

**DEPARTMENT OF SOCIAL DEVELOPMENT**

**Progress on recommendation made by the Portfolio Committee on Social Development in the 2015/16 Budgetary Review and Recommendation Report**

**SEPTEMBER 2017**

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# Introduction

Progress on 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.

# Department of Social Development (DSD)

# Recommendation 1:

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.

# Progress:

Programme 1: Administration has been underfunded in history due to the centralization of “Mandatory Services” for the Department: These Mandatory services benefitted the “Support and Core Business” of the Department;

The following “Mandatory Services” are been financed in Programme 1 Administration:

* + - Audit Fees for Auditor General SA
		- Communication charges e.g. Telkom, postage, 3G data lines;
		- G Fleet services
		- Computer services and ICT Infrastructure;
		- Security and Cleaning Services
		- Property leases e.g. Office accommodation and Municipal accounts;
		- Financial leases e.g. centralized printing solutions;

During the 2017/18 AENE (Adjusted Estimates of National Expenditure), the Department has submitted virements from core business to fund the expected shortfall in Programme 1 Administration in terms of the 2017/18 financial year.

The Department has now ensured that this virement has been carried-through over the 2018 MTEF period and that sufficient funding has been allocated for future mandatory services for the Department from 1 April 2018

# Recommendation 2:

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).

# Progress:

The DSD has always responded to all invitations by the Portfolio Committee according to the stipulated agenda items. However, the Department commit itself to present progress on BRRR recommendation in its presentations of the quarterly reports.

# Recommendation 3

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.

# Progress:

The Fund Raising Amendment Bill was presented to Cabinet, and Cabinet granted permission for the Bill to be publicized in the Government Gazette for public comments. Minister granted permission publicize the Fund Raising Amendment Bill

Following the approval by the Minister to publicize the Fund Raising Amendment Bill the Bill was gazetted for public comments for the period of 30 days. It was envisaged that the Bill will be tabled to parliament during 2017/18 financial year, to finalize the closing of funds. However it should be noted that SANDF has requested to further deliberate on the proposed amendment with their principal to finalize their inputs.

# Recommendation 4

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.

# Progress:

The Department has institutionalized the Planning and Performance Reviews which are held quarterly to ensure that planning is informed by prior performance and that indicators and targets are well defined. DSD has since improved and continue to ensure that APP targets follow the SMART principles and there technical compliance on planning framework in terms of ensuring strategic alignment from the strategic objectives to the targets. There is now Technical Indicator Descriptions for all performance indicators in the APP of the Department to ensure that all indicators are clearly defined. In its planning, the Department is also informed by the Medium Term Strategic Framework (MTSF).

As a result, there has been a significant improvement in achievement of planned targets in the period 2016/17 when compared to 2015/16. In 2015/16, a total of 69% of the planned targets were achieved. This performance improved by 12% in 2016/17 financial year, where 81% of the planned targets were achieved.

# Recommendation 5

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.

# Progress:

During the first quarter 2017/18 eight EC (106), GP (9), KZN (157), LP (164), MP (46) NC (2), NW (21), WC(35) provinces commenced with implementation of the conditional grant in line with the approved Framework. A comprehensive report outlining performance of the programme was developed for submission to the National Treasury (Attached as Annexure A). Funds allocated have been utilised for appointment of social work graduates as stated in the Conditional Grant Framework. Both KZN and EC will continue to fill the remaining posts, which were declined by graduates during the first quarter appointment process. The Free State commenced with implementation in August 2017 and 10 graduates have been appointed. All provinces have to submit reports end October 2017 for quarter 2 performance review.

# South African Social Security Agency (SASSA)

# Recommendation 6

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.

# Progress:

SASSA has improved the quality of Annual Financial Statements (AFS) prepared and presented for audit **as there were no material misstatements identified and reported in 2016/17** except for note 31: Irregular expenditure disclosed.

**Progress in Irregular expenditure**

The Agency’s irregular expenditure was R1.1 billion carried from 2015/16.

The irregular expenditure increased to R1.4 billion in 2016/17 as a result of the following key items:

* + National Treasury could not finalise requests for condonations in respect of R316 million for CPS, R414 million for physical security, R75m for SAB & T and R358 million for Trifecta lease payments being transaction carried forward from 2015/16;
	+ National Treasury reviewed Work-stream's contracts and expenditure which was then declared irregular;
	+ The Agency experienced non-compliance relating to local content (R60m) and CIDB (R24m) which resulted in additional irregular expenditure being incurred.

**Measures taken by SASSA to prevent irregular expenditure**

The following stringent measures were introduced by SASSA towards prevention of irregular expenditure:

* + Training on local content and CIDB prescripts was arranged for SCM officials at Head Office and Regions and was conducted by IDT and CIDB on 5 and 6 September 2017 respectively. A total of 37 officials attended CIDB training and 24 officials attended Local content;
	+ Bid Adjudication Committee (BAC) members were trained on the 08th June 2017 by National Treasury on their role and responsibilities. SASSA is in a process of extending the training to both Regional Bid Adjudication Committees and SCM officials.
	+ SASSA has implemented pre-audit of bids before award as a validation of SCM compliance ensuring irregular expenditure is avoided;
	+ Developed and implemented SCM compliance checklist for bids to be awarded;
	+ Developed and currently implementing Dashboard and Audit Action Plan to respond to the 2016/17 Audit Factual Findings;
	+ Established Financial Misconduct structures to deal with consequence management for non-compliance, monitoring at executive management level;
	+ Executive managers in the Regions are tasked with the responsibility to ensure financial misconduct cases particularly long outstanding ones are finalised urgently.

# Recommendation 7

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.

# Progress:

The 2016/17 SASSA annual report has been developed in line with the approved Annual Performance Plan.

# Recommendation 8

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.

# Progress:

SASSA has implemented the dispute resolution mechanism and trained all staff at local office levels increasing awareness and knowledge to assist beneficiaries who report disputes at local office;

The call centre staff have standard operating procedures on how to record and deal with disputes. A total of 14 683 disputes were recorded for the financial year 216/17;

General communication has been intensified at all ICROP and Project Mikondzo events, to inform beneficiaries on how & where to report disputes, and reinforce the fact that SASSA does not offer loans or any financial products;

Over the past year, various channels of communication (radio, newspapers, social media, etc) have been employed to constantly strengthen the message. A total of 828 public awareness sessions were conducted.

# Recommendation 9

The Minister must make sure that SASSA strengthens the implementation of the Fraud Prevention Strategy to eliminate fraudulent activities in the grant payment system.

# Progress:

The Minister initiated Project Sephooko, a project dedicated to investigations related to illegal loan sharks. It is a joint project between SASSA, law enforcement agencies and the National Credit Regulator. In the 2016/17 financial year, there were 12 cases that were referred to the Law Enforcement Agencies in this regard;

SASSA received a total of 405 fraud cases which were reported through the National Anti-Corruption Hotline (NACH), and managed to finalize 65% (262). The monetary value of the finalised cases amount to R73 million implicating 22 SASSA officials. In addition, 933 backlog cases were finalized bringing the total number of cases concluded in the financial year to 1 195;

On the prevention side, SASSA conducted 72 fraud awareness sessions across the 9 regions reaching more than 2 900 employees.

# Recommendation 10

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).

# Progress:

In the 2016/17 financial year, SASSA did not appear before the Portfolio Committee to present its quarterly reports, as such the progress was not presented.

# National Development Agency (NDA)

# Recommendation 10

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.

# Progress:

* The NDA implemented the following measures to prevent Irregular, Fruitless and wasteful expenditure:
* The Supply Chain Management policy and processes were revised and strengthened in the 2016/2017 financial year to address shortcomings identified during audit process
* A financial misconduct committee that adjudicates reported instances of irregular expenditure and make recommendations to management was operationalised in 2016/2017
* Instances of Irregular, fruitless and wasteful expenditure for the 2015/16 financial year were investigated and some of the instances written warnings were issued to staff.
* The SCM officials attended regular ongoing training on SCM updates. There’s a forthcoming training to take place on the 25 -27 October based on updates on PFMA, PPPFA and National Treasury regulations and all SCM and Finance officials are attending the training.

# Recommendation 11

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.

# Progress:

The NDA has a fully functional Audit and Risk Committee which has, amongst others, evaluated and strengthened the effectiveness of the internal control systems and ensured the reliability and accuracy of financial information. The Audit committee was appointed in March 2016 and was operational for the entire financial year 2016/2017.

The Chief Financial Officer has been appointed and will resume duty in October 2017.

#  Recommendation 12

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

# Progress:

The 2015/16 annual report was not aligned due to changes that took place during that financial from the NDA review which resulted in some KPIs revised outside the timeframes and framework for managing performance information. The Annual Report for 2016/17 is fully aligned to the Annual Performance Plan (2016/17) as the Key Performance Indicators and Targets in both documents are the same. The NDA, on half year, review the APP and performance information reports to ensure that both the APP and Reported information are aligned.