



IN THE HIGH COURT OF SOUTH AFRICA  
GAUTENG DIVISION, PRETORIA

CASE NO: 21904/2015

PRETORIA 23 MARCH 2018

BEFORE THE HONOURABLE MR JUSTICE TSOKA

In the matter between:

CORRUPTION WATCH (NPC) (RF)

APPLICANT

AND

THE CHIEF EXECUTIVE OFFICER OF THE  
SOUTH AFRICAN SOCIAL SERVICES  
THE SOUTH AFRICAN SOCIAL SECURITY  
AGENCY  
CASH PAYMASTER SERVICES (PTY) LTD

1<sup>ST</sup> RESPONDENT

2<sup>ND</sup> RESPONDENT

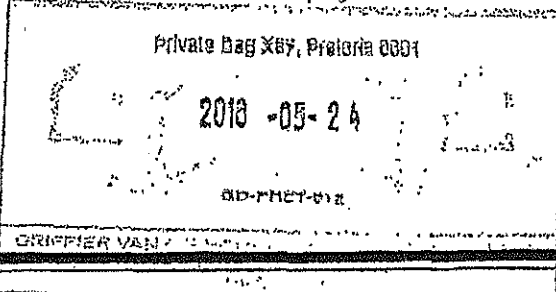
3<sup>RD</sup> RESPONDENT

HAVING HEARD counsel(s) for the parties and having read the documents filed the court reserved its judgment.

THEREAFTER ON THIS DAY THE COURT ORDERS

JUDGMENT

1. The Variation Agreement between SASSA and CPS made on 15 June 2012, and the resultant payment made in the sum of R316 447 361.41 are reviewed and set aside.
2. CPS is ordered to refund the said amount of R316 447 361.41 to SASSA, with interest from June 2014 to date of payment.




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3. The respondents are, jointly and severally, ordered to pay the costs of the application, including the costs of two counsel.

BY THE COURT

  
REGISTRAR  
CB

Attorney: MACROBERT

REGISTRAR V. ...
Private Bag X67, Pretoria 0001
2018 -05- 24
GD-PRET-012
GRITPIER VAN ...





IN THE HIGH COURT OF SOUTH AFRICA  
GAUTENG DIVISION, PRETORIA

"NP3"

Case No. 21904/2015

In the matter between:

CORRUPTION WATCH (NPC) (RF)

Applicant

and

THE CHIEF EXECUTIVE OFFICER OF THE  
SOUTH AFRICAN SOCIAL SECURITY AGENCY

First Respondent

THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

Second Respondent

CASH PAYMASTER SERVICES (PTY) LTD

Third Respondent

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AMENDED NOTICE OF MOTION

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TAKE NOTICE that the above-named applicant intends to make application to this Court on a date to be determined by the Registrar for an order in the following terms:

1. To the extent necessary, extending the time period prescribed in section 7(1) of the Promotion of Administrative Justice Act, 3 of 2000 in terms of section 9(2) thereof.
2. Reviewing and setting aside the first respondent's decision of 15 June 2012 to conclude the "SLA variation agreement" with the third respondent.

3. Reviewing and setting aside the first respondent's decision of 25 April 2014 to approve payment by the second respondent of R316 447 361.41 million to the third respondent.
4. Directing the third respondent to repay R316 447 361.41 million to the second respondent, together with interest thereon.
5. Ordering the respondents to pay the costs of this application, including the costs of two counsel; and
6. Further and/or alternative relief.

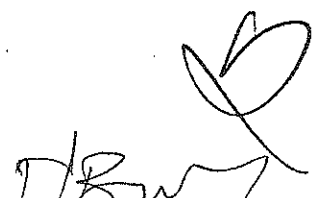
TAKE NOTICE FURTHER that the accompanying affidavits of DAVID HARRIS  
LEWIS and annexures thereto will be used in support hereof.

DATED AT JOHANNESBURG ON THIS <sup>19th</sup> DAY OF FEBRUARY 2016

  
MACROBERT ATTORNEYS  
Attorneys for Applicant  
MacRobert Building  
Cnr. Justice Mahomed &  
Jan Shoba Streets  
Brooklyn  
Pretoria  
Tel: 012 425 3400  
Ref: Mr Suliman / 00001832

TO:

THE REGISTRAR OF THE HIGH COURT  
PRETORIA



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AND TO:

THE STATE ATTORNEY  
1<sup>ST</sup> & 2<sup>ND</sup> RESPONDENT'S ATTORNEYS  
GROUND FLOOR, SALU BUILDING  
316 THABO SEHUME &  
FRANCIS BAARD STREETS  
PRETORIA  
TEL: 012 309 1582  
REF: R J RAMNARAIN/2193/2015/Z21/SN

RECEIVED COPY HEREOF  
ON THIS                      DAY OF  
FEBRUARY 2016


10

AND TO:

SMIT SEWGOOLAM INCORPORATED  
3<sup>RD</sup> RESPONDENT'S ATTORNEYS  
TEL: 011 646 0006  
REF: MAT21215/OCJ/SC  
c/o PRETORIUS LE ROUX INCORPORATED  
339 HILDA STREET  
PRETORIA  
TEL: 012 342 1797  
REF: T LE ROUX/TH0595

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ON THIS                      DAY OF  
FEBRUARY 2016

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a / Bm

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Telephone +27 (0)11 647 7111  
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Private and confidential  
Herman Kotze  
Cash Paymaster Services (Pty) Ltd  
President Place  
Cnr. Jan Smuts Ave & Bolton Rd  
Rosebank

Our ref NetI\_CPS Agreed upon  
procedures\_Re-registration  
Claim.doc

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10 March 2014

Dear Mr. Kotze

**Report to Cash Paymaster Services (Pty) Ltd in respect of the SASSA Re-registration Claim (in respect of additional re-registrations)**

**1.1 Introduction**

We have performed the procedures as specified by you and detailed below with respect to the SASSA Re-registration Claim (in respect of additional re-registrations) ("the claim calculation"). Our engagement was conducted in accordance with the International Standard on Related Services 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information, applicable to agreed-upon procedures engagements.

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The procedures were performed solely to provide reasonable assurance that the claim calculation is accurate.

**1.2 Agreed-upon procedures**

We agreed to perform the following procedures and report to you in writing the factual findings resulting from our work:

"We will obtain the claim calculation from Cash Paymaster Services (Pty) Ltd ("CPS") and perform the following procedures as agreed with you:

1. Agree the total bulk re-registration cost per the claim calculation to the 30 June 2013 Net 1 U.E.P.S. Technologies, Inc. Annual Report.
2. Agree the total number of registrations in the claim calculation to the Stratus Enrolment Report.
3. Agree the number of projected registrations per the claim calculation to the SASSA tender documentation.
4. Verify the mathematical accuracy of the claim calculation.

KPMG Services Proprietary Limited is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Services Proprietary Limited is not a Registered Auditor in terms of the Auditing Profession Act, 26 of 2005 and does not provide such services as defined in Section 1 of the Act.

Registration number 1999/012870/07

Trusty Board  
Chief Executive: RIM Kposena  
Executive Director: Y Fulu, A Han, E Mepondo, JS Mchmash, CAT Sma, D van Noorden

Other Directors: DC Dvudhisi, LP Fozulu, N Fulu, TH Hlobo, A Jutha, M Letshim, A Masekane, AM Motswagole, Y Ntshoni, Y Suleman, Chairmen of the Board, A Thumelana

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



Cash Paymaster Services (Pty) Ltd  
Report to Cash Paymaster Services (Pty) Ltd in  
respect of the SASSA Re-registration Claim (in respect  
of additional re-registrations)  
10 March 2014

5. Verify that the CPS has not charged any interest on the Re-registration claim."

### 1.3 Findings

We report our findings below:

We obtained the claim calculation (refer to Annexure A) from CPS management.

1. With respect to item 1, we agreed the "Total cost of bulk re-registration per audited financial statements" as per the claim calculation to the "direct implementation expenses" of R488,3 million as presented on page 38 of the Net 1 U.E.P.S. Technologies, Inc. Annual Report for the year ended 30 June 2013. No exception was noted. 10
2. With respect to item 2:
  - a) We agreed the "Total Number of Registrations" as per the claim calculation totalling 22,114,257 to the Stratus "Enrolment Report" as at 31 July 2013. This report was generated on 01 August 2013. No exceptions were noted.
  - b) For the "New Registrations" per the claim calculation, totalling 1,066,854, we obtained a data file listing the Identity Numbers of registrations post 01 April 2012 ("New Registration listing"). We further received a data file of Identity Numbers for the beneficiaries as at 01 April 2012 ("static file"). We performed a comparison of the two data files to confirm that Identity Numbers in the New Registrations listing do not appear in the static file of Identity Numbers at 01 April 2012 list. No exceptions were noted. 20
3. With respect to item 3, we agreed the "Number of registrations per Tender", of 9,082,521, in the claim calculation, to the "PROJECTED NUMBERS OF GRANT RECIPIENT OVER THE MTEF" extract and "the compulsory costing template" from the SASSA RFP, as provided to us by management. No exceptions were noted.
4. With respect to item 4, we verified the mathematical accuracy of the claim calculation. No exceptions were noted.
5. With respect to item 5, we confirm that no interest has been charged on the Re-registration claim. 30

### 1.4 Conclusion

Based on our work performed as per section 1.2 and 1.3 above, and subject to the limitations of sample testing and information made available to us, we can conclude that the claim calculation of R277,585,404.75 is accurate.

Because the above agreed-upon procedures do not constitute an audit, review or any other assurance engagements made in accordance with International Standards on Auditing, Internal Standards on Review Engagements, or International Standards in Assurance Engagements, we do not express any assurance over the transactions listed on the SASSA Re-registration Claim (in respect of additional re-registrations). 40

Had we performed additional procedures, or had we performed an audit or review of the financial statement in accordance with International Standards on Auditing or International



*Cash Paymaster Services (Pty) Ltd  
 Report to Cash Paymaster Services (Pty) Ltd in  
 respect of the SASSA Re-registration Claim (in respect  
 of additional re-registrations)  
 10 March 2014*

Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

### 1.5 Disclaimer

10 Our report is solely for the purpose set out in the first paragraph of this report, and is not to be used for any other purpose. This report has been prepared for the sole and exclusive use of the Cash Paymaster Services (Pty) Ltd ("CPS"). Therefore it may not be made available to anyone other than authorised persons within the organisation, or relied upon by any other third party.

20 This report relates only to the SASSA Re-registration Claim (in respect of additional re-registrations) and does not extend to any financial statements of the CPS taken as a whole. We are aware that CPS intends to distribute this report to the SASSA in support of a cost claim in respect of beneficiary re-registration costs incurred by CPS, however we wish to draw attention to the fact that KPMG Services (Pty) Ltd (KPMG) has no contractual obligations, responsibility or duty of care to SASSA in relation to the work performed as outlined in this report or otherwise, as it relates specifically to CPS. KPMG's scope of work and procedures performed were discussed and agreed upon with CPS and not SASSA and as such KPMG has no liability, responsibility, duty of care or obligation to SASSA should SASSA choose to rely on KPMG's report.

No part of this work may be reproduced or transmitted in any form by any means, electronic or mechanical, including photocopying and recording, or by information storage or retrieval system except as permitted, in writing by KPMG.

Yours faithfully  
 KPMG Services (Pty) Ltd

per Marlene Pappas  
 Chartered Accountant (SA)  
 Director

cc:  
 Nanda Pillay

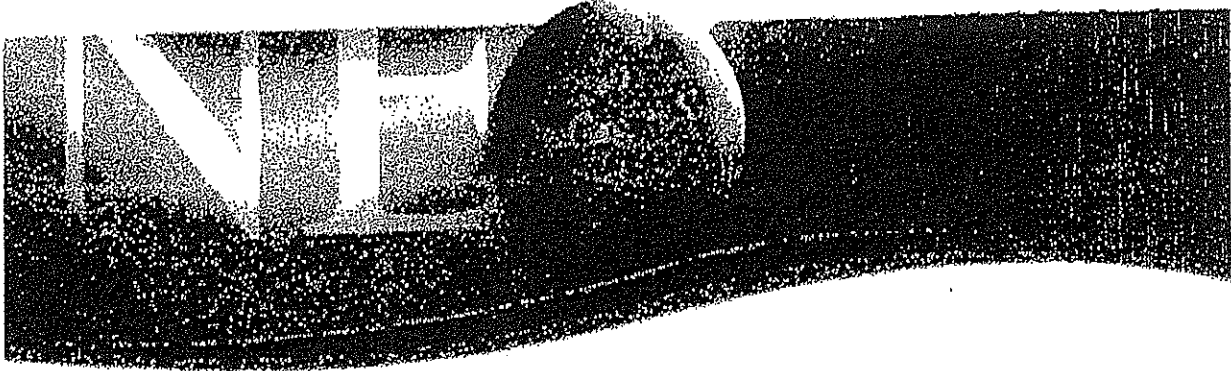


SCA Case No. 1029/2018  
(GP Case No. 21904/2015)  
(Review Application - Page 325)

ANNEX "VP15" - Report by Nexia / SAB&T to SASSA  
on the invoice issued for the re-registration of  
additional beneficiaries, dated 27 May 2015

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"NP5"

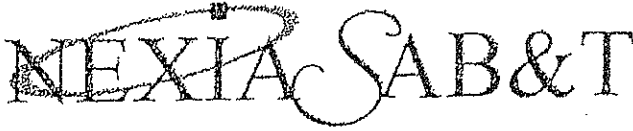


Report to the South Africa Social Security Agency  
on the invoice issued by Cash Paymaster Services  
(Pty) Limited for the re-registration of additional  
beneficiaries

Date of submission - 27 May 2015

NEXIA SAB&T

*Handwritten signature*



27 May 2015

The Head of Internal Audit  
SASSA  
Pretoria

**Report to SASSA in respect of the Re-registration claim submitted by Cash Paymaster Services (Pty) Ltd (In respect of the additional re-registrations)**

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We have performed the procedures agreed with you and detailed below and in the attached report with respect to the CPS Re-registration Claim. Our engagement was undertaken in accordance with the International Standard on Related Services 4400, Engagements to perform agreed upon procedures regarding financial information.

Our report has been prepared exclusively for the use of the SASSA and accordingly we do not accept responsibility to any other party to whom the contents may be disclosed or who on their accord may decide to rely on it.

The procedures were performed solely to give reasonable assurance as to the accuracy and validity of the claim submitted. The procedures are summarised as follows:

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- Obtaining an understanding of the process followed in arriving at the cost of the claim submitted;
- Verify the mathematical accuracy of the claim submitted;
- Verify the accuracy, validity and completeness of the claim by among other things:
  - Reviewing supporting documentation;
  - Verifying invoices on a sample basis;
  - Considering the accuracy of underlying supporting information.

This report and findings contained therein is subject to change, should new information and supporting documentation be provided or made available post the date of this report. Should you have further queries, or would like us to elaborate on any specific issues please do not hesitate to contact me.

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Yours faithfully

Nexia SAB&T  
Per: B Jhetam

Directors: B. Adam (CEO), A. Aboobaker, J. Abrams, A. Darmalingam, T. de Kock, S. Gombu, Y. Hosten, N. Hossain, S. Jimat, B. Jhetam, H. Kaje, T. Khevatlou, H. Malantire, S. Mokanure, T. Moyal, P. Mubunbun, K. Rama, M. Sindane, Y. Soosa, J. Sorepa, H. Soopel, M. Sultan, H. Thetson, H. van der Merwe, M. Weselak

Other Offices: Bloemfontein, Cape Town, Durban, Kimberley, Nelspruit, Polokwane, Port Elizabeth, Rustenburg, London (UK)

SAB&T Chartered Accountants Incorporated is an independent member firm of  
Co. Reg No: 1997/012869/21



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South African Social Security Agency  
Report to SASSA in respect of the Re-registration claim submitted by  
Cash Paymaster Services (Pty) Ltd (in respect of the additional re-registrations)

~~NEXIA~~ SAB&T

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Annexure A - CPS Responses to the findings

1. Page  
HBM



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 Cash Paymaster Services (Pty) Ltd (In respect of the additional re-registrations)

## 1. Introduction

### 1.1. Background

As per the requirement of the tender awarded to CPS in relation to payment of beneficiaries (for R16.44 per payment per month per beneficiary), CPS would enrol 9.2 million social grant beneficiaries at their own cost. At the time of the negotiations, the total number of the social grant recipients and their dependents was unknown. When the plans were compiled, taking into account beneficiaries, procurators and children, the total number that had to be re-registered more than doubled and was almost 22 million. This represented an additional 11.9 million beneficiaries, children and procurators which had to be registered by the service provider.

In a meeting on the feedback of the re-registration dry-run held on 15 June 2012 between SASSA and CPS, prior to the commencement of the re-registration process, it was agreed that CPS would continue with the bulk re-registration process and the costs associated with the enrolment of dependants will be tabled at the conclusion of the bulk enrolment process.

Submissions by Bid Adjudication Committee for variation of the original tender in relation to the dependents to be re-registered was submitted to the Chief Executive Officer on 14 March 2014 and 25 April 2014 and recommended the following:

- The variation order to effect full payment for the costs incurred by CPS to re-register all grant recipients as well as outstanding beneficiaries;
- The agency to engage the services of an independent auditor to verify the completeness and correctness of the claim submitted by CPS which had been audited by their external auditors;
- Further should any discrepancies be uncovered by the independent Auditor, CPS shall be afforded the opportunity to respond to the allegations and if it accepts the errors, CPS be held liable to refund the Agency the amount in question.

### 1.2. Objective

We understand that the overall objective of this review is to perform procedures to evaluate accuracy, validity and completeness of the invoice submitted by CPS to SASSA for the re-registration of the additional beneficiaries.

## 2. Summary of procedures performed

### 2.1. The following procedures were performed:-

- Understanding of the process followed:
  - Discussions were held with CPS and SASSA to understand the process followed and also the basis of the calculation.
- Validity; Completeness and Accuracy;
  - Reviewed supporting documents to test the validity of information submitted as part of the claim;
  - Determined the validity of invoices
    - A sample was selected from the following regions Kwa-Zulu Natal, Limpopo, Eastern Cape and the Head Office;



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- Tested the mathematical accuracy; and
- Verified that details on the invoice are consistent with the re-registration exercise expenses and are for the period that the re-registration exercise was being performed.
- Tested the accuracy of the calculation and underlying schedules
  - Detailed review of all underlying schedules;
  - Recalculation of the amounts claimed based on the schedules.
- Salaries paid to CPS Staff Involved in the re-registration process :
  - Tested the mathematical accuracy of the salaries submitted;
  - Compared the salaries of the re-registration staff before and after the exercise and ensured that there were no significant variations with the claim submitted as re-registration salaries cost;
  - Ensured that all PAYE, SDL and UIF are correctly accounted for in the claim to SASSA; and
  - Obtained payroll records for staff used;
- Tested the validity of supporting documentation
- Evaluated the rationale for the inclusion of each expenditure type in the calculation;
  - Assessed the justification of expenses against outcomes
- Confirmed the variation versus the initial agreed contract amount
  - Compared the variation payment against the initial tender for duplication or overcharging.
- Presented our findings to CPS management and afforded them the opportunity to provide comments to the findings of the report (See Annexure A: CPS response to findings).

## 2.2. Sampling approach

The above agreed upon procedures were performed for the following provinces on a sample basis:

- Kwa-Zulu Natal;
- Limpopo;
- Eastern Cape; and
- CPS Head Office / Corporate Cost

The sample was subject to the following:

- Nature of expense;
- Number and value of transactions; and
- The cost / amount charged for the line item being analysed.

## 2.3. Assumptions

The following assumptions were made:

- As this is not a forensic investigation, representations made by the management of CPS were assessed for reasonability and were used in understanding the process used in determining the amount of the re-registration claim submitted to SASSA;
- Documentation received from CPS is considered authentic. Such documentation includes third party invoices, staff records, other supporting documentation and written representations;

N/BM

11/1/2015



South African Social Security Agency  
 Report to SASSA in respect of the Re-registration claim submitted by  
 Cash Paymaster Services (Pty) Ltd (In respect of the additional re-registrations)

- This report was prepared based on the information made available to us and the sample selected. Should new information be made available, we will exercise the right to update the report.

### 3. Summary of findings

The summary of the findings are detailed below:

No	Finding	Reference
10	1 The agreement reached between CPS and SASSA at the meeting held on the 15 <sup>th</sup> of June 2012 did <u>not define or quantify</u> elements of the costs to be reimbursed for the additional beneficiaries, children and procurators (11.9 Million in total) to CPS. In the absence of explicit definitions, the cost to be included in the amount to be reimbursed was thus be subjective and open to interpretation	4.1
	2 CPS utilised an average rate per re-registration to calculate the amount to be invoiced to SASSA. The <u>average rate provides</u> an approximate figure but not the actual costs of the expenditure incurred.	4.2
20	3 The cost of the new registrations was included in the total cost of the bulk re-registration (R488 Million). However, when calculating the average cost, the total number of new registrations (1,066,854) was deducted from number of bulk registrations. This caused an increase in the average cost per re-registration of R1.12 thereby potentially inflating the amount invoiced to SASSA by R13,392,682.49. CPS made representations that the cost of new registrations was not included in the total cost of bulk-re-registrations but did not provide any substantiation or supporting documentation.	4.2
30	4 The total cost which CPS indicated as the cost for the re-registration and subsequently used to calculate the average cost per re-registration included: Legal Fees of R575,120, Payment Differences of R1,173,258 and Salary Bonuses for permanent staff amounting to R12,215,879.  The inclusion of these costs in the calculation of the average cost is debatable.	4.3
40	5 CPS expensed assets below R7,000 in value and the cost of these assets is included in the costs total bulk re-registration costs used to calculate the average cost per-reregistration. These assets included re-registration units, laptops and small printers. The extent to which assets expensed should be included in total costs incurred is debatable and subjective. The assets could be salvaged and made available for use after the re-registration process.	4.3
	6 Permanent staff costs. The allocation / split of staff costs between the bulk re-registration project and the grant payment project was judgemental and based on a 70/30 split and as such the costs allocation is subjective.	4.3

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South African Social Security Agency  
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4. Detailed findings

4.1. Agreement for reimbursement of costs

CPS and SASSA agreed in a meeting on 15 June 2012, prior to commencement of additional re-registration for beneficiaries, children and pro-curators, that an independent report in respect of the costs associated with the enrolment of dependants be tabled at the conclusion of the bulk enrolment process. The absence of the quantification and costs definition results in subjectivity and judgement of the costs to be claimed by CPS.

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4.2. Basis and accuracy of the calculation

In terms of the minutes of the meeting of 15 June 2012, CPS was supposed to invoice SASSA based on the cost incurred in the re-registration process of dependents. CPS calculated their costs of the re-registration of dependents using an average unit cost method. The use of the average cost method approximates the cost of the exercise and does not provide the actual costs incurred as agreed in the meeting of 15 June 2012 before commencement of the re-registration process;

The following were the key variables:

a) Number of additional registrations.

Province	Total Number of registrations	New Registrations	Number of registrations per tender	Re-registration in excess of tender
Western Cape	1,781,895	124,466	787,840	869,589
Eastern Cape	3,462,052	138,147	1,477,095	1,846,810
Northern Cape	621,377	33,690	716,981	(129,294)
Free State	1,323,590	60,275	575,856	687,459
Kwa Zulu Natal	5,526,642	219,320	2,076,361	3,230,961
North West	1,535,055	86,925	237,828	1,210,302
Gauteng	3,005,144	191,579	1,264,629	1,548,936
Mpumalanga	1,853,352	81,953	656,855	1,114,544
Limpopo	3,005,150	130,499	1,289,076	1,585,575
Total	22,114,257	1,066,854	9,082,521	11,964,882

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The total number of beneficiaries, children and pro-curators registered was 11,964,882. This number of dependents is accurate and agrees to the figures submitted by SASSA.

b) Total cost of the re-registration process

CPS did not account independently for the re-registration of dependents as agreed on 15 June 2015 and as such was unable to provide accurate and/exact detailed costing or schedules. CPS indicated the cost of the entire re-registration exercise (including the additional registrations) as R488,343,073 based on the costs incurred between July 2012 and July 2013. The following was also noted with regard to this total re-registration cost:

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- The amount agrees to the CPS annual report. The financial statements included in this annual report were audited by Deloitte;

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South African Social Security Agency  
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 Cash Paymaster Services (Pty) Ltd (In respect of the additional re-registrations)

- The amount agrees to the amount in the internal audit report by KPMG and commissioned by CPS;
- The sample selected for testing validity was based on the R488,343,073 as this amount was utilised as the basis of calculating the average cost per registration.

The costs were broken down per province as detailed in the table below:

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CPS Cost Centre	Amount
CPS Head Office	79,761,692.00
Eastern Cape	24,859,065.00
Eastern Cape New	14,152,537.00
Free State	24,083,257.00
Gauteng	43,802,677.00
Kwa Zulu Natal	111,269,288.00
Limpopo	58,579,453.00
Mpumalanga	29,241,059.00
Northern Cape	12,089,947.00
North West	38,423,208.00
Western Cape	52,080,892.00
<b>Total</b>	<b>488,343,073.00</b>

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The above cost can also be broken down per expense type as detailed in the table below:

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Cost Category	Amount
Salaries (Bonuses)	12,215,879
Payment differences	1,173,258
Establishment costs	4,832,683
Equipment rental	69,170,667
Salaries	253,413,884
Legal fees	575,120
Stationary	12,304,234
Telephones	29,895,533
Travel	53,541,865
Expensed assets	51,219,950
<b>Total</b>	<b>488,343,073</b>

A sample of the above expenses was tested for 3 selected provinces as well as for head office level. This sample was selected from the individual general ledger accounts. The testing of the salaries was performed by selecting 75 employees from the payroll reports and agreeing the details to employment contracts and payslips.

c) Average cost per registration

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CPS, calculated the average cost per re-registration as shown in the table below.

Description	Totals	Key
Total cost of bulk re-registration per audited Annual Financial Statements	R 488,300,000.00	A
Total number of bulk re-registrations	22,114,257	

*H. Buy*





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 Report to SASSA in respect of the Re-registration claim submitted by  
 Cash Paymaster Services (Pty) Ltd (In respect of the additional re-registrations)

Description	Totals	Key
Less new registrations	1,066,854	
Total number of bulk re-registrations per (excluding new re-registrations)	21,047,403	B
Average Cost per re-registration (A/B)	R 23.20	

In the schedule provided by CPS narrating the method of calculating the average cost, there is reference to "new registrations" and "bulk re-registrations". The total cost indicated does not however differentiate between cost of new registrations and cost of bulk re-registrations. In calculating the average cost, CPS excluded the total number of new registrations of 1,066,854. This exclusion had the impact of increasing the average cost per re-registration by R1.12 per re-registration, thereby increasing the amount invoiced to SASSA by R13, 392,682.49 as detailed in the table below.

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Description	Amount used in CPS Calculation	Recalculated amounts	Difference
Bulk re-registration costs	488,343,073.39	488,343,073.39	-
Total Bulk re-registrations used in the calculation	21,047,403	22,114,257	(1,066,854)
Average cost per re-registration	23.20	22.08	1.12
Number of additional re-registrations	11,964,882	11,964,882	-
Recalculated cost of additional re-registration	277,609,890.81	264,217,208.32	13,392,682.49

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CPS made representations that the cost of new registrations was not included in the total cost of bulk-re-registrations, being R488,343,073.39. CPS also indicated that the processes were different and thus had different cost centres. This assertion by CPS could not be verified after the fact. CPS did not provide supporting documents to enable us to verify that assertion.

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4.3. Validity of costs incurred, value for money, ethics and fair dealing

Costs incurred in the re-registration process were tested on a sample basis as summarised below

Variable	Value
Number of Employees tested	75
Number transactions tested	316
Value of Transactions tested (excluding employees)	R49,311,535.20

The following has to be noted with regard the above sample tested:

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- The sample (excluding employees) represents 10% of the total re-registration costs incurred;
- CPS utilised an average of 5474 employees during the re-registration process;
- Third party invoices and statements were inspected to confirm the validity of and the value of the expenditure incurred;

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- Expenditure items selected for testing were supported by valid invoices and other supporting documents;
- Contracts and other supporting documents were inspected for all employees selected for testing.

The nature of the expenditure included in the total costs of bulk re-registrations which was utilised in calculating the average costs has been analysed in the table below:

Cost Category	Amount	Comment
Salaries and staff costs	R253,413,884	As the re-registration process is labour intensive, it was expected that CPS would incur additional staff costs. CPS utilised both temporary and permanent staff in the re-registration process. Management exercised judgement in the allocation of staff costs for the implementation on a 70%/30% for new provinces (Mpumalanga, Gauteng, Western Cape and the Eastern Cape). <ul style="list-style-type: none"> <li>• The accuracy of the basis of allocation could not be independently verified; and</li> <li>• Value for money could not be established as a detailed project plan was not made available.</li> </ul>
Bonuses	R12,215,879	The costs of bonuses given to permanent staff were included as part of the total cost for the re-registration exercise. <ul style="list-style-type: none"> <li>• The basis for inclusion of costs to incentivize permanent staff is subjective. These costs would be incurred by the company anyway and therefore debatable whether it should be included in calculating the average cost.</li> </ul>
Payment differences	R1,173,258	This related to instances where difference between cash given out (for travel and accommodation) and amounts which could be not be reconciled back to the ledger over the re-registration period. <ul style="list-style-type: none"> <li>• This would appear to be an internal control issue for CPS and therefore it is debatable whether or not it should be included in calculating the average cost. CPS indicated in their response that this figure included cases where invoices could not be produced for expenditure such as taxi hire and accommodation.</li> </ul>
Establishment costs	R4,832,683	The nature of these costs was considered reasonable re-registration expenses.
Equipment rental	R69,170,667	The nature of these costs was considered reasonable re-registration expenses.
Legal fees	R575,120	The legal fees consisted of: <ul style="list-style-type: none"> <li>• attorney fees for litigation with employees;</li> <li>• motor vehicle accident claim costs; and</li> </ul>

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Cost Category	Amount	Comment	
		<ul style="list-style-type: none"> <li>fees for drafting and amendments to the SASSA SLA.</li> </ul> These are corporate costs and it is therefore debatable whether they should be included in calculating the average cost.	
Stationary	R12,304,234	The nature of these costs was considered reasonable re-registration expenses.	10
Telephones	R29,895,533	The nature of these costs was considered reasonable re-registration expenses.	
Travel and accommodation	R53,541,865	The nature of these costs was considered reasonable re-registration expenses. The project was a national project which required extensive travel and it was expected that there was going to be significant travel and accommodation expenditure. Diner's Club cards were used to pay for some accommodation and meals, Diners club statements were inspected and agreed to amounts in ledger. The validity of these payments is dependent on management's internal controls around travel and accommodation.	20
Expensed assets	R51,219,950	These were assets valued below R7,000 utilised in the re-registration process. These assets included small printers, some laptops and other smaller readers. Some of these assets could be utilised after the re-registration or disposed of to recoup some of the cost incurred. <ul style="list-style-type: none"> <li>It is therefore debatable whether the full value of assets expensed should be included in calculating the average cost.</li> </ul>	30

Based on the above, the inclusion of the following costs in the calculation of the total re-registration costs is debatable:

Cost Category	Amount (R)
Salaries (Bonuses)	12,215,879
Payment differences	1,173,258
Legal fees	575,120
<b>Total</b>	<b>13,964,257</b>

4.4. Minor findings  
 The following was noted:

Source	Date	Reference	Description	Seq.	Batch-Entry	Amount
CB-05	27-11-2012	G.R DE BEER	IMPOUNDED VEHICLE IN NOORD STR.	29835	34964-7	2,115.00



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Impounding of a vehicle is not considered to be part expenditure incurred in re-registration and the above amount should not have been included in the total cost of re-registration. This expense line item is not considered significant and will not have significant impact on the average cost per registration used to calculate the claim. This finding has not been extrapolated as it appears isolated and is not recurring.

## 5. Conclusion

Our conclusion was based on the understanding obtained through discussions with management of CPS and SASSA and a review of supporting documents and reconciliations provided by CPS.

The utilisation of an average cost in determining the cost of re-registration of the 11.9 million dependents would result in the amount invoiced to SASSA not being the exact amount but an approximation of the cost incurred. The cost of the new registrations was included in the total cost of the bulk re-registration which resulted in a potentially inflated the amount invoiced to SASSA by R13,392,682.49. No supporting documentation was provided by CPS to enable us to confirm that the cost of new registrations was excluded from the total bulk re-registration costs. Judgement was furthermore exercised by CPS in the allocation of some costs (legal fees, bonuses, salaries & staff costs, payment differences and expensed assets) which were incurred in the re-registration process which are debatable.

## 6. Limitations


The following have to be noted as limitations in the process:

- CPS was unable to provide detailed costings / schedules for the re-registration of dependents;
- CPS was unable to provide a detailed project plan for the re-registration process; and
- The findings were presented to CPS on 22 May 2015. Additional clarity was sought after initial responses had been received however no additional clarity and supporting documentation were given therefore conclusions reached were based on available information.

## 7. Confidentiality & Restrictions

This report is for the attention of the Head of Internal audit and the Executive Management of SASSA. The report should not be used, reproduced or circulated to any other party or for any other purpose than that for which it is intended, in whole or in part, without your prior written consent.

Furthermore, we do not accept any responsibility to any third parties for any breach of this obligation or for any opinion expressed, or information included, within this report. The report and findings contained therein is subject to change, should new information and supporting documentation be provided or made available post the date of this report.

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ANNEXURE A: FEEDBACK FROM CPS ON FINDINGS:

No	Finding presented	CPS Response to finding	Auditor's Comment	Reference
1	The agreement reached between CPS and SASSA at a meeting held on the 15 <sup>th</sup> of June 2012 did not define or quantify the cost to be reimbursed.	"Please refer to minutes of the meeting and subsequent correspondence with SASSA. Please note that cost to be reimbursed was calculated without any mark-up"	CPS' response noted however status quo remains and finding included in the report.	4.1
2	The average cost per re-registration was utilised in calculating the amount invoiced to SASSA. The average rate provides an approximate figure but not exact amount of the expenditure incurred.	"As discussed, we understand that you have reached this conclusion due to the scope of your engagement. The actual amount of expenditure incurred is contained in Net1's and CPS's audited annual reports, signed off by Deloitte without qualification."	CPS' response noted however the finding remains as the average cost method provide an approximate figure and not the actual cost.	4.2
3	The cost of the new registrations was included in the total cost of the bulk re-registration (R488 Million). However, when calculating the average cost, the total number of new registrations (1,066,854) was deducted from number of bulk registrations.	"As discussed, the 1,066,854 new registrations represent registrations at SASSA offices and there were no bulk enrolment related costs allocated to these registrations. As an example, registrations at SASSA offices would not have included venue hire, fuel and temporary staff. Our approach is therefore technically and logically correct."	CPS' response noted. No additional supporting documentation was provided by CPS to substantiate their representation after follow up questions were posed.	4.2
4	The inclusion of the following cost in the total cost used to calculate the average cost per re-registration is debatable and subjective. <ul style="list-style-type: none"> <li>• Legal Fees of R575,120;</li> <li>• Payment Differences of</li> </ul>	"As discussed, legal fees include costs related to the bulk enrolment process, including related to labour court-related claims by temporary employees employed for the bulk registration process. Legal fees also include legal costs related to vehicle accidents and to legal notices to SAPO to inform it to cease frustration of the enrolment process." 2015-05-25: E-mail response from CPS iro the legal fees:	CPS' comments noted however the inclusion of these costs in the total cost of registration is still debatable. CPS was unable to provide a schedule amounting to R575,120 but instead provided a schedule	4.3

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No Finding presented	CPS Response to finding	Auditor's Comment	Reference
<p>R1,173,258; and</p> <ul style="list-style-type: none"> <li>Salary Bonuses for permanent staff amounting to R12,215,879</li> </ul>	<p>"For the purposes of Net1's filings with the US SEC, an amount of R575,120 [of the R3,967,385.55 (per CPS (Pty) Ltd general ledger)] was allocated to the direct implementation costs of R488.3 million disclosed in the 2013 Net1 annual report (on page 38).</p> <p>As you can see from the detailed legal fee analysis prepared (and as further discussed and documented) there are a number of legal costs that can be directly attributed to the bulk enrolment, and others that are indirectly incurred. The R481,821.37 highlighted in yellow is the amounts identified as directly related to registration. However, there can be no doubt that the vast majority of the other unavoidable legal costs included on the schedule (totaling R3,962,172.50) would not have been incurred had it not been the fact that CPS won the tender in 2012 and registered in excess of 20 million persons. Obviously these costs are not directly related to the implementation process, rather they are indirectly related - they were incurred due to the tender win and registration, but are not obviously directly related to the registration (such as a vehicle accidents and enrolment employees approaching the labour courts (as discussed on Friday)). We included R575,120 in the direct implementation costs-- the amount could have been higher based on an alternative allocation method - we only included 93,298.63 as the indirect portion..."</p>	<p>totaling R481,821. They attributed the difference to other indirect legal cost without specification.</p>	
<p>5</p> <p>The extent to which assets expensed should be included in total costs incurred is debatable and subjective. The assets were</p>	<p>As discussed, these assets were largely worthless after the enrolment process and were scrapped. These assets were built specifically for the SASSA bulk enrolment process and have no other commercial or re-use value. Our accounting</p>	<p>CPS response noted. No additional response was forthcoming from CPS after request for substantiation.</p>	<p>4.3</p>

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No	Finding presented	CPS Response to finding	Auditor's Comment	Reference
	still available for use after the re-registration process.	treatment (expensing these assets) was confirmed by Deloitte as part of the annual CPS and Net1 audit. These assets were totally consumed during the bulk enrolment process. Please note that assets of R32,944,140 were expensed during the prior year, being the year ended June 30, 2012 and were not included in the calculation provided (but should have been). Also, data warehousing charges for storing the incremental 10 million sets of biometric data, amounting to R20,093,013 million incurred during fiscal 2013 were not included (as confirmed by KPMG). Finally, the depreciation of other assets, primarily vehicles used to get to bulk registration points, have not been included and allocated in the bulk registration cost.		
6	Permanent and temporary staff used in the implementation. The allocation of staff costs between implementation and payment required judgement and as such is subjective	As discussed, and demonstrated, the salary costs increased substantially during the bulk enrolment period in fiscal 2013 in the five provinces that CPS provided the service prior to the new tender. The justification for the costs allocated to the new provinces has been discussed and demonstrated and is based on the actual increase experienced in the five CPS provinces – our allocation is therefore based on factual history and is not subjective.	CPS response noted however the exact allocation could not be determined.	4.3
7	Minor finding ~ Impounding of vehicle included in re-registration costs.	As discussed, the release of a vehicle in order to continue with the assistance of the bulk registration process is directly related to the exercise.	CPS response noted. Finding still remains.	4.4

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"NPL"

**BID FOR PROVISION OF  
PAYMENT SERVICES FOR  
SOCIAL GRANTS**

Bid No : SASSA 01/11/BS  
Closing Date : 27 May 2011  
Closing Time : 11:00  
Enquiries should be emailed to : paymenttender@sassa.gov.za

SOCIAL GRANTS PAYMENT BID : SASSA 01/11/BS




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## SASSA INVITATION TO BID

BID NO.: 01/11/BS

Description : The South African Social Security Agency (SASSA) hereby invites service providers to submit Proposals for the provision of Payment Services for Social Grants in any one or more of the nine Provinces in the Republic of South Africa

Closing Date : 27 May 2011  
Closing Time : 11:00  
Bid Validity Period : 120 days from the RFP Closing Date

Sale of Documents : A non-refundable deposit of R20 000 is payable on collection of the documents. Only Bank guaranteed cheques will be accepted. 10

### A COMPULSORY BRIEFING SESSION WILL BE HELD AS FOLLOWS:

DATE : 05 May 2011  
TIME : 10H00 - 12H00  
VENUE : Southern Sun Arcadia  
Cnr. Beatrix & Church Street  
Arcadia, Pretoria

NB: Attendance to the briefing session will be restricted to only those bidders who have paid the non-refundable deposit and have been Issued with Bid documents.

PROPOSALS MUST BE DEPOSITED IN THE BID BOX SITUATED AT: 20

: SASSA House  
: 501 Prodinsa Building  
: Cnr. Beatrix & Pretorius Street  
: Arcadia, Pretoria

### TECHNICAL ENQUIRIES CAN BE DIRECTED TO:

Contact : Mr Raphaahle Ramokgopa  
Email address : paymenttender@sassa.gov.za

### SUPPLY CHAIN ENQUIRIES CAN BE DIRECTED TO:

Contact : Keitumetse Pitse  
Tel : 012 400-2130

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### PARTICULARS OF BIDDERS

THE INFORMATION REQUESTED BELOW MUST BE COMPLETED AND  
SUBMITTED ALONG WITH THE PROPOSAL

Name of Bidder .....

Postal Address .....

.....

Postal Code. ....

Street Address .....

.....

Postal Code. ....

Contact Numbers:

Telephone

Code ..... Number .....

Cell Phone Number ..... Facsimile .....

Code ..... Number .....

10


In respect of which province/s are the bids submitted? Indicate with an

Eastern Cape	Free State	Gauteng	KwaZulu -Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape

SIGNATURE OF BIDDER/AUTHORISED REPRESENTATIVE

.....  
DESIGNATION OF SIGNATORY:

DATE:.....

  
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N/BM

### DEFINITIONS

Words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof.

The following definitions shall have the meaning assigned to them hereunder:

"Acceptable Bid"	any Proposal which complies with requirements contained in the RFP as accepted by the Bid Adjudication Committee;
"Act"	Social Assistance Act, 2004 (Act No.13 of 2004) as amended;
"Adjudication Committee"	the committee appointed by the Accounting Officer of the SASSA to adjudicate the bid;
"Authorised Representative"	the representatives duly appointed by SASSA and the Bidder;
"the Beneficiaries"	those persons who receive Social Grants in terms of the Act;
"the Bidder/Bidders"	the legal person(s) submitting a Proposal in accordance with this bid;
"Bidding"	the process of submitting a Proposal in accordance with the requirements of this document;
"Bidder's System"	the combination of the processes and procedures, and the software, technology and equipment utilised and owned by the Successful Bidder/ Bidders in delivering the services and incorporates any changes made thereto over the term of the contract;
"Biometric"	the means by which a person is uniquely identified by evaluating one or more distinguishable biological trait based primarily on ten (10) fingerprints;
"Business solution"	the overall Proposal submitted by the Bidder/s inclusive of the pricing methodology and the financial benefits of the technological solution.
"Contractor"	the Bidder/Bidders awarded the bid with whom SASSA concludes a contract; Successful Bidder/ Bidders shall have a corresponding meaning;
"Costing Template"	the template provided for Bidders to complete when



	providing their financial solution, attached as Annexure 1	
"CPI"	the weighted average of the Consumer Price Index as published by Statistics South Africa or its successor from time to time;	
"Data"	the records of Social Grants Beneficiaries and any other information relating to Social Grants Beneficiaries extracted or obtained from SOCPEN and the Successful Bidder/ Bidders' Database;	
"Day"	any day other than a Saturday, Sunday and/or a public holiday as gazetted by the government of Republic of South Africa from time to time;	10
"Firm Price"	means the all-inclusive transaction fee charges <u>per Grant Recipient</u> charged by the Bidder to SASSA for provision of services for the duration of the contract, which Firm Price shall not be in excess of R16.50 (VAT Inclusive) (Sixteen rand and fifty cents) per transaction per month;	
"Grant Recipient"	a <u>Beneficiary</u> , a <u>primary care giver</u> or a Procurator who receives one or more Social Grants;	
"Historically Disadvantaged Individual (HDI)" as defined in the PPPFA	means a South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993, (Act No 200 of 1993) ("the interim Constitution); and/or (1) who is a female; and/or (2) who has a disability; provided that a person, who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be a HDI;	20
"Infrastructure"	means all resources required for the rendering of the Payment Services. This includes human resources, facilities, equipment, information technology, security services and finances;	30
"Payment Cycle"	means the period in which Payments are allowed to be effected by the Successful Bidder/s, as agreed upon between the Successful Bidder/Bidder and SASSA from time to time;	
"Payment Extraction"	means the replica of the grants report as generated from	

SOCPEN;

"Pay File" means the electronic list of payments to be generated by SOCPEN and submitted to the Successful Bidder/Bidders by SASSA 3 [three] Days prior to payment;

"Payment Methodology" means the payment method of Social Grants as defined in the Social Assistance Regulations in terms of the Act which facilitates the payment of Social Grants to Recipients at designated Pay-Points or other alternative payment channels;

10 "Payment Period" means the number of working days in which payments are made in a specific month;

"Payment Service" means the Registration of Social Grants Recipients and thereafter, the Payment of Social Grants to all registered Beneficiaries;

"Pay-Schedule" the Payment times, dates and locations, where Services are to be rendered, agreed upon between SASSA and Contractor;

20 "Pay-Point" means a place designated by SASSA for the payment of Social Grants, also referred to as a Pay-Point Facility, which can be a fixed or mobile structure Pay-Points, do not include merchant stores;

"Procurator" a person as defined in the Act;

"Proposal" a written documentation submitted by a Bidder in response to the RFP;

"Province" means a geographically defined area designated as a Province in terms of the South African Constitution;

30 "Registration" means the electronic capturing and storing of all Social Grants Recipients' and or Beneficiaries personal Data, fingerprint images and/or templates, the issuance of a Beneficiary Payment Card to for the purpose of receiving a Social Grants;

"RFP" means this request for Proposal in relation to the project, to be made available to the potential Bidders. Bid shall have corresponding meaning;

"SASSA" "South African Social Security Agency" also referred to as "the Agency";



"Beneficiary Payment Card"	a pocket-sized SASSA branded Beneficiary Payment Card with embedded integrated circuits which is able to store, process and communicate information extracted from the Data which is able to receive and effect the payment;
"Social Grants"	means Social Grants as defined in the Act;
"SOCPEN"	<u>Social Pension System</u> - The Social Grants Information System, used to support the processing and payment of Social Grants;
"SQL"	means Structured Query Language;
"Sub-contracting"	means the Successful Bidder/s employing another person to support such Successful Bidder/s in the execution of part of a project in terms of the contract;
"Sub-contractor"	means a party contracted by the Successful Bidder/s to render services to or on behalf of the Successful Bidder for the duration of the project, while the overall responsibility and accountability of those services remains that of the Successful Bidder/s;
"Successful Bidder/s"	means a Bidder/s who has been awarded this Bid; and
"Term of contract"	means the period of the contract, which is 5 years.

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## SECTION A: BACKGROUND AND INTENT

### 1. Overview of SASSA

1.1 The South African Social Security Agency (SASSA) is schedule 3A public entity established in terms of the South African Social Security Agency Act 2004 (Act No 9 of 2004), subject to the Public Finance Management Act No 1 of 1999 ('the PFMA'), and is responsible for the management, administration and payment of Social Grants.

1.2 SASSA is responsible for the provision of the following types of Social Grants:

- 1.2.1 Older Persons Grant;
- 1.2.2 War Veterans;
- 1.2.3 Disability Grant;
- 1.2.4 Grant-In-Aid;
- 1.2.5 Child support;
- 1.2.6 Foster Child Grant;
- 1.2.7 Care Dependency Grant;

1.3 Over 14.8 million people benefit from the Social Grants each month.

1.4 The overall objective of SASSA is to:

- 1.4.1 deliver quality Social Grants services through the implementation of a payment model that provides social assistance in an integrated manner;
- 1.4.2 take overall responsibility for the full control of the administration and payment of grants;
- 1.4.3 be able to pay a Beneficiary anywhere in the country; and
- 1.4.4 provide for a Beneficiary to access their funds anywhere and anytime.

1.5 SASSA is required to provide a client-orientated Social Grants Payment Service that will meet the needs of Beneficiaries and one that will provide dignity, in particular, to the most vulnerable Beneficiaries such as the elderly, frail and people with disabilities.

### 2. Purpose and Objective of the Bid

2.1 The Bidders are required to submit a Proposal for the provision of a Payment Service for Social Grants. The Bidders should present offers to provide the services in any one or more Provinces.

2.2 The Bid shall be awarded to one or any number of Bidders per Province or Provinces.

2.3 The price Proposal shall be evaluated for the entire period of five (5) years and Bidders

must therefore take into consideration the cost they propose to SASSA in order to provide such Payment Service.

- 2.4 The overall objective is to shift from the current largely cash-based payment model to more electronic-based payment model relying on the existing infrastructure available in the country and developing areas where there is a lack of access to payment facilities.
- 2.5 The Proposal should cater for financial inclusiveness by allowing Beneficiaries to interact through the regulated National Payments System as well as enable them access to funds in the most remote parts of the country.
- 2.6 The proposed solution should not burden Beneficiaries with transaction costs and should be able to accommodate a subsidisation for transaction costs, which costs should be included in a Bidder's Firm Price.

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### 3. General intent of the RFP

- 3.1 The key business principles and minimum requirements to be addressed by this RFP, include, inter alia, the following:
- 3.1.1 significantly improved services to serve Beneficiaries with dignity;
- 3.1.2 flexibility for Beneficiaries to access their payments;
- 3.1.3 sameness in Beneficiary experience despite grant delivery channel;
- 3.1.4 reduce fraud, corruption and leakage at the point of payment;
- 3.1.5 significantly reduce costs;
- 3.1.6 provide a Payment Service within the current regulatory environment;
- 3.1.7 provide consistent payment of the correct grant at the lowest possible cost;
- 3.1.8 maintain Beneficiary funds in a safe and secure environment, regulated in terms of South African Banking laws; and
- 3.1.9 Ensure proof of life of Beneficiaries as an integral part of the payment process.

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### 4. Current payment challenges include

- 4.1 SASSA's main methods of distributing Social Grants payments are via cash and ACB, the latter includes commercial banks and South African Post Office (including Post Bank).
- 4.2 The current state of payment of Social Grants is such that, approximately 37% of Beneficiaries are paid through a combination of ACB (commercial banks) and Post Bank and the rest of the Beneficiaries are paid through cash payment contractors.

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