

# 2015/2016

annual report



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the gpaa

Department:  
Government Pensions Administration Agency  
REPUBLIC OF SOUTH AFRICA

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ANNUAL  
REPORT  
2015/2016

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## PART A: GENERAL INFORMATION



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## LIST OF ABBREVIATIONS / ACRONYMS

APP	Annual Performance Plan	EDMS	Enterprise Data Management Solution
AIPF	Associated Institutions Pension Fund	EDM	Enterprise Data Management
AVEs	Added Value Equivalents	EH&W	Employee Health and Wellness
BEE	Black Economic Empowerment	ERM	Enterprise-wide Risk Management
BMI	Body Mass Index	ECB	European Central Bank
BPA	Benefit Payment Automation	EMI	European Monetary Institute
BPM	Business Process Management	EXCO	Executive Committee
CANSA	Cancer Association of South Africa	FMPPI	Framework for Managing Programme Performance Information
CEO	Chief Executive Officer	GCIS	Government Communication and Information System
CFO	Chief Financial Officer	GOTF	GPAA of the Future
CIO	Chief Information Officer	GDF	Gauteng Department of Finance
CIP	Compulsory Induction Programme	GPSSBC	General Public Service Sector Bargaining Council
CIVPEN	Civil Pensions	GEHS	Government Employees Housing Scheme
CRO	Chief Risk Officer	GEP	Government Employees Pension
CLO	Client Liaison Officer	GEPF	Government Employees Pension Fund
CRM	Client Relations Management	GPAA	Government Pensions Administration Agency
COSO	Committee of Sponsoring Organisations	GRAP	Generally Recognised Accounting Practice
COO	Chief Operating Officer	HIRA	Hazard Identification and Risk Assessment
CSS	Client Satisfaction Survey	HCT	HIV Counselling and Testing
CM&E	Corporate Monitoring and Evaluation	HIV	Human Immune Virus
DGC	Data Governance Committee	HR	Human Resources
DQIM	Data Quality Improvement and Management	HRD	Human Resource Development
DPME	Department of Planning, Monitoring and Evaluation	HCM	Human Capital Management
DPSA	Department of Public Service and Administration	IAM	Identity and Access Management
DPW	Department of Public Works	ICT	Information Communication Technology
DBC	Departmental Bargaining Chamber	IS	Information Security
EB	Employee Benefits	ITIL	Information Technology Infrastructure Library
ESL	Employee Satisfaction Level	IOD	Injury on Duty
ECM	Enterprise Content Management	IDMS	Integrated Document Management Solution

IMF	International Monetary Fund
IT	Information Technology
ITSM	Information Technology Service Management
KRA	Key Result Area
KPA	Key Performance Area
LAN	Local Area Network
MIA	Management Information and Analytics
MMS	Middle Management Services
MPAT	Management Performance Assessment Tool
MTSF	Medium-Term Strategic Framework
MACC	Minimum Anti-Corruption Capacity Requirement
NACH	National Anti-Corruption Hotline
NHI	National Health Insurance
NDP	National Development Plan
OHS	Occupational Health and Safety
OLA	Operational Level Agreement
OECD	Organisation for Economic Co-operation and Development
ODWG	Organisational Design Working Group
OSS	Operational Support System
PAA	Public Audit Act
PAIA	Public Access to Information Act
PERSAL	Personnel Salary
PFMA	Public Finance Management Act
PCM	Pension Case Management
PMO	Project Management Office
POC	Proof of Concept
PIC	Public Investment Corporation
PSA	Public Servants Association
PSCBC	Public Service Co-ordinating Bargaining Council
QMS	Queue Management System

RMC	Retirement Member Campaign
SHERQ	Safety, Health, Environment, Risk and Quality
SIEM	Security Information and Event Monitoring
SDIP	Service Delivery Improvement Programme
SLA	Service Level Agreement
SIP	Solution Implementation Partner
SITA	State Information Technology Agency
SAMVA	South African Military Veterans Association
SAPS	South African Police Service
SASAWU	South African State and Allied Workers Union
SSA	State Security Agency
SP	Strategic Plan
SCM	Supply Chain Management
SDLC	Systems Development Life Cycle
SMS	Senior Management Service
SOP	Standard Operating Procedure
TAD	Technical Architecture Design
TEPF	Temporary Employees Pension Fund
TOR	Terms of Reference
TOGAF	The Open Group Architecture Framework
SARS	South African Revenue Service
VIP	Very Important Person
WAN	Wide Area Network
WAR	Work Area Recovery
WSP	Workplace Skills Plan



*"It is my firm expectation that all entities reporting to the Ministry of Finance will always enhance integrity, financial prudence and make every effort to expose and fight corruption and the mismanagement of public funds."*

**Pravin J Gordhan, MP**  
**Minister of Finance**

## FOREWORD BY THE MINISTER OF FINANCE

The Government Pensions Administration Agency (GPAA) plays an important role in the lives of public servants, many of whom depend on their pensions as their only life-long savings. It is therefore only fitting that the benefits of those current and retired public servants, who dedicated themselves to serving the public, are efficiently and effectively administered.

I am pleased to note that the GPAA's endeavours to drive the organisation into the future continue to evolve. Now in its fourth year, the GPAA's Modernisation Programme aimed at improving on processes, technology and people competencies is growing from strength to strength. Notable achievements of the Programme include the implementation of a pension verification programme, which exempts pensioners living in South Africa from providing physical proof of their existence on an annual basis in order to process all pension transactions. In addition, a project designed to trace members ensures that unclaimed benefits are paid to the rightful members.

Further notable achievements of the GPAA for the financial year under review include: over 90% of benefits were paid accurately and 84% of benefits were paid on time after receipt of duly completed documentation. The mapping out of 92% of core business processes, and the implementation of educational outreach initiatives through the deployment of mobile offices and roadshows to rural areas, are further examples of commendable initiatives that led to reduced payment turnaround times and the provision of services to historically marginalised areas.

Going forward, the GPAA will strive to meet its target to pay benefits to retiring members within 60 days of exiting the funds under administration; and will collaborate with participating employer departments to allow them to pay and administer benefits with due care and in a cost-effective manner. The provision of these services and more by the GPAA will ensure that public servants are able to retire with the dignity they rightfully deserve.

It is my firm expectation that all entities reporting to the Ministry of Finance will always enhance integrity, financial prudence and make every effort to expose and fight corruption and the mismanagement of public funds.

I would like to thank the GPAA's Executive Management team and staff for the commitment and hard work displayed during the reporting period. I would also like to congratulate Mr Krishen Sukdev on his appointment as CEO of the GPAA. I have no doubt that the GPAA will continue to make steady progress under the leadership Mr Sukdev in achieving its goal to be among the best pension fund administrators globally.

**Pravin J Gordhan, MP**  
**Minister of Finance**  
**August 2016**



*“The organisation also paid 93% of suppliers within 30 days of receipt of invoices; and over 90% of the external audit findings were resolved.”*

**Chief Executive Officer: Krishen Sukdev**  
**Government Pensions Administration Agency**

## 4. ACCOUNTING OFFICER'S NOTE

The GPAA's strategic goals drive its vision to be the leading, people-centric benefits administrator in government. Achieving the targets set in the strategy will create an efficient, effective and economical, high performance organisation. Through the implementation of our Modernisation Programme which seeks to address technology, system and process improvements, as well as human capital development, the GPAA will be in a position to realise its strategic goals. We would like to extend our appreciation to the Heads of Entities and the South African Revenue Service (SARS) for guiding the GPAA through the maze of its Modernisation journey.

If we successfully continue to stay the course of Modernisation, our approach towards service delivery will greatly improve the client's experience as we promote service excellence by treating clients fairly.

Through the Modernisation Programme, the GPAA aims to automate key processes, build a competent workforce and increase its interaction with employer departments and fund members so as to pay exit benefits accurately and on time.

The GPAA has successfully automated the life verification of pensioners through the creation of an interface with the Department of Home Affairs. This

Automatic Life Verification process has brought huge relief to pensioners who are no longer required to send the GPAA proof of their existence annually. Automatic Life Verification, however, applies only to those pensioners who live within the borders of South Africa.

The initiatives that were high on the agenda during the year under review were:

- Stakeholder management and engagement to enhance employer department support and payment turnaround time which has been reduced to 45 days in some instances;
- Establishment of a Backlog Committee to focus on delayed payments;
- Electronic communication with clients through SMS;
- Education and outreach with more focus on rural and far flung areas;
- Employee engagement and support to enhance productivity; and
- Resolution of audit findings.

All of these initiatives are aimed at improving the pension administration services provided to clients on behalf of our main customers, GEPP and the National Treasury.

### Achievements

The Walk-in Centres across the country achieved an average of 97% customer satisfaction on: openness, consultation, information, courtesy and service standard. The GPAA achieved over 80% of its Annual Performance Plan (APP) targets, paid over 90% of benefits accurately and paid 84% of benefits on time after receipt of duly completed documentation. The majority (92%) of our core business processes, which is a combination of the as-is and to-be processes, have been mapped with a view to improve on benefits turnaround time and customer experience.

The organisation also paid 93% of suppliers within 30 days of receipt of invoices; and over 90% of the external audit findings were resolved. A client self-service channel was piloted at one of the Gauteng Walk-in Centres and the experience was beneficial to the customers who used it.

Our next target is to pay retiring members their benefits within 30 days of their exit from service. To this end, the GPAA has adopted a dedicated project to establish the contact information of our members to assist in paying benefits timeously. Going forward, the GPAA expects to maintain an updated list of such members through its database.

The GPAA is now six years old and has laid a solid foundation as a modernising pension fund and benefits administrator. The challenge that the GPAA is faced with in the next two years is to finalise its new operating model and to reduce and omit fraudulent activity with the aid of appropriate technology that improves service delivery.

### Irregular Expenditure During 2015 / 2016

Irregular expenditure as at 1 April 2015 was R48,4 million. In the current financial year an additional irregular expenditure of R7,6 million was incurred and R1,8 million was raised in the current year in respect of the previous financial year. A total of R24,3 million was condoned and R33,5 million was awaiting finalisation as at 31 March 2016. Subsequent to the financial year-end, irregular expenditure of R14,4 million was condoned by the National Treasury.

The challenges that led to irregular expenditure are being addressed through consequence management and other interventions to improve our capacity and capability to reduce or eliminate such occurrences. The remedial actions taken and considered include investigations and disciplinary action where necessary, and these reports will be finalised in the subsequent financial period.

### Conclusion

The ultimate goal of the GPAA is to ensure a respectable retirement for government employees and other beneficiaries of its administrative services through fully adhering to industry best practice.

We believe that we are taking great strides towards achieving the creation of an appropriate service experience for our clients as they experience a well-deserved retirement.



**Krishen Sukdev**

**Chief Executive Officer: Government Pensions**

**Administration Agency**

**31 July 2016**

*“Our next target is to pay retiring members their benefits within 30 days of their exit from service”*

## ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY

Statement of Responsibility and Confirmation of the Accuracy of the Annual Report for the Year Ended 31 March 2016.

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed throughout the Annual Report are consistent.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury.
- The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practices (GRAP) standards and the relevant frameworks and guidelines issued by National Treasury.

In response to the expectations of Clause 3 (8) of the Proclamation of the GPAA on 26 March 2010, a formal evaluation and review of the GPAA as a Government Component commenced in the 2015 / 2016 year, as

reported previously. The report is in review and the outcomes and recommendations will be made available by September 2016.

A GEPP-initiated CEM International Benchmarking exercise, which commenced in March 2015 to assess the GPAA's capability as a pension administrator, was successfully completed and is in review by GEPP's Board of Trustees.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the Performance Information, the Human Resource Information and the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resource information and the financial affairs of the department for the financial year ended 31 March 2016.



**Krishen Sukdev**

**Accounting Officer**

**Government Pensions Administration Agency (GPAA)**

**28 July 2016**

## STRATEGIC OVERVIEW

The GPAA has moved towards becoming a leading benefits administrator that can function independently since its inception in 2010. In line with this vision going forward, the GPAA aims to be the first choice benefits administrator for government institutions, thus attracting new business with the objective of promoting sustainability. The GPAA strives to position itself within government, but more so in the pension and benefit administration industry, through stakeholder engagement and management that builds a solid reputation.

An immediate shift in focus from the client to the way the employer interacts with the administrator has become imminent. The GPAA will bed down this relationship with the hope of reducing the administration turnaround time in the very near future. This will include self-service platforms that are being developed within the GPAA's Modernisation Programme.

In the short-term, the GPAA aspires to deal with the increased resignation problem that has burdened the system, as well as with unclaimed benefits, by setting targets for the reduction of such and by educating members so that they are able to respond to our new ways of working.

In the medium-term, the GPAA has begun work on legislative proposals that will enable it, as an administrator, to deal directly with members or beneficiaries by revisiting its relationship with employer departments.

Over the long-term, the GPAA aspires to be able to take on other government business by developing new product offerings over and above benefits administration. This could include the management of defined contribution funds.

Lastly, the GPAA is working towards making itself an obvious choice for government benefits administration projects, specifically in light of the South African Social Security Reform, as it seeks to take advantage of opportunities like those offered by the National Health Insurance (NHI) administration.

## Vision, Mission and Values

The GPAA's vision, mission and values are as below:

### Vision

To be the leading, people-centric benefits administrator in government.

### Mission

To serve clients by paying benefits accurately and timeously.

### Values

Value	Implication
Transparency	We undertake to be open and accountable in our engagements with all our stakeholders.
Respect	We are committed to treating everyone with dignity, equality and trust.
Integrity	We act fairly, ethically and openly in all we do.
Courtesy	We treat our stakeholders and clients with consideration, compassion and kindness.
Service excellence	We commit to giving our clients quality service.

## LEGISLATIVE AND OTHER MANDATES

### 7.1 Government Mandate

The GPAA is responsible for contributing towards Outcome 12 of the Government's 14 priority outcomes. The key strategic areas of this outcome include:

- Service delivery quality and access;
- Human resource management and development;
- Business processes, systems, decision rights and accountability management; and
- Reducing corruption in the public service.

### 7.2 Legislative Mandate

The GPAA is a government component which reports to the Minister of Finance as its Executive Authority and its mandate is to administer pensions on behalf of GEPP and National Treasury in respect of Post-Retirement Medical Subsidies, Military Pensions, Special Pensions, Injury on Duty payments and other Programme 7 functions. The GPAA's mandate is derived from the overall mandates of GEPP and National Treasury's Programme 7 – who are its primary customers.

The GPAA's financial affairs are governed by the Public Finance Management Act (PFMA), while its human resources fall under the ambit of the Public Service Act (PSA).

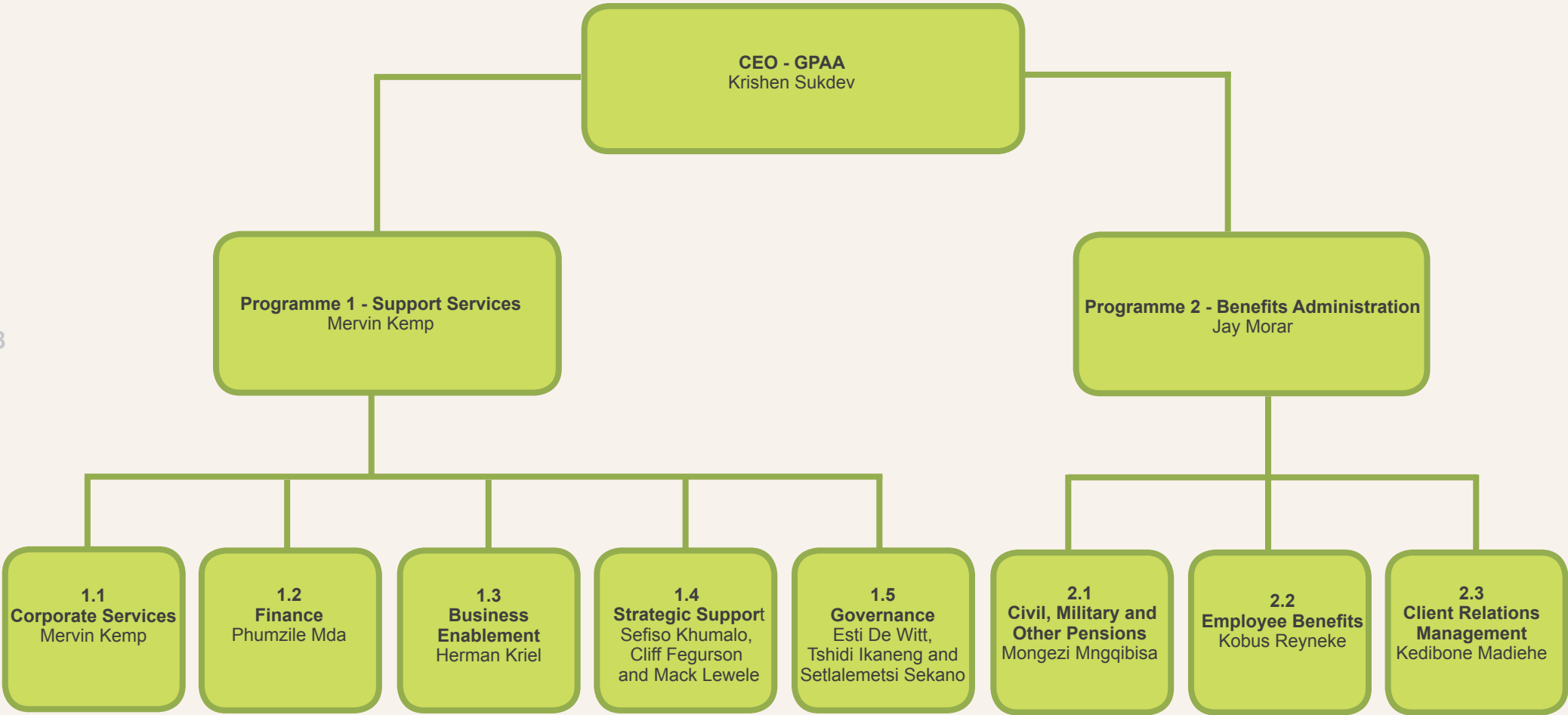
The services which the GPAA provides to its two customers (GEPP and National Treasury) are regulated by Service Level Agreements (SLAs). The funds and schemes that are currently administered by the GPAA are as follows:

- GEPP in terms of the Government Employees Pension (GEP) Law of 1996 on behalf of GEPP's Board of Trustees;
- The TEPF in terms of the Temporary Employees Pension Fund (TEPF) Act 75 of 1979 on behalf of National Treasury's Programme 7;
- The AIPF in terms of the Associated Institutions Pension Fund (AIPF) Act 41 of 1963 on behalf of National Treasury's Programme 7;
- Post-retirement Medical Subsidies as provided for and regulated by Public Service Co-ordinating Bargaining Council (PSCBC) resolutions on behalf of National Treasury's Programme 7;
- Military Pensions in terms of the Military Pensions Act 84 of 1976 on behalf of National Treasury's Programme 7;

- Injury on Duty (IOD) payments in terms of the Compensation for Occupational Injuries and Diseases Act 130 of 1993 on behalf of National Treasury's Programme 7; and
- Special Pensions in terms of the Special Pensions Act 69 of 1996 on behalf of National Treasury's Programme 7.

The GPAA aims to deliver on its mandates through its strategic goals and objectives within specific performance areas in accordance with its operating model.

1. THE STRUCTURE FOR MANAGING THE STRATEGIC AND ANNUAL PERFORMANCE PLANS



## Programme 1 - Support Services

Programme 1 administers the business and governance affairs of the GPAA and gives rise to the strategic outcomes in support of the core business of Programme 2.

### Sub-programme 1.1 - Corporate Services (business administration)

The business units within Corporate Services play a supporting role towards the provision of core services. The primary aim of this Sub-programme is to support the GPAA in achieving its strategic goals through the management, co-ordination and oversight of all management support, human and physical resources and various services within the organisation.

### Sub-programme 1.2 – Finance

This Sub-programme manages the financial resources available to administer pensions and other benefits using best practice principles. In this regard, the Sub-programme ensures that financial policies are adhered to, financial record keeping is done according to the appropriate framework, and sufficient cash flow levels are maintained for operational activities. The Sub-programme also prepares the financial statements for the organisation and for use by stakeholders.

### Sub-programme 1.3 – Business Enablement

This Sub-programme directs and manages the organisation's ICT infrastructure, including two data centres, hosting servers, storage and application systems, Local Area Network (LAN) and Wide Area Network (WAN) with a national footprint, and a range of end-user devices including desktops, laptops, tablets, printers and scanners. This Sub-programme provides the GPAA with the enabling capabilities and technologies it needs to deliver on its mandate. In its current initiatives, through the Modernisation Programme, the GPAA is in the process of automating its core business processes and expanding its electronic outreach to provide its clients and customers with secure access to its services. These initiatives are based on leading-edge technology solutions and established best practice frameworks, models and standards that promote and preserve the security and integrity of the organisation's information and the systems that process and maintain them.

The Modernisation Programme spans the entire organisation and seeks to upgrade, automate and improve the efficiency and efficacy of human capital, systems, processes and technology whilst fostering mutually beneficial relationships with clients and stakeholders. The programme has become a critical vehicle that the organisation is using to transform and

modernise its business processes and practices to achieve comparative levels of productivity, savings in administrative costs and ensuring compliance with legislative requirements - therefore making steady progress towards becoming a sustainable organisation.

### Sub-programme 1.4 – Strategic Support

The purpose of Strategic Support (the Office of the CEO and the business units that fall within it) is to plan, direct and support the organisation in order to ensure that employee benefits and pensions are administered according to the relevant legislation and Service Level Agreements (SLAs). This group of business units is therefore responsible for ensuring that the GPAA is effectively managed in order to deliver services that meet or exceed the requirements of clients. Finally, the Office of the CEO is responsible for oversight of the GPAA and the overall performance of the organisation. It is also responsible for building relations with various stakeholders, including intergovernmental engagements which promote the achievement of government priorities and service delivery.

### Sub-programme 1.5 – Governance

The Governance Sub-programme is aimed at ensuring that the required processes and advisory services are in place for decision making and implementation. The Sub-programme ensures that the characteristics of

accountability, transparency, compliance, following the rule of law, responsiveness, effectiveness and efficiency are built into processes, procedures and policies governing the GPAA, its stakeholders and decision making processes.

The Sub-programme consists of the Internal Audit unit, Legal and Advisory services and Enterprise-wide Risk Management, including the Forensic and Fraud Prevention Management business units.

## Programme 2 - Benefits Administration

This programme consists of three Sub-programmes that administer a range of benefits and client relations management.

### Sub-programme 2.1 – Special, Military and Other Pensions (National Treasury's Programme 7)

Administered by the GPAA on behalf of National Treasury, this Sub-programme provides for the payment of non-contributory pensions funded by National Treasury to the beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments. Military Pensions, Post-retirement

Medical Subsidy, Special Pensions and Injury on Duty (IOD) payments are benefits administered under this Sub-programme. Military Pensions and IOD payments provide for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices and other related expenses in terms of statutory commitments.

### Sub-programme 2.2 - Government Employees (GEPF)

The Government Employees Pension Fund (GEPF) is a contributory defined benefit pension fund that is administered by the GPAA in terms of the Government Employees Pension (GEP) Law. The GPAA provides the full spectrum of benefit administration services, inclusive of member admissions, contribution collection, member / pensioner / beneficiary maintenance and benefit processing services for GEPF. Benefit processing starts from benefit application, the processing of all relevant forms and documentation, and ends with the finalisation of the benefit payment from the Fund. These processes are aimed at the accurate and timely payment of benefits to GEPF's members, pensioners and beneficiaries.

### Sub-programme 2.3 - Client Relations Management (CRM): GEPF and National Treasury

Client Relationship Management (CRM) is aimed at managing the relationships with all stakeholders - including clients, third parties and employers - by providing high quality, responsive client services based on the Batho Pele principles. The service channel operations, in other words the Call Centre and Walk-in Centres, ensure effective support for the interface between the GPAA and its client base through accepting, resolving and monitoring all service requests or queries made by clients. CRM also provides employer education and training through its regional and employer liaison units. In addition, CRM oversees the document management process to support the GPAA's core functions and business processes. This includes the conversion of paper documents into electronic format, indexing, tracking and storage of these documents.

A group of five diverse individuals are shown in a professional setting, likely a meeting or conference. They are all looking towards the left side of the frame. The group includes a Black man, a white man, a Black woman with glasses, a white man, and a Black woman in the foreground. A semi-transparent green horizontal band runs across the middle of the image, containing the text 'PART B: PERFORMANCE INFORMATION' in white, uppercase letters.

## PART B: PERFORMANCE INFORMATION

## 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Refer to page 124 for the Report of the Auditor-General, published as Part E: Financial Information.

## 2. OVERVIEW OF ORGANISATIONAL PERFORMANCE

### 2.1.1 Service Delivery Environment

In 2011 the GPAA embarked on a Modernisation Programme to equip itself to fulfil its legislative mandate and to meet the changing needs of its clients and customers. Below is a discussion that analyses the situation of pension schemes and pension reform, together with the analysis of where the GPAA currently fits into the pension landscape.

### 2.1.2 Pension Reform

Pension reform has been high on the agenda of many governments globally, with several in the process of reforming their pension systems in order to reduce their financial commitments and also to fulfil their social corporate responsibility towards pensioners and their dependants.

Leading international organisations, such as the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), the European Monetary Institute (EMI, now the European Central Bank or ECB) and the European Commission, have long identified and reported concerns regarding structural changes resulting in the rapid and unsustainable rise in the financial costs of pension systems. This represents the global context in which the GPAA operates.

### 2.1.3 Public Service Reform

Public service reform and modernisation are being realised through numerous strategies and their implementation throughout government departments and entities. Since strategic management is an instrument used by organisations to manage change and innovation, strategies should have objectives beyond setting goals, programmes and policy

directives. With this in mind, a need was identified for the GPAA to understand the challenges that pension fund administration has to confront over the next two decades. This would influence and affect the GPAA's internal environment.

### 2.1.4 The GPAA as Administrator

The GPAA administers benefits for the 1.5 million member-strong Government Employees Pension Fund (GEPF), together with other funds and schemes on behalf of the South African government. GEPF is a defined benefit scheme and the GPAA collects contributions, distributes pensions and undertakes an investment accounting function for GEPF, which has a separate asset manager in the Public Investment Corporation (PIC). GEPF membership has been increasing by an average of 1.86% per year over the past six years.

### 2.1.5 Flexibility in Service Delivery

Our main concerns regarding service delivery are with regards to improved communication, enhancing member education, ensuring timely and accurate payments, and the strengthening of regional and satellite offices. Newsletters remain the main form of communication with clients, with a large number preferring paperless communication to paper-based communication.

A GPAA study identified an opportunity for the GPAA to educate members about GEPF products, services and benefits. The study also identified raising financial literacy levels amongst members as being important. Other areas of interest identified included death benefits, the implications of divorce for pension benefits and retirement preparedness and procedures.

## 2.2 Governance

A review of pension governance has emphasised the importance of administrative efficiencies and increased co-operation between the fund, the administrator and the client. Good governance in pension systems promotes the timely and cost-effective delivery of benefits, as well as the administration of the pension in the best interests of the pensioner, active member and beneficiary. Good governance in the GPAA is being increasingly recognised as an important aspect of an efficient pension administration system, enhancing administrative performance and securing service delivery. Adoption of a governance model will promote the timely and cost-effective delivery of benefits and their administration. The Proclamation of the GPAA made provision for the Minister to appoint an Advisory Board for the administration function and such a structure may strengthen the governance and executive oversight.

A Fraud Prevention and Integrity Framework is being implemented within the GPAA. This framework

is aimed at anti-corruption and ethics training, improving awareness amongst both internal and external stakeholders, and the development and improvement of policies and procedures. In addition, it encompasses the implementation of internal controls, the conducting of fraud risk assessments, an effectively managed whistleblowing mechanism, co-operative agency liaison and effective investigations. The GPAA plans to establish and implement a Materiality and Significance Framework. It is envisaged that the results of the implementation and monitoring thereof will be reported within the next three years.

### 2.2.1 Self-service

A self-service portal is one of the technological advancements that the GPAA could adopt to improve service delivery. Through such a channel, information can be retrieved and submitted through the portal, enabling the submission of applications, tracking of applications, calculating estimates, the sharing of National Treasury and GEPF product and benefit information. The portal could also provide information on financial planning, as well as policies and laws guiding the administration and investment of funds. As a basis for this, certain variables were identified that were deemed important in the development of the organisation outside of the Modernisation space – in fact, beyond the Modernisation space.

Apart from predicting the state of ‘the GPAA beyond Modernisation’, it is critical to consider variables, such as legislative developments, in understanding the direction of the pension landscape. The GPAA would like to become an employer of choice amongst pension administrators. It is hoped that the organisation will also become known widely for its service delivery ethos and reputation as a fund administrator of choice, putting its clients’ interests first.

### 2.2.2 Batho Pele Principles

In South Africa, there is a growing acknowledgment that the physical infrastructure and accessibility of one’s services contribute to the effective and efficient running of organisations. Therefore, in line with the Batho Pele principles, improved processes can ensure that the GPAA’s clients are informed and empowered. Such improvements further retirement preparedness, arming clients with the knowledge to make informed and important decisions about their retirement. They are also in line with the GPAA’s current strategic objectives in ensuring that benefit and pension pay-outs are made to the right clients and are paid at the right time, which could increase stakeholder satisfaction, trust and confidence.

### *National Framework for Sustainable Development*

The National Framework for Sustainable Development adopted in 2008 states that if a country's long-term economic performance is to avoid breaching key ecological thresholds, new technologies and processes need to be developed to increase productivity, using less energy, fewer resources and reducing waste.

### **2.3 Corporate Governance**

Corporate governance refers to formal and informal relationships between the GPAA and its stakeholders, as well as formal systems of accountability. The organisation embraces corporate governance and seeks to align its own goals with those of its stakeholders / society to strengthen cohesion in the sector. The GPAA has its own internal governance structures.

To this end, a Fraud Prevention and Integrity Framework is being implemented within the GPAA, as discussed above. The framework is aimed at anti-corruption and ethics training, increasing awareness amongst internal and external stakeholders, and the development and improvement of policies and procedures. In addition, it encompasses the implementation of internal controls, conducting of fraud risk assessments, an effectively managed whistleblowing mechanism, co-operative agency liaison and effective investigations.

### **2.4 Modernisation – the GPAA's Service Delivery Improvement Programme (SDIP)**

In 2011 the GPAA converted its Service Delivery Improvement Programme (SDIP) into a Modernisation Programme, which is premised on the idea that the key service outputs of the organisation will improve if:

- Key business processes are re-engineered;
- The re-engineered processes are then automated through the introduction of new ICT technology;
- Staff efficiency and effectiveness are enhanced by human resource management interventions supported by process innovation and technology refresh / enhancements; and
- The implementation of the new processes and technology platforms are supported by a robust change management and training programme.

The progress made by the main projects undertaken by the Modernisation Programme is as follows:

- **Pension Case Management (PCM)**

The first phase of the PCM development was rolled out during the second quarter of the 2015 / 2016 financial year to three employer departments, namely the South African Police Service (SAPS), the South African Revenue Service (SARS) and the Gauteng Department of Finance (GDF).

The intention behind this was to start testing the functionality of the new solution as part of end-user testing.

The second phase of the PCM development is to deliver an automated / work-flowed platform for the automated processing and payment of GEPP benefits (commonly referred to as Benefit Payment Automation or BPA). The initial proposal was to start User Acceptance Testing, the last phase of software development testing, of the first (of several) key milestones by February 2016. However, once begun it was decided that it would be best if PCM be completed including all outstanding issues, considering new critical requirements, before the commencement of BPA, which has delayed BPA progress. The revised plan is therefore to start User Acceptance Testing during the 2016 / 2017 financial year.

- **Queue Management System (QMS) for walk-in centres**

The Queue Management System (QMS) will provide the GPAA with the Business Intelligence information required to ensure continuous improvement in managing service requests in the walk-in centres effectively, which will enhance efficiency and the client experience. The project began during January 2016 and the Request For

Proposals to potential service providers was issued in February 2016.

- **CRM Multi-channel Communication Solution Project**

The project is in the last stages of the investigation phase and the beginning stages of the design phase. The tender closed on 29 March 2016 and tender responses have since been received.

- **Enterprise Data Management Solution (EDMS)**

During the Fourth Quarter of the year under review the Enterprise Data Management Solution (EDMS) project team worked to run and finalise the Proof of Concept (POC) for the new EDMS solution. This POC, covering phase one of the entire solution, is envisaged to begin to return dividends immediately as it provides a relational database, which in turn will provide the GPAA with updated information – a necessity for efficient administration of benefits.

Data from the current pension administration system (CIVPEN) was migrated to the target EDMS solution as part of the POC, which is expected to conclude during the 2016 / 2017 financial year.

- **Data Quality Improvement and Management (DQIM)**

The Data Governance Committee (DGC) is in the process of defining the different data management levels. The initial instruction given to the committee was to create a Data Management Policy and to define the standards for each data management discipline, as well as the processes to perform data management according to the new policy and standards. A draft of the new Data Management Policy has been created and progress will continue into 2016 / 2017.

- **Business Process Management (BPM)**

All of the GPAA's core business processes (mainly the benefit payment and CRM processes) that have been identified to date have been mapped, with approximately 86% being completely re-engineered or being in the process of being re-engineered. Of non-core / support processes (e.g. Finance, Human Resources and Risk) that have been identified, 65% have been mapped.

In 2016 / 2017 the focus of the BPM initiative will be on the implementation of a complete business architecture capability for the GPAA.

- **Solution Implementation Partner (SIP)**

The implementation of the supporting Oracle

Identity and Access Management (IAM) solution is in progress. Planning and design have been completed.

- **Enterprise Content Management (ECM)**

The procurement process for appointing a vendor to implement Enterprise Content Management (ECM) has been completed and the ECM project is underway. The project will be completed during the 2016 / 2017 financial year.

- **Integrated Document Management Solution (IDMS)**

The process of appointing the service provider for the IDMS project was in progress at the time of reporting.

## **Business Awareness**

A full-day workshop was conducted with business management in February 2016 to discuss the progress made to date within the Modernisation Programme. Project status updates, challenges and governance were discussed.

In addition, Modernisation has successfully migrated the majority of the projects into business operations as the project customers. These project customers are now

representing operational projects in the Modernisation Steering Committee (Steercom), with the assistance of the project manager, to provide feedback and ensure that all compliance requirements have been met.

### **Modernisation Going Forward – 2016 to 2019**

#### **2016 / 2017**

There following Modernisation activities are planned for the 2016 / 2017 financial year:

- **Pension Case Management (PCM):**
  - o The objective for 2016 / 2017 is to decommission the existing eChannel application by end of the 2016 / 2017 financial year and to bring all employers onto PCM.
  - o The Benefit Calculator is planned for deployment by mid 2016 / 2017.
- **Benefit Payment Automation ( BPA):**
  - o The first release of BPA is planned for second quarter of the 2016 / 2017 financial year and this shall automate benefit payments of exit cases logged via PCM for automated benefit payments.
  - o The second release of BPA is planned for third quarter of 2016 / 2017, which is

planned to enhance the first release with detailed validation.

- **Queue Management System (QMS):**  
During the first quarter of 2016 / 2017, the bid adjudication process will be completed and a service provider will be appointed. Thereafter the project team will plan for the implementation of the selected QMS.
- **Multi-channel Communication Solution Project:**  
The tender bid evaluation is to be completed by first quarter of 2016 / 2017, with the planning of the solution to be conducted thereafter.
- **Enterprise Data Management Solution (EDMS):**  
The procurement process for the Enterprise Data Management (EDM) solution has concluded and the pilot project had been completed. The report for the pilot project has been prepared and is in the process of evaluation. It is planned that the evaluation will be completed and the project will move on to the next work packages with the final completion envisaged by the end of 2016 / 2017.
- **Data Quality Improvement and Management (DQIM):**  
The DQIM team will continue resolving Programme

7 (National Treasury) data-related audit findings, while formalising data engagements with government departments and other providers.

- **Enterprise Content Management (ECM):**  
The ECM project will conclude the solution gap and functional requirements, whereafter it will commence with the design specifications for the solution. The first phase of the project is planned to be completed by quarter four 2016 / 2017. The last phase of the project is planned for the Second Quarter of the 2017 / 2018 financial year.
- **Integrated Document Management Solution (IDMS):**  
Preparations are in progress to implement projects for the back-scanning process that is set to commence during first quarter of the 2016 / 2017 financial year.

In 2016 / 2017, Modernisation intends to complete the automation of the core pension administration functions, including both benefit payments and membership maintenance functions. The operationalization of the key Enterprise Content Management (ECM) and case management systems will mean a dramatic improvement in first contact resolution of enquiries (through any of

the access channels available) because, with the new systems, case management and document retrieval will largely be digital (all records, whether voice or paper, will be retrievable in real time facilitating the resolution of queries).

The above will be possible because the Integrated Document Management System (IDMS) project will have, by this time, captured the most critical records (those relating to current members and pensioners) and the appropriate governance and system modifications would have been done to ensure data integrity through the Data Quality Improvement and Management (DQIM) project. With the completion of work on the core pension administration processes, it will then be possible to accelerate the automation and digitization of key non-core corporate functions such as Finance, Human Resource Management and Procurement.

Over and above the technological and system improvements, it is envisaged that a major proportion of the Human Capital Management (HCM) work should be complete by 2016 / 2017 and the effort will begin to focus on transitioning people from the current structure into the updated organisational structure. As more and more business processes at the GPAA become automated, people will be reskilled and redeployed to enhance the GPAA's customer facing functions.

## 2017 / 2018

By the end of 2017 / 2018, the majority of the Modernisation initiatives will be reaching their conclusion and the emphasis will shift to a continuous improvement programme as part of Business Enablement. Business Enablement will incorporate three key components of business support: ICT, Process Innovation and Project Management.

These units will support the on-going business of pensions administration by maintaining the newly acquired ICT systems and applications, introducing continuous improvement and managing any complementary projects.

The HCM project should largely be completed and reskilled employees will be working within the new structures.

## 2018 / 2019

The systems implemented during Modernisation are envisaged to be stabilised. All Modernisation projects should have been implemented and all systems and processes that were part of the Modernisation Programme would have been transferred to business-as-usual and supported further as part of ICT operations.

## 2.5 Organisational Environment

The need for Modernisation as an instrument for increasing efficiency and effectiveness in public institutions is extremely important. The GPAA therefore aims to understand pension developments, reforms and technological developments, and to utilise this information to become more economical, effective and efficient, while continuing to be a caring organisation (putting people first). Modernisation in the GPAA is the vehicle journeying towards a sustainable organisation and striving to fulfil government legislative mandates. The implementation of the Modernisation Programme is aimed at transforming the GPAA's operational effectiveness and efficiency, stakeholder management and governance so as to improve service delivery. This objective is in line with broad objective of improving service delivery programmes and committing to the Batho Pele principles.

### *Cost saving drivers*

As the GPAA embarks on designing its costing model for the next five years of its administration of funds, there are three areas in which administration costs can be stabilised, namely: leveraging off intergovernmental contracts will relieve supply chain resources and, secondly, an overall cost cutting exercise where budget

under-spending is drastically curbed. Furthermore, a third factor, namely National Treasury's cost containment measures, are being implemented and are already yielding a number of savings.

## 2.6 Key Policy Developments and Legislative Changes

Proposed new pension regulations from National Treasury had a large impact on both exits from GEPPF and the reputation of the Fund. Over the past few years government, particularly through National Treasury, has begun formulating proposals regarding retirement reform. This is a process whereby government, through policies, seeks to:

- Encourage people to save and provide adequately for retirement to ensure that they retire comfortably and have income that lasts for their lives in retirement, no matter how long they live;
- Encourage employers to provide retirement saving plans to their employees as part of the employment contract;
- Ensure that people receive good value for money for their retirement savings and are treated fairly, and that their savings are prudently and diligently managed, and are kept informed of their retirement savings; and

- Improve standards of retirement fund governance, including Trustee knowledge and conduct, and the protection of members' interest.

Retirement reform is an ongoing process, and the new reforms will take some time to complete. The aim is to ensure that whatever reforms are undertaken do not result in unintended consequences. In this regard, it is also imperative to learn from other countries that are going through similar policy debates and reforms.

## STRATEGIC OUTCOME ORIENTED GOALS

After careful consideration of the Minister's contract, the NDP, the GPAA's environment, different analysis methods and the outcomes of Modernisation, as well as the strategy and the previous year's performance, the strategic goals are still valid for the purpose of strategic direction according to the Medium Term Strategic Framework (MTSF).

The performance areas have been aligned to the GPAA's operating model and have been incorporated into the Annual Performance Plan (APP) against the goals and objectives as provided in the 2015 / 2016 – 2019 / 2020 strategic period.

The GPAA's operating model compliments its structure, processes and capabilities as depicted in **Figure 4 – The GPAA's Operating Model** below:

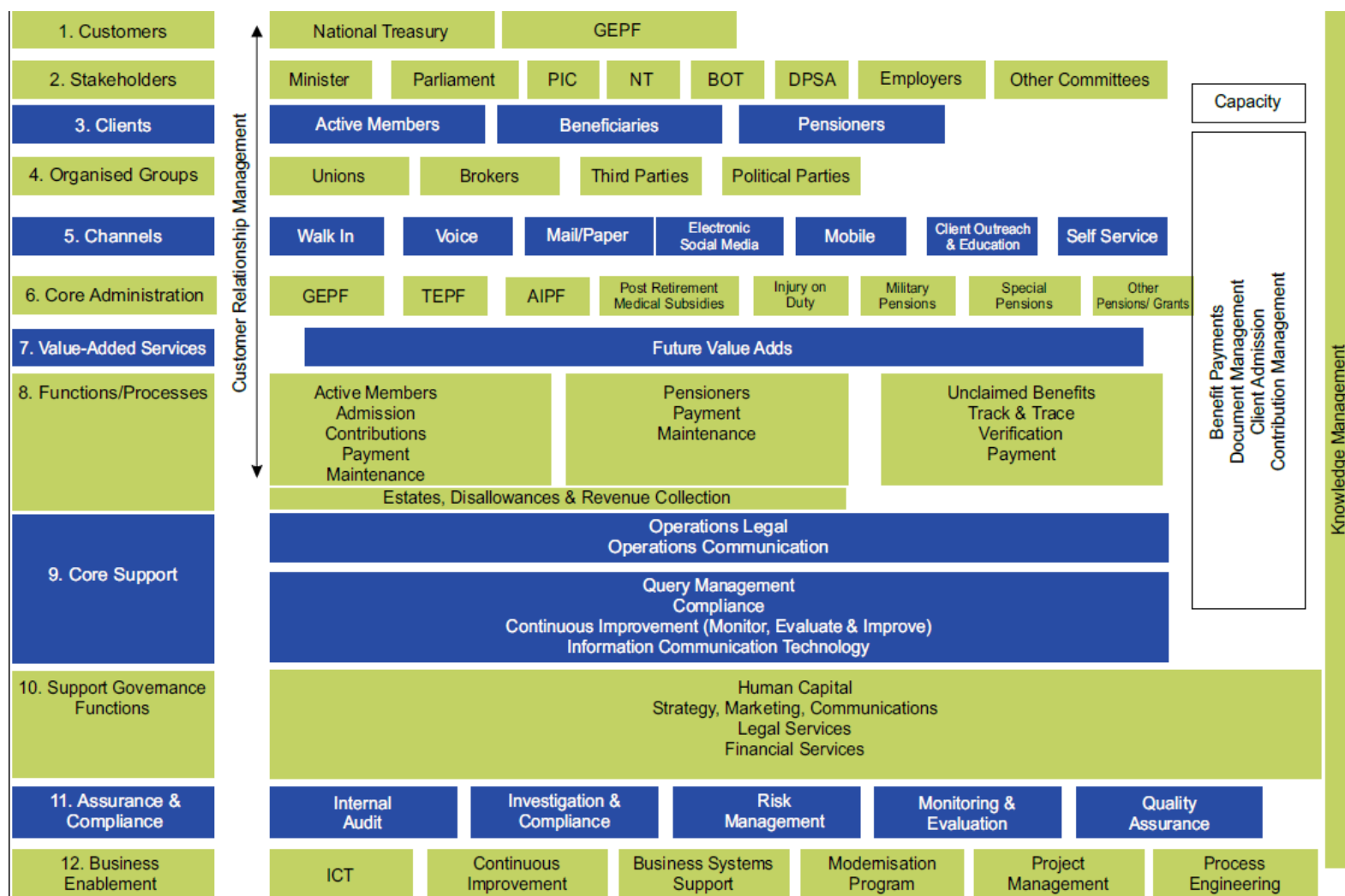


FIGURE 1 - GPAA'S OPERATING MODEL

The organisational scorecard was amended to incorporate the above operating model elements as performance areas.

### **Goal 1 - Effective administration of benefits**

**Objective 1.1: To pay the right amount as per the legal entitlement as prescribed by legislation and rules.**

#### **The GPAA's Operating Model's Performance Areas:**

- Clients, including active members, beneficiaries and pensioners.
- Organised groups, including unions, brokers, third parties and political parties.
- Channels, including walk-in centres, voice, mail (electronic / paper), social media, mobile, client outreach and education, self-service and eChannel.
- Business Enablement, including ICT, continuous improvement, business systems supporting the Modernisation Programme, project management and process engineering.
- Core administration, including GEPP, TEPF, AIPF, Post-Retirement Medical Subsidies, Injury on Duty, Military Pensions, Special Pensions and other pensions / grants.

### **Objective 1.2: To pay the right person who is the lawful member or beneficiary.**

#### **The GPAA's Operating Model Performance Areas:**

- Core administration, including GEPP, TEPF, AIPF, Post-Retirement Medical Subsidies, Injury on Duty, Military Pensions, Special Pensions, other pensions / grants.
- Functions and processes, including active members, admissions, contributions, payments, maintenance, unclaimed benefits, track and trace and verification.
- Core support, including operations: legal, operations: communication, query management, compliance, continuous improvement and ICT.

### **Goal 2 - Efficient administration of benefits**

**Objective 2.1: To pay benefits on time as per legislation.**

#### **The GPAA's Operating Model Performance Areas:**

- Customers, including National Treasury and GEPP.

**Objective 2.2: To employ the right people who are competent, performance driven and caring.**

#### **The GPAA's Operating Model Performance Areas:**

- Support governance functions, including human

capital, strategy, marketing, communications, legal services and financial services.

### **Goal 3 - Economical administration of benefits**

**Objective 3.1: To have a soundly governed GPAA.**

#### **The GPAA's Operating Model Performance Areas:**

- Assurance and compliance, including internal audit, investigation and compliance, risk management, monitoring and evaluation and quality assurance.
- Stakeholders, including the Minister of Finance, Parliament, the Public Investment Corporation (PIC), National Treasury, GEPP's Board of Trustees, the Department of Public Service and Administration (DPSA), employer departments and other committees.
- Value-added services, including future value adds.

### **INSTITUTIONALISATION OF OUTCOMES-BASED PLANNING TO ARTICULATE THE GPAA**

To embrace the outcomes-based approach of government, the GPAA's approach during the year under review provided for the evaluation of the internal, external and allocative efficiency of each output, as well as of the budget programme. This organisational

framework has provided for various types of evaluation that link inputs to activities, outputs, outcomes and impacts. It is also used in the Framework for Managing Programme Performance Information and the National Evaluation Policy Framework approved by Cabinet on 17 November 2011.

Over the medium-term, the GPAA planned to initiate various projects, the format of which would be evaluated through all phases, from diagnosis to implementation and impact. The National Evaluation Plan intervention advocated by the Department of Planning, Monitoring and Evaluation (DPME) was embraced to profile evaluation plans for projects of national importance and solicit opportunities for resource sharing, given the fact that delivery on the GPAA's mandate required a cross-sectoral approach. It is on this basis that the outcomes-based approach has been embedded in the GPAA's planning instruments.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

The GPAA has a number of highlights for the financial year under review, particularly that 100% of benefits were paid accurately and 84% were paid on time after receipt of duly completed documentation. Modernisation has accelerated the use of eChannel, which has resulted in a reduction in the turnaround time taken for payments.

Mobile units have been deployed to all provinces, resulting in better client access to services in rural areas. 92% of core business processes have been mapped, which is a combination of as-is and to-be processes.

The GPAA administered benefits on behalf of GEPP, with membership of 1 269 948 in the past year. Contributions of approximately R60.3 billion were received in 2015 / 2016 and benefits of approximately R87.7 billion were paid. A summary of the 2015 / 2016 administration of cases in tabulated below.

CASES ADMINISTERED AND FINALISED AT THE GPAA	CASES PAID 2014 / 2015	CASES PAID 2015 / 2016
Resignation from GEPP	36 353	36 552
Retirement from GEPP	28 802	31 845
Transfer from GEPP	3 518	4104
Beneficiaries paid due to death of members	6 656	7 282
<b>Totals</b>	<b>75 329</b>	<b>79 783</b>
NUMBER OF RECIPIENTS RECEIVING MONTHLY PAYMENTS FROM FUNDS	MONTHLY PAYMENTS 2014 / 2015	MONTHLY PAYMENTS 2015 / 2016
Injury on Duty (IOD) payments	9 309	101 622
Post-retirement Medical Benefits - per month	91 586	1 155 396
Military Pensions – per month	5 308	63 903
Special Pensions – per month	7 704	90 525
Other benefits – per month	1 053	12 411
Pension benefits (GEPP) – per month	259 464	3 216 333
Spouse's benefits (GEPP) – per month	145 521	1 771 734
Orphan's benefits (GEPP) – per month	1 410	19 752
Pension benefits (AIPF) – per month	5 920	68 793
Spouse's benefits (AIPF) – per month	2 897	35 379
Pension benefits (TEPF) – per month	248	2 847
Spouse's benefits (TEPF) – per month	128	1 557
<b>Total benefits paid per month averaged</b>	<b>530 548</b>	<b>6 540 252</b>

The GPAA has delivered on the majority of its predetermined objectives in the 2015 / 2016 financial year. The overall performance of the GPAA was 91%, with 21 of the 23 predefined performance targets being achieved.

The initiatives that were high on the agenda were:

- Stakeholder management to enhance employer department support and improvement on payment turnaround time;
- Establishment of a backlog committee to focus on delayed payments;
- Electronic communication through SMS;
- Education and outreach, with more focus on rural and far flung areas;
- Employee engagement and support to enhance productivity;
- Stakeholder management to enhance employer department support and improvement on payment turnaround time; and
- The resolution of audit findings.

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All of these initiatives are aimed at improving the pension administration services offered to clients on behalf of our customers, GEPP and National Treasury.

#### **High Level Performance Dashboard: Corporate Scorecard**

Strategic goal	Strategic objective	Annual target	Annual actual	Reason for variance	Corrective measures
1. Effective administration of benefits	1.1 To pay the right amount as per the legal entitlement as prescribed by legislation and rules	80% Client Satisfaction Level	<b>97% Client Satisfaction Level</b> (GEPP)  <i>217 798 out of 225 125 responses</i>	The GPAA, due to its aim of being client centric, put systems in place to ensure that the organisation is responsive to its clients. Service quality has also improved because of numerous training sessions that the GPAA's Call Centre agents have undergone. Systems, although only partially modernised, have brought about a drastic change in responding and resolving clients' queries	None

Strategic goal	Strategic objective	Annual target	Annual actual	Reason for variance	Corrective measures
			<b>91% Client Satisfaction Level</b> (National Treasury)  <i>Average of the listed aspects:</i>  <i>Responsiveness: 95%</i>  <i>Professionalism: 94%</i>  <i>Service quality: 91%</i>  <i>Delivery: 83%</i>	The result of a collective team effort, sound leadership and strategic direction provided	Ensure that the GPAA achieves 100% of its SLA during 2016 / 2017 through effective performance monitoring
		Self-service pilot test conducted	<b>Self service terminal implemented at the Kingsley walk-in centre</b>	Target achieved	None
		80% of benefits paid accurately	<b>100% of benefits paid accurately</b>  <i>Average of two sub-programmes measuring this indicator as in the APP</i>	Target achieved	None
	1.2 To pay the right person - the right person who is the lawful member or beneficiary	90% of compliance to customer SLAs	<b>89% of compliance to customer SLAs</b>  <i>Average of sub-programmes measuring this indicator as in the APP. (2.1 = 97%, 2.2 = 89%, and 2.3 = 81%)</i>		
2. Efficient administration of benefits	2.1 To pay benefits on time as per legislation	80% of benefits paid within 45 days	<b>84% of benefits paid within 45 days</b>  <i>(Programme 2.1 = 91%; Programme 2.2 = 77%)</i>	Delays in value chain and no single point of accountability	Agreed to turn-around times within the value chain.

Strategic goal	Strategic objective	Annual target	Annual actual	Reason for variance	Corrective measures
	2.2 To employ the right people that are competent, performance driven and caring	70% of workplace skills plan (WSP)	<b>89% of workplace skills plan (WSP)</b> <i>133 / 150 training sessions held</i>	17 could not be done mainly due to the Supply Chain Management unit's closure at the beginning of March and the unavailability of nominated delegates	None
		45% Employee Satisfaction Level	<b>55% Employee Satisfaction Level</b> <i>88 / 159</i>	Target achieved	None
3. Economical administration of benefits	3.1 To administer the funds at an economically acceptable cost of administration per member	Progress in adopting governance framework	<b>There has been progress in adopting a governance framework</b>  <i>Revision and addenda to the EXCO Terms of Reference (TOR), finalisation of the TOR for the Asset Disposal Committee, input into and finalisation of various policies, development of TORs for Project Committees and Steering Committees, finalisation of the PAIA Manual, addendum to the National Treasury Administration Agreement and SLA</i>	Target achieved	None
		Developed fee-based costing model	<b>The Benchmarking Report is inclusive of the costing model and it was submitted to the Fund</b>	Target achieved	None
		<b>Progress in developing a methodology to determine a carbon footprint baseline</b>	<b>Completed methodology</b>	<b>Target achieved</b>	<b>None</b>

### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### PROGRAMME 1: SUPPORT SERVICES

##### Sub-programme 1.1: Corporate Services

##### Sub-programme Purpose

The main purpose of Corporate Services is to create a conducive environment to enable the GPAA to achieve its strategic goals through good stakeholder and employee management. The Corporate Services environment lends itself to a number of good opportunities within the space of Human Capital, Legal, Facilities, Risk, Fraud Prevention and Forensics, Security and Facilities Management. The sub-programme plays the role of caring for employees, whilst managing good governance and strategic risk throughout the organisation.

##### List of Business Units

- Human Resource Management;
- Fraud and Risk;
- Legal; and
- Facilities Management.

#### Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014 / 2015	Planned target 2015 / 2016	Actual achievement 2015 / 2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
1.1 To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Levels	Not measured	60% Client Satisfaction Levels	<b>67% Client Satisfaction Levels</b>  <i>Average of: Cleaning services: 60% Facilities Helpdesk: 74% Repairs &amp; Maintenance services: 79% Security services: 71% Fleet Management services: 84%</i>	67% - above the target	-
2.2 To employ the right people that are competent, performance driven and caring	% of workplace skills plan (WSP) training completed	100% of workplace skills plan (WSP) training completed	70% of workplace skills plan (WSP) training completed	<b>89% of workplace skills plan (WSP) training completed</b>  <i>133 / 150 training sessions held</i>	19% above the target	17 could not be done mainly due to the Supply Chain Management unit's closure at the beginning of March and the unavailability of nominated delegates
	% Employee Satisfaction Level (ESL)	Survey was carried out	45% Employee Satisfaction Level	<b>55% Employee Satisfaction Level</b>  <i>88 / 159</i>	10% above the target	-
3.1 To administer funds at an economically acceptable cost of administration per member	% Compliance to Governance Framework (Strategy) - Progress in adopting governance framework		Progress in adopting governance framework	<b>There has been progress in adopting governance framework</b>  <i>Revision and addenda to the EXCO Terms of Reference (TOR), finalisation of the TOR for the Asset Disposal Committee, input into and finalisation of various policies, development of TORs for Project Committees and Steering Committees, finalisation of the PAIA Manual, addendum to the National Treasury Administration Agreement and SLA</i>	No deviation	-

## Risk Management

### Achievements

The GPAA's Risk Management unit celebrated a number of achievements during 2015 / 2016, as follows:

- The Risk Policy was revised and approved in March 2016.
- Formalised risk assessment workshops were held at operational and management levels, which ultimately contributed to the development the GPAA's strategic risk profile. Through this exercise, the top 10 risks were identified. The implementation of the GPAA's Strategic Plan 2016 / 2017 will also be closely guided by the risk profile to ensure that the organisation meets its predetermined objectives.
- A Risk Maturity Survey was conducted, the results of which will assist in strengthening the gaps identified and ensuring that recommended actions are included in the 2016 / 2017 risk implementation plan.
- The GPAA continued to work towards embedding a risk aware culture in the organisation through awareness initiatives such as awareness workshops, risk assessment sessions and the

publication of risk related articles in internal publications throughout the financial year aimed at familiarising and promoting the principle that risk management is everyone's responsibility.

- The GPAA's Risk Appetite and Tolerance Framework was developed.
- The GPAA's three-year Risk Strategy and its implementation plan were developed.
- A project risk manager (Mondial) and key critical skills (including an IT risk specialist) were appointed to manage the ICT and project risk environments within the GPAA.

Strategies to address strategic and operational risks that have been identified by the GPAA have been implemented throughout the organisation's business planning processes. This has ensured that the management of risk and performance is tightly integrated within all of the GPAA's business units.

A continuous risk aware culture, fostered by common language, training and education, as well as risk adjusted measures of success and incentives have been adopted. During the 2015 / 2016 financial cycle, the themes "risk is everyone's responsibility" and "thinking risk every step of the way" were emphasized.

## Forensic and Fraud Prevention Management

### Achievements

The Anti-corruption Policy was also approved during the year under review. Fraud and Ethics Risk Assessments were conducted, which helped to strengthen governance and to serve in the limitation of corruption related risk with a particular focus on effective structural, organisational and maintenance of anti-corruption mechanisms.

## Human Resources

*Refer to Part D of the report.*

## Facilities Management

### Achievements

- Physical Security logistics and requirements for 12 roadshows were provided in support of the CRM education and outreach programme.
- A carbon footprint methodology was developed in support of government-wide strategic initiatives to reduce carbon emissions.

- Phase one of the security system upgrade was completed, including the installation of x-ray machines, walk-through scanners, and CCTV camera systems at Head Office and at Regional Offices.
- Building improvements and upgrades as well as air conditioning upgrades were completed.

#### *Challenges*

- The unavailability of ICT services due to system downtime.
- Poor turnaround times from external business partners with regard to buildings and accommodation.
- Delays due to supply chain processes which require strict compliance.

#### *Strategies to Overcome Areas of Under-performance*

- Development of an action plan to address Occupational Health and Safety (OHS) issues.
- Establish and improve working relationships with both internal and external stakeholders.
- Build a technical capacity within the business unit through the training and development of teams and the filling of vacant positions with appropriately skilled and experienced personnel.

### **Legal Services**

#### *Achievements*

- Legal Services made great strides in assisting with the development and adoption of governance structures and frameworks during the year. To this end various policies, governance processes and governance procedures were developed and implemented.
- Legal Services further attended to numerous legal opinion requests, divorce and maintenance matters during the year. The above contributed to the payment of benefits on time and therefore to the realisation of the goal of effective administration of benefits.

#### *Challenges*

- Capacity to attend to the workload demand remains a challenge.

#### *Strategies to Overcome Areas of Under-performance*

- Legal Services partook in the Internship Programme and were happy to have welcomed four interns into the division.
- Internal process were also optimised and staff performed remunerated overtime in order to increase service delivery and the achievement of the GPAA's objectives.
- Continuous improvements to service delivery, faster turnaround times and efficiency will remain an area of primary focus.

## Linking Performance with Budgets

Programme and Sub-programme expenditure:

	2014 / 2015			2015 / 2016		
1.1 Corporate Services	Final appropriation	Actual expenditure	(Over)/ Under expenditure	Final appropriation	Actual expenditure	(Over)/ Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
	143 892	114 811	29 081	190 733	134 711	56 022
<b>Total</b>	<b>143 892</b>	<b>114 811</b>	<b>29 081</b>	<b>190 733</b>	<b>134 711</b>	<b>56 022</b>

## List of Business Units

- Finance Administration;
- Corporate Finance;
- Supply Chain Management;
- Unclaimed Benefits; and
- Taxation.

## Strategic Objectives for 2015 / 2016

- To pay the right amount as per the legal entitlement as prescribed by legislation and rules.
- To administer the funds at an economically acceptable cost of administration per member.

## Sub-programme 1.2: Financial Services

### Sub-programme Purpose

This Sub-programme manages the financial resources available to administer pensions and other benefits using best practice principles. In this regard, the Sub-programme ensures that financial policies are adhered to, financial record keeping is done according to an appropriate framework, and sufficient cash flow levels are maintained for operational activities. This Sub-programme also prepares the financial statements for the organisation and for use by stakeholders.

## Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014 / 2015	Planned target 2015 / 2016	Actual achievement 2015 / 2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Level	Not measured	80% Client Satisfaction Level	<b>82% client Satisfaction Level</b>  <i>Suppliers: 80.33%</i>  <i>Cost centres: 83%</i>	2% above target	-
To administer funds at an economically acceptable cost of administration per member	% compliance to Governance Framework	Not measured	Clean audit opinion in terms of Ministerial report	<b>100% of audit findings resolved</b>  <i>28 out of 28 findings</i>	No deviation	-
	Progress on development of costing model	Not measured	Developed fee-based costing model	<b>The Benchmarking Report is inclusive of the costing model and it was submitted to the Fund</b>	No deviation	-

### Achievements

- The Public Finance Management Act (PFMA) requires that suppliers be paid within 30 days from the receipt of their invoice. The GPAA achieved 93% in this regard.
- The Accounts Payable section averaged 20 days for payment from the date of invoice for the financial year ending 31 March 2016, which is huge achievement from the 30-day requirement by the PFMA.
- The assets verification process was completed in a timely manner and draft reports were submitted to EXCO for

review and implementation.

- All new salary benefits were implemented and finalised (including housing, medical, back pay, service bonus options, MMS and SMS manual payments).
- Backdated transactions on terminations of service that related to the backdated implementation of service benefits were all finalised.
- Subsistence and Travel payment turnaround times have improved and cost containment guidelines have been implemented and complied with.
- The payroll certification process has been improved.

### Challenges

- The lack of an automated process impacts negatively on business turnaround times in meeting performance targets.
- Business units do not communicate / notify Asset Management when moving assets to different locations. This creates challenges in terms of assets verification and ultimately results with assets write-offs / losses.
- Inadequate employees in business units impacts negatively in terms of meeting performance targets.
- Many supplementary payments increased the workload on payroll employees during the year under review.

### Strategies to Overcome Areas of Under-performance

- Filling all the vacant posts in the business units.
- Asset Management to streamline communication with all relevant business units to ensure that asset movement forms are submitted for all assets moved to various locations.
- Accounts Payable to streamline communication with all the relevant business units to ensure that submission and authorisation of invoices is done in a timely manner.

### Linking Performance with Budgets

Programme and Sub-programme expenditure:

	2014/2015			2015/2016		
Programme 1.2 Finance Services	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000
	60 721	46 597	14 124	65 906	61 322	4 584
<b>Total</b>	<b>60 721</b>	<b>46 597</b>	<b>14 124</b>	<b>65 906</b>	<b>61 322</b>	<b>4 584</b>

### Sub-programme 1.3: Business Enablement

#### Sub-programme Purpose

The purpose of this Sub-programme is to direct and manage the organisation's Information Communication Technology (ICT) resources, including the data centre (servers and storage area network), wide and local area networks (WAN and LAN), applications, desktop equipment and databases. It is therefore the enabler of the organisation's operations and management as it provides the building blocks and the interoperability required to deliver on the GPAA's mandate. The Sub-programme strives to provide leading-edge technology solutions and high-quality pension administration support services based on established best practice frameworks, models and standards. In this regard, the Sub-programme ensures the security and integrity of the organisation's ICT systems, while maintaining a clear

organisational chart which lays out the approved levels of authorisation for employees. The Sub-programme also maintains defined and role-based access controls with appropriate authorisation by both ICT and user Sub-programmes.

### List of Business Units

- Information Security;
- Service Assets and Configuration Management;
- End-user Support;
- Infrastructure;
- Service Management;
- Demand and Acquisition;
- Business Process Management;
- Project Management Office; and
- Modernisation.

### Strategic Objectives for 2015 / 2016

The overall 2015 / 2016 strategic objectives for Business Enablement were to maintain and upgrade the technology in the GPAA. This ICT strategic focus for 2015 / 2016 was divided into two main objectives, being:

1. % client satisfaction levels, and
2. Progress in developing the self-service system.

The GPAA's Business Enablement comprises both

operational (business-as-usual ICT) and modernised ICT functions to support the strategic objectives. These functions, working together, aim to deliver:

- Day-to-day ICT operational services;
- Optimised and improved service delivery mechanisms (people, processes and technology); and
- New modernised systems and business processes.

### Performance Against Predetermined Objectives

Strategic Objectives	Performance Indicator	Actual Achievement 2014 / 2015	Planned Target 2015 / 2016	Actual Achievement 2015 / 2016	Deviation from Planned Target to Actual Achievement for 2015 / 2016	Comment on Deviations
1.1 To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Level	Not measured	80% Clients Satisfaction Level	<b>78% Client Satisfaction Level</b>	2% deviation	None
	Progress in developing self-service system	Not measured	Self-service pilot test conducted	<b>Self-service terminal implemented at the Kingsley walk-in centre</b>	No deviation	No deviation

### Achievements

Business Enablement experienced an extremely busy 2015 / 2016 as its main focus areas were:

- Assessing and reviewing ICT governance, with specific emphasis on implementing the building blocks of the ITIL framework;
- Building a modern, resilient ICT environment through the implementation of refreshed technology; and
- Implementing additional benefits relating to collaboration, modernisation and automation of processes.

The Modernisation Programme was brought under the leadership of the Chief Information Officer (CIO) to ensure

better collaboration between business-as-usual, and the ICT and Modernisation functions. The idea was to also focus on accountability.

With the collaboration of business units, Business Enablement, in partnership with the GPAA's Legal Section, are working together to address and align governance structures. Furthermore, through a combined effort between the CEO, the CIO and the Chief Financial Officer (CFO), Business Enablement is in the process of implementing improved governance practices. To ensure this is done correctly, emphasis is placed on governance frameworks such as Cobit, Prince2, The Open Group Architecture Framework (TOGAF), Systems Development Life Cycle (SDLC) (both Agile and Waterfall models) and ITIL.

In 2014 ICT initiated a process to implement its Information Technology Infrastructure Library (ITIL) service delivery framework. With maturity realised in the adoption of the ITIL framework, various Service Level Agreements (SLAs) and Operational Level Agreements (OLAs) were adopted to enhance the delivery of service against expectations. Such SLAs were adopted between the GPAA and the infrastructure service provider, which was propagated into a service catalogue for the development and management of services. The same was realised for GEPF as a GPAA customer. Several OLAs were also adopted between ICT and various

GPAA business units in order to define the type of service delivery expected by business and agreed on by both the GPAA's business and ICT components. OLAs between the GPAA's ICT and other support areas are the focus areas in 2016 / 2017 in order to formalise ICT's dependence on other business units within the GPAA.

A clean audit was achieved in March 2016 in the service delivery space, with no audit findings identified. Business Enablement has also made great progress in resolving 81% of its previous external audit findings as at the end of March 2016. 100% of the Auditor-General's findings were addressed. Along with this, 60% of ICT Strategic Risks were addressed, leaving two risks in the process of being mitigated within the Information Security (IS) space.

The focus for both audit findings and risks is on addressing the remainder of the findings and risks before the due dates and also on ensuring that the root causes, and not merely the symptoms, are addressed. Most of these are technical in nature and project dependent.

In the Service Recovery space, three disaster recovery and various technical recovery tests were performed successfully during 2015 / 2016, as follows:

- The first was based on an innovative idea to utilise the mobile van units as local network connectivity

interfaces, thus allowing the GPAA's users to connect from any location.

- The second test was switching to and working off the replicated mainframe.
- The third involved connectivity from the newly signed Work Area Recovery (WAR) site at ContinuitySA in Midrand. Plan reviews and further improvements are being considered.

Server-to-server replication exists for all class one and two applications. Even though this has been achieved, further streamlining of replication techniques is in progress. The intention is to support shorter recovery time objectives (RTOs).

The ICT Infrastructure environment implemented multiple projects to improve the environment during the reporting period. The achievements made were through the implementation of key projects. These included, but were not limited to, the following:

- The revamp of the GPAA's data centre into a Tier 3 data centre.
- To support continuity requirements, new backup technology has been procured and implemented in both the Wintel and Oracle Super-Cluster environments. The backup strategy is also under

review to ensure a quick backup process whilst maintaining reliable backups. The aim is to better utilize network capacity on the replication link.

- The upgrade of the network lines has realised the implementation of 70% upgraded primary network lines at key GPAA sites. Each site will also be supported by a secondary line / link. The remainder will be addressed within the 2016 / 2017 financial year.
- Within the Messaging and Unified Collaboration Communication area the following implementations were achieved:
  - o Voice and video conferencing facilities;
  - o BoardPad solution for GEPPF's EXCO; and
  - o Migration to a new version of Microsoft Outlook and Exchange.
- The establishment of remote offices has been further supported by the implementation of self-service kiosks in certain regional offices; these enable pensioners to conduct basic administrative functions on their own.
- At the time of reporting, ICT was awaiting approval of its ICT Equipment Policy as a step towards managing and standardising ICT equipment and devices.

As part of end-user device support, ICT has implemented an IT Service Management (ITSM) tool that allows end-users to log service requests and incidents. The tool is ITIL compliant and it allows the GPAA's ICT and service providers to manage ICT events. Further development is in progress that will enhance reporting and features, which in turn will allow ICT to manage the environment proactively.

Positive user feedback was achieved, with a 78% favourable result attained on the aspect of Desktop Support in the 2015 / 2016 ICT Customer Satisfaction Survey, which is a remarkable improvement (from 53% in the 2014 / 2015 survey).

In the Application Development and Maintenance area, both internal Applications Development and Middleware Management functions have been established to support both the operations within business-as-usual ICT and within the Modernisation space.

The first phase of the Pension Case Management (PCM) development, aimed at replacing the current eChannel platform by delivering a modernised web-based application for the submission of GEPP exit documents, is nearing completion.

### *Challenges*

Challenges still exist in the ICT environment when engaging with the various stakeholders and assurance providers. At a high level these challenges can be combined into the following challenges:

- Absence or duplication of Steering committees and mandates;
- ICT governance as a bolt-on versus being integrated in business operations;
- Ownership and support of ICT governance;
- Varying levels of maturity for ICT governance principles and related reporting;
- Within the PCM project, interoperability issues with employer departments not having up-to-date software and / or infrastructure remains a huge challenge. These issues are being discussed between the GPAA and SITA to continue to assess employer departments and determine the risks (if any); and
- The retention of key resources is also hampering Modernisation projects. Key resources have resigned due to previous short-term contract extensions.

### *Strategies to Overcome Areas of Under-performance*

- The next financial year will see the on-going management of all current as well as new projects, both within the business-as-usual ICT and Modernisation environments.
- Business Enablement will also continue its focus on operational initiatives and will address shortcomings within the process, people and technical domains.
- The ICT environment is ever-changing and the Business Enablement team will ensure that they remain abreast of any new developments, especially in areas where new technology is released, and implement these changes according to the needs of the organisation.
- Data protection and data loss are still priorities, with the implementation of key Information Security projects. These projects are in progress but ways to increase delivery are being investigated. These projects are, but not limited to:
  - o Security Information and Event Monitoring (SIEM);
  - o Digital Signatures; and
  - o Standards Compliance.

## Linking Performance with Budgets

Programme and Sub-programme expenditure:

	2014/2015			2015/2016		
Programme 1.3 Business Enablement	Final appropriation R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000	Final appropriation R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000
	538 389	384 340	154 049	572 144	373 484	198 660
<b>Total</b>	<b>538 389</b>	<b>384 340</b>	<b>154 049</b>	<b>572 144</b>	<b>373 484</b>	<b>198 660</b>

## Sub-programme 1.4: Strategic Support

### Sub-programme Purpose

The purpose of Strategic Support, and the business units that fall within it, is to plan, direct and support the organisation in order to ensure that employee benefits, pensions and retirement funds are administered according to the relevant legislation and Service Level Agreements (SLAs). This group of business units is therefore responsible for ensuring that the organisation is effectively managed in order to deliver services that meet or exceed the requirements of clients. Finally, Strategic Support is responsible for the overall performance of the organisation.

This Sub-programme offers strategic oversight in all areas of business and reports to the CEO and the Executive Committee (EXCO) on matters concerning business intelligence. The team focuses on the inward and outward reputation of the organisation and communicates strategically in this regard.

### List of Business Units

- Strategy and Policies;
- Corporate Monitoring and Evaluation (CM&E); and
- Communications.

## Strategic Objectives for 2015 / 2016

To pay the right amount as per the legal entitlement as prescribed by legislation and rules.

### Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014 / 2015	Planned target 2015 / 2016	Actual Achievement 2015 / 2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Level	—	80% Client Satisfaction Level	<b>97% Client Satisfaction Level</b>	17% above target	The GPAA, due to its realization of being client centric, put systems in place to ensure that the organisation is responsive to its clients. Service quality has also improved because of numerous training sessions that the GPAA's Call Centre agents have undergone. Systems, although only partially modernized, have brought about a drastic change in responding and resolving clients queries
	% average of strategic scorecards achieved	81% of strategic objectives achieved	84% of strategic objectives achieved	<b>91% of strategic objectives achieved</b>	7% above target	New strategies were implemented such as performance dialogues, integrated performance management, constant leadership and support by CEO on performance. Leadership by Programme Heads, regular performance review sessions conducted by CM&E and oversight by EXCO on performance

## Strategy and Policies

### Achievements

#### Strategy

- The Strategic Plan (SP) and Annual Performance Plans (APP) were tabled in parliament with a compliment letter from the former Minister of Finance minister, Mr Nhlanhla Nene.
- In 2015 / 2016 the GPAA cascaded its APP to 93% of its business units.

#### Policies

- During the year under review, 14 policies were reviewed, in consultation with the Departmental Bargaining Chamber (DBC) and tabled by EXCO for implementation.

#### Management Information and Analytics (MIA)

- MIA supported the measurement and data collection for the SLAs between the GPAA and both of its customers – GEPP and National Treasury.
- There is an increased focus on analysing data to support effective decision making.
- A quarterly actuarial administration report was

developed between the GPAA, GEPP and Price-Waterhouse Coopers. These reports are aimed at empowering GEPP by identifying potential risks through trends within the pensions environment.

#### *VIP Complaints Desk*

- The Strategy unit embarked on a VIP Complaints pilot project in December 2015 with the main objective of resolving escalated complaints within a very short period.
- 79% of such complaints were resolved in less than five days. This includes, and is not limited to, queries from the Presidential Hotline, the Public Protector, GEPP and the Minister of Finance's Office.

### **Corporate Monitoring and Evaluation (CM&E)**

#### *Achievements*

- An assessment of the GPAA's management practices was undertaken through the implementation of the Management Performance Assessment Tool (MPAT). The objective of this project was to contribute to improved service delivery through the provision of a holistic picture of the quality of management practices within the organisation against the set government prescripts. The MPAT findings were that the GPAA is fully compliant with

eight MPAT standards, and partially compliant on 15 MPAT standards. Although gaps were identified in the GPAA's current management practices, the overall picture was satisfactory.

- A Departmental Evaluation Plan was developed for the GPAA. The plan provides details of evaluation studies that are on the radar for the organisation.
- An independent service provider was appointed for the Review of the Functions and Performance of the GPAA. The objective of the project is to provide a holistic picture of the effectiveness of the functions and performance of the organisation in relation to the requirements of proclamation No. 10 of 26 March 2010 - which provides that the functions and performance of the GPAA must be thoroughly reviewed within five years of the date of the organisation's establishment, and at least once every five years thereafter.
- A Client Satisfaction Survey (CSS) was conducted for the Call Centre, and the satisfaction levels were above 90% on average throughout all quarters.
- A CSS was also conducted at Regional Offices from clients who visited the offices, with feedback solicited through the CSS device pads immediately after the client received service. The satisfaction levels were at an average of 97% throughout all quarters.
- A research study on Supply Chain Management

(SCM) was also conducted. The aim of the study was to determine the levels of satisfaction of the GPAA's suppliers about their SCM engagement processes and services. The results of the study indicated that overall (72%), suppliers had high levels of satisfaction with SCM processes.

- The sub-programme also conducted a study on the unclaimed benefit project and the level of client satisfaction, with the aim of assessing the progress of the unclaimed benefit tracing project and the level of client satisfaction. The study revealed that the majority (64%) of the clients traced and paid were satisfied with the service they received from the GPAA.

#### *Challenges*

- The main challenge experienced is the low response rate to surveys.
- There is a high demand for M&E services by various stakeholders.

#### *Strategies to Overcome Areas of Under-performance*

- A Departmental Evaluation Plan has been developed to meet the demand experienced for M&E services.

## Communications

### Achievements

- The Corporate Communication and Marketing unit was at the forefront of educating and informing government employees regarding the Tax Harmonisation law changes.
- A Crisis Communication Strategy was developed to respond to the negative perceptions that dominated national discourse regarding the new tax law reforms.
- The GPAA worked closely with other relevant government departments such as the National Treasury and the Government Communication Information System (GCIS) to agree on an approach and unity of messaging. It was agreed that the GPAA should concentrate on communicating messages that are designed solely for GEPP pensioners, members and beneficiaries while the GCIS and National Treasury concentrated on the tax laws in their entirety. The outputs delivered on included media relations, marketing and internal communications activities.

In response to the tax reforms the GPAA's Media Relations did the following:

- Several media statements were issued in the name of the GPAA's CEO, Mr Krishen Sukdev.
- Media interviews were also conducted with the following radio stations: Motswedding FM, Lesedi FM, Ligwalagwala FM, Phalaphala FM, Kaya FM, Thobela FM, Mahikeng FM, Mmabatho FM, Capricorn FM, Chai FM, Thobela FM, Radio Pulpit, Vaaltar FM, Radio 702 and an SABC 1 magazine programme.
- Communication collaborated with other internal business units to make presentations at the National Treasury head office as another way of clarifying the matter to GEPP members.
- Two opinion pieces were written and submitted for printing, and were publicised in the *Sowetan*, *the Public Service Magazine* and *Vuku'zenzele*.
- A special newsletter was developed and sent to members, pensioners and beneficiaries to complement other forms of direct communication with our clients.

The GPAA continued to monitor the media on a daily basis through the appointed agency and achieved the following:

- More than 100 media articles were analysed and approved to be shared with the GPAA's Management Committee (MANCO) and employees.

Much progress was recorded in this regards as a total of 240 articles with reference to GEPP / GPAA appeared in the print media.

- Online articles accounted to approximately 364, followed by broadcast accounting to 119.

A potential of about 514 298 353 listeners may have heard GEPP-related broadcast news. Print media may have circulated to a potential of 46 537 156 readers. Lastly, online media articles containing news pertaining to GEPP were exposed to a potential of 81 638 123. In conclusion broadcast media coverage generated the highest AVEs (Added Value Equivalents) for the year, contributing R2 389 722 305, followed by print at R3 897 602 and online at R400 212 727. It must be borne in mind that less than R2 million was spend on paid media, as compared to the generated stated AVEs above. This is significant.

Over and above supporting the external information-sharing campaign on Tax Harmonisation and pension reform, the Communications unit hosted two more focused campaigns than in the past, namely a Tracker Man in the Making event and a CANSA Shavathon event (in excess of the planned events). These additions were significant as they represent the GPAA's drive towards gender equality (including young men as well as young women as hosted at the Cell C Take a Girl Child to Work

Day initiative held annually) as well as the organisation's caring stance towards the health of employees and their families (by supporting those living with cancer). Changes were also made to the internal newsletter to ensure that it keeps abreast of technological changes and continues to meet the information needs of employees.

The GPAA successfully arranged the following events in 2015 / 2016 as part of the organisation's member communication programme:

Date	Type of Event	Province	Venue
2–12 /4/2015	Trade Show	GP	Nasrec
16/5/2015	GEPF Community Roadshow	NC	Springbok
19/6/2015	Retirement Member Campaign Workshop	NW	Vryburg
20/6/2015	GEPF Community Roadshow	NW	Mahikeng
24/7/2015	Retirement Member Campaign Workshop	MP	Nkangala
28/8/2015	Retirement Member Campaign Workshop	KZN	Durban
18/9/2015	HR Forum	WC	Cape Town
19/9/2015	GEPF Community Roadshow	WC	George
21/10/2015	Retirement Member Campaign Workshop	EC	Port Elizabeth
21/11/2015	GEPF Community Roadshow	LP	Shayandima
23/1/2016	GEPF Community Roadshow	GP	Soshanguve
27/2/2016	GEPF Community Roadshow	FS	Bohlokong
18/3/2016	Programme 2.1 Roadshow	LP	Polokwane
19/3/2016	GEPF Community Roadshow	CE	Mthatha

#### **Other achievements**

- The section facilitated the production of GEPF's portfolio of benefits z-card. 1 million copies have been delivered and are being distributed at various campaigns and at all government departments.
- 20 000 posters and 20 000 leaflets on retirement reforms were also produced and similarly distributed at various campaigns and all the government departments.

## Linking Performance with Budgets

Programme and Sub-programme expenditure:

	2014/2015			2015/2016		
Programme 1.4 Strategic Support	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000
	66 693	53 079	13 614	60 882	41 831	19 051
<b>Total</b>	<b>66 693</b>	<b>53 079</b>	<b>13 614</b>	<b>60 882</b>	<b>41 831</b>	<b>19 051</b>

## Sub-programme 1.5: Internal Audit

### Sub-programme Purpose

To provide independent assurance as to effectiveness and efficiency of the GPAA's governance, risk management and internal control systems that management has put in place.

### List of Business Units

The GPAA's Internal Audit consists of the following components:

- Regularity Audit;
- Performance Audit; and
- IT Audit.

## Strategic Objectives for 2015 / 2016

To administer the funds at an economically acceptable cost of administration per member.

### Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014 / 2015	Planned target 2015 / 2016	Actual achievement 2015 / 2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
To administer the funds at an economically acceptable cost of administration per member	% of progress on implemented Audit Plan	Not measured	90% of progress on implemented Audit Plan	<b>68% of progress on implemented Audit Plan</b>	22% below the target	Delays in the appointment of an IT service provider and Internal Audit employees. A service provider was appointed and five Internal Audit officials were appointed to assist

### Challenges

- There was high staff turnover within the IT Audit section, a delay in the appointment of Internal Audit employees and an IT service provider to supplement the in-house IT resources were also problematic. As a result, IT audits were not completed on time as planned.

### Strategies to Overcome Areas of Under-performance

The Internal Audit plan will be monitored closely to ensure that targets are achieved going forward. In the case of a shortage of internal resources, the audits will be outsourced.

### Linking Performance with Budgets

Programme and Sub-programme expenditure:

	2014/2015			2015/2016		
Programme 1.5 Governance	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000
	41 919	37 866	4 053	47 268	43 723	3 545
<b>Total</b>	<b>41 919</b>	<b>37 866</b>	<b>4 053</b>	<b>47 268</b>	<b>43 723</b>	<b>3 545</b>

### Sub-programme 2.1: Special, Military and Other Benefits Administration (National Treasury)

#### Sub-programme Purpose

The purpose of this Sub-programme is to provide pensions and post-retirement medical benefits to former employees of state departments and bodies. Special, Military and Other Benefits Administration also provide similar benefits to members of the military, Special Pensioners, Injury-on-Duty state employees and other related benefits. The Sub-programme ensures the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective bargaining and other agreements. It is the responsibility of the Sub-programme to ensure that benefits are paid to the correct recipients within the specified times.

#### List of Business Units

- Military Pensions, Medical Accounts and Other Benefits;
- Post-Retirement Medical Benefits;
- Special Pensions; and
- Injury on Duty.

These funds are administered on behalf of the National Treasury, with which the GPAA has a Service Level Agreement governing turnaround times, the registration of new members, payments made, errors executed , over payments and under payments, risks, audit findings, business continuity and financial issues.

#### Strategic Objectives for 2015 / 2016

- To pay the right amount as per legal entitlement as prescribed by legislation and rules;
- To pay benefits on time as per legislation; and
- To pay the right person who is a lawful beneficiary.

## Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014 / 2015	Planned target 2015 / 2016	Actual achievement 2015 / 2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
1.1 To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Level	Not measured	80% Client Satisfaction Level	<b>91% Client Satisfaction Level</b>	11% above target	A collective team effort, sound leadership and strategic direction created the environment for overachievement
	% of benefits paid accurately	100% of benefits paid accurately	80% of benefits paid accurately	<b>100% of benefits paid accurately</b>	20% above target	A collective team effort, sound leadership and strategic direction created the environment for overachievement
1.2 To pay the right person - the right person who is the lawful member or beneficiary	% of compliance to customer SLAs	Not measured	90% of compliance to customer SLAs	<b>97% of compliance to customer SLAs</b>	7% above target	A collective team effort, sound leadership and strategic direction created the environment for overachievement
2.1 To pay benefits on time as per legislation	% of benefits paid on time	93% of benefits paid within 45 days	80% of benefits paid within 45 days	<b>91% of benefits paid within 45 days</b>	11% above target	A collective team effort, sound leadership and strategic direction created the environment for overachievement

### Achievements

The Sub-programme achieved a 91% client satisfaction level against a target of 90%, as well 100% of benefits paid accurately against a target of 80%, by paying the right amount accurately as per the legal entitlement as prescribed by the legislation and rules of the funds under administration. This was achieved as a collective team effort, sound leadership and strategic direction created the environment for overachievement

In terms of compliance to the customer SLA, the Sub-programme achieved 97% against a target of 90%. This can be attributed to team's efforts and continuous monitoring of the Sub-programme's production, improvement in internal controls and a focus on leadership within the units.

The Sub-programme paid 91% of benefits within 45 days against a target of 80%.

## Financials and Case Volumes

Number of Pensioners	2014 / 2015	2015 / 2016
Post-retirement Subsidies	91 586	97 000
Special Pensions	7 704	7 443
Military Pensions	5 308	5 261
Injury on Duty	9 309	8 175
Other Benefits	1 053	1 021
TOTAL NUMBER OF PENSIONERS	114 960	118 900
TOTAL PAYMENTS (R)	3 700 000	3 900 000

The GPAA paid out pensions and benefits of R3.9 billion in 2015 / 2016, compared with R3.7 billion in 2014 / 2015 – an increase of 5.4%. This can be attributed to the 28% increase in Post-retirement Medical Subsidies received and paid.

The overall number of pensioners and beneficiaries increased by 3.4% in 2015 / 2016, i.e 114 960 in 2014 / 2015 to 118 900 in 2015 / 2016. The increase in applications received can be attributed to Post Retirement Medical Subsidies received and paid.

### Internal Audit Findings

The Programme achieved 81% of the application control review audit findings. This is due to programming done by ICT on the CIVPEN system.

All legal and compliance audit findings were resolved, including revising the SOMA SLA and legal opinions for the payment of judges' widows pensions. Further, seven out of nine change and release audit findings were resolved by end of the year under review. The outstanding findings include the amendment to the SLA and approval of a policy finding.

The Sub-programme employed a dedicated Business Analyst in December 2015 and will soon be filling the Compliance Officer position.

### Stakeholder Management

The Sub-programme places a high level of importance on building and maintaining good stakeholder relations. This process entails planning, targeting, monitoring and reporting of all stakeholder activities that took place during the year.

During 2015 / 2016 the Sub-programme met with stakeholders in Cape Town, Durban and Kimberley to strengthen relations with stakeholders. The Sub-programme also met with key stakeholders in all categories of benefits for Post-retirement Medical Subsidies, these stakeholders are medical aid schemes for the implementation of increases, GEMS, the South African Military Veterans Association (SAMVA) and the Department of Military Veterans on the implementation of their pension, and the Cape Corps on applications received from them. Representatives of the Sub-programme also attended the Board of Health Funders Conference.

### *The SOMA Initiative Injury Assessment Project*

In the case of military pensions, there is a challenge for the unit, specifically relating to the SOMA Initiative project. According to the agreement with SOMA Initiative (who have been appointed as the Health Risk Management agency for government), the Sub-programme is required to refer a certain number of prospective applicants per year for injury assessments and verification. This can be problematic when an insufficient number of applicants apply or when application information is incomplete. To overcome these challenges, the Sub-programme embarked on an awareness drive in 2015 / 2016 to inform prospective applicants in Durban, Kimberley, Kuruman and the Western Cape about the provisions and criteria for accessing Military Pensions. Other provinces are earmarked for 2016 / 2017.

The SOMA Initiative contract was extended by a further two years due to insufficient number of cases submitted, and a revised Service Level Agreement was concluded.

### *Legislative inputs to National Treasury*

During 2013 / 2014, the Sub-programme drafted two legislative amendments for consideration by the Minister of Finance. These are the Military Pensions Amendment

Bill and the Special Pensions Amendment Bill. These bills are still under consideration by the National Treasury for submission to the 2016 / 2017 parliamentary sittings.

### *Challenges*

- Military Medical Account payments and access to medical treatment by pensioners remains a challenge. This function will be outsourced to a service provider in the new financial year.
- A manual splitting of main members from beneficiaries is currently being implemented as part of the application control review audit findings.
- In order to tighten compliance to all pieces of legislation under administration, a Compliance Officer will be employed to focus on the correct implementation of the provisions of the relevant Acts.
- The Sub-programme needs to intensify its communication to members and employer departments and thus increase awareness and reduce application errors when clients access medical subsidies, Military Pensions, Medical Accounts and Injury on Duty.

### *Strategies to Overcome Areas of Under-performance*

- Outsourcing medical accounts and acquiring a service provider in medical accounts administration to manage the service that is currently overwhelming will assist.
- The split project will improve the control environment of the Sub-programme and more resources will be employed for the project.
- The employment of a Compliance Officer will improve administrative and legal compliance in the payment of benefits to pensioners.
- To reduce errors and delays in payments, the Sub-programme plans to train and monitor employers and Client Liaison Officers (CLOs).

## Linking Performance with Budgets

Programme and sub-programme expenditure:

	2014/2015			2015/2016		
Programme 2.1: Civil Pensions and Military Pensions - National Treasury	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000
	57 878	44 369	13 509	61 181	48 536	12 645
<b>Total</b>	<b>57 878</b>	<b>44 369</b>	<b>13 509</b>	<b>61 181</b>	<b>48 536</b>	<b>12 645</b>

## Sub-programme 2.2: Employee Benefits - Operations and Finance

### Sub-programme Purpose

The main function of the Sub-programme is the provision of core benefit administration services for the contributory pension funds under administration, namely GEPF, AIPF and TEPF.

GEPF is a contributory defined benefit pension fund that is administered by the GPAA in terms of the Government Employees Pension (GEP) Law. The GPAA provides the full spectrum of benefit administration services, inclusive of member admissions, contribution collection, member / pensioner / beneficiary maintenance and benefit processing services for GEPF. Benefit processing starts from benefit application, the processing of all relevant forms and documentation and ends with the finalisation of the benefit payment from the Fund. These processes are aimed at the accurate and timely payment of benefits to GEPF's members and beneficiaries.

## List of Business Units

- Membership Management;
- Contribution Management; and
- Employee Benefits: Operations.

## Strategic Objectives for 2015 / 2016

As per the GPAA's Strategic Plan, the objectives of the Sub-programme are:

- To pay the right amount as per the legal entitlement as prescribed by legislation and rules;
- To pay the right person who is the lawful member or beneficiary; and
- To pay benefits on time as per legislation.

The main purpose of the Sub-programme is to pay benefits accurately and on time. This Sub-programme is crucial, as the GPAA's aim remains to deliver quality service to clients in a seamless manner, with the most important aspect for clients being that their pension benefits are paid timeously and accurately.

### Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014/2015	Planned target 2015/2016	Actual achievement 2015/2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
1.1 To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Level	Not measured	80% Client Satisfaction Level	<b>97% Client Satisfaction Level</b>  <i>217 798 out of 225 125 responses</i>	Target exceeded by 17%	The GPAA, due to its aim of being client centric, put systems in place to ensure that the organisation is responsive to its clients. Service quality has also improved because of numerous training sessions that the GPAA's Call Centre agents have undergone. Systems, although only partially modernised, have brought about a drastic change in responding and resolving clients queries
	% of benefits paid accurately	100% of benefits paid accurately (average for four quarters)	80% of benefits paid accurately	<b>100% of benefits paid accurately</b>  <i>Average of Q1: 100% Q2: 100% Q3: 100% Q4: 100%</i>	Target exceeded by 20%	-
1.2 To pay the right person - the right person who is the lawful member or beneficiary	% of compliance to customer SLAs	Not measured	90% of compliance to customer SLAs	<b>89% of compliance to customer SLAs</b>  <i>Average of Q1: 92% Q2: 90% Q3: 90% Q4: 82%</i>	Target achieved	-
2.1 To pay benefits on time as per legislation	% of benefits paid on time	91% of benefits paid on time after receipt of duly completed documentation	80% of benefits paid within 45 days	<b>77 of benefits paid within 45 days</b>  <i>Average of Q1: 71% Q2: 76% Q3: 81% Q4: 83%</i>	Delays in value chain and no single point of accountability	Agreed to turn-around times within the value chain to ensure that organisationally the GPAA meets the customer SLA

## Achievements

The GPAA is proud to confirm that 100% of benefits were paid accurately during the year under review, against a target of 80%. The monitoring of this achievement was done independently and this over-achievement was due to stringent adherence to Standard Operating Procedures (SOPs) supported by well managed internal and system controls.

The GPAA also had the target of paying 80% of benefits within 45 days after the receipt of the correctly completed documents. The GPAA managed to pay 77% of benefits within the set target. This target was set in order to ensure that the GPAA pays claims faster to meet client service requirements.

However, in terms of the applicable legislation and according to the Service Level Agreement with GEPF, the target was to pay 80% of benefits within 60 days. The GPAA managed to pay 86.8% of benefits within the allowable 60-day period. This achievement is despite the fact that the GPAA received a phenomenal increase in the amount of exit claims from employer departments during the past two financial years.

The table below details the trend of claims received versus paid for the past six years:

Year	Received	% Age Increase / (Decrease)	Paid	% Age Increase / (Decrease)
2016	81 090	(2.55%)	79 783	5.91%
2015	83 209	23.94%	75 329	20%
2014	67 137	10.2%	62 771	14.95%
2013	60 896	(4.8%)	54 607	(10.73%)
2012	63 970	20.67%	61 174	11.57%
2011	53 009	-	54 830	-

Apart from the extremely high volume of exits claims paid, the GPAA also paid the following benefits:

Benefit type	2015 / 2016	2014 / 2015
Funeral benefits	25 217	22 700
Spouse's pensions	9 758	12 448
Clean-break payments	4 914	5 044
Five-year balances	2 397	2 038
Orphan's pensions	1 548	1 777
Third pensions	52	144
Special nature benefits	1 791	1 979
Purchase of Service quotations	586	879
Purchase of Service periods recognised	207	255

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EB Operations met customer SLA requirements by ensuring that:

- 95% of pensioner records were updated within 21 days; and
- 90% of pensioner cards were issued within 21 days.

In addition, the Membership Management and Contribution Management sections met the client SLA requirements by:

- Admitting 100% of new members within 21 days;
- Maintaining 99% of member records within 21 days of the receipt of correctly completed documentation; and
- Collecting 99,9% of contributions payable within seven days of month-end, as prescribed.

The Sub-programme participated actively in the Modernisation Programme, making important contributions to the design, development and testing of the Pension Case Management (PCM) system, as well as to the Benefit Payment Automation (BPA) process. In addition, the Sub-programme focused on data cleansing activities.

### Challenges

- There has been a steady increase in the number of exit claims received from employer departments over the past two years. The GPAA is, however, still functioning with the same number of employees as during the previous years when far fewer claims were received. The result is that employees within the exit value chain have had to work overtime to manage the volumes of claims for most of the past two years.

- Another major challenge is the dependency on employers to submit exit documentation timeously. Employers in general submit exit documentation late when employees terminate service in government which leaves the member out of pocket for substantial periods.
- Benefit payment processing at the GPAA remains paper-based and, given the high number of incomplete / erroneous exit documents completed by employer departments, many claims are delayed or returned to employer departments for correction resulting in delays in the payment of claims.

### Strategies to Overcome Areas of Under-performance

The GPAA is busy modernising its processes and systems with the view of allowing for the electronic submission of exit documents with improved validations coupled with the electronic payment of these exit benefits.

In addition, the GPAA also conducts workshops, roadshows and training for employer departments in order to enhance the quality of exit documentation.

### Linking Performance with Budgets

Programme and sub-programme expenditure:

	2014/2015			2015/2016		
Programme 2.2 Employee Benefits - Operations and Finance	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000
	64 753	60 930	3 823	76 771	66 983	9 788
<b>Total</b>	<b>64 753</b>	<b>60 930</b>	<b>3 823</b>	<b>76 771</b>	<b>66 983</b>	<b>9 788</b>

### Sub-programme 2.3: Client Relations Management

#### Sub-programme Purpose

The mandate of the CRM sub-programme is to manage relationships with stakeholders, i.e. clients, third parties and employers, by providing high quality, responsive client services. The Sub-programme is also mandated to provide employer education and training as well as to oversee the document management process to support the GPAA's core processes.

#### List of Business Units

- Walk-in Centres;
- Call Centre;
- Regional Offices;
- Satellite Offices;
- Operational Support Services; and
- Mobile Offices.

#### Strategic Objectives for 2015 / 2016:

- To pay the right amount as per the legal entitlement as prescribed by legislation and rules; and
- To pay the right person - the right person who is the lawful member or beneficiary.

### Performance Against Predetermined Objectives

Strategic objectives	Performance indicator	Actual achievement 2014 / 2015	Planned target 2015 / 2016	Actual achievement 2015 / 2016	Deviation from planned target to actual achievement for 2015 / 2016	Comment on deviations
1.1 To pay the right amount as per the legal entitlement as prescribed by legislation and rules	% Client Satisfaction Level	Not measured	80% Client Satisfaction Level	<b>97% Client Satisfaction Level</b>  <i>217 798 out of 225 125 responses</i>	17% above target	The GPAA, due to its aim of being client centric, put systems in place to ensure that the organisation is responsive to its clients
1.2 To pay the right person - the right person who is the lawful member or beneficiary	% of compliance to customer SLAs	Not measured	80% of compliance to customer SLAs	<b>81% of compliance to customer SLAs</b>	1% above target	This is a result of inadequate resources, dependency on internal units to resolve cases promptly, low employee morale due to changes within CRM, and challenges with ICT

#### Achievements

- The GPAA serviced a total of 482 908 clients at all walk-in centres across the country during the year under review.
- A total of 1 105 866 were received through the Call Centre, and 707 814 calls were answered.
- A total of 13 271 site visits were undertaken to employer departments to support employers on the GPAA's product, process and procedural knowledge.

- A total of 4 554 employer education sessions were conducted at employer departments in all nine provinces. This training related to the GPAA's administered products, processes and procedures.
- During the Retirement Member Campaign (RMC) workshops, 4 352 clients were engaged with the aim of assisting and educating them on the processes, procedures and forms necessary for a hassle-free retirement process.
- A total of 2 769 member awareness sessions were conducted highlighting the GPAA's administered products, processes and procedures.
- The GPAA opened two additional satellite offices during the 2015 / 2016 financial year in Rustenburg and Phuthaditjhaba.
- GPAA's mobile offices visited 706 servicing sites during the year and attended to 127 135 clients and received 31 708 documents through this servicing channel.

#### Challenges

- Receiving fully completed exit documentation from employer departments timeously remains a challenge.
- Outstanding member and employer contributions was also a matter of concern.
- The lack of effective employer infrastructure to

efficiently facilitate exit documentation electronically via GPAA's online platforms adds to turnaround times.

- The lack of complete beneficiary information and the tedious processes to validate beneficiary information add to delays.
- The lack of updated member information is problematic.
- The lack of adequate proof of service periods from employer departments delays processing of documentation.

#### Strategies to overcome areas of under-performance

- The implementation of an end-to-end automated work distribution system and finalisation of the GPAA's Modernisation Programme will resolve a number of the challenges identified.

#### Linking Performance with Budgets

Programme and Sub-programme expenditure:

	2014/2015			2015/2016		
Programme 2.3 Client Relations Management	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000	Final appropriation  R'000	Actual expenditure  R'000	(Over)/ Under expenditure  R'000
	166 950	152 262	14 688	311 645	169 414	142 231
<b>Total</b>	<b>166 950</b>	<b>152 262</b>	<b>14 688</b>	<b>311 645</b>	<b>169 414</b>	<b>142 231</b>



A group of five professionals, three men and two women, are standing behind a dark wooden conference table. They are all looking towards the camera. On the table in front of them are several documents, including a large open book or report with orange and white pages. The background is a plain, light-colored wall. A semi-transparent green horizontal band runs across the middle of the image, containing the text 'PART C: GOVERNANCE' in white capital letters.

## PART C: GOVERNANCE

## 1. INTRODUCTION

The GPAA, in fulfilling its strategic role and mandate, must take into account its risk profile and other shortcomings in its environment in order to ensure that it meets the envisaged strategic deliverables.

The organisation is currently undergoing a number of changes in order to drive the strategic goals and ensure the development of an efficient, effective and economical organisation. Such changes can expose an organisation to a higher level of risk exposure, and these risks can sometimes be accompanied by potential benefits and opportunities. Effective risk governance structures and an efficient risk management system enables an organisation to minimize the negative consequences of its associated risks. The Enterprise-wide Risk Management (ERM) unit aims to do exactly that through strong risk governance that is practical and ensures oversight efficiency, accountability, responsibility, independence, reporting, communication and transparency. This method aims to provide assurance that the organisation is protected against risk; strategic decision-making is well informed; and overall performance and service delivery are improved both internally and amongst the GPAA's stakeholders.

The GPAA's Risk Management initiatives promote good management principles and practices. They also

consciously create awareness about key organisational deliverables by utilising an integrated approach whereas business considers the strategy and outlines possible exposure, issues and potential problem areas that may prevent the organisation from achieving its goals. In addition, Risk Management created a system, not dissimilar to the regular organisational performance review (and, hopefully, as part of it) where employees look at performance and events, but also identify, in a systematic way, important gaps, variations and exposure and allow for these events to be mitigated against.

## 2. RISK MANAGEMENT

The GPAA has an independent ERM function under the leadership of the Chief Risk Officer (CRO), who reports direct to the CEO. The organisation practices a top-down governance structure with risk committees at management and executive levels, and reporting lines to the National Treasury and GEPIF.

The GPAA employs a comprehensive Risk Management Policy, Methodology and a Risk Management Framework which has been approved by the Risk Management Committee and the Executive Authority of the GPAA – the Minister of Finance. The Risk Management Policy and Framework are based on the principles embodied in the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, the International Guideline

on Risk Management (ISO 31000) and the King Code on Governance Principles (King III). The Executive Authority also approved a set of Strategic Risks for 2016 / 2017 in March 2016.

The profile of the GPAA's key strategic risks, incorporating those of its stakeholders, was developed through formalised risk assessment workshops with the GPAA's Executive Committee (EXCO), Management Committee (MANCO) and in conjunction with each business unit's management team. In addition to the workshops, the GPAA conducts research on risk factors within and outside the organisation to determine their potential impact on its ability to deliver on its strategic outcomes. This includes close scrutiny of risk factors within the global economy, the South African risk profile and the perceptions of media coverage on GEPIF. This strategic risk profile contributed to the development of the 2016 / 2017 Internal Audit Plan to direct Internal Audit efforts at those areas of highest risk to the GPAA. Contributors in this role predominantly included the Internal Audit, Risk Management and Quality Assurance units, along with the external auditor and management. This is based on the best practices adopted by *the King IV Report and Code on Good Corporate Governance* that has been adopted by the GPAA.

The Risk Management Committee oversees the management of strategic and business operational risk,

focusing on the mitigating strategy that will minimize risk exposure. The committee is chaired by an external Chairperson and meets every quarter.

Strategies to address the high strategic and operational risks that have been identified by the GPAA have been implemented throughout the organisation's business planning processes. This has ensured that the management of risk and performance are tightly integrated within all organisational business units.

A continuous risk-aware culture, fostered by the adoption of a common language about risk, risk training and education, as well as risk adjusted measures of success and incentives is currently the order of the day. During the 2015 / 2016 financial year, the themes "risk is everyone's responsibility" and "thinking risk every step of the way" were emphasized.

## Highlights and Achievements

The GPAA celebrated a number of achievements in this area during 2015 / 2016:

- The Risk Policy was revised and approved in March 2016.
- Formalised risk assessment workshops were held at operational and management levels, which ultimately contributed to the development the

GPAA's strategic risk profile. Through this exercise, the top 10 risks were identified. The implementation of GPAA's Strategic Plan 2016 / 2017 will also be closely guided by the risk profile to ensure that the organisation meets its predetermined objectives.

- A Risk Maturity Survey was performed, and the results will assist in strengthening gaps identified and ensuring that recommended actions are included in the 2016 / 2017 risk implementation plan.
- The GPAA continued to work towards embedding a risk-aware culture in the organisation through awareness initiatives such as awareness workshops, risk assessment sessions, and the publication of risk-related articles in internal publications throughout the financial year aimed at familiarising and promoting the principle that risk management is everyone's responsibility.
- A Risk Appetite and Tolerance Framework were developed in 2015 / 2016.
- The GPAA's Risk Strategy and the implementation plan, a three-year initiative, were also developed.
- Key critical skills (IT Risk Specialist) and a Project Risk Manager (Mondial) were appointed to manage the ICT and Project Risk environments within the GPAA.

## 3. FRAUD AND CORRUPTION

The GPAA's Fraud Prevention Plan is dynamic and will continuously evolve as the organisation makes changes and improvements in its drive to prevent and combat fraud and corruption. The development of a Fraud Prevention Plan, as regulated in terms of Treasury Regulation 3.2.1 and the Minimum Anti-Corruption Capacity (MACC) requirement, developed by the Department of Public Service and Administration (DPSA), Section 81 of the Public Finance Management Act and the National Public Sector Anti-Corruption Strategy, has also been a matter of focus.

The Fraud Prevention Plan is an enterprise-wide plan which identifies key role players to effectively and holistically manage corruption-related risk, which, through effective strategic planning and implementation, is envisaged to result in the following outcomes:

- Create an environment within the GPAA in which all employees and stakeholders continuously behave ethically and display integrity in their dealings with or on behalf of the GPAA;
- Encourage and / or ensure that all employees, employer departments and stakeholders strive towards the prevention and detection of fraud and corruption impacting or having the potential to impact on the organisation through, amongst others, fraud awareness at community roadshows,

Retirement Member Campaign (RMC) workshops and the induction training that is offered to new appointees;

- Encourage and / or ensure that all employees and stakeholders report suspicions of fraudulent and corrupt activities without fear of reprisal or recrimination;
- Provide clarity on specific individual process roles across the value chain for the purpose, and in accordance with, accountability and authority; and
- Provide guidelines in preventing, detecting and reporting fraud and corrupt activities within the GPAA through, amongst others, fraud awareness at community roadshows, Retirement Member Campaign (RMC) workshops and the induction training that is offered to new appointees.

Considering the envisaged outcomes of the Fraud Prevention Plan, the main principles of the plan are to:

- Create and enhance a culture which is intolerant of corruption;
- Prevent / combat fraud and corrupt activities which cannot be deterred;
- Detect and deter corruption;
- Improve fraud risk governance;
- Investigate detected corruption;
- Recommend appropriate or remedial action to be taken, e.g. recovery, prosecution, disciplinary

action, etc.; and

- Apply the appropriate sanctions, which include redress in respect of financial losses.

An Anti-corruption Policy was also approved during the year under review. Fraud and Ethics Risk Assessments were conducted, which are envisaged to strengthen governance and to aid in the limitation of corruption-related risk with a particular focus on effective structural, organisational and maintenance of anti-corruption mechanisms.

### 3.1 Mechanisms in Place to Report Fraud and Corruption and How These Operate

The GPAA manages GEPF's Ethics Hotline, a whistleblowing and prevention mechanism which enables employees, members, pensioners and other stakeholders to report fraud and corruption with the assurance of anonymity. The Hotline is administered by an external service provider which ensures independence and accountability. The employees, members, pensioners and stakeholders are also encouraged to report acts of fraud and corruption directly to the Forensic Investigation and Fraud Prevention Management unit, alternatively to the National Anti-Corruption Hotline managed by the Office of the Public Service Commission (NACH).

### 3.2 How These Cases are Reported and What Action is Taken

Cases are reported through any of the four reporting mechanisms, i.e. through the Ethics Hotline, the Integrity Helpdesk, directly at the Forensic Investigation and Fraud Prevention unit or to the NACH. Cases reported are analysed and, when warranted, allocated for investigation. Upon the finalisation of the investigation, recommendations are made for either criminal and / or disciplinary action to be instituted against the perpetrator. Further, service providers are engaged to conduct forensic investigations, the verification of assets and to investigate fruitless and wasteful expenditure.

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## 4. MINIMISING CONFLICT OF INTEREST

All Supply Chain Management (SCM) practitioners are required to annually declare any interests that they may have in companies. In addition, SCM practitioners do not have voting rights in SCM Committees, but participate as strategic support thereto.

All members appointed in SCM Committees are required to sign a conflict of interest declaration form at all meetings of that respective Committee. In the event that a conflict of interest is declared by a member in the respective meeting, they are recused from further participation.

## 5. CODE OF CONDUCT

The Code acts as a guide to employees as to what is expected of them from an ethical point of view, both in their individual capacity and in their relationship with others. All GPAA employees have signed acknowledgement of the Code, and newly-appointed employees are taken through the Code during their induction into the organisation.

In the event of a detected breach of the Code:

- Line management reports such breaches to the Fraud and Forensic unit;
- Depending on the seriousness of the breach, Labour Relations advises line management on whether to institute informal or formal disciplinary measures against alleged offenders;
- If a breach is not deemed as being extremely serious it will be sanctioned in the form of verbal counselling to a final written warning;
- If breach is viewed to be serious, it will be sanctioned in the form of a final written warning up to and including a dismissal; and
- An employee who is found guilty in these processes reserves the right to appeal against any of the sanctions meted against him or her.

In all reported and detected misconduct cases, the GPAA complies with the provisions of the Code of Conduct for the Public Service.

## 6. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Inadequate office accommodation and facilities that are not compliant with Occupational Health and Safety (OHS) prescripts have a major effect on the GPAA. This creates discomfort for employees, resulting in low productivity, disruption to services and poor service delivery. Non-compliance to Occupational Health and Safety prescripts pose a serious occupational risk.

### ***Hazard Identification and Risk Assessment (HIRA)***

HIRA procedures have been implemented and training provided to appointed safety representatives within the GPAA. Monthly OHS reports are received from all regional offices where feedback on risks and hazards is provided.

### ***Intoxication (Alcohol and Drugs)***

Requirements in relation to intoxication are not communicated. Employees using medicines which could have an impact on productivity are not reported. Policy development is, however, in progress. The envisaged completion date is the Fourth Quarter of 2016 / 2017.

### ***Incident Reporting and Investigation***

These health and safety functions are currently managed by the Employee Health and Wellness unit, working

with the Facilities Management unit. Incident reporting and investigation mechanisms are implemented and conducted by the Physical Security unit.

### ***Basic Health and Safety Awareness Training Should Be Considered for All Employees***

The training of employees on HIRA procedures has commenced. It is envisaged that it will be complete by the end of the Fourth Quarter of the 2016 / 2017 financial year.

### ***Health and Safety Committees***

A Safety, Health, Risk and Quality (SHERQ) Committee has been established. The requirements of Sections 19 and 20 of the Occupational Health and Safety (OHS) Act are partially implemented and the SHERQ Committee is working towards 100% compliance.

### ***Workplace Environment and Facilities***

Findings listed under this element apply mostly to the regional offices. Facilities Management has developed and implemented a plan to resolve identified issues. More than 80% of these issues were resolved in the review period.

## 7. PRIOR MODIFICATIONS TO AUDIT REPORTS

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
Emphasis of matter (non-compliance): a review of the functions and performance of the GPAA per Government Notice 231, paragraph 3(8), published in Government <i>Gazette</i> number 33051, dated 26 March 2010, was not performed at reporting date	31 March 2015	The GPAA advertised and appointed a service provider to undertake the five-year review. A draft report was presented to the GPAA's management

## 8. INTERNAL AUDIT AND AUDIT COMMITTEES

### 8.1 The Internal Audit unit

The Internal Audit unit provides independent assurance on the effectiveness and efficiency of the GPAA's governance, risk management and internal control systems. The unit reports administratively to the CEO and functionally to the Audit Committee. It carries out its mandate by implementing the annual Internal Audit Plan, making recommendations for improvement and doing follow-up audits on previously raised findings.

### 8.2 The Audit Committee

The appointment of the Audit Committee is mandated by PFMA Section 38 (ii) which states that Internal Audit should be under the control and direction of an Audit Committee, complying with and operating in accordance with regulations and instructions prescribed in terms of Sections 76 and 77 of the same Act.

The duties of the Audit Committee, in terms of Treasury Regulation 3.1.10, must, amongst others, include a review of the following:

1. The effectiveness of the internal control systems;
2. The effectiveness of the internal audit function;
3. The risk areas of the institution's operations to be covered in the scope of internal and external audits;
4. The adequacy, reliability and accuracy of the financial information provided to management and other users of such information;
5. Any accounting and auditing concerns identified as a result of internal and external audits;
6. The institution's compliance with legal and regulatory provisions; and
7. The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

### Attendance of Audit Committee Meetings by Audit Committee Members

The table below further discloses relevant information on the Audit Committee members:

Name	Internal or external	If internal, position in the GPAA	Position in the Committee	Date appointed	Date resigned	Number of meetings attended
1. Mr L. Lesejane	External	N/A	Chairperson	1 February 2013	N/A	Four
2. Mr L. Mangquku.	External	N/A	Audit Committee member	10 July 2015	N/A	Four
3. Mr A. Amod	External	N/A	Audit Committee member	10 July 2015	N/A	Three
4. Ms B. Francis	External	N/A	Audit Committee member	3 February 2013	N/A	One
5. Ms A. Badimo	External	N/A	Audit Committee member	10 July 2015	N/A	Four
6. Ms O. Matloa	External	N/A	Audit Committee member	8 August 2013	N/A	Four

## 9. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

### Background

- The Audit Committee (the Committee) was established as a statutory committee in terms of section 77 of the Public Finance Management Act and Treasury Regulation 3.1.
- The Committee has adopted a formal terms of reference as its audit committee charter and has fulfilled its responsibilities for the year in compliance with its terms of reference.

## Membership and Attendance

- The Committee consists solely of independent members who are financially literate and also have appropriate experience.
- The Committee met four times during the year.
- The following is a list of its members, qualifications and a record of their attendance:

Name of member	Qualifications	Appointment date	*Number of meetings attended
Mr Joe Lesejane (Chairperson)	Chartered Accountant (SA), Fellow Chartered Management Accountant (UK), B.Com, B.Compt (Hons) and Certificate in Control Self-Assessment (CCSA), Chartered Director (SA)	1 February 2013	3 of 4
Ms Octavia Matloa*	Chartered Accountant (SA), B.Com (Hons) and CTA	1 March 2016	4 of 4
Mr Ameen Amod	Master in Business Administration, Bachelor of Commerce, Certificate in Internal Audit (CIA), Certified Government Auditing Professional Auditor and Certification in Risk Management Assurance, Chartered Director (SA)	1 July 2015	3 of 4
Mr Luyanda Mangquku	Chartered Accountant (SA), Masters in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	1 July 2015	4 of 4
Ms Anna Badimo	B.Sc Computer Science, B.Sc Hons Computer Science, MBA, MSC, CISM, CGEIT, M. InstD, Cobol Programming Diploma, Project Management Diploma	1 July 2015	4 of 4
Ms Berenice Francis	Certification in Control Self-Assessment (CCSA), Certified Internal Auditor (CIA), B.Compt (Hons) and B.Com Accounting	1 August 2013	2 of 4

*\*Ms Octavia Matloa was the Acting Chairperson from 1 February 2016 to 31 March 2016. Mr Joe Lesejane's term of office expired on 31 January 2016 and Ms. Berenice Francis' term ends on 31 July 2016.*

## The Audit Committee's Responsibilities

The Committee is satisfied that it has discharged its responsibilities in assisting the Accounting Officer with the following and that this was done in conjunction with the Risk Management Committee:

- The safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- Overseeing the activities of, and ensuring co-ordination between, the activities of internal and external audit;
- Providing a forum for discussing financial, enterprise-wide, regulatory and other risks and control issues; and monitoring controls designed to minimise these risks;
- Reviewing the entity's quarterly financial and performance information, annual report, including annual performance information and annual financial statements, and any other public reports

or announcements containing financial and non-financial information;

- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements and performance reports or related matters; and
- Annually reviewing the Committee's work and charter making recommendations to the Accounting Officer to ensure its effectiveness.

## Risk Management

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.
- Internal Audit was guided by the consolidated risk profile provided by the Enterprise Risk Management unit, critical audit areas and managements inputs in the formulation of its three-year strategic and annual plans.
- The entity has a Risk Management Committee which is chaired by an independent member who reports directly to the Audit Committee.
- The Risk Management Committee met four times during the year under review.

- A risk register is updated at least annually to ensure that all of the major risks, including emerging risks, facing the entity are properly managed.

## Internal Audit

The Committee approved a risk-based three-year Strategic Internal Audit Plan and an Annual Internal Audit plan for periods 1 April 2015 to 31 March 2018. The following were the key audit activities:

Type	Total planned audits	Total number (%) completed
Regularity Audit	26	16 (62%)
Performance Audit	9	4 (44%)
Information Technology Audit	18	9 (50%)
Ad-hoc Audits	0	8 (100%)
<b>Total</b>	<b>53</b>	<b>37 (70%)</b>

The Committee reviewed all the internal audit reports and is satisfied:

- With the activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

- That internal audit is conducted in accordance with the standards set by the Institute of Internal Auditors.

## Accounting and Auditing Concerns Identified by Internal Audit

There are no accounting and auditing concerns that have been noted and brought to our attention.

## Other Identified Concerns

The Committee noted the following areas of concern:

- Significant control weaknesses were identified with the management of the Modernisation Programme and a number of special investigations were commissioned during the period;
- We also noted that, despite progress made to achieve the set project milestones, the programme is still running behind schedule and as at the reporting date management was still busy with the implementation of measures to address these delays;
- Significant non-compliance with the Supply Chain Management policies and procedures;

- The lack of controls to adequately and effectively mitigate the risks associated with manual processes due to the incompatibility of some of the functions within the CIVPEN system; and
- Delays in implementing the forensic investigators' recommendations due to poor consequence management.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

The Committee is therefore of the opinion that Internal Audit is independent, provided objective assurance and consulting activities that were designed to add value and improve an entity's operations.

### **The Adequacy, Reliability and Accuracy of the Financial and Performance Information**

The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal auditors, and the Auditor-General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate.

### **External Audit**

- The Committee has reviewed the independence and objectivity of the external auditors.
- The external auditors attended four meetings of the Committee and we are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and approved the external audit report and no accounting and auditing concerns were noted.
- The Committee has reported major concerns relating to the Modernisation Programme to the Accounting Officer, Executive Authority and the Auditor-General.

### **The Effectiveness of Internal Controls**

- The Committee considered all the reports issued by the various assurance providers, e.g. internal and external auditors, the Risk Management Committee, etc.
- The Committee noted managements' actions in addressing identified control weaknesses and is satisfied with the following achievements reported during the year:

Assurance Provider	Total findings	Resolved findings	Unresolved findings
Internal audit	61	32	29
External audit	28	27	1

- We also noted findings raised by both internal and external auditors in the areas of SCM, fruitless and wasteful expenditure, and irregular expenditure which management is addressing and we are satisfied with the progress reported to date.

In light of the above, we report that the system of internal control for the period under review is considered to have been less satisfactory.

#### **Compliance with Legal and Regulatory Provisions**

- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and the Division of Revenue Act and material deviations were noted.
- The Committee also noted managements' policies and procedures to ensure compliance with applicable laws and regulations

#### **Evaluation of Financial Statements and Annual Report**

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2016 and duly recommended it for the Accounting Officer's approval prior to being submitted to the Auditor-General for audit.

The Committee reviewed the Auditors' Management and Audit reports; and concurs with their conclusions. The Committee therefore accepts the audit opinion and conclusion expressed by the external auditors on the annual financial statements, annual performance report and annual report.

We would like to express our appreciation to the Board for their leadership and support; CEO, Internal Audit and management for their commitment and achievement of an unqualified audit opinion.



**Octavia M. Matloa**  
Chairperson  
31 July 2016



## PART D: HUMAN RESOURCE MANAGEMENT

## 1. INTRODUCTION

The information contained in this part of the annual report has been prescribed by the Minister for the Public Service and Administration for all departments in the public service.

## 2. OVERVIEW OF HUMAN RESOURCES

- **The status of Human Resources in the GPAA**

The development of the new organisational structure has had a significant influence on the status of Human Resources in the GPAA. As a result of this development, the organisation is currently in an interim phase and not all vacancies can be filled. Contract workers are appointed for continuity and to ensure that service delivery is not compromised but the organisation has not been filling vacant permanent positions in areas that could be affected.

- **Human Resource Priorities for the Year Under Review and the Impact Thereof**

The Labour Relations unit embarked on a regional and Head Office-wide programme to capacitate employees, team leaders, supervisors and managers on how to handle and deal with matters relating to employment relations. This programme

is on-going, intending to close the capacity gap and to enhance the sharing of a common understanding of misconduct, discipline, grievance procedures, sexual harassment, promotion of acceptable conduct and the prevention of arbitrary or discriminatory actions by managers towards employees within the organisation.

A total of 33 Senior Managers attended a coaching and development workshop and eight employees were identified to be mentored by them. The Human Resources Development sub-unit began a process of addressing the training gaps that were identified during the Skills Audit. A total number of 82 interns (48 females and 34 males) were enrolled for the Internship Programme. Moreover, 14 employees were enrolled for classes to acquire a matric qualification.

- **Workforce Planning and Key Strategies to Attract and Recruit a Skilled and Capable Workforce**

The interim phase between the current organisational structure and the new organisational structure makes it very difficult to do proper workforce planning. The GPAA has a Human Resources Strategy which guides the process of restructuring and transition. Both contract and

permanent positions were filled and a project to recruit and appoint interns was also undertaken in the year under review.

- **Employee Performance Management**

All Performance Agreements, Reviews and Evaluations for the 2015 / 2016 period were submitted and, as a result, the performance evaluation process could be finalized timeously. Based on improvements in performance against the organisational scorecard, the Minister of Finance approved that the GPAA exceed the 1.5% limitation for performance bonuses by an additional 1.5%. This resulted in qualifying employees receiving 70% of their full bonus amount. Initiatives were developed to foster positive engagement within the performance management process and the monitoring of training needs. This has proved to be successful.

- **Employee Wellness Programme**

Programmes initiated by the Department of Public Services and Administration (DPSA) provided a directive to all departments to introduce Employee Health and Wellness (EH&W) programmes. At the GPAA the EHW programme reports to the

Employee Relations unit, which forms part of the Human Resources programme. The EH&W programme is guided by the strategic pillars as prescribed by the DPSA, and in implementing these pillars the following achievements were celebrated during the year under review:

- 146 employees attended blood donation drives.
- 1 133 employees attended HIV Counselling and Testing (HCT) sessions. They were also screened for blood pressure problems, glucose, HIV, cholesterol and BMI.
- Fun walks:
  - o 140 employees participated in the Big Walk, organised by the Department of Sports and Recreation.
  - o Employees participated for the first time in the Walkathon walk in support of people living with cancer.
- A financial awareness workshop entitled “Become a Money Diva” was held, and a total of 17 female employees attended the session.
- A Financial Fun Day was also held, focusing on how to make your money work for you, and a total of 43 employees attended the session.

- The South African Revenue Services (SARS) were invited to educate employees on the new amendments on taxation.
- EH&W participated in 11 in-house induction programme sessions to introduce the GPAA’s wellness offerings to new employees.
- EH&W participated in the provision of life skills training for elementary employees twice a week.
- A mommy-to-be programme was launched for expectant employees.

The abovementioned achievements were not reached smoothly due to the following challenges that played a part in making the 2015 / 2016 financial year stimulating:

- Cost containment was challenge, as the unit had to alter some of the planned activities and had to obtain services that were offered free of charge in the different communities that the organisation has offices in.
- Lack of a sufficient consulting room caused many employees to feel uncomfortable in consulting about their personal and medical aid matters.
- Non-availability of a training room for educational sessions was also a stumbling block during the year under review.

## ***Achievements***

### **Performance Management**

- All Performance Agreements, Reviews and Evaluations for 2015 / 2016 were submitted and, as a result, the Performance Evaluation process could be finalized.
- Employee Evaluations were finalised and signed off by the acting CEO on 26 June 2015.
- All evaluation results were successfully implemented after approval by the Minister of Finance had been obtained to exceed the budget by an additional 1.5%. This resulted in qualifying employees receiving 70% of their full bonus amount.
- The Performance Dialogue Form was developed as an initiative to foster positive engagement and enhance the performance management process
- A need was identified to strengthen the link between Performance Agreements and training needs to ensure that these are aligned so as to improve individual performance and address poor performance. This is monitored closely and managers are putting development plans in place to address training gaps as well as poor performance.

- Training of the regional offices on the Performance Management System and how it links up with the strategic objectives has been initiated.

### Employee Life Cycle Management

- The Recruitment Section made offers to 154 employees during the reporting period.
- 198 positions were advertised and sourced.
- 144 appointments were made and 98 employees terminated their service with the GPAA (including both contract and permanent employees).

### Basic Conditions of Employment

- 17 313 leave forms were processed in 2015 / 2016.
- 127 PILIR cases were received.
- 101 resets were done for PERSAL user identities.
- A matrix was compiled for the GPAA on PERSAL.
- All revisers and transaction codes for all PERSAL users were verified.
- 880 transactions were processed on PERSAL with regards to the Government Employees Housing Scheme (GEHS).
- The process for office closure during

December 2015 was communicated early and the leave was programmatically deducted from employees' credits.

- The Basic Conditions unit revised and finalised PILIR stockpiled cases that were received from the Health Risk Manager.
- Financial Disclosure forms for SMS members were completed electronically for the first time in 2015 and 100% of the GPAA's SMS declared. To raise awareness, an information session about financial disclosure was arranged with the Public Service Commission for all Senior Managers. The completed disclosures were electronically submitted to the Public Service Commission by the due date.
- The GPAA hosted a PILIR Steering Committee meeting and was complimented on being the only department making use of a designated PILIR email address, which ensures effective communication between the department and the Health Risk Manager.
- The Basic Conditions unit, in conjunction with the Communication unit, arranged the first Long Service Awards Ceremony to honour long-serving employees with certificates.

- In line with PSCBC Resolutions 1-8 of 2015, amendments on the 13th cheque / service bonus, leave and Government Employees Housing Scheme (GEHS) were implemented.

### Training and Development

- The Workplace Skills Plan (WSP) for 2015 / 2016 was submitted by the deadline of 30 April 2015.
- 33 level 13 Senior Managers and two middle managers attended a course on coaching and mentoring (a total of 35 GPAA attendees).
- 48 females and 34 males were appointed as interns (with a total of 82 interns).
- 14 employees enrolled for matric classes.
- Human Resources Development started with the training of Senior and middle managers in skills gaps identified during the skills audit programme.
- Bursary and Training and Development Policies were approved during the year under review.
- 26 graduates were honoured in the first graduation ceremony conducted by the GPAA for employees who obtained

their qualifications through the GPAA's bursary scheme. 23 Facilities employees who participated in the GPAA's Product Knowledge course were also honoured at this event.

## Employee Health and Wellness

- 146 employees attended the blood donation drives held during the 2015 / 2016 financial year.
- 1 133 employees attended HIV Counselling and Testing (HCT) sessions, where they were also screened for blood pressure, glucose, HIV, cholesterol and BMI irregularities.
- 140 employees participated in the Big Walk organised by the Department of Sports and Recreation. Along with this, employees participated in the Walkathon walk in support of people living with cancer.
- A financial awareness workshop entitled "Become a Money Diva" was held and a total of 17 female employees attended the session.
- A Financial Fun Day was also held, focusing on how to make your money work for you, and a total of 43 employees attended the

session.

- The South African Revenue Services (SARS) were invited to educate employees on the new amendments on taxation.
- Employee Health and Wellness participated in 11 in-house induction programme sessions to introduce the GPAA's wellness offerings to new employees.
- Employee Health and Wellness participated in the provision of life skills training for elementary employees twice a week.
- Launched the mommy-to-be programme for expectant employees.
- 92 employees made use of the counselling services.

## Labour Relations

- The Labour Relations unit handled 23 disciplinary cases during 2015 / 2016.
- 36 grievance cases were handled, of which eight cases are pending resolution.
- Nine dispute matters are pending at both General Public Service Sector Bargaining Council (GPSSBC) and at the Labour Court.
- Five employees were suspended and six appeal cases were finalised.
- One application, lodged at the Labour Court,

was received regarding an unfair dismissal.

- An arbitration award confirming the dismissal of one employee was issued.
- There were two dispute matters sent for review to the Labour Court.
- A referral for a dispute was received from the South African State and Allied Workers Union (SASAWU) regarding a matter of mutual interest.
- Six referrals for various matters, including disputes relating to unfair labour practice (promotions), were received.
- Two certificates of non-resolution of disputes for unfair labour practice at conciliation were received.
- Two dispute matters were reviewed / set aside at the Labour Court and an arbitration award confirming the dismissal of two employees was received.
- A referral for a dispute was received from the Public Servants Association (PSA) regarding a matter of mutual interest regarding salary levels.

## Organisation Design and Development

- The proposed to-be organisational structure was consulted with 100% of the organisation's employees.

- Capacity modelling was finalised on the to-be structure and presented to EXCO for consideration and approval.
- Job descriptions were developed for all jobs at levels 1-12. 10% of job descriptions were under review for jobs on levels 1-12 (following a proposal by the Job Evaluation Panel to align these to benchmarked job descriptions).
- Job Evaluation Panel Members were trained and job impact assessments were conducted on the initial proposed structure.
- A change integration programme was facilitated for the Solution Implementation Partner (SIP) and Human Capital Management (HCM) projects.
- Capacity modeling on the to-be structure is under review in line with inputs from relevant governance structures.
- Phase one of two phases of Change Agent training was conducted for the Change Agent Network (CAN). The Change Agent Network was confirmed across all levels within the GPAA, including SMS and MMS. A change management article was published bi-monthly for employee empowerment. GPAA Change Liaisons were brought on board to partner with Programme Heads

for continuity after the Deloitte (strategic partner) departure.

- A KRA reporting mechanism and evaluation structure were developed and implementation facilitated for Change Agents.
- An Energy Lab was held for all level 11-12 employees, along with nominated level 10 employees who were working in an acting capacity at the time.
- The unit provided and continues to provide programme management support to the 30 / 60 day change management campaign that was launched and that is being run as an ongoing process.
- Process walk-throughs, where everyone in the GPAA is able to come together and engage the technology and process teams on technology releases, were initiated and are being managed as an on-going process.
- Brown bag sessions with Change Agents, with the aim of enabling them to become more effective in their role, were initiated and are being managed as an on-going process.
- Alignment was initiated with Chief Operating Officer (COO), as the project co-sponsor, on Change Management initiatives was managed as an ongoing process.

### **Challenges**

- As a result of the development of a new organisational structure, certain positions cannot be filled.
- Challenges with IT regarding PERSAL matters, such as IPs, delays in access to PERSAL, as well as the e-Disclosure system for Senior Managers.
- Cumbersome procurement / tender processes, resulted in poor customer service and exposed the GPAA to operational and financial risks.
- Finalisation of the placement protocol was not completed due to the consultation process which has been ongoing.
- The finalisation of the organisational structure in line with changes in the DPSA directive on structures is a challenge.
- The Department of Labour introduced a new IOD system and, although HR received training in this regard, the system has some challenges, such as delays in payments. It is also challenging to get assistance on queries.
- Due to cost containment measures, the Employee Health and Wellness unit could not roll out all planned programs.

### ***Future Plans (for the Next Financial Year)***

- The implementation of Resolution 5 is planned for the upcoming year.
- Training to address all the identified training gaps of management is also planned.
- HR policies will be finalized and reviewed going forward.
- The structure will be presented to the Job Evaluation Panel after the panel's recommendations on job grading. The Occupational Design Work Group (ODWG) needs to be consulted and engaged on the final structure and the final structure needs to be presented to EXCO.
- The approved placement protocol needs to be presented to the organisation.
- A technical skills assessment for levels 9-15 in the organisation will be conducted.
- A change impact assessment will be conducted.
- The migration process into the approved structure will be facilitated (envisaged 30% of the approved structure).
- A "GPAA of the Future" (GOTF) space will be created to engage employees on change issues.
- A diary wall initiative will be introduced to allow employees to engage with

Modernisation and the changes that come with the projects by writing their views and questions.

- Support will be given to the change agents and their supervisors and managers in the implementation of the new Change Agent Key Performance Indicator (KPA).
- An Employee Satisfaction Survey will be conducted with the assistance of the Monitoring and Evaluation (M&E) unit.
- Programme / Business / Cost centre managers will be engaged in an "adopt-a-region" campaign to embed change across the organisation.
- Modernisation Connect Sessions will be hosted through various platforms such as brown bags, process walkthrough and management connect sessions to engage employees on the various changes and to continue with Modernisation Connect Sessions.
- The recruitment of GPAA Change Liaisons will be facilitated in order for them to partner with Programme Heads.
- PILIR training at the National School of Government will be done.
- The Employee Health & Wellness unit will establish support for the following:

- Mental health,
- Mommies to be, and
- New mothers.
- Retirement preparation sessions will be launched for employees who are about to retire.
- A fitness programme will be launched to encourage employees to be physically fit.
- A financial workshop will be arranged to encourage employees to be financially fit.
- The services of SA Home Loans (for the Government Employees Housing Scheme (GEHS)) will be made available to employees on site.

### 3. HUMAN RESOURCES OVERSIGHT STATISTICS

#### 3.1 Personnel related expenditure

The following tables summarise the final audited personnel related expenditure by programme and by salary band. In particular, it provides an indication of the following:

- Amount spent on personnel, and
- Amount spent on salaries, overtime, homeowner's allowances and medical aid.

**Table 3.1.1:** Personnel expenditure by Programme for the period 1 April 2015 to 31 March 2016

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Programme 1.1	57 056	48 591	5 641	2 824	85%	352
Programme 1.2	41 236	41 228	8	-	100%	362
Programme 1.3	49 012	48 766	246	-	99%	613
Programme 1.4	45 823	43 893	1 930	-	96%	1 091
Programme 1.5	7 265	7 197	68	-	99%	484
Programme 2.1	40 796	40 625	171	-	100%	368
Programme 2.2	67 617	67 602	15	-	100%	364
Programme 2.3	136 406	136 031	376	-	100%	348
<b>TOTAL</b>	<b>445 212</b>	<b>433 933</b>	<b>8 455</b>	<b>2 824</b>	<b>97%</b>	<b>404</b>

**Table 3.1.2:** Personnel costs by salary band for the period 1 April 2015 to 31 March 2016

Salary Bands	Compensation of Employees Cost including Transfers (R'000)	% of total personnel cost	Number of Employees	Avg personnel cost per employee
Lower skilled (Levels 1-2)	2 802	1%	17	165
Skilled (Levels 3-5)	19 255	4%	77	250
Highly skilled production (Levels 6-8)	138 276	32%	429	322
Highly skilled supervision (Levels 9-12)	113 997	26%	188	606
Senior management (Levels 13-16)	28 105	6%	28	1004
Contract (Levels 1-2)	3 268	1%	19	172
Contract (Levels 3-5)	4 626	1%	29	160
Contract (Levels 6-8)	66 621	15%	244	273
Contract (Levels 9-12)	32 643	8%	55	594
Contract (Levels 13-16)	18 041	4%	16	1128
Periodical Remuneration	6 301	1%	34	185
<b>TOTAL</b>	<b>433 933</b>	<b>1</b>	<b>1 136</b>	<b>382</b>

**Table 3.1.3: Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme for the period 1 April 2015 to 31 March 2016**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Accounting finance	17 749	4	33	0	480	0	886	0
Bisho	4 639	1	12	0	139	0	198	0
Bloemfontein (Free State)	4 093	0.9	35	0	92	0	263	0
Business Support Services	5 792	1	31	0	141	0	440	0
Cape Town	3 752	0	13	0	93	0	214	0
Communications	4 704	1	82	0	615	0	226	0
Corporate Finance	4 889	1	52	0	99	0	141	0
CRM Call Centre	19 844	4	60	0	489	0	1 201	0
Data Security (Information Security)	2 617	0.6	819	0	89	0	220	0
Durban	1 005	0	0	0	54	0	131	0
EB Funeral Benefits	3 790	0	-12	0	150	0	265	0
EB Finance	6 162	1.4	555	0.1	93	0	264	0
EB Ops & Finance Management	2 682	0.6	0	0	10	0	66	0
EB Withdrawals	9 544	2.2	2 244	0.5	378	0	820	0.1
Employee Relations	2 442	0.5	0	0	40	0	126	0
Employer & Government Liaison	9 606	2	796	0	270	0	583	0
Enterprise Wide Risk	1 869	0.4	0	0	8 100	0	45 707	0
Facilities Management	6 490	1	5	0	389	0	875	0
Management Accounts and Budgets	469	0.1	0	0	16	0	18	0
Finance Supply Chain Management	3 828	0.8	0	0	213	0	151	0
Fraud & Forensic Management	5 263	1	113	0	138	0	252	0

**Table 3.1.3: Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme for the period 1 April 2015 to 31 March 2016 (continues)**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Gauteng Regional Office	7 405	1.7	151	0	314	0	594	0.1
GEPP Bisho Regional Office	4 639	1	12	0	139	0	198	0
Head Office	3 109	0	7	0	130	0	76	0
Human Resources	8 767	2	499	0.1	157	0	361	0
Information Technology	8 200	1.8	29	0	10	0	72	0
Injury on Duty	2 255	0.5	0	0	94	0.0	160	0.0
Internal Audit	4 972	1	0	0	111	0	213	0
Johannesburg Satellite Office	1 171	0.2	26	0	71	0	93	0
Kimberley Regional Office	2 286	0.5	18	0	18	0	120	0
Legal	5 056	1	94	0	71	0	86	0
Management Accounts & Budgets	469	0.1	0	0	16	0	18	0
Management Information Systems	1 470	0.3	0	0	22	0	66	0
Management Support	2 354	0.5	-13	0	13	0	43 695	0
Medical Benefits	5 067	1	128	0	171	0	490	0
Membership and Contributions	6 188	1	1 260	0	261	0	500	0
Military Pensions	4 069	0.9	0	0	45	0	96	0
Modernisation	3 167	0.7	0	0	323	0	66	0
Monitoring and Evaluation	5 495	1.27	14	0.00	187	0.04	83	0.02
Mpumalanga	3 288	0.7	-1	0	105	0	267	0
North West	5 023	1.1	15	0	149	0	245	0
Operational Support Services	8 524	1.9	2 126	0.4	508	0.1	964	0.2

**Table 3.1.3: Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme for the period 1 April 2015 to 31 March 2016 (continues)**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Ops Management	1 798	0.4	0	0	13	0	38	0
Organisational Design & Development	1 006	0.2	16	0	10	0	13	0
Pensioner maintenance	5 688	1	6321	0	253	0	544	0
Physical security	5 166	1.1	76	0	121	0	327	0
Pietermaritzburg	6 432	1.4	0	0	222	0	557	0.1
Polokwane (Limpopo Regional Office)	4 944	1.1	78	0	178	0	484	0.1
Port Elizabeth	1 671	0.3	0	0	66	0	146	0
Program 8 Support services	3 056	0.7	0	0	24	0	55	0
Project Management Office	3 280	0.7	0	0	29	0	108	0
Registry	1 861	0.4	14	0	116	0	197	0
Secretariat	751	0.1	0	0	13	0	37	0
Special EB Projects	7 239	1.6	288	0	237	0	555	0.1
Special Pensions	12 396	2.8	2 821	0	354	0	647	0
Supply Chain	3 828	0.8	0	0	213	0	151	0
Training	2 756	0.6	264	0	51	0	62	0
Umtata	2 098	0.4	10	0	71	0	173	0
<b>Total</b>	<b>270 418</b>	<b>62</b>	<b>9 765</b>	<b>2</b>	<b>8 538</b>	<b>1</b>	<b>15 968</b>	<b>3</b>

**Table 3.1.4:** Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band for the period 1 April 2015 to 31 March 2016

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary Band (R'000)
Lower skilled (Levels 1-2)	1 358	66,3	3	0,1	191	9,3	496	24,2	2 048
Skilled (Levels 3-5)	9 656	70,4	1 582	11,5	853	6,2	1 630	11,9	13 721
Highly skilled production (Levels 6-8)	76 654	79,5	5 372	5,6	4 790	5	9 602	10	96 418
Highly skilled supervision (Levels 9-12)	68 789	91,1	1 119	1,5	1 627	2,2	3 954	5,2	75 489
Senior management (Levels 13-16)	18 824	98,4	0	0	150	0,8	151	0,8	19 125
Contract (Levels 1-2)	2 525	100	1	0	0	0	0	0	2 526
Contract (Levels 3-5)	3 415	92,2	291	7,8	0	0	0	0	3 706
Contract (Levels 6-8)	51 758	97,4	1 364	2,6	0	0	0	0	53 122
Contract (Levels 9-12)	24 090	96,8	32	0,1	679	2,7	89	0,4	24 890
Contract (Levels 13-16)	13 348	97,8	0	0	248	1,8	47	0,3	13 642
Periodical Remuneration	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>270 418</b>	<b>88,8</b>	<b>9 765</b>	<b>3,2</b>	<b>8 538</b>	<b>2,8</b>	<b>15 968</b>	<b>5,2</b>	<b>304 689</b>

### 3.2 Employment and vacancies

The tables in this section summarise our position with regard to employment and vacancies.

The following tables summarise the number of posts in the establishment, the number of employees, the vacancy rate, and whether or not there are any additional staff to the establishment.

This information is presented in terms of three key variables:

- Programme;
- Salary band; and
- Critical occupations.

Departments have identified critical occupations that need to be monitored. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

**Table 3.2.1: Employment and vacancies by programme as at 31 March 2016**

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Programme 1.1	154	106	31.1%	56
Programme 1.2	87	61	29.8%	53
Programme 1.3	47	35	25.53%	45
Programme 1.4	32	21	34.3%	21
Programme 1.5	17	13	23.5%	2
Programme 2.1	133	71	46.6%	40
Programme 2.2	203	135	33.55%	51
Programme 2.3	353	297	15.8%	95
<b>Total</b>	<b>1 026</b>	<b>739</b>		<b>363</b>

**Table 3.2.2: Employment and vacancies by salary band as at 31 March 2016**

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Lower Skilled ( 1-2)	39	17	56.4%	19
Skilled (3-5)	92	77	16.3%	29
Highly Skilled Production (6-8)	615	429	30.2%	244
Highly Skilled Supervision (9-12)	238	188	21%	55
Senior Management (13-16)	42	28	33.3%	16
<b>Total</b>	<b>1 026</b>	<b>739</b>	<b>27.9%</b>	<b>363</b>

**Table 3.2.3: Employment and vacancies by critical occupations as on 31 March 2016**

The GPAA is in the process of determining critical occupations and scarce skills and thus cannot report for the year ending 31 March 2016.
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### 3.3 Filling of SMS posts

The tables in this section provide information on employment and vacancies as related to members of the Senior Management Service (SMS) by salary level. It also provides information on the advertising and filling of SMS posts, the reasons for not complying with prescribed timeframes and any disciplinary steps taken.

**Table 3.3.1: SMS post information as at 31 March 2016 (Please take note that this table only includes permanent employees)**

SMS Level	Total number of funded permanent SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100%	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	3	0	0%	3	100%
Salary Level 14	9	7	77.8%	2	22.2%
Salary Level 13	29	21	72.4%	8	27.5%
<b>Total</b>	<b>42</b>	<b>29</b>	<b>39.76%</b>	<b>13</b>	<b>30.95%</b>

**Table 3.3.2:** SMS post information as at 30 September 2015

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100%	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	3	0	0%	3	100%
Salary Level 14	9	7	77.8%	2	22.2%
Salary Level 13	20	20	69%	9	31%
<b>Total</b>	<b>42</b>	<b>28</b>	<b>66.7%</b>	<b>14</b>	<b>33.4%</b>

**Table 3.3.3:** Advertising and filling of SMS posts for the period 1 April 2015 to 31 March 2016

SMS Level	Total number of funded SMS posts	Total number of SMS posts advertised/filled in this year	% of SMS posts advertised/filled in this year	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	1	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	3	1	Not filled yet - still in progress	3	100%
Salary Level 14	9	0	0	2	22.2%
Salary Level 13	29	5	Four filled, one still in progress	8	27.5%
<b>Total</b>	<b>42</b>	<b>7</b>	<b>5</b>	<b>13</b>	<b>30.95%</b>

**Table 3.3.4:** *Reasons for non-compliance with the filling of funded vacant SMS positions - advertised within six months and filled within 12 months after becoming vacant for the period 1 April 2015 to 31 March 2016*

Reasons for vacancies not being advertised within six months
<p>The GPAA's Modernisation Programme was approved by the Minister of Finance and is comprised of a series of projects undertaken by the GPAA to improve the quality of the services offered to its clients. One of the deliverables is the development and implementation of a new organisational structure linked to the redesign of business processes - including automation - to ensure operational improvement.</p> <p>The design of the organisational structure has been completed and is undergoing a series of steps towards approval. A capacity model has been developed and job descriptions are being prepared. A placement protocol has been developed as a framework for the transition of employees into the new structure.</p> <p>To minimise the difficulty in matching and placing employees into the new structure, as well as to ensure stability through the change that is inevitably happening, a decision has been taken not to fill permanent positions in the current structure unless they are critical and in line with the new proposed organisational structure. This is an interim measure until the implementation of the new organisational structure.</p> <p>Due to urgent business needs and to ensure that service delivery is not compromised, contract workers have been appointed in the interim.</p>

3.4 Job evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

**Table 3.4.1:** *Job Evaluation by Salary band for the period 1 April 2015 to 31 March 2016*

Total number of jobs evaluated by salary band for prior 1 April 2014 and 31 March 2015	None
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The following table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**Table 3.4.2:** Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2015 to 31 March 2016

Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2014 to 31 March 2015	None
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The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case

**Table 3.4.3:** Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2015 to 31 March 2016

Total number of employees whose salaries exceeded the grades determined by job evaluation	None
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The following table summarises the beneficiaries of the above in terms of race, gender, and disability.

**Table 3.4.4:** Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2015 to 31 March 2016

Total number of employees whose salaries exceeded the grades determined by job evaluation	None
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**3.5 Employment changes**

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band and critical occupations.

**Table 3.5.1: Annual turnover rates by salary band for the period 1 April 2015 to 31 March 2016**

Salary band	Number of employees at beginning of period-1 April 2015	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower Skilled ( Levels 1-2)	22	0	0	0%
Skilled (Levels3-5)	74	4	5	6.6%
Highly Skilled Production (Levels 6-8)	452	12	30	6.6%
Highly Skilled Supervision (Levels 9-12)	191	7	16	8.4%
Senior Management Service Bands A	18	4	1	5.5%
Senior Management Service Bands B	7	0	0	0%
Senior Management Service Bands C	0	0	0	0%
Senior Management Service Bands D	0	0	0	0%
Contracts	370	40	46	12.4%
<b>Total</b>	<b>1 134</b>	<b>67</b>	<b>98</b>	<b>8.64%</b>

**Table 3.5.2: Annual turnover rates by critical occupation for the period 1 April 2015 to 31 March 2016**

The GPAA is in the process of determining critical occupations and scarce skills and thus cannot report for the year ending 31 March 2016.

The table below identifies the major reasons why staff left the department.

**Table 3.5.3a:** Reasons why staff left the department for the period 1 April 2015 to 31 March 2016 - Permanent

Termination type	Number	% of total resignations
Death	1	1.9%
Resignation	31	59.6%
Expiry of contract	0	0%
Dismissal – operational changes	0	0%
Dismissal – misconduct	2	3.8%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	9	17.3%
Transfer to other public service departments	8	15.3%
Other	1	1.9%
<b>Total</b>	52	
<b>Total number of employees who left as a % of total employment</b>		6.8%

**Table 3.5.3b:** Reasons why staff left the department for the period 1 April 2015 to 31 March 2016 - Contract

Termination type	Number	% of total resignations
Death	2	4.3%
Resignation	23	50%
Expiry of contract	5	10.9%
Dismissal – operational changes	0	0%
Dismissal – misconduct	2	4.3%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	0	0%
Transfer to other public service departments	0	0%
Other	14	30.4%
<b>Total</b>	<b>46</b>	
<b>Total number of employees who left as a % of total employment</b>		<b>12.4%</b>

**Table 3.5.4:** Promotions by critical occupation for the period 1 April 2015 to 31 March 2016

The GPAA is in the process of determining critical occupations and scarce skills and thus cannot report for the year ending 31 March 2016.

**Table 3.5.5: Promotions by salary band for the period 1 April 2015 to 31 March 2016**

Salary band	Employees 1 April 2015	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progression to another notch within a salary level	Notch progression as a % of employees by occupation
Lower Skilled ( Levels 1-2)	22	0	0%		
Skilled (Levels3-5)	74	2	2.7%		
Highly Skilled Production (Levels 6-8)	452	6	1.3%		
Highly Skilled Supervision (Levels 9-12)	191	4	2.0%		
Senior Management (Levels 13-16)	25	0	0%		

### 3.6 Employment equity

**Table 3.6.1a: Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2016 (permanent employees)**

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	11	1	2	3	8	0	1	2	28
Professionals	75	6	6	7	68	6	3	17	188
Technicians and Associate Professionals	91	6	3	8	238	23	7	53	429
Clerks	32	1	0	1	36	3	0	4	77
Service and Sales Workers	-	-	-	-	-	-	-	-	-
Skilled Agriculture and Fishery Workers	-	-	-	-	-	-	-	-	-
Craft and Related Trades Workers	-	-	-	-	-	-	-	-	-

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Plant and Machine Operators and Assemblers	-	-	-	-	-	-	-	-	-
Elementary Occupations	2	0	0	0	15	0	0	0	17
<b>Total</b>	<b>211</b>	<b>14</b>	<b>11</b>	<b>19</b>	<b>365</b>	<b>32</b>	<b>11</b>	<b>76</b>	<b>739</b>
<b>Employees with disabilities</b>	1	1	0	0	3	0	0	0	5

**Table 3.6.1b:** Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2016 (contract employees)

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	5	0	3	4	1	0	0	3	16
Professionals	26	1	0	6	9	1	0	12	55
Technicians and Associate Professionals	88	4	0	2	137	4	3	6	244
Clerks	16	0	0	0	13	0	0	0	29
Service and Sales Workers	-	-	-	-	-	-	-	-	-
Skilled Agriculture and Fishery Workers	-	-	-	-	-	-	-	-	-
Craft and Related Trades Workers	-	-	-	-	-	-	-	-	-
Plant and Machine Operators and Assemblers	-	-	-	-	-	-	-	-	-
Elementary Occupations	6	0	0	0	13	0	0	0	19
<b>Total</b>	<b>141</b>	<b>5</b>	<b>3</b>	<b>12</b>	<b>173</b>	<b>5</b>	<b>3</b>	<b>21</b>	<b>363</b>
<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0

**Table 3.6.1c:** Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2016 (permanent employees)

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	1	1	0	2	0	0	1	7
Senior Management	9	0	1	3	6	0	1	1	21
Professionally Qualified and Experienced Specialists and Mid-management	75	6	6	7	68	6	3	17	188
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	91	6	3	8	238	23	7	53	429
Semi-skilled and Discretionary Decision Making	32	1	0	1	36	3	0	4	77
Unskilled and Defined Decision Making	2	0	0	0	15	0	0	0	17
<b>Total</b>	<b>211</b>	<b>14</b>	<b>11</b>	<b>19</b>	<b>365</b>	<b>32</b>	<b>11</b>	<b>76</b>	<b>739</b>

**Table 3.6.1d:** Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2016 (contract workers)

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	3	0	0	0	0	0	5
Senior Management	4	0	0	3	1	0	0	3	11
Professionally Qualified and Experienced Specialists and Mid-management	26	1	0	6	9	1	0	12	55
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	88	4	0	2	137	4	3	6	244
Semi-skilled and Discretionary Decision Making	16	0	0	0	13	0	0	0	29
Unskilled and Defined Decision Making	6	0	0	0	13	0	0	0	19
<b>Total</b>	<b>141</b>	<b>5</b>	<b>3</b>	<b>12</b>	<b>173</b>	<b>5</b>	<b>3</b>	<b>21</b>	<b>363</b>

**Table 3.6.2a: Recruitment for the period 1 April 2015 to 31 March 2016 (permanent employees)**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	2	0	0	0	2	0	0	0	4
Professionally Qualified and Experienced Specialists and Mid-management	3	0	0	0	4	0	0	0	7
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	5	0	0	0	5	0	1	1	12
Semi-skilled and Discretionary Decision Making	4	0	0	0	0	0	0	0	4
Unskilled and Defined Decision Making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>27</b>
<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0

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**Table 3.6.2b: Recruitment for the period 1 April 2015 to 31 March 2016 (contract employees)**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	1	0	0	0	0	0	1
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified and Experienced Specialists and Mid-management	7	0	0	0	1	0	0	0	8
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	11	0	0	0	18	1	0	0	30
Semi-skilled and Discretionary Decision Making	0	0	0	0	0	0	0	0	0
Unskilled and Defined Decision Making	0	0	0	0	1	0	0	0	1
<b>Total</b>	<b>18</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>20</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>40</b>
<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0

**Table 3.6.3: Promotions for the period 1 April 2015 to 31 March 2016**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified and Experienced Specialists and Mid-management	3	0	0	0	1	0	0	0	4
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	2	0	0	0	2	0	1	1	6
Semi-skilled and Discretionary Decision Making	2	0	0	0	0	0	0	0	2
Unskilled and Defined Decision Making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>12</b>
<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0

**Table 3.6.4a: Terminations for the period 1 April 2015 to 31 March 2016 (permanent employees)**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	0	0	1
Professionally Qualified and Experienced Specialists and Mid-management	9	0	0	0	6	0	0	1	16
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	10	0	0	1	11	2	1	5	30
Semi-skilled and Discretionary Decision Making	1	0	0	0	1	0	0	3	5
Unskilled and Defined Decision Making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>18</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>52</b>
<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0

**Table 3.6.4b: Terminations for the period 1 April 2015 to 31 March 2016 (contract employees)**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	0	0	1	0	0	0	0	3
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified and Experienced Specialists and Mid-management	2	0	1	0	2	0	0	1	6
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	17	0	0	0	13	0	2	1	33
Semi-skilled and Discretionary Decision Making	1	0	0	0	0	0	0	0	1
Unskilled and Defined Decision Making	3	0	0	0	0	0	0	0	3
<b>Total</b>	<b>25</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>15</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>46</b>
<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0

**Table 3.6.5: Disciplinary action for the period 1 April 2015 to 31 March 2016**

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Written warning	5			3	5			1	14
Final written warning	4								4
Verbal warning	1								1
Dismissal	1							1	2
Other (fine)	2								2
<b>Total</b>									23

**Table 3.6.6:** Skills development for the period 1 April 2015 to 31 March 2016

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	16		3	8	10		1	5	43
Professionals	72	4	4	10	72	5	1	15	183
Technicians and Associate Professionals	35		1	2	74	5	2	23	142
Clerks	132	7	3	8	257	16	5	22	450
Service and Sales Workers	-	-	-	-	-	-	-	-	-
Skilled Agriculture and Fishery Workers	-	-	-	-	-	-	-	-	-
Craft and Related Trades Workers	-	-	-	-	-	-	-	-	-
Plant and Machine Operators and Assemblers	-	-	-	-	-	-	-	-	-
Elementary Occupations	50				70				120
<b>Total</b>	<b>305</b>	<b>11</b>	<b>11</b>	<b>28</b>	<b>483</b>	<b>26</b>	<b>9</b>	<b>65</b>	<b>938</b>
<b>Employees with disabilities</b>	-	-	-	-	-	-	-	-	-

### 3.7 Signing of performance agreements by SMS members

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and the disciplinary steps taken are presented here.

**Table 3.7.1: Signing of performance agreements by SMS members as at 31 May 2016**

SMS level	Total number of funded SMS posts ( contract and permanent – excluding vacancies)	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director-General/Head of Department	1	1	0	0%
Salary Level 16	0			
Salary Level 15	3	1	0	0%
Salary Level 14	12	8	5	63%
Salary Level 13	41	33	25	76%
<b>Total</b>	<b>57</b>	<b>43</b>	<b>30</b>	<b>70%</b>

**Table 3.7.2: Reasons for not having concluded performance agreements for all SMS members as at 31 May 2016**

Reasons
In the 2015 / 2016 performance cycle the retirement of the CEO and the subsequent changes it caused in the organisation had an impact on various deadlines, including the finalisation of the operational APPs, which were not concluded on time. This resulted in some SMS members not being able to conclude and sign their performance agreements by the due date. An official document was signed by the Acting CEO in this regard as confirmation of the reason why some agreements do not comply.

**Table 3.7.3: Disciplinary steps taken against SMS members for not having concluded performance agreements for all SMS members as at 31 May 2016**

Reasons
No disciplinary steps have been taken because there was an official confirmation by the Acting CEO that some agreements will not comply to the due date as a result of operational issues (as noted above).

### 3.8 Performance Rewards

To encourage good performance, the department granted the following performance rewards during the year under review. The information is presented in terms of race, gender, disability, salary bands and critical occupations (see definition in notes below).

**Table 3.8.1: Performance rewards by race, gender and disability for the period 1 April 2015 to 31 March 2016**

Race and gender	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>	731	860	85%	R 9 812 176	R 13 423
Male	283	343	83%	R 4 123 450	R 14 570
Female	448	517	87%	R 5 688 726	R 12 698
<b>Asian</b>	51	55	93%	R 730 161	R 14 317
Male	17	18	94%	R 247 920	R 14 584
Female	34	37	92%	R 482 240	R 14 184
<b>Coloured</b>	24	28	86%	R 502 573	R 20 941
Male	10	12	83%	R 304 831	R 30 483
Female	14	16	88%	R 197 742	R 14 124
<b>White</b>	124	143	87%	R 2 436 935	R 19 653
Male	27	35	77%	R 639 273	R 23 677
Female	97	108	90%	R 1 797 662	R 18 533
<b>Total</b>	<b>930</b>	<b>1086</b>	<b>86%</b>	<b>R 13 481 843</b>	<b>R 14 497</b>

**Table 3.8.2:** Performance rewards by salary band for personnel below Senior Management Service for the period 1 April 2015 to 31 March 2016

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee	
Lower Skilled (Levels 1-2)	35	38	92%	R 206 706	R 5 906	1.53%
Skilled (Level 3-5)	92	94	98%	R 860 204	R 9 350	6.4%
Highly skilled production (Level 6-8)	554	672	82%	R 6 187 791	R 11 169	45.90%
Highly skilled supervision (Level 9-12)	221	244	91%	R 5 091 373	R 23 038	37.76%
<b>Total</b>	<b>902</b>	<b>1048</b>	<b>86%</b>	<b>R 12 346 074</b>	<b>R 13 687</b>	<b>91.58%</b>

**Table 3.8.3:** Performance rewards by critical occupation for the period 1 April 2015 to 31 March 2016

The GPAA is in the process of determining critical occupations and scarce skills and thus cannot report for the year ending 31 March 2016.

**Table 3.8.4:** Performance related rewards (cash bonus), by salary band for Senior Management Service for the period 1 April 2015 to 31 March 2016

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee	
Band A	20	26	77%	R 702 959	R 35 148	5.2%
Band B	7	10	70%	R 352 230	R 50 319	2.6%
Band C	1	2	50%	R 80 581	R 80 581	0.6%
Band D	-	-	-	-	-	-
<b>Total</b>	<b>28</b>	<b>38</b>	<b>74%</b>	<b>R 1 135 770</b>	<b>R 40 563</b>	<b>8.4%</b>

### 3.9 Foreign Workers

The table below summarises the employment of foreign nationals in the department in terms of salary band and major occupation.

**Table 3.9.1:** Foreign workers by salary band for the period 1 April 2015 to 31 March 2016

Salary band	1 April 2015		31 March 2016		Change	
	Number	% of total	Number	% of total	Number	% change
Lower Skilled	0	0	0	0	0	0
Highly Skilled Production (Level 6-8)	0	0	0	0	0	0
Highly Skilled Supervision (Level. 9-12)	3	75%	2	66.7%	1	33.3%
Contract (Level 9-12)	1	25%	1	33.3%	0	0
Contract (Level 13-16)	0	0%	0	0	0	0
<b>Total</b>	<b>4</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>1</b>	<b>33.3%</b>

**Table 3.9.2:** Foreign workers by major occupation for the period 1 April 2015 to 31 March 2016

Major Occupation	1 April 2015		31 March 2016		Change	
	Number	% of total	Number	% of total	Number	% change
Lower Skilled	0	0	0	0	0	0
Highly Skilled Production (Level 6-8)	0	0	0	0	0	0
Highly Skilled Supervision (Level. 9-12)	3	75%	2	66.7%	1	33.3%
Contract (Level 9-12)	1	25%	1	33.3%	0	0
Contract (Level 13-16)	0	0%	0	0	0	0
<b>Total</b>	<b>4</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>1</b>	<b>33.3%</b>

### 3.10 Leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

**Table 3.10.1** Sick leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower Skills (Level 1-2)	144	95.85%	22	2.33%	6.55	R66 000
Skilled (Levels 3-5)	647	81.20%	86	9.12%	7.52	R482 000
Highly Skilled Production (Levels 6-8)	4 575	82.30%	604	64.05%	7.57	R4 521 000
Highly Skilled Supervision (Levels 9 -12)	1 286	81.55%	201	21.31%	6.40	R2 712 000
Top And Senior Management (Levels 13-16)	152	70.45%	30	3.18%	5.07	R568 000
<b>Total</b>	<b>6804</b>		<b>943</b>	<b>100%</b>	<b>7.22</b>	<b>R8 349 000</b>

**Table 3.10.2:** Disability leave (temporary and permanent) for the period 1 January 2015 to 31 December 2015

Salary band	Total days	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost (R'000)
Lower Skilled (Levels 1-2)	0	0%	0	0	0	R0
Skilled (Levels 3-5)	86	100%	4	6.6%	22	R67 000
Highly Skilled Production (Levels 6-8)	730	100%	42	68.85%	17.38	R767 000
Highly Skilled Supervision (Levels 9-12)	149	100%	13	21.31%	11.46	R317 000
Senior Management (Levels 13-16)	26	100%	2	3.3%	13	R102 000
<b>Total</b>	<b>991</b>	<b>100%</b>	<b>61</b>	<b>100%</b>	<b>16</b>	<b>R1 253 000</b>

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the Public Service Co-ordinating Bargaining Council (PSCBC) in 2000 requires good management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**Table 3.10.3:** Annual Leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower Skilled (Levels 1-2)	782	37	21.14
Skilled (Levels 3-5)	2 435.84	105	23.20
Highly Skilled Production (Levels 6-8)	16 451.76	721	22.82
Highly Skilled Supervision (Levels 9-12)	6 121	263	23.27
Senior Management (Levels 13-16)	964	47	20.51
<b>Total</b>	<b>26 754.6</b>	<b>1 173</b>	<b>22.81</b>

**Table 3.10.4:** Capped leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days of capped leave taken	Number of employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 December 2015
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	2	2	1	41
Highly skilled production (Levels 6-8)	50	7	7	30
Highly skilled supervision (Levels 9-12)	17	5	3	41
Senior management (Levels 13-16)	1	1	1	36
<b>Total</b>	<b>70</b>	<b>15</b>	<b>5</b>	<b>35</b>

The following table summarises payments made to employees as a result of leave that was not taken.

**Table 3.10.5:** Leave pay-outs for the period 1 April 2015 to 31 March 2016

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave pay-out for 2015 / 2016 due to non-utilisation of leave for the previous cycle	R0	R0	R0
Capped leave pay-outs on termination of service for 2015 / 2016	R1 107 000	47	R23 553.00
Current leave pay-out on termination of service for 2015 / 2016	R389 000	38	R10 237.00
<b>Total</b>	<b>R1 496 000</b>	<b>85</b>	<b>R17 600.00</b>

### 3.11 HIV/AIDS and Health Promotion Programmes

**Table 3.11.1:** Steps taken to reduce the risk of occupational exposure

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Units / categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
<b>The Client Liaison Officers (CLOs)</b>	They are educated regularly about preventing infection and a 24-hour, seven-day a week counselling service is provided. Access to prophylactic treatment for HIV exposure is also made available to them through the subsidised medical aid (GEMS).
<b>Mobile Client Services Agents and their Mobile Van Drivers</b>	They are educated regularly about preventing infection and a 24-hour, seven-day a week counselling service is provided. They are encouraged to join a medical aid scheme with the 37% in lieu of benefits that they are receiving to give them easy access to prophylactic treatment for HIV exposure, which is a prescribed minimum benefit for all medical aids.

**Table 3.11.2: Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her / his name and position.	Y		Acting General Manager: Human Resources, Ms Ramabele Magoma-Nthite is the SMS member responsible.
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Y		Three employees are employed in the EH&W unit and there is a designated budget.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements / services of this Programme.	Y		The key elements of the EH&W programme are guided by the Strategic Framework as prescribed by the DPSA and the Department of Health's calendar.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		N	This committee is not currently in place.
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies / practices so reviewed.	Y		Leave Policy, HIV and AIDS and TB Programme, Employment Equity and Recruitment Policies address this issue.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Y		The GPAA participates in the 16 Days of Activism Against Abuse campaign. The department also participates in activities such as STI week, candle lighting day and HCT screening (has one session quarterly).
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	Y		From 11 April 2015 - 30 March 2016 1 133 employees were tested at HIV and AIDS counselling and testing sessions.
8. Has the department developed measures / indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures / indicators.	Y		An Employee Satisfaction Survey is conducted annually by the Monitoring and Evaluation unit.

### 3.12 Labour relations

**Table 3.12.1: Collective agreements for the period 1 April 2015 to 31 March 2016**

Total number of collective agreements	None
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The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 3.12.2:** *Misconduct and disciplinary hearings finalised for the period 1 April 2015 to 31 March 2016*

Outcomes of Disciplinary Hearings	Number	% of total
Correctional counselling	0	0%
Verbal warning	1	4.3%
Written warning	14	60.9%
Final written warning	4	17.4%
Suspended without pay	0	0%
Fine	2	8.7%
Demotion	0	0%
Dismissal	2	8.7%
Not guilty	0	0%
Case withdrawn	0	0%
<b>Total</b>	<b>23</b>	<b>100%</b>

Total number of disciplinary hearings finalised	4
-------------------------------------------------	---

**Table 3.12.3:** *Types of misconduct addressed at disciplinary hearings for the period 1 April 2015 to 31 March 2016*

Type of misconduct	Number	% of total
Incompatibility	1	25%
Gross dishonesty	1	25%
Misuse of state / rented vehicle	1	25%
Habitual / repeated absenteeism	1	25%

**Table 3.12.4: Grievances logged for the period 1 April 2015 to 31 March 2016**

Grievances	Number	% of total
Number of grievances resolved	28	77.8 %
Number of grievances not resolved	8	22.2 %
<b>Total number of grievances lodged</b>	<b>36</b>	<b>100 %</b>

**Table 3.12.5: Disputes logged with Councils for the period 1 April 2015 and 31 March 2016**

Disputes	Number	% of Total
Number of disputes upheld	2	22.2 %
Number of disputes dismissed	7	77.8 %
<b>Total number of disputes lodged</b>	<b>9</b>	<b>100 %</b>

**Table 3.12.6: Strike action for the period 1 April 2015 to 31 March 2016**

Total number of persons / working days lost	130
Total costs / working days lost	R23 328.51
Amount recovered as a result of no work no pay (R'000)	R23 328.51

**Table 3.12.7: Precautionary suspensions for the period 1 April 2015 to 31 March 2016**

Number of people suspended	5
Number of people whose suspension exceeded 30 days	5
Average number of days suspended	996
Cost of suspension (R'000)	R1 554 710.45

### 3.13 Skills development

This section highlights the efforts of the department with regard to skills development.

**Table 3.13.1:** Training needs identified for the period 1 April 2015 to 31 March 2016

Occupational category	Gender	Number of employees as at 1 April 2015	Training needs identified at start of the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Legislators, Senior Officials and Managers	Female	14	0	Communicating for Leadership, Promotion of Access to Information (PAIA), Public Finance Management Act (PFMA), 7 <sup>TH</sup> ISLI Conference, Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP), MS Word	0	8
	Male	30	0	Communicating for Leadership, Promotion of Access to Information (PAIA), PFMA, Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP), Delegating with Purpose Excel	0	8

Occupational category	Gender	Number of employees as at 1 April 2015	Training needs identified at start of the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Professionals	Female	117	0	Communicating for Leadership, Promotion of access to information (PAIA), Public Finance Management Act (PFMA), 7 <sup>TH</sup> ISLI Conference, Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP), Excellence in Customer Service, Agent Desktop, Safety, Practical Software Testing, In-house Induction, Prince 2 Foundation, Fraud Awareness, Conflict Management, Security Awareness, Ethics Conference, Excel, Business Writing Skills, Stress Management, Change Management	9	20
	Male	127	0	Communicating for Leadership, Promotion of Access to Information (PAIA), Public Finance Management Act (PFMA), 7 <sup>TH</sup> Annual ISLI Conference, Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP), Excellence in Customer Service, Agent Desktop, Safety, Practical Software Testing. In-house Induction, Prince 2 Foundation, Fraud Awareness, Conflict Management, SIEM 201, Change Management, Quality Assurance in Call Centre Excel, Business Writing Skills, Document Management	6	21

Occupational category	Gender	Number of employees as at 1 April 2015	Training needs identified at start of the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Technicians and Associate Professionals	Female	487	0	Fraud Awareness, Information Security, Public Finance Management Act (PFMA), In-house Induction, Practical Software Testing, Customer Service Awareness, Agent Desktop, Office Administration and Advanced Executive Secretaries, Compulsory Induction Programme, GPAA Business Process Flow, Business Writing Skills, Excel, Anger Management, MS Word, Change Management	27 Bursaries	15
	Male	212	0	Public Finance Management Act (PFMA), Fraud Awareness, In-house Induction, ITIL Service Agreement, Promotion of Access to Information, Information Security Awareness, Use Acceptance Testing, Agent Desktop, Skills Programme, Office Administration and Advanced Executive Secretaries, 7 <sup>TH</sup> Annual ISLI Conference , CIP Module One for Supervisors, Compulsory Induction Programme, Time Management, Document Management, Anger Management, Stress Management, Business Writing Skills, Excel, Telephone Etiquette, Job Evaluation, Document Management	6	21

Occupational category	Gender	Number of employees as at 1 April 2015	Training needs identified at start of the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Clerks	Female	60	0	Fraud Awareness, Information Security Awareness, Public Finance Management Act (PFMA), Customer Service Excellence, Conflict Management, Excellence in Customer Service, Safety, In-house Induction, Office Administration and Advanced Executive Secretaries, Prince 2 Foundation, Compulsory Induction Programme, OSS Training, GPAA Business Process, Business Writing Skills, Excel, Telephone Etiquette, MS Word, Document Management	3	18
	Male	45	0	Fraud Awareness, Information Security Awareness, Public Finance Management Act (PFMA), Customer Service Excellence, Conflict Management, Practical Software Awareness, Safety, Use Acceptance Testing, Agent Desktop, CIP Module One for Supervisors, CIVPEN, Job Evaluation Panel Training, Telephone Etiquette, Excel, Anger Management, Change Management, Stress Management, Business Writing Skills	0	18

Occupational category	Gender	Number of employees as at 1 April 2015	Training needs identified at start of the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Elementary Occupations	Female	28	48	Life Skills, In-house Induction, Product Knowledge	1	3
	Male	15	34	Life Skills, In-house Induction, Product Knowledge		3
Sub Total	Female	705	48	-	40	64
	Male	429	34	-	12	71
<b>Total</b>		<b>1 135</b>	<b>82</b>	-	<b>52</b>	<b>135</b>

**Table 3.13.2:** Training provided for the period 1 April 2015 to 31 March 2016

Occupational category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Legislators, Senior Officials and Managers	Female	14	0	Communicating for Leadership, Promotion of access to information (PAIA), Public Finance Management Act (PFMA), 7 <sup>TH</sup> ISLI Conference, Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP)	0	7
	Male	30	0	Communicating for Leadership, Promotion of Access to Information (PAIA), Public Finance Management Act (PFMA), Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP)	0	8

Occupational category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Professionals	Female	117	0	Communicating for Leadership, Promotion of Access to Information (PAIA), Public Finance Management Act (PFMA), 7 <sup>TH</sup> ISLI Conference, Delegating with purpose, Information Security Awareness, Compulsory Induction Programme (CIP), Excellence in Customer Service, Agent Desktop, Safety, Practical Software Testing, In-house Induction, Prince 2 Foundation, Fraud Awareness, Conflict Management, Security Awareness, Ethics Conference	9	16
	Male	127		Communicating for Leadership, Promotion of Access to Information (PAIA), Public Finance Management Act (PFMA), 7 <sup>TH</sup> Annual ISLI Conference, Delegating with Purpose, Information Security Awareness, Compulsory Induction Programme (CIP), Excellence in Customer Service, Agent Desktop, Safety, Practical Software Testing, In-house Induction, Prince 2 Foundation, Fraud Awareness, Conflict management, SIEM 201, Change Management, Quality Assurance in Call Centre	6	18

Occupational category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Technicians and Associate Professionals	Female	487		Fraud Awareness, Information Security, Public Finance Management Act (PFMA), In-house Induction, Practical Software Testing, Customer Service Awareness, Agent Desktop, Office Administration and Advanced Executive Secretaries, CIP, GPAA Business Process Flow	27	12
	Male	212		Public Finance Management Act (PFMA), Fraud Awareness, In-house Induction, ITIL Service Agreement, Promotion of Access to Information, Information Security Awareness, Use Acceptance Testing, Agent Desktop, Skills Programme Office Administration and Advanced Executive Secretaries, 7 <sup>TH</sup> Annual ISLI Conference, CIP Module One for Supervisors, Compulsory Induction Programme, Time Management, Document Management	6	15

Occupational category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Clerks	Female	60	0	Fraud Awareness, Information Security Awareness, PFMA, Customer Service Excellence, Conflict Management, Excellence in Customer Service, Safety, In-house Induction, Office Administration and Advanced Executive Secretaries, Prince 2 Foundation, Compulsory Induction Programme, OSS Training, GPAA Business Process,	3	13
	Male	45	0	Fraud Awareness, Information Security Awareness , Public Finance Management Act (PFMA), Customer Service Excellence, Conflict Management, Practical Software Awareness, Safety, Use Acceptance Testing Agent Desktop, CIP Module One for Supervisors, CIVPEN	0	11
	Male	0	0	-	0	0
Elementary Occupations	Female	28	48	Life Skills, In-house Induction, Product Knowledge	1	3
	Male	15	34	Life Skills, In-house Induction, Product Knowledge	0	3
Sub Total	Female	706	48	-	40	51
	Male	429	34	-	12	55
<b>Total</b>		<b>1 135</b>	<b>82</b>	-	<b>52</b>	<b>106</b>

### 3.14 Injury on Duty

The following tables provide basic information on Injury on Duty.

**Table 3.14.1:** *Injury on duty for the period 1 April 2015 to 31 March 2016*

Nature of Injury on Duty	Number	% of Total
Required basic medical attention only	7	100%
Temporary total disablement	0	0%
Permanent disablement	0	0%
Fatal	0	0%
<b>Total</b>	<b>7</b>	<b>100%</b>

### 3.15 Utilisation of consultants

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The following tables relay information on the utilisation of consultants in the department.

In terms of the Public Service Regulations, a “consultant” is a natural or juristic person or a partnership that provides, in terms of a specific contract on an ad hoc basis, any of the following professional services to a department against remuneration received from any source:

- (a) The rendering of expert advice;
- (b) The drafting of proposals for the execution of specific tasks; and
- (c) The execution of a specific task which is of a technical or intellectual nature, but excludes an employee of a department.

**Table 3.15.1:** *Report on consultant appointments using appropriated funds for the period 1 April 2015 to 31 March 2016*

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rands
Internal Audit	1	3 years (720 days)	R4 967 119.08
Enterprise Data Management	1	3 years (720 days)	R33 427 642.00
Business Process Mapping	1	3 years (720 days)	R 32 671 748.83
Performance and Functions Review	1	4 months (80 days)	R1 533 810.00

Total number of projects	Total individual consultants	Total duration (work days)	Total contract value in Rands
4	4	2 240	R72 600 319.91

**Table 3.15.2:** Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2015 to 31 March 2016

Since 2011 Black Economic Empowerment (BEE) levels were implemented which replaced statistics on HDI ownership.

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that worked on the project
Internal Audit	-	-	-
Enterprise Data Management	-	-	-
Business Process Mapping	-	-	-
Performance and Functions Review	-	-	-

### 3.16 Severance packages

**Table 3.16.1:** Granting of employee initiated severance packages for the period 1 April 2015 to 31 March 2016

Salary Band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by MPSA	Number of packages approved by department
Lower Skilled (Levels 1-2)	0	0	0	0
Skilled Levels 3-5)	0	0	0	0
Highly Skilled Production (Levels 6-8)	0	0	0	0
Highly Skilled Supervision (Levels 9-12)	0	0	0	0
Senior Management (Levels 13-16)	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

A photograph of a diverse crowd of people, mostly of African descent, looking in various directions. A semi-transparent green horizontal banner is overlaid across the middle of the image, containing white text. The background is slightly blurred, focusing attention on the people and the text.

## PART E: FINANCIAL INFORMATION

Annual Financial Statements | For the year ended | 31 March 2016

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## ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY

Statement of Responsibility and Confirmation of the Accuracy of the Annual Report for the Year Ended 31 March 2016.

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed throughout the Annual Report are consistent.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury.
- The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practices (GRAP) standards and the relevant frameworks and guidelines issued by National Treasury.

In response to the expectations of Clause 3 (8) of the Proclamation of the GPAA on 26 March 2010, a formal evaluation and review of the GPAA as a Government Component commenced in the 2015 / 2016 year, as reported previously. The report is in review and the outcomes and recommendations will be made available by September 2016.

A GEPP-initiated CEM International Benchmarking exercise, which commenced in March 2015 to assess the GPAA's capability as a pension administrator, was successfully completed and is in review by GEPP's Board of Trustees.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the Performance Information, the Human Resource Information and the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resource information and the financial affairs of the department for the financial year ended 31 March 2016.



**Krishen Sukdev**  
**Accounting Officer**  
**Government Pensions Administration Agency (GPAA)**  
**28 July 2016**

*“All information  
and amounts  
disclosed  
throughout the  
Annual Report  
are consistent...”*

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## REPORT OF THE AUDITOR- GENERAL TO PARLIAMENT ON THE GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the Government Pensions Administration Agency (GPAA) set out on pages 127 to 164, which comprise of the statement of financial position as at 31 March 2016; the statement of financial performance; the statement of changes in net assets; the cash flow statement and the statement of comparison between budget and actual amount for the year then ended; as well as the notes, which comprise of a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management. It

also includes evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements fairly present, in all material respects, the financial position of the GPAA as at 31 March 2016 and its financial performance and cash flow for the year then ended, in accordance with GRAP and the requirements of the PFMA.

#### Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Irregular and fruitless and wasteful expenditure

8. As disclosed in Note 16 to the financial statements, irregular expenditure of R33 569 000 (2015: R48 350 000) was incurred as a result of non-compliance with supply chain and human resource management processes. Fruitless and wasteful expenditure of R365 000 (2015: R68 000) was also incurred in the year under review.

Five-year review of the functions and performance of the GPAA

9. A review of the functions and performance of the GPAA per Government Notice number 231, paragraph 3(8), published in *Government Gazette* number 33051, dated 26 March 2010, was performed in the year under review and a draft report was issued on 31 March 2016. The final report has been submitted to National Treasury and the Government Employees Pension Fund (GEPF) as the major stakeholders of the GPAA. National Treasury has requested the CEO to present the review to them.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have the responsibility to report my findings on the reported performance information against the predetermined objectives of the selected programmes presented in the annual performance report, and on matters of compliance with legislation and internal control. The objective of the tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## PREDETERMINED OBJECTIVES

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programme presented in the annual performance report of the government component for the year ended 31 March 2016:
  - Programme 2: Benefits Administration on page 51 to 60
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by National Treasury's *Framework for Managing Programme Performance Information* (FMPPI).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

## Additional matters

14. I draw attention to the following matters:

## Achievement of planned targets

15. Refer to the annual performance report on pages 31 to 60 for information on the achievement of the planned targets for the year.

## Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information on Benefits Administration. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

## COMPLIANCE WITH LEGISLATION

17. I performed procedures to obtain evidence on whether the government component had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation as set out in the general notice issued in terms of the PAA, are as follows:

## Human resources management

18. A performance bonus was paid to a member of the Senior Management Service who did not conclude and sign her performance agreement before 31

May, in contravention of the Public Service Act, 1994 (Act No. 103 of 1994).

## Procurement and contract management

19. A contract was awarded to a foreign supplier without obtaining a tax clearance certificate to confirm that their tax matters were in order as required by Treasury Regulations 16A9.1(d) and the Preferential Procurement Regulations.

20. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

## Expenditure management

21. Effective steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

## INTERNAL CONTROL

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation.

## Financial and performance management

23. Management did not exercise their oversight responsibility effectively to ensure compliance with internal controls regarding the timely signing of performance agreements and bonuses paid thereafter. Corrective action taken was also not effective as this is a recurring finding.

24. Management did not review and monitor compliance with applicable laws and regulations regarding the confirmation of a foreign supplier's tax matters being in order.

25. Management did not adequately ensure that procurement processes were followed regarding training and obtaining three quotations. Where the procurement process was not followed, the deviation process was not adhered to.

## OTHER REPORTS

26. I draw attention to the following engagements that could potentially impact on the government component's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

## Investigations

27. Fourteen independent consulting firms performed various investigations at the request of the GPAA in the year under review. These independent investigations were initiated to ascertain whether:

- potential non-compliance to policy provisions resulted in irregular expenditure;
- irregular expenditure identified resulted from criminal conduct, and what actions should be taken against persons whose actions resulted in the irregular expenditure;
- recruitment practices of senior managers was irregular;
- solicitation of contract staff was irregular; and
- procurement irregularities existed in a specific tender process.

These independent investigations were completed and reported to the GPAA. Any recommendations resulting in the determination of irregular expenditure or other actions to be taken are currently being considered and explored and the GPAA is in the process of implementing measures to address the outcomes.

*Auditor-General*

Pretoria

31 July 2016



*Auditing to build public confidence*

GOVERNMENT PENSIONS ADMINISTRATION AGENCY

Statement of Financial Position as at 31 March 2016

	Notes	2016 R'000	2015 R'000
<b>Assets</b>			
<b>Current Assets</b>		158,369	119,174
Cash and cash equivalents	8	17,752	50,161
Inventory	7	1,127	566
Trade and other receivables	6	139,490	68,447
<b>Non-Current Assets</b>		346,969	250,648
Property, plant and equipment	4	206,609	163,075
Intangible assets	5	140,360	87,573
<b>TOTAL ASSETS</b>		<b>505,338</b>	<b>369,822</b>
<b>Current Liabilities</b>		140,607	89,879
Trade and other payables	9	105,122	69,706
Provisions	10	35,485	20,173
<b>TOTAL LIABILITIES</b>		<b>140,607</b>	<b>89,879</b>
<b>Net Assets</b>		<b>364,731</b>	<b>279,943</b>
Accumulated surplus		364,731	279,943
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>505,338</b>	<b>369,822</b>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

**Statement of Financial Performance for the Year Ended 31 March 2016**

	<b>Notes</b>	<b>2016 R'000</b>	<b>2015 R'000</b>
<b>Revenue</b>		<b>948,287</b>	<b>918,355</b>
Administration fees	<b>2.1</b>	947,575	918,000
Other income	<b>2.2</b>	249	208
Profit on disposal of property, plant and equipment		463	147
<b>Expenses</b>		<b>863,499</b>	<b>805,346</b>
Personnel remuneration and expenses	<b>3</b>	433,933	382,948
Travel and subsistence		17,905	18,108
Depreciation	<b>4</b>	32,324	22,083
Amortisation	<b>5</b>	1,525	2,368
Cleaning and maintenance <sup>1</sup>		11,953	6,252
Operating leases		25,700	18,185
Professional services and consulting		146,890	173,428
Audit fees		3,184	3,779
Communication		46,602	42,318
Printing and stationary		16,465	26,336
Advertising		6,554	10,605
Computer services <sup>1</sup>		99,578	82,598
Training and staff development		8,737	7,651
Other operating expenses		11,432	8,681
Loss on disposal of property, plant and equipment and Intangible assets		717	6
<b>SURPLUS FOR THE YEAR</b>		<b>84,788</b>	<b>113,009</b>

<sup>1</sup>The computer maintenance expense account has been moved from 'Cleaning and maintenance' to the 'Computer services' category.

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Statement of Changes in Net Assets for the Year Ended 31 March 2016

	R'000
	Accumulated Surplus
Balance as at 1 April 2014	166,934
Surplus for the year	113,009
Balance as at 31 March 2015	279,943
Surplus for the year	84,788
<b>Balance as at 31 March 2016</b>	<b>364,731</b>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

**Cash Flow Statement for the year ended 31 March 2016**

	<b>Notes</b>	<b>2016 R'000</b>	<b>2015 R'000</b>
<b>Cash flow from operating activities</b>			
Cash generated from operations	<b>11</b>	98,815	131,647
Cash receipts from customers		876,349	988,662
Cash paid to personnel and suppliers		(777,534)	(857,015)
<b>Net cash flow from operating activities</b>		<b>98,815</b>	<b>131,647</b>
<b>Net cash flow from investing activities</b>		<b>(131,224)</b>	<b>(110,498)</b>
Proceeds from disposal of property, plant and equipment		92	156
Additions to property plant and equipment		(76,287)	(71,000)
Additions to intangible assets		(55,029)	(39,654)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(32,409)</b>	<b>21,149</b>
Cash and cash equivalents at the beginning of the year		50,161	29,012
<b>Cash and cash equivalent at the end of the year</b>	<b>8</b>	<b>17,752</b>	<b>50,161</b>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Statement of Comparison Between Budget and Actual Amounts for the Year Ended 31 March 2016

	Approved budget		Adjustments		Final		Actual amounts on comparable basis		Difference between final budget and actual amounts	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Receipts</b>										
Administration fees	1,388,493	1,289,602	(1,963)	(148,408)	1,386,530	1,141,194	947,575	918,254	438,955	222,940
<b>Total receipts</b>	<b>1,388,493</b>	<b>1,289,602</b>	<b>(1,963)</b>	<b>(148,408)</b>	<b>1,386,530</b>	<b>1,141,194</b>	<b>947,575</b>	<b>918,254</b>	<b>438,955</b>	<b>222,940</b>
<b>Payments</b>										
Personnel and remuneration expenses	481,705	466,342	(23,363)	(68,396)	458,342	397,946	433,933	382,948	24,409	14,998
Operating costs	785,183	730,112	(66,986)	(170,699)	718,197	559,413	393,714	399,682	324,483	159,731
Other expenditure	121,605	93,148	88,386	90,687	209,991	183,835	119,928	135,624	90,063	48,211
<b>Total payments</b>	<b>1,388,493</b>	<b>1,289,602</b>	<b>(1,963)</b>	<b>(148,408)</b>	<b>1,386,530</b>	<b>1,141,194</b>	<b>947,575</b>	<b>918,254</b>	<b>438,955</b>	<b>222,940</b>
<b>Net receipts / (payments)</b>	-	-	-	-	-	-	-	-	-	-

## Statement of Comparison Between Budget and Actual Amounts for the Year Ended 31 March 2016

## VARIANCE ANALYSIS

Receipts

The GPAA does not charge for services performed, instead they recover costs incurred for the period. This arrangement was agreed upon with GEPP as the main source of revenue during separation of the GPAA and GEPP for a period of five years which ends in the current financial year.

The GPAA receives 93% of its budget from GEPP and 7% from National Treasury to cover administration fees for administering for both GEPP and National Treasury members. The variance of R439 million under collection is due to expenditure that was budgeted for but not incurred.

Payments

**The total variance of R439 million (32%) under spending is mainly due to the following:**

- Under spending on compensation of employees of R24.4 million (5%) as a result of positions budgeted for but not yet filled, pending the impact of the Modernisation Programme on the Human Capital structure.
- Goods and services:

- Consulting: The under spending of R130 million is as a result of the Back Scanning Project which was postponed to the following year due to further research being needed for housing the documents in our possession. This has since been finalised and the process started again in the 2016 / 2017 financial year.
  - Leases of office buildings: The under spending of R2.8 million is due to the planned opening of four satellite offices which was scheduled for early in the year, but the Department of Public Works process could not secure the premises and the process had to be restarted.
  - Maintenance of office building: R23 million under spending relates to the delays in acquiring the four satellite offices as mentioned above.
  - Training and workshops: The under spending of R8 million is due to the delay in finalising the new organisational structure, job profiles and the personal development plans to support the new structure.
- Capital expenditure: Under spending occurred as a result of the delays in procuring furniture and fittings worth R4.4 million due to the delay in acquiring new satellite offices as mentioned above.
- ICT: Under spending on software licenses as well as computer hardware and software worth R83.2 million due to:
  - Consolidating all software licenses into one contract in the same period where possible.
  - More rigid procurement processes in trying to avoid non-compliance problems as previously experienced.
  - Some software was not developed as the Modernisation Programme fell behind.
- Modernisation Programme: Delays in the implementation of projects such as Replacement Modules, Solution Implementation Phase 2 Hardware, Enterprise Content Management and Queue Management, amongst others, as well as under spending on consulting and professional services resulted in a variance of R114.8 million due to:
  - Stringent procurement processes in trying to avoid incidents of non-compliance as previously experienced.
  - The Programme Manager running the project left the GPAA and the programme was assigned to a new Programme Manager.

## 1. PRINCIPAL ACCOUNTING POLICIES

### 1.1 Basis of presentation of financial statements

The entity is currently established as a government component in terms of the Public Services Act, 1994 (Act No. 103 of 1994). National Treasury is in the initial stages of formulating the migration process from working on a Modified Cash Basis to Generally Recognised Practices (GRAP) framework, in terms of which all national departments will be required to report in the future.

The GPAA has obtained approval from the Accountant-General for an early application of the Generally Recognised Accounting Practices (GRAP) framework, hence the financial statements have been prepared in accordance with the GRAP framework as determined by Directive 5 (*Determining the GRAP Reporting Framework*), including any interpretations, guidelines and directives issued by the Accounting Standards Board, in accordance with section 55 and 89 of the Public Finance Management Act No. 1 of 1999 (as amended by Act 29 of 1999).

The financial statements are prepared in concurrence with the going concern principles and on an accrual basis, with the measurement

bases applied being the historic cost, unless stated otherwise.

In complying with the accounting policies, management is required to make various judgements, apart from those involving estimates, which may affect the amounts of items recognised in the financial statements.

Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date.

Actual results in the future could differ from estimates which may be material to the financial statements.

Details of any significant judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

#### 1.1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

#### 1.1.2 Going concern assumption

These annual financial statements were prepared based on the expectation that the entity will

continue to operate as a going concern for at least the next 12 months.

### 1.1.3 Comparative information

#### Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by the Standards of GRAP. The nature and reason for such reclassification and restatement is also disclosed.

Where material accounting errors which relate to prior periods have been identified in the current year, the correction is made retrospectively as far as it is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

## Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**1.1.4 Standards, amendments to standards and interpretations issued but not yet effective**

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

**GRAP 109 - Accounting by Principals and Agents**

The Standard requires the identification of principal-agent arrangements as well as disclosure arising from such arrangements. When an entity is party to a principal-agent arrangement, it applies the principles documented in this Standard to assess whether it is a principal or an agent before applying other Standards of GRAP dealing with the recognition and measurement of revenue, expenses, assets and / or liabilities.

The proposed effective date for entities is 1 April 2017 and it would apply to those arrangements

that are in place when the Standard becomes effective.

**1.1.5 Significant judgement and estimates**

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

**1.1.5.1 Judgements**

In the process of applying these accounting policies, management has made judgements that may have a significant effect on the amounts recognised in the financial statements.

**1.1.5.2 Provision for impairment and receivables**

The provision of impairment of receivables is raised on all receivable amounts aged 120 days and older.

**1.1.5.3 Provision for accumulated leave pay**

The leave pay provision accounts for vested leave pay to which employees may become entitled upon exit from the service of the GPAA.

**1.1.5.4 Performance bonus provision**

The provision recognised on performance bonuses is based on the outcome of the performance evaluation of employees and relevant approval.

**1.1.5.6 Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies the following estimates, were made:

**1.1.5.6.1 Residual values and useful lives**

Residual values and useful lives of equipment are assessed annually. Equipment is assessed for impairment annually or more frequently

when there is an indication that an asset may be impaired and the related impairment loss is recognised in the statement of changes in net assets and funds in the period in which the impairment occurred.

#### 1.1.5.6.2 Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Further information about the key assumptions concerning future and other key sources of estimation are set out in the relevant notes to

the financial statements.

### 1.2 Property, Plant and Equipment

#### 1.2.1 Initial recognition and measurement

Property, plant and equipment are tangible non-current assets, including infrastructure, that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on the acquisition date and are initially recorded at cost when acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair value as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bringing the asset to the location, as well as conditions necessary

for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted on arrival at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These major components are depreciated separately over their useful lives.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with the item of property, plant and equipment that is accounted for as property, plant and equipment.

**1.2.2 Subsequent measurement**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

financial year-end and adjusted prospectively, if appropriate.

The annual depreciation rates are based on the following estimated asset useful lives:

CATEGORY OF ASSET	USEFUL LIFE (YEARS)
Computer Equipment	4
Furniture and Fittings	6
Leasehold Improvements	2 - 10
Office Equipment	6
Motor Vehicles	5
Tools	6

**1.2.3 Subsequent expenditure**

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure, including major spare parts and servicing equipment, qualify as property, plant and equipment if the recognition criteria are met.

**1.2.4 Depreciation**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, when applicable to the entity.

The assets' residual values, useful lives and depreciation methods are reviewed at each

**1.2.5 Impairments**

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

**1.2.6 Derecognition**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined by the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.3 Intangible assets****1.3.1 Initial recognition and measurement**

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable

to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- a) The entity intends to complete the intangible asset for use or sale;
- b) It is technically feasible to complete the intangible asset;
- c) The entity has the resources to complete the project;
- d) It is probable that the entity will receive future economic benefits or service potential; and
- e) The entity has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets or a combination

of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### 1.3.2 Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life, where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the

expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

### 1.3.3 Amortisation

Amortisation is charged to write-off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated asset useful lives:

CATEGORY OF INTANGIBLE ASSET	USEFUL LIFE (YEARS)
Computer Software	3

### 1.3.4 Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is immediately written down to its recoverable amount (or recoverable

## Notes to the Annual Financial Statements for the Year Ended 31 March 2016

service amount) and an impairment loss is charged to the Statement of Financial Performance.

**1.3.5 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.4 Inventory****1.4.1 Initial recognition and measurement**

Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs incurred when bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange

transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.4.2 Subsequent measurement**

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the weighted-average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories

recognised as an expense in the period in which the reversal occurs.

**1.4.3 Derecognition**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written-off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**1.5 FINANCIAL INSTRUMENTS****1.5.1 Initial recognition**

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments

contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interest as the case may be.

#### 1.5.2 Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### 1.5.3 Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

#### 1.5.4 Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities

measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### 1.5.6 Impairments

All financial assets measured at amortised cost or cost are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### 1.6 Policies relating to specific financial instruments

##### 1.6.1 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

#### 1.6.2 Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

#### 1.6.3 Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition, and are subsequently measured at amortised cost using the effective interest rate method.

## Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**1.7 Provisions**

Provisions are recognised when the GPAA has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits and a reliable estimate can be made of the obligation.

**1.8 Leases*****The entity as lessee*****1.8.1 Recognition**

Leases are classified as finance leases when substantially, all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets classified as finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets classified as operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement

is, or contains, a lease is based on the substance of the arrangement at inception date, namely: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, or whether the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of GRAP 3.

**1.8.2 Measurement**

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition, these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition, this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest

portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed through the Statement of Financial Performance as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured at the undiscounted difference between the straight-line lease payments and the contractual lease payments.

**1.8.3 Derecognition**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits

or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

## **1.9 Revenue**

### **1.9.1 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold. The value of this approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

### **1.9.2 Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and

- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

### **1.9.3 Measurement**

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

## **1.10 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA), or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure when disclosed as such in the notes to the annual financial statements, is subsequently accounted for as revenue in the Statement of Financial Performance, where recovered.

## Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**1.11 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is disclosed as such in the notes to the annual financial statements and is subsequently accounted for as revenue in the Statement of Financial Performance, where recovered.

***Recovery of irregular, fruitless & wasteful expenditure***

The recovery of irregular and fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of irregular and fruitless and wasteful expenditure is treated as other income.

**1.12 Post-reporting date events**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

**1.13 Related parties**

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or in some way exercise significant influence over the other party or vice versa; or an entity

that is subject to common control, or joint control.

Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- a) Normal supplier and / or client / recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- b) Terms and conditions within the normal operating parameters established by the reporting entity's legal mandate.

The GPAA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state

controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

Further details about those transactions are disclosed in the notes to the financial statements. Information about such transactions is disclosed in the Financial Statements.

#### 1.14 Commitments

Commitments comprise future expenses that the GPAA has committed itself to, but for which a present obligation for the payment thereof does not exist at the reporting date. Accordingly, these commitments are not recognised as liabilities but are disclosed in the notes to the annual financial statements.

#### 1.15 OTHER INCOME

Income arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

#### 1.16 Budget Information

The GPAA is subject to budgetary limits in the form of budget authorisations which are given effect through authorising legislation, or similar.

The general purpose financial reporting by the GPAA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by an economic classification linked to performance outcome objectives.

The Financial Statements and budget are prepared on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts. Material movements are explained in the Statement of Comparison between Budget and Actual Amounts.

### 2. Revenue

#### 2.1 Administration fees

	2016 R'000	2015 R'000
GEPP	885,061	858,727
National Treasury (Programme 7)	56,308	52,455
Associated Institutions Pension Fund (AIPF)	6,007	6,595
Temporary Employees Pension Fund (TEPF)	199	223
	<u>947,575</u>	<u>918,000</u>

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

The GPAA manages and administers pensions and related benefits on behalf of GEPPF and National Treasury (Programme 7, AIPF and TEPF). All costs incurred by the GPAA are refunded by these entities on a monthly basis.

<b>2.2 Other income</b>	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
Commission earned	157	150
Interest received	60	31
Parking fees	32	27
	<u>249</u>	<u>208</u>

### 3. Personnel remuneration and expenses

	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
Remuneration of permanent and contract employees	307,904	279,398
Contributions to GEPPF	27,333	25,726
Other benefits	98,696	77,824
	<u>433,933</u>	<u>382,948</u>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**4. Property, plant and equipment**

	Computer Equipment	Furniture and Fittings	Leasehold Improvements	Office Equipment	Motor Vehicles	Tools	Capital WIP	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Current year - 2016</b>								
<b>Gross carrying amount</b>	<b>113,654</b>	<b>25,919</b>	<b>11,271</b>	<b>41,650</b>	<b>13,672</b>	<b>28</b>	<b>84,061</b>	<b>290,256</b>
At beginning of year	86,637	20,607	9,798	38,092	13,672	40	52,918	221,764
Additions	10,935	5,219	978	3,210	-	14	56,464	76,820
Reclassification	(10)	6	-	4	-	-	-	-
Reallocations	23,157	185	495	1,484	-	-	(25,321)	-
Assets written off	(3,672)	(98)	-	(1,140)	-	(26)	-	(4,936)
Disposals	(3,393)	-	-	-	-	-	-	(3,393)
<b>Accumulated depreciation and impairment</b>	<b>(45,758)</b>	<b>(14,273)</b>	<b>(1,859)</b>	<b>(15,167)</b>	<b>(6,579)</b>	<b>(11)</b>	<b>-</b>	<b>(83,647)</b>
At beginning of year	(32,143)	(11,769)	(847)	(9,944)	(3,964)	(22)	-	(58,689)
Depreciation	(19,904)	(2,570)	(1,012)	(6,216)	(2,615)	(7)	-	(32,324)
Assets written off	2,916	66	-	993	-	18	-	3,993
Accumulated depreciation on Disposals	3,373	-	-	-	-	-	-	3,373
<b>Net carrying amount at end of the year</b>	<b>67,896</b>	<b>11,646</b>	<b>9,412</b>	<b>26,483</b>	<b>7,093</b>	<b>17</b>	<b>84,061</b>	<b>206,609</b>

**Zero value assets**

As at 31 March 2016 GPAA had 10 119 number of zero value assets at total initial cost of R42 857 871. Of this total, 1 110 number of assets at total cost of R5 840 978 are unverified assets which will be written off, as soon as the investigation is concluded, and the remaining 9 009 number of assets at total cost of R37 016 893 will be fully disposed over a period of two years from 2016/17 financial year.

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**4. Property, plant and equipment (continued)**

	Computer Equipment	Furniture & Fittings	Leasehold Improvements	Office Equipment	Motor Vehicles	Tools	Capital WIP	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Previous year - 2015</b>								
<b>Gross carrying amount</b>	<b>86,637</b>	<b>20,607</b>	<b>9,798</b>	<b>38,092</b>	<b>13,672</b>	<b>40</b>	<b>52,918</b>	<b>221,764</b>
At beginning of year	38,122	15,589	333	11,792	2,595	35	84,597	153,063
Additions	21,172	2,469	2,529	20,437	3,774	5	60,320	110,706
Transfer to expenses	-	-	-	-	-	-	(854)	(854)
Transfers to intangible assets	-	-	-	-	-	-	(38,851)	(38,851)
Reallocations	28,803	2,722	6,936	6,255	7,436	-	(52,152)	-
Provision for write off	(1,460)	(8)		(351)	3	-	-	(1,816)
Disposals	-	(165)	-	(41)	(136)	-	-	(342)
Correction of prior period error	-	-	-	-	-	-	(142)	(142)
<b>Accumulated depreciation and impairment</b>	<b>(32,143)</b>	<b>(11,769)</b>	<b>(847)</b>	<b>(9,944)</b>	<b>(3,964)</b>	<b>(22)</b>	<b>-</b>	<b>(58,689)</b>
At beginning of year	(20,999)	(9,114)	(2)	(7,116)	(1,543)	(16)	-	(38,790)
Depreciation	(12,581)	(2,817)	(845)	(3,280)	(2,554)	(6)	-	(22,083)
Assets write off	1,437	10	-	413	(3)	-	-	1,857
Accumulated depreciation on Disposals	-	152	-	39	136	-	-	327
<b>Net carrying amount at end of the year</b>	<b>54,494</b>	<b>8,838</b>	<b>8,951</b>	<b>28,148</b>	<b>9,708</b>	<b>18</b>	<b>52,918</b>	<b>163,075</b>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**5. Intangible assets**

	Other		Internally Generated		Total
	Computer Software R'000	Capital WIP R'000	Computer Software R'000	Capital WIP R'000	R'000
<b>Current year - 2016</b>					
<b>Gross carrying amount</b>	<b>11,315</b>	<b>97,396</b>	<b>1,823</b>	<b>39,907</b>	<b>150,441</b>
At beginning of year	12,431	77,678	1,823	7,930	99,862
Additions	2,943	21,552	-	31,977	56,472
Transfer	391	(391)	-	-	-
Transfer to expense	-	(1,443)	-	-	(1,443)
Disposals	(4,450)	-	-	-	(4,450)
<b>Accumulated amortisation and impairment</b>	<b>(8,746)</b>	<b>-</b>	<b>(1,335)</b>	<b>-</b>	<b>(10,081)</b>
At beginning of year	(11,445)	-	(844)	-	(12,289)
Amortisation	(1,034)	-	(491)	-	(1,525)
Transfer to expense	-	-	-	-	-
Accumulated amortisation on disposals	3,733	-	-	-	3,733
<b>Net carrying amount at end of year</b>	<b>2,569</b>	<b>97,396</b>	<b>488</b>	<b>39,907</b>	<b>140,360</b>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**5. Intangible assets (continued)**

	Other		Internally Generated		Total
	Computer	Capital	Computer	Capital	
	Software	WIP	Software	WIP	
	R'000	R'000	R'000	R'000	R'000
<b>Previous year - 2015</b>					
<b>Gross carrying amount</b>	<b>12,431</b>	<b>77,678</b>	<b>1,823</b>	<b>7,930</b>	<b>99,862</b>
At beginning of year	11,593	46,792	1,823	-	60,208
Additions	784	135	-	-	919
Transfer to expenses	-	(116)	-	-	(116)
Transfer from PPE WIP	54	30,867	-	7,930	38,851
<b>Accumulated amortisation and impairment</b>	<b>(11,445)</b>	<b>-</b>	<b>(844)</b>	<b>-</b>	<b>(12,289)</b>
At beginning of year	(9,567)	-	(354)	-	(9,921)
Amortisation	(1,878)	-	(490)	-	(2,368)
Transfer to office equipment	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>986</b>	<b>77,678</b>	<b>979</b>	<b>7,930</b>	<b>87,573</b>

GOVERNMENT PENSIONS ADMINISTRATION AGENCY

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

6. Trade and other receivables

	2016	2015
	R'000	R'000
Trade and other receivables - gross	139,892	68,559
- Trade and other receivables	139,892	68,417
- Correction of prior period error	-	142
Provision for bad debts	(402)	(112)
Trade and other receivables - net	<b>139,490</b>	<b>68,447</b>

Trade and other receivables consist of outstanding claims from National Treasury, prepayments, staff debtors and amounts owing by former GPAA employees, and consists of:

	2016	2015
	R'000	R'000
Trade receivables	117,485	34,302
Prepayments	20,889	33,128
Staff debtors	558	588
Other debtors	960	541
	<b>139,892</b>	<b>68,559</b>

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

**Notes to the Annual Financial Statements for the Year Ended 31 March 2016**

*Ageing and impairment analysis*

	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>Gross</b>	<b>Impaired</b>	<b>Net</b>	<b>Gross</b>	<b>Impaired</b>	<b>Net</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<i>Trade and other receivables</i>						
1 to 30 days	117,391	-	117,391	34,302	-	34,302
31 to 60 days	-	-	-	-	-	-
61 to 90 days	18	(18)	-	-	-	-
Over 90 days	76	(76)	-	-	-	-
<b>Total</b>	<b>117,485</b>	<b>(94)<sup>1</sup></b>	<b>117,391</b>	<b>34,302</b>	<b>-</b>	<b>34,302</b>

	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
At beginning of the year	(112)	(1,811)
Additions	(324)	(49)
Reversals	34	1,748
	<b>(402)<sup>1</sup></b>	<b>(112)</b>

<sup>1</sup>The difference in the total provision for doubtful debts and provision for doubtful debts on trade receivables is the doubtful debts provision on other debtors. The provision for doubtful debts on other debtors is not included in the ageing analysis.

**7. Inventory**

	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
	<b>1,127</b>	<b>566</b>

Inventory consists of consumables

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

#### 8. Cash and cash equivalents

	2016	2015
	R'000	R'000
Cash and cash equivalents consist of:		
Petty cash	34	34
ABSA bank	4,875	4,228
PMG bank	12,843	45,899
	<u>17,752</u>	<u>50,161</u>

Cash and cash equivalents comprises cash held by the GPAA in ABSA and PMG current accounts. The carrying amount of these assets approximates their fair values.

#### 9. Trade and other payables

	2016	2015
	R'000	R'000
Accounts payable are made up as follows:		
Trade creditors	52,455	26,053
Accruals	50,726	41,667
Operating lease liability	1,678	1,983
Sundry creditors	263	3
	<u>105,122</u>	<u>69,706</u>

GOVERNMENT PENSIONS ADMINISTRATION AGENCY

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

Trade creditors ageing

	2016 R'000	2015 R'000
<i>Trade creditors</i>		
1 to 30 days	49,456	25,633
31 to 60 days	2,564	33
61 to 90 days	-	-
Over 90 days	435	387
	<b>52,455</b>	<b>26,053</b>

9. 1 OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
	<b>30,820</b>	<b>28,873</b>
Payable not later than one year	9,411	10,272
Payable later than one year and not later than five years	21,409	18,601
Payable later than five years	-	-

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

**10. Provisions**

	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
<b>Provision for accumulated leave pay</b>	<b>13,740</b>	<b>8,125</b>
Balance at beginning of year	8,125	10,132
Provided	13,740	8,125
Utilised	(8,125)	(10,132)
<b>Provision for bonuses</b>	<b>21,745</b>	<b>12,048</b>
Balance at beginning of year	12,048	12,190
Provided	21,745	12,048
Utilised	(12,048)	(12,190)
Balance at end of period	<b>35,485</b>	<b>20,173</b>

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

#### 11. Reconciliation of net cash flows from operating activities to surplus for the year

	2016 R'000	2015 R'000
Surplus for the year	84,788	113,009
<b>Add: Non-Cash Movements:</b>	<b>50,342</b>	<b>22,731</b>
Depreciation and amortisation	33,849	24,451
(Decrease) / Increase in lease smoothing	(305)	1,083
Increase / (Decrease) asset write-off	942	(42)
Increase / (Decrease) in provisions	15,312	(922)
Loss / (Profit) on disposal of property, plant and equipment	254	(140)
Increase / (Decrease) in provision for doubtful debts	290	(1,699)
<b>Add/(less) changes in working capital</b>	<b>(36,315)</b>	<b>(4,093)</b>
Increase/(Decrease) in trade payables	35,721	(74,799)
(Increase)/Decrease in trade receivables	(71,475)	70,455
Decrease/(Increase) in Inventories	(561)	251
Net cash flows from operating activities	<b>98,815</b>	<b>131,647</b>

#### 12. Contingent Liabilities

The GPAA was not aware of any contingent liabilities at reporting date.

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

#### 13. Commitments

	2016 R'000	2015 R'000
<b>Capital Expenditure</b>	<b>213,103</b>	<b>209,395</b>
Approved and contracted	212,443	195,841
Approved but not yet contracted	660	13,554
<b>Operational Expenditure</b>	<b>267,264</b>	<b>286,724</b>
Approved and contracted	224,848	275,977
Approved but not yet contracted	42,416	10,747
<b>Total Commitments</b>	<b>480,367</b>	<b>496,119<sup>1</sup></b>

<sup>1</sup>The prior year disclosure has changed due to an error in the interpretation of a commitment and disclosure of operational commitments as per the GRAP 19 Guideline. The prior year's correction of the error resulted in: the decrease of capital expenditure by R574,250 (i.e. approved and contracted: R178,904; and Approved, but not yet contracted: R395,346) and an increase in operational expenditure of R286,724, as disclosed above. This error impacts only the above disclosure.

#### 14. Events after the reporting period

There are no events post the period which warrant any adjustment or disclosure in the current financial year end period.

**15. Correction of prior period error**

2016	2015
R'000	R'000

*The comparative amount(s) relating to the Statement of Financial Position have been restated as follows:*

Decrease in property, plant and equipment	-	(142)
Increase in trade and other receivables	-	142
Net effect on Statement of Financial Position	-	-

The error was due to incorrect classification of other receivables in property, plant and equipment in work-in-progress.

**16. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure****16.1 Irregular expenditure**

	2016	2015
	R'000	R'000
Opening balance	48,350	1,901
Irregular expenditure identified in the current year in respect of the current year expenditure	7,637	27,002
Irregular expenditure identified in the current year in respect of prior year expenditure	1,843	19,872
Condoned or written off by relevant authority	(24,261)	(11,292)
Prior year error correction - condoned amount	-	10,867 <sup>1</sup>
Irregular expenditure awaiting condonement	<b>33,569</b>	<b>48,350</b>

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

<sup>1</sup>The irregular expenditure was incorrectly disclosed as condoned in the prior year. The error was due to incorrect application of the PFMA provisions when condoning the irregular expenditure. The correct process is being followed to condone this irregular expenditure.

Irregular expenditure arose as a result of:

- a) Continuation of procuring to a service provider when contract expired already, this resulted to R2.3m of non-compliance and irregular expenditure being incurred;
- b) Applying the rules of variation order on a contract rather than the scope change, resulting to R1.8m non-compliance and irregular expenditure being incurred.
- c) Leased a building without following the procurement processes resulted to R1m non-compliance and irregular being incurred.
- d) Deviations memorandums don't indicate that a deviation from three quotes is being approved in terms of treasury regulations, resulting to R1.9m non-compliance and irregular expenditure being incurred.

No benefits were obtained by GPAA officials in respect of the condoned irregularity as a result no debt has been raised.

#### 16.2 Fruitless and wasteful expenditure

	2016	2015
	R'000	R'000
Opening balance	-	-
Fruitless and wasteful expenditure current year	365	68
Condoned or written off by relevant authority	-	(68)
Transfer to receivables for recovery	-	-
Closing balance	365	-

#### 16.3 Losses through criminal conduct

The GPAA was not aware of any losses incurred as a result of criminal act as at reporting date.

**17. Financial Risk Management and Financial Instruments****17.1 Categories of financial instruments**

	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
<b>Current Assets</b>		
Cash and cash equivalents	17,752	50,161
Trade and other receivables <sup>1</sup>	139,490	68,447
	<b>157,242</b>	<b>118,608</b>
<b>Current Liabilities</b>		
Trade and other payables <sup>1</sup>	105,122	69,706
	<b>105,122</b>	<b>69,706</b>

<sup>1</sup>All financial assets and financial liabilities are held at amortised cost.

**17.2 Credit Risk**

The GPAA's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

The GPAA considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	<b>2015</b>	<b>2014</b>
	<b>R'000</b>	<b>R'000</b>
<b>Financial Assets<sup>1</sup></b>		
Cash and cash equivalents	17,752	50,161
Trade and other receivables	139,490	68,447
	<b>157,242</b>	<b>118,608</b>

<sup>1</sup>The GPAA does not hold any collateral and financial guarantees.

*Cash and cash equivalents*

Financial assets which potentially subject the GPAA to concentrations of credit risk consist principally of cash and cash equivalents. Cash and cash equivalents are held with banks of high quality credit standing and therefore, have insignificant credit risk. Refer to note 7 for cash and cash equivalents.

*Receivables*

Receivables are presented net of the allowance for doubtful debts.

Receivables are exposed to a low credit risk as the bulk of receivables are mainly Government Employees Pension Fund (GEPF), National Treasury, Associated Institutions Pension Fund (AIPF) and Temporary Employees Pension Fund (TEPF). These receivables are exposed to a low credit risk and no amounts are overdue on these receivables. The only amounts overdue are with other receivables which are insignificant. Refer to note 6 loans and receivables.

**17.3 Liquidity Risk**

Liquidity risk is the risk that the GPAA will be unable to meet its obligations as they become due.

The GPAA's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organisation's reputation.

The GPAA ensures it has sufficient cash on demand (currently the GPAA maintains a positive cash position) to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**GOVERNMENT PENSIONS ADMINISTRATION AGENCY**

**Notes to the Annual Financial Statements for the Year Ended 31 March 2016**

The following liquid resources are available:

	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>
Cash and cash equivalents	17,752	50,161
Loans and receivables	139,490	68,447
	<b>157,242</b>	<b>118,608</b>

*Payables*

The GPAA is only exposed to liquidity risk with regard to the payment of its payables. These payables are all due within a short term. The GPAA manages its liquidity risk by matching the receivables to the payables as well as holding cash in the bank.

The following are the contractual cash flows of financial liabilities:

	<b>Not later than one month</b>	<b>Later than one month and not later than three months</b>	<b>Later than three months and not later than one year</b>	<b>Later than one year and not later than five years</b>
<b>2016</b>				
Trade and other payables	105,122	-	-	-
	<b>105,122</b>	-	-	-
<b>2015</b>				
Trade and other payables	69,706	-	-	-
	<b>69,706</b>	-	-	-

**17.4 Market Risk**

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the organisation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Interest rate risk*

Interest rate risk is the risk borne by an interest-bearing asset or liability, due to variability of interest rates.

At the reporting date, the interest rate profile of the GPAA's interest-bearing financial instruments was:

*Current financial assets*

	2016		2015	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
	R'000	R'000	R'000	R'000
Cash and cash equivalents	-	17,752	-	50,161
	-	17,752	-	50,161

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

#### *Sensitivity analysis*

The GPAA has used a sensitivity analysis technique that measures the estimated change to surplus or deficit of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates. The GPAA is only exposed to fluctuations in prime rates.

A change in the above market interest rates at the reporting date would have increased / (decreased) surplus/deficit by the amounts shown below.

		2016		2015	
	Change in interest rate %	Upward	Downward	Upward	Downward
		R'000	R'000	R'000	R'000
Prime	1	177	(177)	502	(502)

#### *Currency risk*

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The GPAA did not have any currency risk exposure at year end as none of its financial assets and financial liabilities are denominated in foreign currency.

## 18. Related Party Transactions

### 18.1 National Treasury

The Related Party transactions relate to administrative services provided to National Treasury in respect of Programme 7.

	2016	2015
	R'000	R'000
Total revenue	56,308	52,455
Outstanding debt	4,696	4,356

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY

### Notes to the Annual Financial Statements for the Year Ended 31 March 2016

#### 18.2 National Department of Public Works

The GPAA has received the use of the office building at 34 Hamilton Street, Arcadia, Pretoria from the National Department of Public Works.

There is a memorandum of understanding between the GPAA and National Department of Public Works in which the National Department of Public Works shall recoup, on a cost recovery basis, all expenditure incurred on acquisition and accommodation charges.

The GPAA has incurred rates charges of R3,697,553 and provided for the rental expense of R8,400,000 in the period ending 31 March 2016. Of the total rates charges incurred, R657,825 is still outstanding as at 31 March 2016.

#### 18.3 Disclosure of Executive Remuneration

Name	Designation	Salary and allowances (R)	Bonus (R)	Total (R)
Sukdev, K.G.	Chief Executive Officer <sup>1</sup>	1,344,426	-	1,344,426
Meyer, E.D.	Executive: Corporate Services <sup>2</sup>	985,083	63,799	1,048,882
Kriel, H.J.	Chief Information Officer	1,070,815	41,502	1,112,317
Morar, J.C.	Acting Chief Operating Officer	1,259,119	74,433	1,333,552
Kemp, M.J.	Acting Executive: Corporate Services <sup>3</sup>	551,054	-	551,054
Ikaneng, B.B.	Chief Risk Officer	1,103,255	42,125	1,145,380
De Witt, E.	General Manager: Legal	1,086,694	42,125	1,128,819
Matjeni, T.	Acting Chief Financial Officer <sup>4</sup>	384,750	-	384,750
Mda, P.	Acting Chief Financial Officer <sup>5</sup>	795,253	-	795,253
Merrifield, A.G.M.	Programme Manager –Modernisation <sup>6</sup>	583,356	80,581	663,937
		<b>9,163,805</b>	<b>344,565</b>	<b>9,508,370</b>

<sup>1</sup>Appointed: 1 August 2015.

<sup>2</sup>Appointed: Acting CEO from 1 April 2015 to 31 July 2015; and resigned as Executive Corporate Services: 8 November 2015.

<sup>3</sup>Appointed: 9 November 2015.

<sup>4</sup>Contract expired: 31 July 2015.

<sup>5</sup>Appointed: 6 August 2015.

<sup>6</sup>Contract expired: 31 August 2015.

### 18.3 Audit Committee Members' Remuneration

Name	Designation	Audit Committee (R)	Other Services <sup>4</sup> (R)	Total (R)
Matloa, O.M.	Member	63,625	25,450	89,075
Lesejane, M.J.	Member	48,355	11,271	59,626
Amod, M.A.E.	Member <sup>1</sup>	55,990	-	55,990
Mangquku, L.M.	Member <sup>1</sup>	63,625	-	63,625
Badimo, A.M.M.	Member <sup>1</sup>	63,625	30,540	94,165
Bhoola, H.R.	Member <sup>2</sup>	-	-	-
Francis, B.	Member <sup>3</sup>	-	-	-
		<b>295,220</b>	<b>67,261</b>	<b>362,481</b>

<sup>1</sup> Appointed: 01 July 2015.

<sup>2</sup> Resigned: 01 May 2015.

<sup>3</sup> The member rendered her services at no fee.

<sup>4</sup> Other services include attendance fees for the Risk Management Committee, Advisory Board, interviews and meetings with GPAA executive members.

Notes:





