Third Report to the Constitutional Court

by the

Auditor-General and the Panel of Experts

in the matter of

Black Sash Trust v Minister of Social Development and Others:

Case CCT 48/17

29 January 2018

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1 BACKGROUND

1.1 Introduction

1.1.1 This is the third Report ("the Third Report") of the Auditor-General of South Africa and the Panel of Experts ("the Panel") appointed by the Court as contemplated in paragraph 12.4 of the Court Order of 17 March 2017 ("the Court Order"). The Panel was appointed by the Court in Directions dated 6 June 2017. The Report must be read with the first and second reports to the Court ("the First Report" and "the Second Report") filed respectively on 15 September 2017 and 17 November 2017. This Report reflects matters ***as at 26 January 2018.***

1.1.2 This Report is structured as follows:

1 Introduction, the Second Report to the Court, the Court's Directions of 7 November and 29 November 2017 and a summary of key aspects
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1.1.3 A report on steps taken to evaluate the matters referred to in paragraphs 12.1 to 12.3 of the Court's Order is attached hereto as Annexure "A".

1.1.4 In this Report, reference to the Panel includes the Auditor-General.

1.2 <u>Summary of key aspects of this Report</u>

1.2.1 The Panel has *inter alia* found that -

- the payment of social grants since the Panel's Second Report proceeded without disruption;
- SASSA's efforts to inform beneficiaries that the EasyPay Everywhere card is not a SASSA card, have not been effective;
- the current system of recourse and redress for beneficiaries who experience problems with payments is wholly inadequate;
- SASSA has complied with the Court's directions issued on 07 November 2017 with regards to a communications plan to be developed by the Government Communication and Information Service ("GCIS"), but the Panel has concerns regarding its effectiveness;
- SASSA's reports to the Court are fairly general and do not fully inform the reader as to the specifics of this project, being especially vague on the timelines and extent of actions required;
- SASSA has no immediate plan to properly audit the number and location of cash pay points in the near future;
- SASSA has seemingly no intention of limiting costs by restricting cash payments at pay points exclusively to persons who do not live within five kilometres from any ATM or POS device or facility, nor are they considering the Panel's recommendation to select only one pay point most convenient to the beneficiaries from the options available;
- notwithstanding the crisis they face and despite the absence of a statutory mandate to do so, both SASSA and the IMC continue to emphasise the importance of local economic development at cash pay points as the rationale for maintaining the status quo;

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- a number of concerns regarding the SASSA/SAPO agreement and concerns regarding SAPO as service provider have been identified.

1.2.2 In summary, the Panel recommends that –

- SASSA design and record the details of a transition agreement with CPS in order to allow for the managed transition from CPS to SAPO and the other new cash payment service provider;
- SASSA immediately implement its objective to re-evaluate the need for cash paypoints in order to retain only those that are absolutely necessary;
- SASSA and SAPO enter into appropriate service level agreements without undue delay;
- SASSA and SAPO amplify and amend the provisions of their services agreement;
- DPME investigates the efficacy of the SASSA Act in respect of strengthening the autonomy of SASSA and of SASSA's CEO and the appropriateness of SASSA being a public entity in performing these functions;
- SASSA designs and records the details of a complaints and dispute resolution mechanism and procedure for the new grant payment system and the transitional period; and
- SASSA must obtain written mandates from social grant beneficiaries to make payments into bank accounts, in general but also specially in regards of Grindrod Easy Pay Everywhere bank accounts;
- SASSA must not pursue the creation of a standardised bank account with the banking industry prior to 1 April 2018, but engage with commercial banks individually on the products that can be used to meet SASSA's requirements.

1.3 The Panel's Second Report to the Court

1.3.1 The Panel's Second Report was filed on 17 November 2017 ("the Second Report"). In the Second Report, the Panel had *inter alia* found that -

- although six options had initially been identified, no proper consideration of the benefits or disadvantages, or cost implications, had taken place;

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- because the South African Social Security Agency ("SASSA") had decided to pursue its then current approach as the only option, it had neglected to question the fundamentals of this exercise;
- the Inter-Ministerial Committee on Comprehensive Social Security ("IMC") - mandated process carried the risk of the state again being locked into a single service provider;
- the requirements in respect of cost-effectiveness had seemingly been overlooked;
- there appeared to be no justifiable need for SASSA to have a biometric recognition system to perform 1-to-many matching;
- the use of an open architecture platform was a better, more cost-effective long-term solution, if complemented by a mechanism to provide cash payments at pay points for beneficiaries who do not live within five kilometres of an automated teller machine ("ATM") or point of sale ("POS") facility.

1.3.2 In Part 4 of the Second Report, the Panel proposed an alternative to what SASSA was then proposing, which broadly included –

- the use of commercial bank accounts for direct payments of social grants to beneficiaries via the National Payment System ("NPS");
- a requirement that social grant beneficiaries who live within five kilometres from any electronic payment device or facility should be required to make use of such a device or facility, as the right of access to social assistance should not require the state to provide a variety of payment options simply because beneficiaries might find that convenient;
- special arrangements to be made within this system for social grant beneficiaries who are differently abled or require special assistance;
- the scientific determination from time to time of the total number and location of pay points required for this purpose at any given point in time, to ensure that pay points are not provided in specific locations simply because historically that has been the case; and
- the use of cash points for payments to social grant beneficiaries who do not live within five kilometres from any electronic payment device or facility.

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1.3.3 The Panel then made a number of recommendations designed to address the risks identified in its findings, including that -

- SASSA be instructed to provide reasons why the alternatives described in Part 4 of the Second Report are not feasible;
- if they are feasible, for SASSA to set up a system of direct payments into beneficiary bank accounts from SASSA's own corporate bank account, enabling beneficiaries to access grants through the NPS and for this process to be tested and ready to effect payments by 1 April 2018;
- that a short series of meetings be held by stakeholders in this process, urgently and in the national interest, under the auspices of the South African Reserve Bank ("SARB") and the National Treasury ("NT"), to consider, develop and agree on a social grant distribution framework which will provide for desired outcomes, to be implemented by SASSA and the Department of Social Development ("DSD") in collaboration with relevant role-players, subject to certain oversight arrangements;
- in respect of the payment of social grant beneficiaries who do not live within five kilometres from an ATM or POS device or facility, SASSA and other relevant role players should carefully evaluate and if possible find other solutions making use of new technologies or facilities to be implemented at this point in time;
- SASSA conduct an open, competitive bidding process, to appoint (a) successful service provider(s) in respect of the payment of social grant beneficiaries at cash pay points;
- the NT investigate the conduct of SASSA employees and of officials of the Department of Social Development, in order to determine whether any person should be prosecuted in terms of section 81, 83 or section 86 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), or any other relevant law; and
- the Department of Planning, Monitoring and Evaluation ("DPME") to expeditiously investigate the suitability of the current SASSA management to effectively manage SASSA's performance of its functions in terms of the South African Social Security Agency Act, 2004 (Act No. 9 of 2004) ("the SASSA Act").

1.4 <u>Court Directions: 7 November 2017</u>

1.4.1 The Court on 7 November 2017 issued Directions, *inter alia* instructing SASSA to request that the Government Communication and Information System ("GCIS") develop and implement a focused

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communications plan to inform current and potential beneficiaries/recipients of social grants of the implications of the transition and of the benefits of receiving their social grants via bank accounts provided by a commercial bank or financial institution of their choice.

1.4.2 This Third Report contains the Panel's assessment of the communications plan referred in the previous paragraph, which was submitted as annexure "**PB2**" of SASSA's affidavit to the Court on 8 December 2017, and its implementation.

1.5 Court Directions: 29 November 2017

1.5.1 The Court on 29 November 2017 issued Directions, *inter alia* instructing –

- the Minister of Social Development and SASSA to–
  - *(a)* provide reasons why the alternatives proposed by the Panel in Part 4 of the Second Report were not feasible; and
  - *(b)* if they are feasible, to report to the Court how they intend to set up the system of direct payments into beneficiaries' bank accounts and on the use of new technologies to facilitate payments;
- the Panel to –
  - *(c)* arrange a short series of meetings, to be held under the auspices of the SARB and NT, to consider the Minister's and SASSA's reports, and to report to the Court on the progress and outcomes in this regard;
  - *(d)* make recommendations on the desirability or necessity for –
    - an investigation by the National Treasury into the conduct of SASSA employees and of officials of the Department of Social Development, in relation to all actions undertaken since 2016 to issue contracts to service providers or to give effect to the Court Order of 17 March 2017, in order to determine whether any person should be prosecuted in terms of section 81, 83 or section 86 of the Public Finance Management Act 1 of 1999 or any other relevant legislation; and
    - DPME setting out remedial action to ensure that there is an end to SASSA's lack of proper institutional governance, capacity and oversight by way of the appointment of technically and administratively skilled management as well as a board of qualified experts.

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1.5.2 This Third Report *inter alia* contains the Panel's assessment of SASSA's responses to the matters referred to in subparagraphs (a) and (b) above, as well as a response to the issues referred to in subparagraphs (c) and (d) above.

2 RECENT DEVELOPMENTS

2.1 The SASSA and SAPO on 17 November 2017 under the auspices of the IMC signed an Implementation Protocol[1], which essentially provides for –

- the implementation of the IMC's decision that SAPO must partner SASSA in the payment of social grants;
- the relationships of the parties to the Protocol; and
- SASSA and SAPO to enter into an agreement for the provision of services by SAPO to SASSA in respect of social grant payments.

2.2 SASSA and SAPO then signed a "services agreement" on 8 December 2017[2], for a period of five years, which broadly provides for SAPO to render the following services to SASSA, at an agreed fee:

- electronic banking services;
- account opening and card issuance to new social grant beneficiaries;
- biometric authentication of social grant beneficiaries;
- development of software; and
- cash-in-transit and guard services.

2.3 SASSA reported in paragraph 7.2.3 of their 3rd quarter progress report to the Court filed on 18 December 2017 that the Biometric Identity and Access Management system, which is currently under development and was intended to be used *for staff and technology access for security access data security*[3]; will now also *serve as a platform for beneficiaries' enrolment*.

2.4 SAPO on 29 December 2017 published a tender[4] for an integrated grants payment system, with a closing date of 22 January 2018. This system "will provide SAPO and SASSA with a system to

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[1] Annexure A to SASSA's 3rd report to the Court filed on 18 December 2017
[2] Annexure B to SASSA's 3rd report to the Court filed on 18 December 2017
[3] Paragraph 3.2.3 c) of SASSA's 1st report to the Court filed on 19 June 2017.
[4] http://www.etenders.gov.za/content/integrated-grants-payment-system, last accessed on 25 January 2018

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securely pay social grants to the nominated SASSA beneficiaries. This system will also allow the full management of the life cycle of a beneficiary account portfolio." The latter component includes biometric beneficiary verification, account opening, card issuance, account management & administration, and reporting. The tender seeks to appoint a service provider for 5 years that will supply, integrate with Postbank, roll out over 6 weeks and then maintain the system, as well as provide SASSA/SAPO user training and skills transfer. The Panel expects that SASSA as the client will oversee this matter, and report accordingly to the Court.

2.5 In an advertisement in the *Government Gazette* of 8 December 2017, SASSA invited potential service providers for the provision of cash payment services for social assistance. A compulsory meeting was to be held at SASSA's head offices in Pretoria on 24 January 2018, with the closing date for submission of a bid being 2 February 2018. SASSA confirmed[5] that it will have evaluated all bids received by the end of February 2018.

2.6 The Panel received copies of the SASSA tender documents on 17 January 2018, with the following relevant points:

- over 2,5 million beneficiaries across the country currently receive cash payments;
- SASSA wants a service provider for 5 years, during which time they plan to progressively reduce the number of cash pay points as well as reduce the number of beneficiaries receiving cash payments by at least 8% per year;
- SASSA intends to take over this function after the 5 years through a Phase-Out process;
- the new service provider will be phased in while the current service provider (CPS) is phased out;
- the provision of a smooth transition without disruption of payments, as well as security, confidentiality, fraud prevention, payment reconciliation and management information; and
- commencement of the new service provider's services is only foreseen on 2 July 2018.

2.7 CPS has instituted legal proceedings against SASSA emanating from the cash payment service level agreements that CPS alleges were breached by SASSA. SASSA has informed the Panel

[5] At its meeting with the Panel on 18 January 2018

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that CPS made several claims in all the provinces it was rendering services, alleging that it had suffered damages (deprivation of an opportunity to earn full service fees) as a result of new beneficiaries having been advised about getting their grants at SAPO and the banks. According to SASSA, CPS is of the view that it had exclusivity to pay grants (irrespective of the payment method). The claims of R 792 853 000.60 have now been referred for arbitration and arbitrations will resume after July 2018.

2.8 Grindrod Bank continues to market their Easy Pay Everywhere bank accounts.

2.9 On 4 January 2018, SASSA appointed Rangewave "to provide the Information Technology & Banking Advisory services". Rangewave Consulting (Pty) Ltd was one of the service providers collectively referred in 2017 as the (now-defunct) workstreams.

2.10 SASSA's lawyers on 18 December 2017 wrote to the Chief Justice, pointing to "... the content of Paragraph 6.5.3 of the Report[6] which in essence requires the services of Cash Paymaster Services (Pty) Ltd ("CPS") for 'at least 6 months during the transition process to ensure the uninterrupted payment of social grants' and this is to commence on the 1st of April 2018." The letter states that SASSA has not procured a service provider for cash payment recipients, and that a further directive was being awaited from the Court.

3 EVALUATION AND FINDINGS

3.1 Current payment of social grants

3.1.1 The Panel received monthly statistical reports from SASSA, as directed by the Constitutional Court. The most recent of these reports (November and December 2017), provide comprehensive statistics on the current grant administration and payment system, and the Panel wishes to express its appreciation for these informative reports.

[6] SASSA's Third Quarter Progress Report to the Court (explanation provided)

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Grants paid

3.1.2 Based on the information available to the Panel, the payment of social grants since the Panel's Second Report proceeded without disruption. By the end of December 2017, there were **10 766105 beneficiaries** who received **17 347 263 grants** social grants.[7]There was a reduction in the number of grants paid in December 2017, primarily due to the lapsing of Foster Care Grants for children who turned 18 years in the previous year (Table 1 below).The cumulative expenditure on social grants from April to December 2017 was R 112.602 billion, representing 74 percent of the annual budget allocation.[8] The amount includes payment for Social Relief of Distress, mainly in the form of food parcels and vouchers.

Table 1: Number of social grants paid March to December 2017

Month	Number of social grants paid	Change over previous month
March 2017	17 200 525	-
April 2017	17 229 386	28 861
May 2017	17 241 409	12 023
June 2017	17 329 363	87 954
July 2017	17 330 034	671
August 2017	17 360 464	30 430
September 2017	17 388 154	27 690
October 2017	17 443 994	55 840
November 2017	17 515 723	71 729
December 2017	17 347 263	-168 460

Source: SASSA Fact Sheets, March-December 2017. Totals include Grant-in-Aid.

3.1.3 Child Support Grants by far, constitute the largest proportion of grants paid (70.3 percent), followed by Old Age Grants (Table 2 below). The majority of beneficiaries of social grants are adults under the age of 60 years. This segment of beneficiaries is likely to be active, literate and capable of

[7]SASSA Third Statistical Report: Payment System April-December 2017, Table 4.
[8]SASSA Third Statistical Report: Payment System April-December 2017, Table 15.

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using electronic technology – a factor that should be taken into consideration in migrating social grant beneficiaries from cash pay points to the National Payment System.

Table 2: Grant types paid December 2017

Grant Type	Number of grants	Percentage
Old Age Grant	3 380 904	19.5
War Veterans Grant	145	0.0
Disability Grant	1 065 536	6.1
Grant-in-Aid	184 696	1.1
Care Dependency Grant	146 666	0.8
Foster Care Grant	371 643	2.1
Child Support Grant	12 197 673	70.3
Total	**17 347 263**	**100.0**

Source: SASSA Fact Sheets December 2017

Payment channels

3.1.4 Social grant beneficiaries have the flexibility to access their social grants through ATMs, retailers or merchants, and cash pay points. SASSA reported that there are 8460[9] cash pay points, most of which are in the Eastern Cape (2631), Limpopo (2015) and KwaZulu-Natal (2631), and 924 merchants.[10]

3.1.5 The payment channels used by beneficiaries have been relatively constant between June and December 2017. The largest proportion of beneficiaries (57 percent) used ATMs to access their social grants, 24 percent used retailers and merchants, and cash pay points were used by 19 percent of beneficiaries. (Table 3 below).

Table 3: Number of beneficiaries per payment channel (December 2017)

Channel	Number of unique beneficiaries	Percentage (%) rounded

[9]The actual number of cash pay points is lower as some pay points are used for more than one day in a payment cycle and counted for each day.
[10]SASSA Third Statistical Report: Payment System April-December 2017, Table 29 and Table 30.

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ATM (Biometric CVM)	797 677	7%
ATM (PIN CVM)	5 381 074	50%
CPS (Biometric CVM)	2 054 846	19%
Merchant Acquiring (Biometric CVM)	199 103	2%
Retail (PIN CVM)	2 296 377	22%
TOTAL	**10 711 795**	**100%**

Source: SASSA Third Statistical Report Table 31

3.1.6 The payment channels used by beneficiaries of Old Age Grants have remained constant between June and December 2017, with 34 percent of these beneficiaries receiving their grants through cash pay points, 43 percent receiving their grants through ATMs, and 23 percent through merchants and retailers.[11]Old Age Grant beneficiaries account for 55 percent of beneficiaries using cash pay points to receive their grants. There is scope for migrating beneficiaries of other grants, in particular, the Child Support Grant, from these cash pay points if accessible alternatives exist. This would require SASSA to conduct an audit of the location and level of use of cash pay points, as well as profile beneficiaries using cash pay points. In its report filed with the Constitutional Court dated 15 January 2018, SASSA indicated that they could prioritise beneficiaries of the Child Support Grant to migrate from cash pay points, provided the transfer did not have a negative impact on the amount of money these beneficiaries received.[12]

3.1.7 According to information provided by Cash Paymaster Services, 10.7 million beneficiaries were paid through SASSA Grindrod bank accounts and just over 35 000 beneficiaries were paid through commercial bank accounts. Included in the Grindrod accounts are grants paid through the Easy Pay Everywhere (EPE) accounts.

3.1.8 The number of beneficiaries with Easy Pay Everywhere ("EPE") bank accounts continues to increase, and passed the two million mark in December 2017 (Table 4 below).

Table 4: Growth in Easy Pay Everywhere bank accounts

Month	Number of beneficiaries with EPE accounts

[11]SASSA Third Statistical Report: Payment System April-December 2017, Table 32
[12]SASSA report filed with Constitutional Court, 15 January 2018, paragraph 4.4.7.1

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March 2017	1 809 778
September 2017	1 952 229
October 2017	1 966 230
November 2017	1 988 308
December 2017	2 016 737

Source: Cash Paymaster Services

3.1.9 SASSA, in its presentation to the Panel on 18 January 2018[13], raised concerns about the aggressive roll-out of EPE accounts by CPS and Grindrod, and advised the Panel that it had taken steps, including the following, to address the problem:

- SASSA issued a circular to confirm that no marketing of any products was permissible at any SASSA office or pay point;
- CPS staff were required to confine themselves to enrolment and payment functions for which they were contracted, and any activities other than these would be seen as a breach of contract;
- CPS enrolment officers were to issue SASSA branded cards only; and
- beneficiaries who opted for EPE accounts were still required to complete the "method of payment" form and return these personally to SASSA for capturing on the system.

3.1.10 While the Panel notes the steps SASSA has taken to address the problem of the aggressive signing up of beneficiaries for EPE accounts, the Panel remains concerned about SASSA's seeming inability to stem the misinformation about the EPE card as the 'new' SASSA card, and to investigate and take action where SASSA staff and CPS staff at SASSA offices are alleged to have marketed the EPE accounts on SASSA premises and at cash pay points.

3.1.11 SASSA plans to transfer payments directly from its PMG account to beneficiary provided bank accounts including EPE accounts as part of its hybrid model, and this direct transfer is provisionally scheduled for the February 2018 payment cycle. The Panel is extremely concerned about the process and timing of this action for the following reasons:

(a) The EPE accounts are a major source of complaints about illegal deductions and financial products that beneficiaries claim they did not purchase. Opening an EPE

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[13] SASSA presentation to Panel, "Update on direct transfers" 18 January 2018

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account is a prerequisite for applying for a loan from Net1 and once opened, beneficiaries can no longer use their SASSA cards to access their grants. Beneficiaries experience great difficulty in closing the EPE accounts once they have paid their loans, and even where they have not been successful in their loan application, they are unable to close the EPE account immediately. The process to close an EPE account is arduous, and at enormous financial cost to beneficiaries for telephone calls and transport. The process is reported to take months, and beneficiaries are concerned that they might not receive their grants while they wait for their SASSA accounts to be "reinstated".

(b) SASSA has not taken concrete steps to secure the required mandate from each of the 2 million beneficiaries for the direct transfer of their grants into the EPE account. In the Panel's engagement with SASSA on 18 January 2018, SASSA informed the Panel that they had not targeted the beneficiaries with existing EPE accounts to obtain mandates, as they were relying on the mandate provided to Net1 when the EPE accounts were opened. SASSA undertook to write to these beneficiaries to obtain mandates for the direct transfers but did not commit to a time frame for completing the process.

(c) The implications for beneficiaries to receive payment directly into their EPE accounts have, to the best knowledge of the Panel, not been explained to beneficiaries. There is the risk that beneficiaries will be locked into bank accounts that have less favourable terms than other payment options.

(d) The low cost bank account with commercial banks is still under discussion. It is anticipated that banks will be engaged individually and the panel expects SASSA to also engage Grindrod on the offering of low cost accounts and products that could meet SASSA requirements.

Complaints and disputes

3.1.12 In its Second Report, the Panel identified several shortcomings with SASSA's management of complaints and disputes. SASSA reported that between April and December 2017, 45 percent of calls were abandoned while waiting to be answered.[14] This high level of abandoned calls has been an ongoing problem, and SASSA appears not to have taken concrete steps to address the problem. This

[14] SASSA Third Statistical Report: Payment System April-December 2017, Table 35.

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is not acceptable as the number of enquiries is likely to escalate over the next few months. The Panel also notes that in all the reports it received from SASSA and CPS, there is no evidence of beneficiaries receiving refunds for erroneous deductions from their grants.

3.1.13 According to information provided by CPS on enquiries and disputes received between May and December 2017, it answered 538 013 calls and resolved 92 percent of these immediately on the telephone. In this period, CPS logged 41 428 calls that could not be resolved immediately: 20 856 (50 percent) were requests from beneficiaries to close their EPE accounts. The remaining were Net1 product disputes (28percent), EFT disputes (12 percent), ATM disputes (6 percent), and funeral disputes (4 percent)[15].

3.1.14 The Panel received reports from the Independent Adjudicator for the Net1 Group on the Office's activities for November and December 2017. The Independent Adjudicator reported that calls to his office declined from 59 in October, to 32 in November and 12 in December 2017, due to clarification given to Net1 staff about the correct channels for lodging complaints, and due to the early payment of grants in December.[16] It should be noted that the beneficiaries may only approach the Independent Adjudicator if they have gone through the Net1 Complaints Management Process, and have not had their complaints resolved.

Engagement with the Black Sash

3.1.15 On 12 December 2017, the Panel received a briefing from the Black Sash, accompanied by social grant beneficiaries who recounted their experiences with unauthorised deductions and their attempts to obtain redress from CPS/Net1. The Black Sash also submitted written case studies on the experiences of beneficiaries whom the Black Sash and advice offices had assisted over the past two years. The following themes emerged from the representations by beneficiaries and the case studies:

3.1.15.1 Misinformation to beneficiaries about the EPE card: Terms and conditions on documents are in English only and not explained to beneficiaries; beneficiaries are enticed with food parcels to open an EPE account, unaware of the implications of doing so; beneficiaries are

[15]Figures consolidated from Cash Paymaster Services Reports submitted to the Panel in July, November and December 2017.
[16]Independent Adjudicator Report of Activities December 2017, page 4.

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encouraged to take loans for larger amounts than what they requested; beneficiaries do not receive copies of documents they have signed; beneficiaries are led to believe that the EPE "Green Card" is the replacement of the SASSA card that will expire in 2017; EPE card holders are charged various fees and claim that these were not explained clearly when they signed up for the card.

3.1.15.2 Wholly inadequate system of recourse and redress: Net1 offices are relatively few (reported to be 144 nationally) and not easily accessible for many beneficiaries, especially those beneficiaries living in rural areas. Beneficiaries incur significant costs in time and money to phone the CPS Call Centre and/or travel to the closest Net1 office, without guarantee that their problems will be resolved expeditiously. There are many other obstacles to recourse and redress for beneficiaries: They are required to provide email addresses if they wish to have bank account statements, and many beneficiaries do not have email facilities; difficulty in obtaining historical banks statements beyond one to three months making it difficult to trace the history of disputed deductions; beneficiaries are required to obtain affidavits and fax these to Net1 as a prerequisite for dealing with disputes; and beneficiaries calling after the 15th of the month to close their EPE accounts might not be assisted immediately and are told to call at the beginning of the next month.

3.1.15.3 Disputed deductions: There were many examples of disputed deductions provided in the Black Sash case studies and by the beneficiaries who addressed the Panel. The Panel is of the view that these disputed deductions are symptomatic of a payment system that enables unethical business practices to flourish without sanction, to the detriment of the most vulnerable people in the country.

3.1.16 The Panel has not yet fully determined the extent of the problems referred to in the preceding paragraphs, but will in due course again interact with SASSA, CPS and Grindrod regarding these issues.

3.1.17 The importance of an **accessible, efficient and effective system of recourse and redress** in the new grant payment system cannot be over-emphasised. The Panel notes that SASSA and SAPO intend establishing an integrated SASSA-SAPO Call Centre as part of the new integrated payment service.[17] The Panel is concerned that insufficient attention is being paid to ensuring that the new grant payment system, including the services to be provided by SAPO, commercial banks and other

[17]"SASSA SAPO Plan: Uninterrupted Payment of Grants in 2018", document filed by SASSA with Constitutional Court, 8 December 2017.

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payment agencies, will have mechanisms in place to provide beneficiaries ***with accessible and low cost/cost-free redress***. Furthermore, there appears to be no complaints or dispute resolution mechanisms/procedure to deal with complaints or disputes that may arise during the transitional period, where SASSA branded Grindrod cards are still in use and were CPS to agree to continue with cash payments[18].

3.2 Loans made to social grant beneficiaries allegedly in conflict with the National Credit Act, 2005

3.2.1 The Panel has received reports - from both non-governmental organisations working with social grant issues as well as individual social grant beneficiaries - of credit being offered and given to social grant recipients which does not meet the provisions of the National Credit Act, 2005 (Act No. 34 of 2005) ("the NCA") relating to over-indebtedness and reckless credit. It is alleged that moneylenders provide credit to social grant beneficiaries without the required affordability tests, as the grants provide collateral. In this regard, the Panel has interacted with the National Credit Regulator ("the NCR") to determine whether the NCR was investigating this matter.

3.2.2 The NCR informed the Panel that proceedings[19] were initiated in the National Consumer Tribunal in respect of reckless lending against Moneyline Financial Services (Pty) Ltd, a subsidiary of Net1 Applied Technologies South Africa (Pty) Ltd. (Cash Paymaster Services (Pty) Ltd, SASSA's current services provider, is also a subsidiary of Net1 Applied Technologies.). The National Consumer Tribunal however ruled on a point of procedure raised by the respondent *in limine*, the merits of the matter not being decided upon. The respondent has now lodged an appeal[20] against the Tribunal's ruling to the High Court (Gauteng Division, Pretoria) which is due to be heard soon. Given that the matter is *sub judice*, the Panel will not comment on this matter, but will continue to observe developments in this regard and at an appropriate time report to the Court.

3.3 Communications plan regarding the payment of social grants via bank accounts

3.3.1 The Panel notes that SASSA has complied with directive d) of the directions that were issued by the Court on 07 November 2017, *to request the Government Communications and Information*

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[18]Obviously, any agreement between SASSA and CPS as contemplated above, would be subject to the Constitutional Court's order extending the suspension of invalidity of the CPS contract

[19] NCT/17884/2014/57(1) reported at [2015] ZANCT 8

[20] Appeal Case no. A440/16

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System ("GCIS") to implement a focused communications plan to inform current and potential beneficiaries/recipients of social grants of the implications of the transition and the of the benefits of receiving their social grants via bank accounts provided by a commercial bank or financial institution of their choice-:

- SASSA has formally requested the GCIS to develop and implement the communications plan[21]; and
- GCIS has developed the communications plan[22] and the implementation has begun, with *inter alia* the two messages on the official Twitter account of the South African Government on 14 December 2017informing beneficiaries of the option to have their social grant monies paid into their private bank account and the benefit of choosing that option.

3.3.2 SASSA has in addition to the communications campaign by the GCIS[23] -

- Started to actively inform applicants of social grants of the option to have their social grant monies paid directly into their private bank accounts; and
- Made the necessary changes to their grant administration system (i.e. SOCPEN), to permit the capturing of bank account details of social grant recipients who opt to have their social grant monies paid into their private bank accounts and to make the payments possible.

3.3.3 The Panel is encouraged by the efforts that SASSA and the GCIS have put into informing beneficiaries of the option to have their social grant monies paid into their private bank accounts. However, the Panel believes that emphasis on the message that *SASSA does not cover the charges associated with the personal accounts of beneficiaries who opt to have their social grant monies paid into a bank account of their choice*[24] – **as is currently the case** - without the necessary context, will not encourage even those grant recipients who would have opted for the option to take it up.

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[21]Letter from SASSA CEO of the Acting DG of GCIS, attached as annexure "PB1" of SASSA's affidavit to the Court submitted on 08 December 2017.

22 Annexure "PB2" of SASSA's affidavit to the Court submitted on 08 December 2017.

23 As reported in paragraphs 5.4.6 b) i and ii of SASSA's Third Quarter Progress Report to the Court submitted on 18 December 2018 and paragraphs 3.2.5.2 of their report titled "SASSA Response to Constitutional Court Directions of 29 November 2017", which is attached as Annexure PBA to SASSA's affidavit submitted to the Court on 15 January 2018.

[24] Paragraph 7.3 b) of the Comprehensive Social Security IMC Communications Strategy – Phasing in of the new Social Grants Payments System, which was submitted to the Court as Annexure "PB2" of SASSA's affidavit to the Court submitted on 08 December 2017. Also see the Posters to communicate social grant payments

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3.3.4 The Panel believes that the option to have social grant monies paid into private bank account of beneficiaries is aimed at those beneficiaries who have existing bank accounts that they are actively using at the time when they apply for social grants. This is on the basis of the fact that SASSA does not **at the moment** contribute to the costs of maintaining the private bank accounts of grant recipients who opt to have the social grant monies paid directly into their account.

3.3.5 The Panel therefore believes that – if this is still the case when implemented - it is necessary to provide the context[25] for why no financial contribution will be made by SASSA for the maintenance of the bank accounts of those beneficiaries who opt to receive social grant monies directly into their accounts, if the option is to be attractive to prospective and current grant recipients, in addition to the benefit already stated.

3.4 SASSA's reports to the Court

3.4.1 The Panel has considered SASSA's reports to the Court filed on 18 December 2017, 8 January 2018 and 15 January 2018 respectively.

3.4.2 **The reports are fairly general and do not inform the reader as to the specifics of this project, leaving many questions to be answered. The reports are especially vague on the timelines and extent of actions required, and in respect of contingency planning.**

3.4.3 The Panel failed to be convinced by SASSA's response to the Court's Directions requiring it to provide reasons why the alternatives proposed by the Panel in Part 4 of its Second Report were not feasible, as presented in its report of 18 December 2017. SASSA in paragraph 10.5 of its report claims that SASSA has always promoted both (i.e. cash and electronic) payment options, yet concedes in paragraph 10.6.1 that "... with the implementation of the current payment contract with Cash Paymaster Services (CPS), the option for beneficiaries to receive money through direct payment into their bank accounts *was not actively promoted.*". This is borne out by the fact that the number of commercial bank accounts (other than Grindrod Bank, which provides services to SASSA)

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options to beneficiaries, whose copies in various languages are included as part of Annexure "PB3" of SASSA's affidavit to the Court submitted on 08 December 2017.

[25] Which is that the option is aimed primarily at those grant recipients who already have bank accounts that they are actively using and are comfortable to continue carrying the costs of their maintenance.

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fell from 4 670 803 in August 2012 to just 36 119 in March 2017, with the biggest fall occurring in June 2013, when in one month the number fell from 2 810 974 to 48 741 the next month.

3.4.4 In paragraph 10.5 of the SASSA report, SASSA states that in respect of both types of payment (cash and electronic payments), it is applying the following principles:

- flexibility - beneficiaries should be provided with the ability to choose the most convenient payment channel;
- convenience - this refers to the ability of beneficiaries to access their grants in the most convenient way, that takes into account their socio-economic, educational and other related aspects of the beneficiary profiles; and
- accessibility - provides for access in the most remote parts of the country.

3.4.5 Against this background, SASSA claims in paragraph 10.7 that there are limitations to the full implementation of the electronic payment options as recommended by the Panel "due to a number of factors which will be outlined in detail in the January 15 Report." It then lists "only a few obvious ones", without substantiation or motivation, as being –

- literacy levels in our country;
- age profile[26] of the beneficiaries (particularly beneficiaries above the age of 75); and
- limited availability of electronic payment infrastructure in rural areas.

In its report of 15 January 2018, SASSA in paragraph 1.2 does not as promised add any further limitations to this list, except for saying that there are a number of factors limiting the full implementation of the alternative, which include the three alluded to above.

3.4.6 The Panel notes that the factors listed above appear to be ignored by SASSA in its plan to pay the approximately two million beneficiaries that currently have Easy Pay Everywhere accounts by direct EFT. It is understood that a significant portion of these beneficiaries currently use CPS pay-points[27], some of which would also be vulnerable to the above factors to the extent that they are relevant.

[26] SASSA in its report of 15 January 2018 to the Court in paragraph 2.7 thereof points out that 31% of all beneficiaries are older than 60, and of these, only 40% collect their grant payments from cash pay points.
[27] Confirmed by SASSA at the meeting with the panel 18th January 2018.

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3.4.7 It is clear from these reports that in considering Part 4 of the Panel's Second Report, SASSA focussed only on the aspect of electronic payments using the NPS. Part 4 however provides for much more, which SASSA has failed to acknowledge or address in any of its reports:

- payments of cash at pay points can reasonably be restricted to areas where beneficiaries do not have access to financial services or electronic payment devices within five kilometres of their permanent domiciles, and only beneficiaries who live more than five kilometres away from any ATM or POS device or facility should be permitted to receive cash payments at pay points;
- SASSA should from time to time determine the total number and location of pay points required for this purpose at that point in time, to ensure that pay points are not provided in specific locations simply because historically that has been the case;
- the right of access to social assistance should not require the state to provide a variety of payment options simply because beneficiaries might find that convenient;
- any system should make provision for exceptions, e.g. for beneficiaries who are differently abled or require special assistance;
- it is not an absolute requirement for every single beneficiary to have a SASSA-branded social grant payment bank card, as is currently the practice; and
- making use of the NPS would allow for an open architecture where no single service provider (such as SAPO now represents) would be able to dominate the payment process, the benefits of such an approach being that social grant beneficiaries would have a choice of service provider and payment channel, *in an open system* (no lock-in with one service provider) *where risks are spread* and existing infrastructure and systems are used at cost-effective rates, providing more protection against abuse.

3.4.8 By entering into an agreement with SAPO, SASSA has yet again locked itself into a service provider for a period of five years, with all the concomitant risks of non-performance. The Panel also notes that SAPO has now issued a tender for the delivery of an Integrated Payment Management System that apparently caters only for the management of the grant payments via Postbank accounts. SASSA should thus consider control measures to facilitate management of performance by SAPO and its contracted service provider.

3.4.9 From the bid specification documents published by SASSA for the cash pay points which SAPO cannot provide, it is clear that SASSA has no immediate plan to properly audit the number and location of pay points in the near future.

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3.4.10 SASSA has seemingly no intention of limiting costs by restricting cash payments at pay points exclusively to persons who do not live within five kilometres from any ATM or POS device or facility. Instead, it wants to provide convenience and promote local economic development – not part of its statutory mandate – without acknowledging that the progressive realisation of every person's right, if they are unable to support themselves and their dependants, to appropriate social assistance as provided for in section 27 of the Constitution of the Republic of South Africa, 1996, must be done within available resources.

3.4.11 The alternatives proposed in Part 4 of the Panel's Second Report is not intended to represent a perfect model for the payment of social grants, and the Panel specifically emphasised any system should make provision for exceptions, e.g. for beneficiaries who are differently abled or require special assistance. The Panel can therefore not understand the seeming reluctance by SASSA to aggressively pursue the alternative.

3.4.12 In paragraph 10.6.2 of its 18 December report, SASSA acknowledges that there has been a significant rise in alternatives, such as mobile banking, and claims that it is therefore considering the use of new technologies to effect payment in addition to the banking channel, *without providing any specifics or concrete actions to support his claim*.

3.4.13 Whilst the Panel welcomes the acceptance of some of the aspects relating to the alternative, it fears that a half-hearted approach to implementing the alternative will not fully realise the potential of the proposal.

3.5 <u>SASSA/SAPO agreement</u>

3.5.1 On 17 November 2017 SASSA and SAPO under the auspices of the IMC signed the Implementation Protocol ("the Protocol") in accordance with the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005), resolving to introduce an integrated payment system provided by government through a partnership between SASSA and SAPO. Clause 10.2 of the Protocol provides that it does not make any legal or otherwise enforceable commitments on behalf of any statutory powers or functions of the parties to the Protocol. Instead, the Protocol contemplates that the parties will enter into further agreements to give effect to the provisions of the Protocol.

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3.5.2 SASSA and SAPO on 8 December 2017 entered into a service agreement in terms of which SASSA appointed SAPO to render the social grant payment services from 1 April 2018 for a period of five years terminating on 31 March 2023. In terms of the service agreement, SAPO will provide the following services:

(a) electronic banking services, including a corporate control account (holding account) and special disbursement accounts;

(b) on-boarding of beneficiaries including instant account opening and card issuance at SASSA local offices and SAPO outlets;

(c) biometric authentication of beneficiaries, by the development of biometric solutions; and

(d) the development of software in conjunction with such other state capabilities, including the State Information Technology Agency ("SITA") and the Council for the Scientific and Industrial Research ("CSIR"), to replace Net1/CPS (software) in the incumbent disbursement model.

The service agreement also provides that after 1 April 2018 the parties may agree to SAPO providing the cash-in-transit and guard services as well as card disbursement services subject to the agreed terms and conditions.

3.5.3 The service agreement provides that there will be a phase in – phase out process 30 days prior to 1 April 2018. This process will include a phased migration of the required services between SAPO and CPS and will be completed by 30 September 2018. In terms of clause 6.3 of the service agreement SAPO is required to transfer systems and assets to SASSA on or about 31 March 2023 to enable SASSA to continue to pay social grants.

3.5.4 Although the Minister of Social Development is not a party to the service agreement, the agreement provides that the Minister has assented to the engagements between SASSA and SAPO and accordingly granted concurrence in terms of section 4(2)(a) of the SASSA Act. The Panel has requested a copy of the document reflecting the Minister's concurrence in respect of SASSA entering into the service agreement with SAPO.

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3.5.5 Observations regarding the service agreement

Although there are a number of positive elements in the services agreement, the Panel must register its concern in respect of the matters addressed below.

3.5.5.1 Clause 9.2 of the service agreement provides that "[w]here necessary, for purposes of implementing this Agreement, service level agreements must be entered into without undue delay." However, despite the service agreement being concluded on 8 December 2017, the parties have not yet[28] concluded any service level agreements.

3.5.5.2 Specifically, the service agreement provides[29] that "[t]he penalties shall be applied for failure or inadequacy of performance by SAPO, in accordance with the table of penalties in the service level agreement." Specific penalties are however not provided for in the agreement. It is important that provisions relating to penalties for non-compliance be finalised because section 4(3) of the SASSA Act provides that the "service" agreement **must** include provisions to ensure financial penalties for non-compliance with the provisions of the agreement. The absence of proper penalties in the "agreement" with CPS underscores the necessity of providing adequately for this matter. Penalties should match the seriousness of non-compliance with contractual obligations.

3.5.5.3 Furthermore, clause 13.2 dealing with intellectual property contemplates further agreements dealing with specific intellectual property rights that will accrue during the duration of the agreement. The agreement does not stipulate when these agreements will be entered into. Clarity on this issue is important to avoid any disputes arising at the end of the service agreement when SAPO is required to transfer the systems and assets to SASSA to enable SASSA to pay social grants. Ultimately, all intellectual property rights should reside in the state so that the state will not be beholden to the owner of such rights which may be necessary to effect compliance with its social assistance obligations.

3.5.5.4 Although clause 6.3 of the agreement provides that SAPO must transfer systems and assets to SASSA on or about 31 March 2023, the service agreement does not provide for a mechanism to enable the transfer of the systems and assets including the process of determining which systems and assets will be transferred to SASSA on 31 March 2023 and the costs associated with such

[28] Confirmed by SASSA at its meeting with the Panel on 18 January 2018
[29] Clause 16

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transfer. It is also not clear whether the transfer of the systems and assets will take place were a party to terminate the agreement in terms of clause 21.3 (following a suspension of performance for more than 15 days as a result of a force majeure).

3.5.5.5 Clause 4 of the service agreement read with Annexure A provides for the remuneration of SAPO by SASSA for the services it will render in terms of the agreement. Clause 4.2 provides that the amounts reflected in Annexure A are fixed and shall prevail for the duration of the Agreement. At the meeting held on 12 December 2017 between the Panel, representatives of SASSA, DSD, SAPO and GCIS, the Panel was informed that not all aspects of the fees to be paid to SAPO are so fixed. The aspects of the fees that are fixed include the costs payable per beneficiary. However, the amount of fees to be paid to SAPO for services at SAPO branch services will depend on the number of beneficiaries that utilise those services. Therefore, clause 4.2 may need to be amended to clarify which aspects of Annexure A are fixed and which aspects are not fixed.

3.5.5.6 Section 4(3) of the SASSA Act provides that the services agreement must include provisions to ensure—

(a) the *effective, efficient and economical use of funds* designated for payment to beneficiaries of social security;

(b) the promotion and protection of the human dignity of applicants for and beneficiaries of social security;

(c) the protection of confidential information held by the Agency;

(d) honest, impartial, fair and equitable service delivery;

(e) mechanisms to regulate community participation and consultation; and

(f) financial penalties for non-compliance with the provisions of the agreement.

This requirement is seemingly addressed by the inclusion of the following clause 6.1 in the services agreement:

"SAPO'S OBLIGATIONS

6.1 SAPO shall at all times ensure compliance with Section 4 (3) of the SASSA Act, 2004 (Act No. 9 of 2004) by:

6.1.1 ensuring the effective, efficient and economical use of funds designated for payment to beneficiaries of social security;

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6.1.2 the promotion and protection of the human dignity of applicants for and beneficiaries of social security;

6.1.3 the protection of all confidential information held by it on behalf of SASSA;

6.1.4 ensuring honest, impartial, fair and equitable service delivery;

6.1.5 implementing mechanisms to regulate community participation and consultation.".

Clause 16 also makes provision, without detailing, the penalties applicable to non-compliance.

The State Law Adviser who advised SASSA and SAPO on the services agreement assured the Panel[30] that all legal requirements for the conclusion of the services agreement had been met.

3.5.5.7 The Panel however respectfully disagrees with that opinion. Section 4(3) of the SASSA Act requires, as a minimum, that the services agreement must spell out provisions which will have the standards listed in that subsection as a guaranteed outcome. Except for the matter provided for in section 4(3)(c) (the protection of confidential information held by SASSA, which is addressed in clauses 12 and 14 of the services agreement), the services agreement's clauses 6 and 16 merely shift the onus of detailing measures to be taken to ensure the listed outcomes from the agreement itself to SAPO, which – were it correct to do this – would mean that SAPO could unilaterally decide on how to achieve those outcomes. This is not what section 4(3) of the SASSA Act contemplates.

3.5.5.8 Clause 11 of the services agreement, on communication, provides that "(a)ny communication relating to this Agreement and incidental matters, shall be confirmed by both Parties' Accounting Officers and reduced into writing. Communication with external Parties, whether by print media, electronic and/or any other form of communication that has an impact on the rights and obligations of the Parties shall be discussed and agreed to prior to being dispatched." This places an extraordinary burden on day-today operations and should be re-considered.

3.5.5.9 The SAPO agreement does not specify that SAPO is not entitled to retain interest that is earned by SAPO or Postbank on beneficiary accounts or SASSA's funds.

3.5.6 Concerns regarding the financial implications of the service agreement

[30] At a meeting held on 10 November 2017

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3.5.6.1 In its Second Report, the Panel concluded that SAPO could possibly (with appropriate subcontracting forming part of their offering as provided in their bid and using Postbank for payment services) provide the services required for a large portion of the total solution. However, the Panel was concerned that SAPO's original proposal presented a significant escalation in costs to SASSA, as SAPO was proposing a fee of R21.50 (exclusive of VAT) per beneficiary per month[31]. The proposal would also result in a serious concentration risk to the National Payment System.

3.5.6.2 Since the submission of the Panel's Second Report, SASSA has entered into a services agreement with SAPO. The range of services under this agreement includes the development of integrated grants payments system software, the setting up of a Corporate Control Account and the roll-out of special disbursement accounts to beneficiaries. The agreement forms part of the "hybrid model" developed by the IMC and its technical committee, where Postbank and the Commercial banks will offer low cost bank accounts to the 5.8 million beneficiaries that currently access their SASSA benefits through the NPS.[32]

3.5.6.3 Under the service agreement, Postbank is required to provide beneficiaries a free bank account (i.e. no monthly service fees) with the following features (at no cost):

- An initial EMV biometric card at enrolment
- 3merchant withdrawals per month
- 1 enquiry at any ATM per month
- 1 mini statement per month
- 1 full statement (covering a period of three months) per month
- 1 pin reset per annum
- 1 replacement card

3.5.6.4 SASSA will remunerate SAPO R 6.71 (inclusive of VAT) per month for each beneficiary that opts to open a Postbank account. For beneficiaries who withdraw cash at a SAPO branch (estimated at 1 million beneficiaries), SAPO will be remunerated R 12.41 (inclusive of VAT) for an average cash

[31] In the Panel's Second Report, it was incorrectly stated that by year 5, the proposed price would be R 28.77 + Vat – a 100% increase from current levels. The correct figure for year 5 was R27.14 + Vat, which equated to a 90% increase from current levels.

[32] An additional 2.0 million beneficiaries access their grants through commercial bank accounts, including Easy Pay Everywhere accounts.

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withdrawal.[33] SAPO will also charge a fixed fee of R 2.60 (inclusive of VAT) per beneficiary per month to cover capital expenditure incurred on the development of an integrated grants payments system, the initial card production and the onboarding of the beneficiaries that opt for a Postbank account[34].

3.5.6.5 The above bank account offering from SAPO does not include a free ATM cash withdrawal; the costs of such withdrawals will be borne by the beneficiary, which is the current practice under the incumbent operator CPS. SAPO estimates this cost to be R 9.57 for an average cash withdrawal. On this basis the Postbank bank account offering is similar to the existing bank account offering by CPS.[35] Low-cost banking products provided by commercial banks also exclude free cash withdrawals.[36] Other possible charges to be borne by beneficiaries from accessing the NPS outside of Postbank/SAPO infrastructure are not (yet) fully set out by SAPO.

3.5.6.6 According to research undertaken by NT, "the SAPO proposal competes very favourably with that offered by existing banks using existing products".[37] The Panel sees benefits from the SAPO product offering as it provides, on paper, a free banking option for beneficiaries. The fees charged to SASSA (R 6.71 and R 12.41) are significantly lower than the fee disclosed in SAPO's original proposal. The fees also compare favourably to the fee currently levied by CPS, albeit the latter includes a cross-subsidy for cash pay-points, which are excluded from the initial agreements between SAPO and SASSA. The services required to continue operating cash points are subject to a separate tender process.

3.5.6.7 However, the Panel remains concerned about the financial risks to SAPO and through SAPO to Postbank and the financial system as a whole. As SAPO is a state-owned enterprise, any losses arising from this project will ultimately be borne by the fiscus. SAPO argued that its agreement with SASSA does not rely on a government subsidy and it expects to derive sufficient profits over the contract period.[38] The Panel was told, at the time of signing the agreement with SASSA, that SAPO had yet to complete a full financial impact assessment of the project, including a determination of

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[33]SAPO Presentation titled "SASSA/SAPO Price Comparison". Any additional monthly withdrawals at a SAPO branch will cost the beneficiary R9.57.

[34] This fee assumes a minimum number of beneficiaries of 6.8 million.

[35] CPS provides free cash withdraws at its cash pay-points. For withdrawals at ATMs of any bank, CPS charges a minimum of R11.95 for an average withdrawal of R 870.

[36]SAPO document labelled "2017 12 14 SASSA SAPO price comparison"

[37] National Treasury: Report on the Feasibility of a bank solution for the payment of social grants, 15 December 2017.

[38]Meeting with the panel 18th January 2018.

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forecast revenues and costs and a sensitivity analysis.[39] SAPO's proposed fees were derived from a costing spreadsheet, which contained estimates of interchange fees, variable and fixed operating costs, capital expenditure and a margin above cost.[40] The latter margin may be insufficient to cover any significant error or delay.

3.5.6.8 SASSA has recently documented in its risk register[41] several operational risks that threaten SAPO's successful delivery of the project. The following is an extract from the risk register which lists the project deliverables that are classified by SASSA as Very High Risk"[42] in terms of non-delivery and a description of the associated risk:

Project deliverable	Description of risk threatening non-delivery
Postbank infrastructure readiness	Delays in configuration to accommodate SASSA product inventory management, which may result in delays in the cards reaching the customer on time.
EMV and PCI certification and card issue	Unable to issue and process EMV compliant cards to the grant beneficiaries due to delays in systems readiness, which may result in non-compliance to industry requirements.
Account management	Not being able to obtain additional beneficiary account user licences due to delays in NT and SAPO procurement processes and approvals, this may result in delays in delivery of the project.
SASSA card production	Unable to deliver total number of cards by 1 April 2018, due to the industry card production process, which will result in the delay of issuing of cards.

There is also the risk of beneficiary take-on. Owing to documentation and verification of beneficiaries as account holders required by Postbank (as a Bank), the process may take significantly longer than Postbank seems to expect. Any delay would result in continued reliance on CPS services as the existing payments are switched through that infrastructure.

[39]Confirmed in telephone call with SAPO representative 20th January 2018.
[40]Spreadsheet labelled "SASSA final costing working document"
[41]Documents titled "SASSA Risk Register v3 2017-12-06 HM - updated
[42] Defined in the risk register as "Almost certain to occur – the risk is potentially disastrous, could fundamentally hinder the achievement of the objectives and ultimately lead to the collapse of the business/project.

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3.5.6.9 In addition to the operational consequences, the realisation of the above risks is likely to affect the actual values of SAPO's key costing assumptions (e.g. beneficiary volumes and capital expenditure). Adverse variances between actual and assumed costs could threaten the financial viability of this project. We note that the development of the integrated payments system, accounting for the majority of the capital expenditure, is being outsourced by SAPO[43], which further adds to the uncertainty of SAPO's unit cost estimates.

3.5.6.10 The Panel is also concerned that in the event of underperformance during the contract period, e.g. actual costs are higher than assumed costs, Postbank may be required to raise bank charges to beneficiaries, i.e. increase the margin charged on interchange fees for ATM withdrawals, in order to make up for the shortfall in profits. The service agreement does not seem to limit the fees Postbank may charge to beneficiaries for ATM withdrawals or services beyond the agreed service delivery.

3.5.6.11 Finally, the Panel must again question whether the process of entering into the services agreement fully meets the requirements of sections 195 and 217 of the Constitution, 1996, viewed against the background of the full extent of the provision of social assistance in the Republic.

3.6 Risks associated with cash payments

3.6.1 SASSA faces two main risks in respect of cash payments:

(a) to secure approval from the Constitutional Court for the extension of the CPS Contract beyond 1 April 2018 in order to allow for the phase-out of CPS and phase-in of the new service providers; and

(b) to set up a transition agreement with CPS to ensure the continuation of cash payments from 1st April 2018, as well as the phase-out of CPS once the new service provider is in place.

Neither of these is in place and both these risks can jeopardise the continuation of cash payments to beneficiaries.

[43] http://www.etenders.gov.za/content/integrated-grants-payment-system

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3.6.2 In addition, any delay in the proposed evaluation of tenders and awarding of a contract to a new service provider will delay even further the date when a new service provider can take over fully.

3.6.3 While SASSA acknowledges these risks, it does not appear to have a firm contingency plan.

3.7 Concerns regarding SAPO as service provider

3.7.1 It seems that SAPO's initial claim that it would be responsible for the payment of one million social grants via its footprint in rural areas, has been overly optimistic. A preliminary evaluation by SASSA indicates that a number of SAPO outlets will not meet the norms and standards for paypoints, and a greater reliance will therefore have to be placed on CPS and in time other secondary cash paypoint service providers (still to be appointed by SASSA), with concomitant cost implications.

3.7.2 SAPO's tender for an "Integrated Grant Payment System" seems to lock SASSA into working with the Postbank and the beneficiaries being paid through Postbank, instead of providing a transferrable system by which SASSA can eventually manage the grant payment system themselves through multiple banking and payment options.

3.8 Investigations by SASSA's audit committee

3.8.1 The Chairperson of SASSA's audit committee has informed the Panel that the audit committee has conducted investigations into alleged irregularities and have considered governance and risk issues related to SASSA.

3.8.2 The Panel will upon receipt of documents detailing such investigations and considerations consider these and inform the Court of its findings in its next report to the Court.

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4 Court Directions of 29 November 2017 to the Panel

4.1 Discussions with SARB, NT and banks

4.1.1 In response to the Court's Directions, SARB and NT on behalf of SASSA on a number of occasions[44] entered into discussions with the major South African commercial banks and the Banking Association of South Africa (BASA) to establish the feasibility of direct payments into beneficiary bank accounts.

4.1.2 Members of the Panel attended a meeting between SASSA, NT, BASA and the commercial banks.[45] At this meeting NT/SASSA sought to obtain a commitment from the commercial banks to set up SASSA-subsidised beneficiary bank accounts (i.e. no monthly service fees) that contain the following features (at no cost to the beneficiary)[46]:

- An initial EMV biometric card at enrolment
- No minimum account opening balance and account balance
- 1 replacement card
- 1 mini statement per month
- Unlimited POS transactions
- 2 withdrawals on own infrastructure
- 3 merchant withdrawals per month
- 1 pin reset per annum
- 1 cell phone balance inquiry per month
- 1 SMS and/or email notification for transactions and balances.

4.1.3 SASSA/NT proposed that the maximum subsidy available to commercial banks for this account would be R 6.71 (inclusive of VAT) per account per month, which equates to the base fee payable to SAPO for Postbank beneficiary bank accounts. At the meeting, the banks argued the following with respect to SASSA's proposal:

- Collectively, it may not be possible for the industry to establish standardised accounts with the above specifications prior to the 1 April deadline. Given the time

[44] 10 November 2017; 30 November 2017; 1 December 2017; 10 January 2018; 19 January 2018
[45] Held at BASA offices 19th January 2018.
[46] These features are set out in a letter from SASSA to NT, 12 January 2018.

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constraints, this would likely be a “second phase” project, as currently indicated by SASSA.

- SASSA should engage with banks individually to test the appetite for opening such an account for beneficiaries.
- The R 6.71 subsidy should be attached to the grant rather than the account. This would reduce the administrative and regulatory burden on SASSA and encourage innovation and access.
- The most expeditious and efficient mechanisms to enable the payment of social grants from 1 April 2018 was with existing bank facilities and products, which could be activated in a short period of time.

4.2 Investigation by NT of SASSA and DSD employees

4.2.1 In response to an enquiry by the Panel, NT informed the Panel that it was of the opinion that it was no not legally competent to conduct the investigation as envisaged as –

- matters of financial misconduct as envisaged in sections 81, 83 or 86 of the Public Finance Management Act 1 of 1999 (“PFMA”) fall within the course and scope of the relevant executive authority and accounting officer/authority of the department or public entity concerned; and
- the PFMA limits Treasury’s investigative powers to systems of financial management and internal control and not to persons.

The Panel does not necessarily share this opinion.

4.2.2 NT also stated that it does not have any capacity to perform the said investigation as it does not have the skills to investigate conduct with relation to the implementation of court orders, and proposes a number of alternatives. NT did however indicate that should the Court see fit to instruct NT to undertake the investigation, it will comply.

4.2.3 NT is of course correct in stating that, usually, the relevant executive authority and accounting officer are responsible for conducting the relevant investigations. In this instance, however, employees of both the DSD and SASSA are compromised and the Panel, wishing to avoid a conflict in interests, does not see that avenue as being appropriate in this instance.

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4.2.4 The Chairperson of SASSA's audit committee informed the Panel that the audit committee had conducted investigations and, based on their preliminary findings, would support an investigation in this regard.

4.2.5 The challenge in this regard is that an appropriate institution must be appointed to conduct the investigation, with sufficient powers to properly execute the investigation and to effectively act upon the conclusions or recommendations reached. The Panel will continue to engage with NT and other relevant institutions and will in its next report to the Court make a recommendation in this regard.

4.3 Investigation by DPME of SASSA governance

4.3.1 In order to consider the Court's Directions of 29 November 2017 to make a recommendation on the desirability or necessity of the DPME setting out remedial action to ensure that there is an end to SASSA's lack of proper institutional governance, capacity and oversight by way of the appointment of technically and administratively skilled management as well as a board of qualified experts, the Panel requested DPME to make a submission to it on the matter.

4.3.2 In its submission, the DPME states that its main objective is the implementation of the National Development Plan ("NDP"). In order to ensure this, the DPME has adopted an outcomes approach through the Medium Term Strategic Framework to ensure a focused and coordinated approach. With regard to the Court's directive, two outcomes contemplated in the NDP are relevant to SASSA, namely Outcome 12 (which focuses on ensuring a capable developmental state) and Outcome 13 (which focuses on Social Protection). Furthermore, the DPME has since its inception developed various tools which can be used in the further assessment of SASSA and the implementation of remedial action within SASSA, including the use of IMCs, management performance assessment tools, citizen based monitoring and a national evaluation system.

4.3.3 So far, in assessing SASSA with respect to its mandate, the DPME has found–

- that SASSA has not developed its own culture and ethos inspired by the vision of the entity "paying grants at the right time, to the right person, all the time";
- that SASSA's organisational culture is characterized by a lack of agility and innovation stifled by heavy bureaucracy, characteristic of a government department;
- organisational weaknesses attributable to absence of governance and accountability;

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- a lack of effective oversight and consequence management;
- a noticeable decline in the achievement of targets;
- the absence of an inspectorate (provided for in the SASSA Act) contributes to the poor governance and lack of oversight by the DSD;
- even though SASSA submits quarterly reports to the Minister of DSD, there is often little or no feedback as these reports are mainly to ensure compliance and do not address governance matters, and although the Minister at times conducts surprise visits to SASSA's executive committee meetings, there is no institutionalised reporting process to ensure that there is active feedback from the Minister or the DG of DSD to SASSA;
- that despite the existence of separate audit committees for DSD and SASSA (representing the current governance structure), preliminary indications are that their recommendations or audit queries are simply ignored by both SASSA and the DSD.

4.3.4 On the positive side, the DPME has concluded that SASSA has achieved the following successes:

- the standardisation of systems (administration and payment) across the country enabling a similar experience for the beneficiaries;
- the optimisation of grant payment applications (reducing the approval process and waiting times);
- creating a large biometric register and thus reducing fraud (before the establishment of SASSA, some beneficiaries would collect grants in more than one province);
- a relatively smooth transition even with expansion of grants to 18 year olds and equalisation to 60 years for all;
- the establishment of a harmonised medical assessment tool;
- an automated grant application system in some regions;
- the deployment of mobile units to bring services closer to beneficiaries, especially far-off rural areas;
- eradication of huge grant application backlogs;
- a decrease in litigation cases; and
- service standards at pay-points.

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4.3.5 On the proposed new system for the payment of social grants, the DPME is of the opinion that a review of SASSA's governance model and the appointment of a governance structure are "not only critical but urgent". In respect of the implementation of the SASSA – SAPO agreement, the DPME advises that it is clear that permanent appointments must be made urgently to avoid a significant risk on the implementation of the agreement. It is further necessary, the DPME advises, to re-look at the institutional arrangement i.e. the organisational structure, reporting lines and better consequence management to address the issues of non-performance, and to adapt the current structure to new operational requirements.

4.3.6 The DPME makes the following specific recommendations:

- a reconsideration of the SASSA Act to strengthen autonomy of SASSA's CEO;
- the appointment of a permanent CEO;
- ensuring stability across the organisation by ensuring that posts are filled timeously;
- a governance structure within DSD with expertise that would provide effective oversight, support, risk management and to assist the Agency in management performance;
- applying management performance assessment tools to and evaluation of SASSA; and
- the restructuring of SASSA.

4.3.7 These findings and recommendations largely reflect the Panel's views in respect of SASSA and the SASSA management reported in its First and Second Reports, and the Panel accordingly makes a specific recommendation in this regard in paragraph 6.3 of this Third Report.

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5 ANALYSIS AND CONCLUSIONS

5.1 Biometric Identity and Access Management System

The Panel is encouraged and supports the decision by SASSA to make use of the Biometric Identity and Access Management System currently in the process of being procured for enrolment of beneficiaries and related functions, e.g. biometric based identity verification through HANIS[47], instead of separately procuring a system for such a purpose as per the original plan. This is because it's Biometric Identity and Access Management System as specified could easily be configured to accommodate the requirements for enrolment of beneficiaries and other related functions.

5.2 Bank account verification form

The requirement by SASSA for social grant recipients who opt to receive the social grant monies into their private bank account, to have a bank account verification form completed by the bank with which they have an account and return it to SASSA, could discourage those grant recipient who could have opted for the option from choosing it due to the administration involved. Banks could through a formal agreement with SASSA verify the bank account details of the beneficiaries directly with individual banks, or SASSA could also make use of BankServAfrica's Account Verification Service (AVS)[48].

5.3 Extension of suspension of invalidity of CPS contract

The Panel was informed[49] by SASSA that it would make an application to the Court to extend the suspension of invalidity of the CPS contract by six months. (The Panel in its Second Report to the Court[50], solely due to SASSA's failure to timeously and properly execute its mandate, alluded to this possibility.[51]) SASSA on 23 January 2018 informed the Panel that it had not yet launched an application in this regard but was still waiting for guidance from counsel. **The Panel is extremely concerned by the lack of progress in taking a decision on this matter**, but given that this will in the

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[47] HANIS is an acronym for the Department of Home Affairs' Home Affairs National Identification System.
[48]https://www.bankservafrica.com/Payments-Solutions/Account-verification-service, last accessed 21 January 2018.
[49] At its meeting with the Panel on 18 January 2018
[50] Paragraph 5.4 of the Second Report
[51] Also see SASSA's Third Quarter Progress Report at paragraph 6.5.3

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event of an application by SASSA be *sub judice*, the Panel will not at the moment make a finding in this regard.

5.4 Engagement with banks

5.4.1 The Panel supports SASSA's engagement with the banking industry in the development of low-cost banking facilities for beneficiaries. However, the Panel believes SASSA should engage with each of the banks individually given the legal implications of collective engagement, namely, the potential contravention of the Competition Act from the banks collectively agreeing a subsidy with SASSA.

5.4.2 Although the subsidy offered to banks by SASSA is equivalent to the agreed fee payable to Postbank (i.e. R 6.71 per beneficiary per month), the account specifications required for banks (listed above) are more extensive than the account specifications disclosed in the services agreement with SAPO. The most notable difference is the requirement by banks to offer two free ATM withdrawals on own infrastructure, an account specification not required from SAPO. Although cash withdrawals on own infrastructure do not attract interchange fees, they do incur costs for the third party bank providing the ATM facility. Accordingly, under SASSA's proposal, banks are likely to incur more costs than SAPO to derive the same subsidy as SAPO, while SAPO is also able to recover other fees and capital expenditure from SASSA. Banks may be reluctant to support SASSA's request if the playing field is not even *ab initio.*

5.4.3 The Panel assumes SASSA's motive for a standardised account is the elimination of current undesirable practices. The Panel believes that SASSA's approach of attaching the subsidy to the standardised account potentially limits beneficiary choices. Beneficiaries should be entitled to make their own choices with regards to banking facilities and be subsidized on this basis. In addition, the fact that the undesirable practices have been allowed to continue indicates a lack of enforcement from the responsible regulatory authorities.

5.4.4 The Panel has identified other problems with the standardised account:

- the banks would require the Competition Commission's approval to collectively engage with SASSA on a request as provided. Such approval has previously taken over three years and an exemption with support from the relevant ministries;

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- the alternative channels and products *immediately available* by banks e.g. prepaid cards, e-wallets and remittances, which may be used in conjunction with the NPS infrastructure, *have been ignored by SASSA*, although they could be provided to beneficiaries without delay and probably at a lower cost than the standardised account;
- the requirement by SASSA that banks must provide beneficiaries with the use of own infrastructure at no cost to the beneficiary creates a negative incentive for any bank with a large footprint to issue any new accounts as the cost of providing cash to the ATM's and other channels is significant. Furthermore, it creates a disincentive to any bank that has a small footprint to invest in new infrastructure;
- the account specification probably requires new KYC[52] by any bank for new account holders. This will increase the delivery timelines substantially;
- grant payment innovation that changes the behaviour of beneficiaries and reduces costs for beneficiaries and SASSA has, by definition, been excluded; and
- the solution requested ignores the option that statements and balance enquiries can be provided by USSD[53] to cell-phones at virtually zero cost to beneficiaries by the larger banks.

5.4.5 The Panel understands that SASSA has requested banks to pay via the electronic system on one day. This is distinct from cash payments at pay points that are spread over 17 days. This request creates a volume/value challenge and therefore the risk of error is magnified. The Panel supports a staggered payment of social grants over several days.

5.4.6 The Panel supports SASSA's engagement with the banks with respect to identifying more beneficiaries with banking facilities. The Panel understands that SASSA has provided the ID numbers of approximately 1.2 million beneficiaries (who previously received grants directly into bank accounts) to banks through BankServ to identify which beneficiaries have facilities with each bank.

5.4.7 However, the balance of the 9.6 million beneficiaries has not similarly been shared with banks, which through BankServ's support, would be able to identify which beneficiaries already bank

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[52] **Know Your Customer"**. It is a process by which **banks** obtain information about the identity and address of the customers, and is generally performed when opening a new account.
[53] **USSD** (Unstructured Supplementary Service Data) is a Global System for Mobile (GSM) communication technology that is used to send text between a mobile phone and an application program in the network.

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with each bank. The balance of beneficiaries that do not bank with any bank (other than Grindrod) must be catered for in any transition arrangement. Further analysis of that set of beneficiaries on a geographical basis would provide information of who could be paid through existing NPS infrastructure, and new infrastructure that could be invested into by SAPO/Postbank or others. The bank representatives estimate that the analysis of existing bank account holders in the balance of the 9.6 million beneficiaries would take approximately 1 week. The transitioning of beneficiaries from the information gathered by SASSA from the banks through this analysis would need to follow without delay.

5.5 Choice of payment channel

5.5.1 Currently beneficiaries may draw their grant through the banking system including ATM's, POS devices operated by participating retailers, SASSA pay points and bespoke CPS infrastructure that supports biometric identification. At the current stage the choice by beneficiaries is informed by convenience, distance to point from which beneficiaries draw their grant as well as age and disability. None of these reasons should, however, result in beneficiaries not being asked to choose one channel and if using a cash point using one cash point only. *The rationalisation of costs and reduction of risks in the system seem to be a secondary consideration.*

5.5.2 In accordance with SASSA's request, SAPO will have to ensure its branches are 'online' to function as pay points. That means there are added costs for SAPO which possibly can be resolved by allocating beneficiaries to one pay point only. In addition, these requirements could delay the implementation.

6 RECOMMENDATIONS

6.1 Transition Agreement

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA to –

(a) prepare a transitional plan for the managed transition from CPS to SAPO and the other new cash payment service provider in respect of the period from 1 February

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2018 to 31 March 2018, and, if appropriate, for any additional period which the Court may determine;

(b) report to the Court, on affidavit, by a date determined by the Court on the outcomes of its transition planning for the phasing out of CPS and the phasing in of SAPO and the new cash payment service provider's involvement with the payment of social grants.

6.2 Evaluation of location of cash paypoints

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA –

(a) to immediately implement their objective to re-evaluate the need for cash paypoints in order to retain only those that are absolutely necessary (i.e. where other payment options fail), and therefore to materially reduce the number of cash paypoints where cash payments are made;

(b) when determining the number and location of cash paypoints, to disregard convenience and the economic development of enterprises in areas surrounding cash paypoints as criteria for determining the number and location of paypoints where cash payments of social grants are available to beneficiaries;

(c) to report to the Court, on affidavit, by a date determined by the Court, on the outcomes of this evaluation.

6.3 Service Level Agreements

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA and SAPO to –

(a) enter into the appropriate service level agreements, without undue delay, as provided in clause 9.2 of the services agreement; and

(b) submit copies of such service level agreements to the Panel of Experts within two days of entering into such agreements.

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6.4 Amplification of or amendments to SAPO/SASSA services agreement

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA and SAPO to –

(a) consider the matters raised by the Panel of Experts in paragraphs 3.6.5 ("Concerns regarding the service agreement") and 3.6.6 ("Concerns regarding the financial implications of the service agreement") of the Panel's Third Report with a view to amplifying or amending the provisions of the services agreement entered into by SASSA and SAPO on 8 December 2017;

(b) report to the Court, on affidavit, by a date determined by the Court, on the outcomes of this consideration; and

(c) submit copies of any amendment to or amplification of the services agreement or any other ancillary agreements to the Panel of Experts within two days of entering into such agreements.

6.5 Investigation by DPME

The Panel recommends that the Court instructs the Director-General of the Department of Planning, Monitoring and Evaluation (DPME) to investigate and consider –

(a) the efficacy of the SASSA Act in respect of strengthening the autonomy of SASSA and of SASSA's CEO;

(b) the appropriateness of SASSA being a public entity responsible for the payment of social grants;

(c) the appropriateness of SASSA being a public entity without proper institutional governance, capacity and oversight (e.g. by way of a board);

(d) the desirability of moving the payment function of social grants to the National Treasury (or other appropriate organ of state), leaving the registration, verification and administration of social grant beneficiaries with SASSA or the Department of Social Development;

(e) the findings of SASSA's audit committee in respect of the governance, structure, staff, the SASSA Act and any other relevant matter investigated by that audit committee; and

(f) any other matter relating to the effective functioning of SASSA,

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and that the Court instructs the Director-General, after completion of these investigations but in any event no later than within six months of the Court's Directions, to submit a full report with findings, conclusions and recommendations to the National Assembly of the Parliament of South Africa.

6.6 Written mandates

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA to –

(a) obtain prior consent in the form of written mandates from beneficiaries who have Grindrod Easy Pay Everywhere bank accounts, authorising SASSA to pay their grants directly into their Grindrod Easy Pay Everywhere accounts;

(b) complete the process contemplated in (a) by 31 March 2018;

(c) after 31 March 2018, pay social grant beneficiaries via the Grindrod SASSA accounts, and not via the Grindrod Easy Pay Everywhere bank accounts, unless SASSA has received a written mandate from a beneficiary authorising SASSA to make payments into his or her specific Grindrod Easy Pay Everywhere bank account;

(d) continue to require written mandates from beneficiaries who have bank accounts with other commercial banks, before making payments into his or her commercial bank account; and

(e) include a section on progress in this regard in every report filed with the Court.

6.7 Complaints and dispute resolution mechanism

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA to –

(a) design and record the details of a complaints and dispute resolution mechanism and procedure for the new grant payment system and the transitional period that provide beneficiaries with accessible and low cost/cost-free redress, by a date determined by the Court;

(b) submit a copy of the complaints and dispute resolution mechanism and procedures to the Panel of Experts within two days from date of finalising the design of the mechanism and the procedure.

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6.8 Engagement with banks

The Panel recommends that the Court, exercising its supervisory jurisdiction over the implementation of the Court Order, instructs SASSA to -

(a) pursue the creation of a standardised bank account with the banking industry prior as a second phase project;

(b) specify to the banking industry, within one month of the Court's Directions, SASSA's product requirements (rather than product specifications) for the payment of social grants to beneficiaries, which may include the ability to receive funds securely and at a minimum cost to the beneficiary, the ability to check balances once a month etc.;

(c) engage individually with each registered commercial bank on the products that can be used to meet SASSA's requirements, and on the deployment of these products;

(d) share the information of all beneficiaries with banks to ensure that a comprehensive analysis of current bank account holders and usage of NPS infrastructure is identified by banks via BankServ, which would maintain the confidentiality across the system; and

(e) report to the Court, on affidavit, by a date determined by the Court, on the outcomes of the Court's Directions in this regard.

Panel of Experts and Auditor-General of South Africa

Pretoria, 29 January 2018

---------------------------------- END REPORT----------------------------------

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Annexure "A"

STEPS TAKEN TO EVALUATE THE MATTERS REFERRED TO IN PARAGRAPHS 12.1 TO 12.3 OF THE COURT ORDER

1. The Panel has considered SASSA's reports to the Court filed on 18 December 2017, 8 January 2018 and 15 January 2018 respectively. It has also taken into account SASSA's and SAPO's respective tender documents, additional documents provided by SASSA and SAPO and documents of communication between SASSA, SAPO and NT. The Panel has also viewed documents provided by the CPS, DPME, GCIS, the NCR and the Black Sash Trust. All of this has contributed to the Panel's understanding of the extent, challenges and possibilities in respect of the payment of social grants.

2. In addition, the following meetings have been held by the AG, the Panel or Panel members, with other parties[54]:

Meeting	With	Date	Purpose
Panel	IMC, GCIS and State Law Adviser	8 December 2017	To assess progress with social grant payments
Panel	SASSA, DSD, SAPO and GCIS	12 December 2017	To assess progress with social grant payments, the SASSA/SAPO collaboration and GCIS' communications plan
Panel	National Treasury	12 December 2017	To assess the financial implications of developments in the social grant payment system
Panel	Black Sash Trust, associated NGO's and social grant beneficiaries	12 December 2017	To assess the challenges experienced by NGO's and social grant beneficiaries in resolving problems with social grant payments
Panel	National Credit Regulator	12 December 2017	To discuss the legality of loans advanced to social grant beneficiaries
Panel	SASSA & SAPO	18 January 2018	To assess the progress with social grant payments and the SASSA/SAPO collaboration
Panel member (attending as	SARB, NT, SASSA and Banking Association	19 January 2018	To assess progress in negotiations between SASSA and banks

[54] As at 23 January 2018

Meeting	With	Date	Purpose
observer)	of South Africa		
Panel	Chairperson of SASSA audit committee	23 January 2018	To consider the views of the Chairperson of the SASSA audit committee on progress in the social grants matter
Panel	Engagement with BASA and commercial banks	23 January 2018	To consider progress in the interactions between SASSA, NT and banks

2.1 On 8 December, the IMC was represented by Ms Mpumi Mpofu, Mr Michael Currin represented the GCIS and the Office of the State Law Adviser was represented by Adv Ayesha Johaar.

2.2 At the meeting of 12 December 2017, SASSA was represented by Ms Pearl Bhengu (Acting CEO), Ms Dianne Dunkerly (Executive Manager, Grants Administration), Ms Raphaahle Ramokgopa (Executive Manager: Strategy), Ms Zodwa Mvulane (Project Manager), Mr Abraham Mahlangu (SASSA CIO), Mr Paeka Letsatsi (Head of Communciation) and Mr Tsakeriwa Chauke (Chief Financial Officer), SAPO was represented by Mr Mark Barnes (Group CEO), Ms Reneilwe Langa and Mr Hannes van der Merwe, DSD was represented by Ms Brenda Sibeko and Mr Clifford Appel, with GCIS represented by Ms Phumla Willimans and Mr Michael Currin.

2.3 For the meeting between the Panel and the NT delegation, the delegation was on 12 December 2017 led by Mr Ismail Momoniat (Acting DG), and attended by Mr Roy Havemann, Ms Katherine Gibson, Mr Solly Tshitangano, Mr Vukani Ndaba, Mr Ngoni Mangoyi and Ms Lesego Mashigo.

2.4 The meeting with the Black Sash Trust, representatives of advice centres and other non-governmental organisations operating within the social grant sphere, and individual social grant beneficiaries held on 12 December 2017 was attended by Ms Lynette Maart (Black Sash: National Director), Ms Nomonde Nyembe (Attorney: Centre for Applied Legal Studies, acting for the Black Sash), Ms S. White, Mr Vincent Skosana, Ms Bridget Magasela, Ms Nelly Xaba, Ms Bukiwelakey Limane, Mr Thulani Ndhlovu, Mr Abraham Molamu, Mr Albert Makwela, Mr Janap Odendaal and Ms Marieta Hartzenberg, and Ms Jacqueline Peters represented the NCR.

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2.5 For the meeting between the Panel, SASSA and SAPO, held on 18 January 2018, the following were in attendance: for SASSA, Ms Pearl Bhengu (Acting CEO), Mr Tsakeriwa Chauke (Chief Financial Officer), Ms Raphaahle Ramokgopa (Executive Manager: Strategy), Ms Zodwa Mvulane (Project Manager), Ms Dianne Dunkerly (Executive Manager, Grants Administration) Mr Abraham Mahlangu (CIO), and Mr Mark Barnes for SAPO.

2.6 Adv Brenda Madumise, Chairperson of the SASSA audit committee, met with the Panel on 23 January 2018.

2.7 The meeting with the Banking Association of South Africa (BASA) and commercial banks held on 23 January 2018 was attended by Mr Cas Coovadia (Managing Director: BASA), Ms Adri Grobler (BASA), Mr Paul Stober (BASA), Mr John Anderson (Standard Bank), Mr Mark Griffiths (Norton Rose Fulbright, for BASA), Mr Dayalan Govender (Nedbank),Mr Jan Monanwa (ABSA), Mr Jacques Celliers (FNB) and Mr Kagiso Moletsane.

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