





## MISSION

“The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country’s democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.”



## VISION

“To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability.”



# Purpose and focus areas

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# Purpose

To brief the portfolio committee on the findings reported in the special report on the financial management of covid-19 funds by the Department of Social Development as administered by South African Social Security Agency and highlight key recommendations made.



# Focus areas

The initiative involved payment of the new social relief grant and top-up grants as well as distribution of food parcels to support households most vulnerable to the impact of the pandemic.

## Focus of our audit

**Payment of social relief grant of R350 to distressed adults who are unemployed and not receiving any other form of income**

- *The purpose of the grant was to provide social relief to people in distress which had been exacerbated by the Covid-19 pandemic, it started in May 2020 and ended on 31 January following the extension that was announced in October 2020.*

**Payment of an additional R500 child grant and other top-up grants to the elderly, war veterans, foster care and people with disabilities**

- *The grant consists of the child support grant for existing beneficiaries that was increased by R300 per child for May 2020 only and R500 per caregiver from June to October 2020. Old age, war veterans, disability, care dependency and foster child grants were increased by R250 per month from May to October 2020.*

**Distribution of food parcels**

- *This was a temporary initiative that was in place until the social relief grant of R350 was implemented. All new applications for social relief after 11 May 2020 were channelled to the SRD grant.*



# Budget and actual spending as at 30 September 2020

Description	Budget (R million)	Actual spending (R million)	Remaining budget (R million)
Social relief for distress grant of R350*	11 782	5 890	5 892
Top-up grants	29 109	25 103	4 006
Food parcels	177	177	-
<b>Total</b>	<b>41 068</b>	<b>31 170</b>	<b>9 898</b>

*\* On 15 October 2020, the president announced that the SRD grant would be extended for another three months, ending in January 2021. As per the medium-term budget policy statement and the finance minister's announcement, R6 800 million was redirected from the public employment programme allocation to the SRD grant.*



# FRAUD RISKS IDENTIFIED AT PLANNING STAGE



# Possible fraud risks and associated control weaknesses

## Fraud Risk and control weaknesses identified

- Submission of fraudulent applications which include
  - individuals who do not comply with the criteria to receive the grant but provide false information;
  - individuals submitting fictitious applications or employees loading fictitious beneficiaries;
  - individuals include incorrect information on the application form to fraudulently benefit from the grant; and
  - individuals submit duplicate applications between different regions and within the same family.
- Social grant being approved for beneficiaries who receive other government grants and did not declare this i.e. double dipping.
- Unauthorised changes on beneficiary bank account details resulting in legitimate beneficiary not receiving the grant payments.
- Food parcels being delivered to beneficiaries who do not qualify for them and possible favouritism in the distribution thereof.
- Overpricing in relation to the procurement of goods for the food parcels/ excessive pricing for the delivery of food parcels.
- Payment for goods (food parcels) not received or that are of an inferior quality.

## Recommendation

Sassa to consider the above fraud risks identified and develop a response to these fraud risks, which includes necessary preventative controls.



# Special Covid-19 social relief for distress grant of R350

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# Special Covid-19 social relief for distress grant of R350

*On average, 5,26 million people received the grant at the time of the audit.*

As per the regulations gazetted, a special Covid-19 social relief of **distress** grant of R350 (SRD grant) per month was provided for the period indicated in the regulations to **distressed** individuals who were:

- South African citizens, permanent residents or refugees registered on the Home Affairs database
- currently residing within the borders of the Republic of South Africa
- above the age of 18
- unemployed
- not receiving any form of income
- not receiving any social grant
- not receiving an unemployment insurance benefit and not qualifying to receive an unemployment insurance benefit
- not receiving a stipend from the national student financial aid scheme and other financial aid
- not receiving any other government Covid-19 response support
- not a resident in a government-funded or subsidised institution.



# SRD grant: findings reported

## Double dipping

- We identified payments of the R350 grant to over 67 000 beneficiaries that required further investigation as these could not be entitled to the grant e.g. people working in government and recipients of UIF payments, other social grants and government pension.
- This number included 32 642 individuals that were previously identified in the first report.
- The investigation was critical as this could have resulted in a payment of R23.72 million to individuals who did not qualify for the grant.

## Recommendations

- Obtain the most recent and updated data from Home Affairs, UIF, NSFAS, Sars and other government institutions to strengthen the controls and prevent payments to invalid beneficiaries.
- Remove all confirmed non-eligible individuals from the beneficiary system before making payments for the next month to avoid further potential losses if the payments cannot be recovered, a process to recover funds from non-qualifying individuals should also be implemented.



# SRD grant: findings reported (cont.)

## Information Technology (IT) related findings

- **Developers' access to production environment and overreliance on service provider** - Developers had been granted excessive access on the SRD system that allowed them to perform operational functions and payment job scheduling.
- **Disaster recovery plan (DRP)** - The disaster recovery (DR) site is operational and backups are being performed effectively in compliance with the approved backup policy. However, the covid-19 SRD system failover capability at the DR site has not been tested, and there is thus no evidence that the failover capability will be effective if a major incident occurs at the main centre.
- **Network security** - We identified a number of network security-related control weaknesses that could compromise the integrity of its systems and data.

## Recommendations

- **Developers' access to production environment and overreliance on service provider** - Sassa should restrict developers from having administrative access to the production environment. If this is not possible, IT management should ensure that the activities performed by developers are adequately monitored and reviewed.
- **Disaster recovery plan (DRP)** - Sassa should revise the Disaster Recovery Plan (DRP). A schedule for testing the updated DRP should be developed, including all critical phases of the plan in accordance with the requirements for a high-impact system. The system's failover capability should also be tested at the alternate DR site.
- **Network security** - Due to the confidentiality and nature of the findings, we provided a detailed network security report to Sassa. Management should ensure that the recommendations provided on the detailed report are implemented.



# Top-up Grants



## Top-up grants

- Our analysis indicated that an average of 13,81 million beneficiaries received the top up grants for the period reviewed.
- Due to the urgency to implement the decision on top-up grants, Sassa had experienced internal control challenges in May because of the introduction of a manual process to expedite the extraction of data for the May payment, which resulted in some beneficiaries being overpaid and others not being paid.
- The error of the overpayments and non-payment of grants was due to the delay in the implementation of the changes to the system used to process the splitting of payment dates as well as top-up grant increments.
- For October 2020, approximately R4 953 million was expected to be paid to about 12,6 million beneficiaries, which could have resulted in a shortfall of R946 million.



## Top-up grants: findings reported

### Duplicate payments and non-payments not detected

- Changes to the information technology system to enable the payment of the top-up grants could not be completed in time for the May grant payment and a manual workaround was used with few controls to prevent mistakes. This resulted in **duplicate payments and some beneficiaries not receiving their grants**.
- These issues were subsequently corrected.

### Recommendations

- All systems and controls are in place and have been tested before any payments are made.
- There should be adequate segregation of duties to ensure that proper reviews are performed before payments are made.





## Distribution of food parcels

- Sassa distributed 146 936 food parcels.
- Food parcels were distributed after manual application forms had been completed and approved, as per the ministerial directions signed on 30 March 2020. Sassa distributed 146 936 food parcels.
- The distribution of food parcels was part of covid-19 relief response, a process of capturing all required information on the social pension system (Socpen) and resolving any anomalies identified was subsequently implemented.
- Once this process had been completed, Sassa was going to reconcile the applications, orders and distributions.
- This reconciliation was necessary because a manual process was followed for the application for and distribution of food parcels during the pandemic – This process was not yet completed at the time of the review.



## Food parcels: findings reported

- **Inadequate planning and coordination** - Sassa had not consulted with DSD to ensure most efficient and economical provisioning process to maximise the number of beneficiaries that could benefit.
- **Inadequate controls over distribution of food parcels** - Beneficiaries received food parcels more than 50 days after their application. Food parcel items did not always agree to SRD content list in terms of quantity and specified items. Some items were damaged or poorly packaged. Food parcels not distributed were poorly handled and stored resulting in further damages. Most items were not marked “not for resale.”
- **Inadequate controls in the manual process followed** - Food parcel allocation and orders recorded on excel after distribution to beneficiaries. Sassa standing operating procedure did not make provision for such manual preventative control.
- **Inadequate planning, guidance and record keeping**
- **Inadequate monitoring and reporting on food parcel distribution** - The monitoring activities were deficient in most regions, we also found differences between the detail register and the information reported to the relevant structures.



## Food Parcels Distribution: findings reported (cont.)

- **Poor planning of the procurement process** - We identified several indicators of poor planning in the initial competitive bidding process. This poor planning led to the bid validity period needing to be extended and, ultimately, to the bid being cancelled. This, in turn, resulted in Sassa having to enter into a quotation process to ensure continuity of services.
- **Procurement of food parcels: possible collusive bidding**- We identified five possible restrictive horizontal relationships between bidders that had already tendered for the competitive bidding process.
- **Procurement of food parcels: unfair evaluation during quotation process** - We noted one instance where a bidder was unfairly invited to quote for the supply and issue of SRD, one instance where a bidder was unfairly excluded from the invite to quote for the supply and issue of SRD, and one instance where a bidder was not appointed because price and preference were unfairly evaluated.

### Recommendation

- The accounting authority should ensure that proper planning is done for competitive bidding processes and that the Bid Evaluation Committee (BEC) evaluations start as soon as possible after the closing date of the bids.
- The BEC members should be aware of the risk indicators for collusive bidding. Sassa should investigate the potential collusive bidding and report it to the Competition Commission.
- The Bid Adjudication Committee (BAC) should adjudicate bids to ensure that the evaluation and scoring is fair, consistent and correctly calculated and applied.



# CONCLUSION

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# Conclusion: all focus areas

## R350 SRD grants

- The SRD grant was paid to approved applicants, but there were challenges encountered in finalising the monthly validations in a timely manner for each approved applicant every month. Some payments were delayed because the applicants did not provide accurate banking details.
- Sassa was asked to determine the full extent of the applicants who were paid but were not entitled to the grant and to start a process to recover these payments. Sassa continuously considered the objections received from rejected applications and only paid the applicant once they have provided sufficient evidence that they are entitled to the grant.
- Sassa should follow formal risk acceptance procedures until the monitoring or termination of developer access to the SRD system is implemented.

## Top-up grants

Management successfully implemented the payment of the top-up grants and resolved the finding we identified in the first special report on overpayments and underpayment.

## Food Parcels

Sassa completed the food parcels distribution and had to prioritise finalising the Socpen capturing so that it can reconcile all applications, orders and distribution.

The agency indicated that they will investigate possible collusion in the food parcel tender processes and take appropriate action.



## Call to action

- This report should be used to **direct oversight actions** on how the multibillion rands entrusted for the Covid response was used.
- Upcoming months should be used to **monitor** whether control weaknesses that open the funds to abuse are being closed and whether instances where abuse has occurred were dealt with appropriately.
- **Appropriate action** should be taken to ensure that all recommendations in the report are **implemented**.
- Accounting officers and authorities should invest in **preventative controls**. It pays off when an institution is called on to deal with a crisis and is better than dealing with lengthy and costly investigation and a loss of resources and public confidence.
- **Transparency and accountability for government spending** must always prevail – even in the midst of a crisis.



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