ordinated and provided secretariat services for the technical team and the oversight group. The technical team had representatives from the Department of Social Development, SARS, Civil Society Unmuted and the Chartered Institute for Business Accountants (SAIBA and CIBA).

Various phases throughout included training and capacity building workshops for public and private sector stakeholders. The risk assessment, which included academic research and a survey of 301 NPOs, found that these types of organisations are at varying degrees of risk of terrorist financing abuse by virtue of their types, activities or characteristics. The majority of NPOs face no or low terrorist financing risk exposure and have adequate self-regulatory measures and related internal control measures to mitigate such risks, and/or may already be subject to adequate levels of legal and regulatory requirements, such that there may be no need for additional measures.

While the work on the risk assessment was completed in 2023/24, the report, titled: *Terrorist Financing Risk Assessment of the Non-Profit Organisation Sector in South Africa (April 2024)*, was published after the financial year end. The report is available on the FIC website. The report will serve as a reference point to inform further policy development.

Risk and compliance returns

Lack of understanding of the money laundering and terrorist financing risks faced by designated non-financial businesses and professions was a contributing factor to South Africa being grey listed by FATF. To address this deficiency among DNFBPs, the FIC developed and implemented the risk and compliance return questionnaire.

The FIC issued Directive 6 on 31 March 2023, which placed an obligation upon DNFBPs (legal practitioners, trust and company service providers, estate agents and gambling institutions), to complete and submit their RCRs by 31 May 2023. These institutions were included in Schedule 1 of the FIC Act prior to 19 December 2022.

On 31 March 2023, the FIC also published Directive 7, placing an obligation on credit providers, the South African Postbank, high-value goods dealers, The South African Mint Company and crypto asset service providers to submit their RCRs to the FIC by 31 July 2023. Institutions referred to in Directive 7 were primarily those that were included in the scope of the FIC Act from 19 December 2022.

Developed in the form of an online questionnaire, which remains accessible via a portal on the FIC website, the RCR assists institutions to identify their exposure to the risks of being abused for money laundering and terrorist financing purposes. The information contained in the RCRs assists the FIC in understanding the institutions and their levels of risk exposure, so that appropriate risk-based approach supervision may be applied.

Institutions that had not submitted their returns by the due dates were automatically deemed to be in a state of non-compliance and of high risk. However, as the online portal remained active, institutions continued to submit their RCRs. By 31 March 2024, a total of 20 517 institutions registered with the FIC had submitted their risk and compliance returns.

Table 6: Risk and compliance returns received

Directive 6 institutions	Registered with the FIC by 31 March 2024	Risk and compliance returns received
Legal practitioners	17 604	9 677
Trust and company service providers	1 680	1 110
Estate agents	9 593	5 617
Casinos	38	30
Total	**28 915**	**16 442**
Directive 7 institutions	**Registered with the FIC by 31 March 2024**	**Risk and compliance returns submitted**
High-value goods dealers*	4 621	2 557
Credit service providers	1 483	1 466
The South African Postbank	1	1
The South African Mint Company	1	1
Crypto asset service providers	89	50
Total	**6 195**	**4 075**

* Refers to dealers in precious metals and precious stones, Krugerrands, motor vehicles, and other businesses dealing in the sale of high value goods

To address the low RCR submission rates during the period under review, the FIC continued its outreach in the form of webinars, roadshows, compliance monitoring and awareness campaigns in media.

New risk assessment tool

The FIC developed a Risk and Compliance Analytical Assessment tool to assist in identifying accountable institutions that are at higher risk of being abused for money laundering and terrorist financing.

Using this tool in the analysis of RCRs submitted, the FIC was able to produce reliable risk assessment results. Detail acquired from analysis was also used to report on South Africa's progress in addressing the shortcomings identified by FATF. It is envisaged that the FIC will continue to use this approach following the country's exit from the FATF grey list.

Supervising compliance with legislation

The FIC and the supervisory bodies, the South African Reserve Bank (Prudential Authority and Financial Surveillance department) and the Financial Sector Conduct Authority, are responsible for ensuring that accountable institutions comply with FIC Act obligations, and may conduct inspections (in terms of section 45B of the FIC Act) to assess the level of institutions' compliance.

Table 7: Supervisory model under the FIC Act since December 2022

Accountable institutions		Schedule 2 supervisory bodies
Item 4:	Authorised user of an exchange	Financial Sector Conduct Authority
Item 5:	Collective investment scheme managers	
Item 12:	Financial services providers, including crypto asset service providers that are providing advisory and intermediary services in respect of crypto assets	
Item 23:	Clearing system participants	South African Reserve Bank
Item 6:	Banks	Prudential Authority
Item 7:	Mutual banks	
Item 7A:	Co-operative banks	
Item 8:	Life insurance business	
Item 19:	Money remitters	
Item 23:	Clearing system participants	
Item 10:	Dealers in foreign exchange	Financial Surveillance department
Item 13:	Redeemers of travellers' cheques, money orders	
Item 19:	Money remitters	
Accountable institutions: Schedule 1		
Item 1:	Legal practitioners	The FIC supervises and enforces compliance with the FIC Act of these affected institutions that are not supervised by a supervisory body.
Item 2:	Trust and company service providers	
Item 3:	Estate agents	
Item 9:	Gambling institutions	
Item 11:	Credit providers	
Item 14:	The South African Post Bank	
Item 20:	High-value goods dealers	
Item 21:	The South African Mint Company	
Item 22:	Crypto asset service providers	

Risk-based inspections

In accordance with the FIC supervision manual, up to mid-July 2023, the scope of FIC Act inspections i.e. limited or full scope inspections, were based upon a manual application of the risk-based approach. After mid-July 2023, the FIC transitioned to analysis of the risk and compliance returns received from accountable institutions and used the Risk and Compliance Analytical Assessment tool as the basis for its risk-based supervision.

Using the tool, the FIC was able to categorise and identify DNFBP entities at higher risk. Those that showed higher and high risk triggered inspections, while low and medium risk exposure prompted other forms of supervision including monitoring. After mid-July 2023, the risk-based supervision and inspections were informed by the outcomes of analysis of information provided by accountable institutions in their RCRs.

This analysis helped shape the FIC's supervisory plan to focus inspections on legal practitioners and estate agents, which had also been identified as high-risk in the sector risk assessments.

In total, the FIC conducted 558 inspections from 1 April 2023 to 31 March 2024. This included inspections informed by manual methodology, follow-up inspections conducted on institutions after they had been instructed to remediate prior non-compliance, inspections on institutions that had not submitted RCRs and inspections conducted based on RCR analysis.

Table 8: Inspections conducted using manual and post-RCR analysis

Sectors	Directive 6	Directive 7	Inspections based on manual assessments	Inspections based on RCR analysis	Follow up	Grand Total
Legal practitioners	137	N/A	58	73	5	**273**
Company service providers	0	N/A	0	2	0	**2**
Trust and company service providers	0	N/A	0	1	0	**1**
Estate agents	73	N/A	102	35	10	**220**
Casinos	0	N/A	1	0	0	**1**
The South African Postbank	0	N/A	1	0	0	**1**
South African Post Office	0	N/A	1	0	0	**1**
Dealers in precious metals and stones	0	39	0	0	0	**39**
Dealers in precious metals	0	20	0	0	0	**20**
TOTAL	**210****	**59****	**163***	**111*****	**15**	**558**

* Before RCR inspections were conducted (between 1 April 2023 to mid-July 2023)
** Inspections on institutions that had failed to submit RCRs
*** Inspections from mid-July 2023 to 31 March 2024

Analysis of inspection findings

The majority of legal practitioners and estate agents inspected were based in Gauteng and the Western Cape. This was in accordance with the plan to focus inspections in areas where high-value property transactions and related legal services were offered, as identified in the sector risk assessments.

The FIC conducted 558 inspections in 2023/24. Of these inspections, 269 specifically scrutinised the non-submission of RCRs. The FIC found that 191 institutions were non-compliant with the requirement to submit an RCR.

The remaining inspections were targeted at one or more of the other compliance obligations under the FIC Act. The results of these inspections show that the inspected institutions were largely non-compliant in the following areas:

- Failure to develop an RMCP, or implement an existing RCMP
- Failure to timeously register with the FIC or to update registration information
- Failure to properly identify and verify beneficial owners of legal entities and trusts
- Failure to provide confirmation that clients were screened against the United Nations Security Council's targeted financial sanctions lists.

INFORMATION

Full and limited scope inspections

Accountable institutions listed in Schedule 1 of the FIC Act are required to fulfil certain compliance obligations.

Full scope – refers to the inspection of all FIC Act all compliance obligations. Limited scope refers to the inspection of specific or identified areas.

Remediation in respect of inspections conducted

Following the 558 limited and full scope inspections conducted, 245 institutions were found to be non-compliant in terms of the FIC Act and were issued with reports requiring them to implement remedial actions. The aim of remedial action is to ensure that accountable institutions change their non-compliant behaviour, to be fully or largely compliant.

Of the 245 reports issued to institutions, 123 corrected or undertook to implement the remedial actions or instructions. Those that did not were consequently subjected to enforcement or monitoring. Some of the latter institutions were still in the process of remediating the identified shortcomings at the close of the financial year. The changes in compliance behaviour from such remediation will be monitored in the new financial year.

Enforcement of FIC Act and sanctions for non-compliance

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

- 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.

CASE STUDY

ILLEGAL MINING

Golden lifestyle betrays their crime

The Asset Forfeiture Unit of the National Prosecuting Authority asked the FIC for assistance on a criminal investigation related to a metals dealer and associates (in total, six individuals) involved in illegal gold mining and trading.

The individuals appeared to be living beyond their means. When profiling the individuals, it became apparent that three of the individuals had obtained South African identity documents in a fraudulent manner. The financial institutions furthermore confirmed that the individuals would open new investment accounts and declare their source of funds as salary. However, the amounts deposited did not align with the declared monthly income.

The FIC issued directives on a total of nine bank accounts on two of the individuals. Two preservation orders were obtained by the Asset Forfeiture Unit. Six people were arrested. Legal proceedings continue.

Between 1 April 2023 to 31 March 2024, the FIC issued remediation actions on DNFBPs, as follows:

- 186 notices of intention to sanction to DNFBPs (for non-compliance with the requirement to submit an RCR). The notices all contained remedial directives, issued in terms of section 45C(3)(c) of the FIC Act, which provides for a Directive for remedial action to be issued as part of the formal administrative sanctions under the FIC Act to submit the outstanding RCRs, combined with admission of non-compliance financial penalty of R10 000.
- 9 notices of sanction issued to inspected entities (through the FIC adjudication panel for serious and extensive non-compliance with the FIC Act) which all contained a directive to take remedial action issued in terms of section 45C(3)(c) of the FIC Act, which provides for a Directive for remedial action to be issued as part of the formal administrative sanctions under the FIC Act.
- The FIC makes remedial recommendations in the final inspection reports to assist inspected institutions to become compliant. For the reporting period remedial recommendations were made in 245 inspection reports on failures of institutions to comply with AML and CFT obligations of which 123 remediated (corrected the shortcomings identified in the inspection report) and 54 were in the process of remediating the shortcomings at the end of the financial year.

Risk and compliance return enforcement process

The FIC issued notices of intention to sanction to accountable institutions that were non-compliant with Directives 6 and 7 for non-compliance and/or non-submission of RCRs. The FIC issued 186 such notices to non-compliant institutions. These notices contain an admission of non-compliance fine and a directive to submit their RCRs. A fine was introduced specifically for the non-submission of RCRs and was intended to speed up the enforcement process and the receipt of RCRs to enable the FIC to use the information for its understanding and rating of the ML and TF risks of institutions.

Notices of intention to sanction are issued to give institutions an opportunity to file representations as to why the intended sanction should not be imposed. Once the FIC receives their representations the matter is reconsidered, and a notice of sanction is issued, if applicable.

The purpose of the notices of intention to sanction is to inform institutions that the FIC intends sanctioning them for their non-compliance and to give them an indication of the intended sanction being considered. The notice also gives institutions the opportunity to either pay an acceptance of non-compliance fine or to file representations to state why the intended administrative sanction should not be imposed.

Of the 186 notices issued, 83 remediated their non-compliance by submitting the RCR, 18 paid fines as admission of non-compliance and the rest filed representations to request the FIC to reconsider the financial penalty. These matters, the ones that filed representations, will be presented to the FIC's adjudication panel for consideration.

Enforcement emanating from inspection reports

Following 268 inspections, where the institutions were found non-compliant, the FIC sanctioned nine institutions in 2023/24. Their most prevalent areas of non-compliance were:

- Section 21B – not determining beneficial ownership
- Section 28A(3) – not screening clients against the targeted financial sanctions list
- Section 42 – not developing and implementing an RMCP
- Directive 6 – failure to submit a risk and compliance return to the FIC on or before 31 May 2023
- Directives 1, 2 and 4 – institution to ensure its registration details are updated within 90 days of any changes thereto; ensuring that login credentials for the FIC's reporting platform are not shared and updating registration details in order to access the registration and reporting platform.

The nine administrative sanctions included financial penalties and remedial instructions. Before the financial year end, five institutions that were non-compliant with Directive 6 submitted their risk and compliance returns, and all nine submitted their RMCPs. Remediations by these sanctioned institutions were finalised by 31 March 2024. Three of the institutions lodged appeals with the FIC Appeal Board shortly after year end.

Table 9: Sanctions issued by the FIC

Sanctioned institution	Nature of non-compliance	Remedial actions	Sanctions details		
Legal practitioner **Subramoney & Associates Incorporated**	Section 42: RMCP Directive 6: RCR	Directive to submit RCR on or before 8 April 2024.	Financial penalties: • Section 42: R25 000 • Directive 6: R25 000	Fine payable: R50 000	Reprimand for non-compliance. Caution not to repeat the actions that led to the non-compliance.
Legal practitioner **Sukdeo attorneys**	Section 42: RMCP		Financial penalty: • Section 42: R20 000	Fine payable: R20 000	Reprimand for non-compliance. Caution not to repeat the actions that led to the non-compliance.
Legal practitioner **Wynand du Plessis and Partners Incorporated**	Section 42: RMCP Directive 6: RCR	Directive to review RMCP at regular intervals.	Financial penalties: • Section 42: R317 000 • Directive 6: R25 000	Fine payable: R342 000	Reprimand for non-compliance. Caution not to repeat the actions that led to the non-compliance.
Estate agent **AZ Commercial Properties**	Section 42: RMCP Section 21B: Beneficial ownership Section 28A(3): Targeted financial sanctions Directive 6: RCR	Directive to submit RMCP on or before 8 April 2024, to screen all clients against the TFS list and keep proof thereof and to establish the nature, control structure and the beneficial owners of legal persons, partnerships and trusts.	Financial penalties: • Section 21B: R25 000 • Section 28A (3): R25 000 • Section 42: R25 000 • Directive 6: R10 000	Fine payable: R21 250 is payable with the remainder suspended for a period of 3 years.	Reprimand for non-compliance. Caution not to repeat the actions that led to the non-compliance.
Estate agent **Leapfrog Pretoria**	Section 42: RMCP Section 21B: Beneficial ownership Section 28A(3): Targeted financial sanctions	Directive to review RMCP at regular intervals, to screen all clients against the TFS list and keep proof thereof and to establish the nature, control structure and the beneficial owners of legal persons, partnerships and trusts.	Financial penalties: • Section 21B: R50 000 • Section 28A (3): R50 000 • Section 42: R225 000	Fine payable: R325 000	Reprimand for non-compliance. Caution not to repeat the actions that led to the non-compliance.
Estate agent **Zulberg Estates**	Section 42: RMCP Section 28A(3): Targeted financial sanctions	Directive to review RMCP at regular intervals, to screen all clients against the TFS list and keep proof thereof.	Financial penalties: • Section 42: R250 000 • Section 28A (3): R250 000	Fine payable: R500 000	Reprimand for non-compliance. Caution not to repeat the actions that led to the non-compliance.

Table 10: Appeals lodged against sanctions imposed by the FIC

Entity type	Nature of non-compliance	Sanctions details			
Legal practitioner	Section 42: RMCP Section 28A(3): Targeted financial sanctions Directive 6: RCR Directives: 1, 2 and 4	Directive to update registration details on or before 8 April 2024 and to screen all clients against the TFS list and keep proof thereof.	Financial penalties: • Section 28A (3): R3 922 000 • Section 42: R3 800 000 • Directive 6: R50 000	Fine payable: R7 772 000	Reprimand for non-compliance Caution not to repeat the actions that led to the non-compliance.
Legal practitioner	Section 42: RMCP Section 21B: Beneficial ownership Section 28A(3): Targeted financial sanctions Directive 6: RCR	Directive to review the RMCP at regular intervals, to screen all clients against the TFS list and keep proof thereof and to establish the nature, control structure and the beneficial owners of legal persons, partnerships, and trusts.	Financial penalty: • Section 42: R258 000 • Directive 6: R25 000	Fine payable: R283 000	Reprimand for non-compliance Caution not to repeat the actions that led to the non-compliance.
Estate agent	Section 42: RMCP Section 28A(3): Targeted financial sanctions Directive 6: RCR	Directive to review RMCP at regular intervals, to screen all clients against the TFS list and keep proof thereof.	Financial penalties: • Section 28A (3): R108 000 • Section 42: R108 000 • Directive 6: R50 000	Fine payable: R266 000	Reprimand for non-compliance Caution not to repeat the actions that led to the non-compliance.

Funds derived from financial penalties are paid into the National Revenue Fund, as per section 45C(7)(a) of the FIC Act. The sanctions imposed by the FIC were valued at R1 332 000, the Prudential Authority R61 180 000 and the Financial Sector Conduct Authority R16 873 000.

Collaboration with supervisory bodies

It is important for the FIC to maintain a good working relationship with the supervisory bodies and regulators of institutions that are regarded as accountable institutions in terms of the FIC Act.

The FIC has quarterly and ad hoc meetings with the South African Reserve Bank and the Financial Sector Conduct Authority to discuss, among other aspects, compliance issues and to share information.

The FIC also has regular meetings with other regulators on matters such as market entry requirements, assistance with awareness and guidance to the sectors as well as matters relating to supervision and enforcement (including inspections and sanctions).

In terms of the amendments to Schedule 2 of the FIC Act in December 2022, the regulators responsible for licensing and supervising designated non-financial institutions and professions were removed as supervisory bodies under the FIC Act. The FIC assumed responsibility for overseeing FIC Act compliance of DNFBPs from December 2022.

Inspections and enforcement actions by supervisory bodies

Table 11: Compliance inspections by the South African Reserve Bank and the Financial Sector Conduct Authority

Supervisory body	Number of inspection reports issued
South African Reserve Bank – Financial Surveillance department	22
South African Reserve Bank – Prudential Authority – Banks	18
South African Reserve Bank – Prudential Authority – Life insurers	5
Financial Sector Conduct Authority – Collective investment scheme managers	10
Financial Sector Conduct Authority – Authorised user of an exchange	29
Financial Sector Conduct Authority – Financial services providers	48
Total	**132**

Sanctions issued by supervisory bodies

Table 12: Sanctions issued by the Prudential Authority

Sanctioned institution	Nature of non-compliance	Sanctions details
Grindrod Bank Limited	Section 42: RMCP Section 21 to 21H:Customer due diligence Section 22 to 24:Record keeping Section 29: Suspicious and unusual transaction reporting FIC Directive 5/2019: Automated transaction monitoring system Section 42A: Governance	A caution not to repeat the conduct which led to the non-compliance. A reprimand. Financial penalty of R10.730 million, of which R5 million conditionally suspended for 3 years.
African Bank Limited	Section 21 to 21H:Customer due diligence FIC Directive 5/2019: Automated transaction monitoring system Section 29: Suspicious and unusual transaction reporting Section 43: Training Section 42A: Governance	A caution not to repeat the conduct which led to the non-compliance. A reprimand. Financial penalty of R19.750 million, of which R9.250 million was conditionally suspended for 3 years.
Bank of China	Section 21 to 21H: Customer due diligence Section 29: Suspicious and unusual transaction reporting FIC Directive 5/2019: Automated transaction monitoring system Section 42: RMCP	A caution not to repeat the conduct which led to the non-compliance. A reprimand. Financial penalty of R30.5 million, of which R15.250 million conditionally suspended for 3 years.
Centriq Life Insurance Company Limited	Prudential Authority Directive 4/2022: Submission of risk returns	A caution not to repeat the conduct which led to the non-compliance. Financial penalty of R200 000, conditionally suspended for 3 years.

Table 13: Sanctions issued by SARB's Financial Surveillance Department

Sanctioned institution	Nature of non-compliance	Details of sanction
Sasai Fintech (Pty) Limited	Section 21C of the FIC Act: Ongoing due diligence	Caution not to repeat the conduct which led to the non-compliance
Sikhona Forex (Pty) Limited	Sections 21(1)(a) and 21(1)(c) of the FIC Act: Ongoing due diligence	Caution not to repeat the conduct which led to the non-compliance

Table 14: Sanctions issued by the Financial Sector Conduct Authority

Sanctioned institution	Nature of non-compliance	Details of sanction
Theuns Vosloo Financial Advisory Services CC – 43453	Section 42: Deficient RMCP Section 26B: Failure to screen clients against the targeted financial sanctions list	A directive to amend the RMCP and implement the revised RMCP, screen clients. Financial penalties: • R300 000 for non-compliance with section 42(1) and 42(2) read with section 21 of the FIC Act. • R100 000 for non-compliance with section 28A read with section 26B of the FIC Act. R200 000 of the total financial penalty suspended for 3 years.
Du Toit Advisors CC – FSP 22020	Section 42: Deficient RMCP Section 21: Failure to conduct customer due diligence	A directive to amend the RMCP and implement the revised RMCP and to screen clients. Financial penalties: • R200 000 for non-compliance with section 42(1) and 42(2) of the FIC Act. • R273 000 for non-compliance with section 21(1) to 21C of the FIC Act. R223 000 of the total financial penalty was suspended for 3 years.
Ashburton Fund Managers (Pty) Ltd – 40169	Section 42: Deficient RMCP Section 21: Failure to conduct customer due diligence Section 26B: Failure to screen clients against the targeted financial sanctions list	A directive to amend the RMCP and to conduct customer due diligence. Financial penalties: • R1 million for non-compliance with 42(1) and (2) of the FIC Act. • R10 million non-compliance with sections 21(1) and 21B of the FIC Act. • R5 million for non-compliance with section 28A read with section 26B of the FIC Act. R6 million of the total financial penalty was suspended for a period of 3 years.

Appeals on sanctions imposed by supervisory bodies

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 the financial year, the Appeal Board heard appeals against sanctions imposed by the Financial Sector Conduct Authority and the Prudential Authority.

Table 15: Appeals lodged against sanctions imposed by the Financial Sector Conduct Authority and the Prudential Authority

Supervisory body	Type of institution	Nature of non-compliance	Appeal outcome
Financial Sector Conduct Authority	Financial services provider	Section 42: Failure to implement an RMCP Section 21: Failure to conduct customer due diligence Section 26B: Failure to screen clients against the targeted financial sanctions list	Appeal lodged on 14 January 2023. Date of decision: 14 July 2023. The appeal was dismissed, and the FSCA decision was confirmed.
Financial Sector Conduct Authority	Financial services provider	Section 42: Deficient RMCP Section 21: Failure to conduct customer due diligence Section 26B: Failure to screen clients against the targeted financial sanctions list	Directive to amend RMCP. Financial penalties: • R1 million for non-compliance with section 42(1), 42(2) read with section 21. • R1.4 million for non-compliance with sections 20A, 21, 21A and 21C of the FIC Act. • R500 000 for non-compliance with section 28A read with section 26B of the FIC Act. R1 million of the total financial penalty was suspended for 3 years.
Prudential Authority	Bank	Section 42: RMCP Section 21 to 21H: Customer due diligence Section 28: Cash threshold reporting Section 42A: Governance	A caution not to repeat the conduct which led to the non-compliance. Financial penalty: • R10 million, of which R4.5 million was conditionally suspended for 3 years.

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 co-ordination. The sub-programme also gathers and receives international information through a network of foreign information sources including foreign financial intelligence units.

Strategic outputs

Sub-programme 2.2 contributes to the following institutional outcomes:

- 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

In this sub-programme, the FIC met one and exceeded five of its six targets, during 2023/24. Highlights for the year include:

- Producing a total of 3 924 financial intelligence reports – 2 654 reactive reports and 1 159 proactive reports (of which 1 049 were medium-to-lower priority and 110 were high priority), plus a further 111 reports on illicit financial flows.
- Contributing to the recovery of over R98.5 million in criminal proceeds.
- Blocking R295.8 million (in terms of section 34 of the FIC Act) as suspected proceeds of crime involving 208 accounts.
- Participating in 50 engagements to improve the understanding of FIC intelligence reports and the use thereof.
- Networking with stakeholders and information sharing partnerships such as the Fusion Centre and SAMLIT that led to good results as evidenced by the statistics and case studies.

New initiative

During the financial year, the Shared Forensic Capability was established. This capability will serve the purpose of providing specialist forensic service support to law enforcement agencies and other authorities.

Table 16: 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 2021/22	Audited actual performance 2022/23	Planned annual target 2023/24	Actual achievement 2023/24	Deviation from planned target to actual achievement 2023/24	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	131	144	85	110	25	Target exceeded. More matters in the pipeline materialised and were shared.
		2.1.2	Number of proactive medium-to- lower priority financial intelligence reports issued to stakeholders per annum	651	832	700	1 049	349	Target exceeded. Team members addressed as many matters as possible. More than anticipated number of matters in the pipeline were addressed.
		2.1.3	Percentage of reactive financial intelligence reports issued to stakeholders	143%	145%	Responded to 100% of the requests subject to an annual maximum of 1 750	151.66%	51.66%	Target exceeded. Team members addressed as many requests as possible. Increase in requests received aligned with Mutual Evaluation Action Plan and expectations. YTD: 2 654/1750 = 151.66%
		2.1.4	Number of high priority financial intelligence reports issued to stakeholders on illicit financial flows per annum.	32	55	35	111	76	Target exceeded. More than anticipated proactive illicit financial flows identified and actioned.
	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 per annum	48	54	45	50	5	Target exceeded. Additional opportunities materialised.
	Blocked funds involving crime and terrorism	2.3.1	Percentage response to requests to block funds	100%	100%	100%	100%	None	Target achieved. 100% = (110/110)

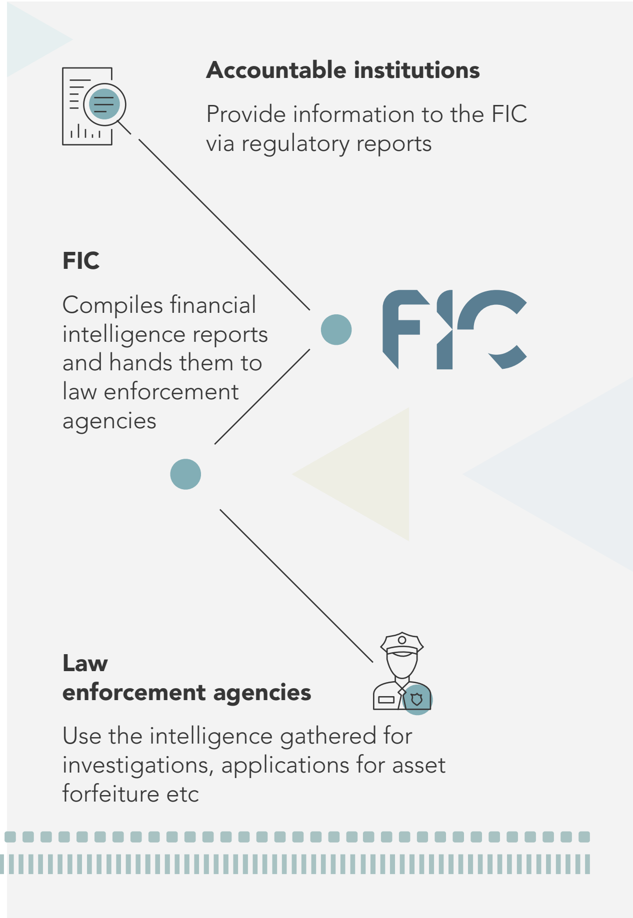
Producing crucial financial intelligence reports

The FIC produces various financial intelligence reports after analysing the regulatory reports and information that it receives from accountable institutions.

These financial intelligence reports are submitted to law enforcement, prosecutors and other competent authorities for use in their investigations, prosecutions and applications for asset forfeiture.

The FIC does not itself conduct investigations, but rather provides the information needed for investigations.

Figure 2: Producing financial intelligence reports



The FIC's financial intelligence reports are categorised as reactive or proactive. Reports that are compiled upon request are called reactive reports. During the 2023/24 financial year, the FIC produced 2 654 reactive financial intelligence reports on request from local law enforcement and other competent authority partners. Of these, there were 118 responses to requests for financial intelligence from financial intelligence units of other countries. The FIC also responded to 42 questionnaires from foreign financial intelligence units and other organisations.

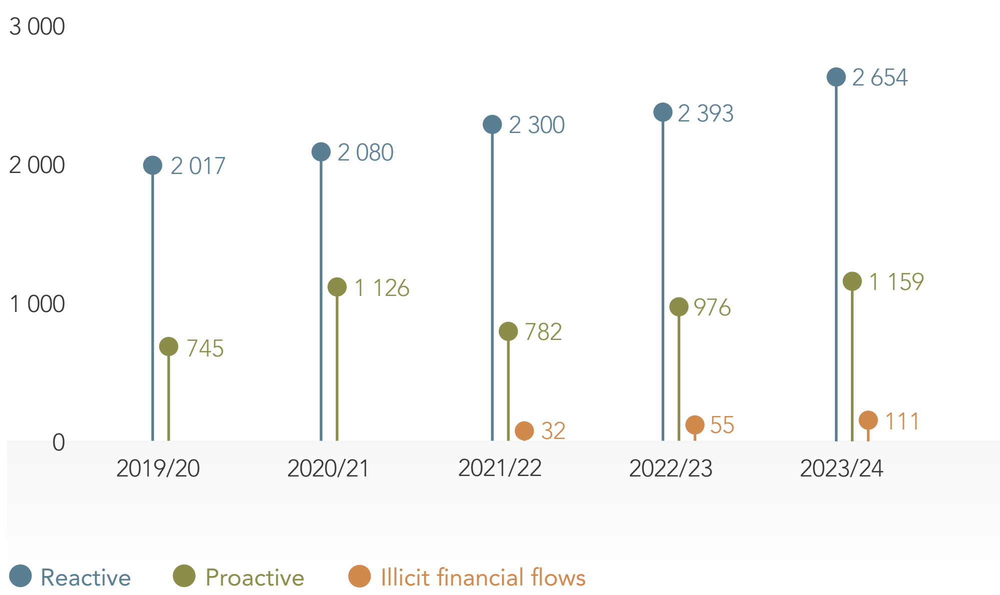
The reports that the FIC produces without being requested to do so, are called proactive reports or spontaneous disclosures. The FIC takes the initiative to produce such reports where it detects potential illicit activities.

During the year under review, the FIC compiled a total of 1 159 proactive financial intelligence reports, of which 1 049 were medium to low priority and 110 were high priority. Included in the total number of reports produced were 146 spontaneous disclosures sent by the FIC to foreign financial intelligence units.

In addition, the FIC sent 67 requests for information to foreign financial intelligence units. A further 111 were reports focused specifically on illicit financial flows. These reports were submitted to law enforcement and other authorities in the criminal justice system for investigation. Proactive reports are crucial in identifying high priority strategic issues in the country.

As complex intelligence matters require substantially more input and more time, the FIC prioritises reports according to various factors such as the type of crime, monetary value involved, the profile of the alleged perpetrator and of the victim, and public interest. In the production of financial intelligence reports, prioritisation positively impacts on success relating to matters of major significance.

Figure 3: Proactive and reactive financial intelligence reports produced



Throughout the year under review, the FIC continued analysing international funds transfer reports (IFTRS) to detect illicit cross-border movement of funds. It is important for authorities to understand what and how illicit money is circulating within and across the borders of the country, if there are any loopholes or gaps abused to effect illicit financial flows.

The FIC also analysed cash conveyance data, i.e. cash declarations made at ports of entry upon entering or leaving the country, to detect crime patterns and identify syndicates and cash-related financial crime indicators that could be proactively probed. This is crucial given that many criminals prefer to use cash because of its minimal audit trail.

The FIC's data technologists continued probing outliers in cash threshold reports and matching them with suspicious and unusual transaction reports. Such analysis assists law enforcement authorities to draw conclusions and set operational priorities regarding money laundering and financing of terrorism.

Most of the intelligence reports produced by the FIC in 2023/24 related to all types of money laundering, fraud and bribery and corruption (Figure 4). There were 751 financial intelligence reports on money laundering, 568 on self-money laundering, 255 on third-party money laundering, 88 on professional money laundering networks and 16 on individual professional money launderers.

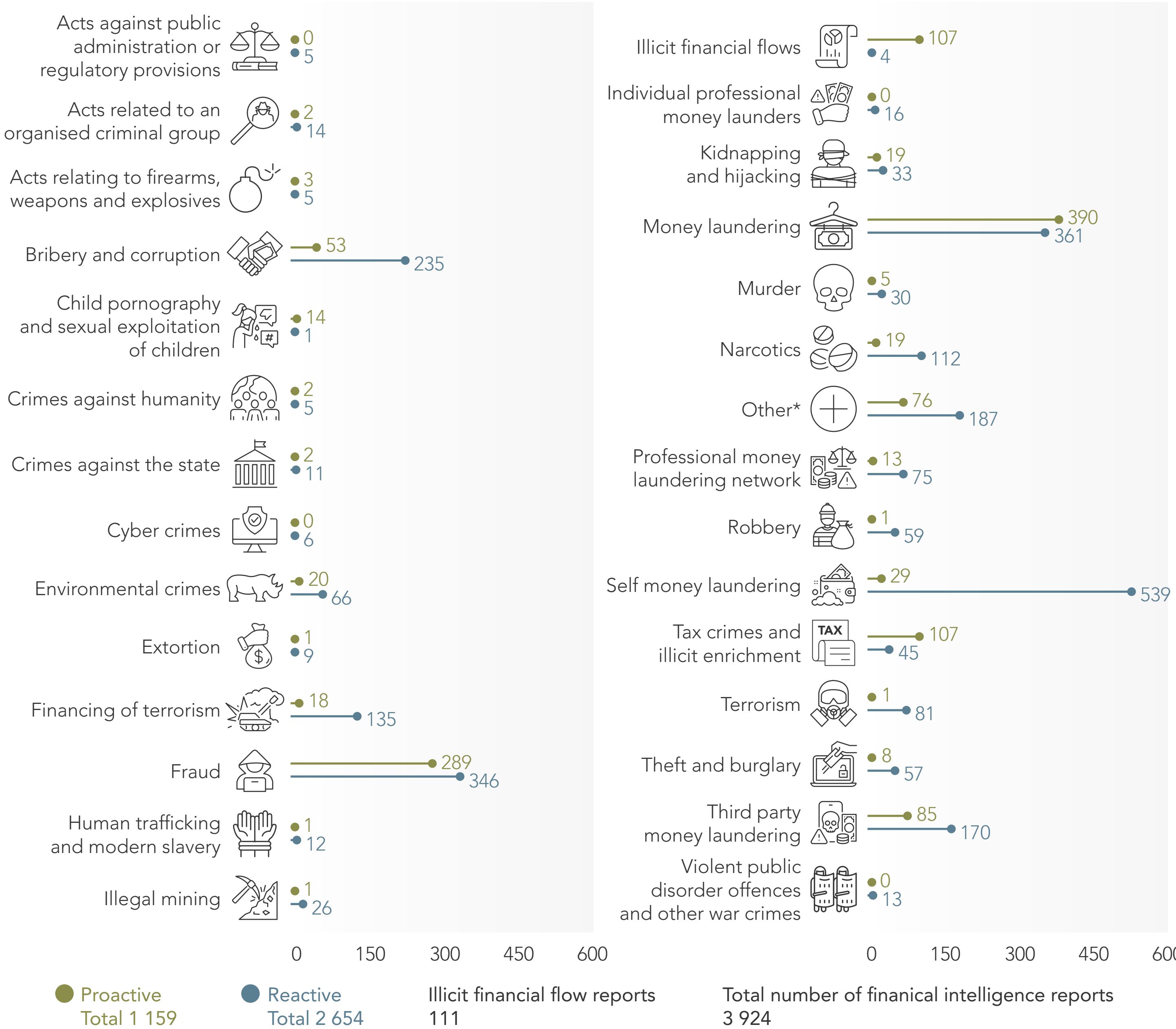
INFORMATION

THIRD PARTY AND SELF-MONEY LAUNDERING

Third party money laundering *can be described as the laundering of proceeds by a person who was not involved in the commission of the predicate offence.*

Self-money laundering *can be described as the laundering of proceeds by a person who was involved in the commission of the predicate offence.*

Figure 4: Proactive and reactive financial intelligence reports produced by crime type in 2023/24



* "Other" includes criminal acts not elsewhere classified such as include acts against the justice system, damage to property, compliance inspections, due diligence requests, strategic intelligence, migration and credit provider sector reports.

Trends and typologies

Following their mutual evaluation of South Africa in 2019, the FATF assessors suggested that strategic intelligence reports include crime trends and typologies, and that these be proactively disclosed to law enforcement authorities.

In response, since 2020/21, the FIC has used data mining techniques to explore the vast information reserves available in suspicious and unusual transaction reports and cash threshold reports to better support the fight on high priority crimes. This means that the FIC analyses these 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. The FIC also prepares, when necessary, provincial strategic reports that analyse emerging and prominent crime types per region, including the profiles of suspected perpetrators.

Sharing strategic intelligence widely

Sharing strategic analysis is important in the pursuit of continuous improvement and meaningful engagement between the FIC and its law enforcement stakeholders and partners. The FATF mutual evaluation report emphasised this and recommended that STR and CTR strategic intelligence reports be shared with a wide spectrum of law enforcement agencies such as SAPS' Crime Intelligence and Directorate for Priority Crime Investigation, and the South African Revenue Service and South African Reserve Bank.

The FIC embarked on sharing intelligence reports with a broader range of entities which led to an increase in number of stakeholders using financial intelligence. Stakeholders can use the financial intelligence to inform policy decisions within their own organisations and improve collaboration with other stakeholders to counter financial crime.

Blocking and recovering funds

The statistics in Figure 5 show how the FIC's intelligence reports led to the blocking and recovery of monies and assets, and to bringing criminals to justice. Proceeds of crime recovered in cases where the FIC's financial intelligence was used totalled R98.5 million. Note that the FIC has no control over recoveries as these depend on the facts associated with each criminal matter.

Figure 5: Value of proceeds recovered in cases where the FIC's financial intelligence was used

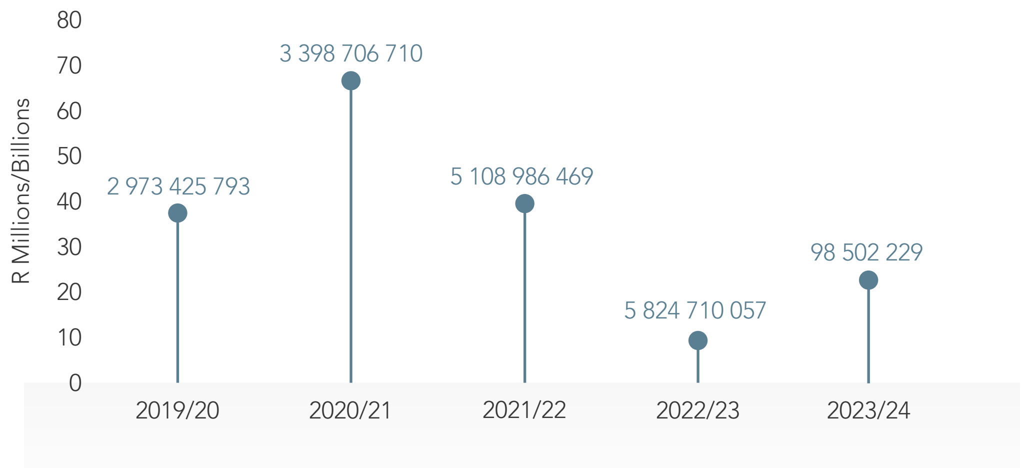
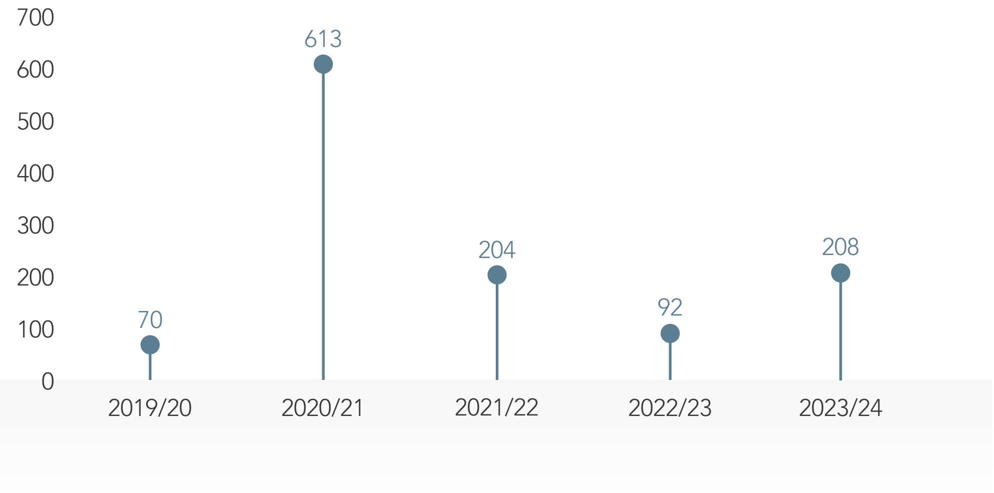


Figure 6: Value of suspected crime proceeds frozen in terms of section 34 of FIC Act



When receiving requests to institute the powers in terms of section 34 of the FIC Act, the FIC must evaluate the request to understand and verify the information to ensure that substantiating proof exists to justify the block. The FIC subsequently needs to liaise with relevant role players in the value chain to confirm the facts of the matter and ensure that factual support or proof exists to justify the issuing of a section 34 directive.

Enquiries are done with the respective institution(s), followed by feedback received, which is evaluated against evidence to support the issuing of a section 34 directive (intervention or block instruction), or to conclude that insufficient proof exists to justify the issuing of a section 34 directive, or to advise that due to dissipation of funds a directive could not be issued.

Informed decisions need to be taken which is dependent on a variety of considerations and access to relevant information. The FIC will accommodate requests for section 34 directives, provided the FIC has had the opportunity to ensure that sufficient grounds exist to justify the section 34 directive as per judicial standard.

The decision to institute or not institute a block, is thereafter communicated to the requestor or recipient of the product, and responses are updated to reflect the decision to block or not block funds.

INFORMATION

BLOCKING AND 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.

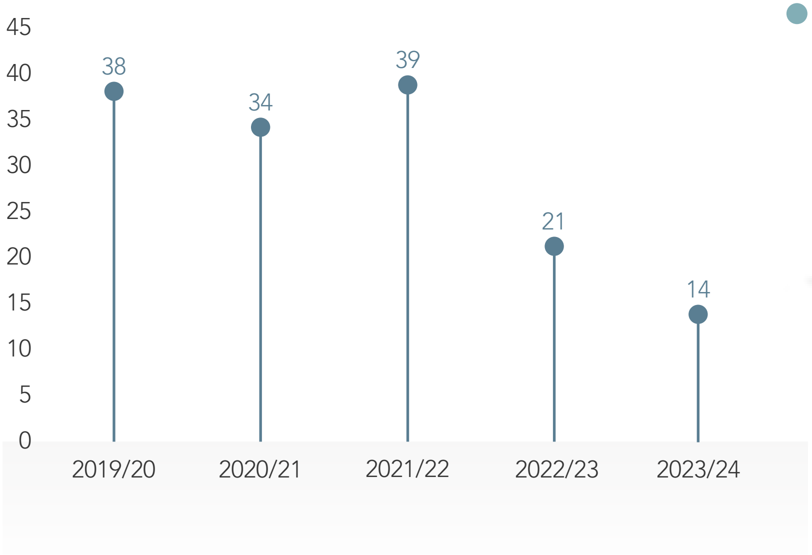
The FIC also shares this information with the AFU, which can seize and take control of the funds if necessary. During 2023/24, the FIC blocked R295.8 million as suspected proceeds of crime and issued 208 section 34 directives.

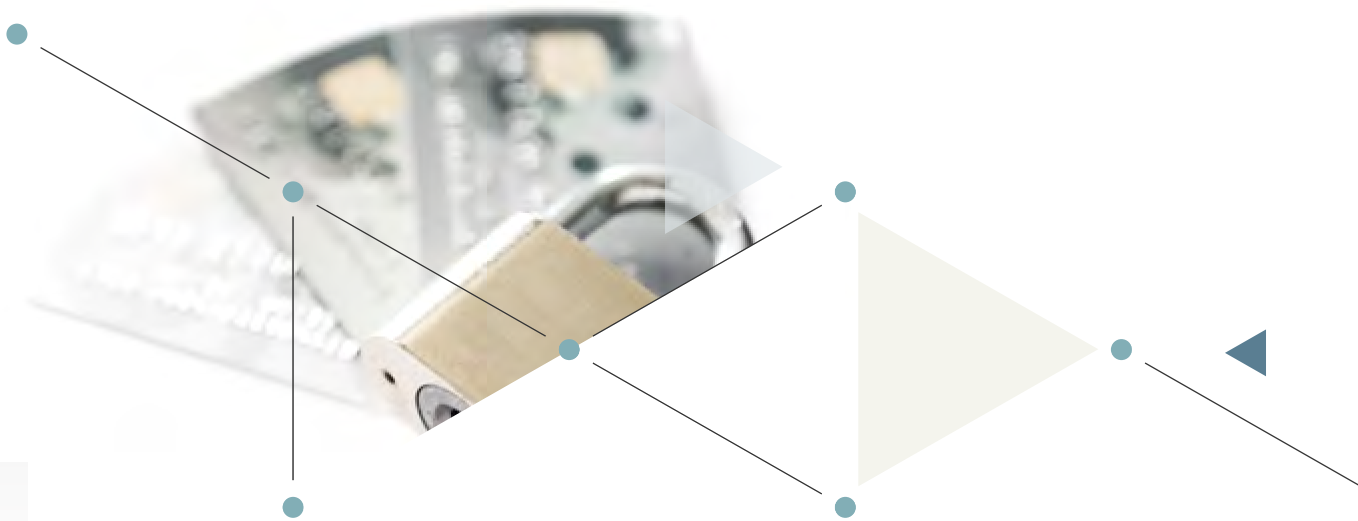
SECTION 27A OF THE FIC ACT

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 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.

Figure 7: Number of court affidavits produced





Providing specialised forensic support

The new Shared Forensic Capability (SFC) started operating in May 2023 under the auspices of the FIC. It is an initiative of the Justice, Crime Prevention and Security Cluster (JCPS), reporting to the NPCOC (National Priority Crime Operational Committee), which was formerly known as the Anti-Corruption Task Team (ACTT), and using resources from programme 2 at the FIC.

The SFC's purpose is to provide forensic service support to law enforcement agencies and other authorities in terms of section 40 of the FIC Act, 2003, as amended by the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022).

Forensic support includes specialised resources in forensic accounting, analysis and reporting, as well as producing forensic evidence and presenting such evidence in court.

Ultimately, the SFC will help increase success in bringing matters to court and help expedite asset forfeitures.

During the year under review, the main focus was on resourcing the SFC to ensure its efficiency and effectiveness. An operating model was developed and refined. Furthermore, a governance charter was finalised, and a case management system implemented.

In terms of human resources, the envisaged employee complement for the SFC is 60 and recruitment began in 2023/24. In the interim, four employees were transferred from other FIC divisions to the SFC, and The Banking Association South Africa seconded two of its employees to the SFC.

The SFC hosted workshops to create awareness and establish working procedures with agencies that will use its services. On 12 March 2024, the SFC entered into a co-operation agreement with the Business School of North-West University (NWU). The collaboration will see the SFC leveraging the expertise of the NWU Business School's Unit for Corruption and Integrity Studies, as well as its undergraduate and postgraduate programmes to build forensic capacity in the SFC. The areas of co-operation include the development of an in-house training programme for the SFC and collaborative research projects.

During its first year of operations, the SFC enrolled 18 matters and issued eight affidavits and forensic reports for use by law enforcement agencies.

Collaboratively gathering and sharing financial information

An integrated, collaborative approach to the gathering and sharing of information and data is key to safeguarding the country's financial system. For this reason, the FIC plays an active role in national initiatives, such as the Fusion Centre and the South African Anti-Money Laundering Integrated Task Force (SAMLIT).

Composed of multi-disciplinary role players, these initiatives focus on the timeous sharing of financial and other information to expedite the prevention, detection, investigation and resolution of criminal matters. Central to the initiatives is the effective use of financial intelligence provided by the FIC.

South African Anti-Money Laundering Integrated Task Force

Membership

Established in December 2019 by the FIC, SAMLIT is a public-private financial information sharing partnership encompassing domestic and international banks, the South African Banking Risk Information Centre and The Banking Association South Africa. Regulatory authority members include the FIC, and SARB's Prudential Authority and Financial Surveillance department.

Purpose

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

SAMLIT's steering committee, which is chaired by the Acting Director of the FIC, oversees the implementation of the 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 investigation and asset forfeiture.

INFORMATION

SAMLIT MEMBERS

Public sector: *Financial Intelligence Centre | South African Reserve Bank: Prudential Authority*

Banking industry representatives: *South African Banking Risk Information Centre | The Banking Association South Africa*

Banking sector: *Absa Group Limited | African Bank Limited | Albaraka Bank | Bank of China | Bank of Taiwan South Africa Branch | Bidvest Bank Limited | Capitec Bank Limited | China Construction Bank Corporation, JHB Branch | Citibank N.A., South Africa | Deutsche Bank AG, JHB Branch | Discovery Limited | Finbond Mutual Bank | FirstRand Bank | GBS Mutual Bank | Grindrod Bank Limited | Grobank Limited | HBZ Bank Limited | Habib Overseas Bank Limited | HSBC Bank | Investec Bank Limited | Nedbank Group Limited | Sasfin Bank Limited | Standard Chartered Bank | State Bank of India, South Africa | Standard Bank of South Africa Limited | TymeBank Limited.*

Through its work, SAMLIT identifies specific types of activities and behaviour associated with different types of crimes. These typologies are intended to increase knowledge on and possibly pre-empt some types of criminal behaviour.

SAMLIT shares knowledge mainly via meetings and webinars, and reports compiled by expert working groups.

During the period, SAMLIT hosted four webinars, in which domestic and international experts presented on topics including trade-based money laundering, cyber security and money mules, terrorist financing, and modern slavery and human trafficking.

SAMLIT operational arrangements

In operationalising the work of SAMLIT, various specialised groups were created, namely expert working groups and tactical operations groups.

- ***Expert working groups (EWGs)***

SAMLIT expert working groups focus on identifying financial crime trends and threats, and on finding possible solutions to address them.

During the year under review, the EWGs tackled matters related to terrorism, corruption, modern slavery and human trafficking, drug crimes, and illegal wildlife trading.

EXPERT WORKING GROUPS

CORRUPTION
Public sector under the magnifying glass

During October 2023, the EWG on Corruption released its report on companies linked to government tender corruption, general corruption and politically exposed and/or influential persons, and procurement irregularities in the public sector in South Africa. The report also contains information to assist financial institutions in identifying and developing typologies as well as identifying trends related to corruption.

TAX REFUND FRAUD
Mission accomplished

In January 2024, the EWG on Tax Refund Fraud released its report.

ILLEGAL WILDLIFE TRADE
Sharing the knowledge needed to combat this trade

The FIC hosted a roundtable event in June 2023 during which government and public sector experts from the United States, the United Kingdom and South Africa shared their knowledge and expertise in the fight against illegal wildlife trading.

The roundtable was a follow up on a commitment made by National Treasury departments of South Africa and the United States, to support a US-SA task force in addressing the issue.

Roundtable participants included the Federal Bureau of Investigation, Homeland Security Investigations and the FIC's counterpart in the US, the Financial Crime Enforcement Network and the UK-based United for Wildlife. South Africa was represented by SAMLIT members.

FINANCING OF TERRORISM
Second report in the pipeline

The EWG published its first research report in 2020. It provided recommendations for financial institutions to enhance their control environments by screening clients against sanctions lists, giving frontline employees exposure to the FIC's training material to help detect activities related to the financing of terrorism and other methods.

The EWG is working on a second research report. Due to the increasing threat of terrorist financing globally, the second report will contain recommendations that address matters related to FATF grey listing, as well as a financing of terrorism risk assessment framework.

CASE STUDY

ILLEGAL WILDLIFE TRADE AND MONEY LAUNDERING

Couple caught mailing sungazer lizards to Germany

South Africa has seen the emergence of charges relating to money laundering and racketeering being added to wildlife crime possession and trafficking charges. This reflects the reality that wildlife crime is often part of a more complex web of criminal activity associated with organised crime.

A case in point is the conviction and sentencing of husband and wife, Gerald and Elisha van der Westhuizen, at the Kempton Park Magistrates' Court in July 2023. The couple was sentenced after pleading guilty to five counts related to exporting species listed in the Convention on International Trade of Endangered Species (CITES) without a permit and four counts related to money laundering and the use of the proceeds from unlawful action.

Their illegal activity was initially uncovered when SARS Customs officials, while conducting a routine inspection at the OR Tambo International Mail Centre, found a parcel containing sungazer lizards they were carrying illegally. The export of sungazer lizards contravenes the National Environmental Management: Biodiversity Act.

CASE STUDY

THEFT, MONEY LAUNDERING, SABOTAGE, TAX EVASION

Millions recovered

The FIC received a request to assist with an investigation relating to theft of coal and money laundering at a state-owned enterprise.

To prioritise the investigation and expedite obtaining and sharing of financial intelligence, the FIC created a tactical operations group. This ensured that the banks which had been exposed to the investigated subjects could analyse all suspicious and irregular transactions, and supply details to the FIC. Reports highlighting the irregular activities were compiled by the FIC and shared with the relevant law enforcement agencies.

The FIC went on to issue section 34 directives against 30 bank accounts, leading to law enforcement partners recovering R189 084 711. These funds were subjected to a SARS income tax enquiry. One of the defendants in this matter approached the high court to challenge the blocking of funds held in his bank accounts. The court dismissed his application with costs. The matter, which is still in progress, received extensive media coverage.

- ***Tactical operations groups (TOGs)***

SAMLIT tactical operations groups is to deal with unfolding crime swiftly and strategically. Made up of the FIC, various representatives of law enforcement and the banking sector, TOGs deal with matters where there is an intersect between the banking sector and crime.

During 2023/24, there were 15 TOGs in operation. They supported investigations by providing financial intelligence on cases related to narcotics, illegal wildlife, illicit financial flows, fraudulent tax refunds and corruption. Successes achieved by various TOGs during 2023/24 include those mentioned in the case studies in this report.

CASE STUDY

VAT FRAUD

Vendor caught defrauding SARS

The FIC received a request for assistance from the SARS Syndicated Tax and Customs Crime Division in Gauteng, indicating that SARS had paid more than R3 million in VAT refunds into the bank account of a certain vendor.

The VAT claim was subsequently confirmed to be fraudulent. The vendor did not conduct business over the review period and did not generate income to justify the refund claimed. No trading activities could be identified on the bank statement analysis. There were only small deposits made to keep the account active.

The FIC therefore directed the bank to place a hold on the account as the balance on the account was derived from the VAT fraud that was committed. The FIC also provided a supporting affidavit to the AFU for a preservation order on the funds.

CASE STUDY

VAT FRAUD

Fraudulent VAT claims

The FIC received a request for assistance from SARS relating to three entities allegedly involved in fraudulent VAT claims and the laundering of proceeds of crime.

Financial analysis carried out by the FIC revealed that only VAT refunds flowed into the entities' bank accounts. There was no income deriving from trading activities. The FIC issued directives on three bank accounts.

The collaboration between the FIC, banking institutions and SARS resulted in the freezing of these three bank accounts and the recovery of R231 392.67.

The Fusion Centre

Membership

The Fusion Centre is a public-public crime-fighting alliance that started operating in 2020. Established by the Anti-Corruption Task Team, now known as the National Priority Committee on Organised Crime, this multi-disciplinary initiative provides a national hub for dealing with matters related to corruption, fraud, abuse of power and maladministration in all regions and provinces of South Africa.

Collaborating institutions include the NPA, AFU, SIU, SARS, DPCI, SAPS' Detectives and Crime Intelligence, the National Intelligence Co-ordinating Committee and the State Security Agency. 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. In this way, South Africa applies resources for parallel financial investigations alongside traditional criminal investigations into ML, TF and/or related offences.

Original and revised mandate

At its inception, the initial focus of the Fusion Centre was on investigating and prosecuting the misappropriation of funds set aside by government for social and economic relief during the COVID-19 pandemic.

In March 2023, the Fusion Centre began operating under a revised mandate, as approved by the NPCOC. Consequently, the focus shifted from investigations related to the misappropriation of funds allocated for COVID-19 disaster relief, to national priority crimes. This shift will enable the Fusion Centre to contribute directly to the country's strategic obligations in respect of addressing deficiencies in the anti-money laundering system as required by the FATF action plan for South Africa to exit the grey list.

Successes

The collective work of the Fusion Centre resulted in the identification of fraud in the COVID-19 Temporary Employer/Employee Relief Scheme offered by government, and other related financial crimes. Some of the cases under the purview of the Fusion Centre since inception have been complex commercial crimes, involving networks of organised criminal syndicates. Four new cases were registered during the year under review.

Table 17: Summary of Fusion Centre's work

Matters registered with the Fusion Centre	
Total number of matters	556
Cases in court and cases finalised with convictions and acquittals	
Cases in court	44
Number accused	166
Convictions obtained	65
Acquittals	7
No of accused sentenced	96

Going forward

The Fusion Centre will focus primarily on matters related to combating money laundering and terrorist financing going forward and adopt a two-pronged focus in terms of its case intake. Firstly, it will focus on money laundering matters in satisfying the deficiencies identified by FATF in the mutual evaluation of South Africa in 2019. Secondly, it will prioritise complex money laundering matters involving professional money laundering enablers, professional money laundering networks and third-party money laundering syndicates. The Fusion Centre will continue to play a key role in finalising the remaining COVID-19 related cases.

CASE STUDY

FRAUD, THEFT, MONEY LAUNDERING

Landmark conviction of 135 years imprisonment

An accountant defrauded the COVID-19 Temporary Employer/Employee Relief Scheme of more than R11 million. He did this by claiming relief funds on behalf of several companies, without their knowledge.

Collaborative efforts of the Fusion Centre team uncovered a network of 17 individuals, 26 entities, 53 banking accounts and 983 transactions involved in the flow of financial proceeds from the accountant. The funds were used to purchase immoveable and moveable assets such as houses and a car.

The accountant was arrested and convicted for fraud, theft and money laundering. He was sentenced to 135 years in prison.

CASE STUDY

FRAUD

Taxi association's R220 million fraud case

An Eastern Cape taxi association fraudulently claimed R220 million from the COVID-19 Temporary Employer/Employee Relief Scheme using various accounts.

The Fusion Centre issued section 34 directives on 26 bank accounts securing a preservation order of R26.9 million against the taxi association. A contract held by the taxi association for the provision of personal protective equipment to a government department was declared irregular and unlawful. The criminal trial is under way.

Money Remitter Operational Task Team

The task team convened monthly, and with discussions focusing on the identification of red flags and new trends. Several best practises were introduced, highlighting the need for information sharing among the members. The task team extended its membership to include several key law enforcement agencies.

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. For this reason, the FIC enters into partnership with various domestic institutions and foreign partners via memoranda of understanding.

The FIC has 42 MoUs with domestic institutions. These MoUs commit both parties to working together to ensure that the financial system is safe, stable and sustainable for all citizens. During the 2023/24 financial year, the FIC also signed a new MoU with a local branch of INTERPOL.

Stakeholder engagements to improve understanding and use of financial intelligence

The FIC held 50 domestic stakeholder engagements (against a target of 45) on the use of financial intelligence during 2023/24. Through these engagements, aimed mostly at law enforcement agencies, the FIC contextualised its mandate, and improved the understanding and use of FIC intelligence reports and related intelligence services.

Combating illegal movement of money across borders: the Inter-Agency Working Group on Illicit Financial Flows

During the reporting period, the FIC continued to provide secretariat support and to chair the Inter-Agency Working Group on Illicit Financial Flows (IAWG: IFFs) which was established in 2017/18 to counteract the illegal movement of money out of South Africa.

There are nine different government bodies involved in this working group: FIC, SARS, SARB's PA and Financial Surveillance department, DPCI, SAPS, FSCA, AFU, NPA and SIU as well as any additional agency, upon invitation.

Through the work of the IAWG: IFFs, South Africa can identify, counter and eradicate illicit financial flows adequately, making it more difficult for criminals to exploit systemic weaknesses. The working group has, throughout the years, assisted law enforcement agencies in disrupting criminal activities, freezing assets and recovering monies. The working group has developed a mechanism to deter and mitigate against the threat of cash couriers in the country.

Since inception, the working group has recovered R538.7 million, as at 31 March 2024.

CASE STUDY

ILLEGAL WILDLIFE TRADE

Crackdown on illicit abalone harvesting

The FIC received a request to assist with an investigation on a matter relating to the harvesting of abalone. Six individuals were involved. Through regulatory reports filed, the FIC discovered irregular crypto currency transactions and international funds transfers conducted through countries including China and Singapore, which are known to be smuggling hubs for wildlife trafficking.

The FIC also discovered that one of the subjects transacted with a well-known kingpin who was part of a syndicate involved in a billion-rand perlemoen poaching operation. The financial intelligence was shared with law enforcement. The matter is still under investigation.

SUB-PROGRAMME 2.3: Delivery of intelligence on financial crime and FIC Act-related regulatory services – focusing on the AML and 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 2023/24, the FIC achieved two of its three targets under this sub-programme

Highlights for the year include the following:

- The FIC contributed to South Africa's collective effort to strengthen the effectiveness of its AML and CFT regime and resolve deficiencies identified in the FATF mutual evaluation report.
- The FIC gave effect to all the United Nations Security Council (UNSC) targeted financial sanctions on the FIC website within 24 hours of the UNSC designations being made.
- A FIC case study was selected for inclusion in the latest Best Egmont Case Award (BECA) book which is expected to be published by mid-2024.
- The FIC played a significant role in informing the IFWG and its Crypto Assets Regulatory Working Group on the AML and CFT requirements in respect of CASPs as required by the FATF.
- Responded 100 percent to requests for technical assistance from countries within the ESAAMLG region.

CASE STUDY

KIDNAPPING

Kidnapper killed and money blocked

An individual kidnapped a person and demanded ransom money from the family. The FIC was requested to analyse the suspect's bank account and found transactions linked to the kidnapping.

The proceeds were blocked with a section 34 intervention order and a preservation order was obtained. The suspect was killed in a shootout with SAPS.

DRUG TRAFFICKING

Narcotics traffickers traced

The Directorate for Priority Crime Investigation identified several vehicles that were used to transport narcotics, on different occasions, across different provinces. In most incidents, they found narcotics hidden in concealed panels in vehicles. The investigation team found and raided the narcotics manufacturing laboratory.

The FIC was requested to analyse the various bank accounts of six individuals and two entities. Financial analysis showed linkages and transactions between the syndicate members and drug transactions. The matter is under investigation.

CASE STUDY

FRAUD

Bank transactions raise suspicions

The FIC received a suspicious and unusual transaction report regarding two bank accounts. The amounts involved in the transactions and the way the accounts were managed raised suspicions that they could be linked to illicit flow of funds, fraud and/or money laundering.

The FIC analysed the bank accounts and identified several related individuals through the cash flow analyses. The matter was reported to law enforcement to conduct further investigations.

Table 18: 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 2021/22**	**Audited actual performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**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	100%	N/A	Target achieved. 100% (5/5)
	Policy and legislation that is aligned with international standards	3.2.1	Number of policymaking activities attended within regional and inter-governmental organisations per annum	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	Attended and participated in 6 FATF and 1 ESAAMLG meetings	1 ESAAMLG	Target not achieved. The first ESAAMLG meeting was scheduled for April 2023, however in their planning, ESAAMLG scheduled the meeting for 26 to 31 March 2023. The meeting was therefore reported in the financial year 2022/23.

continued on next page

Table 18: continued

Delivery of intelligence on financial crime and FIC Act-related regulatory services									
Outcome	**Outputs**	**Output indicators**		**Audited actual performance 2021/22**	**Audited actual performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviations**
		3.2.2	Timeous implementation of UNSC targeted financial sanctions	New UNSC designations and changes to existing UNSC designations were implemented within 24 business hours, entailing 16 UNSC designations that took place and were applied in FIC TFS Consolidated List.	All 96 UNSCR designations were effected on the FIC TFS website within 24 hours of the designations made by the UNSC.	New UNSC designations and changes to existing UNSC designations implemented within 24 business hours of changes being made to the UNSC Consolidated List.	All 169 UNSC sanctions regime amendments took place on the UNSCR Consolidated List of TFS.	N/A	Target achieved.
		3.3.1	Monitoring policy implementation pursuant to Money Laundering/ Terror Financing/ Proliferation Financing (ML/TF/ PF) NRA	N/A	N/A	Report to AML/ CFT IDC on implementation of policies emanating from the ML/TF/ PF NRA Q2 and Q4	Not achieved.	Q2 and Q4 reports to AML/ CFT IDC on the implementation of policies emanating from the ML/TF/ PF NRA.	Target not achieved. The deviation for Q2 is that the draft report was finalised but not submitted because additional reviews are being conducted to improve the quality.

Broadening 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 country is a member of FATF and ESAAMLG, and the FIC is a member of the Egmont Group and various regional bodies across the globe.

As South Africa's financial intelligence unit, the FIC leads the South African delegation to ESAAMLG, and the FIC is a member of the country's delegation to FATF, where National Treasury leads the delegation. The FIC signs MoUs with peer financial intelligence units in other countries. These MoUs improve international co-operation and information sharing, and thus strengthen South Africa's capability for assisting and requesting assistance from international partners in combating financial crime.

During 2023/24, the FIC concluded memoranda of understanding with the financial intelligence units of Kazakhstan and Pakistan. This brought to 102 the total number of international MoUs the FIC had in place as at 31 March 2024.

Figure 8: The 102 countries with which the FIC has memoranda of understanding

AB
- Albania
- Angola
- Anguilla
- Argentina
- Armenia
- Australia
- Bahamas
- Bahrain
- Bangladesh
- Belgium
- Bermuda
- Botswana
- Brazil
- Burkina Faso

CDE
- Cabo Verde
- Canada
- Cayman Islands
- China
- Cuba
- Curaçao
- Cyprus
- Czechia
- Denmark
- Egypt
- Ethiopia

FGH
- Fiji
- Finland
- France
- Germany
- Ghana
- Gibralta
- Greece
- Guatemala
- Guernsey
- Hong Kong

IJ
- India
- Indonesia
- Isle of Man
- Israel
- Italy
- Japan
- Jersey
- Jordan

KL
- Kenya
- Kazakhstan
- South Korea
- Latvia
- Lebanon
- Lesotho
- Lichtenstein
- Lithuania
- Luxembourg

M
- Madagascar
- Malawi
- Malaysia
- Mali
- Malta
- Mauritius
- Moldova
- Monaco
- Montenegro
- Mozambique

NP
- Namibia
- The Netherlands
- New Zealand
- Nigeria
- Pakistan
- Panama
- Peru
- Poland
- Portugal

QR
- Qatar
- Romania
- Russian Federation
- Rwanda

S
- San Marino
- Senegal
- Serbia
- Seychelles
- Singapore
- Sint Maarten
- Slovenia
- Spain
- Sri Lanka
- Swaziland
- Sweden
- Switzerland

TUVZ
- Tanzania
- Togo
- Trinidad and Tobago
- Turkey
- Turks and Caicos Islands
- United Arab Emirates
- Uganda
- United Kingdom
- Ukraine
- United States of America
- Uruguay
- Vatican City State
- Zambia
- Zimbabwe

Support to Eastern and Southern Africa Anti-Money Laundering Group

The FIC provides support to countries within the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) region to improve compliance and alignment with international standards.

ESAAMLG's objectives are to adopt and implement the 40 Recommendations of the FATF; apply anti-money laundering measures to all serious crime; implement measures to combat the financing of terrorism and implement any other measures contained in the multilateral agreements.

The FIC co-operates with ESAAMLG countries on helping to stem cross-border criminal activities, and provides technical support relating to the quality of information exchanged.

Most 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 and CFT mandates (often on recommendation of local financial intelligence units).

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.

ESAAMLG regional terrorist financing risk assessment project

The FIC's involvement in ESAAMLG's regional terrorist financing risk assessment project assists in promoting a common understanding and approach to threats and risk mitigation of money laundering, and financing of terrorism and proliferation.

The project aims to increase knowledge of money laundering and terrorist financing trends and techniques in the region to effectively contribute to regional and international AML and CFT policy formulation and development of national strategies.

Member countries have agreed to carry out national risk assessments in order to identify and understand their ML, TF and PF risks. This provides a foundation for conducting regular ML, TF and PF threat and risk assessments by the South African authorities to mitigate identified threats and risks effectively. The FIC will also benefit from shared tools which have been used in other regions. In their ongoing work, the project team continues to refine their path ahead and gather necessary information.

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 in the process of putting in place adequate AML and CFT statutes and institutional capacity to implement the measures in a manner consistent with international standards. Most technical support requests to the FIC by ESAAMLG countries relate to advice sought on:

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

Many countries in the region have received assistance from the FIC over the past decade, and the past financial year was no different. During 2023/24 the FIC shared its expertise with Botswana on establishing a ML, TF and PF private-public partnership, similar to South Africa's SAMLIT. The FIC also hosted delegates from Malawi who visited the Fusion Centre to learn more about public-public partnerships.

Three analysts from the Kingdom of Eswatini's financial intelligence unit visited the FIC as part of the Analyst Placement Programme sponsored by the United Nations Office on Drugs and Crime. The programme aligns with the ESAAMLG Training and Technical Assistance Committee's approved plans on technical assistance by fellow financial intelligence units.

ESAAMLG information exchange platform

The FIC is the lead agency on technology in the development of a ground-breaking information exchange platform that will enable ESAAMLG members to share information swiftly. The first phase of the project saw the delivery of a prototype of the functionalities and features of the platform. The second phase will entail the actual development of the platform, and work will continue on this multi-year initiative.

Egmont Group of Financial Intelligence Units

The Egmont Group is global forum of 174 financial intelligence units, including the FIC.

A key objective of the Egmont Group is to provide a secure platform for financial intelligence units to exchange information to assist in combating money laundering and financing of terrorism. The Egmont Group recognises that financial intelligence sharing is of paramount importance and has become the cornerstone of international efforts to counter money laundering and terrorist financing.

The FIC's membership of the Egmont Group extends its ability to exchange information with counterparts around the world. The FIC's former director, Advocate Xolisile Khanyile, was chairperson of the Egmont Group from July 2022 up to her departure from the FIC at the end of August 2023.

FIC's contribution to the Egmont Group

During 2023/24, the FIC continued participating in the Egmont Group ICT Renewal Project, which was launched in 2021. A FIC ICT employee serves on the project. The renewal project is aimed at ensuring that the Egmont Group ICT system can fulfil the needs of the various financial intelligence units in terms of international information exchange.

A FIC case study was selected for inclusion in the latest Best Egmont Case Award (BECA) book which is expected to be published by mid-2024. Launched in 2011, BECA is an annual contest that encourages Egmont members to contribute to the group's case study database for the benefit of all financial intelligence units and other AML and CFT stakeholders.

The FIC participated in various surveys and questionnaires, some of which resulted in published reports including one on trade based money laundering and one on the misuse of corporate structures.

Readiness assessments

Upon request, the FIC undertakes readiness assessments of financial intelligence units of candidate countries seeking Egmont Group membership, and provides mentorship to these countries. The FIC does this in respect of financial intelligence units that it co-sponsors in the Egmont Group membership process to best assist them in their membership efforts.

During the year under review, the financial intelligence units of Lesotho and Zimbabwe were accepted as Egmont members in July 2023. Kenya's membership was approved in February 2024. The FIC continues assisting the Kingdom of Eswatini in its membership application, which entails a multi-year process.

Financial Action Task Force

South Africa is a member of the Financial Action Task Force (FATF), the international inter-governmental body that leads global action to tackle money laundering, terrorist and proliferation financing.

FATF researches how money is laundered and how terrorism and proliferation is funded, promotes global standards to mitigate the risks, and assesses whether countries are taking effective action.

The global money laundering and terrorist financing watchdog requires countries to have the necessary framework in place, as well as to demonstrate the actual efficacy of the framework in its practical implementation.

In assessing countries' compliance with its standards, FATF follows different processes such as regular mutual evaluations and enhanced follow up processes. A mutual evaluation is an important opportunity for a country to have its AML, CFT and CPF framework reviewed by its peers.

FATF mutual evaluation and grey listing of South Africa

Events 2019 to 2023:

In 2019, South Africa underwent its third mutual evaluation (the previous ones were held in 2003 and 2009) by an assessment team made up of representatives from ESAAMLG, FATF and International Monetary Fund.

Throughout the mutual evaluation 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 FIC played a leading role in co-ordinating communication with the assessment team that 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 https://www.treasury.gov.za

The draft mutual evaluation report was discussed at the June 2021 FATF working group meetings and the plenary. The FATF plenary concluded that South Africa had "a solid legal framework for combating money laundering and terrorist financing, but significant shortcomings remained".

South Africa was thus placed on FATF 'enhanced follow-up process' and was requested to report back at the October 2022 plenary on progress made in addressing the shortcomings identified in the mutual evaluation report.

During the course of 2022, South Africa made significant progress on many of the recommended actions specified in the FATF mutual evaluation, for example developing national AML and CFT policies to address higher risks and amending the legal framework for terrorism financing, among others. And as agreed, at the end of 2022, the country reported to FATF on progress achieved.

After considering South Africa's 2022 progress report, FATF decided to list South Africa as a jurisdiction under increased monitoring. This is commonly known as 'being grey listed'. The announcement was made on 24 February 2023.

Events 2023 to 2024:

Because the country was placed in the FATF enhanced follow-up process, South Africa must report back annually on progress in addressing the shortcomings in the mutual evaluation report.

In addition, the country is under review by the FATF International Co-operation Review Group (ICRG). In this process, South Africa must take specific steps according to an agreed action plan to remedy strategic shortcomings identified in the mutual evaluation report within a two-year period and report its progress to FATF at three-month intervals.

The enhanced follow up process and the ICRG process run parallel and South Africa is required to provide progress reports for both processes within the timelines set by FATF.

The South African government has given its commitment to addressing the shortcomings identified and actively engages with the above-mentioned processes. The cost of grey listing will, all things considered, be lower than the long-term costs of allowing South Africa's economy to be contaminated by the flows of proceeds of crime and corruption.

National Treasury chairs an inter-departmental committee of AML, CFT and CPF that is overseeing and co-ordinating a comprehensive response and the follow up actions to be taken, based on the recommendations contained in the report and the action items in the action plan. South Africa has received technical assistance from the European Union AML/CFT Global Facility on how to strengthen the system for combating money laundering and terrorist financing, to better tackle financial crimes and corruption. South Africa is expected to have resolved all deficiencies and be fully compliant by February 2025.

South Africa's progress

South Africa has so far submitted two enhanced follow-up reports, with the most recent of these at the time of the period under review, having been discussed at the October 2023 FATF meeting.

In the second enhanced follow-up report, South Africa requested re-ratings in respect of 18 of the 20 FATF mutual evaluation report recommendations for which South Africa had been rated non-compliant or partially compliant in the mutual evaluation report. The FATF agreed to upgrade South Africa on:

- 2 recommendations from "partially compliant" to "compliant"
- 11 recommendations from "partially compliant" to "largely compliant"
- 1 recommendation from "non-compliant" to "largely compliant"
- 3 recommendations from "non-compliant" to "partially compliant".

One recommendation was rated as not applicable to South Africa. Following these re-ratings, South Africa is now rated to be fully or largely compliant concerning these recommendations. Many of the upgrades received can be attributed to the amendments in the laws contained in the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 as well as the amendments to the POCDATARA Act.

South Africa has also submitted three progress reports thus far on the actions to address its strategic deficiencies in the ICRG process. By October 2023, South Africa had largely addressed two of the 22 action items in its action plan, both ahead of the expiry dates for these action items. South Africa had the opportunity to discuss its third progress report in a face-to-face meeting with the FATF Africa-Middle East Joint Group, which took place between 7 and 15 January 2024 in Abu Dhabi, in the United Arab Emirates.

Based on the report presented by South Africa, FATF considered the progress made at its Plenary in February 2024. As of February 2024, four of South Africa's 22 action items were rated as "largely addressed" and one as "fully addressed". South Africa's progress update can be found on the FATF website www.fatf.gafi.org under *FATF Update On Grey Listed Countries February 2024* on the FATF website.

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FATF MUTUAL EVALUATION REPORT 2021

Some key findings

a) 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 threat 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.

b) 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 by replacing key staff and increasing resources at key law enforcement and judicial agencies, for instance.

c) The FIC effectively produces operational financial intelligence that law enforcement agencies (LEAs) use to help investigate predicate crimes and trace criminal assets, but the LEAs lack the skills and resources to proactively investigate ML or TF.

d) 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 offences 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.

e) 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.

f) 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.

The FIC's role

Throughout the reporting period, the FIC worked closely with various government departments and agencies in contributing to South Africa's collective effort to strengthen the effectiveness of its AML and CFT regime and to resolve deficiencies identified in the FATF mutual evaluation. This annual report mentions aspects of the FIC's contribution to deliver on the following eight strategic actions which South Africa has committed to resolving by January 2025:

1. Demonstrate a sustained increase in outbound mutual legal assistance requests that help facilitate ML and TF investigations and confiscations of different types of assets in line with its risk profile.
2. Improve risk-based supervision of designated non-financial businesses and professions and demonstrate that all AML and CFT supervisors apply effective, proportionate, and effective sanctions for non-compliance.
3. Ensure that competent authorities have timely access to accurate and up to date beneficial ownership information on legal persons and arrangements, and apply sanctions for breaches of violation by legal persons to beneficial ownership obligations.
4. Demonstrate a sustained increase in law enforcement agencies' requests for financial intelligence from the FIC for their ML and TF investigations.
5. Demonstrate a sustained increase in investigations and prosecutions of serious and complex money laundering and the full range of TF activities in line with its risk profile.
6. Enhance its identification, seizure and confiscation of proceeds and instrumentalities of a wider range of predicate crimes, in line with its risk profile.
7. Update its TF risk assessment to inform the implementation of a comprehensive national counter financing of terrorism strategy.
8. Ensure the effective implementation of targeted financial sanctions and demonstrate an effective mechanism to identify individuals and entities that meet the criteria for domestic designation.

Implementation of beneficial ownership reforms

FATF requires that companies keep adequate, accurate and up-to-date information on their beneficial ownership and make such information available to competent authorities in a timely manner. FATF furthermore requires that beneficial ownership information be held by a public authority or body functioning as a beneficial ownership register. Such a beneficial ownership register impedes criminals from hiding their true identities and using companies and trusts to conceal proceeds of crime.

Beneficial ownership information can help manage the risks associated with opaque corporate structures and is a critical resource to assist law enforcement and other competent authorities in identifying the 'warm body' who owns and controls a company, trust, or other corporate vehicle. The establishment of complex corporate structures are often abused by criminals to conceal illicitly acquired wealth.

To fulfil the FATF requirement and bring the country in step with international standards, South Africa embarked on beneficial ownership reforms in 2021. These reforms were made through the implementation of the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, which also provided for amendments to three other Acts, including the FIC Act and the definition of beneficial ownership in the FIC Act.

Working group and consultations

During 2023/24, the FIC continued acting as co-chair, secretariat and technical lead agency of the Inter-departmental Committee on Beneficial Ownership Transparency (IDC-BOT), primarily responsible for inter-agency and multi-stakeholder co-ordination for the implementation of the National Beneficial Ownership Framework in terms of the revised 2021 Cabinet Memorandum.

It is against this background that between 19 and 25 January 2024, the FIC and the IDC BOT collaboratively conducted consultations with private and public sector stakeholders on beneficial ownership reforms in South Africa. As part of these consultations, the FIC issued draft guidance on beneficial ownership to strengthen measures on anti-money laundering, countering the financing of terrorism and combating of proliferation financing.

" The high level of commitment and engagement demonstrated by the FIC, as well as the depth of discussion and expertise developed by South African authorities and supervisors, are a testament to the effectiveness of the ongoing reforms and the substantial progress made by the country in the field of beneficial ownership

As a long-standing partner, the EU Global Facility is by your side, focusing not only on the immediate goal of delisting but also on building a robust, long-term framework that will benefit South Africa and the global community."

Team leader of the EU Global Facility,
David Hotte

The FIC-IDC BOT consultations benefited from expert technical advisory support by the European Union AML/CFT Global Facility (EU Global Facility) with their technical assistance aimed at enhancement of a uniform understanding and implementation of beneficial ownership standards across the country.

EU Global Facility beneficial ownership experts provided their insights. The consultations included dedicated sessions with representatives from financial institutions and designated non-financial institutions and professions (DNFBPs), supervisory bodies, as well as law enforcement and prosecution authorities. The Companies and Intellectual Property Commission and the Office of the Chief Master of the High Court also participated in the consultation as the custodians of beneficial ownership information.

Delegates discussed challenges to, and mechanisms to access reliable beneficial ownership information, as well as implementation challenges. Also covered, using practical tools, case studies and typologies, was the use of beneficial ownership information in practice.

National beneficial ownership framework

An integrated and harmonised two-tiered national beneficial ownership framework has been developed. The framework consists of core beneficial ownership (BO) registers and key government beneficial ownership information users and replicators, as follows:

Tier 1: Consisting mainly of a corporate and legal persons beneficial ownership register held by Companies and Intellectual Property Commission supported by a BO trust register under the various offices of the Masters of the High Court.

Tier 2: Several government data and asset repositories that will be prime users of the Tier 1 BO information, and then replicate that information in their own registries which will enable a link of assets to BO natural person data. For example, the property deeds register and BO register of NPOs held by the Department of Social Development, and other public benefit structures liable for tax benefits held by SARS.

The framework was established and began functioning within less than a year (2023/24 financial year). The FIC is able to access the beneficial ownership registers mentioned above and use the information for its intelligence reports and financial analyses.

CASE STUDY

CHILD PORNOGRAPHY

Legitimacy of the funds could not be confirmed

An international agency informed the FIC about an internet protocol (IP) address involved in the distribution of child pornography material to different countries. The IP address was hosted by a company in South Africa.

The FIC analysed the company's bank account and found multiple payments from various unknown sources.

The funds were disposed of via outward Society for Worldwide Interbank Financial Telecommunications (SWIFT) payments to various destinations, including individuals domiciled in a specific foreign country, allegedly for research and development purposes. The legitimacy of the funds could not be confirmed.

There was information that implicated the owner of the company in the child pornography site. As a result, a search and seizure warrant was subsequently issued for contravention of section 19A of the Criminal Law (Sexual Offences and Related Matters) Amendment Act, 2007 (Act 32 of 2007) for offences relating to child pornography.

CASE STUDY

THEFT

Millions diverted by a politically exposed person

Suspecting theft, a South African government department informed the FIC of a R49 629 828.96 transaction. The funds were intended to be refunded to a foreign government department, after a deal between the South African government department and the foreign government department was cancelled. The refund to the foreign government department was to be facilitated by an official who was also a politically exposed person (PEP). That country's embassy became involved when it was discovered that the funds had not been deposited in the government department's account.*

The embassy found that the refunded amount had been paid into an attorney's trust account and an auditor who paid the funds into the PEP's account. The auditor had paid close to R10 million into the PEP's personal bank accounts.

Financial analysis revealed that some of the funds had been moved through various accounts to enable the PEP to gain access to the funds for own gain.

The AFU obtained a preservation order for an amount of R35 million and attached four properties valued at approximately R10 million.

* *A politically exposed person (PEP) is one who has been entrusted with a prominent public function. PEPs generally present a higher risk for potential involvement in bribery and corruption by virtue of their position and influence power.*

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NATIONAL BENEFICIAL OWNERSHIP FRAMEWORK

Background:

South Africa has made significant progress in improving beneficial ownership transparency in the country. By launching a beneficial ownership registry framework, the country has addressed the FATF requirement of, "Ensuring that competent authorities have timely access to accurate data and up-to-date beneficial ownership information on legal persons and applying sanctions for violation by legal persons and trusts with regard to beneficial ownership obligations."

Aim of this framework:

The aim is to have a national source of information on natural persons who own or exercise effective control over legal entities; to assist law enforcement with relevant information when it comes to their investigations of who the ultimate owners of an entity are; and to mitigate the risks identified in the national risk assessment where legal persons were identified as vehicles prone to abuse for money laundering and terror financing activities.

How the framework benefits the country:

1. *The numerous benefits for our economy in knowing who owns whom will make our economy investor friendly, and the cost of capital to be reasonable.*
2. *When there are contraventions of the country's laws, law enforcement agencies will be able to easily source information about real/beneficial owners of the relevant entities.*

Structure of the framework:
The framework consists of various core beneficial ownership registers:

(a) Beneficial ownership register for companies:

The Companies and Intellectual Property Commission (CIPC) launched its beneficial ownership register on 1 April 2023, allowing for all corporate vehicles registered with the CIPC to file their beneficial ownership declarations.

The CIPC has published guidance on filing of beneficial owner information as required by the GLA Act. To file BO information, visit the CIPC website and click on On-line transacting/New E-services. From 1 April 2024, companies will not be able to file their Annual Returns until they file/submit BO declarations. The CIPC employs measures to ensure adequacy, accuracy and completeness of data on its registers, in particular the beneficial ownership register, including real-time validation of beneficial ownership data with the Population Register of the Department of Home Affairs, which contains the full names, national identity numbers and biometric data (photos and fingerprints) of South African citizens and residents. All holders of foreign passports are required to present certified and/or notarised copies of passports before a natural person can be on-boarded onto the CIPC registers.

The CIPC conducts checks against the UNSC targeted financial sanctions list. Data contained in the register of delinquent directors is also checked with every beneficial ownership filing. More information and a step-by-step guide is available on the CIPC website.

(b) Beneficial ownership register for trusts:

The Master of the High Court has been registering trusts for decades, with the oldest manual record dating back to 1934. However, the technology platform for the storing of BO details of trusts is entirely separate system from the one that is used to register trusts and is purpose built to function as a registry of beneficial ownership information on trusts. The new permanent system was rolled out on 17 October 2023 and is fully operational. Trustees are obligated to record beneficial ownership data on the online portal, https://trustonline.justice.gov.za/Masters. The Trust Property Control Act defines 'beneficial ownership' to include the founders, trustees, named beneficiaries and any individuals who exercise effective control of any trust.

(c) South African Revenue Service:

SARS also holds information about companies and trusts that are registered with SARS as taxpayers. SARS record all beneficial owners of newly registered trusts. A trust can only register with SARS for income tax purposes if, among other aspects, the beneficial ownership information for that trust is provided in its application. The trust registration query on SARS online query system has been enhanced to allow for the capturing of the beneficial owner's details. For more information, see the updated Guide for the SARS Online Query System.

Brazil, Russia, India, China and South Africa

South Africa chaired BRICS in 2023 under the theme "BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development, and Inclusive Multilateralism".

The FIC chaired the BRICS Countering Terrorist Financing sub-working group that facilitates the sharing of experiences and knowledge between BRICS partners.

BRICS partners face counter-terrorism challenges in terms of national experience as well as regional and international threat perspectives. The sharing of expertise in dealing with terrorist financing during work sessions are regarded as a positive contribution to the development and enhancement of countries' approaches towards the countering of terrorism and the establishment of a sub-group to share expertise and enhance co-operation on countering the financing of terrorism.

Co-operation in areas such as intelligence sharing, mutual legal assistance, and police co-operation contribute to countries' counter-terrorism measures and responses to the threat posed by terrorism.

The Russian Federation took over from South Africa as Chair of BRICS at the beginning of 2024.

OECD Foreign Bribery Working Group

South Africa is one of the 30 countries that belong to the Organisation for Economic Co-operation and Development (OECD).

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

In South Africa, the Department of Public Service and Administration (DPSA) is responsible to co-ordinate and facilitate the implementation of the Anti-Bribery Convention. An intricate network of interdepartmental structures – that pull together 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.

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.

South Africa was evaluated by Australia and Hungary in 2023. The assessors noted the positive efforts to address foreign bribery in South Africa and applauded the country for effectively dealing with domestic cases through the Zondo Commission. Consequently, it was determined that South Africa would proceed to Phase 4 assessment, with the first evaluation scheduled for March 2025.

United Nations Security Council targeted financial sanctions

The FIC hosts and maintains an updated list of proscribed persons and entities as identified by the resolutions of the United Nations Security Council (UNSC). The targeted financial sanctions (TFS) list must be updated within 24 hours of changes made by the UNSC.

The TFS list includes all persons and entities applicable to sections 26A, 26B and 26C of the FIC Act. Section 26B prohibits anyone from transacting with a person or entity associated with terrorism or proliferation or financing thereof, as identified in terms of a resolution of the UNSC, for example, Al-Qaida and Taliban.

The prohibition extends to also include persons acting on behalf of, or at the direction of the designated person or entity. Accountable institutions must scrutinise their clients against the applicable list, freeze assets and stop all transactions.

The FIC's website offers an online search tool designed to assist accountable institutions in finding possible matches between their clients' names and/or entities' names on the TFS list.

During the year under review, the FIC gave effect to all 169 UNSC targeted financial sanctions within 24 hours of the UNSC designations being made.

Intergovernmental Fintech Working Group and Crypto Assets Regulatory Working Group

The FIC is a member of the Intergovernmental Fintech Working Group (IFWG) and contributes to the IFWG Crypto Assets Regulatory Working Group and the IFWG Innovation Hub.

Established in 2016, the IFWG consists of the National Treasury, the South African Reserve Bank, the Prudential Authority, the Financial Sector Conduct Authority, the National Credit Regulator, South African Revenue Service, and the Competition Commission.

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.

During 2023/24, the FIC continued to play a significant role in informing the IFWG and its crypto assets regulatory working group on AML and CFT requirements in respect of crypto asset service providers as required by the FATF. As from December 2022, crypto asset service providers fall within the category of financial and other institutions listed in Schedule 1 to the FIC Act (item 22) (referred to as accountable institutions) that are required to comply with obligations of the FIC Act.

The FIC participated, and continues to participate, in the IFWG Innovation Hub, which is a centralised innovation capability shared by South African financial sector regulators. It is designed to facilitate policy responses to financial sector innovation through greater engagement between regulators and the market.

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REGULATING CRYPTO ASSETS AND CRYPTO ASSET SERVICE PROVIDERS

Crypto assets

The Financial Action Task Force defines crypto assets as 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. The South African Reserve Bank does not currently recognise crypto assets as currency.

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

Crypto assets were declared a financial product by the Financial Sector Conduct Authority (FSCA) in October 2022, making it compulsory for crypto asset service providers to be licensed by FSCA, registered with the FIC and supervised by FSCA and the FIC.

Crypto asset service providers

Institutions that provide financial advice and/or intermediary services in respect of crypto assets are called crypto asset service providers (CASPs) and fall within the scope of item 12 of Schedule 1 of the FIC Act. In December 2022, a separate item (22) referring to the activities of CASPs was included in the list of accountable institutions in the FIC Act.

A study conducted by FSCA shows that nearly 10 percent of South Africans (5.8 million people) own crypto assets, with Cape Town having emerged as the preferred base for crypto asset entrepreneurs. Approximately 10 percent of CASPs providing intermediary and advisory services in South Africa operate from offshore head offices.

Furthermore, the majority of advisors and intermediaries in the crypto environment provide financial services by making use of unbacked crypto assets (60 percent), followed by stable coins (26 percent). This is then followed by security tokens (7 percent) and NFT tokens (4 percent). The report indicates that the highest monthly transaction value for crypto assets was over R8 billion in November 2022, with the average in December 2022 being approximately R500 million.

It is evident from the FSCA report that financial institutions invest in crypto assets. The report indicates that 18 percent of institutions that provide advice and intermediary services in respect of crypto assets have 50 percent or more of their business with financial institutions, while 12 percent of them conduct business exclusively with financial institutions.

Legislative changes regarding CASPs resulted in the FIC and FSCA having dual oversight over CASPs in respect of compliance with anti-money laundering and combating the financing of terrorism obligations. The FIC and FSCA are collaborating and co-ordinating their supervisory efforts in this regard. This includes sharing registration databases and information relating to money laundering and terrorist financing risks.

The licensing process for CASPs commenced on 1 June 2023 and by 22 April 2024, FSCA had received 374 licence applications. The full list of currently licensed CASPs may be accessed on FSCA's website. FSCA has approved a total of 75 institutions to be licensed as CASPs, as at April 2024.

In the 2024/25 financial year, the FIC will conduct inspections on CASPs to assess compliance with the FIC Act, while the registration and reporting of financial intelligence by CASPs will continue to be monitored.

Budget programme 3: Enablement of financial intelligence capabilities

Purpose

The primary purpose of this budget programme is to enhance the ability to deliver services to internal clients and other identified stakeholders, thus making it possible for the FIC to remain a sustainable and capable organisation.

The programme focuses on the enablement of business and day-to-day support in areas such as recruitment, procurement, funding, information and communication technology, as well as projects such as infrastructure enhancement.

The programme has various internal units that enable the efficient, effective and economical functioning of the FIC.

The enabling units are co-ordinated 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.

Strategic outputs

The programme's strategic outputs are:

- Good corporate governance
- Effective and efficient operating environment.

Performance

Under this programme, the FIC achieved four out of the six targets. Highlights for the year include:

- Successfully recruiting competent individuals to meet capacity requirements related to FATF grey listing and the FIC's broadened mandate (which resulted from legislative changes in the previous financial year).
- Optimising the Minister's additional allocation of R265.3 million to the FIC.
- Updating various systems, platforms and infrastructure thus ensuring optimal productivity.
- Establishing a cyber security team to identify and mitigate vulnerabilities and risk, thus ensuring that information under FIC custody remained safe at all times.
- Providing a digital, cyber-safe remote working environment for employees and access to the ICT infrastructure, even during loadshedding.
- Reaching end of development of three strategic ICT projects that improve efficiencies and effectiveness of the organisation.
- Exceeded performance targets related to employment equity, 58.7 percent of the workforce is female (against a target of 51 percent), and 85.2 percent is from designated race groups (against a target of 80 percent).

Table 19: Outcomes, outputs, output indicators, targets and actual achievements of budget programme 3

Enablement of financial intelligence capabilities									
Outcome	**Outputs**	**Output indicators**		**Audited actual performance 2021/22**	**Audited actual performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**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 unqualified audit opinion with no findings for 2020/21 (clean audit report)	Received unqualified audit opinion with findings for 2021/ 22 (not clean audit)	Unqualified audit opinion with no findings (clean audit report)	Received unqualified audit opinion with no findings (clean audit)	N/A	Target achieved.
		4.1.2	Percentage of female staff in line with Employment Equity Act (EE Act)	Q1 - 55.45% (112/202) Q2 - 56.06% (111/198) Q3 - 56.91% (107/188) Q4 - 57.92% (106/183)	Q1 - 58.38% (108/185) Q2 - 59.55% (106/178) Q3 - 57.81% (111/192) Q4 - 57.87% (114/197)	>51%	58.75%	N/A	Target achieved. 58.75% (151/257)
		4.1.3	Percentage of designated racial groups in line with EE Act	Q1 - 81.19% (164/202) Q2 - 80.80% (160/198) Q3 - 80.31% (151/188) Q4 - 80.87% (148/183)	Q1 - 81.08% (150/185) Q2 - 81.46% (145/178) Q3 - 81.77% (157/192) Q4 - 82.23% (162/197)	≥80%	85.21%	N/A	Target achieved. 85.21% (219/257)
		4.1.4	Percentage of disabled employees in line with the EE Act	Q1 - 1.98% (4/202) Q2 - 2.02% (4/198) Q3 - 2.13% (4/188) Q4 - 2.16% (4/183)	Q1 - 3.24% (6/185) Q2 - 2.81% (5/178) Q3 - 2.60% (5/196) Q4 - 2.54% (5/197)	≥2%	1.16%	(0.84%)	Target not achieved. Resignation and the increased FIC total funded staff complement to 328. 1.16% (3/257)

continued on next page

Table 19: continued

Enablement of financial intelligence capabilities									
Outcome	**Outputs**	**Output indicators**		**Audited actual performance 2021/22**	**Audited actual performance 2022/23**	**Planned annual target 2023/24**	**Actual achievement 2023/24**	**Deviation from planned target to actual achievement 2023/24**	**Reasons for deviations**
Good corporate governance and an efficient and effective operating environment that supports the FIC in delivering on its mandate	Effective and efficient operating environment	4.2.1	Percentage of valid and compliant invoices paid within 30 days	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 - 87.61% (99/113) May - 90.17% (156/173) Jun - 91.67% (132/144) Jul - 99.19% (122/123) Aug - 100% (139/139) Sep - 100% (160/160) Oct - 99.20% (124/125) Nov - 99.28% (138/139) Dec - 100% (136/136) Jan - 52.86% (37/70) Feb - 95.60% (152/159) Mar - 99.52% (207/208)	100%	Apr - 100% (118/118) May - 80.2% (247/308) Jun - 100% (84/84) July - 100% (193/193) Aug - 98.6% (146/148) Sept - 100% (128/128) Oct -100% (184/184) Nov - 98.4% (188/191) Dec - 97.8% (133/136) Jan - 100% (55/55) Feb - 98% (194/198) Mar - 100% (188/188)	Apr - 0 May - 19.8% Jun - 0 July - 0 Aug - 1.4% Sept - 0 Oct - 0 Nov - 1.6% Dec - 2.2% Jan - 0 Feb - 2% Mar - 0	Target not achieved. Invoices were paid late due to internal delays. Finance has already given preliminary training and further training will be conducted soon.
		4.2.2	Percentage uptime[1] for external facing ICT system	99.55% Q1 - 98.81% Q2 - 99.93% Q3 - 99.90% Q4 - 99.94%	Apr - 99.99% May - 99.93% Jun - 99.98% Jul - 99.95% Aug - 99.63% Sep - 99.92% Oct - 100% Nov - 99.97% Dec - 100% Jan - 99.99% Feb - 100% Mar - 99.98%	≥98%	Apr - 99.99% May - 100% Jun - 99.99% July - 99.96% Aug - 99.99% Sept - 100% Oct - 99.95% Nov - 99.88% Dec - 100% Jan - 99.99% Feb - 99.92% Mar - 99.97%	N/A	Target achieved.

1 Uptime is calculated from monitoring applications that track whether the external facing ICT system was available when accessed by users during the period under review

An efficient, effective and equitable workforce

The Corporate Services division works diligently to ensure that the organisation has the human capital it needs to achieve its objectives and targets as outlined in the strategic and annual performance plans.

During the reporting year, 86 new employees were recruited, bringing the FIC staff complement to 257 on 31 March 2024 (2022/23:197). The FIC also promoted existing employees and invested in developing their expertise in order to capacitate the organisation in the areas that the FATF found lacking during its mutual evaluation.

Keeping the FIC capacitated requires considerable effort and capital. This is because the FIC's work is highly specialised, often requiring employees with scarce skills, qualifications and expertise. Funding for the additional recruiting and resourcing in 2023/24 came from the Minister's allocation of R265.3 million to the FIC to help exit the country from the FATF grey list.

A total 58.7 percent of the FIC workforce is female. This against an employment equity target of 51 percent. Furthermore, 85.2 percent of the FIC's workforce is from designated race groups (against a target of 80 percent). This demonstrates the FIC's resolve to maintaining a transformed and equitable workforce. More detail is provided in Part D of this report.

Information and communications technology

In progressing the fight against financial crime, 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.

Throughout the reporting period, the FIC ICT team continued updating systems, platforms and infrastructure to ensure the ICT environment was secure and up to date, enabling the FIC to function as efficiently and effectively as possible. For improved speed and performance, a high-speed data network was procured.

Many aspects of the FIC's work, including the traditionally 'non-digital' such as meetings, seminars, training and inspections, have been adapted to the virtual environment. Employees often work from home or remote offices, as the FIC follows a hybrid work model. While this digitalisation has increased productivity, it also necessitated the upgrading of laptops and software, as well as the training of all employees on, among others, cloud technologies and cyber security, during the year under review.

Cyber security

The ICT team continued monitoring the FIC ICT environment and security protocols. Users were reminded of cyber security measures and threats such as phishing, social engineering and fraudulent websites designed to mislead users on scams or malicious attacks. These websites may have misleading domain names, spoofing a legitimate website.

A security assessment was performed of the FIC domain by an external service provider to increase the FIC's security score benchmark. In addition, internal and external network penetration tests were conducted to harden the ICT infrastructure.

Furthermore, the FIC established a dedicated cyber security team to identify and mitigate vulnerabilities and risk, thus ensuring that information under FIC custody remains safe at all times. A comprehensive cyber security strategy is in place, as well as a cloud computing strategy.

Collaboration with South African Revenue Service

During 2023/24, the FIC assisted SARS with the roll out of a technology platform for incoming and outbound local and foreign international travellers to declare goods, currency and bearer negotiable instruments at all international airports, two land ports of entry and one sea port. The system will be rolled out to all South African rail, sea and land border posts as required for South Africa to exit the FATF grey list. Currently, cash conveyance reporting is implemented on a voluntary basis.

Reporting will become obligatory upon promulgation of section 30 of the FIC Act. However, in the meanwhile, the reporting stream is operational, and the FIC has received declarations above the prescribed limit of R25 000 from SARS as a test exercise. In this financial year, 5 799 such reports were received from SARS.

The FIC will benefit from the information that the implementation of the system will yield. It will enhance the FIC's ability to detect suspicious and unusual cross-border conveyance of cash and bearer negotiable instruments.

Enhanced ICT infrastructure

The FIC continues with its programme to modernise its ICT infrastructure. The multi-year line of business solutions modernisation programme provides a technology roadmap for the FIC to remain efficient and effective and transition into the future landscape.

During the reporting year, three segments of the programme were implemented namely a compliance monitoring and analysis solution), the data platform for analytics and a business intelligence reporting platform.

Strategy to overcome areas of under performance

1. **KPI 1.3.1** Number of FIC risk-based inspection reports issued

   Action plan: Three new inspectors were appointed

2. **KPI 3.2.1** Number of policy-making activities attended within regional and inter-governmental organisations per annum

   Action plan: Ensure that the target is set appropriately, and meeting dates will be requested in advance

3. **KPI 3.3.1** Report to AML/CFT IDC on implementation of policies emanating from the ML, TF and PF NRA Q2 and Q4

   Action plan: Reviews for reports will be conducted earlier to ensure the next report is submitted on time

Changes to planned targets

No in-year changes were made to the 2023/24 indicators and targets.

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 year to raise revenue or to ensure revenue collection.

PART C

Governance

INTRODUCTION

Corporate governance embodies processes and systems by which public entities such as the FIC are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act, and run in tandem with the principles contained in the King IV Code of Corporate Governance.

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

The FIC follows best practice in corporate governance through its oversight structures. The following structures and 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 FIC also has an automated risk and compliance management tool in place that helps ensure that the organisation remains fully compliant at all times.

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, from time to time.

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

The Standing Committee on Finance exercises oversight over the performance of the FIC and as such, reviews the non-financial information contained in the annual reports and is concerned with service delivery and enhancing economic growth. The committee conducted an oversight visit to the FIC in March 2023. During their visit, as requested, the FIC briefed the committee on its audit action plan and challenges related to findings on supply chain management, which had led to the FIC receiving an unqualified audit opinion with findings in 2021/22. No meetings were held with the committee during the 2023/24 financial year.

ACCOUNTING AUTHORITY

The Acting 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.

The executive management committee exercises day-to-day oversight responsibilities, and the management forum is responsible for resolving findings of the Auditor-General of South Africa. The composition and meeting details of the FIC committees are summarised in the table below.

Table 20: FIC committees during 2023/24

Committees	Number of meetings held	Number of members	Name of members
Executive management committee	11	6	Xolisile Khanyile – Chairperson and Director of the FIC (until 31 August 2023) Pieter Smit – Chairperson and Acting Director of the FIC (from 1 September 2023) Macs Maboka – Executive Manager: Corporate Services Pieter Smit – Executive Manager: Legal and Policy Christopher Malan – Executive Manager: Compliance and Prevention Priya Biseswar – Executive Manager: Monitoring and Analysis Pieter Alberts – Acting Executive Manager: Shared Forensic Capability (from 1 May 2023)
Management forum	11	17	Xolisile Khanyile – Chairperson and Director of the FIC (until 31 August 2023) Pieter Smit – Chairperson and Acting Director of the FIC (from 1 September 2023) Macs Maboka – Executive Manager: Corporate Services Pieter Smit – Executive Manager: Legal and Policy Christopher Malan – Executive Manager: Compliance and Prevention Priya Biseswar – Executive Manager: Monitoring and Analysis Pieter Alberts – Acting Executive Manager: Shared Forensic Capability (from 1 May 2023) Marine Burdette – Senior Operations Manager: Monitoring and Analysis Oniel Rajnund – Senior Operations Manager: Compliance and Prevention Veronica MarshSmit – Chief Financial Officer Etienne Cronje – Head: Programme Management Office Aaron Shongwe – Head: Information and Communications Technology Xolile Majija – Head: Corporate Legal Services, Governance and Compliance (until 15 October 2023) Philemon Mashapa – Head: Planning, Monitoring and Evaluation Motlatsi Ramoshu – Senior Operations Manager: Monitoring and Analysis Grace Madilonga – Head: Human Resources Panna Kassan – Head: Communications Julia Tloubatla – Acting Senior Operations Manager: Monitoring and Analysis (from 1 May 2023)
Audit and risk committee	4 scheduled 1 special	5	Precious Sibiya – Chairperson Bongani Mbewu – Member Protas Phili – Member Denisha Jairam-Owthar – Member (resigned on 6 December 2023) Sphiwe Mayinga – Member

ACCOUNTING AUTHORITY

Table 20: FIC committees during 2023/24 (continued)

Committees	Number of meetings held	Number of members	Name of members
Human resources and remuneration committee	3 scheduled 1 special	3	Bryan Chaplog – Chairperson Thandiwe January-McClean – Member Michael Olivier – Member
Information communications and technology steering committee	4	12	Macs Maboka – Chairperson and Executive Manager: Corporate Services Marine Burdette – Senior Operations Manager: Monitoring and Analysis Oniel Rajnund – Senior Operations Manager: Compliance and Prevention Carina Arpin – Manager Detection, Systems and Planning and Geographic Information Systems - Intelligence Support Veronica MarshSmit – Chief Financial Officer Ettiene Cronje – Head: Programme Management Office Aaron Shongwe – Head: Information and Communication Technology Khanyisa Ngozwana – Data Systems and Reporting (until 31 August 2023) Philemon Mashapa – Head: Planning, Monitoring and Evaluation Matodzi Tshidzumba – Risk Manager: Office of the Director Xolile Majija – Head: Corporate Legal Services, Governance and Compliance (until 15 October 2023) Grace Madilonga – Head: Human Resources

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 every year, and details are shared with relevant stakeholders.

Objectives

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, 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.
- Promote good ethical conduct, integrity management and anti-fraud and corruption within the FIC.

The FIC has 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 must evolve. 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.

Activities

Key activities in mitigating strategic risks during the 2023/24 financial year, included the following:

- The FIC dedicated several resources to assist in exiting South Africa from the FATF grey list.
- National Treasury provided additional funding to the FIC to increase its capacity in support of helping South Africa to exit grey listing and the FIC appointed several additional employees.
- The FIC re-prioritised and focused its outreach through awareness activities to implement targeted inspections and compliance reviews as per the FATF recommendations.
- The FIC participated in meetings with various stakeholders and provided extensive input into the country's mutual evaluation FATF Joint Group Action Plan report and national risk assessment requirements.
- In collaboration with other public sector stakeholders, the FIC continued to focus on the implementation of amendments to the FIC Act.
- The FIC actively continued its engagements with FATF, ESAAMLG and the Egmont Group.
- The FIC responded to requests for technical assistance from ESAAMLG countries and assisting them to meet the Egmont and FATF compliance requirements.
- The combined assurance providers have provided assurance on the internal controls and risk mitigations to be effective and adequate.
- Providing and conducting awareness sessions, guidance, monitoring, and ensuring ongoing maintenance and enhancement of the systems linking information sources with the FIC.
- The FIC issued financial intelligence reports to stakeholders on illicit financial flows. The FIC also performed a strategic assessment on proceeds of crimes in various geographical areas and shared with relevant law enforcement agencies.
- The FIC met regularly with collaborative partners in the Fusion Centre to focus on 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.
- Ensuring that technology enabled employees to work remotely and access the primary data centre, or the disaster recovery centre should the need arise.
- Business continuity management plans and recovery plans were strengthened to ensure that the business operations of the FIC could continue.

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, values and culture. The FIC has identified four principal risk categories that are significant to the FIC, namely (i) strategic, (ii) regulatory and legal, (iii) operational, and (iv) 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 business units. The corporate risk profile gives an overview of the performance and rating of the FIC's principal risks and risk landscape.

Table 21: Strategic risks mitigated in 2023/24

Principal risks
• Inadequate collection of information may result in non-compliance with the FIC Act.
• Inadequate production and utilisation of the FIC products and services by stakeholders.
• Inadequate promotion of national interests in maintaining the integrity of the South African financial system.
• Inadequate operating environment may result in the FIC not achieving its mandate (safety or protection of employees, business continuity and management of information, records, communication and the FIC work environment).
• Inadequate resources and governance may result in the FIC not achieving its mandate (information technology and financial resources).
• Loss of scarce, critical skills may result in the FIC not achieving its mandate (National Treasury has provided funds to increase capacity at the FIC).
• Inadequate Business Continuity Management and ICT disaster recovery planning.

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 subscribes to risk-based audit methodology. The FIC appointed an external service provider to manage the internal audit function for the five-year period from August 2023 to August 2028.

The service provider submits a three-year rolling plan to the FIC through the Audit and Risk Committee for each financial year. Findings 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.

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.

As required by its business continuity management strategy, the FIC has a crisis management team.

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 12 ICT disaster recovery test exercises and two 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, together with a fraud and corruption risk register.

Awareness sessions were held to inform employees about the prevention of fraud and corruption.

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 in turn 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 keep their anonymity. Reference numbers are issued so they can follow-up on reported matters should they wish to do so. No FIC-related corruption matters were reported to the hotline during the period under review.

MINIMISING CONFLICT OF INTEREST

Each employee signs a code of conduct agreement. The supply chain management unit also implements terms of reference. The declaration of the conflict of interest has been embedded in supply chain processes, including at the bid adjudication and evaluation committees' level.

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.

During the period under review, the FIC organised awareness sessions on conflict of interest and conducting business with the state. All employees are required to declare their interests, irrespective of whether these generate regular income or not.

The FIC 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. The code sets down common ethical standards that FIC employees must adhere to on a consistent basis to ensure that their actions comply 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 ENVIRONMENTAL ISSUES

The FIC is committed to complying 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 is required to comply with the provisions of the Disaster Management Act, 2002 (Act 57 of 2002) (DMA) when the need arises.

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 officer. 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.

During the 2023/24 financial year, there were no incidents of employees or visitors being injured at the FIC premises.

REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2024

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

ARC members and meeting attendance

The ARC consists of five independent members. The committee meets at least four times a year as per the approved terms of reference.

The ARC comprises the following members:

Name	Qualifications	Contract commencement date	Contract end / termination date
Precious Sibiya (Chairman)	BAcc; Postgraduate Diploma in Accountancy (UKZN); CA (SA)	1 August 2021	31 July 2024
Bongani Mbewu	MPhil (Int Audit); BCom Hons (Acc); Adv Cert in Tax; CIA; CCSA; CGAP; CRMA	1 August 2021	31 July 2024
Denisha Jairam-Owthar	Ph.D (ICT); MBA in Technology Management; BCOMPT (Accounting Sciences); Certifications in: Artificial Intelligence and Robotics, Cybersecurity, Digital Transformation, Data Science (University of California Los Angeles, Berkeley)	1 August 2021	6 December 2023
Protas Phili	BCom (Acc); Postgraduate Diploma in Accountancy; Advanced Certificate in Auditing; MCom (Taxation); CA(SA)	1 August 2021	31 July 2024
Sphiwe Mayinga	MBA (GIBS); LL.M; LL.B; B. Proc; PG Dip. BM; SLDP; MAP; Admitted Attorney	31 December 2021	1 May 2024

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

Members	Meetings held in 2023 and 2024				
	2023				2024
	26 April	29 May	26 July	6 November	13 February
Precious Sibiya	√	√	√	√	√
Bongani Mbewu	√	√	√	X	√
Denisha Jairam-Owthar	√	√	√	√	-
Protas Phili	√	√	√	√	√
Sphiwe Mayinga	√	√	√	√	√

√ Present
X Absent with apology
- Not a member

ARC roles and responsibilities

The ARC reports that it has complied with its responsibilities arising from section 77 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.

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

- Reviewed the accounting policies adopted by the entity and proposed changes in accounting policies and practices, and recommended any changes considered appropriate.
- 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.
- Ensured that any fruitless, wasteful and irregular expenditure is reported and disclosed 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 and external auditors had direct access to the Chairman of the ARC and its members.

The effectiveness of internal controls

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

Based on the assessment of the work done during the year under review, the ARC believes that whilst the internal audit function has provided professional, independent and objective assurance that the internal controls are adequate and effective to assist the organisation to achieve its goals and objectives, there were some areas of development. The ARC requested the internal auditors and management to discuss these further and table a documented plan to the ARC for concurrence and monitoring.

Enterprise risk management

The ARC reviewed and recommended for Accounting Authority approval, various risk management policies and plans. The ARC has also reviewed the strategic risk register and is generally satisfied with how risks are being managed within the FIC. Based on the processes and assurances obtained, we believe that the risk management processes are generally adequate.

Quarterly reporting

The ARC has had sight of the quarterly reports submitted to the National Treasury and the Executive Authority during the year under review and can confirm that the entity reported on a quarterly basis 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). The ARC noted that the annual financial statements submitted for the external audit were free of any material misstatements as there were no material adjustments resulting from the external audit.

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.

External auditor's report

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

The ARC reviewed the external auditor's management report and management's responses thereto.

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.

Precious Sibiya CA (SA)
Chairman of the Audit and Risk Committee
31 July 2024

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 22: B-BBEE compliance performance information 2023/24

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 acknowledges its people as its most important asset, on which it relies completely for its existence and performance.

During the 2023/24 financial year, the FIC was able to attract and recruit 86 new employees – a record number when compared to recruitment numbers over the past decade. It is important to note that the FIC's work is highly specialised and of a technical nature, often requiring employees with scarce skills, qualifications and expertise.

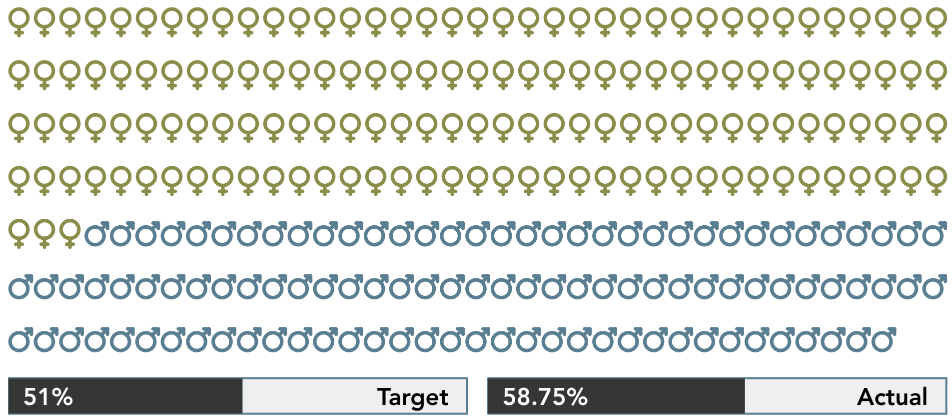
Furthermore, the legislative amendments that were promulgated during the previous financial year, broadened the scope of FIC's work and increased the workload. This means that the FIC is likely to continue recruiting new skills during the next financial year. As the FIC's former director's contracted ended on 30 June 2023, the process to appoint a new director is still underway.

While the FIC has accelerated its recruitment efforts, the vacancy rate rose slightly from 19.9 percent at the beginning of financial year to 22 percent at end of financial year. This increase in the vacancy rate is largely owed to the increase in the headcount due to additional funding provided towards the creation of positions. The vacancy rate is calculated against the active vacancies on the total funded establishment.

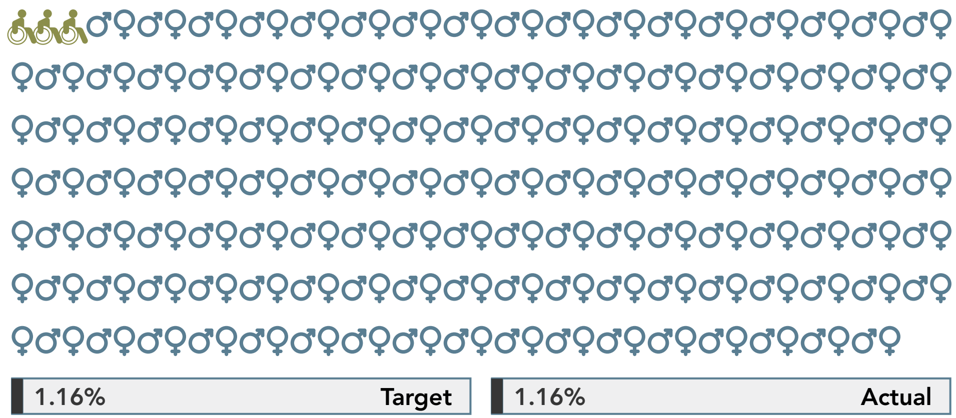
Although the FIC's headcount has increased from 197 as on 31 March 2023 to 257 at the close of the financial year under review, voluntary resignations continued to impact on the recruitment efforts.

As part of its commitment to maintaining a transformed and equitable workforce, the FIC achieved its transformation targets and exceeded its targets in two areas. The FIC's employment equity targets were as follows:

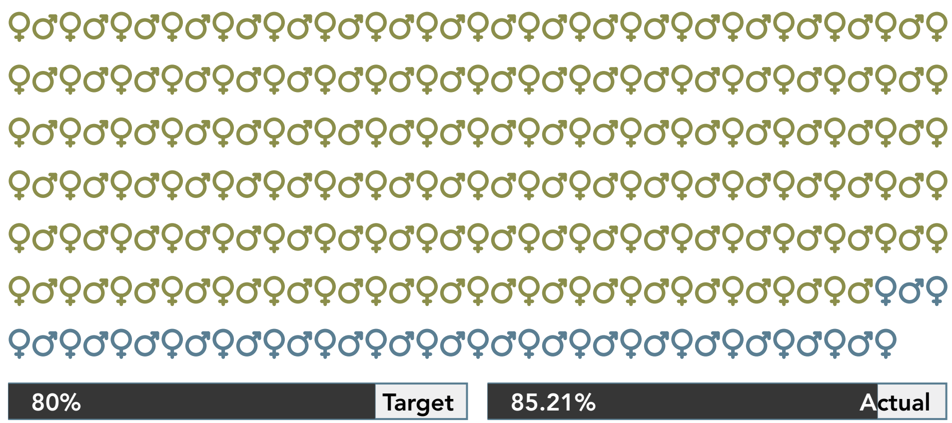
Female employees:
151 employees out of a total of **257** are female



Employees with disabilities:
3 employees out of a total of **257** have disabilities



Employees from designated race groups:
219 employees out of a total of **257** are African, Coloured, and Indian



The FIC continued implementing its talent management strategy through a phased approach. A high rate of voluntary resignations persisted, similarly to the two previous financial years. However, the FIC's ability to implement some of its retention elements saw the employee turnover rate decreasing from 14.4 percent during the 2022/23 financial year to a more modest 10.5 percent in 2023/24.

During 2023/24, the FIC ensured that it remained responsive to organisational needs and people management priorities:

Employee value proposition

The core employee value proposition elements were designed during the year under review. Work is under way to finalise the definitions of these elements in an effort to produce an employee value proposition framework that will play a vital role in the attractiveness of the FIC to current and potential employees and the retention of its talent.

Management development

The FIC requires a thriving, highly adaptable and agile leadership team to deliver a compelling value proposition to its current and prospective employees. The organisation has thus embarked on building its leadership capability and completed two leadership dialogue sessions in the year under review.

Remuneration

The FIC assessed its remuneration framework to ensure that its remuneration offering remains relevant, fit-for-purpose and competitive in the labour market.

Talent reviews

The FIC is committed to employee career development and growth and is acutely focused on the retention of critical skills while offering employees opportunities to accomplish their career aspirations. Eight employees received promotions in the reporting period. Talent reviews provide essential insights into the composition of the FIC's talent pool in relation to its strategic and operational demands. For effective succession planning purposes, through talent reviews, the FIC has 37 critical positions across all divisions with succession cover sitting at 16 percent, which was a 17 percent reduction from the previous financial year succession cover of 33 percent. This was mainly due to employees (who were in the succession pools) being promoted, as well as due to employee turnover.

Learning and development

A total of 183 employees attended various skills development interventions of which 87 percent were technical skills development initiatives. The FIC is dedicated to long-term development of its employees, as is evident from the 30 bursaries which were granted to employees to further their studies in areas relevant to the operations of the FIC and employees career aspirations. In addition, 13 graduates were provided with the opportunity to gain workplace experience at the FIC.

Attracting and retaining talent remains a key strategic focus of the FIC and it continues to address its people challenges. As part of this drive, the FIC ensures it has a credible management core, engaged and motivated employees, and that is it developing and implementing agile FIC-specific solutions for people and organisational challenges. These are carried out through career development programmes, enabling talent to be future fit for the FIC's increasingly technological and data driven environment.

The current talent management programmes which are in progress, are summarised as part of the HR strategic priorities:

- Critical skills gap analysis
- Reviewing remuneration framework
- Review of employee retention framework
- Development of succession planning framework.

Going forward, the FIC will continue to assess HR risks and challenges with a view to optimising people performance and improving the employee experience.

HUMAN RESOURCES OVERSIGHT STATISTICS

Table 23: 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	329 821	212 556	64.45%	304	699

Personnel expenditure includes terminations during the reporting period but excludes year-end accrual adjustment and compensation for occupational injury and disease.
Includes total number of employees paid during the reporting period as well as terminated and active employees.

Table 24: 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	12 551	6%	5	2 510
Senior management	23 820	11%	12	1 985
Professional qualified	38 758	18%	32	1 211
Skilled	116 253	55%	183	635
Semi-skilled	21 174	10%	72	294
Unskilled	0	0	0	0
Total	**212 556**	**100%**	**304***	

* Reflects the number of active and terminated number of employees paid during the reporting period.

Table 25: Performance rewards

No performance rewards were granted in the 2023/24 financial year.

Programme	Performance rewards (R)	Personnel expenditure (R)	% of performance rewards to total personnel cost
Top management	0	0	0
Senior management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
Total	**0**	**0**	**0**

Table 26: 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
Staff training		886 818	0.27%	183	4 846
Bursaries	**329 821**	663 608	0.20%	30	22 120
Total		**1 550 426**	**0.47%**	**213**	**7 279**

The main reasons for a reduction in training and development spend during the financial year was because of capacity constraints experienced by employees.

Table 27: Employment and vacancies

Programme	Number of employees 2022/23	Approved posts 2023/24	Number of employees 2023/24	Vacancies 2023/24	% of vacancies
Top management	5	5	4	1	1.6%
Senior management	11	13	10	3	4.8%
Professional qualified	23	25	20	5	20%
Skilled	117	225	167	50	22.2%
Semi-skilled	41	60	56	4	6.3%
Unskilled	0	0	0	0	0
Total	**197****	**328**	**257*****	**63**	**19.2%**

* The FIC vacancy rate has increased significantly during the period under review compared to the last financial year. This is due to 63 positions which were added to FIC establishment in April 2023. FIC has a retention measure which is being implemented.

** Opening balance on 1 April 2023

*** Closing balance on 31 March 2024

Table 28: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	5	1	1	4
Senior management	11	0	1	10
Professional qualified	28	4	5	20
Skilled	119	70	19	167
Semi-skilled	43	10	4	56
Unskilled	0	0	0	0
Total	**206**	**85**	**30**	**257**

Table 29: Reasons for employees leaving

Reason	Number	% of total no. of employees leaving
Death	1	3.2%
Resignation	30	96.8%
Dismissal	0	0
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 higher income.
The turnover is addressed by ongoing review of the HR framework.

Table 30: Labour relations: Misconduct and disciplinary action

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

Table 31: Equity target and employment equity status (male)

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	1	1	0	0	1	1
Senior management	4	2	0	1	1	1	2	1
Professional qualified	6	4	1	2	1	2	4	2
Skilled	49	25	1	16	5	13	10	8
Semi-skilled	6	14	0	1	0	1	0	2
Unskilled	0	0	0	0	0	0	0	0
Total	**66**	**46**	**3**	**21**	**7**	**17**	**17**	**14**

Table 32: Equity target and employment equity status (female)

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	1	0	0	1	1	0	1
Senior management	1	2	0	2	1	1	2	2
Professional qualified	8	7	0	2	1	3	5	3
Skilled	51	29	6	15	5	15	9	16
Semi-skilled	39	14	14	1	0	1	4	3
Unskilled	0	0	0	0	0	0	0	0
Total	**99**	**53**	**7**	**20**	**8**	**21**	**20**	**25**

Table 33: Equity target and employment equity status (people with disabilities)

Levels	Employees with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	1	-	-
Skilled	2	2	-	3
Semi-skilled	-	-	1	-
Unskilled	-	-	-	-
Total	**2**	**3**	**1**	**3**

Ongoing effort is being made to attract people with disabilities.

PART E

PFMA compliance report

INFORMATION ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

Table 34: Irregular expenditure

Irregular and fruitless and wasteful expenditure	2023/24 R'000	2022/23 R'000
Irregular expenditure	1 076	1 479
Fruitless and wasteful expenditure	-	-
Total	**1 076**	**1 479**
Irregular expenditure incurred comprise the third year's cost of a multi-year contract		
Reconciliation of irregular expenditure		
Confirmed irregular expenditure	1 076	1 479
Less irregular expenditure condoned	(4 042)	-
Less irregular expenditure not condoned and removal approved	-	-
Net balance	**(2 966)**	**1 479**
During the year, condonement was received from National Treasury for a multi-year contract of R3 034 236 and for two variations that were not approved as required in National Treasury Instruction 3 of 2016/2017		
a) Reconciling notes to the annual financial statements disclosure Irregular expenditure		
Irregular expenditure that was under assessment in 2022/23 confirmed in current year	-	40
Irregular expenditure that relates to 2022/23 and identified in 2023/24	-	-
Irregular expenditure - identified and confimed in the year	-	274
Payment made on multi-year contract	1 076	1 165
Total	**1 076**	**1 479**
b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)		
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	137	-
Irregular expenditure under investigation	-	-
	137	**-**
c) Details of current and prior year irregular expenditure condoned		
Irregular expenditure condoned	(4 042)	-
	(4 042)	**-**

Table 34: Irregular expenditure (continued)

Reconciliation of irregular expenditure	2023/24 R'000	2022/23 R'000
d) Details of current and prior year irregular expenditure removed - not condoned		
Irregular expenditure not condoned and removed	-	-
	0.00	**0.00**
e) Details of current and prior year irregular expenditure recovered		
Irregular expenditure recovered	-	-
	0.00	**0.00**
f) Details of current and prior year irregular expenditure written off (irrecoverable)		
Irregular expenditure written off	-	-
	-	**-**
g) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure		
Disciplinary steps taken		
Remedial training was arranged to prevent re-occurrence of a similar event, HR counselling session was held, and a verbal warning was also issued.		

Table 35: Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure incurred and confirmed in prior year	-	-
Less fruitless and wasteful expenditure written off	(16)	-
Less fruitless and wasteful expenditure recoverable	-	-
Closing balance	**(16)**	**-**
a) Reconciling notes to the annual financial statements disclosure fruitless and wasteful expenditure		
Fruitless and wasteful expenditure that was under assessment in 2022/23 confirmed in current year	-	-
Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24	-	-
Fruitless and wasteful expenditure for the current year - identified and confimed in that year	-	-
Total	**-**	**-**
b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)		
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	45	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**45**	**-**
c) Details of current and prior year fruitless and wasteful expenditure recovered		
Fruitless and wasteful expenditure recovered	-	-
Total	**-**	**-**
d) Details of current and prior year fruitless and wasteful expenditure written off		
Fruitless and wasteful expenditure written off	16	-
Total	**16**	**-**
e) Details of current and prior year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure		
Disciplinary steps taken		
Written warning issued		

INFORMATION ON SUPPLY CHAIN MANAGEMENT

Table 36: Information on late and/or non-payment of suppliers

Description	Number of invoices	Consolidated value R'000	Reasons for non-compliance
Valid invoice received	1 928	137 660	
Invoices paid **within** 30 days or agreed period	1 856	134 250	
Invoice paid **after** 30 days or agreed period			71 invoices were paid later than the required 30 days for the 2023/24 financial year.
	57	862	>57 of these invoices were paid late due to an error in the shared drive that resulted in certain folders having been deleted. The invoices had to be recaptured and reprocessed, resulting in the delay of the payments.
	14	2 548	>There were administrative and approval delays in certain business units that resulted in 14 invoices being paid late.
Invoices older than 30 days or agreed period ***(unpaid and without dispute)***	-	-	
Invoices older than 30 days or agreed period ***(unpaid and in dispute)***	1	-	The contract with this supplier expired on 3 August 2023, an invoice (dated 1 October 2023) was issued by the supplier after the contract had expired. The relevant business unit is dealing with the issue.

Table 37: Contract variations and expansions

Description	Name of supplier	Contract modification type (Expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion(s) or variation(s) (if applicable) R'000	Value of current contract expansion or variation R'000
Background screening and candidate vetting services (Refcheck)	LexisNexis	Expansion	FIC-2023/24-0331	R104	R5	R80
Additional bulk e-mail credits	TouchBasepro (Pty) Ltd	Expansion	FIC-2023/24-0356	R190	N/A	R127
Additional multiple search function inclusion as part of a business intelligence reporting project	Altron Karabina	Variation	FIC-2023/24-0374	R9 939	R1 544	R484
Solutions architect for phase 2 of the line of business solutions modernisation programme	Intellehub	Expansion	FIC-2023/24-0397	R5 433	R2 750	R534
Enhancement of a governance, risk and compliance tool	IDI Technology Solutions (Pty) Ltd	Expansion	FIC-2023/24-0313	R893	N/A	R295
Additional infrastructure as a service	Microsoft Ireland Operations Limited	Expansion	FIC-2022/23-0229	R4 764	N/A	R1 000

Table 38: Procurement by other means

Description	Number of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Office lease agreement at Byls Bridge Office Park, Centurion, for a period of 10 years	Centurion Vision Development (Pty) Ltd	Single Source	FIC-2023/24-0361 (A)	R469 600
Digital communication and advertising for a period of three years	Government Communication and Information System	Single Source	FIC-2023/24-0404	R3 590
Support services for the custom built software solutions (CMAS,CDP & BI) for a period of one year	Altron Karabina	Single Source	FIC-2023/24-0408	R2 097
Office renovations required at Byls Bridge Office Park, Centurion	Centurion Vision Development (Pty) Ltd	Single Source	FIC-2023/24-0361 FIC-2023/24-0403	R12 693

PART F

Financial information

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2024

The reports and statements set out below comprise the annual financial statements presented as at 31 March 2024

REPORT OF THE EXTERNAL AUDITOR

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 (FIC) set out on pages 105 to 131, which comprise the statement of financial position as at 31 March 2024, 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 2024 and its financial performance and cash flows for the year then ended in accordance with the Standard of Generally Recognised Accounting Practice (Standard of GRAP) and the requirements of the Public Finance Management Act 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 responsibilities of the auditor-general 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.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the 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.

7. 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.

Responsibilities of the auditor-general for the audit of the financial statements

8. 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.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at pages 102 to 103 forms part of my auditor's report.

Report on the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following material performance indicators related to the Delivery of intelligence on financial crime and FIC Act-related regulatory services programme presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Number of risk and compliance awareness initiatives conducted;
    - Number of risk-based compliance review reports issued;
    - Number of FIC risk-based inspection reports issued;
    - Percentage success rate of matters referred for administrative sanctions;
    - Number of proactive high-priority financial intelligence reports issued to stakeholders per annum;
    - Number of proactive medium to lower priority financial intelligence reports issued to stakeholders per annum;
    - Percentage of reactive financial intelligence reports issued to stakeholders;
    - Number of elevated financial intelligence reports issued to stakeholders on illicit financial flows per annum;
    - Number of stakeholder engagements conducted to improve the understanding and utilisation of FIC products and services per annum;
    - Percentage response to requests to block funds;
    - Percentage response to requests for technical assistance from countries within the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) region;
    - Timeous implementation of United Nations Security Council (UNSC) targeted financial sanctions; and
    - Monitoring policy implementation pursuant to Money Laundering/ Terror Financing/ Proliferation Financing (ML/ TF / PF) National Risk Assessment (NRA).

12. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - The reported performance information presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

15. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

16. I draw attention to the matters below.

Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements.

18. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of are included in the annual performance report on pages 25, 45, 57 to 58 and 69 to 70.

Delivery of intelligence on financial crime and FIC Act related regulatory services

Targets achieved: 75% Budget spent: 94%		
Key indicators not achieved	**Planned target**	**Reported achievement**
Number of FIC risk-based inspection reports issued	610	558
Number of policymaking Activities attended within regional and intergovernmental organisations per annum	Attended and participated in FATF meetings (6) and ESAAMLG meetings (2)	6 FATF and 1 ESAAMLG
Monitoring policy implementation pursuant to Money Laundering/ Terror Financing/ Proliferation Financing (ML /TF / PF) NRA	Report to AML/CFT IDC on implementation of policies emanating from the ML / TF / PF NRA Q2 and Q4	Q2 draft report

Report on compliance with legislation

19. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

20. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

21. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

22. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

23. The accounting authority is responsible for the other information included in the annual report which includes the directors' report and the audit and risk committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

24. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

25. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. 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

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

28. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria
31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

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 the 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.
- conclude on the appropriateness of the 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 public entity 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

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Compliance with legislation -- selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(b); 51(1)(b)(ii); 51(1)(e)(ii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b)
Treasury Regulations for departments, trading entities constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(i); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Practice Note 7 of 2009/10	Paragraph 4.1.2
National Treasury Instruction No.4 of 2015/16	Paragraph 3.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
NT SCM Instruction Note 11 2020/21	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
NT SCM Instruction Note 11 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1(b)
National Instruction No. 1 of 2021/22	Paragraph 4.1

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 2024.

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 him in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) and other applicable legislation, he 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 identifying the proceeds of crime, and assist in combating 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 2024 and met eight 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 2024 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 2024 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.

9. Auditors

Auditor-General of South Africa.

P Smit
Accounting Authority
Financial Intelligence Centre
31 July 2024

STATEMENT OF
FINANCIAL POSITION
AS AT 31 MARCH 2024

	Notes	2024 R'000	2023 R'000
ASSETS			
Current assets			
Cash and cash equivalents	3	96 366	93 579
Prepayments	4	17 141	15 577
Receivables from exchange transactions	5	471	941
Inventories	6	84	72
		114 062	**110 169**
Non-current assets			
Property, plant and equipment	7	41 738	30 054
Intangible assets	8	40 571	21 319
Deposits	9	626	903
		82 935	**52 276**
Total assets		**196 997**	**162 445**
LIABILITIES			
Current liabilities			
Payables from exchange transactions	10	20 841	15 534
Income received in advance	11	-	20 134
Third party deposits	12	10	10
Finance lease obligation	13	720	119
		21 571	**35 797**
Non-current liabilities			
Finance lease obligation	13	1 356	-
Operating lease liability	14	6 385	29 484
		7 741	**29 484**
Total liabilities		**29 312**	**65 281**
Net assets		**167 685**	**97 164**
Accumulated surplus		167 685	97 164
Total net assets		**167 685**	**97 164**

STATEMENT OF

FINANCIAL PERFORMANCE

AS AT 31 MARCH 2024

	Notes	2024 R'000	2023 R'000
REVENUE			
Non-exchange revenue	15	405 864	328 279
Exchange revenue	16	9 245	5 449
Total revenue from exchange transactions		**415 109**	**333 728**
EXPENDITURE			
Depreciation and amortisation	17	(14 126)	(15 325)
Employee related costs	18	(210 382)	(168 167)
Finance costs	19	(102)	(38)
General expenses	20	(104 025)	(113 344)
Impairment of financial assets	21	(1 186)	(11)
Total expenditure		**(329 821)**	**(296 885)**
Profit/(loss) on disposal of assets	22	(901)	32
Surplus for the year		**84 387**	**36 875**

STATEMENT OF
CHANGES IN NET ASSETS
AS AT 31 MARCH 2024

	Accumulated surplus/deficit R'000	Total net assets R'000
Opening balance as previously reported	**60 289**	**60 289**
Changes in net assets		
Surplus for the year	36 875	36 875
Total changes	**36 875**	**36 875**
Balance on 31 March 2023	**97 164**	**97 164**
Changes in net assets		
Surplus paid to National Treasury	(13 866)	(13 866)
Balance at 1 April 2023	**83 298**	**83 298**
Changes in net assets		
Surplus for the year	**84 387**	**84 387**
Total changes	**84 387**	**84 387**
Balance at 31 March 2024	**167 685**	**167 685**

CASH FLOW STATEMENT

AS AT 31 MARCH 2024

	Notes	2024 R'000	2023 R'000
Cash flows from operating activities			
RECEIPTS			
Cash receipts from grants		385 730	316 820
Interest income		8 837	5 010
Other income		357	665
		394 924	322 495
PAYMENTS			
Suppliers		(337 015)	(290 629)
Finance costs		(102)	(38)
		(337 117)	(290 667)
Net cash flows from operating activities	23	**57 807**	**31 828**
Cash flows from investing activities			
Purchase of property, plant and equipment		(15 876)	(4 343)
Proceeds from sale of property, plant and equipment		24	448
Purchase of other intangible assets		(24 926)	(8 714)
Net cash flows from investing activities		**(40 778)**	**(12 609)**
Cash flows from financing activities			
Finance lease payments		(376)	(681)
Cash repaid to National Treasury		(13 866)	-
Net cash flows from financing activities		**(14 242)**	**(681)**
Net increase / (decrease) in cash and cash equivalents		**2 787**	**18 538**
Cash and cash equivalents at the beginning of the year		93 579	75 041
Cash and cash equivalents at the end of the year	3	**96 366**	**93 579**

ACCOUNTING POLICIES

1. Significant accounting policies

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, 1999 (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.

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.

1.3 Property, plant and equipment (continued)

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 Exchange revenue

Exchange revenue comprises finance income and other income.

1.12 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.

1.13 Transfer from 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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 are recognised as income of the period in which it becomes receivable.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation. The expenditure must have been recognised in the statement of financial performance or liability recognised in the statement of financial position (where expenditure is not reflected in the statement of financial performance).

1.21 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.

1.22 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.

1.23 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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2023 or later periods:

Standard / Interpretation	Effective date	Expected impact
GRAP 104 (as revised) - Financial Instruments	1 April 2025	Unlikely there will be a material impact

2.2 Standards and interpretations effective but not relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2023 or later periods but are not relevant to its operations:

Standard / Interpretation	Effective date	Expected impact
GRAP 25 (as revised): Employee Benefits	1 April 2023	Unlikely there will be a material impact
GRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	1 April 2023	Unlikely there will be a material impact
GRAP 21: The Effect of Past Decisions on Materiality	1 April 2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	1 April 2023	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	1 April 2023	Unlikely there will be a material impact

	2024 R'000	2023 R'000
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	8	3
Cash at bank - Standard Bank	40 782	41 431
Call deposit - Corporation for public Deposits	55 576	52 145
	96 366	**93 579**

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 R55 576 115 (2023: R52 144 573).

The cash balance of the funds received from Criminal Asset Recovery Account (CARA) was fully utilised during the year. Refer to note 11.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
4. Prepayments		
E-tolls	-	4
Office consumables	-	24
Office rental	3 316	2 890
Computer licences and support	12 242	10 921
Insurance	214	305
Membership and professional fees	1 220	1 273
Motor vehicle repairs and maintenance	2	4
Staff training	79	10
Subscriptions	68	137
Travel - international	-	9
	17 141	**15 577**
5. Receivables from exchange transactions		
Sundry receivables	379	427
Payroll receivables	509	489
Staff and previous employees	59	118
Accrued interest	392	286
Impairment of receivables	(868)	(379)
	471	**941**
Reconciliation of impairment		
Opening balance	(379)	(421)
Adjustment of amount due by debtor	-	53
Bad debts written off	-	-
Increase in provision for bad debts	(489)	(11)
	(868)	**(379)**
6. Inventory		
Consumables on hand	84	72

Consumables comprise stationery on hand

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	9 916	(7 623)	2 293	9 274	(7 357)	1 917
Motor vehicles	4 617	(834)	3 783	2 459	(690)	1 769
Office equipment	14 785	(8 610)	6 175	13 993	(9 852)	4 141
Computer hardware	62 602	(49 288)	13 314	68 832	(58 706)	10 126
Fixtures and fittings	5 960	(5 091)	869	6 196	(5 016)	1 180
Security equipment	332	(306)	26	332	(303)	29
Leasehold improvements	46 627	(31 349)	15 278	41 042	(30 150)	10 892
Total	**144 839**	**(103 101)**	**41 738**	**142 128**	**(112 074)**	**30 054**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	1 917	743	(13)	(3554)	2 293
Motor vehicles	1 769	2 158	-	(145)	3 782
Office equipment	4 141	4 017	(459)	(1 524)	6 175
Computer hardware	10 126	8 933	(846)	(4 898)	13 315
Fixtures and fittings	1 180	-	(36)	(275)	869
Security equipment	29	-	-	(3)	26
Leasehold improvements	10 892	5 647	(8)	(1 253)	15 278
	30 054	**21 498**	**(1 362)**	**(8 452)**	**41 738**

Reconciliation of property, plant and equipment - 2023

Office furniture	2 281	-	(10)	(354)	1 917
Motor vehicles	1 544	588	(311)	(52)	1 769
Office equipment	4 885	1 121	(18)	(1 847)	4 141
Computer hardware	12 862	2 411	(52)	(5 095)	10 126
Fixtures and fittings	1 455	-	-	(275)	1 180
Security equipment	32	-	-	(3)	29
Leasehold improvements	12 665	223	-	(1996)	10 892
	35 724	**4 343**	**(391)**	**(9 622)**	**30 054**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
Assets subject to finance lease (included in property, plant and equipment)		
Office equipment	2 017	107

The leased office equipment is encumbered as set out in note 13.

Disposals

The net disposal of R1 357 776 includes assets with a net carry value of R107 704 which were stolen from staff during various robbery incidents. The cost of stolen assets was claimed from the insurance company. The FIC also disposed of old assets for scrap during the year. Carry value of these assets was R833 790.

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 with R1 902 535. Refer to note 28. Included in the reassessed assets were zero value assets with and initial cost of R187 991.

8. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	84 279	(44 354)	39 925	60 812	(39 662)	21 150
Computer licences	2 271	(1 625)	646	812	(643)	169
Total	**86 550**	**(45 979)**	**40 571**	**61 624**	**(40 305)**	**21 319**

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	21 150	23 468	(4 693)	39 925
Computer licences	169	1 458	(981)	646
	21 319	**24 926**	**(5 674)**	**40 571**

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	18 204	8 024	(25)	(5 053)	21 150
Computer licences	129	690	-	(650)	169
	18 333	**8 714**	**(25)**	**(5 703)**	**21 319**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Other information

Project in progress – Intangible assets

Included in the carrying value of software is one project, business intelligence, a sub-project of the line of business solutions modernisation programme, amounting to R2 072 236. The deployment of the final phase of the project was expected shortly after year end.

Reassessment – Intangible assets

The useful life of certain assets has been reassessed, resulting in an increase in the carrying value of intangible assets of R1 639 409. Refer to note 28.

	2024 R'000	2023 R'000
9. Deposits		
Rental - Byls Bridge Office Park	443	769
Municipal - Byls Bridge Office Park	183	134
	626	**903**

The FIC entered into a new lease agreement for the head office building and additional space in the adjacent office block. The lease terms for the main building and two additional areas are as follows:

- Main building commenced on 1 December 2023 and terminates 30 November 2033.
- Additional space 1 in adjacent office block commenced 1 August 2023 and terminates 30 November 2033.
- Additional space 2 in adjacent office block commencing 1 April 2024 and terminates 30 November 2033.

Refundable deposits were paid for electricity usage and rental of the office. These deposits will be refunded at the end of the lease term and are disclosed at amortised values. Refer to note 16 for present value adjustment.

10. Payables from exchange transactions

	2024 R'000	2023 R'000
Trade payables	11 764	7 608
Accrued leave payables	9 077	7 823
Payroll and staff payables	-	103
	20 841	**15 534**

11. Income received in advance

	2024 R'000	2023 R'000
Criminal Asset Recovery Account (CARA)		
Opening balance	20 134	31 593
Funds utilised during the year	(20 134)	(11 459)
	-	**20 134**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000

11. Income received in advance (continued)

The R50 000 000 received from CARA for the funding of the line of business solutions modernisation programme was fully utilised for the following sub-projects that were deployed into production during the year under review:

- CMAS: Compliance monitoring and analysis capability
  The project was completed and deployed into production on 29 February 2024.

- CDP: Common data platform capability
  The project was completed and deployed into production on 30 March 2024.

- BI: Business intelligence analytical capability
  Phase 1 of the project was completed and deployed into production on 30 November 2023.

12. Third party deposits

	2024 R'000	2023 R'000
Opening balances	10	30
Additions	10	40
Paid to National Reserve Fund	(10)	(48)
Refunded to applicants	-	(12)
	10	**10**

13. Finance lease obligation

	2024 R'000	2023 R'000
Minimum lease payments due		
- Within one year	926	120
- In second to fifth year inclusive	1 495	-
	2 421	120
Less: Future finance charges	(345)	(1)
Present value of minimum lease payments	**2 076**	**119**
Non-current liabilities	1 356	-
Current lliabilities	720	119
	2 076	**119**

The FIC entered into new finance leases during the year. The finance leases are secured over the leased assets. Refer to note 7. The annual effective interest rate for the lease was 11.75 percent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
14. Operating lease asset (liability)		
Non-current liabilities	6 385	29 484
Minimum lease payments:		
Within one year	28 645	32 851
Within two to five years	130 963	154 257
Five years plus	200 625	30 040
	360 233	**217 148**

Centurion leased premises

The FIC had an option to extend the lease agreement of its head office premises in Centurion for a further 60 months on the termination date of 30 November 2023, but decided not to exercise that option and entered into a new agreement with the landlord for a 10-year period until 30 November 2033. This resulted in the derecognition of the balance of the operational lease liability that was straight-lined over a 10-year period and the straight lining of the new lease agreement over the contract period of 10 years. Refer to note 20.5.

A lease incentive of R2 852 129 was received and is recognised on a straight-line basis over the period of the lease as a reduction of the lease payments.

Cape Town leased premises

The FIC entered into a 36-month lease agreement for its premises in Cape Town. The lease commenced on 1 November 2022 and will terminate on 31 October 2024. There was an option to renew the lease for a further 36 months and management decided to exercise the option.

15. Non-exchange revenue

	2024 R'000	2023 R'000
Transfer from National Treasury	385 730	316 820
Income CARA - refer to note 11	20 134	11 459
	405 864	**328 279**

16. Exchange revenue

	2024 R'000	2023 R'000
Interest bank	8 943	5 169
Other income	211	192
Interest financial assets - refer to note 9	91	88
	9 245	**5 449**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
17. Depreciation and amortisation		
Property, plant and equipment	8 451	9 622
Intangible assets	5 674	5 703
	14 125	**15 325**
18. Employee costs		
Salary cost	179 523	149 842
Gratuity	8 264	-
Unemployment insurance fund	491	405
Compensation for occupational injuries and diseases	96	310
Provident fund	16 037	13 496
Group llife	5 971	4 114
	210 382	**168 167**
19. Finance costs		
Finance charges - leased assets	102	38

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2024 R'000	2023 R'000
20. General expenses			
Advertising		925	790
Audit and Risk Committee member fees	20.1	542	1 006
Auditors remuneration	20.2	3 232	2 136
Bank charges		112	95
Cleaning		1 592	1 328
Computer expenses		33 455	22 562
Conferences and seminars		242	193
Consumables		605	549
Contractors and temporary workers		2 795	10 182
Corporate gifts		59	-
Internal audit		983	1 193
Insurance		457	505
Legal fees		13 690	7 577
Marketing		487	11
Media, subscription and publications		2 886	3 530
Membership fees		3 679	3 074
Motor vehicle expenses		162	139
Employee parking		3 589	3 224
Personal protection equipment		23	37
Postage and courier		7	8
Printing and stationery		247	116
Professional fees		5 836	2 085
Recruitment and placement fees		2 244	734
Refurbishment costs		360	-
Remuneration committee member fees	20.3	296	425
Repairs and maintenance	20.4	805	716
Rent and operating costs	20.5	9 150	35 956
Research and development costs		-	2 592
Employee training		1 550	1 074
Security		3 002	2 776
Subsistence and accommodation - local		454	358
Subsistence and accommodation - international		2 942	2 229

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
20. General expenses (continued)		
Telephone, fax and internet	2 258	2 020
Travel - international	2 394	3 120
Travel - local	995	658
Training academy - interns	1 970	346
	104 025	**113 344**

20.1 Audit and Risk Committee member fees

B Mbewu	-	189
Dr D Jairam-Owthar	83	195
P Phili	153	228
PN Sibiya	169	194
S Mayinga	137	200
	542	**1 006**

20.2 Auditors remuneration

Auditor-General of South Africa	3 232	2 136

Due to timing differences in the execution of the annual audit, R2 196 752 of the 2022/23 audit fee was spent in the 2023/24 financial year as well as R1 035 209 of the 2023/24 audit fee.

20.3 Remuneration Committee member fees

B Chaplog	111	149
J Olivier	95	138
TJ Mclean	89	138
	295	**425**

20.4 Repairs and maintenance

Payments made to service providers	630	435
Material purchased for general upkeep of assets	175	281
	805	**716**

20.5 Rent and operating cost

Rental and operating cost	39 927	35 956
Derecognition of straight-lining - refer to note 14	(30 777)	-
	9 150	**35 956**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
21. Impairment of financial assets		
Impairment of debtors		
Trade and other receivables - refer to note 5	489	11
Financial instrument adjustments		
Fair value adjustment - refer to note 9	697	-
Total impairment losses (recognised) reversed	**1 186**	**11**
22. Gain/(Loss) on disposal of assets		
Profit/(loss) on disposal of property, plant and equipment	(901)	57
Loss on disposal of intangible assets	-	(25)
	(901)	**32**
23. Cash generated from operations		
Surplus	84 387	36 875
Adjustments for:		
Depreciation and amortisation	14 126	15 325
Loss/(gain) on sale of assets	901	(32)
Income amortised - CARA	(20 134)	(11 459)
Allowance for impairment	489	11
Other income - movement in debtors	146	473
Income amortised - deposits	(91)	(88)
Net interest	(106)	(159)
Impairment - financial assets	697	-
Operating lease - smoothing	(25 951)	3 436
Prepayment releases	47 939	36 593
Changes in working capital:		
Inventories	(12)	16
Receivables other (refund of expenses)	(59)	(794)
Prepayments paid	(49 503)	(39 355)
Provisions - bonuses paid	-	(7 863)
Third party deposits	-	(20)
Deposit paid - premises	(329)	-
Increase/(decrease) in trade and other payables	5 307	(1 131)
	57 807	**31 828**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000

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 fund is a defined contribution fund and it is governed by the Pension Fund Act, 1956 (Act 24 of 1956). 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: 7.5 percent, 10 percent,15 percent,17.5 percent and 20 percent.

	2024 R'000	2023 R'000
FIC contribution to scheme	22 204	17 610

25. Related parties

	2024 R'000	2023 R'000
Related parties transaction	(901)	57

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

	Notes	Opening balance R'000	Funds received R'000	Funds recognised R'000	Closing balance R'000
National Treasury	25.1.1	-	385 730	(385 730)	-
CARA	25.1.2	20 134	-	(20 134)	-
		20 134	**385 730**	**(328 279)**	**-**

25.1.1

The FIC received a non-exchange transfer from National Treasury 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 15.

25.1.2

Funds received from CARA is ring fenced for the funding of the line of business solutions modernisation programme. Refer to notes 13 and 15.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
Services rendered at no cost		
South African Police Service	96	137

During the year under review, members of the South African Police Services had been allocated office space at the FIC head office premises at no cost. These members were provided with the use of 15 Microsoft 365 licences.

During the year under review, no related party services were received.

25. Related parties (continued)

25.3 Key management personnel

		Notes	Cash component R'000	Gratuity R'000	Provident fund R'000	Total R'000
2024						
Adv XJ Khanyile	Director	25.3.1	1 557	-	-	1 557
C Malan	Executive Manager: Compliance and Prevention		2 188	127	342	2 657
P Smit	Executive Manager: Legal and Policy	25.3.2	2 494	130	466	3 090
P Biseswar	Executive Manager: Monitoring and Analysis		2 070	120	336	2 526
P Alberts	Acting Executive Manager: Shared Forensic Capability	25.3.3	2 039	107	294	2 440
M Maboka	Executive Manager: Corporate Services		2 162	129	412	2 703
V MarshSmit	Chief Financial Officer		1 721	108	448	2 277
			14 231	**721**	**2 298**	**17 250**

25.3.1

Adv XJ Khanyile's contract came to an end on 31 August 2023. Included in the cash component of R1 556 675 is a cost of living adjustment of R102 775 for the 2022/23 financial year and leave paid to the value of R150 154.

25.3.2

P Smit acted as Director from 1 September 2023 to 31 March 2024. An acting allowance of R359 696 for the seven months has been included in the cash component of R2 494 007.

25.3.3

P Alberts acted as Executive Manager: Shared Forensic Capability from 1 May 2023 till 31 March 2024. An acting allowance of R196 327 for the 11 months has been included in the cash component of R2 038 649.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25.3 Key management personnel (continued)

		Notes	Cash component R'000	Gratuity R'000	Provident fund R'000	Total R'000
2023						
Adv XJ Khanyile	Director	25.3.4	3 615	-	-	3 615
C Malan	Executive Manager: Compliance and Prevention		2 065	171	297	2 533
P Smit	Executive Manager: Legal and Policy		2 020	100	408	2 528
P Biseswar	Executive Manager: Monitoring and Analysis	25.3.5	331	-	51	382
P Alberts	Acting Executive Manager: Monitoring and Analysis	25.3.6	1 659	-	217	1 996
M Maboka	Executive Manager: Corporate Services		2 038	99	375	2 512
V MarshSmit	Chief Financial Officer		1 626	84	411	2 121
			13 354	**574**	**1 759**	**15 687**

25.3.4

Included in the cash component of R3 614 559 for Adv XJ Khanyile is a once-off allowance of R22 000 and leave paid to value of R329 352.

25.3.5

P Biseswar joined the FIC in February 2023 as Executive Manager: Monitoring and Analysis.

25.3.6

P Alberts acted as Executive Manager: Monitoring and Analysis from November 2021 to 31 January 2023. An acting allowance of R486 639 for the 10 months and a backdated adjustment for five months of R7 410 (for the prior year) have been included in the cash component of R1 659 212.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. Contingencies

26.1 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 2020/2021 and amounts to R75 266 000. This surplus has to be declared to National Treasury during the period 1 August 2024 to 30 September 2024 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 2024 to 30 September 2024 as instructed in the instruction note.

On 24 October 2023, National Treasury granted approval for the retention of R44 045 000 of the R58 723 000 reported surplus for the year ended 31 March 2023. The FIC was instructed to surrender R13 866 000 of the balance to National Treasury.

26.2 Litigation and claims

During the 2023/24 financial year the FIC joined proceedings in the following matters where the status of the cases are at various stages

26.2.1

The FIC is opposing an appeal launched at the Pretoria High Court against the decision of the Appeal Board upholding a sanction issued by the FIC. The matter is yet to be set down for hearing. The entity's lawyers consider it unlikely that the action against the entity will be successful, and the case should be resolved within the next financial year.

26.2.2

An application was brought before the Equality Court and subsequently the High Court and other interlocutory applications. The FIC's legal team lodged a misjoinder application so as to be removed from these proceedings. The matter was heard on 17 November 2023 and judgment was handed down on 13 February 2024, granting the application with costs. The FIC's legal team filed an application for leave to appeal the decision and await the date of the hearing.

26.2.3

Litigation process against a service provider for the sale of counterfeit and faulty equipment has been set down for trial on 18 February 2025. The FIC is seeking damages and the legal team is of the opinion that the lawsuit will be successful.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R'000	2023 R'000
27. Capital Commitments		
Services rendered at no cost		
Approved and committed capital expenditure	5 548	129

	Initial estimate for 2024 R'000	Revised estimate for 2024 R'000	Increase/(decrease) current year R'000	Increase/(decrease) future years R'000
28. Change in estimate: Useful life of assets reviewed				
Property, plant and equipment				
Computer hardware	1 670	1 043	(627)	627
Office equipment	450	152	(110)	153
Cell phones	368	130	(238)	239
Leasehold improvements	1 889	1 005	(884)	884
	4 377	**2 330**	**(1 859)**	**1 903**

The useful life of certain assets has been reassessed, resulting in an increase in the carrying value of property plant and equipment with R1 902 535 and a decrease in the depreciation of R1 859 262. Included in the reassessed assets were zero value assets with and initial cost of R187 991. The effect of the change in future years will be an increase in depreciation of R1 902 535 reversing the credit of R1 859 262 created in the current year.

Intangibles				
Computer software	3 616	1 976	(1 639)	1 639

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 R1 639 409 and a decrease in the amortisation of R1 639 409. The effect of the change in future years will be an increase in amortisation of R1 639 409 reversing the credit of R1 639 409 created in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

29. Risk management

Liquidity risk

The FIC's risk to liquidity is a result of the funds available to cover future commitments. The FIC manages liquidity risk through an ongoing review of future commitments. FIC ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The table below analyses the entity's financial liabilities based on the remaining period at the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting are not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2024				
Trade and other payables	21 338	-	-	-
At 31 March 2023				
Trade and other payables	15 534	-	-	-

Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in a financial loss to the FIC. The FIC's exposure to credit risk to loans and receivables is limited.

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.

Interest rate risk

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:

Cash flow interest rate risk

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Current interest rate	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due after 5 years
Fair value interest rate risk						
Finance lease	11.75%	926	1 495	-	-	-

Finance lease payments are fixed, resulting in no risk exposure.

Foreign exchange risk

Management accepts the risk as a result of changes in rates of exchange and therefore has not hedged foreign currency risk. These transactions are not of a material nature.

	2024 R'000	2023 R'000
30. Irregular and fruitless and wasteful expenditure		
Irregular expenditure	1 076	1 479
Fruitless and wasteful expenditure	-	-
Closing balance	**1 076**	**1 479**

30.1 Irregular and fruitless and wasteful expenditure for the current financial year include:
- Amounts incurred and confirmed in that financial year; and/or
- Payments made as it relates to multi year contracts.

30.2 Irregular and fruitless and wasteful expenditure for the previous financial year include:
- Amounts confirmed in that financial year
- Amounts that were under assessment in that financial year and confirmed in the current financial year
- Amounts that were not identified and are identified and confirmed in the current financial year.

31. Subsequent events

31.1 Litigation and claims

The FIC opposed an application compelling the FIC's involvement in the disclosure of certain confidential information. The interlocutory application was subsequently withdrawn and the FIC launched an application for a court order against the applicant to pay the FIC's legal costs. In a subsequent event, judgment was handed down on 15 June 2024 where the court dismissed the FIC's application with costs. The FIC is awaiting the applicant's bill of cost.

32. B-BBEE performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

Financial Intelligence Centre

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