

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

TUESDAY, 6 SEPTEMBER 2016

COMMITTEE REPORTS

1. REPORT OF THE STANDING COMMITTEE ON COMMUNITY DEVELOPMENT ON THE BRIEFING MEETING BY THE SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA) ON TUESDAY 31 MAY 2016

PRESENT

Members

Democratic Alliance

Botha, LJ (Chairperson)

Mitchell, DG

Wenger, MM

African National Congress

Gopie, D

Gillion, MN

Additional Members

Lekker, PZ (ANC)

Maseko, M (DA)

Persons in attendance

(See attached list of departmental officials and members of the public who were in attendance).

1. Introduction

The Standing Committee on Community Development invited the South African Social Security Agency (SASSA) head office to a briefing meeting following the media reports on the spate of unauthorised, undocumented and illegal debit deductions from the bank accounts (smart cards) of beneficiaries of SASSA grants. These unlawful deduction are allegedly done by the outsourced contactor, Cash Paymaster Services (CPS) and holding company Net1 since the introduction of the biometric system in 2012. The invitation to attend the meeting was also extended to the beneficiaries that were affected by these unlawful deductions, to come and seek clarity and a way forward on how their disputes could be resolved by the SASSA.

2. Overview

The Committee resolved to invite the SASSA to come and brief the Committee on the illegal debit deductions from the bank accounts of the SASSA's beneficiaries. The meeting was held on Tuesday, 31 May 2016. The meeting took place from 08:30 until 13:00 in the Chamber, 6th floor at the Western Cape Provincial Parliament in Cape Town, with the SASSA delegation, representatives of the Provincial Department of Social Development (DSD) as well the affected beneficiaries. (Please see attached attendance registers). During the meeting, the SASSA delegation briefed the Committee on the unlawful deductions from the SASSA beneficiaries' bank accounts (smart cards), and on the measures that the SASSA has put in place to assist and reimburse the affected beneficiaries.

The Committee proceeded to a briefing by Ms Dianne Dunkerley, Executive Manager, Grant Administration from the SASSA on the unlawful deductions from the SASSA's beneficiaries' bank accounts.

3. Findings

- 3.1 The payment of the SASSA grant is managed by Cash Payment Services (CPS), a subsidiary of Net1. All recipients have an account with Grindrod Bank into which their grant is paid. Grindrod has a close partnership with Net1.
- 3.2 Since the implementation of the social grant payment contract in 2012, a challenge of Electronic Funds Transfer (EFT) debits from the beneficiaries' SASSA card accounts were experienced. As a result, a dispute resolution mechanism was developed by SASSA together with the National Department of Social Development and civil society, to provide a structured process through which beneficiaries could raise disputes.
- 3.3 The SASSA delegation highlighted that they have a contract with CPS, and CPS has made it clear that SASSA cannot engage with Net1 or Easy Pay Everywhere (EPE) because they don't have a contract with them, but only with CPS although Net1 is the mother body of CPS.
- 3.4 The Committee was informed that a new problem has emerged since the 1st quarter of 2015 in the form of Easy Pay Everywhere (EPE) bank cards, dubbed a "green card" which is a product of Grindrod bank and Money line, a Net1 subsidiary. It was alleged that grant beneficiaries are coerced and tricked into opening Easy Pay bank accounts. Some were told that they require EPE accounts to receive social grants and some were told that they require the EPE accounts to access loans.

- 3.5 Funds from the SASSA branded cards are automatically transferred to an EPE account and the social grant in the EPE account facilitates predatory behaviour that is keeping beneficiaries in a debt trap, and closing these accounts is impossible because SASSA does not have authority once the social grant money is in the beneficiaries' bank accounts.
- 3.6 The Committee was further informed that the Easy Pay Everywhere card is a commercial banking product and that makes it difficult for SASSA to resolve the EFT disputes hence SASSA has requested the intervention of the Reserve Bank as it does not have control over the banking sector.
- 3.7 The SASSA mentioned that legally, the only deduction which could be made from a social grant before it is paid to a beneficiary is a single 10% deduction for funeral insurance. But once the money is in the beneficiary bank account, the beneficiary could authorise other deductions like any account holder.
- 3.8 The SASSA indicated that the Department has a structured process to raise disputes. The funeral insurance deductions are dealt with under Regulation 26A and the Financial Services Board has been requested to help in solving these disputes. EFT debits such as micro loan premiums are resolved with the assistance of the formal banking sector through the Payment Association of South Africa (PASA). The disputes that are related to the purchase of commodities such as pre-paid airtime and pre-paid electricity will be resolved with the assistance of the National Credit Regulator.
- 3.9 The Committee was informed that during the 2015/2016 financial year, the breakdown of disputes that were lodged with the SASSA related to unauthorised deductions were as follows:
 - a) Cellphone airtime – 10262 cases;
 - b) ATM disputes – 6224 cases;
 - c) Electricity disputes – 1252 cases;
 - d) EFT disputes – 618 cases; and
 - e) Funeral insurance disputes – 451 cases.
- 3.10 The SASSA informed the Committee that the abovementioned figures were not reflecting the true extent of the problem, there is an under-reporting of cases.
- 3.11 During the month of April 2016, the SASSA received a total of 23133 enquiries lodged on these unlawful deductions of which 1846 came from the Western Cape Province.
- 3.12 Mr. T. Magwaza, Acting Director-General of the SASSA mentioned that the total monetary loss due to the unlawful deductions was close to R800 millions of which only R1.5 million has been recovered. He further mentioned that the Ministerial Task Team (MTT) has recommended that an inspectorate unit should be established to deal with these cases.
- 3.13 The Acting Director-General cautioned beneficiaries to steer clear of SMS's that are advertising. The beneficiaries that are affected by these unlawful deductions are encouraged to provide information of disputed transactions to the SASSA as soon as it is discovered by submitting an affidavit to confirm that no authority was given for the transaction. For all disputes on loans, beneficiaries are encouraged to complete the National Credit Regulation (NCR) form 29 at the same time as the affidavit is done. This will assist should a referral to the National Credit Regulator be required.
- 3.14 The SASSA delegation indicated that the Court declared the contract between SASSA and CPS null and void and SASSA was instructed to issue a new tender process and invite bidders. Due to a lack of service providers that are capable of

offering the service, the SASSA had to continue with the contract with CPS until the end of March in 2017. The SASSA committed that they will insource the services at the expiry of the contract in 2017, in the meantime the SASSA is building its own capacity.

- 3.15 Mr. Magwaza emphasised that the SASSA had to continue with the CPS contract because if they stopped the contract, South African beneficiaries will not get their grants and that will lead to more problems for the country.
- 3.16 The beneficiaries from the Western Cape are encouraged to lodge all the disputes to the SASSA through the telephone care line number 0800 60 10 11, local offices, the helpdesk at pay points, regional customer care lines number at 021 468 0235 or email the disputes to GrantsEnquiriesWC@sassa.gov.za
- 3.17 The national delegation from the SASSA said that they are in a process of setting up a National Stakeholders' Forum that will ensure that information is disseminated in communities.
- 3.18 Ms Collen Ryan, the Western Cape Regional Manager of Black Sash informed the Committee that the Black Sash, has been running a "Hands off our grants" campaign and has documented hundreds of cases of unauthorised deductions from beneficiaries' accounts, for airtime, loan repayments, electricity and even water. She mentioned that some of the deductions were ordered by members of the beneficiaries' families or by others who fraudulently obtained details of their accounts.

Ms Ryan mentioned that the Dispute Resolution Mechanism system that SASSA has set up does not work. The beneficiaries' are still being sent to a phone within SASSA office to call CPS and to resolve the problem themselves. She said that she had visited some of the SASSA offices in the province and was told that SASSA staff chose not to use the Dispute Resolution Mechanism forms supplied by SASSA because they felt that the system was not working, once they send the papers to their Provincial Office they do not get any feedback and the deductions continued.

- 3.19 Ms Dunkerley informed the Committee in order to improve the system, the department will put in place a 24-hour, seven days a week, toll free number as well as have a SASSA Commissioners of Oath on site to commission affidavits so that beneficiaries are not sent from pillar to post to complete the necessary dispute.

Ongoing training is in place to ensure that all SASSA staff are familiar with the disputes procedures and can support beneficiaries in a professional manner; there is a plan in place to fast track cash refunds including via the Integrated Community Registration Outreach Programme (ICROP) and Project Mikondzo.

SASSA has launched a specific communication strategy targeting beneficiaries to ensure that they know how to lodge and follow-up on debit deductions disputes. Furthermore, SASSA now has uniforms and name tags to distinguish staff from other service providers.

She encouraged grant beneficiaries to monitor their SASSA branded account statements carefully, Mr. Brenton van Vrede, Deputy Director-General for Social Security informed the Committee that the Department is finalising a funeral cover plan aimed at beneficiaries, mainly pensioners of social grant. The proposal for the burial cover will be submitted to the Cabinet for approval.

4. Presentation by the Ministerial Task Team (MTT) on the unlawful deductions in the SASSA's beneficiaries' bank accounts

The Committee proceeded to a briefing by Ms Llewellyn October, a member of the Ministerial Task Team (MTT) on the unlawful deductions from the SASSA's beneficiaries' bank accounts.

Ms October informed the Committee that following the media reports on the spate of unlawful deductions from the SASSA beneficiaries' bank accounts, the National Minister of Social Development formed a Ministerial Task Team (MTT) in February 2014 that was mandated to get to the bottom of the illegal deductions and make recommendations that will enable the SASSA to resolve this challenge. The MTT consists of government officials and civil society members. In August 2014, the MTT delivered its first report with recommendations for short, medium and long term actions to stop the unlawful deductions. The report was endorsed by the National Minister of Social Development on 11 September 2014.

According to Ms October, since the establishment of the MTT in September 2014. The MTT has had six meetings and most meeting of the MTT are geared towards ensuring that their recommendations are implemented by the SASSA.

4.1. MTT recommendations includes the following amongst others:

- 4.1.1 The SASSA should re-run their payment tender and change the bid specifications, contract and Service Level Agreements (SLA) to ensure better alignment with legislation and regulations in order to protect bank accounts and confidential data of the beneficiaries.
- 4.1.2 The SASSA owned and controlled recourse system should be back dated as from 2012 in order to refund beneficiaries with interest.
- 4.1.3 The Department of Social Development (DSD), SASSA to block and reverse with immediate effect any debit deductions for Umoya Manje services, loans and any other financial services other than the legal funeral insurance deductions under Regulation 26A.
- 4.1.4 The SASSA to in-source social grants payments with protected bank accounts and beneficiaries' personal data.
- 4.1.5 The SASSA should oppose the sale of Grindrod (including beneficiaries' accounts) to Bidvest.
- 4.1.6 DSD should seek a Declaratory Order to interpret the Social Assistance Act (Act 13 of 2004), (Section 20) and the SASSA Act relating to beneficiaries' confidential information.
- 4.1.7 The SASSA and DSD to ensure that Cash Payment Services (CPS, complies with all relevant legislation and regulations.
- 4.1.8 The Social Security Legislation should be amended and be aligned with other legislations including social grants to be off limits to creditors.
- 4.1.9 The SASSA should establish an inspectorate to deal with all unlawful deductions. The inspectorate should be established in terms of the Social Assistance Act (Act 13 of 2004).
- 4.1.10 Ms October informed the Committee that in April 2014 the Constitutional Court suspended the declaration of invalidity of the CPS contract of 2012.

The Court gave a judgement that the SASSA should re-run the tender process for the payment of social grants nationally.

- 4.1.11 In October 2014 the SASSA issued a new tender specification and Request for Proposal (RFP) that significantly reflect suggestions from the MTT. The RFP was reissued in April 2015 with more amendments.
- 4.1.12 Examples of changes to the RFP included amongst others “Bidder agrees that there will be no payments, transfers, EFT debits, stop order deductions or other services facilitated through the beneficiary account unless expressly authorised by SASSA.
- 4.1.13 The bidder must ensure that the beneficiary account is restricted to the payment of social assistance and any other special social security benefits as directed by SASSA only. No other products or service can be introduced or marketed to beneficiaries by the successful bidder, its partners or any other party.
- 4.1.14 The successful bidder is not permitted to effect any regulation 26A deduction unless specially instructed in writing by SASSA.
- 4.1.15 In terms of the SASSA Act (Act 9 of 2004), the service provider will protect the confidential data of grant beneficiaries provided by SASSA.
- 4.1.16 Ms October indicated that although SASSA has introduced the Dispute Resolution Mechanism to assist beneficiaries, there is still confusion about the roles of SASSA and CPS officials in the recourse system. CPS remains dominant. Grant beneficiaries are still sent from pillar to post between SASSA, CPS, police, etc. to secure recourse in ineffective system.
- 4.1.18 There is a lack of uniforms compounding the distinction between SASSA and CPS officials.
- 4.1.19 SASSA is still heavily reliant on CPS to access system for information and refunds.

5. Submission made by members of the public on the unlawful deductions

Members of the public were provided with an opportunity to make submissions, seek clarity and pose questions to the SASSA delegation on the unlawful deductions. The following people made submissions:

- 5.1 Mr White, R
- 5.2 Mrs Isaac, N
- 5.3 Mr Farmer, WJ
- 5.4 Mr Schalk, JC
- 5.5 Mr Mgunguluzi, M
- 5.6 Mr Erasmus, R

Due to limited time and the high numbers of community members who wanted to make submissions to the SASSA delegation, Ms Dunkerley suggested that community members who still need to make submissions should go outside the meeting to the two SASSA administrators who were there to assist beneficiaries in making submissions. The beneficiaries contact details were also taken by SASSA administrators for feedback purposes.

The Committee deliberated on the above presentations.

6. Recommendations

The Committee RECOMMENDED that:

- 6.1 There should be no deductions of any kind from beneficiaries' SASSA accounts;
- 6.2 The SASSA Website should be updated continuously and be used as an instrumental communication tool between the Department and the members of the public. The Website must have updated forms and educational information on fraudulent schemes and unlawful deductions;
- 6.2 The SASSA should disseminate information flyers to the members of the public on these unlawful deductions. The flyers must have all the contact details of where beneficiaries should lodge the disputes;
- 6.3 The SASSA should look at ways of how CPS and Net1 could be blacklisted. This will ensure that these companies never work with government again; and
- 6.4 The SASSA should conduct information sessions in communities that experience challenges but that are not yet on the ICROP Programme.

The Committee RESOLVED to re-invite SASSA at a future date to come and brief the Committee on the transition of outsourcing to insourcing.

7 Information Requested

The Committee REQUESTED that the SASSA, by 7 June 2016, submit:

- 7.1 A copy of the Integrated Community Registration Outreach Programme (ICROP) for the Western Cape;
- 7.2 A detailed report with rand-value attached to it, on the number of the beneficiaries that have been reimbursed by SASSA thus far; and
- 7.3 A copy of the previous tender specifications, Memorandum of Understanding and a copy of a contract between SASSA and CPS.

8. Conclusion

The Committee successfully concluded its briefing meeting by the South African Social Security Agency.

9. Acknowledgment

The Committee expressed its gratitude to the delegation of SASSA from the National Head Office in Pretoria for attending the meeting, briefing the Committee and responding to questions. The Committee also thanked the officials from Department of Social Development and community members for attending the meeting.

The meeting adjourned at 13:00.

2. Annual Report of the Standing Committee on Community Development for the 2015/16 financial year, dated 31 March 2016, as follows:

Members

The Committee comprises of the following members:

Democratic Alliance

Botha, LJ (Chairperson)
Mitchell, DG
Wenger, MM

African National Congress

Gillion, MN
Gopie, D

Alternate Members

Lekker, PZ (ANC)
Makeleni, P (ANC)
McKenzie, RD (DA)

1. Introduction

The mandate of the Committee is to:

- 1.1 Maintain oversight over the Executive.
- 1.2 To keep the Departments of Health and Social Development accountable to it.
- 1.3 To consider and report on legislation and other matters referred to it by the Speaker.
- 1.4 To monitor the implementation of legislation.

In the fulfillment of its mandate, the Committee:

- 1.5 Facilitated public participation in the legislative and other processes of the Committee.
- 1.6 Conducted its business in a fair, open and transparent manner.
- 1.7 Promoted co-operative governance.
- 1.8 Reported regularly to the House.

2. Reporting Departments

- 2.1 Department of Health
- 2.2 Department of Social Development

The Committee did not have a Chairperson as from the 1 April 2015 – 31 September 2015 since the appointment of the Committee Chairperson, Ms A Marais to the position of the Minister for Cultural Affairs and Sports in the Western Cape. Although the

Committee did not have a permanent Chairperson, the Committee meetings and other engagements were successfully carried out as planned. In each meeting the Committee elected an acting Chairperson for that meeting as per the Western Cape Standing Rules, Rule 77 (2).

3. Overview of Committees Activities

No of Committee activities	30
No of Public Hearings	8
No of Oversight Visits	5
No of Cluster Visit Weeks	1
No of International Study Tours	0
No of Provincial Bills considered	2
No of NCOP Visit Weeks	1
No of NCOP Bills considered	1
Workshops/conferences attended	0

4. Oversight activities

4.1 Committee activities

Following media reports on the scourge of mental health issues as a result of substance abuse in the province, the Committee resolved to invite the Department of Social Development (DSD) to brief the Committee on the substance abuse prevention and rehabilitation programmes that the DSD has in place to curb the scourge of substance abuse in the province.

During the meeting, the Department informed the Committee that the total budget allocation for the substance abuse prevention and rehabilitation programmes for the 2015/2016 financial year was R91 945 000 of which R56 600 000 was transferred to Non-Profit Organisations (NPOs) to render services in various communities of the province. The discussion with the DSD focused on the challenges it was facing in rolling out the programmes in all the regions of the province. The Department reported that it was struggling to set-up the Inpatient Treatment Centres in some areas due to a lack of capacity. The Department also highlighted that NPOs especially in rural areas do not have the capacity to provide the substance abuse programmes and because of the scourge of substance abuse in the province, the Department was in a process of capacitating its own staff to provide these services where there was a need.

During the month of August 2015, the Committee was briefed by the Child Welfare South Africa, Provincial Head Office, Western Cape on the status of Child Protection Services in the province. Some of the concerns raised by the Child Welfare South Africa during the meeting were that some of the foster children have no place within their foster families, 297 foster children were school dropouts and the province has the highest number of parents in the reunification programme with a total of 313 due to parents that were failing to partake in the programme. The delegation from the Child Welfare South Africa suggested that the province needs to strengthen the prevention programmes that are stipulated in Section 144 of the Children's Act (Act 38 of 2005).

4.2 Committee Oversight Visits during the 2015/16 Financial Year

During the period 1 to 5 June 2015, the Committee participated in the Cluster Visit Week that was conducted in the Eden District. The Committee visited the Youth Café and Rosemoor Clinic in George, the Swellendam Hospital, the Creating Effective Families (CEF), a Non-Profit Organisation (NPO) in Mosselbay and Nuwe Hoop Centre for on the hearing impaired in Worcester. The briefings by managers of the above facilities focused on the activities, challenges and successes of these facilities.

On Tuesday, 23 June 2015, the Committee embarked on an oversight visit to the Kayamandi Clinic and the Stellenbosch Hospital. During these visits the Committee focused on the challenges faced by these health facilities. In Kayamandi Clinic the infrastructure was a major challenge and the Committee was informed that the Department was struggling to obtain land to build a new clinic. The filing area and the reception area were inadequate. There was a high number of patients that seek medical help without Identity Documents (IDs), with wrong IDs and furnishing the health officials with wrong addresses. The officials reported that this has made it difficult for the clinic to trace the patients when they default on treatment.

In terms of the challenges at Stellenbosch hospital, the Committee was informed that there was a high staff turnover, especially among the administrative personnel and that the entire hospital needs to be refurbished.

During September 2015, the Committee conducted an unannounced visit to the Saartjie Baartman Centre for abused women and children in Manenberg. During the visit to the Centre the Committee was informed that the NPO was a one-stop centre for women and children who survived abuse. One of the challenges at the Saartjie Baartman Centre included funding, the operational budget of the centre was R10 million per annum and DSD only covers a third of the total budget. The NPO was leasing the premises from the Department of Transport and Public Works for five years and it was reported that the Department has ended the long term leasing agreement. It only offers short term leasing agreement and that has a negative impact on the funding of the Centre because international donors are willing to donate to the Centre only if there was a surety that the Centre will be operating from the same premises in the near future.

During the oversight visit to the Rose Parent Project at the Lentegeur Hospital in Mitchells Plain, it was reported that the project was a community based project that forms part of the Lentegeur Hospital's Psychiatric Rehabilitation Programme. The objective of the project is to provide community based programs, living options, custodial to recovery and to provide foster care services to patients with psychiatry, forensic and intellectual disability. The Project is administered by social workers at the Lentegeur Hospital and the Rose Parents (foster parents) do not receive any form of remuneration for their services. The Rose patients receive disability grants which are administered by the Rose Parent. The grant covers all costs involved in the care, support and expenses of patients living in the Rose Parent Care. Some of the challenges that were highlighted during the visit are: a lack of volunteers to become the Rose parents; the shortage of Auxiliary Social Workers to assist with foster care programme and insufficient resources to support the Rose Parents in their homes.

The *Medicine and Related Substances Amendment Bill* [B 6B–2014] (NCOP) was referred to the Committee in August 2015. The Committee invited the National Department of Health to a briefing meeting on the Bill on Tuesday, 1 September 2015. The invitation was extended to the Provincial Department of Health to attend the meeting. During the briefing meeting the delegation from the National Department of Health informed the Committee that the Bill seeks to strengthen the current medicines regulatory in South Africa, the Medicines Control Council (MCC) through Act 72 of 2008, which makes provision for the establishment of a new authority, the South African Health Products Regulatory Authority (SAHPRA), by creating a governance structure. In this meeting, the Committee decided to hold two public hearings on the Bill. Public hearings on the Bill were held at Vredendal in the West Coast on Monday, 14 September 2015 and in Cape Town on Wednesday, 16 September 2015.

4.3 National Council of Provinces Taking Parliament to the People

During April 2015, the standing committee was part of the National Council of Provinces (NCOP) Taking Parliament to the People programme in the Eden district. The Committee Members were allocated to different groups that conducted oversight visits to various sites in the district.

5. Legislation

During the 2015/16 financial year, the Committee dealt with the following items of legislation:

5.1 Provincial Bills

- 5.1.1 Vote 6: Health and Vote 7: Social Development in the schedule to the *Western Cape Adjustments Appropriation Bill* [B 4–2015.]
- 5.1.2 Vote 6: Health and Vote 7: Social Development in the schedule to the *Western Cape Appropriation Bill* [B 2–2016].

5.2 NCOP Bills (Section 76)

Medicine and Related Substances Amendment Bill [B 6B–2014] (NCOP).

6. Facilitation of Public Involvement and participation

In line with the Committee's mandate to facilitate public participation as part of the legislative process, members of the public were invited to participate in the consideration and deliberations on:

- 6.1 the Annual Reports of the Department of Health and the Department of Social Development;
- 6.2 the *Medicine and Related Substances Amendment Bill* [B 6B–2014] (NCOP);
- 6.3 the *Western Cape Adjustments Appropriation Bill* [B 4–2015] on Vote 6: Health;
- 6.4 the *Western Cape Adjustments Appropriation Bill* [B 4–2015] on Vote 7: Social Development;
- 6.5 the *Western Cape Appropriation Bill* [B 2–2016] on Vote 6: Health; and

6.6 the *Western Cape Appropriation Bill* [B 2–2016] on Vote 7: Social Development.

7. Financial Particulars

The Standing Committee was allocated an amount of R129 650. The Committee overspent by R16, 414.30. This expenditure is largely attributed to the Provincial Bills that were referred to the Committee. In facilitating participation in the legislative process when dealing with the Provincial Bills and the NCOP Bill, the Committee advertised extensively in newspapers to notify the public of their democratic responsibility to participate in the law making process. In addition, the Committee incurred high costs because all Committee members were part of the National Council of Provinces, Taking Parliament to the People in the Eden District in April 2015.