



## **Report of the Portfolio Committee on Social Development on the submission to the Presidential State Owned Entities Review Committee**

### **1. Introduction**

The South African Social Security Agency (SASSA) is a Public Entity established in terms of Section 2 of the South African Social Security Agency Act, 2004 (Act No. 9 of 2004). Its mandate is to ensure the provision of comprehensive social security services against vulnerability and poverty within the constitutional and legislative framework.

The National Development Agency (NDA) is a Schedule 3 (A) Public Entity established in terms of Section 2 of the National Development Agency Act [No.108 of 1998]. The NDA's primary's mandate is to contribute towards the eradication of poverty and its causes by granting funds to civil society organizations for the purposes of carrying out projects or programmes aimed at meeting development of poor communities, and strengthening the institutional capacity of other civil society organizations involved in direct service provision to poor communities.

### **2. South African Social Security Agency (SASSA)**

#### **2.1 Challenges experienced when dealing with the South African Social Security Agency (SASSA)**

The Portfolio Committee on Social Development had several interactions with SASSA in 2011. The Committee held four meetings with SASSA in 2011: 09 March 2011 to consider the annual report of SASSA; on 30 March 2011 to consider the SASSA Strategic plan; on 16 August 2011 where the newly Chief Executive Officer, Ms Virginia Petersen, briefed the Committee on the strategy to address challenges faced by SASSA; and on 25 October 2011 where the Committee was briefed on SASSA's Service Delivery Model.

The main challenges faced by SASSA resulted in it receiving an unqualified audit opinion for the 2008/09 financial year and a disclaimer audit report in 2009/10 financial year. It received a disclaimer audit report because a number of grant beneficiary files requested by the Auditor – General were not presented for audit purposes. Furthermore, numerous files presented by SASSA did not contain the necessary information that is required to form the basis for a valid grant payment. The other challenge was that the Auditor-General could not satisfy himself regarding the internal controls of SASSA. In 2010/11 SASSA received an unqualified audit report. Despite it receiving an unqualified audit report, the Auditor – General identified the following deficiencies:

- lack of monitoring controls over the reporting process;
- lack of financial knowledge to implement the new financial instruments;
- delay in institutional policy approval and implementation;
- delay in systems preparation and not implementing controls to mitigate risk;
- delay in reconciling accounts timeously; and
- not identifying and managing risk relating to the financial system.



In addition to the above challenges, SASSA during its briefing of the Service Delivery Model to the Committee on 25 October 2011, reported that it was faced with challenges pertaining to lack of uniformity and standardisation of SASSA processes and implementation of policies, overcrowding at the service points, sleep-overs and early arrivals at the service points, long waiting periods for services, repeat visit by clients, backlogs in the processing of applications, lack of adequate office accommodation, significant growth in beneficiary numbers, lack of automation, inadequate staffing, unsuitable pay point environment, poor records management and lack of systems resulting in increased risk of fraud and corruption. The Service Delivery Model was thus developed to address the challenges mentioned above. The model provides a strategy for service delivery improvements through short, medium and long term interventions.

## **2.2 Concerns of the Committee**

The concerns of the Committee included:

- SASSA remains constrained to perform its main task of managing the distribution of social assistance grants mainly due to the lack of human resource capacity, infrastructure and related operational systems.
- SASSA's most crucial challenges relate to developing and implementing efficient internal controls as regards to documentation control; code of conduct and ethics for staff; financial management and internal operational processes - work flows such as standard operating procedures.
- The existing dual accountability between the department and SASSA over the flow of funds (transfers and subsidies), which resulted in the department receiving an qualified audit report in 2009/10 and 2010/11 financial years.
- While SASSA continues to expand grants to more people who are most vulnerable, care must be taken not to prioritise increasing numbers at the expense of providing quality services to people.

The Committee noted that the department undertook to strengthen its oversight over SASSA by developing internal audit processes and financial inspections. It felt that this is critical to ensure that the department strengthens its governance over its entities.

## **2.3 Recommendations to improve the work of SASSA**

Having interacted with SASSA, the Committee made the following recommendations:

- Filling of the vacancy gap and train staff in accordance with the new financial systems to successfully implement policies and controls over operations and reporting processes.
- Research and development should be conducted. There should be monitoring and evaluation of SASSA internal structure. This is fundamental to SASSA's ability to improve services to its clients, who are the most poor and vulnerable in society.



- SASSA and the Department of Public Works should work together to identify office spaces for SASSA offices.
- The issue of dual accountability between the department and SASSA should be addressed so as to clarify the problem of accountability over the flow of funds (through transfers and subsidies) to SASSA.
- The audit committees of the department and SASSA should meet regularly to monitor, review and recommend improvements with regards to internal controls and systems.
- The department and SASSA should ensure that there should be skills transfer from contractors to SASSA employees so that there would be sustained effective functioning of SASSA.
- The Committee noted that SASSA had been paying the Special Investigating Unit (SIU) R3 million monthly since its inception to conduct investigation on fraud and corruption with regards to social grants. It felt that this is very costly. It therefore, recommends that the department should fast track and finalise the establishment of the Inspectorate for Social Security provided for in the Social Assistance Act (NO. 13 of 2004), so that SASSA can conduct its own investigations to save costs.

### **3. National Development Agency (NDA)**

#### **3.1 Challenges experienced when dealing with the National Development Agency (NDA)**

The Committee held three meetings with the NDA in 2011; on 09 February to consider NDA 2009/10 annual report, on 30 March to consider the NDA Strategic Plan and on 13 October to consider the NDA 2010/11 annual report.

The main challenge the NDA reported to the Committee was the reduction of its original budget allocation in 2011/12. It received a budget allocation of R83 million which marked a sharp decrease (of 42%) from R144.8 million that was allocated in 2010/11. The original R67 million budget that was allocated for project funding was reduced to R33 million. This shortfall resulted in the NDA not being able to meet all its targets. One significant target that could not be met was the envisaged split between mandate and administration expenditure.

Pertaining to projects, the NDA reported to the Committee that funding for some projects had to be withheld due to infighting among project beneficiaries.

#### **3.2 Concerns and recommendations to improve the work of NDA**

- The Committee expressed its dissatisfaction with the NDA's delays in addressing the issues of inadequate skills and competencies of its employees in order to provide effective support to projects. It therefore recommended that a retention strategy should be developed as a measure to retain staff.
- The Committee felt that the lack of proper conflict resolution measures to assist project beneficiaries to resolve conflicts is a critical aspect that needs urgent attention.



- In relation to the aforementioned recommendation, the Committee recommended that the NDA should strengthen its measures to capacitate NGO's and CBO's it funded.
  - The entity should strengthen and improve its core business and put more focus on achieving its target of reducing administrative costs. It should also mobilize more resources in order to achieve this objective.
  - With regard to the challenge of the reduction of budget allocation, the Committee advised the NDA that it should have revised its strategic plan and set new targets to avoid discrepancies in reporting on the initial strategic plan and the achievements.
  - There is a need for the NDA to refocus its strategic objectives and align them to the mandate of the Department of Social Development and Government priorities. This would shift the perception about the NDA as solely a poverty alleviation entity. The Committee suggested that the mandate of the NDA should be expanded to include Early Childhood Development programme.
  - The NDA should consider awarding funding to projects based on the poverty levels instead of the population size. This will enable projects in provinces where there are high poverty levels to receive funding.
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