

**STATUS OF RECORDS REVIEW REPORT AS AT 31 MARCH 2020**

**Prepared by Internal Control Unit**

**07 April 2020**

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# Purpose

* 1. The purpose of this report is to provide Portfolio Committee with the progress on status of record review matters raised by AGSA during interim audit and as reported to the Committee by AGSA in the month of March 2020.

# Oversight and monitoring

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 4:** Based on inspection of the Audit Action Plan for September 2019, there is slow progress in resolving prior year external audit findings by the senior management of SASSA, majority of corrective measures are still in the process of being implemented. | To monitor progress on the implementation of Audit Action Plan | 31 March 2020 | The Audit Action plan has been monitored timeously and it was one of the 2019/20 APP targets and Operational plan. The Agency at high level achieved 95% (or 78 out of 82) of planned corrective actions/measures implemented as at 31 March 2020. | Mr Tsakeriwa Chauke (Chief Financial Officer) |

# Financial Management

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 7:** The asset management policy is not aligned to the generally recognized accounting practices (GRAP). A finding was raised in the 2017-18 and 2018-19 audit, and the finding still remains for the 2019/20 audit as management has not finalised the review. The policy indicates that a change in accounting estimates will result in the correction of a prior period error. However, the policy should state that the effect of a change in an accounting estimate shall be recognised prospectively by including in the period of the change and/or future periods, if the change affects both. | Assets Management Policy will be amended aligned to GRAP | 31 December 2019 | Amended Assets management policy was approved on 21 January 2020 and it has been implemented | Ms Masello Modise (Senior Manager- Asset Management) |
| **Paragraph 8:** We confirmed that the reconciliations for major accounts are performed every month. However, it was noted that some of the reconciliations (debtors/creditors/WIP schedule) were not reviewed by a senior official | To implement as standard control procedure that month end & year- end major accounts recons are reviewed by a SM. | 10 March 2020 | The yearend and half year plan signed on 10 March 2020 requires respective account reconciliation to be reviewed by a SM (Module Owner) and certified at a GM level. This has since been implemented. | Mr Itumeleng Sedite (GM: Financial Accounting) |
| **Paragraph 9 & 10:**  **9.** As reported in the prior year, SAPO had not been submitting the reconciliations as required per the master agreement and as a result SASSA had not paid SAPO for service fees from May 2019. SAPO has since submitted reconciliations up to December 2019. SASSA has made payment based on these reconciliations until September 2019 but excluding July and August 2019, for which the calculations of SAPO have been contested. The remaining reconciliations are in process of being verified by SASSA.  **10.** SASSA made payments to SAPO invoices for April without proper reconciliations. | Signed-off reconciliations together with supporting documentation will be compiled and shared by SASSA and SAPO to keep records of all payments made. | Ongoing | SASSA has been working with SAPO to get signed off reconciliations with all supporting documents and these have been received for April, May, June, August, and October 2019. The reconciliation for July and September 2019 had challenges and have been sent back to SAPO for correction. The invoices for December 2019 and January 2020 have now been received. SASSA and SAPO established a joint task team to develop the reconciliation processes with adequate supporting documents that will be used to raise accruals and payables for the 2019/20  SASSA made a commitment only to pay SAPO for service fees on a signed off reconciliation, which is accompanied by the supporting documents.  The invoice for paid for April 2019 will be reviewed based on any outcome of the reconciliation processes agreed with SAPO together with supporting documents received. After approval of April 2019 an amended reconciliation was received and the necessary adjustments were made.  A meeting was held with SAPO and FSS (the supplier that manages the IGPS grant payment system) in March 2020 to clarify the principles for the reconciliation so that these could be reduced to writing and applied consistently, as differences were found in the reconciliations submitted. Based on these agreed principles, all the reconciliations already submitted would be reviewed and adjustments made before 2019/20 Annual Financial Statements preparation  Grants Administration is also working with ICT to develop a system to perform 100% comparison of all data submitted by SAPO with the reconciliations, as currently this has to be done manually, which is very time consuming | Ms Dianne Dunkerley (Executive Manager- Grant Administration) |
| **Paragraph 11:** An appeal judgement was granted by the Supreme Court against CPS and in favour of SASSA on the 30th September 2019. However, the R316 million to be paid by CPS has not been recognised as a debtor CPS due to the fact that CPS has lodged affidavits with the Constitutional Court in a bid to have the Supreme Court of Appeal's ruling be reversed. | The Agency to disclose the R316 447 361 together with interest of R285 527 820, a total of R601 975 181 as debt due by CPS in the Annual Financial Statement for the year 19/20 | 31 March 2020 | Constitutional Court dismissed CPS case and appeal of the Supreme Court of Appeals to repay the R316 million with interest.  Since then a debt against CPS was correctly raised in the applicable financial period, February 2020; in the amount of R595 348 568, being capital of R316 447 351 and interest of R279 899 207 that accrued up to 18 February 2020. | Mr Itumeleng Sedite (GM: Financial Accounting) |

# Performance Management

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 16 & 17: 16:** The standard operating procedures and/or technical indicator descriptions are not aligned to the annual performance plan indicators, therefore, the process for collecting, collating and reporting on information is not described  **17:** The draft Strategic Plan (SP) for 2020-2025 and APP for 2020-2021 were reviewed on programme 2: Benefits Administration and Support and identified the following findings:  *Situational Analysis (SP and APP)*  • It was unclear how the recommended planning tools as per the revised framework for strategic plans and annual performance plans (R-FSAPP) were used in SASSA’s SP and APP.  • It was unclear how the challenges as included in the SP and APP under the external environment were going to be addressed.  • The three key core elements of the internal environment as per the R-FSAPP (ICT, BBBEE and women, youth and people with disabilities) were not included in the SP and APP | Matter on Technical indicators emanates from the exercise undertaken by AGSA to review SASSA’s 2020-2025 strategic and 2020/21 Annual Performance plans.   * The AGSA observations/findings were considered and incorporated into the plans prior to tabling to Parliament on 18 March 2020.   Matter on SOPs relates to the current Annual Performance plan (2019/20) in which the AGSA indicated that some (four) SOPs were not submitted during the preliminary audit.  **The affected indicators were:**   * Number of grants in payment including Grants –in-aid; * Biometric enrolment of beneficiaries implemented by SASSA; * Percentage of total SRD rand value (R410 million) awarded through cooperatives and SMMEs; * No. of applications for children aged 0-1 processed.   SOPs for these indicators were submitted to the AGSA except for the % of SRD rand value awarded through cooperatives. This indicator’s SOP is part of the general SRD indicator that chases the number of applications awarded by SASSA. | 16 March 2020 | Both the matters were clarified and to AGSA at the Audit Steering Committee meeting held on the 16th March 2020 and therefore resolved. | Ms Raphaahle Ramokgopa  (EM: Strategy and Business Development) |

# Procurement and contract Management

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 21 & 22**  **21:** There is an indication that slow finalisation processes of lease accommodation procured through Public Works (68 Contracts) might result in irregular expenditure, as indications are that SASSA (Local, District or Regional office) will occupy the existing buildings after the expiry contracts due to SCM processes not being finalised in time. | Leases of office accommodation and pay points   * Agreement reached with National Treasury for the Agency to submit all leases due to expire within 12 months for consideration of extension of the lease; * Where a leases was previously extended, a new lease must signed with the landlord provided that:   + The building still meets the Agency’s requirements;   + The Agency has invested in the building (network connectivity, through infrastructure improvement);   + Rate per square meter is market related;   + Negotiate further reduction of the rate per square meter * This is to minimize unnecessary movement of offices. | Ongoing | In line with agreement with National Treasury, the following progress were made:-  •35 Applications were approved;  •8 Applications were not considered;  •8 Applications are still under review | Mr Gerson Masakona (General Manager-Auxiliary Services and Facilities Management)  Ms Thandi Sibanyoni (Acting Executive Manager- Corporate Services) |
| **22:** Contracts were not always awarded through normal tender processes as in quarter one, 2 contracts were awarded through a deviation and another through a variation/extension of contract and in quarter two, 4 deviations were awarded through a deviation and 1 contract was extended through a variation. There were 16 deviations for the period to the value of R723 million. All deviations above R1m were reported to AGSA and Treasury and 3 deviations to the value of R3.5 million were not supported by Treasury and were included in the irregular register | SASSA is continuously addressing the challenges it faced relating the progress on procurement of office accommodation by the National Department of Public Works  SASSA to review Immovable Property Management Policy to allow it to procure office accommodation directly from the private landlords.  Engage National Treasury to consider and approve requests in terms of paragraph 8.5 & 9.2 of the SCM Instruction Note 3 of 2016/17 | Ongoing | The Immovable Property Management Policy was amended to allow SASSA to procure office accommodation directly from the private landlords.  The amended Policy was submitted to the Minister for consideration and approval.  SASSA continues to comply with the National Treasury’s advice to avoid irregular expenditure. This includes submission of requests to Treasury for the expansion of leases that will expire soon, and apply for a deviation to enter into a new lease in case the further expansion would exceed the 15% allowed variation. | Mr Gerson Masakona (General Manager-Auxiliary Services and Facilities Management)  Ms Thandi Sibanyoni (Acting Executive Manager- Corporate Services) |
| **Paragraph 23:**  *Consequence management - It was noted that the slow progress in finalising cases under investigation remains an issue of concern. SASSA is still not able to adhere to its own plan of finalising cases within 90 days. We Inspected SASSA audit action plan as at 09 October 2019 and noted that there is slow progress in implementing the recommendations of prior year findings. Preventative measures were not taken to prevent Irregular, fruitless and wasteful expenditure, which results in non-compliance.* | * Labour Relations to assist managers and supervisors in the disciplinary process against officials who commit financial misconduct. | On-going | SASSA appointed a Specialist in Labour Relations during the fourth quarter to focus on finalisation of the labour matters.  SCM is in the process of finalising the appointment of a panel investigators to assist with the investigations and disciplinary processes.  A pool of managers are being trained per regions to build internal capacity to deal with labour matters. The trained managers will take over from the panel as and when they become familiar with the processes of representing the employer and presiding over matters.  SASSA submitted a further request for condonation of finalised cases in March 2020.  SASSA has been following up with National Treasury on **282** cases amounting to **R144 418 332.71** where consequence management was finalised and request for condonation was submitted to Treasury on 19 March 2019. The latest follow up letter was sent on 19 February 2020. To date National Treasury is yet to finalise such cases  The consequence management outcome in respect to irregular expenditure to date are as follows:   * Verbal warning (3 officials) * Written warning (21 officials) * Dismissals (1 official) * Not guilty (13 officials) * Resignation (14 officials) * Training (41 officials)   The consequence management relating to fruitless and wasteful expenditure, and Damages and losses is as follows:   * Verbal warning (3 officials) * Written warning (3 officials) | Mr Linda Magubane (Acting Senior Manager- Labour Relations) |
|  | * Enforce the 120 days’ turnaround time for finalization of financial misconduct cases (current cases) and that the 95% of financial misconduct backlog cases must be finalised in the year 2019/20 | 31 March 2020 | 79 % (or 244 out of 309) current cases were finalised within 120 days during the 4th Quarter and 46% (or 541 out of 1179) backlog cases were finalised during the 2019/20 financial year. | Mr Kuduku Mowa (Senior Manager- Internal Control) |
|  | * Eight (8) major irregular expenditure and four (5) fruitless and wasteful expenditure | 31 March 2020 | Two (2) irregular expenditure were finalised. i.e.   * The case of the R 358 million in respect of the Trifecta lease payment was condoned by National Treasury * The case of R316 million Re-registration of beneficiary by CPS is to be recovered from CPS after the Constitutional Court dismissed CPS appeal.   The remaining six (6) cases of R706 million irregular expenditure are being considered by CEO and Labour Relations Unit for purposes finalizing consequence management.  There are five (5) major fruitless and wasteful expenditure amounting to R85 million are prioritised by management The three (3) of major fruitless and wasteful expenditure are being pursued through Legal process against former officials and the former Minister of the Department of Social development. One (1) case, the investigator has completed investigation and the report is under consideration for implementation. And the remaining other case is still under investigation. | Mr Kuduku Mowa (Senior Manager- Internal Control) |

# Compliance Management

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 29 & 30**  **29:** There are still long outstanding cases of irregular, fruitless and wasteful expenditure where investigations have not been finalised as yet. Management has reported that 17% (or 202 out of 1177) backlog cases were finalised during quarter 2. This results in ineffective consequence management processes as investigations are not finalized in time and corrective measures are not implemented.  **30:** The slow progress in finalising cases under investigation remains an issue of concern. SASSA is still not able to adhere to its own plan of finalising cases within 90 days. | 1. Enforce the 120 days’ turnaround time for finalization of financial misconduct cases (current cases) and that the 95% of financial misconduct backlog cases must be finalised in the year 2019/20 | 31 March 2020 | * 79 % (or 244 out of 309) current cases were finalised within 120 days during the 4th Quarter and 46% (or 541 out of 1179) backlog cases were finalised during the 2019/20 financial year. * The Agency will further engage with National Treasury for the outstanding cases that require National Treasury consideration and condonation. | Mr Kuduku Mowa (Senior Manager- Internal Control) |
|  | 1. Eight (8) major irregular expenditure and four (5) fruitless and wasteful expenditure | 31 March 2020 | Two (2) irregular expenditure were finalised. i.e.   * The case of the R 358 million in respect of the Trifecta lease payment was condoned by National Treasury * The case of R316 million Re-registration of beneficiary by CPS is to be recovered from CPS after the Constitutional Court dismissed CPS appeal.   The remaining six (6) cases of R706 million irregular expenditure are being considered by CEO and Labour Relations Unit for purposes finalizing consequence management.  There are five (5) major fruitless and wasteful expenditure amounting to R85 million are prioritised by management The three (3) of major fruitless and wasteful expenditure are being pursued through Legal process against former officials and the former Minister of the Department of Social development. One (1) case, the investigator has completed investigation and the report is under consideration for implementation. And the remaining other case is still under investigation. | Mr Kuduku Mowa (Senior Manager- Internal Control) |

# Human Resource Management

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 35:** There is an increase in the vacancy rate in senior management positions at the various divisions. The high vacancy rate may lead to the entity not being able to meet its financial reporting objectives at year-end and this could have a negative impact on the audit outcomes of the entity. This matter was raised during the previous audit and there has been no progress that has been made on the matter. However, it is noted that the MEMO rescinding the moratorium has been issued on 6 August 2019 to fill the critical positions especially administrative posts within local offices. With regard to senior management positions, only six senior management posts have been advertised since release of the memo that rescinded the moratorium | Filling of critical positions at senior management level and key functions | Ongoing | Of the 11 SMS posts that were identified to be filled, 4 (Senior Manager: Office of the CEO, Senior Manager: Information Security, Senior Manager: Demand and Senior Manager: Risk Management) posts were filled. Seven (7) SMS posts are still in the process of being filled. These are in the final stages of the recruitment process, i.e. awaiting results of security vetting and awaiting candidate’s acceptance of offer.  A number of posts in the grants administration process, finance and supply chain management were also filled. In addition, support posts were also filled in local offices to ensure performance of support functions at local level.  Priority was given to Local Office posts as the Agency is undergoing a review of its operating model. | Ms Thandi Sibanyoni (Acting Executive Manager- Corporate Services) |

# [IT Management](#_top)

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 39:** The Information technology governance, IT service continuity and program change management focus areas were found to be adequately designed and implemented during the 2018-19 financial year. The auditors will verify if the controls are still in place for the current financial year audit review which has recently commenced. | N/A | N/A | N/A | Mr Abraham Mahlangu (Chief Information Officer) |

# [Financial Health](#_top)

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| **AGSA Review to Portfolio Committee** | **Commitments** | **Date of commitment** | **Status** | **Responsible Person** |
| **Paragraph 45 &46:**  **45:** SASSA’s approved budget appropriation was reduced by 8% from prior year. The decline will have a negative impact as it is not aligned with the projected consumer price index.  **46:** According to the in-year monitor reports, a surplus of R459 million has been reported for the period 1 April 2019 to 30 September 2019. This is a 51.24% decrease compared to the interim R942.3 million surplus reported as at 30 September 2018. | * Engagement with National Treasury on the approval of 2018/19 retained surplus * Reprioritise the 2020/21 Budget Allocation * Prepare a bid for the approval of the 2019/20 retained surplus after the preparation of 2019/20 Annual Financial Statements | 31 March 2020 | At the end of the 2018/19 financial year SASSA made an application to retain R649 million realised for the reporting period.  On 7 October 2019 National Treasury approved the R649 million cash retained surplus realised in 2018/19. This approval assisted to acquire additional or replace some of the ageing fleet required by regional offices. The approved surplus could not be committed in fully so SASSA will continue to engage with National Treasury on the further approval to use the remaining funds for the identified projects thus cushion the impact on budget reduction over the MTEF period.  SASSA will re-prioritise the 2020/21 budget allocation for the achievement of the most critical outcomes in the 2020/21 Annual Performance Plans  The bid will be presented to National Treasury to retain the 2019/20 retained surplus on 31 July 2020. | Mr Tsakeriwa Chauke (CFO) |

# Recommendations

It is recommended that the Chief Executive Officer:

* 1. Approves the Progress on the Status of Record Review as at 31 March 2020 for submission to the Minister of Social Development and Portfolio Committee as requested.

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**MR. T.J CHAUKE**

**CHIEF FINANCIAL OFFICER**

**DATE:**

**Recommendation 10.1 Approved/ Not Approved/ as amended**

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**MS. T B J MEMELA**

**CHIEF EXECUTIVE OFFICER**

**DATE:**