**2. The Budgetary Review and Recommendation Report (BRRR) of the Portfolio Committee on Social Development, on the performance of the Department of Social Development and its entities for the 2015/16 financial year, dated 26 October 2016**

The Portfolio Committee on Social Development, having considered the performance and the submission to the National Treasury for the medium term period of the Department of Social Development, the South African Social Security Agency (hereafter SASSA or the Agency), and the National Development Agency (hereafter the NDA or Agency) reports as follows:

1. **Introduction**

The Portfolio Committee on Social Development as an extension of the National Assembly of Parliament is tasked with a mandate to conduct oversight over the Department of Social Development and its entities the South African Social Security Agency (SASSA) and the National Development Agency (NDA).

The Committee’s mandate as prescribed by the Constitution of South Africa and the Rules of Parliament is to build an oversight process that ensures a quality process of scrutinising and overseeing the department’s action and that is driven by the ideal of realising a better quality of life for all people of South Africa. It is also required to facilitate public participation, monitoring and oversight over the legislative processes relating to social development and also to confer with relevant governmental and civil society organs on social development matters. The Committee also enhances and develops the capacity of its members to exercise effective oversight over the Executive Authority in social development. It monitors whether the Department of Social Development fulfils its mandate according to priorities.

It also has a mandate to perform the following:

* + Considers legislation referred to it;
	+ Conducts oversight of any organ (s) of the state and constitutional institution(s) falling within its portfolio;
	+ Facilitates appointment of candidates to entities;
	+ Considers international agreements; and
	+ Considers budget of department and entities falling within its portfolio.

For the current medium term (2014 – 2019), the Committee’s oversight focuses on the department and its entities performance with regard to the implementation of the priorities set in the National Development Plan and in the Medium Term Strategic Framework. The Committee also conducts oversight over the department’s performance in implementing the priorities of the State of the Nation Address (SONA).

**NATIONAL DEVELOPMENT PLAN (NDP)**

These are the priorities of the NDP that the Committee focuses on:

* establishment of a social floor which outlines an acceptable or decent standard of living,
* bringing the informal sector into the mandatory contributory scheme,
* expanding social welfare system,
* reviewing funding to not-for-profit organisations,
* training more welfare professionals and community workers,
* expanding public employment programmes,
* promoting opportunities for youth employment.
* use of social audits to enhance accountability in the welfare system, and
* the integration of all databases of people who receive different forms of social security services.

**THE MEDIUM TERM STRATEGIC FRAMEWORK (MTEF)**

 These are the priorities of the MTEF that the Committee focuses on:

* provision of quality and universal early childhood development (ECD) accessible to all young children and their caregivers,
* universal access to social assistance benefits, at least to 95% of eligible people;
* strengthening of community development emphasizing the roles of community-based planning and
* profiling of communities, in the process identifying vulnerable households.

**2016 STATE OF THE NATIONAL ADDRESS**

The SONA 2016 outlined the following policy objectives in the area of Social Development:

* Finalising the comprehensive social security policy - discussions are on-going within Government, led by the Department of Social Development and National Treasury, with regards to finalisation of the policy.
* In line with the National Development Plan, Government will set an aspirational target growth of five per cent per year for job creation to be achieved by 2019.

**Comprehensive Social Security**

The implementation of the comprehensive social security policy is key to the Department’s role in contributing towards the achievement of Outcome 13: Social Protection of government’s Medium Term Strategic Framework. This outcome includes actions to strengthen social welfare service delivery through legislative reforms, expand and accelerate social welfare service delivery to poor, vulnerable and special focus groups, develop a comprehensive social protection infrastructure plan and deepen social assistance; and expand access to social security. The Department is also in the process of reviewing the implementation of the White Paper on Social Welfare. The outcomes of the review will address challenges encountered in the delivery of social welfare services as well as expand social welfare services. The outcomes will further address the issue of integration in the delivery of welfare services.

**Job creation**

The Department of Social Development plays a critical role in the reduction of poverty and job creation through the Home and Community Home Based Care (CHCBC) and Early Childhood Development (ECD) programmes. These programmes are implemented as part of the Expanded Public Works Programme (EPWP). The Department also runs youth clubs, which mobilise youth for skill development.

1. **PURPOSE OF THE BRRR**

As part of exercising its oversight work, the Committee considered the 2014/15 annual reports of the department and its entities. This BRRR reports on the financial and non-financial performance of the department and its entities.

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. of 2009, the National Assembly (NA) through its committees must annually assess the performance of each national department. Portfolio Committees must thus annually submit Budget Reviews and Recommendation Reports (BRRRs) for tabling in the NA in order for Parliament to compile a report for the Medium Term Budget Policy Statement.

The Money Bills Amendment Procedure and Related Matters Act therefore make it obligatory for Parliament to assess the department’s budgetary needs and shortfalls vis-à-vis the department’s operational efficiency and performance.

Most importantly the budget review process enables the Committee to amend the budget allocation of the department through the recommendations it makes. Its recommendations are considered during the consideration of the Medium Term Budget Policy Statement (MTBPS). The budget review process also enables the Committee to make recommendations to the Minister of Social Development on issues pertaining to service delivery. This therefore means that the analysis contained in the BRRR is both backward and forward looking.

1. **METHODOLOGY**

The BRRR culminated from a very intense and thorough analysis and interaction with the Department and its entities. These included a briefing from the Department of Social Development on its quarterly reports, briefings on the annual reports of the department and its entities, a briefing from the Office of the Auditor-General on the audit outcomes, and a briefing from the Financial Fiscal Commission on its analysis of the department’s performance in the year under review (2015/2016).

1. **MANDATE OF THE DEPARTMENT OF SOCIAL DEVELOPMENT**

The Department derives its mandate from several pieces of legislation and policies, including the White Paper for Social Welfare (1997) and the Population Policy (1998). The constitutional mandate of the department is to provide sector-wide national leadership in social development by developing and implementing programmes for the eradication of poverty and social protection and development amongst the poorest of the poor and most vulnerable and marginalized.

The Department’s mission is “to ensure the provision of comprehensive social protection services against vulnerability and poverty within the constitutional and legislative framework, and to create an enabling environment for sustainable development’’. The Department further aims to deliver integrated, sustainable and quality services, in partnership with all those committed to building a caring society.

The vision of the Department is to create a caring and integrated system of social development services that facilitates human development and improves the quality of life.

* 1. **Overview and assessment of performance OF THE DEPARTMENT OF SOCIAL DEVELOPMENT**

**4.1.1 Overview of the key relevant policy focus areas**

The social development sector derives its overarching mandate from Section 27 of the South African Constitution (Act 108 of 1996). Section 27 makes it a right for South African citizens to have access to social security and food security. In line with this constitutional mandate and the international and regional obligations, the government adopted the 2009 – 2014 Medium Term Strategic Framework (MTSF) in which 12 Government Priority Outcomes were identified. Due to the cross cutting nature of the social development sector, the Department of Social Development had to implement a number of these priority outcomes. Additionally, Government adopted a National Development Plan in 2012, which provided a strategic framework for the 2014 – 2019 MTSF. This MTSF increased the Government Outcomes to 14. The priorities and targets that have relevance to the social development sector are as follows:

* provision of a comprehensive, responsive and sustainable social protection system;
* creation of decent employment through inclusive growth;
* ensuring that all people in South Africa are and feel safe;
* creating a vibrant, equitable, sustainable rural communities contributing towards food security for all;
* developing an efficient, effective and development-oriented public service; and
* creating a diverse, socially cohesive society with a common national identity.

**Department Strategic Priorities (2015/16)**

The Department identified five strategic priorities for the 2015/16 financial year; namely:

* Reforming the social welfare sector and services;
* Provision of Early Childhood Development;
* Deepening social assistance and extending the scope for social security;
* Strengthening community development interventions; and
* Establish a social protection system to strengthen coordination, integration, planning, monitoring and evaluation of services.[[1]](#footnote-1)
1. **FIRST QUARTER PERFORMANCE OF THE DEPARTMENT 2016/17**

For the first quarter reporting period (April 2016 – June 2016) the Department reported the following performance:

* Of the planned targets, 65% were fully met, 19% were in progress and 16% were not achieved.
* Reasons such as re-scheduling of meetings, unavailability of stakeholders, delays in approvals of terms of reference by different committees were mentioned as reasons for non-achievement of some targets.
* However, since this is the beginning of the financial year, some of the targets could still be met in subsequent quarters of the financial year.
* A relatively comprehensive picture of performance will only emerge in the second quarter which will allow for trend analysis since the beginning of the financial year.

**OPERATIONAL EXPENDITURE**

**Table 1: Expenditure per programme**

|  |  |  |
| --- | --- | --- |
| **PROGRAMMES** | **April – June 2016**  | **Available****R’000** |
| **APROPRIATION** | **ACTUAL EXPENDITURE** | **% SPENT** |
| **R’000** | **R’000** | **R’000** |
| P1: Administration | 322 512  | 99 322 | 30.80% | 223 190 |
| P2: Social Assistance | 140 498 691  | 34 273 879 | 24.39% | 106 224 812 |
| P3: Social Security Policy And Administration |  7 015 500  | 1 516 206 | 22.47% | 5 439 294 |
| P4: Welfare Services Policy Development And Implementation Support |  723 322  | 61 705 | 8.53% | 661 617 |
| P5: Social Policy And Integrated Service Delivery |  377 704  | 155 975 | 41.30% | 221 729 |
| Total |  148 937 729  | 36 167 087 | 24.28% | 112 770 642 |

The Department was allocated an amount R148.9 billion during 2016/17[[2]](#footnote-2) compared to R138.1 billion in the previous financial year. The department spent R36.2 billion (24.3 per cent) as at the end of June 2016/17, spending R505.8 million or 1.4% lower than the projected expenditure of R36.7 billion for Quarter 1. This variance is mainly due to the (a) slow spending within the Social Assistance programme on the Child Support Grant as a result of a number of children falling off the system and (b) major transfer payments that were scheduled during the first quarter for National Student Financial Aid Scheme (NSFAS), HIV and Aids Organisations, Substance Abuse Conditional Grants and various non-profit organisations NPO’s that were not paid on time and which resides within the Welfare Service Policy Development and Implementation Support programme.

**Committee observations**

The Committee expressed a serious concern over the high spending in Programme 1 under the Ministry’s sub-programme which was already sitting at 47% in the first quarter. The Committee questioned this overspending in this programme as it is not a core programme. It also reiterated its concern that in the past financial years funds were shifted as virements from core programmes to Programme 1 to fund travel and subsistence costs. The Department failed to inform the Committee on these decisions even though it approves the Budget Vote.

The Department reported that it had engaged the National Treasury regarding the issue of virements. It then took a decision to review the baselines of the affected programmes (programmes 2 and 3) so as adjust their budget allocation. These programmes did not have proper baselines. It made an undertaking that as from the current financial year (2016/2017) there will be no virements done. The budget expenditure would be in line with the approved budget allocation.

The Committee also noted with concern the high expenditure in Programme 5, which was sitting at 41% at the end of the first quarter.

The Committee was equally concerned over the under expenditure in Programme 5 on transfers to non-profit organisations (NPOs). This under-expenditure was also observed in the reports of the previous quarters. The Committee was of the view that the NPOs might be disadvantaged by this. The Department explained that it transfers funds only after the NPOs have submitted their reports and issues of compliance to the NPO Act have been clarified.

The Committee further noted with concern the low spending in Programme 4 because of the delays in transfers to the National Student Financial Aid Scheme (NSFAS) and HIV and Aids sub-programmes. This was a concern in the light of the student protests for no fees. The Department explained that transfers to NSFAS are done from the second quarter to the fourth quarters of the financial year. The fourth quarter covers the beginning of the new school term.

**5.1 SUMMARY OF EXPENDITURE PER PROGRAMME FOR 2015/2016 FINANCIAL YEAR**

During the 2015/16 financial year, the Department had an overall spending of 99.9%.The breakdown is as follows:

**Table 1: Expenditure per programme**

|  |  |  |
| --- | --- | --- |
| **Programme** | **2015/16** |  **2014/15** |
| **Final Appropriation** | **Actual Expenditure** | **Over/under expenditure** | **Expenditure as % of final appropriation** | **Final appropriation** | **Actual expenditure** |
| **1** | **Administration** | 305.0 | 305.0 |  | 100.0 | **327 477** | **326 738** |
| **2** | **Social Assistance** | 128.3 | 128.3 |  | 98.8 | **120 702 101** | **119 994 761** |
| **3** | **Social Security & Administration** | 6.7 | 6.7 |  | 99.9 | **6 589 561** | **6 589 081** |
| **4** | **Welfare Service Policy Development & Implementation Support** | 676.4 | 676.4 |  | 99.7 | **627 589** | **599 313** |
| **5** | **Social Policy & Integrated Service Delivery** | **374.4** | **374.4** |  | 99.9 | **346 916** | **346 567** |
|  | **TOTAL** | **136.4** | **136.4** |  | **98.9** | **128 593 644** | **127 856 460** |

**Virements**

At the close of the 2015/16 financial year, the following virements were effected:

**Per Main Division:**

**Table 2: Amount of virements per programme**

|  |  |  |
| --- | --- | --- |
| **Voted funds anddirect chargesR’000** | **Adjustedappropriation** | **Virement** |
| **Amount**  | **%**  |
| Programme 1 :Administration | 297 015.0 | R 8 038.0 | 2.7% |
| Programme 2 : Social Assistance | 129 818 278.0 |  | 0.0% |
| Programme 3 : Social Security Policy and Administration | 6 741 165.0 | -R 23 745.0 | -0.4% |
| Programme 4: Welfare Services Policy DevelopmentAnd Implementation Support | 677 362.0 | R 925.0 | 0.1% |
| Programme 5: Social Policy and Integrated Service Delivery | 359 820.0 | R 14 782.0 | 4.1% |

**Source: Department of Social Development (2016)[[3]](#footnote-3)**

**Unauthorized, fruitless and wasteful expenditure**

* The Department identified irregular expenditure to the value of R8 312 for 2015/16 (in the previous year this amounted to R5 712). The reason for this was non-compliance with SCM policies.
* Fruitless and wasteful expenditure amounted to R666 (compared to 151 the previous year). Increase in the current year relates to an accident with a hired vehicle and the abuse of the use of a departmental cell phone. Cases are under investigation.

**5.2 OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE**

**5.2.1 PROGRAMME PERFORMANCE**

**Programme 1: Administration**

**Objective:** To provide leadership, management and support services to the Department and the social development sector.

The below section provides an overview of the Department’s performance under this programme:

**Table 3: Programme 1: Administration**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 43 |
| **Total targets set Annual Performance Plan (APP)** | **43** |
| Targets achieved | 21/43 |
| Targets not achieved | 22/43 |
| Targets not reported on | 0 |
| Performance success rate | 48.8% |
| **Total budget spent** | **R305 053 million or 100%** |

**(Source: Adapted from Department of Social Development, 2016)**

**Strategy Development and Business**

The Department achieved its target of constructing 15 new facilities in line with new designs, special norms and standards as planned. A complaints management system was also developed and is operational at the Gender Based Violence Command Centre as planned for in 2015/16 financial year. However, the Department did not achieved its target of constructing four public in-patient substance abuse treatment centres, as it only completed one in the North West Province. Furthermore, the finalisation of the Service Delivery Model was not achieved as anticipated. The reasons cited for this deviation was that there were delays pending the decision from the Project Steering Committee regarding the scope and terms of reference for the work.

**Monitoring and Evaluation**

Monitoring and Evaluation is important for each and every programme of the Department because it often generates reports that contribute to transparency and accountability, and allows for lessons to be shared. For the year under review, the Department reached its target of updating Social Development Sector Monitoring and Evaluation systems and it was aligned to an outcomes based model. A draft report on foster-care programmes was produced, but not implemented as intend – instead it will be deferred to the next financial year. Additional to this deviation was the failure to implement the evaluation of the Isibindi Model. The main challenge to achieving this target was the delay in planning the evaluation process.

**Internal Audit**

Internal auditing acts as a catalyst for a strong risk and compliance culture within an organisation. The Department over achieved its planned target by auditing all 24 risk-based projects as initially planned.

**Human Capital Management**

Human Capital Management (HCM) is critical in any organisation, since it emphasises that people play a strategic role in the organisations’ success. In the 2015/16 financial year, the sub-programme failed to achieve most of its targets set. It only managed to complete all 15 (100%) grievances, complaints, disputes and disciplinary cases within the prescribed time frames. The Human Resource Plan (HRP) was not developed, as anticipated. This target was deferred to 2015/16 financial year from the 2014/15 financial year. The Department cited financial constraints as the cause of the non-achievement. An agreement was reached between the Department and USAID (PACT) to fund the implementation of the project going forward. Only 282 out of 372 planned target of employees to attend skills development programmes were identified, which was due to the budgetary constraints.

**Communication**

The subprogramme only achieved 1 of 7 targets set for the 2015/16 financial year. A target to reach 120 000 people via the Department’s website and other social media (Facebook, Twitter, and Instagram) was overachieved by reaching 1 603 725 people. The Department did not fully achieve its target of incorporating departmental branding of five (5) Non-Profit Organisations (NPOs) as planned. In order for this target to be fully implemented the Department cited that it was awaiting the approval of the Service Level Agreement before embarking on a full-scale implementation of the branding project. No television programme episodes were produced. However, meetings were held between the University of KwaZulu-Natal and the SABC on a possible partnership and a memorandum of agreement was signed. Research on the feasibility of hosting the Department corporate radio station was not conducted as planned due to a lack of resources.

**Programme 2: Social Assistance**

**Objective:** To provide social assistance to eligible beneficiaries in terms of Social Assistance Act, 2004 (Act No.13 of 2004) and its regulations.

The below section provides an overview of the Department’s performance under this programme:

**Table 4: Social Assistance**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 8 |
| **Total targets set Annual Performance Plan (APP)** | **8** |
| Targets achieved | 4/8 |
| Targets not achieved | 4/8 |
| Targets not reported on | 0 |
| Performance success rate | 50% |
| **Total budget spent** | **R128 333 billion or 98.8%** |

This sub-programme had a total of only eight (8) performance targets and the Department succeeded in meeting four (4) targets, thus reflecting a 50% achievement for 2015/2016. The reasons given for this under achievement of targets was that there was lower than expected uptake of Child Support Grant (CSG), Foster Care Grant (FCG) and the Care Dependency Grant (CDG) than anticipated. For the FCG, the lapsing of court orders when children turned 18 years was the reason for the low uptake. Expenditure on this programme totalled R128 333 billion (98%) in the year under review compared to R119 994 billion (99.4%) in the previous year.

**Programme 3: Social Security Policy and Administration**

**Objective:** To provide for social security policy development, administrative justice of social grants, and the reduction of incorrect benefits payments.

The below section provides an overview of the Department’s performance under this programme:

**Table 5: Programme 3: Social Security Policy and Administration**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 12 |
| **Total targets set Annual Performance Plan (APP)** | **12** |
| Targets achieved | 10/12 |
| Targets not achieved | 2/12 |
| Targets not reported on | 0 |
| Performance success rate | 83.3% |
| **Total budget spent** | **R6 716 424 million or 99.9%** |

**Source: Adapted from Department of Social Development (2016)**

**Social Security Policy Development**

Out of the 12 targets set for 2015.2016, the Department met a total of ten (10) targets (83.3%).

The Department made social grant increases and means test adjustments as anticipated for the 2015/16 financial year. The Department in future will have to do away with the means test as this omits or amend a lot of older persons who are separated, but not divorced. These people are still regarded as married under the Department of Home Affairs and the means test omits at least one partner from benefiting from the social grant even though he or she is not working. However, no consultations were conducted on the proposals for mandatory cover as planned for the year under review. The reasons for this was that the Department was waiting for Cabinet approval. A draft policy paper was developed as envisaged. An Inspectorate within the branch Comprehensive Social Security was incubated during this financial year. Senior management and support staff positions were filled during the period under review.

**Programme 4: Welfare Services Policy Development and Implementation**

**Objective:** To create an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards and best practices and the provision of support to the implementation agencies.

The below section provides an overview of the Department’s performance under this programme:

**Table 6: Programme 4: Welfare Services Policy Development and Implementation**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 69 |
| **Total targets set Annual Performance Plan (APP)** | **68** |
| Targets achieved | 47/68 |
| Targets not achieved | 22/68 |
| Targets not stated in APP | 1 |
| Performance success rate | 69.1% |
| **Total budget spent** | **R676 404 million or 99.7%** |

**Source: Adapted from Department of Social Development (2016)**

Out of a total of 68 stated targets, only 47 were achieved, resulting in 69.1% of targets achieved and 30.9% (22) not achieved. This programme spent a total of R676 404 million or 99.7% of its allocated budget in 2015/216 as opposed to R599.314 million in 2014/2015 financial year. It was reported that the targets not achieved would be carried over to the next financial year (2016/2017). The same reason was given with regard to the targets that were not achieved in 2014/2015 financial year.

**Service Standards and Social Service Provider Management Support**

The Ministerial Committee finalised the implementation review of the White Paper as targeted for in the year under review. This provides the first comprehensive and most up-to-date national assessment of progress, gaps and key challenges in the implementation of the White Paper for Social Welfare since 1997. The Department further reviewed the Recruitment and Retention Strategy for social workers. The draft strategy was extensively consulted with all stakeholders at national and provincial levels as planned. A total number of 1 860 new scholarships were awarded, this marks an overachievement of 1 300 identified for 2015/16. All provinces were trained in the implementation of the Electronic Elder Abuse Register, as planned.

However, some of the targets were not met. For instance, the Department did not finalise the Amendment Bill to the Older Persons Act as anticipated. It was reported that it was developed, but not been presented to the MANCO, HSDS and MINMEC due to rescheduling of meetings. The review of the Policy on Financial Award (PFA) was not approved as anticipated.

**Children**

An overachievement (94 522 instead of 30 000 planned) of people screened against the Child Protection Register (CPR) was achieved. Additionally, 10 advocacy and capacity development workshops were held in Mpumalanga (2), the Western Cape (1), Gauteng (2), KwaZulu-Natal (3) and Limpopo (2). During the reporting period, the Department did not achieve its target of increasing the number of adoptions by 10% (2178), and only 1 165 adoptions were registered. These included 978 national adoptions and 187 inter-country adoptions. A briefing to the Portfolio Committee on the Children’s Second Amendment Bill was held in August 2015. Subsequent to this, two public hearings to obtain comments on the Children’s Amendment Bill were held in September 2015.

The Department managed to develop the ECD HR plan as anticipated. However, the facilitation of the development of an integrated HR plan for ECD was not achieved. An overachievement of 133 365 instead of 129 955 was seen in the target of increasing new children accessing ECD programmes.

**Youth**

The Department overachieved its target of 8000 youth participating in youth mobilisation programmes nationally – instead 131 900 youth participated. Furthermore, another overachievement has been highlighted in the target of 1400 (1798 achievement) youths attending leadership camps.

**Social Crime Prevention and Victim Empowerment**

The Bill on Victim Empowerment Support Services was not submitted to Cabinet and the reason for this was that it was refined during consultations with stakeholders and then submitted to the state law advisors for certification. The Gender Based Violence (GBV) Command Centre attended to 51 440 calls (as opposed to 2850 planned for) and serviced 8 929 cases. In addition, 55 328 “please call me short messages” were received and then called returned by the GBVCC agents.

**Programme 5: Social Policy and Integrated Service Delivery**

**Objective:** To support community development and promote evidence-based policy making in the Department and the Social Development Sector.

The below section provides an overview of the Department’s performance under this programme:

**Table 7: Programme 4: Social Policy and Integrated Service Delivery**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 42 |
| Total targets set Annual Performance Plan (APP) | 42 |
| **Targets not reported on Annual Report** | **0** |
| Targets achieved | 36/42 |
| Targets not achieved | 6/42 |
| Success rate | 85.7% |
| Total budget spent | R374.4 million or 99.9% |

**Source: Adapted from Department of Social Development (2016)**

**Social Policy Research and Development**

A policy document on two policy analysis inputs were produced as planned. These were Policy on the Special Housing Needs and the Draft Policy Framework on the Integration of Refugees into Local Communities. Additionally, four research and policy briefs were developed: the views of National Treasury on social grants and their impact entering the national minimum wage debate; minimum wage as a social development issue and a women’s issue; the social sector’s contribution to radical socio-economic transformation; National Health Insurance: key considerations for Social Development.

**Special Projects and Innovation**

The Department achieved its plan of facilitating the provision of integrated Department services to 43 (instead of 42 as planned) CWP sites.

**Population Policy Promotion**

A total number of 26 bursary holders were registered as planned at the Walter Sisulu University (Eastern Cape) and North- West University (North West), for undergraduate studies in population and development. Furthermore, five scholarships for Partners in Population and Development (PPD) country participants (from Vietnam, Kenya, Ghana, Tunisia and Pakistan) were awarded. Five scholarships were awarded to post-graduate students from Zimbabwe, Kenya, Ghana, Gambia and Uganda.

**Registration of Non- Profit Organisations (NPO)**

The Department received 31 183applications for NPO registration in 201516 (as oppose to 31 999 (the previous year 2014/15), and processed 30 681 applications compared amounting to a performance rate of 97.1 %. However, the auditing was not completed as planned because of there were delays in the procurement process.

**5.3 HUMAN RESOURCE MANAGEMENT**

The following table gives a breakdown of Employment Equity under Human Resources as at 31 March 2016, in terms of total number based on race, gender and person with disabilities:

**Table 8: Employee breakdown by race and gender**

|  |  |  |
| --- | --- | --- |
| **Race** | **Male** | **Female** |
| African | 299 | 496 |
| Coloured | 8 | 19 |
| Indian | 9 | 12 |
| White | 21 | 42 |
| **Total** | **337** | **569** |

**Table 9: Employees with Disabilities**

|  |  |  |
| --- | --- | --- |
| **Race** | **Male** | **Female** |
| African | 6 | 8 |
| Coloured | 0 | 1 |
| Indian | 1 | 0 |
| White | 2 | 0 |
| **Total** | **9** | **9** |

**Other HR issues**

* During the year under review a total number of grievances lodge was seven (7).
* With respect to misconduct and disciplinary hearings, there was a total of 4 final written warnings issued during 2015/16 financial year. Furthermore 8 case were withdrawn.

**5.2 REPORT OF THE AUDITOR-GENERAL**

The audit outcome of the portfolio remained unchanged. The Department and the Four Funds (Disaster Relief Fund, Refugee Relief Fund, Social Relief Fund and State President Fund) sustained their unqualified audit opinion and did not have material findings on non-compliance. The audit reports of all Funds contained emphasis of matters, highlighting the going concern issues disclosed in the notes to the financial statements. Due to its uncertain future, the going concern disclosure is not in terms of the financial health of the fund but rather the intention to change the enabling legislation.[[4]](#footnote-4) This was also raised in the previous financial year.

**5.3 A GENERAL OVERVIEW OF TARGETS AND ACHIEVEMENTS OF THE STRATEGIC PRIORITIES**

In line with the strategic plan priorities of the Department, there was a disjuncture between the financial expenditure and service delivery performance with an average expenditure of 98.9% while only (117) 67% of targets were achieved and (57) 33% was not achieved. As compared to the previous year, there is an increase in the achieved targets by 6%. In terms of the Auditor-General, an interim audit was performed to highlight to management significant findings that may have an impact on the audit outcome. The audit outcome of the portfolio remained unchanged. The DSD and the four funds sustained their unqualified audit opinion and did not have material findings on non-compliance.

The audit reports of all Four Funds contained emphasis of matters paragraphs, highlighting the going concern issues disclosed in the notes to the financial statements. Due to their uncertain future the going concern disclosure is not in terms of the financial health of the fund but rather the intention to change the enabling legislation. This was raised in the previous financial year as well.

When looking at the overall deviation of targets, the thematic reasons is that the Department anticipate to move most of the unmet targets to the next financial year, this is recurring reasons for not meeting targets as it was indicated in the last financial year also. Some of the overachievement for numerical targets suggests targets may set too low - this has implications for when Parliament considers the Strategic plan and APP of the Department. Also, some of the targets for policy and proposed legislation were not met - e.g. Victim Empowerment Support Services Bill, Older Persons Amendment Bill.

**5.4 COMMITTEE Observations**

Having considered the briefing by the Department the Committee made the following observations:

**Service delivery**

* The Department has not made substantial progress in addressing the ongoing concerns made by the AG pertaining to the Four Dormant Funds. The AG as well as the Portfolio Committee had made recommendations to the Minister dating back to the previous term of office (2013/2014 BRRR). The Committee had recommended that the Minister should facilitate a process to ensure that these funds are either deactivated or a legislation to close them is drafted and submitted to Parliament in the next financial year (2014/2015).

The Department explained that the Disaster Relief Fund is active and it has a board. In the last financial year it was proposed that the Fund Raising Act be repealed, however Cabinet proposed that the Act should be amended than repealed. The AG’s report also reported that the Minister had initiated a process to evaluate the environment of the relief funds for closure or amalgamate them with either the NDA or SASSA.

* The Department achieved only 67% of its planned targets but it reported an expenditure of 98.9%. Some of the targets were deferred to 2016/2017 financial year. This could be interpreted as implying that the Department spent some of the budget on targets that were not achieved or targets that were not planned for in the Annual Performance Plan. Some of the targets not achieved were deferred to 2016/2017 financial year. Other targets were carried over from 2014/2015 financial year. This reflects poor planning.
* Many targets set by the Department do not comply with the SMART principle, as was reported by the Financial Fiscal Commission. This means that the Department spent funds on targets that were not measurable.
* The Department awarded 43% more social work scholarships than it had planned. It awarded 1 860 scholarship, 560 more than it had planned for, which was 1 300 scholarships. This was a concern because the Department has a high backlog of social work graduates awaiting to be absorbed or placed.

The Department acknowledged that it awarded more social work scholarships despite the high bbacklog. It submitted a proposal to the National Treasury to reduce the intake of social work students as from 2017/2018 and use the savings towards the absorption of social work graduates. National Treasury proposed that transfers to provinces for the absorption of social workers be converted to conditional grants to ensure that they are used for that purpose.

**Expenditure**

* The Department spent 99.9% of its allocated budget. Even though this may appear as good spending, when translated into monetary terms it shows that the Department underspent by R1.5 billion (as noted by the Financial Fiscal Commission) and that is a significant under spending. It was concerning that one of the reasons of underspending was non-payment of non-profit organisations due to non-compliance with the NPO Act. This underspending has serious impact on the running of the NPOs as the Committee found during its oversight visit to Northern Cape. Furthermore, it is concerning that the Department cited this reason for under spending even though it reported that it trained 3 569 NPOs on governance and compliance. It also conducted 107 NPO road shows in 93 municipalities.
* The manner in which the Department implemented virements reflects a worrying trend over the past four consecutive financial years. Over the past two (2014/2015 and 2015/2016) the Committee notes with serious concern that funds were mainly shifted from Programme 3, which is a core programme to Programme 1, which is not a core programme. Funds were also shifted from Programme 3 to Programmes 4 and 5. This is a worrying trend because Programme 3 deals with social security, which is the priority of the National Development Plan.

The Department explained that Programme 3 made savings due to slow spending on legal services because of a decrease in litigation cases. Also, certain activities such as the review of social assistance applications was removed from SASSA to the Department. This meant that the Department made some savings in its budget allocation to SASSA. It however, reiterated its undertaking that as from 2016/2017 financial year the Department will not carry out virements anymore.

1. **PRESENTATION BY THE FISCAL FINANCIAL COMMISSION (FFC)**

The FFC raised the following key financial and non-financial performance issues from its analysis of the work of the Department and its entities:

**Financial analysis**

* The Department spent close to 99% of its total budget in 2015/16. This equals to underspending of roughly R1.5 billion. This was a result of low spending on foster care, disability and war veteran grants as a result of lesser than anticipated beneficiaries; non-payment of NPOs due to non-compliance and low spending on legal services as litigation cases reported were lower than in previous year (2014/2015).
* The budget allocation of Programme 4 is projected to have a high real annual average growth of 26.23% per annum over the medium term period. This is due to increases in ECD subsidies, funding for ECD facilities to upgrade them so that they can comply with the norms and standards, social security reforms and standardisation of the social assistance programme.
* The budget allocation for Grant-in-Aid is projected to grow by an annual average growth of 9.01% per annum over the medium term period. This is a significant level of growth.
* Due to Cabinet approved reductions the budget allocation for compensation of employees has a projected annual average decline of 3.7% over the medium period.
* Departmental transfers to SASSA are set to reach just under R8 billion by end of the 2016 MTEF. Transfers to SASSA decline by a real annual average of 2% over the 2016 MTEF period. This is despite the financial implications that will be brought about by the automation processes over the medium term period to modernise service delivery. Operations of SASSA will be largely driven by information and communication technology (ICT).
* Budget allocation to the NDA increased from R268 million to R283 million in 2016/2017 financial year due to a shift of focus from grant making to capacity building of NPOs to ensure that they are appropriately capacitated. However, over the medium term period transfers to the NDA are projected to experience a real annual average decline of 0.6% per annum.

**Non-financial performance**

* The Department achieved 78% of its performance indicators, but spent 99% of its targets, suggesting the budget and performance functions are not well aligned in the Department.

* Even though the Department updated its monitoring and evaluation system, many indicators reported on are still vague and do not comply with SMART principle.
* There were big variances between the indicator target and the departmental achievement. This suggests a lack of proper criteria for setting targets, including the proper costing of targets.
* Even though some posts are being held in abeyance until after the organisational structure review process, the turnaround time in filling vacant posts is concerning (i.e. 15 months).
* The budget allocation for the social relief of distress grant does not seem to align with the targets. For example the Department processed three times more social relief of distress applications compared to its targets, yet underspent by R267 million.
* Some activities being implemented under this programme overlap with similar activities funded by Department of Agriculture Fisheries and Forestry such as provision of food and nutrition services, supporting cooperatives.
1. **Overview and assessment of performance OF SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA or Agency)**

The South African Social Security Agency was established in April 2006 as a Schedule 3A Public Entity in term of the PFMA. The Agency derives its legislative mandate from the South African Social Security Act, 2004 and the Social Assistance Act, 2004. The main function of the South African Social Security Act is to make provision for the effective management, administration and payment of social assistance and service through the establishment of the South African Social Security Agency.

The Social Assistance Act provides a national legislative framework for the provision of different types of social grants, social relief of distress, the delivery of social assistance grants and the establishment of an Inspectorate for Social Security.

The mission of the Agency is to administer quality customer-centric social security services to eligible and potential beneficiaries. The objectives of SASSA are to act as the sole agent that will ensure the efficient and effective management, administration and payment of social assistance and to eventually serve and institution to manage broader social security benefits.

The Agency has to align its priorities to some of the following government outcomes (special focus on items highlighted):

1. **Improved quality of basic education.**
2. **A long and healthy life for all South Africans.**
3. All people in South Africa are and feel safe.
4. **Decent employment through inclusive economic growth.**
5. **A skilled and capable workforce to support an inclusive growth path.**
6. An efficient, competitive and responsive economic infrastructure network.
7. **Vibrant, equitable and sustainable rural communities and food security for all.**
8. Sustainable human settlements and **improved quality of household life.**
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that is well protected and continually enhanced.
11. **Create a better South Africa and contribute to a better and safer Africa and World.**
12. **An efficient, effective and development oriented public service and empowered, fair and inclusive citizenship.**

The priorities of SASSA for 2015/16 financial year were as follows:

* Reducing income poverty by providing social assistance to eligible individuals;
* Improving service delivery;
* Improving internal efficiency; and
* Institutionalising social grants payment system within SASSA.

**8.1 OVERALL PERFORMANCE AND FINANCIAL EXPENDITURE**

**Table 10: Budget expenditure per programme**

|  |  |  |  |
| --- | --- | --- | --- |
| **R’000** | **Programme 1: Administration** | **Programme 2: Benefits Admin Support** | **Total** |
| 2015/16 Budget Allocation  | 2 463 766 | 4 179 204 | 6 642 970 |
| 2015/16 Actual Spent | 2 656 852 | 4 247 277 | 6 904 129 |
| Variance | -193 086 | -63 073 | -261 159 |
| Actual Exp. As % of total budget | 108% | 102% | 104% |

The overall budget of SASSA for the period under review was R 6. 642 billion. The planned expenditure for the year under review was **R7 263 551** **billion** (with a difference of R621 million). SASSA obtained approval from the National Treasury to spent R621 million from the retained surplus of R1 366 billion which was accumulated in 2014/2015 financial year. This amount was spent on once off critical projects, the Eradication of Open Pay Points project, Local Office Improvement, File Reconstruction project in KwaZulu-Natal, Mikondzo and Integrated Community Outreach Programme (ICROP). SASSA, however, reports that it had the actual expenditure of **R6 904 129 billion**.

To achieve its priority to reduce poverty, it increased the grant payments by processing 1 767 639 new grant applications, which represented 136% achievement against the annual target of 1 300 000. As at March 2016, the number of grants payments was 16 991 634, which represented an increase of 2% from the previous financial year (2014/2015). It should be noted, however, that there was a decrease in grant payments in 2015/2016 from 4.46%[[5]](#footnote-5) increase between 2013/2014 and 2014/2015.

Through the Social Relief of Distress (SRD) programme, the Agency provided relief to people in need. Priority was given to social assistance applicants awaiting payment of an approved social grant, individuals who had been assessed as medically unfit to undertake remunerative work for a period of less than six months, families and individuals of whom the breadwinner has died or had been admitted to a state institution as well as families and individuals affected by disasters. In the year under review SASSA awarded 479 238 SRD applications. Out of this number 112 469 were people affected by disasters.

With regard to achieving the priority to improve service delivery, SASSA managed to convert 262 open pay points to fixed structures. This is despite not achieving the planned target to convert 300 open pay points. The Agency, however did not achieve a very important target of implementing an electronic queue management system. This is of importance because the challenge of long queues and lack of their management thereof continues to be a serious matter of concern. It also managed to process new grant applications within 15 working days as planned. This was due to the implementation of the improved standardisation process and system, which resulted in adherence to turn around time including norms and standards on the capturing of the applications.

To improve its internal efficiency, SASSA implemented most of its planned targets. It overachieved its target to investigate reported cases of fraud and corruption. It drafted legal opinions within 10 days as planned. It reviewed the Human Resources (HR) plan and also capacitated 75 staff members on high litigation cases. It also met its target of filling 95% of funded posts by filling 96% posts.

To achieve the priority to institutionalise the social grants payment system, the Agency developed a four (4) phased implementation plan. The implementation commenced with what SASSA refers to as Phase 0, which entailed the “Advisory Committee investigation that took place against the backdrop of the Cash Paymaster Services (CPS) that ends in March 2017”.[[6]](#footnote-6) Phase 1, would be led by the Work Stream Leaders appointed with the concurrence of the Minister to guide successful implementation of the recommendations of the Advisory Committee for the smooth transition of SASSA towards effectively and efficiently incorporating its payment role to the current in-house functions. Phase 2 and 3 entails the transition and full roll out of the internal payment system, which will be implemented between April 2017 to March 2019. In addition, the Agency filled critical posts through the movement of the existing senior managers and new appointments to strengthen its capacity ahead the institutionalisation of the payment system.

**8.2 PERFORMANCE INFORMATION BY PROGRAMME**

The below section provides an overview of the Department’s performance under this programme:

**Table 11: Achievement of targets for 2015/2016**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 37 |
| Total targets set Annual Performance Plan (APP) | 37 |
| **Targets not reported on Annual Report** | **0** |
| Targets achieved | 18 |
| Targets not achieved | 19 |
| Success rate | 48.6% |
| Total budget spent | R6 904 129 billion or 104% |

**Source: Adapted from South African Social Security (2016)**

**Programme 1: Administration**

**Objective:** To provide leadership, management and support services to SASSA. The performance of this programme was measured according to the targets achieved and not achieved in each of its four (4) sub-programmes, namely, Executive Management, Information and Communication Technology (ICT), Corporate Services and Financial Management.

This programme was allocated a budget of R2 462 766 billion and it had an over expenditure of R2 656 852 billion (108%)[[7]](#footnote-7).

**Executive Management**

**Strategic objective:** To promote good governance in the management of the Agency

**Summary:** Under this sub-programme, SASSA had planned to achieve eight (8) targets and managed to achieve six (6) targets. The targets not achieved were that of conducting 40 internal audit reviews on high risk areas and achieve 100% response rate to the letters of demand. Instead of conducting 40 audit reviews, the Agency managed to conduct 34 (84%) reviews. These were conducted in high risk areas such as SRD, Disability Management, Fleet Management, Performance Information and Payment Tender. This target was not achieved because the ad hoc management audit request took longer than anticipated.

**Corporate Services**

**Strategic objective:** To provide human capital management, facilities and auxiliary services.

**Summary:** The Agency had planned to achieve five (5) targets under this sub-programme and managed to achieve three (3) targets. It achieved the targets to review the HR plan, establish a Vetting Unit and fill 96% (out of the planned target of 95%) of funded posts.

The target to audit 367 local offices was not achieved because the Terms of Reference were developed but not approved due to a lack of specifics. SASSA planned to implement audit in the 2016/17 financial year. The other target was partially achieved with 262 open pay points, out of a target of 300, converted to fixed structures. Eastern Cape had the highest number (33) of open pay points converted to steel structures, and KwaZulu-Natal had the highest open pay points (146) migrated to community structures.

**Information and Communication Technology (ICT)**

**Strategic objective:** Effective ICT operations.

**Summary:** The Agency had planned to achieve seven (7) annual targets under this sub-programme. It only achieved two (2) targets, to procure the Enterprise BI solution and implement the scanning solution. It did not achieve targets to implement biometric access to grant system, develop Terms of Reference for the integrated end-to-end system, integrating the disability management of the SRD solution into the SOCPEN platform and implement the electronic queue management system.

**Financial Management**

**Strategic objective:** To improve the effectiveness and efficiency of the administration of the social assistance programme.

**Summary:** Under this sub-programme SASSA had set to achieve three (3) targets but it managed to achieve only one (1) target. It managed to achieve 100% (102 out of 102) implementation of the Audit Action Plan. It had a deviation of 8.8% out of a target to have 10% social assistance debts recovered and/or written off. It was reported that only 1.2% of social assistance debts was recovered to the value of R7, 217,550.36. A total of R42 642 957 was submitted to the Department of Social Development for write off.

**Programme 2: Benefits Administration and Support**

**Objective:** To improve the effectiveness and efficiency of the administration of the social assistance programme.

**Summary:** Fifteen (15) targets were set to be achieved under this programme. The Agency managed to achieve eight (8) targets. Most importantly, the target to process 170 869 foster child grant reviews was over achieved. A total of 180 009 reviews were processed. SASSA sourced additional capacity through the appointment of family finders. Eastern Cape and KwaZulu-Natal had the highest reviews processed, 51, 723 and 35, 963 respectively. The Agency over achieved its target to process 95% of new grant applications within 15 days by processing 97% (1 717 011 out of 1 767 639) applications. Out this 97% achievement, 83% of the new grant applications were processed within one (1) working day.

It however did not achieve the target to conduct biometric data clean up duplicates of fingerprints of adults and children. The target was to clean up 81 981 fingerprints. SASSA reports that it managed to re-capture 72 fingerprints for children. It took a decision to conduct a full clean up of the records through a review process. It also did not achieve targets to clean up 72 415 fingerprints exceptions from the Department of Home Affairs, develop and implement the biometric enrolment and identification system and obtain 585 981 mandates with regard to the management of Regulation 26A, which deals with direct deductions from the social grants. Regarding the latter target, SASSA reported that it only managed to obtain 55 232 mandates. To address the issue of unauthorised deductions from the social grants, SASSA developed a dispute resolution mechanism. A Ministerial Task Team was also established which provides monthly intervention plans on collected mandates to improve recourse mechanism.

This programme was allocated a budget of R4 179 204 billion and it had an over expenditure of R4 247 277 billion (102%).

**Fruitless and Wasteful Expenditure**

An amount of R7 085 159 was as incurred fruitless and wasteful expenditure as at 31 March 2015 due to claims in respect of damages to hired vehicles, travel and hotel related no shows, interest on late payment and other losses. A total amount of R1 860 872 was condoned and R382 103 was raised as recoverable.

**Irregular Expenditure**

The Agency incurred irregular expenditure to the amount of R40 787 746 and this was due to continuing with services where contracts had expired (mostly leases), non-compliance to Supply Chain Management (SCM) processes and not advertising in the Government Tender Bulletin. There was a decrease in the irregular expenditure for 2014/15 from the previous year’s one which was R70 116 768, which R28 065 682 of it related to Mikondzo events.

**8.3 HUMAN RESOURCES MANAGEMENT**

SASSA has a total of 19 988 approved posts to deliver its mandate as stipulated in the South African Social Security Act (including grant payment, which is currently outsourced). For 2015/2016 financial year it had a total number of 9 732 (including both permanent and contract employees) employees. The number of vacancies stood at 10 256 (51%). A total of 8 421 permanent funded posts were filled

To implement its full mandate, as planned for in the 2014/2015 – 2018/2016 Strategic Plan, SASSA revised its leadership deployment by filling certain critical posts. This was done through movement of the existing senior managers and new appointments. The positions of the Chief Financial Officer (CFO) and Chief Information Officer (CIO) were filled to strengthen both the financial and ICT support. Regional Executive Managers from Gauteng, North West and Free State were moved to the Head Office to strengthen capacity ahead of the institutionalisation of the payment system in April 2017.

**8.4 REPORT OF THE INTERNAL AUDIT COMMITTEE**

The internal audit committee identified the following areas of concern, which it raised with the management:

**Effectiveness of controls**

There were deficiencies in the system of internal control that required improvement. Management undertook to implement effective corrective actions. The Audit Committee would continue to monitor the implementation of these corrective actions.

**Risk management**

SASSA had developed and approved a risk management policy and plan, however no risk monitoring activities were conducted as the risk management function was not fully operational. After having reviewed the risk register, the Audit Committee was not entirely satisfied with the risk identification and assessment process. It recommended that certain improvements needed to be made. Furthermore, the culture of risk management needed to be embedded in the daily activities of the Agency to ensure effective enterprise wide risk management.

The Audit Committee noted that SASSA’s transition to institutionalise the grant payment system would bring greater complexity. This would create new significant risk which the risk management department and internal audit would need to be equipped for so as to ensure that appropriate risk management strategies are in place.

**Implementation plan of audit issues raised in 2014/2015**

The Audit Committee was satisfied that matters that were raised in the audit for 2014/2015 financial year were adequately resolved. It however noted engaged the management on the issue of clearing irregular expenditure. The Committee would monitor the implementation of corrective actions to clear irregular expenditure in 2016/2017 financial year.

**8.5 REPORT OF THE AUDITOR-GENERAL**

* **Compliance with legislation and deficiencies in internal controls**
* *Irregular, fruitless and wasteful expenditure*

SASSA failed to take effective steps to prevent irregular expenditure of R1 047 411 308 and fruitless expenditure of R7 904 693 incurred in the year, as required by section 51(1)(b)(ii) of the Public Finance Management Act (No. 1 of 1999). The root cause of this was due to deficiencies in internal controls where it was found that the accounting authority did not exercise sufficient review and oversight to ensure compliance to applicable legislation. Proper record keeping, monitoring and review processes were not implemented in a timely manner.

AG recommends that that effective and ongoing monitoring, supervision and evaluation must be implemented to prevent non-compliance with legislation. Appropriate record keeping must be maintained as evidence of compliance.

* *Investigations*

AG did not conduct any investigations. However, two investigations were conducted by SASSA and the National Treasury. Investigations were conducted by the fraud management and compliance unit of SASSA and the Special Investigation Unit (SIU) on request by SASSA. The investigations were initiated based on non-compliance with the supply chain management policy and procedures resulting in possible fraudulent actions and possible irregular and fruitless expenditure.

The National Treasury investigated two cases relating to the awarding of two bids. One investigation report was submitted to the Minister for further action. Another investigation was still with the National Treasury.

**8.6 SUMMARY AND ANALYSIS OF ANNUAL FINANCIAL STATEMENTS**

*Irregular Expenditure*

The irregular expenditure for 2015/2016 financial year was R18 844 million. The R18 million irregular expenditure was made up of the following irregular expenses:

* R16 million spent on lease contract that expired and was not renewed on time;
* R174 342 related to the irregularities during the hiring of halls for payment of beneficiaries;
* R2 million related to irregularities committed on procurement of goods and services.

The Agency incurred additional irregular expenditure from the previous financial years as follows:

* R316 million on re-registration of beneficiaries was incurred in 2012/2013;
* R223 million related to lease payments made to Trifecta/Delta company for contracted that entered in 2006 and 2007; and
* R414 million which was paid to physical security companies which the National Treasury declared as irregular expenditure.

Therefore, in total, the irregular expenditure for 2016/2016 amounted to R1 047 411 308, which is a significant increase from R60 million in 2014/2015.[[8]](#footnote-8)

**9. COMMITTEE OBSERVATIONS**

Having considered the briefing by the SASSA the Committee made the following observations:

**Service delivery**

* Even it noted that the issue of illegal deductions from social grants is before court, the Committee reiterated its concern that beneficiaries do not know how and where they can report them.
* The annual report did not give a detailed report on the progress made by SASSA on the institutionalization of social grant payment, particularly in relation to the seven (7) deliverables that the Constitutional Court ordered SASSA to implement. Implementation of these deliverables is essential as it affects social grant payments to millions of social grant beneficiaries.
* The Committee notes that SASSA developed and implemented the Fraud Prevention Strategy and linked it to Risk Management. However, it is still concerned about the persistent fraudulent activities in the grant payment system. There are syndicates, often times working with SASSA officials, who defraud SASSA by creating fraudulent beneficiaries.

**Expenditure**

* The recurring irregular, wasteful and fruitless expenditure was of serious concern. Irregular expenditure increased from R60 million in 2014/2015 financial year to R1.1 billion in 2015/2016 financial year. The Committee notes with serious concern that this expenditure occurred as a result of lack of oversight by the accounting officer. The accounting officer failed to take corrective actions to prevent irregular expenditure as was recommended by AG in 2014/2015. Furthermore, it was of serious concern that SASSA has this audit history because it implies non-compliance to the Public Finance Management Act (PFMA), which is a cornerstone of public financial management. This means there is a lack of understanding of the Act.
* SASSA incurred R1. 123 million fruitless and wasteful expenditure because of cancellation of a Mikondzo event. This is a serious a serious matter that should not have happened and could not be promoted. It does not only constitute wasteful and fruitless expenditure, it reflects poor planning and disregard of people who had planned to attend the event. SASSA acknowledged that the cancellation of this event was unfortunate.
* SASSA incurred R4 million fruitless and wasteful expenditure due to repairs for damaged vehicles hired from rental companies. This is a concern because SASSA owns a fleet of vehicles.

SASSA explained that hired vehicles are used in addition to its fleet as it has 10 000 officials who most of them have to visit most remote areas with poor road conditions to implement ICROP. It however acknowledged that this expenditure is very high.

1. **OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE**

The annual report reported on all the targets as they appeared in the APP. This indicated an improved alignment of reported targets with those that appear in the APP. In 2014/2015 analysis of the performance of SASSA it was identified that certain targets were added in the annual report and that posed a challenge in the analysis of the achievement of targets.

1. **Overview and assessment of performance OF THE NATIONAL DEVELOPMENT AGENCY (NDA or Agency)**

The National Development Agency (NDA), a public entity established by the National Development Agency Act, (No. 108 of 1998) as amended, and reports to Parliament through the Minister for Social Development. It is listed under Schedule 3A of the Public Finance Management Act (PFMA), (Act No. 1 of 1999). The purpose of this analysis is to provide members of the Portfolio Committee on Social Development (hereinafter, the Committee) with a brief overview and analysis of NDA’s performance for 2015/16 financial year.

The NDA’s primary mandate is to contribute towards the eradication of poverty and its causes by granting funds to civil society organisations (CSOs) to:

* Implement development projects in poor communities, and
* Strengthen the institutional capacity of CSOs that provide services to poor communities.

The secondary mandate is to:

* Promote consultation, dialogue and sharing of development experience between CSOs and relevant organs of state
* Debate development policy
* Undertake research and publication aimed at providing the basis for development policy

**National Development Agency Policy Priorities**

The NDA Board also identified key priority areas, namely:

* Building the capacities of civil society, not just NDA funded organisation, through structured formal training and mentoring of CSOs staff;
* Providing incubation programmes for CSOs;
* Stresses that grant funding to CSOs must be targeted to specific areas that can assist organisations to sustain and expand their service delivery objectives;
* Expansion of partnerships with the public, private, and civil society sector for purposes of leveraging resources that can be channelled to the development of civil society sector; and
* Finally, promotion of NDA’s work to attract support, funding, and increase the demand of NDA programmes by its target audience and stakeholders.

**11.1 OVERALL PERFORMANCE AND FINANCIAL EXPENDITURE**

The NDA incurred an actual expenditure of R256.7 million in 2015/16 financial year, which constituted an expenditure rate of 90.7%. It spent R163.7 million on its core mandate deliverables, representing 64%, out of the allocated budget. The remaining R92. 874 million (36%) was spent on administration.

The NDA delivers its mandate within five (5) programmes. Of the entity’s 5 programmes, Programme 2 (which is responsible for capacity building of CSOs) had the most difficulty in meeting its targets. In comparing the target set in the 2015/16 Annual Performance Plan (APP) and the targets presented in Annual Report for the same period, there seems to be inconsistences. The targets that were set in the (APP) are not the same as those recorded in the annual report. It is evident in the presented annual report that the NDA has reduced its targets. Whilst under programme 2, targets are recorded as if they were overachieved which is not the case.

**11.2 PERFORMANCE INFORMATION BY PROGRAMME**

The NDA has five programmes. These will be discussed in relation to their service delivery performance and financial performance information.

**Programme 1: Resource Mobilisation for CSOs** – the objective of this programme is to create an enabling environment for CSOs to be funded by the state, private sector donors and international funders working in poor communities.

**Table 12: Resource Mobilisation for CSOs**

|  |  |
| --- | --- |
| Total targets set (APP) | 5 |
| Targets not accounted for | 1 |
| Targets reported in Annual Report | 4 |
| Targets achieved | 2 |
| Targets not achieved | 3 |
| Performance target success rate | 40 %  |
| **Expenditure**  | **R 96 901 million or 87.7%** |

**Source: National Development agency (2016)**

The overall performance of Programme 1 for the year under review was far from optimal, with only 40% of the reported targets met. In contrast, expenditure stood at 87.7% by the end of the financial year. Programme 1 was unable to meet 3 of its targets, which include the following:

* Community Development Foundation (CDF) model was not reported on the annual report as the NDA has planned to develop this under the year under review.
* The Mikondzo programme was added as the new performance indicator with 1 050 targets. Instead of reaching the planned 1 050 households through Mikondzo programme only 896 households were supported.

Achievements include:

* An overachievement of 154 CSOs and cooperatives funded through grants. A total of 3 321 beneficiaries from CSOs received grant funding exceeding the 1 800 planned target.

The following table highlights some discrepancies in the reported targets for Programme 1.

**Table 13: Specific performance issues and reporting for Programme 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Performance indicator**  | **Target set in 2015/16** **APP**  | **Target reported in the 2015/16 Annual Report** | **Achievement reported in Annual Report** | **Notes** |
| Value of resourcesmobilised fromalternative sources incash and in kind forsupporting CSOs andCooperativeProgrammes. | R120 million | R120 million |  R67.3  | This indicator was omitted from the NDA Report. Performance could thus not be assessed. |
| Number of civil societyorganisations (CSOs)and Cooperativesfunded through grants | 1 370 | Not reported | Not reported | N/A |
| Community Development Model (CDM) develop | CDF Model |  |  | This indicator was omitted from the NDA Report. Performance could thus not be assessed. In addition this target was not specific on what the NDA is planning to do. |
| Number of householdssupported throughMikondzo programme | 0 | 1 050896 | 896 | This target was not in the in the APP only appears in the annual report.  |

## Programme 2: Capacity Building for CSOs) – the aim of this programme is to build capacity of CSOs to improve the quality of services delivered, create a pool of skills at local level for CSOs to attract funding and expansion of programmes to create a functional resource base for CSOs to formulate partnership programme.

**Table 14: Capacity Building for CSOs**

|  |  |
| --- | --- |
| Total targets set (APP) | 3 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 3 |
| Targets achieved | 0 |
| Targets not achieved | 3 |
| Performance target success rate | 0 %  |
| Expenditure  | R 62 592 million or 95.6% |

**Source: National Development agency (2016)**

Under programme 2, it was difficult to assess whether the NDA has achieved or not achieved what it initially planned for the year under review. Therefore it is vital for members to note that the table highlighted above is based on the assessment of what the entity said it will do on their APP not based on what is reported on the annual report. Furthermore the target that were set in the APP are not the same as those recorded in the annual report. It appears that NDA reduced its planned targets. As it appears in the annual report, NDA reported as if the targets were overachieved which is not what the NDA has set themselves to achieve as per APP.

**Table 15: Specific performance issues and reporting for Programme 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Performance indicator**  | **Target set in 2015/16** **APP**  | **Target reported in the 2015/16 Annual Report** | **Achievement reported in Annual Report** | **Notes** |
| Number of civilsocietyorganisations(CSOs) trained, mentored and incubated. | 2980 | 2000 |  2 687  | The target has been changed in the annual report |
| Number of staffmembers of CSOs and incubated | 5480 | 4000 | 5 044 | The target has been changed in the annual report |
| Number of CSO umbrella bodies and CDFs capacitated to provide capacity building to other CSOs | 9 | Not reported  |  | This indicator was omitted from the NDA Report. Performance could thus not be assessed.  |

## Programme 3: Civil society mobilisation and advocacy – the objective of this programme is to re-build the CSO sector, through mobilising and facilitating resources thus red-organising the sector so that it plays an active and effective role in participating in national debates.

**Table 16: Civil society mobilisation and advocacy**

|  |  |
| --- | --- |
| Total targets set (APP) | 2 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 2 |
| Targets achieved | 1 |
| Targets not achieved | 1 |
| Performance target success rate | 50 %  |
| Expenditure  | R 534 million or 27.1% |

Source: National Development agency (2016)

Programme 3 had two set targets for 2015/16, of which the NDA in its Annual Report reported only 1 target was achieved. The target that was achieved is that of consultations with social partners on CSOs participation in national development programmes.

## Programme 4: Research and Knowledge Management – the objective of this programme is to focus on action research and impact evaluative studies that can be used to inform national policy debates, enhancement of programmes and projects for CSOs and producing publications on standards for effective and best practices in the CSO sector.

**Table 17: Research and Knowledge Management**

|  |  |
| --- | --- |
| Total targets set (APP) | 3 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 3 |
| Targets achieved | 2 |
| Targets not achieved | 1 |
| Performance target success rate | 66.6 %  |
| Expenditure  | R 3 733 million or 76.2% |

**Source: National Development agency (2016)**

The overall performance of Programme 4 is 66.6% of all targets met for the year under review. Under this programme the entity over achieved its target of producing 14 publications by 19 publications. These included four policy briefs on strengthening the capacity of CSOs: *to enhance social accountability; Significance of innovation in ECD; Play as an effective tool for learning; and the state of government funding for the NPO sector.*

**Programme 5: Programme 5: Governance and Administration –** this programme is aimed at promoting and maintaining organisational excellence and sustainability through effective and efficient administration that includes performance, employee well-being, cost containment and brand recognition.

**Table 18: Governance and Administration**

|  |  |
| --- | --- |
| Total targets set (APP) | 4 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 4 |
| Targets achieved | 3 |
| Targets not achieved | 1 |
| Performance target success rate |  75%  |
| Expenditure  | R 93 024 million or 90.1% |

**Source: National Development agency (2016)**

This programme achieved 75 % of the planned targets for 2015/16 financial year. In terms of marketing the organisation, the NDA managed to over achieve a set target of 70% brand recognition by achieving 95%. NDA reported that Mikondzo programmes of the Department of Social Development has led to more people recognising the entity.

**11.3 FINANCIAL STATEMENTS**

**Fruitless and Wasteful Expenditure**

* NDA had a total of R694.124 fruitless and wasteful expenditure for 2015/16 compared to R671.518 in 2014/15 financial year.

**Irregular Expenditure**

* In terms of irregular expenditure it has been recorded that a total of R12 953 223 during the year under review compared to R1 698 964 in 2014/2015.

**11.4 REPORT OF THE AUDITOR-GENERAL**

The NDA received an unqualified audit opinion for the 2015/16 financial year. This means that the AG could obtain audit evidence that is sufficient and appropriate to be able to present an Audit Opinion.

However, the Auditor-General (AG) identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of value of resources mobilised from alternative sources in cash and in other kind for supporting CSOs and cooperative programmes from programme 1 resources mobilisation. As management subsequently corrected the misstatements. The AG did not identify any material findings on the usefulness and reliability of the reported performance information.

**Performance against Objectives and Legislation**

The AG found the following material non-compliance with respect to key legislation:

**Strategic planning and performance information**

The proposed strategic plan for 2016-2020 was not submitted to the Department for approval as required by Treasury Regulation 30.1.1

**Expenditure management**

Effective steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure incurred in the year, amounting to R18 928 100 and R22 609 respectively as disclosed in notes 29 and 30 of the annual financial statements respectively, as required by section 51(1)(b)(ii) of the PFMA and treasury regulation 9.1.1.

**Procurement and contract management**

Goods and services with a transaction value of below R500 000 were procured without obtaining the required price quotations, as required by the National Treasury Regulation 16A6.1

Goods and services with a transaction value of more than R500 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.2 (a), (b) and (c).

The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and treasury regulations 16A6.3 (b).

* 1. **OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE**

Some of the targets in the Annual report of the NDA were not aligned with the APP targets set for 2015/16 financial year. It was thus not easy to assess the overall performance of the entity which was the case even in their previous year annual report.

1. **COMMITTEE OBSERVATIONS**

Having considered the briefing by the NDA the Committee made the following observations:

**Service delivery**

* There was misalignment of targets reported on in the annual report and those reflected in the annual performance plan. Some of the targets that were recorded in the annual performance plan were not reported on in the annual report. Other targets that were set in the annual performance plan were reduced and reported on in the annual report as if they were over achieved (see Table 15 on page 35).

**Expenditure**

* The NDA, due to the absence of accounting officers (CEO, CFO and an audit committee) could not put in place effective measures to prevent irregular expenditure, proper manage procurement and purchase processes of goods and services. This is a matter of serious concern as it resulted in non-compliance to the PFMA prescripts and National Treasury regulations.

**Governance**

* The NDA for almost a year was functioning without the Chief Executive Officer, Chief Financial Officer and the audit committee. This created instability in the organisation that resulted in it obtaining an audit opinion with material findings, particularly the non-compliance to National Treasury Regulation 30.1.1 that requires it to submit the strategic plan to the Minister for approval. This was a serious breach of a governance principle. Equally, the Committee notes with serious that the NDA breached Treasury Regulations 16A6.1 and 16A1.2 by procuring goods and services without following due processes as stipulated in these Regulations.

**13. Summary of previous (2015) key financial and performance recommendations of Committee AND PROGRESS MADE**

**13.1 Department of Social Development**

* ***The Committee reiterates its recommendation it had made in the last two financial years that the Minister should facilitate a process to ensure that the five dormant funds of the department are deactivated or a legislation to close them is drafted and submitted to Parliament in the next financial year.***

The Department amended the Fundraising Act of 1978 and the Fund Raising Amendment Bill was submitted to Cabinet to obtain approval to publish it for comments. The amendment Bill provides for the discontinuation of certain funds and for the dissolution of any boards responsible for those funds; to establish the Disaster Relief and National Social Development Fund with one Board with a view to streamline issues of governance and strengthen efficient services to the poor communities. It also makes provisions for a transfer of any amounts remaining in the discontinued funds to the Disaster Relief and National Social Development Fund; to empower the Minister to make regulations in respect of the financial year of a fund; and to provide for matters connected therewith.

It will also enable the Department to deal with issues of short term relief and sustainable development. It will align the Fund Raising Act with the Disaster Management Act No.57 of 2002, and the Social Assistance Act No. 13 of 2004 (Act No. 13 of 2004). It will further reduce costly administrative services required by various Boards.

Because the Fund Raising Act was enacted in 1978, it is not aligned to the Public Finance Management Act (PFMA), in particular on issues of accountability and governance. Therefore, the National Treasury and the office of the Auditor General are in support of the consolidation of the funds into one fund to ease cumbersome administrative and secretariat services.

* ***The Minister should ensure that the department strengthens its oversight role as well as monitoring and evaluation over its entities to ensure that there is integration between them and the department.***

The Department finalized a Performance Management System (PIMS) which is a web based system incorporating a performance score card to better monitor and integrated the work of the department and its public entities.

* ***The Minister should ensure that the department and its entities develop action plans to address the AG findings and a commitment should be made to implement measures on the AG findings.***

The Department developed Audit Implementation Action Plans (AIAP) for findings that were immaterial and progress was monitored during the 2015/16 financial year. Progress on the AIAP was presented to the Auditor-General and the Audit Committee during 2015/2016 financial year.

* ***The Minister should ensure that the department strengthens the monitoring and evaluation of the NPOs.***

The Department developed an electronic system to ensure that there is seamless NPO reporting mechanism for compliance with the NPO act. This system prescribes reporting substance and timeframes. The system enables the Department to make a distinction on which organisations comply with the legislation, and those that do not comply as well as organisations that should be deregistered/cancelled from the NPO database.

The Department however still has challenges of non-compliance with regards to the monitoring of funded NPOs for the Social Development sector. To address these challenges, the Department is reviewing the Policy on financial awards, partnership model and a guideline for the management of funded NPOs.

It is also undertaking an Audit of all Department funded NPOs with the aim of identifying gaps within the NPOs for intervention. In addition, the department embarked on a series of roadshows in order to assist NPOs with compliance and registration throughout several municipalities. The departments facilitates the NPO Roadshows through the Mikondzo Project.

The Department is also working closely with National Treasury in developing the Transfer Payments Management Framework which clarifies compliance requirements of the Public Finance Management Act (PFMA) and its regulations. It also includes guidelines on funding NPOs of different sizes, reporting by funded organisations and risk based monitoring of NPOs. The Department in collaboration with the Department of Planning, Monitoring and Evaluation are conducting an Implementation Evaluation of the NPO Regulatory System. This evaluation is part of the evaluations approved by Cabinet to be included in National Evaluation Plan 2015/16 to 2017/18.

* ***The Minister should ensure that the department strengthens the mainstreaming of the employment equity for people with disabilities within different departments according to intergovernmental relationships.***

The Department developed the Disability Rights Policy with its Implementation Matrix, which was approved by Cabinet in December 2015 and launched by the President in March 2016. The Department is currently capacitating other Departments including Provincial Departments to ensure alignment of their Human Resource Policies, including their Annual Performance Plans to the 9 pillars of the Disability Rights Policy. This will include ensuring improvement in the employment of Persons with Disabilities. The Deputy Minister has also started a process of engaging the Provincial Executive Councils on the implementation of the White Paper on Disability.

* ***The Minister should ensure that the department strengthens the early intervention, prevention and treatment of substance abuse across the provinces.***

The Department in partnership with the Department of Performance Monitoring and Evaluation conducted an evaluation study on the implementation of the National Drug Master Plan (NDMP) 2013-2017. The aim of the study was to determine the extent to which the NDMP has been implemented as well as identifying the challenges related thereto. Based on the report and other information, the Central Drug Authority is currently reviewing the National Drug Master Plan. The Department also submitted a Bid for funds to National Treasury in order to strengthen prevention of substance abuse which is central to the Demand Reduction Pillar of the National Drug Master Plan.

Furthermore, the Department is in the process of ensuring that each province has at least one public treatment facility. The four provinces that were targeted are North-West, Eastern Cape, Free State and the Northern Cape. In the 2015/16 financial year, the Department was allocated an amount of R85 500 million to finalise construction of substance abuse treatment facilities in these provinces. The Eastern Cape facility was launched on 15 April 2016. The two facilities in North-West (Taung and Potchefstroom) were completed and will be operational during the 2016/17 financial year. At the time of reporting, construction was not yet completed for Free State and Northern Cape facilities. It was expected to be completed during the 2017/18 financial year. Additional, the Department was allocated funds (R56.950 million in 2017/18 and R70.833 million in 2018/1) for operationalizing these treatment centres. These funds are transferred to the four provinces as conditional grants. The Department also completed an audit of treatment facilities around the country to assess the country’s strength to treat people for substance abuse.

The Department evaluated and reviewed the Ke Moja Youth Awareness and Educational Programmes. It is the intention of the Department to roll-out the reviewed Ke Moja manuals to all provinces to ensure that young people are prevented from abusing alcohol and drugs. The Department is further in the process of developing an action plan for the prevention of substance abuse amongst children and young people. It is hoped that the envisaged action plan will provide more role players and in particular communities with a bigger platform to get involved and participate in preventing substance abuse amongst children and youth.

# **13.2 South African Social Security Agency (SASSA)**

* ***The Minister should further ensure that SASSA addresses the matters of emphasis raised by the Auditor-General so that it can receive an unqualified audit report with no findings in 2015/16 financial year.***

***AG finding – Financial statements were not supported by full and proper records as required by section 55 (1)(a)(b) of the PFMA for operating leases.***

SASSA appointed a task team led by an executive manager to establish and validate all lease contracts as a clean-up project. This projects led to an establishment of a credible lease contract database which resulted in no material issues raised by the AG in 2015/2016 audit. At the time of reporting SASSA was investigating the feasibility to develop and implement property management module on Oracle aimed at eliminating administrative deficiencies. The module is set to be implemented during 2017/2018 financial year.

***AG finding - The Agency did not take effective steps to prevent irregular expenditure***

SASSA was engaging with National Treasury on the interpretation of procurement practice notes which affected the disclosure of transactions that date back to 2006/2007. The Agency had submitted a written submission to National Treasury to review its decision of declaring these transactions as irregular expenditure. At the time of reporting the Agency was still waiting for a response from National Treasury. To address the challenge of fruitless and wasteful expenditure, SASSA embarked on a vigorous consequence management against officials who negligently or willingly damaged state vehicles and hired cars.

***AG finding – SASSA did not take effective and appropriate disciplinary steps against officials were responsible for irregular, wasteful and fruitless expenditure***

Since 2014/2015 to date SASSA has finalised 1 061 cases of financial misconduct relating to irregular, wasteful and fruitless expenditure. A total of 401 cases were finalised in 2014/2015. For 15 cases that were referred for debt recovery an amount of R382 103 was recovered. A total amount of R1 860 872 (out of 251 cases) was written off. In 2015/2016 a total of 455 cases of financial misconduct were finalised with an amount of R2 462 817 (out of 183 cases) recovered and R1 616 016 (out of 259 cases) was written off.

As at 30 September 2016 the following cases of misconduct were finalised:

* 67 cases were referred for debt recovery with the value of R3 832 581,
* 47 cases were written off with the value of R2 184 913,
* 88 cases were condoned with the value of R34 641 102, and
* 3 cases were credit notes or refunds by service providers to the value of R3 900.

A total of 913 cases are still to be finalised. The following are the strategic interventions aimed at finalising the outstanding cases:

* Increase the capacity to deal with investigations,
* Establish financial misconduct committees in all nine regions,
* Develop and implement financial case management system which will improve the handling of cases and have them finalised within 90 days, and
* Ensure finalisation of cases is referred to National Treasury for review and further investigation.

***AG finding – The control of SASSA were not implemented to ensure proper management of expenditure relating to additional work performed for re-registration of additional beneficiaries as required by section 51(1)( c ) of the PFMA.***

SASSA established a compliance and contract management unit within the Supply Chain Management aimed at ensuring contracts entered into between SASSA and service providers comply with the Supply Chain Management prescripts.

***AG finding – Internal audit did not evaluate the reliability and integrity of financial and operational information as required by National Regulations 27.2.10(b)***

The internal audit unit developed an action plan which was approved by the Audit Committee. A total of 34 out of 40 planned internal reviews were conducted in high risk areas such as – Social Relief of Distress, Disability Management, Fleet Management, Asset Management, Performance Information, Payment Tender and Annual Financial Statements.

**13.3 National Development Agency**

* ***The Minister should ensure that the appointment of the new NDA board is given urgent attention as the absence of it has a negative impact in relation to accountability issues.***
* ***The Minister should also fast-track the appointment of the NDA’s Chief Executive Officer (CEO) and the Manager in the office of CEO.***

The Department of Social Development appointed a new NDA Board and it resumed duty on the 1st of April 2016. A permanent CEO was appointed in September 2016 and will resume duty on 1st November 2016.

* ***The Minister should ensure that the entity aligns the reporting of achievement of targets in the Annual Report with the planned targets in the Annual Performance Plan to avoid discrepancies.***

The discrepancies between the targets in the Approved Annual Performance Plan and targets in the Annual Report were occasioned by manual reporting system that was in use during the 2014/2015 financial year. In 2015/2016 this system was automated which it is envisaged will eliminate human errors.

**14. COMMITTEE Recommendations**

Having deliberated and made observations on the Department and its entities’ annual reports, the Committee recommends the following:

**Department of Social Development**

* The Minister must ensure that the accounting officers of SASSA and the NDA put in place effective and stringent measures to prevent irregular, wasteful and fruitless expenditure as from the 2016/ 2017 financial year onwards. These measures should include improved training of officials on their understanding and implementation of the Public Finance Management Act and National Treasury Regulations relating to procurement procedures. There should also be stringent formal disciplinary processes to ensure that responsible officials are held accountable.

* The Minister must ensure that the Department acts on its undertaking to the Committee that it will correct the manner in which it has been implementing virements between its programmes as from 2017/2018 financial year. There should be strict monitoring and evaluation processes in the implementation of virements. The Department should inform the Committee on regular basis on its intentions to shifts funds between programmes.
* The Minister must ensure that the Department and the entities must report on the report on the progress made in implementing BRRR recommendations when they present their quarterly reports to the Committee. The report should be a separate report (as addendum).
* The Minister must ensure that between 2016/2017 and 2017/2018 financial years the recommendations made by the erstwhile Committee and the AG regarding the Four Dormant Funds are implemented so that their existence no longer become an audit query.
* The Minister must ensure that the Department correct the formulation of targets so that they follow the SMART principle. Similarly, the Minister must ensure that the Department aligns its non-financial performance (achievement of targets) with actual budget expenditure. The Department should improve on its achievement of targets. The targets set by the Department and its entities should be based on realistic baselines.
* The Minister must ensure that transfers to the provincial departments for the absorption of social worker is utilised accordingly so as to ensure that the backlog is eliminated. The national department should improve its monitoring and evaluation and reporting by the provincial departments on this matter.
* The Minister must ensure that by the end of 2016/2017 financial year the National Development Agency has a fully functioning audit committee and a permanent Chief Financial Officer is appointed.
* The Minister must ensure that the NDA in its next annual performance report (2016/2017) aligns the targets reported on in the annual report with the targets recorded in the annual performance plan to avoid incorrect reporting.
* The Minister must ensure that SASSA conducts awareness campaigns or strengthen its communication strategy on how and where social grant beneficiaries can report illegal deductions from their social grants. The communication should also include awareness campaign on all the services rendered by SASSA.
* The Minister must make sure that SASSA strengthens the implementation of the Fraud Prevention Strategy to eliminate fraudulent activities in the grant payment system.

**15. CONCLUDING REMARKS**

The general observation of the Committee is that the performance analysis of the Fiscal Financial Commission (FFC) confirmed the concerns and issues it raised with the department during its engagements with it when it presented its quarterly reports. It however, welcomes the assurance by the Minister and the FFC that they have a good working relationship. The Department implements the recommendations made by the FFC.

**16. Appreciation**

The Committee wishes to express its appreciation to the Department of Social Development and its entities for their continuous co-operation and for making available all the information the Committee requested. It also wishes to express its gratitude to the office of the Auditor General and the Fiscal Financial Commission for availing themselves to brief the Committee on their analysis of the work of the Department and its entities. The analysis was invaluable to Committee in its consideration and deliberations on the annual reports. It also expressed its appreciation to the support it receives from its support staff.

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**Reference list**

Department of Social Development (2016a) Annual Performance Plan 2015/16. Pretoria

Department of Social Development (2016b) Annual Report for the year ended 31 March 2016.

South African Social Security Agency (2015) Annual Performance Plan 2014/15. Pretoria

South African Social Security Agency (SASSA), 2016. Annual Report 2015/16. Pretoria

Auditor-General South Africa Report for 2015/ 2016 Social Development Portfolio.

National Development agency (2016) Annual Report for the year ended 31 March 2016.

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Report to be considered

1. Department of Social Development, (2016a). [↑](#footnote-ref-1)
2. National Treasury (2016) [↑](#footnote-ref-2)
3. Department of Social Development (2016b) [↑](#footnote-ref-3)
4. ibid [↑](#footnote-ref-4)
5. SASSA (2015) [↑](#footnote-ref-5)
6. SASSA, 2015/2016 Annual Report. Pg. 18 [↑](#footnote-ref-6)
7. Annual report states that SASSA had overspent on its budget to access the cash reserves. [↑](#footnote-ref-7)
8. Auditor-General (2016) [↑](#footnote-ref-8)