



## **SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA) ANNUAL REPORT 2012/13 ANALYSIS**

### **1. INTRODUCTION**

In April 2006, the South African Social Security Agency (SASSA) took over the administration of social assistance (grants) nationally. The mandate of the Agency is to ensure the provision of comprehensive social security services against vulnerability and poverty within the constitutional and legislative framework. In the 2012/13 financial year, the Agency implemented its turnaround strategy. Thus, the Agency adopted a new vision statement "a leader in the delivery of social security services". This vision commits the Agency to provide quality service delivery that is comparable to the best in the world. In order to fulfil that, the Agency is guided by the following strategic objectives:<sup>1</sup>

- To ensure that eligible beneficiaries receive benefits due to them, namely: Child Support Grant (CSG), Disability Grant (DG), Care Dependency Grant (CDG), Foster Child Grant (FCG), Old Age Grant (OAG), War Veteran Grant (WVG) and Grant-in-Aid (GIA),
- To improve the quality of service delivery to our customers,
- To achieve a fully integrated and automated social assistance service, and
- To ensure that the Agency is optimally capacitated for optimal service delivery.

This paper seeks to review whether the Agency has fulfilled its constitutional mandate for the 2012/2013 year and what successes and challenges it has encountered in this regard. This is done by (a) evaluating the Agency's performance against targets in each programme (Branches) and (b) summarising the key findings of the Auditor-General's (AG) Report scrutinising the financial statements of the Agency in relation to its stated strategic objectives.

### **2. OVERALL PERFORMANCE AND ACHIEVEMENTS FOR 2012/13<sup>2</sup>**

Of the 80 total numbers of planned targets, 25 were not achieved during the year under review. This represents 31% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process and the entity did not consider relevant systems and evidential requirements during the annual strategic planning process

Notwithstanding many challenges, the Agency successfully managed to reach 10 723 400 beneficiaries, extending its social assistance coverage to the previously excluded and marginalised groups as required by the Constitution. A budget of R30 589 400 was set aside to improve the conditions and efficiency of local offices. The Agency reported that a major improvement to the

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<sup>1</sup> SASSA (2012)

<sup>2</sup> SASSA, (2013)



Social Grants Payment and Administration system (SOCPEN), which had been completed in the previous financial year, was rolled out nationally.

The Agency comprises of the Office of the CEO and seven branches. Furthermore, there are nine regional offices established to manage social security and to provide support to service delivery units. In this section a description of each branch will be provided as follows:

### **Branch 1: Grant Administration**

The objective of this branch is to improve the effectiveness and efficiency of the administration of the social assistance programme. In so doing, this branch provides grants administration services to beneficiaries. This includes disability management, operations management, customer care, beneficiary maintenance, payment and contract management.

#### **Issues for consideration**

- Out of a total of 32 performance targets set for this Branch, a total of 18 targets were not achieved- this means that only 43% were achieved. The Agency needs to set itself realistic targets and take into consideration the projects that the Agency envisages to embark on, so that in future this will not impact on its daily activities. In terms of expenditure, this Branch has an over expenditure of 102.7%.
- The Agency did not achieve its set annual target of (100%) to reviewing the foster child grant backlog; it reported that it achieved 94.5%. Due to capacity constraints the target was revised to 50% as result of the extension of re-registration for 2012/13.
- A number of pay point and office upgrades have been reported. For the purposes of oversight, can the Agency provide the Committee with the detail of the exact location of these improvements? Please provide the names and locations of these pay points.
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### **Branch 2: Chief Operations Management**

This branch is meant to provide strategic support to the Chief Executive Officer (CEO) and regional operations. However, the Agency reports that due to financial constraints, this branch was not fully operational during the year under review.

- In 2011/12 to 2012/13 financial years, the Agency reported that this branch was not fully operational due to financial constraints. What impact does this have as this branch is supposed to provide strategic support to the CEO and regional operations?

### **Branch 3: Strategy and Business Development**



The aim of this branch is to improve the effectiveness and efficiency of the administration of the social assistance programme. This branch develops, researches, supports and provides strategic advice on innovative strategies, programmes and mechanisms to improve social security administration, service delivery and institutional performance.

- This Branch has a total of only 7 performance targets. Out of the total the Agency only achieved (42.8%) of its stated targets and 57.2% were not achieved. Totals Expenditure for this programme is 62.0% for the financial year 2012/13.
- The Agency only managed to produce 3 partnership reports as oppose to 4 that was targeted. Furthermore the Business Process Re-engineering for finance was not completed.
- What was the reason for the Business Process Re-engineering for finance not being completed? Are there mechanisms in place to address this in the next financial year? What would be the implications of this not being completed?

#### **Branch 4: Internal Audit and Risk Management**

The objective of this branch is to promote good governance in the administration of the Agency. It provides internal audit and risk management services.

- Under this Branch, the Agency achieved (100%) of all of its performance targets. An under budget expenditure of 28.3% was recorded for the year under review (2012/13).
- SASSA exceeded its target of 50% by achieving 78% of identifying fraud cases investigated. In terms of validating and verifying the suspicious grants, 89% of the advertised posts have been filled during the 2012/13 financial year, resulting in an increase in investigating capacity

#### **Branch 5: Corporate Services**

The objective of this branch is to improve the effectiveness and efficiency of the administration of the social assistance programme. This branch includes Human Capital Management, Auxiliary Support Services, Legal Services and Communication and Marketing Services.

- Under this Branch the Agency achieved (100%) of all of its performance targets. An under budget expenditure of 13% was recorded for the year under review (2012/13).
- In terms of infrastructure, the Agency reported that it improved a total number of ninety five (95) local offices which marks an over achievement of twenty three (23) more than the 72 annual target that SASSA had set itself. Furthermore, six hundred and ninety two (692) pay points were upgraded at a cost of R18 776 416, surpassing the annual target by two hundred and ninety-two (292).



### **Branch 6: Finance**

The objective of this branch is to provide financial management services to the Agency. It provides financial management services. This includes management accounting and systems, financial accounting and supply chain management

- Out of a total of 6 performance targets set for this Branch, 3 targets were not achieved - this means that only 50% of the set targets were achieved. In terms of expenditure, this Branch has an under expenditure of 3.5%.
- The Agency set itself a target of achieving 100% of paying eligible suppliers within 30 days. It was reported that out of a total of 9 233 various suppliers, 84.26% (7 780) were paid within 30 days. Furthermore, SASSA set itself 50% of recovering debt from staff as per Acknowledgement of Debt (AoD); however 40.70% was not recovered.
- What mechanisms are put in place to address the challenge of non-recovered debt from staff?

### **Branch 7: Information and Communication Technology (ICT)**

The objective of this branch is to improve the effectiveness and efficiency of the administration of the social assistance programme. This branch provides ICT services relating to information management, enterprise architecture, business solutions development and ICT operations management.

- There were minor deviations in this Branch with the exception of SCOPEN and Grant Administration. Out of 10 targets only 5 targets were achieved (this constitutes 50%). In terms of expenditure the Agency spent 80.9%.
- The grant beneficiary biometric system was developed. As a result of this, 2.3 million records have been loaded on the system. In terms of procurement of the system for grants, SASSA deviated by 100% of its anticipated performance target. In addition, the Agency envisaged that it would integrate 5 internal grant administration systems, only 3 were achieved as Social Pensions (SCOPEN) and Eastern Cape Management Information System (MIS) was not fully integrated.
- The procurement of the SCOPEN system is still in progress. What impact will this have on the planning for 2013/14? What are the financial implications associated with this?

## **3. Overview of the Auditor-General Report**

The AG's report, contained within the annual reports of government departments and entities, speaks to the reliability of information contained in the annual report as well as the achievement of



performance targets in recent years. The AGs audit opinion can be categorised in four general levels of importance:

- Audit Opinion;
- Matters of Emphasis;
- Additional/Other Matters; and
- Performance against Objectives and Compliance with laws.

For 2012/13, The Auditor General (AG) provided an unqualified audit opinion for the Agency. The Agency received a clean audit opinion in 2011/12 financial year. The unqualified audit opinion was provided on the basis of the two following factors:

- As disclosed in note 26 of the Financial Statements, the South African Social Security Agency is involved in a pending litigation with ALLPAY Consolidated Investment Holdings (Pty) Ltd and its group companies (the applicant) regarding the awarding of the Social Grant Payment Tender to Cash Paymaster Services.
- Subsequent to the Supreme Court of Appeal delivering judgement in the ALLPAY//SASSA and CPS matter (The applicant applying for the review and setting aside of the award pursuant to the payment tender) in favour of SASSA, ALLPAY has filed an application for leave to appeal at the Constitutional Court.

During the 2012/13 financial year, the total litigation costs were R10 683 420.74. Out of that total amount, Eastern Cape has the highest litigation costs of R 3 658 225.00. The Agency needs to provide the Committee with the information regarding the specific litigation details for each province. Are there any measures in place to avoid this issue of litigations?

#### 4. Summary and Analysis of Annual Financial Statements<sup>3</sup>

During the year under review, SASSA has reported that they have not used consultants for their financial statements.

##### 4.1. Fruitless and Wasteful Expenditure

In terms of Fruitless and Wasteful Expenditure, SASSA reported an amount of R284 994 49 as at 31 March 2013. This amount comprises traffic fines, no shows costs and interest charges.

##### 4.2. Irregular Expenditure

<sup>3</sup> SASSA, (2013)



The amount of irregular expenditure incurred during the 2012/13 financial period was R47 443 827.48 of which R930 945.88 was due to delays and challenges relating to the lease agreements on buildings used by SASSA. A total amount of R 16,274 014 was still outstanding as at 31 March 2013.

#### **4.3. Supply Chain Management (SCM)**

The Agency reported that a total number of 28 unsolicited bid proposals to the value of R293 457 million for 2012/13 were concluded. The SCM policies, procedures and processes were reviewed to align to applicable Acts and general recognised accepted accounting practices (GRAP) and all the main vacancies are currently filled. However the issue of non-compliance to supply chain management prescripts by the agency officials poses a challenge to the Agency. All non-compliance matters have been referred to the Financial Misconduct Board for further handling.

#### **4.4. Request for rollover of funds**

A surplus of R341 566 million was recorded by the Agency for the year under review and it was reported that a request to roll over the surplus amount has been submitted to National Treasury for approval.

- How does the Agency recover traffic fines from staff? Is there a Policy which guides this?
- What measures have been taken on the outstanding amount of R 16,274 014 waiting to be condoned?
- A request to roll over the surplus of R341 566 was submitted to National Treasury for approval. What were the outcomes of this matter? What are the plans for these funds? Does the Agency have commitment for these funds; the Agency can share these commitments with the Committee.

### **5. Human Resource Management**

The Agency reported that improving organisational capacity was one of their priorities for the year under review (2012/13). A number of vacant and funded posts for the year was 1259 and of this number 931 (73%) were filled to increase the capacity. Nevertheless, the Human Resource statement indicates that the Agency's vacancy rate still stands at 55.6% in 2012/13. SASSA reported that it approved and implemented the Grievance and Disciplinary Policies wherein the appeal process was removed.

- The Agency should indicate how far it is in terms of filling vacant posts, and how far it is in filling the vacancy rate.



- It is not clear from the Human Resource Statement how the Agency is performing in terms of recruiting people with disabilities. The Agency should clarify this to the Committee.
- Why was the appeal process removed? Will this not have the effect of employees seeking remedies outside of their employment when internal remedies could have been followed?

## 6. Governance

SASSA reported that it maintain the highest standard of governance with respect to the management of public finances and resources. However it was reported that throughout the 2012/13 financial year the Agency did not have the Risk Management Committee (RMC). The CEO has appointed the RMC on the 27 March 2013 to fulfil the role of oversight and Terms of reference were approved by the Accounting Officer.

- SASSA did not have the risk management Committee for the year under review. What impact did this have on the Agency?

## 7. General Concerns Arising from the Annual Report

SASSA's annual report corresponds with its 2012/2013-2014/15 strategic plan in terms of targets and deadlines. Of the 80 total numbers of planned targets, 25 were not achieved during the year under review. This represents 31% of total planned targets that were not achieved during the year under review.<sup>4</sup> This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process and the entity did not consider relevant systems and evidential requirements during the annual strategic planning process.

The Agency should avoid litigation as this poses a risk to the organisation. This can be done through strengthening the internal auditing unit. Lastly, when setting up targets, the Agency needs to take into consideration upcoming big project (re-registration) so that it will not have an impact on the achievements of certain set targets. However re-registration of projects was a success in terms of ensuring standardisation in service delivery as well rooting out fraud and corruption in the payment of social grants

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## References

### REFERENCES

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<sup>4</sup> SASSA (2013)



South African Social Security Agency (SASSA), 2013. Annual Report 2012/13.

South African Social Security Agency (2012) Annual Performance Plan 2012/2013. Pretoria

South African Social Security Agency (2012) Strategic Plan 2012/2013-2014/15. Pretoria