16 October 2016

Government pensions administration agency

|  |
| --- |
| Table of Contents  [1. Introduction 1](#_Toc464370138)  [2. Overview of the 2015/16 financial year\ 1](#_Toc464370139)  [3. budget Analysis 3](#_Toc464370140)  [3.1. Performance Information 3](#_Toc464370141)  [Table 1: High Level Performance Dashboard: Corporate Scorecard 3](#_Toc464370142)  [3.2 Financial Analysis 4](#_Toc464370143)  [Table 2: Summary of key figures 4](#_Toc464370144)  [3.3 Auditor-General’s Report 4](#_Toc464370145)  [4 Key Issues for Consideration by Parliament 5](#_Toc464370146)  [5 References 6](#_Toc464370147) |

# Introduction

The Government Pensions Administration Agency (GPAA) is a government entity which reports to the Minister of Finance to administer pensions on behalf of the Government Employee Pension Fund (GEPF) and National Treasury (NT) in respect of Post-Retirement Medical Subsidies, Military Pensions and Special Pensions. GPAA derives its mandate from the two customers- NT and GEPF and is responsible for contributing towards Outcome 12[[1]](#footnote-1) of the 14 Government priority outcomes. The GPAA aims to deliver on its mandate through strategic goals and objectives within specific performance areas in accordance with its operating model. The strategic goals of this outcome include: service delivery quality and access, human resource management and development, business processes, systems, decision rights and accountability and reducing corruption in the public service. The goal is to ensure that all government employees and their beneficiaries are serviced fully by adhering to industry best practice.

# Overview of the 2015/16 financial year

The GPAA has successfully continued to stay the course. It has faced many challenges such performance efficiency, non-compliance to supply chain irregularities in its strategic goals to be a leading, people-centric benefits administrator in Government. In the current financial year, there were several initiatives that were high on the agenda including the implementation of the Modernisation Programmme which seeks to address technology, system and process improvements, as well as human capital development. The Modernisation Programme further aims to automate the process of building a competent workforce and increasing its interaction with employer departments and to locate members so as to pay exit benefits. The GPAA has a number of highlights including:

* 100% of benefits were paid accurately
* 84% were paid on time after receipt of duly completed documentation
* Delivering on its majority of predetermined objectives. The overall performance was 91% with 21 of the 23 performance targets being achieved.

The significant audit concerns that were raised in the year under review should also be noted. A crucial weakness was identified with management and a number of special investigations are underway. Despite some progress made, with the appointment of the Chief Executive Officer, there are significant non-compliance and supply chain procedures still lagging behind.

# budget Analysis

## Performance Information

## Table 1: High Level Performance Dashboard: Corporate Scorecard

| **Programme** | **Achievements** | **Challenges** | **Comments** |
| --- | --- | --- | --- |
| **Programme 1: Corporate Services** | * 14 various policies were revised and approved by EXCO including:  1. A Risk strategy and implementation framework was developed 2. A Risk appetite and tolerance framework was approved 3. A Risk policy 4. An Anti-corruption policy was approved and fraud and ethics assessments were conducted 5. Carbon footprint methodology was developed to support:  * Paying suppliers within 30 days (93% target achieved) * Building a modern and resilient ICT environment * Informing employees regarding the Tax Harmonisation law changes | * The unavailability of ICT services due to system downtime * Delays due to supply chain processes which require strict compliance * Lack of capacity, retention of key resources is hampering modernisation projects, high turnover in IT Audit * Lack of automated processes * Low response rate to surveys | It’s unfortunate that an entity faced with irregularities and weak internal controls has identified strict compliance as a stumbling block to good practise. The entity should focus on improving their internal processes.  There were significant number of GEPF employees that resigned to access their pensions. What did the marketing unit do to create awareness? |
| **Program 2: Special, Military and Other Benefits Administration** | * 91% client satisfaction level against target of 90%, as well as 100% of benefits paid accurately against target of 80%, by paying the right amount accurately. * THE GPAA paid out pensions and benefits of R3.9 billion in 2015/16 (2015:R3.7 billion). | * Military medical account payments and access to medical treatment by pensioners remains a challenge. This function will be outsourced to a service provider in the new financial year. * Need to intensify its communication to members |  |

**Source: GPAA Annual Report 2016**

## Financial Analysis

## 

## Table 2: Summary of key figures

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2016** | **2015** |  |  |  |  |  |
| **Income Statement** |  |  |  |  |  |
| Total Revenue (R' thousand) | 948 287 | 918 355 |  |  |  |  |  |
| Operating expenses | 863 499 | 805 346 |  |  |  |  |  |
| Net Profit/Loss (R’ thousand) | 84 788 | 110 009 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Total Assets | 505 338 | 369 822 |  |  |  |  |  |
| Current Assets | 158 369 | 119 174 |  |  |  |  |  |
| Non-Current Assets | 346 969 | 250 648 |  |  |  |  |  |
| Current | 140 607 | 89 879 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Net Cash Flow From Operating Activities | 98 815 | 131 647 |  |  |  |  |  |
| Cash flows from financing activities | (32 409) | 21 149 |  |  |  |  |  |
| Net cash from investing activities | (131 224) | (110 498) |  |  |  |  |  |
|  |  |  |

**Source: GPAA annual report 2015/16**

The financial analysis of GPAA is based on the audited consolidated annual financial statements for the year ended 31 March 2016. Revenue increased marginally to R948 million (FYE15:R918 million) mainly attributed to administration fees earned from Government Employee Pension Fund (93%) and National Treasury (7%). All costs incurred by the GPAA are refunded by these entities on a monthly basis. Total assets recorded at R505 million, R434 million more than in the previous year. GPAA has no long-term interest bearing debt on its balance sheet.

**Comments/Questions**

- There has been a significant increase in trade and receivables? What happened in the year under review that was different to the previous years?

- The final appropriated amount by National Treasury on page 306 of the Annual Report (R56.5 million) is different to what GPAA have captured in the revenue received on their Annual Financial Statement on page143 (R56.3 million)? Can GPAA explain the variance?

## Auditor-General’s Report

The Auditor-General (AG) expressed an unqualified audit opinion. However, the AG drew attention to the following matters:

1. **Irregular and fruitless and wasteful expenditure**

The AG reported irregular expenditure of R33.5 million (2015: R48.3 million) as a result of non-compliance with supply chain and human resources management processes. Fruitless and wasteful expenditure of R365 000 (2015: R68 000) was also incurred in the year under review.

Effective steps were not taken to prevent irregular and wasteful expenditure as required by PFMA and Treasury regulations.

1. **Compliance with legislation**

1. In contravention of the Public Service Act[[2]](#footnote-2), a performance bonus was paid to a member of the Senior Management Service who did not conclude and sign a performance agreement before 31 May.
2. a) A contract was awarded to foreign supplier without obtaining a tax clearance certificate as required by Treasury and Procurement regulations.

b) Goods to the value of R500 000 were procured without obtaining the required price quotations as required by Treasury regulations.

1. **Internal Control**

There was no oversight from management to ensure compliance with internal controls regarding the timely signing of performance agreements, confirmation of a foreign supplier and obtaining three quotations. Where the procurement process was not followed, the deviation process was not adhered to.

1. **Investigations**

At the request of GPAA, there were 14 independent consulting firms that performed various investigations to ascertain whether: solicitation of contract staff was irregular and whether procurement irregularities existed in a specific tender process.

**Comments/Questions**

- What action plans have GPAA taken to ensure that the AGs actions are addressed? GPAA must provide a detailed action plan to Members.

- Has GPAA taken any remedial action against senior managers who approved the contracts?

# Key Issues for Consideration by Parliament

While GPAA has improved on the pension administration service provided to clients on behalf of its main customers, GEPF and National Treasury, there are still significant challenges that remain. The Members should engage the entity on the action plans to improve their audit outcomes. The internal and external auditors have raised serious reservations about management and their capacity to monitor and discharge their responsibility. The AG has noted significant material breakdown on the functioning controls, procedures and systems.

Members should encourage the Department to provide a progress report on a quarterly basis reporting on their investigations and work done to improve their internal control processes. They must provide a corrective action plan.

With the new organisational structure underway, there are many positions that are not filled. It is useful to get an understanding from management, what their intentions are to appointing and filling vacant posts? It should also be ascertained whether the GPAA is using consultants to perform operational tasks rather than project specific tasks?

# References

Government Pension Administration Agency (2016) Annual Report 2015/16

National Treasury (2016) Annual Report 2015/16

1. Outcome 12: An efficient, effective and development oriented public service [↑](#footnote-ref-1)
2. Public Service Act ,1994 (Act No.103 of 1994) [↑](#footnote-ref-2)