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RESPONSES TO QUESTIONS EMANATING FROM THE 2016/17 SASSA ANNUAL REPORT DISCUSSION WITH THE SELECT COMMITTEE ON SOCIAL SERVICES – MEETING OF 21 NOVEMBER 2017.**QUESTION 1**

- Can the performance bonus policy be made available to the committee?

RESPONSE

Yes. The policy is called a Performance Management and Development Policy (PMDS), which is in line with the Public Service PMDS Policy. The PMDS policy caters for the employees at salary level 1 – 12 and the members of the Senior Management Services (SMS) are catered for in the SMS handbook, chapter 4 section 15.3. The amount of bonuses as disclosed in the annual financial statements includes the service bonuses, which is an amount the every public servant receives on their birthday month. It is normally referred to as a thirteenth cheque in the private sector. The PMDS policy and the SMS handbook copies are enclosed.

QUESTION 2

- Why is SASSA continuously not following proper supply chain management procedures? What consequence management is undertaken to address this?

RESPONSE

SASSA made a steady progress in improving the Supply Chain Management (SCM) processes which was identified as a major concern given the amount disclosed as Irregular expenditure in 2015/16 and 2016/17. The main gaps identified are inadequate communication and roll out of any changes applicable to SCM. There has been delays in finalising alleged cases of financial misconduct and consequence management. The need to review of SCM processes and procedures to enhance internal controls seemed necessary. Therefore it may be necessary to reflect on the challenges faced by the agency during the 2016/17.

SASSA in finalizing the Annual Financial statement for the financial year 2016/17 disclosed R1 267 400 851, 26 of irregular expenditure, Disclosure Note 31. During the audit, Auditor General of South Africa (AGSA) discovered that SASSA has not complied with some of Supply chain management prescripts. The major non-compliance were in respect of:

Non-compliance on Local content/ local production

National Treasury Instruction Note on Stipulated threshold for the textile, clothing, leather and footwear issued on 2012 and National Treasury designated Sector Instruction Note No 6 of 2016/17 on furniture require public institutions to comply with local content/local production stipulated thresholds when procuring goods mentioned in the said instruction notes. This means SASSA in buying goods such as blankets and office furniture must ensure it buys goods manufactured in South Africa. SASSA implemented this when dealing with procurement above R500, 000 procured through an open bid process however many regions did not comply with quotation process hence the required returnable documents were not given out with Request for Quotation (RFQ) to prospective service providers hence the procurement batches did not contain all relevant documents to substantiate local content.

The agency immediately implemented a revised Supply Chain Management checklist that include validation of local content compliance.

Non-compliance to CIBD Act

The Construction Industry Development Board Act of 2000 (CIDB Act). The Construction Industry Development Board Act of 2000 (CIDB Act) defines the construction industry as "the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment." The Construction Industry Development Regulations issued in terms of this Act defines construction procurement as "procurement in the construction industry, including the invitation, award and management of contracts."

Accordingly, construction procurement involves not only engineering and construction works contracts, but also supply contracts that involve the purchase of construction materials and equipment, services relating to any aspect of construction including professional services, disposals of surplus materials and equipment and demolitions.

The CIDB Act establishes a means by which the CIDB can promote and implement policies, programmes and projects aimed at procurement reform, standardisation and uniformity in procurement documentation, practices and procedures within the framework of the procurement policy of government. The Construction Industry Development Regulations require that all organs of state only award construction works contracts to contractors who are

appropriately registered with the CIDB, advertise tenders and calls for expressions of interest on the CIDB's web based i-tender service and record the award of contracts and any cancellation or termination of a contract in the register of projects on the CIDB website.

PFMA Section 1 defines "Irregular expenditure" as expenditure, other than unauthorized expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including— (a) this act; or (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that act; or (c) any provincial legislation providing for procurement procedures in that provincial government

During the 2016/2017 final audit the AGSA raised factual findings about the matters mentioned under background. The requirement was for SASSA to disclose all irregular expenditure in the irregular expenditure register and in the Annual financial statement Disclosure note 31. This meant that SASSA was to establish procedures to review the affected population of transactions affected across the nine (9) regions and Head Office.

In dealing with the non-compliance and incomplete irregular expenditure register, SASSA had reviewed and confirmed the AGSA's findings on Local content and CIDB with an aim of addressing the accuracy and completeness of irregular expenditure disclosure. This was to ensure that the relevant note was complete, correct and accurate.

The AGSA factual findings requirements requires that if the Agency decides to correct or make adjustments to the financial statements, then the Agency must examine the entire population and provide AGSA with the adjusted amount as well as the procedure undertaken in ensuring there is no transaction unaccounted for within the affected population.

On the 21 July 2017, SASSA reviewed the relevant transactions relating to local content and CIDB and submitted the revised irregular expenditure register to AGSA for further audit. However during the audit committee meeting on 25 July 2017 AGSA raised concerns that the local content and CIDB information submitted was not complete and the meeting made a resolution that SASSA must resubmit a complete, correct and accurate irregular expenditure register together with adjusted Disclosure Note 31 of financial statements as the last opportunity before AGSA's pronouncement on appropriate audit opinion.

In order to ensure SASSA adheres to the deadlines agreed by the meeting, the template and methodology of ensuring the whole affected population is reviewed was discussed and agreed with AGSA. The template was given to all regions to submit their information and consolidation and validated by Head Office accordingly. The consolidation included AGSA's list of found irregular expenditure ensuring there is no transaction raised by AGSA that is not included in the irregular expenditure register and the disclosure note.

The approach on CIDB:

Considered the requirement of CIDB Act, CIDB regulations and Practice notes including the forms and returnable documents when procuring service providers with to construction projects and found errors around the list of projects funded and undertaken by SASSA:

- ✓ Considered all projects undertaken by SASSA (Complete and incomplete)

- ✓ The use of the register of contractors
- ✓ Check whether projects undertaken are and/or were registered in register of projects
- ✓ Use correct contractor as per class of work
- ✓ Use correct contractors as per CIDB grade/threshold provided
- ✓ Any close out reports issued per project

The approach for local content

SASSA analyzed all accounts that were affected by local content. A template was developed and circulated across the agency. The challenge was the interpretation of the National Treasury prescripts as the Agency understood that local content compliance returnable documents were applicable to procurement above R500, 000 yet the required returnable documents were supposed to have been attached when Request for Quotations (RFQ) procurement strategy was considered.

Based on the developed template, guidance and methodology the irregular expenditure register and disclosure note was reviewed, SASSA then submitted the revised irregular expenditure register and adjusted irregular expenditure disclosure Note 31 which totaled R1 415 905 598.59. Included in the total irregular expenditure, the local content and CIDB irregular expenditure was R60 266 637.00 and R35 906 906.87 respectively. The amended registers and the relevant disclosure note was resubmitted to AGSA on 27 July 2017.

Interventions

- All transactions processed to date are being reviewed and validated to ensure the irregular expenditure register is complete, correct and accurate. The pre-audit process is undertaken to ensure there are no irregular transactions that are incurred henceforth;
- SASSA has implemented SCM compliance checklist aimed to ensure all transactions are verified before they can be processed (validation of SCM compliance during evaluation process);
- SCM officials were trained on Local contents and CIDB prescripts and processes to avoid a repeat of issues which led to a qualification;
- Reviewed SASSA SCM delegations;
- Focus on strengthening the implementation of consequence management.
- Strengthen the functioning of audit steering committees both at national and regional offices level to implement both the external and internal audit action plans

QUESTION 3

- It seems SASSA does not plan properly or it constantly deviates from its plans. Can this be explained? Why is this done? For example, booking a venue for a function and then cancelling it after payment.

RESPONSE

SASSA does adhere to its planned activities however it does happen that when a training, workshops, meetings and stakeholder engagements is scheduled and confirmed that some of the employees and affected parties cancel due to circumstances that are beyond their control e.g. getting sick or their loved ones getting sick, Death cases that affect them, and/or unavoidable priorities takes place e.g. being called to a parliamentary session over an internal SASSA engagement. Many B&B have a policy that require payment if an amendment or cancellation is to take place within certain dates. If there are changes to scheduled commitments the agency would try to find a replacement and if it fails such an expenditure will be treated as fruitless and wasteful expenditure.

QUESTION 4

- What informs how SASSA and NDA target setting? How are figures determined when there is no baseline?

RESPONSE

The agency does utilise the baseline to inform the ensuing year's targets, not only does the baseline considered but also the operational environment and the resources required and available. When there is no baseline then zero baseline is assumed then work the activities to be undertaken and associate costs to be considered.

QUESTION 5

- On slide 35 of the SASSA presentation (page 41 of the annual report), SASSA refers to writing off a big figure (R155 million). What is the reason for not recovering this money?

RESPONSE

SASSA manages grant debtors on behalf of the National Social Development Department; and SASSA is guided by the approved Social Assistance Debtors Policy by the Department of Social Development which stipulates all the debt management processes must be followed before any write-off is implemented. SASSA, after following all collection and debt processes, identified among others the following cases as reason for consideration and write-offs:

- deceased cases;
- undue hardship cases;
- uneconomical to take legal action to recover;
- debtors that are over 3years with no movement;
- and other cases that qualifies for write-off as per the policy.

The R155 million is a total of debts eligible for write-offs for two financial years and submissions and supporting documents are kept at different regional offices detailing the reason for the list of debtors on why they must be written off.

Most of the social assistance debtors are poor, unemployed and largely remain vulnerable citizens of society. This was confirmed through a project that was undertaken during 2016/17 to track and trace some of the identified debtors. The agency employed family finders (contracted social workers) for the period of 12 months to visit and assess economic and social standing of some of these debtors thus confirm recoverability of the debts.

A total of 21 653 debtors were to be visited with a debt book value of R289 million, however 12 923 debtors were eventually visited (R154 million). This represents 60% of the total scheduled visits. The variance of 8 730 valued at R135 million represents the number of scheduled visits that could not be completed due to project coming to an end. Of the ones visited 9 954 valued at R124 million (80%) were found to be irrecoverable.

QUESTION 6

- DSD / SASSA will forward the reports regarding the protocols on the new service provider for SASSA grants and all issues relating to it.

RESPONSE

SASSA has signed a protocol agreement with the South African Post Office for the payment of social grants, the agreement and related documents are attached as requested by the Committee.

QUESTION 7

- Can SASSA explain the issues around the green card?

RESPONSE

Grindrod Bank, as a registered bank, developed a product very similar to the SASSA card account, and marketed this commercially. Although this account is not made available only to social grant beneficiaries, by far the majority of the account holders are in fact social grant beneficiaries.

Some of the challenges with this account are as follows:

- The marketing of the account has allegedly not been open and honest – many grant beneficiaries took this account believing it to be the new SASSA account, or at the very least endorsed by SASSA;
- Beneficiaries who took loans were told that they had to take the EPE (green card) account in order to get the loan;

- Once a beneficiary takes an EPE account, his/her SASSA card account is immediately deactivated and the social grant is automatically transferred into the EPE account;
- The process to revert back to the SASSA card from the EPE account is extremely onerous for the beneficiary;
- SASSA has no direct information about the number of EPE accounts opened for social grant beneficiaries, as the arrangement is directly between the beneficiary and Grindrod Bank;
- The number of EPE cards being presented at cash pay points for beneficiaries to access their money is growing rapidly. This will create a problem as SASSA tries to control the cash pay points more effectively.

QUESTION 8

- How is SASSA carrying out the conversion of open pay points to fixed structures?

RESPONSE

SASSA had over 4,000 open pay points when the project to eliminate open space pay points commenced in 2013. The project involves identification of land, either through the municipality or the tribal Authorities, which can be used to build a pay point structure. A formal request is then made to the respective land owner i.e. Municipality or Tribal Authority to either donate the land or provide permission to occupy. The conversion does not only mean building new structures, but also include migration of open space pay points to fixed structures such as community halls, churches etc. Considering the high costs of building the pay points and the unavailability of resources, SASSA resolved to rather migrate to existing community infrastructure as far as possible as opposed to construction.

QUESTION 9

- How big is the challenge of Refugees in resolving payment exceptions?

RESPONSE

Refugees are legally allowed to access social grants (all grant types except for the war veterans' grant). Refugees access social grants through Regulation 11(1), which enables a citizen, permanent resident or refugee to access a social grant in the absence of an identity document. For the purposes of an application, the refugee must have a valid Section 24 permit from the Department of Home Affairs, and the social grant only remains in payment for as long as the permit remains valid.

In attending to social grant exceptions, refugees are excluded, as they are not expected to obtain a South African identity document.

Since social grants are a constitutional right, every citizen, permanent resident and refugee who meets the qualifying criteria must receive the grant he/she is entitled to. However, it should be seen that, despite the uptake of social grants, which has been slightly higher than the projections, the budget for the transfer payments has not been exceeded. This is because the attrition of grants already in the system balance out the new application uptake.

It should also be noted that, internationally, achievement within 5% of projections, that is 5% more or less than the projections, is considered acceptable. SASSA has consistently remained within the 5% margin.

QUESTION 13

- Why is SASSA targeting only 60% of disputed deductions to be resolved? What happens to the 40%?

RESPONSE

SASSA targets 60% as the resolution of disputed deductions does not lie within the Agency's control. There is a dependency on CPS, the payment service provider, as well as insurance companies and even banks. The time it takes to resolve all disputes is not within SASSA's control. The remaining 40% are also attended to, though they take longer to resolve.

QUESTION 14

- Of the total investigated fraud cases, how many were reported to law enforcement agencies and what were the outcomes?

RESPONSE

During the 2016/17 financial year, SASSA investigated a total of 1 195 fraud and corruption cases. These cases were inclusive of backlog and current. SASSA reported 12 cases to law enforcement agencies. The status of these cases is presented below.

- ✓ Seven cases still under investigation;
- ✓ One case finalised implicating four officials, all four officials were found guilty and dismissed;
- ✓ One case finalised involving five private persons, all five suspects were fined R4 000.00 each or 18 months imprisonment;
- ✓ One case under prosecution;
- ✓ Two cases were closed with "undetected" status.