**10. 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 2016/17 financial year, dated 18 October 2017**

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 2016 SONA 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.

1. **PURPOSE OF THE BRRR**

As part of exercising its oversight work, the Committee considered the 2016/2017 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 and a briefing from the Office of the Auditor-General on the audit outcomes of the department’s financial and non-financial performance in the year under review (2016/2017).

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.

**4.1.2 DEPARTMENT STRATEGIC PRIORITIES (2016/17)**

The Department identified five strategic priorities for the 2016/17 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. **FIRST QUARTER PERFORMANCE OF THE DEPARTMENT 2017/18**

**5.1 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 | 350 788 | 75 961 | 21.7% | 274 827 |
| P2: Social Assistance | 151 580 232 | 37 205 191 | 24.5% | 114 375 041 |
| P3: Social Security Policy And Administration | 7 332 637 | 1 161 170 | 15.8% | 61 714 67 |
| P4: Welfare Services Policy Development And Implementation Support | 1 055 255 | 143 514 | 13.6% | 911 741 |
| P5: Social Policy And Integrated Service Delivery | 388 856 | 174 354 | 44.8% | 214 502 |
| Total | 160 707 768 | 38 796 498 | 24.1% | 121 947 578 |

The department was allocated an amount R160.7 billion for 2017/18 financial year compared to R148.9 billion in the previous financial year. For the Quarter 1, the department spent R38.8 billion (24 per cent) as at the end of June 2016/17, spending R1 billion lower that the projected expenditure of R39.8 billion. In the previous year (2016.17) the department spent R505.8 million or 1.4% lower than the projected expenditure of R36.7 billion for Quarter 1. This marks a significant high variance of lower expenditure for the same period in 2017/18 financial year.

Mostly importantly to note is that expenditure under Programme 1, sub-programme *Ministry* continued with its trend of significant higher expenditure. In 2015/2016 financial year this sub-programme accounted for 33.9% expenditure, 47.58% in 2016/2017 financial year and 30.8% in 2017/2018 financial year. This high expenditure was attributed to high travel costs for Ministerial events and office accommodation.

Reasons for variances in expenditure are depicted below:

**Programme 1: Administration**

**Projected expenditure:** R93 703 million

**Actual expenditure**: R75 961 million

**Reasons for variance:** Invoices received at the time of reporting were still in the process of payment, reconciliation and verification and lower spending in computer services, operating leases, training and development, and salaries and wages.

**Programme 2: Social Assistance**

**Projected expenditure:** R37 444 319 billion

**Actual expenditure**: R37 205 191 billion

**Reasons for variance:** Slow spending in Old Age and Child Support Grants due to lower than anticipated beneficiary numbers

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

**Projected expenditure:** R1 666 164 billion

**Actual expenditure:** R1 161 170 billion

**Reasons for variance:** Expenditure for April for Social Grants Administration was not successfully converted from the department’s BAS version to BAS version 5 during the changeover. This was corrected on 3 April 2017.

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

**Projected expenditure:** R390 403 million

**Actual expenditure:** R143 514 million

**Reasons for variance:** There was slow spending on transfers and subsidies to provinces, transfers to households and transfers to NPOs. There was also slow transfers to SANAC due to delays in receiving and approving their business plans. There was delayed payment to National Bodies due to prolonged call for proposals process which the department had anticipated would be completed before the end of Quarter 1. The Social Worker Employment Grant was not transferred to provinces in accordance to the payment schedule because most provinces appointed social workers only towards the end of Quarter 1 due to the national sector strike. The Grant was expected to be transferred in Quarter 2. Payment to the National Student Financial Aid Scheme was delayed due to challenges encountered with the approval of the MOU, which was only signed on 31 May 2017.

There were also delays in the payment of invoices because they were still in the process of payment, reconciliation and verification. These included invoices for payment for Vodacom for the operations of GBV command centre and outstanding invoices for the International Day for Families. Departmental planned activities, such as Youth month programme, Active Ageing Programme and Child Protection Week, which were still in the developmental phase.

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

**Projected expenditure:** R198 166 million

**Actual expenditure:** R174 354 million

**Reasons for variance:** There were delays in finalising the contracts for the Food Relief Programme at the beginning of the 2017/2018 financial year. This had since been finalised and the payments would be made at the end of August 2017. The other reason for variance related to invoices received but still in the process of payment, reconciliation and verification.

**5.2 COMMITTEE OBSERVATIONS OF THE FOUR QUARTERLY PERFORMANCE OF THE DEPARTMENT**

**Reporting on targets:** In quarter 2, the Committee raised a concern over the continuing discrepancies in the reported targets in the quarterly report compared to the targets listed in the Annual Performance Plan (APP). For instance, out of 102 overall targets set for quarter 2, the Department only reported on 53 targets in its presentation. It was understandable that the scope of reporting in the presentation is limited, however for thorough oversight by the Committee, the Department should attach an annexure (even in a table format) listing all targets planned for the specific quarter and indicate their achievement and non-achievement.

In quarter 4, the Committee observed that the department’s presentation lacked detail on budget expenditure under sub-programme *Ministry,* under Programme 1: Administration.

**Achievement and non-achievement of targets:** The Committee expressed concerns over the non – achievement of targets and the fact that the Department continued to provide same reasons such as lack of capacity. It was of the view that over-achievement of targets could be translated to lack of proper baselines. It also noted a repetition in some of the targets in some programmes, for an example, community mobilization and food security in Programme 5. It advised the department to address this.

In quarter 4, the Committee questioned the non-achievement of targets for Child Support Grant (CSG) even though the department together with SASSA conduct the Mikondzo programme. One of the programme’s objectives is to identify children who are not in the social assistance programme. It also reiterated its concern over the delays in the processing of Foster Care court orders especially because it was reported that the department underspent in Programme 2 due to targets that were partially achieved. This was because of lapsing of court order for foster care.

**Budget expenditure:** In quarter 1,the Committee expressed a serious concern over 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 viewed it as 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 approved the Budget Vote.

It also 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.

In quarter 3 the Committee noted with concern delays in the payment of construction companies of substance abuse treatment centres in Northern Cape and Free State. It also expressed concerns regarding the under spending in the Director-General’s office, low transfer of funds to higher education and low payment of Non-Profit Organisations (NPOs). It further raised concerns over discrepancies in the funding of NGOs where some are given more funds than others. With regard to funding of NPOs, the Committee noted the challenge of non-compliance from the NGOs. It felt that the issue of funding of NPOs is a two way – level of compliance by NPOs and funding model of the department.

**Service delivery:** The Committee noted with concern discrepancies and challenges in the food distribution based on allegations that some of the products provided to the beneficiaries have reached expiry dates. This also applies to the discrepancies in the distribution of Social Relief of Distress (SRD) where beneficiaries who were supposed to get parcels for 3 months only receives it once. This opens up criticisms of corruption.

It also a raised concerns of beneficiaries of food parcels having to stand in long queues lines. It felt that this undermines their dignity.

**5.2.1 RECOMMENDATIONS**

After considering the quarterly financial and non-financial performance of the department, the Committee made the following recommendations:

The Minister of Social Development should ensure that:

* The department urgently looks at the policy gap on the issue of the lapsing of children’s grants at the age of 18.
* The department compiles a report outlining and responding to the challenges faced in the distribution (access) of food through food distribution centres.
* The department conducts impact analysis on its programme to assess their impact on the lives of people.
* The department works on its staff retention strategy to minimize high staff turnover.
* The department considers regulating food for all programme as a way of ensuring sustainability of the programme.

**6. KEY FINDINGS OF THE AUDITOR GENERAL ON THE FINANCIAL AND NON FINANCIAL PERFORMANCE OF DSD, SASSA AND THE NDA**

The Department retained its clean audit report. The NDA also received an unqualified audit report but with material findings on non-compliance with Supply Chain Management (SCM) legislation. SASSA on the other hand received a qualified audit report because irregular expenditure. This audit opinion was given because SASSA lacked systems and controls that could identify irregular expenditure and this resulted in non-compliance to the National Treasury prescripts. SASSA also had inadequate monitoring of SCM legislation which resulted in non-compliance.

The AG further found that there was regression in audit outcomes in key controls of the department and its entities. It also found that Information Technology remains an area of concern at SASSA and DSD. There was also regression in the financial health of the department and its entities. The department had accruals aged more than 30 days. SASSA reported a net loss for the current financial year (2016/2017) due to expenditure on implementing a process to ensure seamless payment of social assistance grants beyond 31 March 2017. The AG also found that the period taken to recover debtors had increased at SASSA.

**7. SUMMARY OF EXPENDITURE OF THE DEPARTMENT OF SOCIAL DEVELOPMENT PER PROGRAMME FOR 2016/2017 FINANCIAL YEAR**

During the 2016/17 financial year, the Department had an overall spending of 99.65%.The breakdown is as follows:

**Table 2: Expenditure per programme**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | | **2016/17** | |
| **Final Appropriation**  **R’000** | **Actual Expenditure**  **R’000** | | **Expenditure as % of final appropriation** | **Final appropriation**  **R’000** | **Actual expenditure**  **R’000** |
| **1** | **Administration** | 350 131 | 349 746 | | 99.89% | 305.0 | 305.0 |
| **2** | **Social Assistance** | 139 498 691 | 138 915 638 | | 99.58% | 128.3 | 128.3 |
| **3** | **Social Security & Administration** | 6 981 273 | 6 980 942 | | 100.00% | 6.7 | 6.7 |
| **4** | **Welfare Service Policy Development & Implementation Support** | 718 563 | 713 088 | | 99.24% | 676.4 | 676.4 |
| **5** | **Social Policy & Integrated Service Delivery** | 384 571 | **383 214** | | 99.65% | 374.4 | 374.4 |
|  | **TOTAL** | **147 933 229** | **147 342 628** | | **99.60%** | **136.4** | **136.4** |

**Virements**

At the close of the 2016/17 financial year, the following virements were effected:

**Per Main Division:**

**Table 3: Virements per division**

|  |  |  |  |
| --- | --- | --- | --- |
| **Voted funds and direct charges R’000** | **Adjusted appropriation**  **R’000** | **Virement** | |
| **Amount**  **R’000** | **%** |
| Programme 1 :Administration | 338 512 | R 11 619 | 3.4 |
| Programme 2 : Social Assistance | 139 498 691 |  | 0 |
| Programme 3 : Social Security Policy and Administration | 6 997 000 | R 15 727 | 2.2 |
| Programme 4: Welfare Services Policy Development And Implementation Support | 721 322 | R 2 759 | 0.3 |
| Programme 5: Social Policy and Integrated Service Delivery | 377 704 | R 6 867 | 1.8 |

|  |
| --- |
| **Issues to Consider:**  Presentation of virements was not clearly reported in the annual report and this is a recurring issue as the previous financial year 2015/16 e.g.   * The report does not indicate in which economic classification the money was taken from. * Additionally, the motivation why the money was moved is not provided in the annual report as is supposed to be. It is important for the department to clearly state which programme the virements were transferred to and under which economic classification. * Therefore, the Committee was not in a position to assess the merits of virements again this financial year that were undertaken. Having the above-mentioned information will assist Parliament in assessing compliance with the PFMA. For example, some of the important areas to consider is that those capital payments should not fund current payments. In addition, that virements should not exceed 8% of the programme budget.   **Recommendation: The template that the Department use in the Adjusted Budget Summary from National Treasury should also be used in the annual report of the Department as it caters for all the above issues of concern**. This was the advice given to the Department in the last financial year. |

**Fruitless and wasteful expenditure**

In 2016/2017, the department had an opening balance of R1 216 million fruitless and wasteful expenditure carried over from 2015/2016 financial year. It however managed to resolve R624 million from this amount in the year under review. For this financial year it incurred R270 million fruitless and wasteful expenditure and when combined with R592 million difference from R1 216 million, it ended up having a closing balance of R862 million fruitless and wasteful expenditure. The reason for this was non-compliance with SCM policies. In essence, the department had managed to decrease its fruitless and wasteful expenditure in the year under review.

**Irregular expenditure**

The department had an opening balance of R42 746 million irregular expenditure carried over from 2015/2016 financial year. Amount of R37 783 million and R18 million were condoned. An amount of R45 040 was restated from 2015/2016. For 2016/17 financial year, the department incurred R42 746 million irregular expenditure. In total then the department had managed to reduce its irregular expenditure from R42 746 million from 2015/2016 to R5 569 in 2016/2017 financial year.

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

**8.1 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 4: Programme 1: Administration**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 17 |
| **Total targets set Annual Performance Plan (APP)** | **18** |
| Targets achieved | 10/18 |
| Targets not achieved | 7/18 |
| Targets not reported on | 0 |
| Performance success rate | 55% |
| Total budget spent | R349 746 million or 99.89% |

Under this programme the department had set to achieve 18 targets and it managed to achieve 10 targets reflecting only 55% achievement rate. Some of the reasons for non-achievement related to high vacancy rate within the Directorate Internal Audit Services. The expenditure for this programme was R349 746 million (99%) as opposed to R305 053 million in 2015/2016. The risk-based auditing project target was not met as was planned for 2016/2017.

**Sub-programmes**

**Strategy Development and Business**

The Department struggled to meet all its target under this sub-programme, for an example for the year under review the Department had a strategic objective to transform cooperate support to enable enhanced DSD service delivery by 2019. The annual target was to construct 18 Community Care Centers but only managed to construct 13 in Kwazulu-Natal, 5 in Northern Cape and 6in Limpopo. It completed 2 anti-substance treatment centres in the Northern Cape and Free State. The Department have indicated that the acceleration plan was in place to fast track the completion of the 4 Community Centres that is still outstanding.

**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 DSD has achieved its target of developing common set of indicators to be aligned to the Outcome-Based Framework. However, it did not achieve the target of conducting implementation evaluation of the Older Person Act. This target was not achieved , due to the delay of the finalisation of the appointment of the service provider and delay from the Ethics Committee which halted fieldwork.

**Internal Audit**

Internal auditing acts as a catalyst for a strong risk and compliance culture within an organisation. The risk-based auditing project target could not be met during the year under review. The reasons for this was due to the high vacancy rate in this directorate. Interventions cited by the Department was that the Directorate is in consultation with the Human Capital Management for the filling of the vacant positions.

**Human Capital Management**

In the 2016/17 financial year, this sub-programme failed to achieve all of its targets set. The targets involved the approval of the Sector Human Resources Plan (SHRP) and reducing the vacancy rate to 6%. The Department indicated that, the filling of 113 of the 168 vacant posts were held in abeyance due to the reduction in compensation budget.

**Communication**

The sub-programme overachieved all its target set for the 2016/17 financial year. A target to reach 20 000 people via the DSD website and other social media (Facebook, Twitter, and Instagram) was overachieved by reaching 3 324 203 people.

**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 5: 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 | R138 915 638 billion or 99.58% |

This programme had only 8 targets for the year under review and it succeeded in achieving 4 targets (50%). It had a similar achievement rate in 2015/2016 financial year as well. Similarly, to the previous year, the most common reason for non-achievement was the lower than expected uptake of Child Support Grant (CSG), Foster Care Grant (FCG) abd Care Dependency Grant (CDC) than anticipated. The cause of that is that the annual targets under this programme are based on projections which depend on the number of beneficiaries who submit applications. Expenditure for this programme amounted to R138 915 638 billion (99.5%) compared to R128 333 million (98.8%) in 2015/2016.

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

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 9 |
| **Total targets set Annual Performance Plan (APP)** | **9** |
| Targets achieved | 9/9 |
| Targets not achieved | 0 |
| Targets not reported on | 0 |
| Performance success rate | 100% |
| Total budget spent | R6 980 942 million or 100% |

Under this programme the department had set to achieve 9 targets for 2016/2017 and it managed to achieve them all. Its total expenditure for the year was R6 980 942 million compared to R6 716 424 million in the previous year. The department underspent by R2 476 million in this year. The reason for that was non-payment of non-profit organisations (NPOs) due to non-compliance. An amount of R1 741 was not transferred to the South African Council for Social Service Profession (SACSSP). Also, an amount of R723 000 was not transferred to Apostolic Faith Mission (AFM).

**Social Security Policy Development**

The policy on the universalisation of benefits to older persons was completed as planned in the current financial year. Furthermore, the Social Assistance Amendment Bill was submitted to the Cabinet as anticipated in the APP. In terms of improving and increasing access to social security by 2019, a target of adjudicating 70% of appeals within 90 days of receipt was achieved (2 235 of which 85.65 (1 914). Two memoranda of understanding with the Department of Home Affairs and the South African Police Service were developed as part of developing and implementing stakeholder and partnership strategy target for this current financial year.

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

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 42 |
| **Total targets set Annual Performance Plan (APP)** | **42** |
| Targets achieved | 40/42 |
| Targets not achieved | 2/42 |
| Targets not stated in APP | 0 |
| Performance success rate | 95% |
| Total budget spent | R713 088 million or 99.24% |

The department had set to achieve 42 targets under this programme and it manage to achieve 40 targets (95). The programme spent R713 088 million (99.24%) of its allocated budget for 2016/2017 compared to R676 403 million (97.7%) in the previous financial year.

**Children**

The Early Childhood Development (ECD) of Programme of Action was aligned to the ECD Policy. In terms of adoption a total of 1 349 adoptions were registered which included 1 200 national adoptions and 149 inter-country adoptions. However, in order for the Committee to verify if the 100% was achieved the Department will need to confirm if 1 349 was the total number received. A policy framework for foster care was developed as anticipated for the year under review (2016/17). In addition, the Children’s Amendment Bill and the Children’s Second Amendment Bill were approved by Parliament in 2016/17 financial year. The President assented to the two Bills and they were published for public information on the 19 January 2017.

**Social Crime Prevention and Victim Empowerment**

The consultation on the Bill on Victim Empowerment Department was finalised with relevant stakeholders. The State Law Advisors as was planned for the year under review certified the Victim Support. The target of increasing the number of people accessing the command centre by 5% (2 993) was overachieved. The overachievement was due to the Vodacom Foundation marketing strategy of advertising the Gender Base Violence USSD. Its impact was seen in increased number of calls as well as the sms received at the call Centre. The other achievement that has been recorded in this sub-programme relates to capacitating of all 9 provinces to establish Community Based Treatment Services. On Rights of person with Disabilities sub-programme, two planned target of developing Frameworks on Universal Access and Design, and Reasonable Accommodation were achieved. These documents were released for public comments in November 2016. However, the Department did not achieve its planned target of developing Disability Rights Information Portal Phase1.This was due to the resignation of the Project Manager in October 2016. Furthermore, another target that was not achieved was the conducting of pilot project for WPRD.

**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 8: Programme 4: Social Policy and Integrated Service Delivery**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 37 |
| Total targets set Annual Performance Plan (APP) | 30 |
| **Targets not on Annual Performance Plan** | **7** |
| Targets achieved | 30/30 |
| Targets not achieved | 7/30 |
| Success rate | **Not easy to calculate. Department needed to clarify the number of target on the APP and Annual Report. There were 7 additional targets in the annual report.** |
| Total budget spent | R383 214 or 99.65% |

A total of 30 targets as planned for in the APP were achieved, which marked a 100% achievement rate. However, as shown above this is not a true reflect as there were 7 additional targets reported on in the annual report. A total of R383 214 million (99.65%) was spent under this programme compared to R374 4 million (9.9%) in the previous financial year.

**Population and Development**

The department overachieved its target of supporting and monitoring 8 short training courses by 9. However, DSD did not achieve the target of mentoring 15 population studies graduates, the reasons indicated is that 10 population studies graduates were not approved.

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

The department achieved its target of conducting the extended sector consultation on the sector Financial Policy and the DSD Funding policy and supporting documents are in place. A total of 4 077 (instead of 3 000) NPO’s were trained on governance and compliance with the NPO Act. This was an over-achievement of a target. However, the Department received 29 601 applications for NPO registration in 2016/17 financial year and only processed 28 860 applications amounting to a performance rate of 97 % instead of the 99% set target. Additionally, the Department did not achieve its target of introducing the NPO Amendment Bill in Parliament this financial year (2016/17). This was due to the delay by the Socio-Economic Impact Assessment System (SEIAS) process, which was introduced for all legislative changes to comply with in 2016.

**Community Mobilisation and Empowerment**

Youth structures were reviewed and distributed to all provinces as anticipated in the APP 2016/17 financial year. In terms of attendance of national leadership youth camps the Department did not achieve its target of 1000 attendance by youth. Only 982 was recorded, the reasons cited for this was due to some registered youth members getting ill and hospitalised and bereavement.

**Poverty Alleviation, Sustainable Livelihoods and Foods Security**

The framework for linking cooperatives to economic opportunities in the Social Development Sector (SDS), has been developed as planned. In addition, the facilitation of the implementation of the Integrated Food Security and Nutrition Programme in all 9 Provinces was achieved.

**8.2 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 9: Employee breakdown by race and gender**

|  |  |  |
| --- | --- | --- |
| **Race** | **Male** | **Female** |
| African | 289 | 509 |
| Coloured | 7 | 18 |
| Indian | 8 | 10 |
| White | 16 | 36 |
| **Total** | **320** | **573** |

**Table 10: Employees with Disabilities**

|  |  |  |
| --- | --- | --- |
| **Race** | **Male** | **Female** |
| African | 6 | 7 |
| Coloured | 0 | 0 |
| Indian | 1 | 0 |
| White | 2 | 0 |
| **Total** | **9** | **7** |

**Other HR issues**

* During the year under review, the total number of grievances lodge was seven (6).
* With respect to misconduct and disciplinary hearings, there was 10 final written warnings issued during 2016/17 financial year. The Department during disciplinary hearings addressed 8 matters for irregular expenditure. Furthermore, 12 case were withdrawn.

**8.4 REPORT OF THE AUDITOR-GENERAL**

The audit outcome of the portfolio remained unchanged (retained its clean audit on performance information, i.e. NO material findings were raised on the usefulness and reliability of the reported performance information by the Department). In terms of compliance with legislation, the AG did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the Public Audit Act (PAA).

**9. COMMITTEE Observations**

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

**Service delivery**

* The Committee noted that the department continues to have a disjuncture between achievement of targets and budget expenditure. In the year under review, the department achieved 80% targets but had an expenditure of 99.60%. This was also identified by the AG as an area that the Committee would need to conduct oversight over.

**Expenditure**

* The Committee raised a concern over the AG’s finding that the department’s financial health regressed in the area of accruals. The department had accruals aged more than 30 days. This involved an amount of R12 705 million under Goods and Services economic classification. The Committee viewed as a serious non-compliance with National Treasury Regulation 8.2.3 which requires accounting officers to settle all contractual obligations and pay all money owed within 30 days from receipt. Non-compliance to this regulation has adverse impact on service providers especially emerging/small business enterprises.
* The Committee reiterated its concern over the manner in which the department implements virements. Even though it notes that the PFMA allows departments to shifts funds within 8% limit, it was of the view that this provision is applied by the department recklessly. Funds were shifted from core programmes to fund activities that are not core function of the department – outreach programmes and travel expenses. This was despite the department’s commitment in the previous year (2015/2016) that it would reduce virements. In the previous year’s BRRR the Committee had made a recommendation to the department that it should be informed of the proposed virements as it approves the budget of the department.

The Committee resolved that the department should provide it with a breakdown expenditure on virements, particularly the R11 619 million that was shifted to Programme 1 to fund increased expenditure levels for the Minister, Deputy Minister and staff involved in social sector outreach programmes.

* The Committee notes that the department managed to reduce its irregular expenditure as well as wasteful and fruitless expenditure.

**Governance**

* The Committee also raised a concern over the AG’s findings of department’s regression in its oversight responsibility, effective HR management policies and procedures and ICT governance. This, the Committee particularly noted with concern that SASSA received a qualified audit opinion and the NDA received unqualified audit opinions with material findings, whereas the department retained its clean audit outcome.

**Information Technology**

* The Committee notes with concern AG’s audit outcome that the department also regressed in the area design and implementation of IT controls. This is a risk to financial and management of the department.

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 2016/17 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.

**9.1 OVERALL PERFORMANCE AND FINANCIAL EXPENDITURE**

**Table 11: Budget expenditure per programme**

|  |  |  |  |
| --- | --- | --- | --- |
| **R’000** | **Programme 1: Administration**  **R’000** | **Programme 2: Benefits Admin Support**  **R’000** | **Total**  **R’000** |
| 2016/17 Budget Allocation | 2 437 495 | 4 471 436 | 6 908 931 |
| 2016/17 Actual Spent | 2 582 891 | 4 643 633 | 7 226 525 |
| Variance | -143 396 | -172 197 | -317 593 |
| Actual Exp. As % of total budget | 105% | 103% | 104% |

The overall budget of SASSA for the period under review was R6 908 931 billion. The actual expenditure for the year under review was R7 226 525 billion, which was an over expenditure of R317 593 million. In the previous year SASSA had an over expenditure of R261 159 million, which the actual budget was R6 642 970 billion and the actual expenditure was R6 904 129 billion.

In total, for the year under review, SASSA had set to achieve 42 targets but managed to achieve 18 targets, meaning 24 targets were not achieved.

**Issue for consideration:**

It is important to note that figures in the reporting of the budget allocation and expenditure were different between the Annual Report (page 12) and the presentation submitted to the Committee (slide 48). The report in the Annual Report reflect audited figures which the Committee is expected to conducted oversight over. This is important because the Committee is expected to reflect accurate figures in its Budget Review and Recommendation Report (BRRR), which is a critical budget tool for the Medium Term Budget Policy Statement (MTBPS).

**Achievement of targets in line with MTSF priorities**

With regards to meeting its **MTSF priorities**, the Agency reported the following achievements and non-achievements:

* Reducing income poverty by providing social assistance to eligible individuals:

The Agency exceeded its target of processing 1 400 000 new social grants applications by processing 2 062 453 applications. This represented a 14% achievement against the planned target. All provinces recorded an increase in their social grant application processing. The increase was due to extensive roll out of Integrated Community Registration Outreach Programme (ICROP) and project Mikondzo, which increased accessibility to grant applications. With regard to ICROP, the Agency had set a target of identifying 520 wards to have access to social assistance. It managed to identify 631 wards.

The Agency also exceeded its target of awarding 400 000 Social Relief of Distress (SRD) by awarding 461 750 SRDs, which marked 115% achievement. It also achieved its target of processing 163 397 Foster Child Grant reviews. It processed 164 610 reviews.

It however did not achieve the following targets:

* It had planned to have 16 991 634 social assistance benefits in payment by the end of the year under review. It narrowly missed this target by managing to have 17 200 525 benefits in payment, representing 98%.
* It had planned to have 55% of children aged 0 -1 in receipt of Child Support Grant but only managed to reach 41% children. The total number of children in this age category was 1 206 306 by the end of the financial year. This means out of this number, only 494 723 children were in receipt of the CSG, which was a decrease from 499 257 recorded in 2015/2016 financial year. This means the Agency is struggling to close the gap of reaching approximately 1. 83 million children on this age cohort who were identified to be excluded from the social assistance programme.

SASSA attributes the aforementioned non-achievement to attrition, children moving into the next age cohort, means test exclusions and fragmented government systems between SASSA, Department of Health and Department of Home Affairs.

* Improving service delivery:

The Agency worked towards this priority by achieving its targets of auditing 367 local offices for functionality and converting 176 (with a target of 150) open pay points to fixed structures. The latter was an improvement from 2015/2016 where the Agency only managed to convert 262 open pay points instead of 300 as was planned. However, a target of procuring and piloting an electronic queue management solution was not achieved yet again. SASSA explained that this target was not achieved because it was included in the overall New Insourcing Payment Model as part of SASSA’s Transition Programme.

* Improving internal efficiency:

To improve efficiency, SASSA achieved its target of reviewing its capacity model by focusing on the 2 step grant application process and enrolment. It also achieved its target of reviewing its Human Resources Plan focusing on the 2 step grant applications process and enrolment. The Plan was reviewed to accommodate the outcome of the capacity model on enrolment function within the grant process.

The Agency, however, did not achieve its target of upgrading network connectivity infrastructure at Head Office, Regional Offices and Registries. Upgrade was only done on Mpumalanga Registry and Eastern Cape regional office. This target was not achieved due to a prolonged industrial action at Telkom, which delayed the implementation of this project. SASSA and Telkom reached an agreement to finalise the project in 2017/2018 financial year.

* Institutionalising social grants payment system within SASSA.

The important target to achieve this priority was to acquire, configure and pilot biometric access to systems for staff and beneficiaries. This target was not achieved because it was included in the overall New Insourcing Payment Model as part of SASSA’s Transition Programme. The Agency, however, managed to conclude Terms of Reference and advertised Request for Proposal.

**9.2 PERFORMANCE INFORMATION BY PROGRAMME**

**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.

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

**Table 12: Achievement of targets for 2016/2017**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 24 |
| Total targets set Annual Performance Plan (APP) | 24 |
| **Targets not reported on Annual Report** | **0** |
| Targets achieved | 12 |
| Targets not achieved | 12 |
| Success rate | 50% |
| Total budget spent | R2 582 891 billion or 105% |

**Executive Management**

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

**Summary:** Under this sub-programme, SASSA had planned to six eight (6) targets and managed to achieve three (3) targets. It managed to achieve targets to conduct 20 internal audit reviews, conduct 72 fraud, theft and corruption awareness programmes in all nine (9) regions and drafting 100% contracts within 10 working days.

It did not achieve targets to investigate 70% of reported cases on fraud, theft and corruption within 90 days of receipt, investigating 100% case on backlog and finalizing 100% of legal opinions within 10 working days. It was reported that investigation on cases of theft, fraud and corruption was not achieved because attention was given to syndicate cases which are more complex and time consuming.

**Corporate Services**

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

**Summary:** The Agency had planned to achieve 6 (6) targets under this sub-programme and it achieved them all. Most importantly as indicated above, SASSA achieved its targets of reviewing the HR Plan focusing on 2 step grant application processing and enrolment, converting 176 open pay points to fixed structures and reviewing its Capacity Model. It also achieved the target filling up 95% of funded posts.

**Information and Communication Technology (ICT)**

**Strategic objective:** Effective ICT operations.

**Summary:** The Agency had planned to achieve eight (8) annual targets under this sub-programme. It only achieved three (3) targets, to migrate 100% of users from Novell system to Microsoft platform, implement the Enterprise Business Intelligence solution for grants data and develop HCM and Financial Management support systems automation business case and implementation plan.

It did not achieve targets to implement back scanning solution in 9 regional registries, procure and pilot electronic queue management solution as well as web interface solution. It however, managed to implement the back scanning solution in The back scanning was not fully implemented in North West, Limpopo, Western Cape and Northern Cape. In Gauteng, KwaZulu-Natal and Mpumalanga, implementation had commenced by the end of the financial year and was to be completed in April 2017.

**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 and it did not achieve all of them. It did not achieve the targets of obtaining an unqualified audit opinion, paying 100% eligible suppliers within 30 days and recovering and writing off 5% social assistance debts. It only achieved to recover 2% of these debts to the value of R12 907 916 43.

**Programme 2: Benefits Administration and Support**

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

**Summary:** Eighteen (18) targets were set to be achieved under this programme. The Agency managed to achieve six (6) targets and partially achieve eight (targets) and not achieve four (4). Most importantly, SASSA over achieved its target of awarding 400 000 SRD applications by awarding 461 750 applications. It also over achieved its target of processing 1 400 000 social grants applications by awarding 2 062 453 applications. It also processed 164 610 Foster Care Grant reviews exceeding its target of 163 397.

The most important target not achieved relates to the development and implementation of the system for managing Regulation 26 mandates. Regulation 26 deals with direct deductions from the social grants, which are set at 10%. SASSA explained that this target was not achieved because mandates were captured manually pending the development of the electronic system, which was postponed to the new financial year (2017/2018). It reported that in the new financial year it would negotiate with service providers to manage the mandates under the payroll deductions contract with it taking control.

The other similar important targets not achieved were to be included in the institutionalisation of the grant payment system within SASSA, which is currently under way. They form part of the Constitutional Court judgement made on 17 March 2017, which the Committee has been receiving weekly reports on. These are targets to resolve 60% of disputed deductions from social grants payments, develop a transitional payment insourcing plan and migrate beneficiaries’ data to new SASSA enrolment system.

This programme was allocated a budget of R4 471 436 billion and it had an over expenditure of R4 643 633 billion (103%).

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

**Irregular Expenditure**

SASSA incurred historical irregular expenditure of **R1 047 411 308** which was reported in 2015/16 annual report. Three sets of irregular expenditure (R414 050 165; R316 447 361; R223 466 398) were referred to AG for condonation. The other two of irregular expenditure of R74 603 183 and R18 844 201 were still under internal investigation. An additional R93 074 738 as an opening balance in 2015/2016 increased the irregular expenditure to **R1 140 306 898.**

For the year under review, the Agency incurred an irregular expenditure of **R326 159 810** made up of the following amounts:

* R24 622 910 for non - compliance to Construction Industry Development Board (CIDB),
* R29 298 598 for extension of other contracts and lease payments,
* R60 266 637 for local content non-compliance,
* R135 507 159 for lease payments,
* R1 448 639 for forensic investigations,
* R3 336 155 for medical assessments,
* R43 242 143 for work streams, and
* R28 437 569 for other matters

In total the irregular expenditure for the year under review was **R1 404 621 602** when irregular expenditure from the previous year is added.

**Possible irregular expenditure**

The following were as possible irregular expenditure – **R150 055 158**:

* R16 815 110 as an opening balance,
* R115 922 034 for ICROP, and
* R17 218 014 for extension of ICT contract

**9.3.1 HUMAN RESOURCES MANAGEMENT**

For the year under review, the Agency had 10 066 (51%) vacancies with 9 349 staff compliment including both permanent and contract employees. Of the total number of vacancies, Eastern Cape had the number of vacancies (1 894), followed by KwaZulu-Natal (1 579) and Gauteng (1 029).

In the head office, the vacancy rate was reported as follows:

**Table 13: 2016/2017 vacancy rate**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Head office | 2016/2017 approved posts | 2016/2017 No. of employees | 2016/17 vacancies | % of vacancies |
| Office of CEO | 2 | 2 | - |  |
| Fraud and Compliance | 40 | 14 | 26 | 65.0 |
| Chief Operations Management | 71 | 17 | 54 | 76.1 |
| Internal Audit and Risk Management | 62 | 29 | 33 | 53.2 |
| Corporate Services | 237 | 121 | 116 | 48.9 |
| Finance | 184 | 89 | 95 | 51.6 |
| ICT | 110 | 41 | 69 | 62.7 |
| Grants Operations | 82 | 62 | 20 | 24.4 |
| Policy Implementation Support | 19 | 8 | 11 | 57.9 |
| Strategy & Business Development | 117 | 27 | 90 | 76.9 |

**10. REPORT OF THE AUDITOR-GENERAL**

SASSA obtained a **qualified audit opinion** with findings from the AG, for the 2016/17 financial year. The AG found that SASSA did not have adequate system to identify all irregular expenditure resulting from inadequate procurement and contract management. The AG also found that there were no satisfactory alternative procedures that he could perform to obtain reasonable assurance that all irregular expenditure had been properly recorded in note 31 to the financial statements.

With regard to assessment of achievement of targets the AG found that there were discrepancies in the reporting of the target to have a percentage of disputed deductions from social grants payments resolved. SASSA had reported 36% achievement but the evidence provided to the AG indicated 33% achievement. As such, SASSA received an unqualified audit opinion on performance information.

**11. COMMITTEE OBSERVATIONS**

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

**Service delivery**

* The Committee noted a similar pattern to that of the department, that there was a disjuncture between the budget spent and the achievement of targets. In the year under review, SASSA achieved 50% of its targets but spent 104% of its budget. SASSA explained that this was because of the fact that some targets have material financial implications whereas others have minimal financial implications. There were also contracts that were carried over from the previous year that still needed to be serviced in the year under review. It however acknowledged that it needed to review its performance planning and budget allocation and expenditure.
* The Committee observed that there seems to be an overlap of responsibilities between SASSA and the department as was demonstrated in the previous year where security services for departmental officials were paid for by SASSA. This resulted in a dispute over reimbursement of these funds to SASSA. Also, there is a possibility of duplication of responsibilities in the implementation of Mikondzo and ICROP. The Committee cautioned that when such incidences occur legislative provisions would have to be applied.
* The Committee noted that SASSA incurred irregular expenditure of R24 622 million due to non-compliance to CIDB regulations. It questioned whether SASSA is best placed to set itself targets to construct facilities. SASSA acknowledged the Committee’s concern and explained that it had consulted with relevant bodies in the construction industry such as the CIDB (Construction Industry Development Board) and IDT (Independent Development Trust) to assist it in developing and standardizing building procedures and processes. It also engaged the Department of Public Works. Once this process has been finalized it would be determined who will be best placed to carry this function for SASSA.

**Expenditure**

* The Committee expressed a serious concern over recurring irregular expenditure with some carried over from previous years. Debts remain not recovered and written off. Linked to this, is the lack of consequence management to hold those responsible for non-compliance to PFMA and SCM regulations accountable as was found by the AG. This has been a finding of the AG from the previous year and it seems it remains not addressed. This is despite of SASSA’s BRRR progress report on recommendations made by the Committee. SASSA reported that it developed interventions to address non-compliance and poor performance. (See section 13.2 below).

**Governance**

* The Committee noted with concern AG’s findings that SASSA regressed in its key controls as it this pose a risk of misstatements.

**Communication**

* The Committee noted that SASSA’s communications strategy has not been effectively implemented as the challenge of illegal deductions from social grant payments still continues. This is despite SASSA’s progress report to the Committee’s BRR recommendations of the previous year as indicated in section 13.2 below.

**12. 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 among others:

* 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, and
* Undertake research and publication aimed at providing the basis for development policy.

**12.1 NATIONAL DEVELOPMENT AGENCY POLICY PRIORITIES**

The NDA Board identified four (4) strategic objectives of the NDA for MTSF. They are as follows:

* develop and strengthen internal systems, processes and human capability to deliver efficiently and effectively on the NDA mandate.
* conduct CSOs engagements, assessments, and needs analysis in the identified prioritized wards.
* increase accessibility to capacity strengthening interventions to CSOs with the aim of improving the quality of services.
* conduct, collate and disseminate research and evaluations that inform the national development agenda.

**12.2 OVERALL PERFORMANCE AND FINANCIAL EXPENDITURE**

During the year under review, the NDA’s actual expenditure was R220, 7 million of the R244, 3 million allocated. This means that NDA spent 90.3 per cent of its allocated budget. This represent an under expenditure of R23, 9 million.

The NDA improved its annual report presentation for 2016/17 as compared to 2015/16 financial year whereby there were discrepancies between some of the targets cited in the Annual Report and those specified in the APP.

NDA execute its mandate through 4 programmes. These are: Programme 1 - Governance and Administration; Programme 2 – CSO Mobilisation; Programme 3 – CSO Capacity Building; and Programme 4 – Research and Knowledge Management. For the year under review, NDA achieved 21 of the 23 set targets. This means NDA achieved 91 per cent of its planned targets. The two targets that were not met are found in programme 1 i.e. 80% reduction in regulatory audit findings and to approve ICT strategy Plan. These would be discussed under programme performances.

**12.3 PERFORMANCE INFORMATION BY PROGRAMME**

## Programme 1: Governance and Administration

The focus of this programme is on promoting and maintaining organisational excellence and sustainability through effective and efficient administration that includes performance management, employee well-being, as well as cost containment and brand recognition.

**Table 14: Governance and administration**

|  |  |
| --- | --- |
| Total targets reflecting on the Annual Report | 9 |
| Total targets set Annual Performance Plan (APP) | 9 |
| **Targets not reported on Annual Report** | **0** |
| Targets achieved | 7 |
| Targets not achieved | 2 |
| Success rate | 77% |
| Total budget allocated | R114 452 |
| Total budget spent | R102 979 or 91% |

Table 1 above depicts that programme 1 achieved 77.7 per cent of the planned targets (7 out of 9) and spent R102 980 million of the R114 552 million allocated budget. This was an improvement compared to the 40 per cent achieved in 2015/16 financial year.

There is also a correlation in the information contained in the Annual Performance Plan and the Annual Report. This is the opposite of the previous financial year, 2015/16. For the reporting period, NDA should be commended for applying AG’s recommendation in terms of reported information.

## 

## Programme 2: Civil Society Organisation Mobilisation

The programme focuses on CSO engagements, assessments and needs analysis for CSOs, interventions required by CSOs, facilitating community and CSO networks, resource identification and mobilisation to support CSOs and the provision of information and referrals of CSOs to other state and private institutions for additional support.

**Table 15: Resource Mobilisation for CSOs**

|  |  |
| --- | --- |
| Total targets set (APP) | 5 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 5 |
| Targets achieved | 5 |
| Targets not achieved | 0 |
| Performance target success rate | 100 % |
| Total budget allocated | **R78 112** |
| **Expenditure** | **R 72 152 million or 92.3%** |

The table above depicts that programme 2 achieved 100 per cent of the planned targets (5 out of 5) and spent R72 153 million of the R78 112 million allocated budget. It should be noted that NDA exceeded all the planned targets under this programme.

## Programme 3: Civil Society Organisation Capacity-building

The focus of this programme is on strengthening institutional capacities of CSOs across all nine provinces.

**Table 16: CSO capacity building**

|  |  |
| --- | --- |
| Total targets set (APP) | 4 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 4 |
| Targets achieved | 4 |
| Targets not achieved | 0 |
| Performance target success rate | 100 % |
| Total budget allocated | R45 335 |
| Expenditure | R40 741 million or 90% |

The table above depicts that programme 3 achieved 100 per cent of the planned targets (4 out of 4) and spent R40 741 million of the R45 335 million allocated budge

**Programme 4: Research and Knowledge Management**

The focus of this programme is on action research and impact evaluative studies that will be used to inform programme-planning, implementation and management of NDA poverty eradication programmes in the Mikondzo districts.

**Table 17: Research and Knowledge Management**

|  |  |
| --- | --- |
| Total targets set (APP) | 5 |
| Targets not accounted for | 0 |
| Targets reported in Annual Report | 5 |
| Targets achieved | 5 |
| Targets not achieved | 0 |
| Performance target success rate | 100 % |
| Total budget allocated | R6 330 |
| Expenditure | R4 888 million or 77% |

As shown in the table above programme 4 achieved 100 per cent of the planned targets (5 out of 5) and spent R4 888 million of the R6 330 million allocated for 2016/17. This shows an improvement as compared to 2015/16 whereby NDA only achieved 66.6 per cent of the planned targets.

# **12.4 HUMAN RESOURCES**

As at 31 March 2017, the NDA had 180 employees within its total workforce. The table below summarises the audited expenditure and provides an indication of personnel cost per programme and salary band.

Table 18: personnel cost by programme

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Total expenditure for the entity (R’000)** | **Personnel expenditure** | **Personnel expenditure as a % of total exp.** | **Number of employees** | **Average personnel cost per employee** |
| **Programme 1** | 102 980 | 31 291 | 14% | 58 | 539 |
| **Programme 2** | 72 153 | 37 233 | 17% | 99 | 376 |
| **Programme 3** | 40 741 | 8 872 | 4% | 16 | 554 |
| **Programme 4** | 4 888 | 3 748 | 2% | 7 | 536 |
| **Total** | **220 762** | **81 144** | **37%** | **180** | **450** |

In terms of personnel cost by programme, the highest expediture is recorded in programme 2 to the value of R37 233 million, which is 17% of the allocated budget in programme 2. This is followed by programme 1 to the value of R31 291 million, which is 12% of the allocated budget in programme 1. This is because both programmes have the highets number of employees.

For the period under review, NDA had a vacancy rate of 22% which is very high. As reported by NDA, this is largely due to the approval of the new positions at national office and at district office. The vacancies are recorded in programme 1 and programe 2 with 2% and 20% respectively. When these vacancies are broken down, top management (1.3%); senior management (5.7%); professional qualified (7.5%); skilled (3.9%); and unskilled (3.5%).

**Financial Statements**

This part of the paper includes information on the following:

**Fruitless and Wasteful Expenditure**

* The fruitless and wasteful expenditure has increased to a total of R1 042 326 for 2016/17 as compared to R694 127 on 2015/16 financial year. Out of this total R65 922 was expenses relating to the venue for training that did not take place. The other R282 277 was for the Conference venue paid and not utilised.

**Irregular Expenditure**

* In terms of irregular expenditure, it has been recorded that there was an increase amount to the value of R19 788 414 for 2016/17 compared to R12 953 223 in 2015/16.

**12.4 REPORT OF THE AUDITOR-GENERAL**

The Auditor General’s (AG) report, in the annual reports of government departments and entities, speaks to the reliability of information contained in the report as well as achievement of performance targets.

The AGs audit opinion can be categorised into three main areas of importance:

* Audit opinion;
* Matters of emphasis
* Performance against objectives and legislation

**Audit Opinion**

The NDA received an **unqualified audit opinion** for the 2016/17 financial year. This means that the AG could obtain audit evidence that is sufficient and appropriate to be able to present an Audit Opinion. Below find the following matters identified by the AG:

**Report on Audit of Compliance with Legislation**

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

**Procurement and Contract Management**

* Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulation16A6.1.
* Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
* 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.
* Quotations were awarded to bidders based on functionality criteria that were not stipulated and/or differed from those stipulated in the original invitation forbidding and quotations, in contravention of Preferential Procurement Regulation 4.

**Expenditure management**

* Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by not following a competitive bidding system for the various operating lease contracts entered into.

**12.5 COMMITTEE OBSERVATIONS**

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

**Expenditure**

* The Committee raised a serious concern over the increase in irregular expenditure, which it increased from R12 953 million to R19 788 million excluding carried over irregular expenditure. With the inclusion of the latter the irregular expenditure totals R84 351 million. Similarly to SASSA, the AG found that there was non-compliance to PFMA. The Committee strongly condemned the continuing lack of consequence management at the Agency. It found this as a worrying recurring trend between SASSA and the NDA.

**Human resources**

* The Committee raised a concern that despite the increase in irregular expenditure, the Agency still paid performance bonuses to the amount of R7 953 million. This did not justify awarding of performance when issues of non-compliance and non-performance resulted in irregular expenditure. Non-compliance to the PFMA and SCM legislation resulted to non-achievement of the target to achieve 80% reduction in regulatory audit findings.

1. **OVERALL OBSERVATIONS**

The Committee observed with concern a trend of late payment of invoices in all the programmes of the department and of the two entities. This was reflected in the quarterly reports as well as the annual report. This affects the achievement of targets. The same trend was identified by the AG as a finding of regression.

The Committee observed some targets were not formulated in the manner that reflect the core mandate of the department and therefore not achievable to make an impact on the lives of the people. This particularly refers to the targets set by SASSA to process applications. These targets should rather be set to reflect the number of applications granted.

**14. Summary of previous (2015/2016) key financial and performance recommendations of Committee AND PROGRESS MADE**

**14.1 Department of Social Development**

# **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 had 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 department 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.

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# **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 is 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.

# **14.2 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.

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# **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 amounted 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.

**14.3 National Development Agency**

# **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.

**15. COMMITTEE Recommendations**

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

**14.1 Department of Social Development**

**Expenditure:**

* The Minister should ensure that the Department implements the Committee’s recommendation it made in the 2015/2016 BRR Report that the Department should on regular basis inform it on its intentions to shift funds between programmes. This should be done quarterly when the Department presents its quarterly report to the Committee. This should be effected in the 2017/2018 financial year. The report on virements should reflect reasons for virements, breakdown of their expenditure and impact on the programmes the funds had been shifted from.

**Governance:**

* The Minister should make sure that the Department improves on its oversight responsibility over its entities, particularly focusing on addressing audit findings. It is imperative that SASSA and the NDA comply with PFMA, SCM legislation and eliminate irregular expenditure.

**Compliance to legislation**

* The Minister should ensure that the Department complies with Treasury Regulation 8.2.3 and make sure that all payments are paid to creditors within 30 days so as to avoid accruals.

**14.2 South African Social Security Agency (SASSA)**

**Expenditure:**

* The Minister should ensure that SASSA makes a follow up with National Treasury to obtain feedback on its application for condonation of irregular expenditure reported in 2015/2016 annual report. SASSA should also make a follow up with Standing Committee on Appropriations (SCOPA) to obtain its resolutions on the irregular expenditure it accounted for to this Committee. This is critical for SASSA to resolve this historical irregular expenditure to ensure that it is not carried over to another financial year.
* The Minister should ensure that SASSA strengthens its oversight responsibility over regional offices. The national audit committee as well as the executive managers should conduct regular oversight visits to regional offices to ensure that systems it developed to avoid irregular expenditure, ensure compliance to SCM legislation are strictly adhered to and that there is stringent consequence management.

The oversight should also monitor performance of officials who received training on various aspects. It is imperative that SASSA obtains an unqualified audit opinion as from 2017/2018 financial year.

**Service delivery**

* The Minister should ensure that SASSA improves on its achievement of targets to align it with its budget expenditure. This means that SASSA should set achievable targets taking into consideration its available skills capacity and level of expertise. The existing trend of high budget expenditure and very low achievement of targets should be eliminated.

**14.3 National Development Agency (NDA)**

**Expenditure:**

* The Minister should ensure that the NDA properly implements measures it developed to prevent irregular, fruitless and wasteful expenditure. These type of expenditure should be avoided rather than increasing. There should also be regular oversight visits conducted by the national audit committee as well as the risk committee to regional offices to monitor performance of trained officials and compliance to the PFMA and SCM legislation.

**Human resources:**

* The Minister make sure that the NDA aligns its awarding of performance bonuses with its overall performance (achievement of targets) as well as measures to avoid irregular, wasteful and fruitless expenditure.

**15. 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 for availing itself 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.

Report to be considered.