

IN THE CONSTITUTIONAL COURT OF SOUTH AFRICA

**COPY**

CCT: 48/2017

In the matter between:

**SOUTH AFRICAN SOCIAL SECURITY AGENCY**

First Applicant

**CHIEF EXECUTIVE OFFICER: SOUTH AFRICAN  
SOCIAL SECURITY AGENCY**

Second Applicant

and

**THE MINISTER OF SOCIAL DEVELOPMENT**

First Respondent

**THE BLACK SASH TRUST**

Second Respondent

**MINISTER OF FINANCE**

Third Respondent

**NATIONAL TREASURY**

Fourth Respondent

**CASH PAYMASTER SERVICES (PTY) LTD**

Fifth Respondent

**THE INFORMATION REGULATOR**

Sixth Respondent

**SOUTH AFRICAN POST OFFICE**

Seventh Respondent

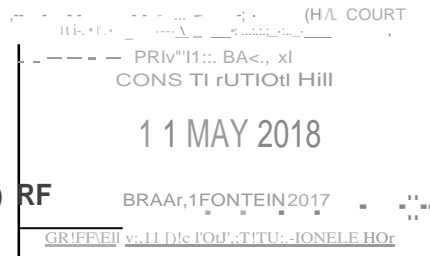
**FREEDOM UNDER LAW**

Eighth Respondent

and

**CORRUPTION WATCH (NPC) RF**

*Amicus Curiae*



**NOTICE OF MOTION**

**PLEASE TAKE NOTICE** that the fifth respondent will seek an order from the above Honourable Court in the following terms:

1. The fifth respondent is granted leave to file an affidavit in response to National Treasury's recommendation of 30 April 2018;
2. Further and/or alternative relief; and

3. Costs only in the event of opposition.

SIGNED and DATED at JOHANNESBURG on this the 10<sup>th</sup> day of AY 2018.



---

**SMIT SEWGOOLAM INCORPORATED**

Attorneys for the Fifth Respondent

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Attention: Sacha Capazorio

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Ref: MAT31488/OCJ/SC

TO:

THE REGISTRAR OF THE

CONSTITUTIONAL COURT, CONSTITUTIONAL HILL

BRAAMFONTEIN

AND TO:

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IN THE CONSTITUTIONAL COURT OF SOUTH AFRICA

CCT: 48/2017

In the matter between:

SOUTH AFRICAN SOCIAL SECURITY AGENCY

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CHIEF EXECUTIVE OFFICER: SOUTH AFRICAN  
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and

**CORRUPTION WATCH (NPC) RF**

*Amicus Curiae*

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**CPS'S AFFIDAVIT IN RESPONSE TO  
NATIONAL TREASURY'S REPORT OF 30 APRIL 2018**

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I, the undersigned,

**HERMAN GIDEON KOTZE**

do hereby make oath and state that -




A

1. I am a major male director of the fifth respondent, Cash Paymaster Services (Pty) Limited ("**CPS**"). I am duly authorised to depose to this affidavit on behalf of CPS.
2. I am also the Chief Executive Officer ("**CEO**") of Net1 Applied Technologies (Pty) Ltd, the holding company of CPS. I am a qualified chartered accountant and prior to my appointment as CEO, I held the position of Chief Financial Officer. I accordingly have integral knowledge of the group finances, including that of CPS.
3. The facts contained herein are, unless the contrary appears from the context, within my own personal knowledge and are, to the best of my knowledge and belief, true and correct.

**Leave to file this affidavit**

4. On 23 March 2018, this Court ordered SASSA and CPS to ensure that, for the period of six months from 1 April 2018, the payment of grants to beneficiaries who are paid in cash is to be on the same terms and conditions as those in the current contract. This Court furthermore directed that -
  - 4.1. CPS may in writing request National Treasury during the six month period to investigate and make a recommendation regarding the price to be paid for the services it is to render in terms of this Court's order; and
  - 4.2. National Treasury must file a report with this Court within 21 days of receipt of the request setting out its recommendation .

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5. On 28 March 2018, CPS made a written request to Treasury, as provided for in the order. On 30 April 2018, Treasury made its recommendation in a report to this Court. CPS's request is attached as annexure "A" to the Treasury report.
6. CPS learned of Treasury's recommendation for the first time when its report was filed. Despite a request from CPS, Treasury did not give CPS an opportunity to respond to its analysis and recommendation before filing its report.
7. This Court's order does not provide for any submissions upon Treasury's making of the recommendation. CPS thus hereby applies for the Court's leave to file this affidavit.
8. I respectfully submit that it is in the interests of justice and fairness that CPS be permitted to respond to Treasury's recommendation, particularly as the recommendation impacts on CPS's capacity to continue to operate as a going concern. CPS can only deliver a reliable and uninterrupted service if it operates a sustainable business. For the reasons set out below, Treasury's recommendation does not protect CPS from operating at a considerable loss, which it cannot reasonably be expected to do. CPS seeks directions from the Court entitling it to engage further with Treasury on the concerns raised below.

**CPS's concerns with National Treasury's recommendation**

9. National Treasury has recommended a price of R44.35 (excl. VAT) per-beneficiary paid by CPS. It has done so, however, without providing for any minimum monthly fee payable to CPS, to ensure that CPS recovers its fixed operational costs. This is

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highly problematic because it makes no provision for SASSA's announced intention to dramatically reduce the number of beneficiaries being serviced by CPS, in circumstances where -

- 9.1. CPS is required, unless and until SASSA directs otherwise, to continue servicing all 10,000 cash pay points around the country; and
  - 9.2. CPS's operational model for cash payment services is such that its operational costs will only be materially reduced with the closure of a sufficient number of pay points to allow for the rationalisation and reduction of its pay point servicing routes.
10. The new Acting CEO of SASSA, Mr Abraham Mahlangu, notes in his latest report (filed on 30 April 2018) that SASSA intends to reduce the number of beneficiaries collecting grants from cash pay points (1,916,555 in March 2018 and 1,837,612 in April 2018) to approximately 800,000 beneficiaries over the six month extension period. SASSA provides no further details in its report of the migration of beneficiaries from pay points to electronic payment, however.
11. Since December 2017, CPS has repeatedly requested SASSA to furnish it with a migration plan. These efforts have been to no avail. Such a migration plan would allow for the incremental closure of pay points over the remaining term of CPS's tenure. This would enable CPS to scale-down and rationalise its payment routes and resulting operational costs.

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12. As matters stand, CPS is obliged to perform the cash payment services on the same terms and conditions under its contract with SASSA, and has been presented with no migration plan. CPS thus remains obliged to maintain its entire cash payment infrastructure. The result is that CPS can anticipate a considerable reduction in the income it receives for the payment of "cash beneficiaries" (with the anticipated reduction to 800,000 beneficiaries over the six-month period) but must maintain its full cash payment infrastructure and operations.
13. It is important to note (and this was explained to Treasury but appears not to have been factored in to its analysis) that the reduction in the number of cash beneficiaries paid does not result in a proportionate cost reduction. This is because -
- 13.1. Unless and until SASSA directs otherwise, CPS must maintain all SASSA-designated pay points.
- 13.2. Even if the number of cash pay points is reduced, certain operational costs are fixed regardless of the number of pay points or beneficiaries serviced by CPS. This includes the cost of maintaining regional depots from where cash is distributed (rent, security, insurance, staff, telecommunication) and the head office cost to support field operations (human resources, finance, procurement, information technology).
- 13.3. Other operational costs will remain constant unless entire pay point servicing routes are reduced - which in turn requires the reduction of a sufficient number of pay points in a particular region to reduce the number of payment routes and payment teams required. These costs include:

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- 13.3.1. Payment vehicles;
- 13.3.2. Security vehicles;
- 13.3.3. Payment equipment;
- 13.3.4. Technical support vehicle;
- 13.3.5. Payment operators;
- 13.3.6. Security personnel;
- 13.3.7. Technical personnel;
- 13.3.8. Branch infrastructure (with cash facilities); and
- 13.3.9. Branch management/ administration support.

- 14. CPS presently manages 247 payment teams across the country. Each payment team departs every morning in different directions to service the pay points according to SASSA's schedule. On average, each payment team will service three pay points per day and 40 pay points per month.
- 15. I attach a map marked "**HGK1**", which illustrates the payment route of a payment team (for one payment day only) in KwaZulu-Natal. (The map shows the number of pay points in the payment route on that day, and the location of ATMs and Post Offices in relation to the pay points.)

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16. Unless a sufficient number of pay points in a particular region are closed, the same number of payment teams will have to be maintained. Every payment team is comprised of the following personnel and infrastructure:
- 16.1. The payment vehicle and four payment staff;
- 16.2. A security vehicle (and in some instances a back-up security team) to transport the cash, with at least four guards to guard the cash and the perimeter at the pay points.
17. It is only if the number of payment teams and payment routes can be reduced, that CPS's operational costs will be materially reduced.
18. However, even with the closure of some payment routes and reduction in the number of payment teams, some operational costs will not be reduced. This includes the costs of maintaining the regional depots, where cash is collected for distribution along the service routes. Each regional depot is staffed with a branch manager, an operations manager (who manages the payment teams and logistics) and a technical support team responsible for first-line maintenance and repairs of the payment equipment (the regional depot is reflected on the map at Manguzi - annexure "HGK1"). CPS would also still have to rent and operate the depots; would require the same overhead support structure; and would incur the same audit costs and bank fees to deliver the payment service.

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### **CPS's operating costs to maintain the cash payment infrastructure**

19. To sustain the current cash-payment system (without any reduction in the number of cash pay points), CPS's *average* monthly operational costs totals R147,189,227 per month (without any profit) for **cash payment at pay points only**. A breakdown of the cost was provided by CPS to Treasury and we attach a copy thereof, marked "**HGK2**", hereto for the Court's ease of reference. Adjustments have been made for any shared usage and this is recorded in the fifth column of the schedule.
20. It is correct that the infrastructure is also used to service other Net1 clients, namely **EPE** card holders. Approximately 100,000 of these card holders make use of this infrastructure, being approximately 5% of the total users.
21. On Treasury's recommendation (which is priced per beneficiary paid, without any floor limit) and assuming the number of cash beneficiaries is reduced to 800,000, CPS will suffer an operating loss of R111, 709, 227 per month [R147,189,227 - (800,000 x R44.35)].<sup>1</sup>
22. CPS cannot sustain these losses. Its continued operation under these circumstances will constitute reckless trading on the part of its directors.

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<sup>1</sup> CPS could potentially earn an additional R 20,326,956, if Treasury were to also pay it the R16.94 for the approximately 1,2 million beneficiaries currently making use of biometrics as a verification method through its ATM and merchant infrastructure (referred to as "other biometric payments" in paragraph 7.2 of Treasury's report). This aspect however requires further clarification.

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23. A similar problem manifests itself in respect of the enrolment fee recommended by Treasury. On 9 April 2018 CPS received the letter attached hereto marked "**HGK3**" from SASSA, informing CPS that:

23.1. As from 1 May 2018, CPS is only to retain staff and enrolment equipment in offices which will be identified by SASSA; and

23.2. The location of these offices would be confirmed by SASSA by no later than 16 April 2018, to enable CPS to make the necessary arrangements with your staff.

24. On 23 April 2018, SASSA informed CPS that it only requires it to service 198 branches from 1 May 2018. I attach a copy of SASSA's letter in this regard, marked "**HGK4**". CPS is accordingly required to designate at least one of its enrolment personnel to each of these branches permanently.

24.1. Enrolment personnel are paid R5,000 per month, on average.

24.2. Accordingly, servicing these branches will cost CPS approximately R990,000 per month. This ignores all ancillary costs, bonuses etc.

24.3. Treasury recommended that CPS be paid R108.75 incl. VAT (or R94.57 excl. VAT) per enrolment, without any consideration of CPS's need to maintain all the stipulated branches for enrolment.

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24.4. In April 2018, CPS enrolled 16,396 new beneficiaries. At the recommended service fee of R94.57 excl. VAT, it is entitled to invoice SASSA for R1,550,569.72 excl. VAT. However, for the month of April 2018, CPS still employed 690 enrolment staff at a labour cost of R3,046,725, as SASSA required it to service all previous stations. This equates to a loss of R1,496,155 for April.

24.5. Thus far, for the month of May, CPS has enrolled 243 new beneficiaries at a service fee of 243 multiplied by R94.57, which equals R22,980.51. The labour cost component of this service for May is R971 419.61, resulting in a current loss of R948,439.10.

24.6. The number of beneficiary enrolments by CPS is expected to reduce dramatically as SAPO implements its enrolment system. According to media reports this commenced in April 2018. This will exacerbate the losses that CPS incurs in continuing to provide enrolment services.

#### **Further consideration by National Treasury**

25. Under the circumstances, CPS submits that it is essential that SASSA pays CPS a minimum monthly fee for its provision of cash payment services under the extended contract, taking into account the following considerations:

25.1. That CPS's current total operating costs under the contract (before profit) are R147,189,227 per month.

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- 25.2. That CPS will, unless and until SASSA advises otherwise, be obliged to visit all pay points and maintain its entire pay point infrastructure.
- 25.3. Should SASSA instruct CPS to discontinue servicing certain pay points, the floor limit could be adjusted downwards in consultation with Treasury, with due consideration to any commensurate cost savings.
- 25.4. To remain a going concern, CPS must at the very least be entitled to recover its operating costs.
26. CPS does not expect the Court to burden itself with the determination of a floor limit. CPS proposes that the Court direct Treasury, upon further engagement with CPS, to recommend a minimum monthly payment to CPS for the provision of cash payment services. Such amount may be subject to review by Treasury on representations from SASSA and CPS in the event that the number of cash pay points required to be serviced is sufficiently reduced (i.e., to allow for a reduction of the direct fixed costs of servicing the pay points).
27. In the interim, until this pricing matter is resolved, CPS is unable to invoice SASSA. However, CPS requires an income to sustain its operations. CPS accordingly proposes that this Honourable Court directs that:
- 27.1. The matter be referred back to Treasury, to recommend a minimum monthly fee payable to CPS, to serve as a floor limit, within 14 days;
- 27.2. That CPS is in the interim entitled to invoice SASSA according to Treasury's recommendation of 30 April 2018; and

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27.3. That any shortfall or overpayment made to CPS for the services provided in April 2018 be corrected upon final determination by this Honourable Court of the fee payable to CPS.



  
HERMAN GIDEON KOTZE

I hereby certify that the Deponent knows and understands the contents of this affidavit and that it is to the best of his knowledge both true and correct. This affidavit was signed and sworn to before me at ROSEBANK on this the 10<sup>th</sup> day of MAY 2018.

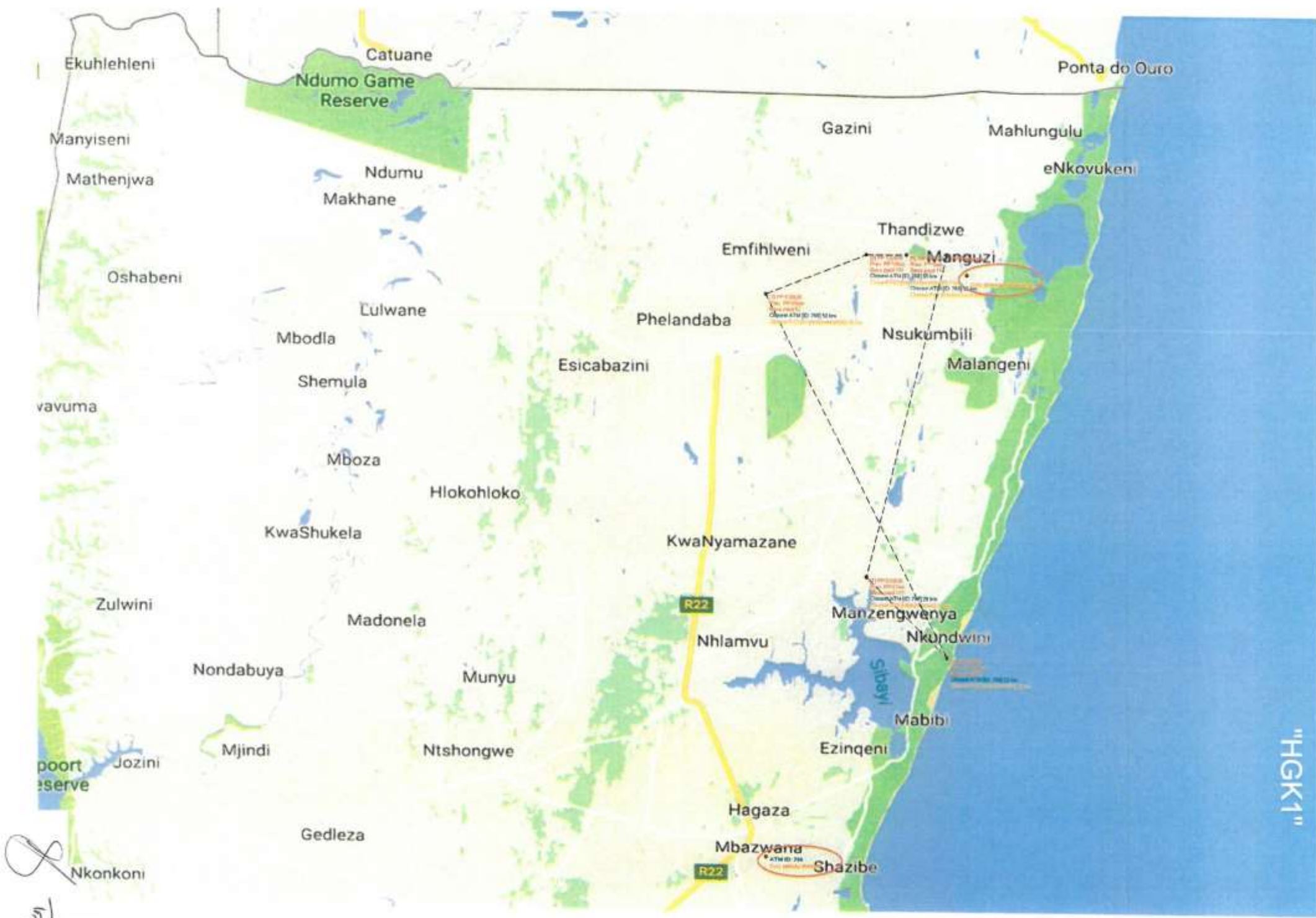


**COMMISSIONER OF OATHS**

Full names: Maryke Agnes

Address: 15 STURGEON AVENUE

Capacity: JP



"HGK1"

"HGK2"

-----Original Message-----

From: Nanda Pillay [mailto:nandap@net1.com]

Sent: 05 April 2018 07:25 PM

To: 'Pebetse Maleka' <Pebetse.Maleka@treasury.gov.za>

Cc: 'Herman Kotze' <hermank@net1.com>; anjal@net1.com

Subject: Treasury Submission

Dear Pebetse,

Attached herewith the response to your mail as well as the letter from the Director General. We are available, should you require any further information.

We have not received the confirmation for the meeting on Tuesday and kindly request, if at all possible, that the meeting be scheduled for Monday afternoon.

Regards,  
Nanda

Please refer to the Net1 website for details of the company's subsidiaries which are authorised financial services and credit providers

Email Disclaimer - <http://www.net1.com/main.aspx?ID=24>

Please refer to the Net1 website for details of the company's subsidiaries which are authorised financial services and credit providers

Email Disclaimer - <http://www.net1.com/main.aspx?ID=24>

A handwritten signature in black ink, appearing to be 'J. Th' or similar, located in the bottom right corner of the page.



**Net 1 UEPS Technologies, Inc.**

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5 April 2018

Mr Dondo Mogajane  
Director-General: National Treasury  
40 Church Square, Old Reserve Building,  
Pretoria

Dear Sir

**DETERMINATION OF PRICING FOR THE CASH PAYMENT OF SOCIAL WELFARE GRANTS FOR THE PERIOD 1 APRIL 2018 TO 30 SEPTEMBER 2018**

We refer to the e-mail from Mr Yusuf Mayet, dated 29 March 2018, as well as your subsequent letter, dated 5 April 2018.

We attach hereto our responses in line with your requests:

**1. Top down allocation of spending to cost centres for year ended June 2017**

**1.1 By item for cash and total**

- (i) Please refer to Annexure 1, which contains table 1a for the year ended June 2017 (based on audited accounts) and table 1a for the eight months ended February 2018 (based on management accounts).
- (ii) Please refer to Annexure 1(a) for a detailed overview of the technical solution submitted in our tender response in respect of the agreement concluded between Cash Paymaster Services (Pty) Ltd (CPS) and SASSA on 6 February 2012. This was hand delivered to your offices as per arrangement with Ms Maleka.
- (iii) Please refer to Annexure 1(b) which details the corporate social investment expenditure incurred. This was hand delivered to your offices as per arrangement with Ms Maleka.
- (iv) Please refer to Annexure 1(c) for a current breakdown of CPS salary costs and description of responsibilities.
- (v) Please refer to Annexure 1(d) for a current breakdown of Group centralised functions.



**CASH PAYMASTER SERVICES (PTY) LTD.** Reg No. 1971/007195/07

Directors: H.G. Kotzé, N. Pillay  
Company Secretary: C.W. van Straaten





## 1.2 Expenditure by more detailed cost centres

- (i) Please refer to Annexure 1, which includes table 1b as per your requirement.
- (ii) Please refer to Annexure 1(c) for a current breakdown of CPS salary costs and description of responsibilities.
- (iii) Please refer to Annexure 1(d) for a current breakdown of Group centralised functions.

## 2. Bottom-up costing model

We note your request for a bottom up costing model in respect of the cash distribution pay points but we are not in a position to provide a cost model with this level of granularity. Our pricing proposal has been based on the actual costs that we have incurred in running the existing systems, few of which will be reduced by the removal of the directly paid beneficiaries as indicated in the response to item 1 of your email. We worked on this basis as being a more accurate reflection of the real costs than a bottom-up costing model.

Our financial systems have been set up on the basis of accounting for the cost of providing the service on a national basis and we do not maintain cost centres dealing with individual pay points, groups of pay-points, payment channels or indeed any other subset of the contract. Furthermore, a number of our key supplier contracts are negotiated on a national level and so it is not evident how these costs would be allocated in such a manner. It is therefore not possible at this stage for us to provide information on the average costs of different sized pay-points, or model the potential benefits of rationalisation in a meaningful way.

In addition, each CPS depot is unique in respect of the number of vehicles, payment teams and payment equipment allocated as the operation involved in providing a cash payment distribution service is directly influenced by factors such as:

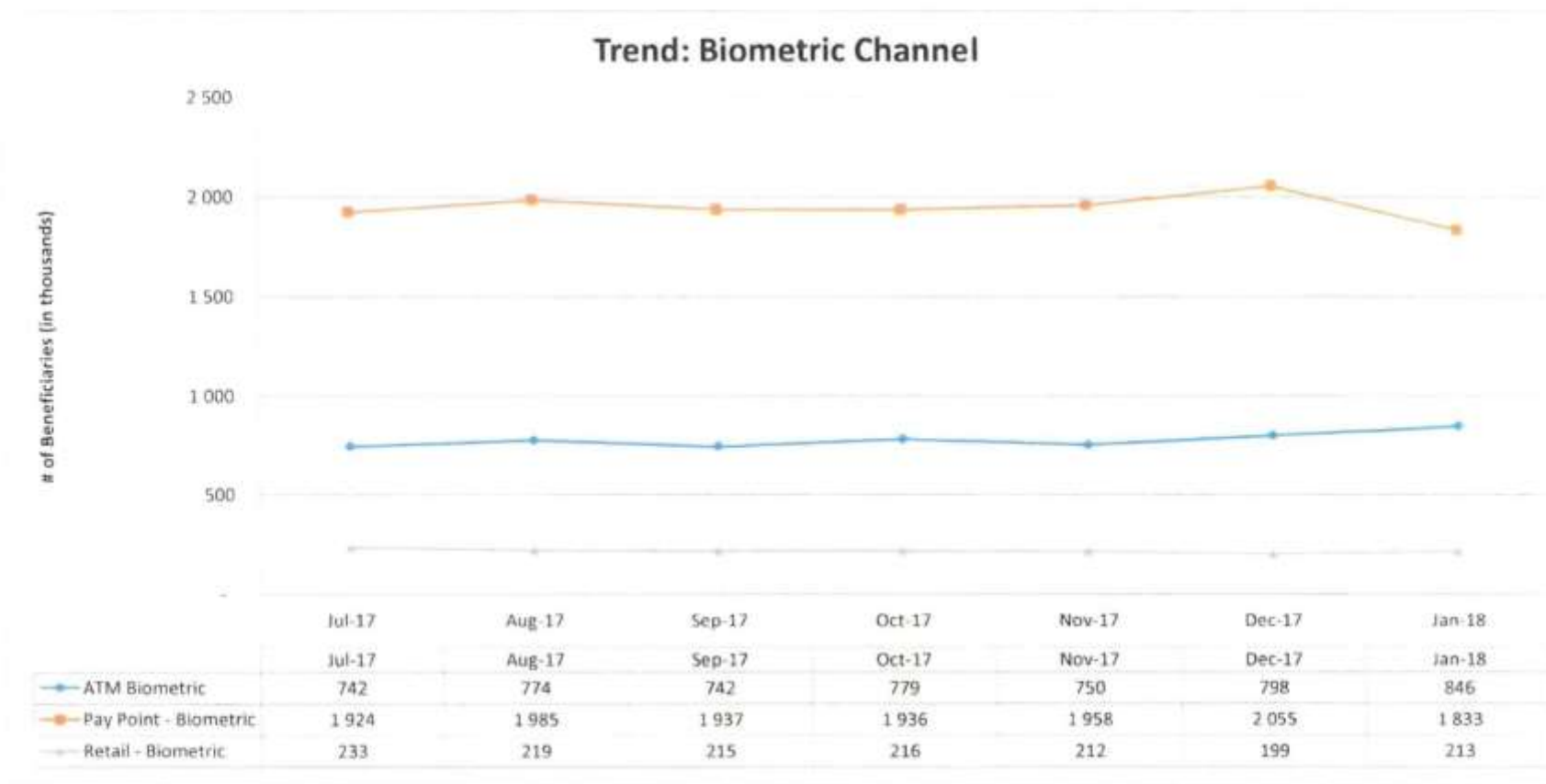
- (i) Topography
- (ii) Distribution of pay-points
- (iii) Quality of road network
- (iv) Length of payment cycle
- (v) Specific security requirements

It is therefore impractical, if not impossible, to devise a bottom-up costing model that would accurately reflect the cost per pay-team or per pay-point

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### 3. Volumes and unit costs of different components of cash payments

Please refer to the below graph with trend data, as requested.



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The calculation of the unit cost per channel is very subjective, as a large element of the cost infrastructure is fixed and relies solely on technological platforms that have been established and maintained to service the grant recipient base - irrespective of channel utilised. Any reduction in the number of beneficiaries that utilise these channels will not reduce the technological platform costs.

We have attempted to provide you with as much detail as possible and we believe that a presentation of the technical and operational solution currently provided to SASSA will provide further clarity in terms of this submission.

We trust that this submission meets with your approval, should you however have any further questions we are available to provide the requisite clarity.

Yours sincerely,



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Herman Kotzé  
Chief Executive Officer



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Table 1a: Expenditure for cash and total year ended 30 June 2017

Cost description	Driver	Total Expenditure	Expenditure allocated to cash payments cost centre	% to Cash	Basis of Allocation	Short description of each item
<b>Operational cost</b>		<b>1 076 845 562</b>	<b>910 182 917</b>			
Security	FIXED	157 705 015	157 705 015	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Guarding of pay points, transport of cash from CPS depots to pay points. This includes cost of guards as well as armed vehicle infrastructure required for the transportation of cash.
Security - Transport of Cash	FIXED	165 173 496	165 173 496	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Transportation of bulk cash between bulk cash centres (BBV) and CPS depots. Includes cost of guards as well as armed vehicle infrastructure required for the transportation of cash.
Transaction Fees	FIXED	45 557 995	45 557 995	100%	Full cost is required to maintain cash payments at 10 000 paypoints	The transaction fees relate directly to the transactions performed on the biometrically enabled ATM infrastructure. These fees include but are not limited to interfaces to the NPS, settlement and reconciliation as well as third party payments that facilitate ATM deployment.
Cash Deposit Fees	FIXED	4 892 231	4 892 231	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Re-depositing of unused cash returned from pay points for reimbursement to SASSA. Fees paid to banks.
Cash Withdrawal Fees	DISBURSEMENTS	12 077 616	12 077 616	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Withdrawal of bulk cash for the purpose of distribution at pay points. Fees paid to banks.
Grindrod Transaction Fees	CARDS ISSUED	115 145 663	48 000 000	42%	Minimum of R4m per month to maintain banking compliance	Fees paid to Grindrod Bank for facilitating bank accounts for all 10.7 million grant recipients, including SARB reporting requirements.
Card Costs	CARDS ISSUED	20 687 783	5 993 657	29%	Card Costs are amortised over contract period, however the amortisation period is accelerated due to short-term of contract, not factored in.	Cost of card acquisition for issuance to grant recipients.
Insurance Premium	FIXED	50 630 612	50 630 612	100%	Full cost is required to maintain cash payments at 10 000 paypoints	The cost of insuring all cash transferred for the purpose of distribution at pay points as well as robberies in respect of pay points. Insurance premium for asset protection cover.
Payment Differences	FIXED	1 146 375	1 146 375	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Cash shortages that result from internal theft.
Cash Losses From Robberies	FIXED	-	-	100%	Full cost is required to maintain cash payments at 10 000 paypoints	
Motor Vehicle Fuel	FIXED	44 570 755	44 570 755	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Fuel required for the operational activities of CPS.
Motor Vehicle Maintenance & Repairs	FIXED	14 577 776	14 577 776	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Maintenance and repairs required for the operational activities of CPS.
Motor Vehicle Registration Costs	FIXED	691 244	691 244	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Vehicle registration costs required for the operational activities of CPS.
Provision & Welfare Establishment Cost	FIXED	-	-	100%	Full cost is required to maintain cash payments at 10 000 paypoints	
Equipment Rental	FIXED	38 650	38 650	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Provision of ablution facilities when required.
Communication charges	FIXED	159 379	159 379	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Data costs relating to the enrolment of grant recipients and dependents.
Hardware Maintenance & Repairs Cost	FIXED	-	-	100%	Full cost is required to maintain cash payments at 10 000 paypoints	
Inventory Written Off	FIXED	153 482	153 482	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Payment and enrolment hardware that is uneconomical to repair.
Software Licensing	STEP-FIXED	424 114 280	339 291 424	80%	80% of the cost line has been allocated to the banking solution deployed primarily for the issuance, authorisation and settlement within NPS in relation to the SASSA contract. It is important to note that all beneficiaries are issued with a fully interoperable EMV / UEP5 card that is representative of a Grindrod bank account. As the card issued is a debit card, the payment channel utilised by the beneficiary for transacting either in cash or electronically is irrelevant as all transactions are processed through the NPS, irrespective of whether the beneficiary transacts in an online or an offline environment. In addition, the hardware deployed within the pay-point infrastructure for offline payments has been specifically developed to accommodate the SASSA requirement for payment in areas where little or no communication exists (i.e. rural and offline environments). The entire infrastructure has to remain intact irrespective of the number of recipients who receive their grants utilising a Grindrod bank account.	The software licensing consists of the various components of the banking platform that has been developed to enable the issuance of an interoperable EMV compliant card (linked to a bank account), the authorisation and settlement of all financial transactions within the NPS, in line with PASA rules. It also includes the biometric software solution, the 1-to-many search engine that facilitates 1-to-many searches for all 10 fingerprints (including that of all dependents, resulting in a R2.5 billion per annum saving to SASSA), software required for the deployment of biometric point of sale devices as well as biometrically enabled ATM infrastructure, the software solution that facilitates offline, but real-time payment with no risk to SASSA or CPS, the provision of proof of life prior to the transfer of funds to beneficiary bank accounts (resulting in grants not accessed by grant recipients being refunded to SASSA, approximately R2.4 billion per annum). This line item also includes the operating system software required such as Windows, VOS, SQL, etc. This cost line also includes the IT staff costs amounting to approximately R70m per annum.



Cost description	Driver	Total Expenditure	Expenditure allocated to cash payments cost centre	% to Cash	Basis of Allocation	Short description of each item
Infrastructure Fees	FIXED	19 523 211	19 523 211	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Cost of biometric ATM deployment
<b>Operational staff cost</b>		<b>319 656 706</b>	<b>319 656 706</b>			
Salaries	FIXED	245 215 409	245 215 409	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Operational staff cost includes the people cost directly relating to the distribution of cash at biometrically enabled channels, including pay points, ATMs and point of sale devices
Overtime	FIXED	12 398 390	12 398 390	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Medical Aid	FIXED	4 457 562	4 457 562	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
UIF	FIXED	2 468 776	2 468 776	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Employee Disciplinary/Dismissal Cost	FIXED	324 009	324 009	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Workman's Compensation	FIXED	12 819 949	12 819 949	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Temporary & Casual Staff	FIXED	43 210	43 210	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Training	FIXED	539 704	539 704	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Refreshments & Entertainment	FIXED	2 108 002	2 108 002	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Bonuses	SALARY	20 017 509	20 017 509	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Leave Pay	FIXED	9 568 483	9 568 483	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Expenses	FIXED	97 161	97 161	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Recruitment	FIXED	89 559	89 559	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Skills Development Levy	FIXED	2 968 864	2 968 864	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Group Life Cost	FIXED	6 541 121	6 541 121	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
<b>Operational administration cost</b>		<b>307 627 854</b>	<b>307 627 854</b>			
Premises Rental	FIXED	28 958 574	28 958 574	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the rental of 61 CPS cash depots and administration offices
Security of Premises	FIXED	34 542 343	34 542 343	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the security and safeguarding of 61 CPS cash depots and administration offices. Each CPS depot carries an average of R3-R5 million at any given point
Cleaning & Fumigation	FIXED	2 040 738	2 040 738	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the cleaning of 61 CPS cash depots and administration offices as well as pay point infrastructure where required
Plant & Gardening Services	FIXED	129 964	129 964	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the gardening services of 61 CPS cash depots and administration offices
Consulting & Audit Fees	FIXED	1 818 691	1 818 691	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Cost relating directly to external audit of CPS
Testing & Development	FIXED	613 942	613 942	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Cost relating to expenditure incurred in respect of NPS and inter-operability testing
Assets - R2000 Written-off	FIXED	777 300	777 300	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Minor assets acquired for operational purposes
Computer Consumables	FIXED	2 293 621	2 293 621	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Minor computer consumables
Computer Hardware Maintenance	FIXED	5 735 229	5 735 229	100%	Full cost is required to maintain cash payments at 10,000 paypoints	This relates to the repairs and maintenance of computers, environment and payment hardware, biometric ATM and point of sale infrastructure
Delivery & Courier Services	FIXED	6 241 265	6 241 265	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Distribution of hardware, stationary, documentation to and from 61 CPS depots
Electricity & Water	FIXED	7 872 631	7 872 631	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the utilities of 61 CPS cash depots and administration offices
Legal Fees	FIXED	3 928 981	3 928 981	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Legal fees relates to the operational activities including labour relations issues, commercial agreements, etc.
Postage	FIXED	860	860	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Hire Charges - Pay points	FIXED	750 487	750 487	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Provision of payment facilities
Repairs & Maintenance	FIXED	1 225 887	1 225 887	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the repairs to and maintenance of 61 CPS cash depots and administration offices

Table 1a: Year ended 30 June 2017

Cost description	Driver	Total Expenditure	Expenditure allocated to cash payments cost centre	% to Cash	Basis of Allocation	Short description of each item
Stationery and Printing	FIXED	6 865 109	6 865 109	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Stationery and printing relating to the operational activities of CPS, including the printing of specialised stationery for cash control and operational efficiencies, purchase of tally rolls
Publication Subscriptions	FIXED	2 240	2 240	100%	Full cost is required to maintain cash payments at 10,000 paypoints	General subscriptions
Telephony	FIXED	31 008 582	31 008 582	100%	Full cost is required to maintain cash payments at 10,000 paypoints	This includes fixed line costs, data costs, company issued mobile telephones and satellite communication costs where applicable
Travel & Accommodation - Local	FIXED	3 352 489	3 352 489	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Travel and accommodation relating to the operation of CPS, including the cost required for CPS payment staff in overnight in remote areas, provincial and branch management travel for compliance and audit purposes
Depreciation	FIXED	7 461 328	7 461 328	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Depreciation of assets, specifically vehicles
Asset Moving Costs	FIXED	116 181	116 181	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Transferring of assets between depots (specifically ATM re-deployment)
Corporate Social Investment	FIXED	17 692 506	17 692 506	100%	Full cost is required to maintain cash payments at 10,000 paypoints	We include a separate list of projects funded for the 12 months ended 30 June 2017, as well as for the eight months ended 28 February 2018. Please refer to Annexure 1(b).
Admin Fees	FIXED	144 189 905	144 189 905	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The admin fee relates to the centralised cost structure deployed by Net1 that facilitates the executive management, central support functions such as finance, human resources, cash management, industrial relations, procurement, production and maintenance, contract and fleet management, call centre, user acceptance testing, training and training documentation, project management and merchant acquiring. Approximately 42% of the South African centralised costs are apportioned to the CPS/SASSA contract. The admin fees reflected in our tables show an allocation of 100%, as the value reflected constitutes 42% of the total centralised cost. These costs relate to all infrastructure, but is not limited to staff costs, office accommodation, travel and accommodation, communication costs, etc. The admin fees also includes the BEE transaction costs of approximately R4.5 million per month. This cost item excludes Information Technology costs, including staffing costs (which forms part of the Software Licensing costs).
		1 704 130 121	1 537 467 476			
Sundry		4 207 212	4 207 212	100%		
IFRS Adjustment*		188 612	188 612	0%		
		1 699 734 297	1 533 071 652	90,2%		

\* Difference in accounting treatment in respect of depreciation between US GAAP and IFRS

Table 1a Expenditure for cash for the eight month period ended 28 February 2018

Cost description	Driver	Total Expenditure	Expenditure allocated to cash payments cost centre	% to Cash	Basis of Allocation	Short description of each item
<b>Operational cost</b>		<b>734 381 770</b>	<b>623 492 574</b>			
Security	FIXED	107 285 462	107 285 462	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Guarding of pay points, transport of cash from CPS depots to pay points. This includes cost of guards as well as armed vehicle infrastructure required for the transportation of cash.
Security - Transport of Cash	FIXED	120 651 735	120 651 735	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Transportation of bulk cash between bulk cash centres (SBU) and CPS depots. Includes cost of guards as well as armed vehicle infrastructure required for the transportation of cash.
Transaction Fees	FIXED	37 248 465	37 248 465	100%	Full cost is required to maintain cash payments at 10 000 paypoints	The transaction fees relate directly to the transactions performed on the biometrically enabled ATM infrastructure. These fees include but are not limited to interfaces to the NPS, settlement and reconciliation as well as third party payments that facilitate ATM deployment.
Cash Deposit Fees	FIXED	2 917 411	2 917 411	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Re-depositing of unused cash returned from pay points for reimbursement to SASSA. Fees paid to banks.
Cash Withdrawal Fees	DISBURSEMENTS	7 910 407	7 910 407	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Withdrawal of bulk cash for the purpose of distribution at pay points. Fees paid to banks.
Grindrod Transaction Fees	CARDS ISSUED	63 637 472	34 865 392	42%	Minimum of R4m per month to maintain banking compliance	Fees paid to Grindrod Bank for facilitating bank accounts for all 10.7 million grant recipients, including SARL reporting requirements.
Card Costs	CARDS ISSUED	13 077 174	3 788 714	29%	Card Costs are amortised over contract period, however the amortisation period is accelerated due to short-term of contract, not factored in.	Cost of card acquisition for issuance to grant recipients.
Insurance Premium	FIXED	40 041 441	40 041 441	100%	Full cost is required to maintain cash payments at 10 000 paypoints	The cost of insuring all cash transferred for the purpose of distribution at pay points as well as robberies in respect of pay points. Insurance premium for asset protection cover.
Payment Differences	FIXED	137 231	137 231	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Cash shortages that result from internal theft.
Cash Losses From Robberies	FIXED	-	-	100%	Full cost is required to maintain cash payments at 10 000 paypoints	
Motor Vehicle Fuel	FIXED	32 566 779	32 566 779	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Fuel required for the operational activities of CPS.
Motor Vehicle Maintenance & Repairs	FIXED	10 692 394	10 692 394	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Maintenance and repairs required for the operational activities of CPS.
Motor Vehicle Registration Costs	FIXED	319 253	319 253	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Vehicle registration costs required for the operational activities of CPS.
Pension & Welfare Establishment Cost	FIXED	-	-	100%	Full cost is required to maintain cash payments at 10 000 paypoints	
Equipment Rental	FIXED	15 640	15 640	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Provision of ablution facilities when required.
Communication charges	FIXED	106 253	106 253	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Data costs relating to the enrolment of grant recipients and dependents.
Hardware Maintenance & Repairs Cost	FIXED	-	-	100%	Full cost is required to maintain cash payments at 10 000 paypoints	
Inventory Written Off	FIXED	70 175	70 175	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Payment and enrolment hardware that is uneconomical to repair.
Software Licensing	STEP-FIXED	264 143 276	211 314 621	80%	80% of the cost line has been allocated to the banking solution deployed primarily for the issuance, authorisation and settlement within NPS in relation to the SASSA contract. It is important to note that all beneficiaries are issued with a fully interoperable EMV / UEPS card that is representative of a Grindrod bank account. As the card issued is a debit card, the payment channel utilised by the beneficiary for transacting either in cash or electronically is irrelevant as all transactions are processed through the NPS, irrespective of whether the beneficiary transacts in an online or an offline environment. In addition, the hardware deployed within the pay-point infrastructure for offline payments has been specifically developed to accommodate the SASSA requirement for payment in areas where little or no communication exists (i.e. rural and offline environments). The entire infrastructure has to remain intact irrespective of the number of recipients who receive their grants utilising a Grindrod bank account.	The software licencing consists of the various components of the banking platform that has been developed to enable the issuance of an interoperable EMV compliant card (linked to a bank account), the authorisation and settlement of all financial transactions within the NPS in line with PASA rules. It also includes the biometric software solution the 1-to-many search engine that facilitates 1-to-many searches for all 10 fingerprints (including that of all dependents, resulting in a R2.5 billion per annum saving to SASSA), software required for the deployment of biometric point of sale devices as well as biometrically enabled ATM infrastructure, the software solution that facilitates offline, but real-time payment with no risk to SASSA or CPS, the provision of proof of life prior to the transfer of funds to beneficiary bank accounts (resulting in grants not accessed by grant recipients being refunded to SASSA - approximately R2.4 billion per annum). This line item also includes the operating system software required such as Windows, VOS, SQL, etc. This cost line also includes the IT staff costs amounting to approximately R70m per annum.
Infrastructure Fees	FIXED	13 561 201	13 561 201	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Cost of biometric ATM deployment.



Cost description	Driver	Total Expenditure	Expenditure allocated to cash payments cost centre	% to Cash	Basis of Allocation	Short description of each item
<b>Operational staff cost</b>		<b>226 368 656</b>	<b>226 368 656</b>			
Salaries	FIXED	168 787 372	168 787 372	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Operational staff cost includes the people cost directly relating to the distribution of cash at biometrically enabled channels including pay points, ATMs and point of sale devices.
Overtime	FIXED	7 362 620	7 362 620	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Medical Aid	FIXED	2 767 394	2 767 394	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
HR	FIXED	1 731 686	1 731 686	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Employee Disciplinary/Dismissal Cost	FIXED	189 201	189 201	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Workman's Compensation	FIXED	8 163 875	8 163 875	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Temporary & Casual Staff	FIXED	42 460	42 460	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Training	FIXED	218 622	218 622	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Refreshments & Entertainment	FIXED	1 535 477	1 535 477	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Bonuses	SALARY	14 074 973	14 074 973	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Travel Pay	FIXED	4 557 283	4 557 283	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Expenses	FIXED	10 011 990	10 011 990	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Staff Recruitment	FIXED	180 624	180 624	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Skills Development Levy	FIXED	2 165 881	2 165 881	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Group Life Cost	FIXED	4 579 198	4 579 198	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
<b>Operational administration cost</b>		<b>216 099 801</b>	<b>216 099 801</b>			
Premises Rental	FIXED	21 396 217	21 396 217	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the rental of 61 CPS cash depots and administration offices.
Security of Premises	FIXED	28 859 668	28 859 668	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the security and safeguarding of 61 CPS cash depots and administration offices. Each CPS depot carries an average of R3-R5 million at any given point.
Cleaning & Fumigation	FIXED	1 250 056	1 250 056	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the cleaning of 61 CPS cash depots and administration offices as well as pay point infrastructure where required.
Plant & Gardening Services	FIXED	94 132	94 132	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the gardening services of 61 CPS cash depots and administration offices.
Consulting & Audit Fees	FIXED	1 171 382	1 171 382	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Cost relating directly to external audit of CPS.
Testing & Development	FIXED	15 100	15 100	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Cost relating to expenditure incurred in respect of NPS and interoperability testing.
Assets - R2000 Written-off	FIXED	176 785	176 785	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Minor assets acquired for operational purposes.
Computer Consumables	FIXED	20 642	20 642	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Minor computer consumables.
Computer Hardware Maintenance	FIXED	5 106 583	5 106 583	100%	Full cost is required to maintain cash payments at 10,000 paypoints	This relates to the repairs and maintenance of computers, enrolment and payment hardware, biometric ATM and point of sale infrastructure.
Delivery & Courier Services	FIXED	5 973 491	5 973 491	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Distribution of hardware, stationary, documentation to and from 61 CPS depots.
Electricity & Water	FIXED	5 435 502	5 435 502	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the utilities of 61 CPS cash depots and administration offices.
Legal Fees	FIXED	4 984 293	4 984 293	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Legal fees relates to the operational activities including labour relations issues, commercial agreements, etc.
Postage	FIXED	763	763	100%	Full cost is required to maintain cash payments at 10,000 paypoints	
Hire Charges - Pay points	FIXED	606 416	606 416	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Provision of payment facilities.
Repairs & Maintenance	FIXED	814 966	814 966	100%	Full cost is required to maintain cash payments at 10,000 paypoints	The cost associated with the repairs to and maintenance of 61 CPS cash depots and administration offices.
Stationery and Printing	FIXED	5 234 360	5 234 360	100%	Full cost is required to maintain cash payments at 10,000 paypoints	Stationery and printing relating to the operational activities of CPS, including the printing of specialised stationery for cash control and operational efficiencies, purchase of tally rolls.

Cost description	Driver	Total Expenditure	Expenditure allocated to cash payments cost centre	% to Cash	Basis of Allocation	Short description of each item
Publication Subscriptions	FIXED	2 878	2 878	100%	Full cost is required to maintain cash payments at 10 000 paypoints	General subscriptions
Telephones	FIXED	20 031 449	20 031 449	100%	Full cost is required to maintain cash payments at 10 000 paypoints	This includes fixed line costs, data costs, company issued mobile telephones and satellite communication costs where applicable
Travel & Accommodation - Local	FIXED	2 882 556	2 882 556	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Travel and accommodation relating to the operation of CPS, including the cost required for CPS payment staff to overnight in remote areas, provincial and branch management travel for compliance and audit purposes
Depreciation	FIXED	3 919 516	3 919 516	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Depreciation of assets, specifically vehicles
Asset Moving Costs	FIXED	43 968	43 968	100%	Full cost is required to maintain cash payments at 10 000 paypoints	Transferring of assets between depots (specifically ATM re-deployment)
Corporate Social Investment	FIXED	4 654 176	4 654 176	100%	Full cost is required to maintain cash payments at 10 000 paypoints	We include a separate list of projects funded for the 12 months ended 30 June 2017 as well as for the eight months ended 28 February 2018. Please refer to Appendix 1(D)
Admin Fees	FIXED	103 425 902	103 425 902	100%	Full cost is required to maintain cash payments at 10 000 paypoints	The admin fee relates to the centralised cost structure deployed by Net <sup>1</sup> that facilitates the executive management, central support functions such as finance, human resources, cash management, industrial relations, procurement, production and maintenance, contract and fleet management, call centre, user acceptance testing, training and training documentation, project management and merchant acquiring. Approximately 42% of the South African centralised costs are apportioned to the CPB/SASSA contract. The admin fees reflected in our tables show an allocation of 100% as the value reflected constitutes 42% of the total centralised cost. These costs relate to all infrastructure, but is not limited to: staff costs, office accommodation, travel and accommodation, communication costs, etc. The admin fees also includes the BEE transaction costs of approximately R4.5 million per month. This cost item excludes Information Technology costs, including staffing costs (which forms part of the Software Licensing costs).
		<b>1 176 850 227</b>	<b>1 065 961 031</b>	<b>90.6%</b>		
Sundry		663 590	663 590	100%		
		<b>1 177 513 817</b>	<b>1 066 624 621</b>	<b>90.6%</b>		

Date 14 for 8 months ended 28 February 2018

Table 1b Expenditure by cost centre for year ended 30 June 2017

Top five cost items	Total expenditure	Beneficiary / recipient enrolment, biometrics	Cash distribution and payment	Electronic payments	Integrated grant information system or other relevant central database and information system	Central administration	Basis of allocation
Software Licensing	424 114 280	42 411 428	63 617 142	169 645 712	148 439 998	-	The majority of this cost line has been allocated to the back-end banking solution deployed primarily for the issuance, authorisation and settlement within NPS in relation to the SASSA contract. It is important to note that all beneficiaries are issued with a fully inter-operable EMV / UEPS card that is representative of a Grindrod bank account. As the card issued is a debit card vis. the payment channel utilised by the beneficiary as all transactions are processed through the NPS, irrespective of whether the beneficiary transacts in an online or an offline environment. In addition, the hardware deployed within the pay-point infrastructure for offline payments has been specifically developed to accommodate the SASSA requirement for payment in areas where little or no communication exists (ie. rural and offline environments). The entire infrastructure has to remain in-tact irrespective of the number of recipients who receive their grants utilising a Grindrod bank account.
Salaries	245 215 409	49 043 082	196 172 328	-	-	-	Direct operational staff costs, see Annexure 1(c)
Security Transport of Cash	165 173 496	-	165 173 496	-	-	-	Direct operational costs
Security	157 705 015	-	157 705 015	-	-	-	Direct operational costs
Admin Fees	144 188 905	1 159 247	14 975 512	6 140 166	47 067 669	74 846 290	The first of two major components of this line item are the BEE costs of approximately R4.5m per month which has been allocated to the Centralised Administration costs. We do not foresee any reduction in this line item until such time that this contract is terminated. The second major cost line item is for salaries of staff employed at head office for centralised functions. Attached hereto (Annexure 1(d)), please find the functional lines as well as the allocated cost categories. These costs equate to 72% of the Admin costs, the balance of these costs relate to among others office accommodation, travel and other administrative expenses, etc.
Other items	563 337 193	39 704 508	422 355 972	4 856 210	37 225 338	59 195 165	For purposes of allocation, we have utilised the same proportions as above.
Total expenditure for year	1 699 734 297	132 318 265	1 019 999 464	180 642 108	232 733 005	134 041 455	

**Annexure 1(c) : Current breakdown of CPS salary costs and description of responsibilities for the eight month period ending 28 February 2018**

<b>Function</b>	<b>Number of staff</b>	<b>Salary per annum</b>	<b>Description of responsibility</b>
Depot Clerks	84	8 410 339	Depot, cash management and human resources administration
Depot Managers	64	19 987 486	Manager of depot operations, including pay point operations, SASSA registration, technical support and SASSA relationships
Cleaners	45	1 835 519	Cleaning of depots and provincial offices
Payment Operators	866	58 208 817	Operation of payment workstations to facilitate payment of grant recipients
Provincial Administrators	15	2 106 627	Coordination of administration functions, including but not limited to compliance, human resources, logistics at provincial level
Provincial Managers	7	5 604 422	Overall coordination of registration and payment operations in province, including biometrically enabled ATMs and point of sale device deployment; SASSA relationships
Registration Operators	621	36 560 702	Operation of registration workstations to facilitate registration of grant recipients and dependents and card issuance to grant recipients
Security Managers	6	1 656 876	Coordination of security efforts, including SAPS liaison and community engagement for safety of grant recipients at pay points
Senior Operators	221	19 725 874	Operation of payment workstation to facilitate payment of grant recipients and support to Team Leader at pay points
Support Supervisors	194	36 571 749	Technical support to registration equipment, payment equipment, biometrically enabled ATMs and point of sale devices
Team Leaders	228	35 700 244	Supervision of payment operations at pay point, grant recipient queries, daily team cash reconciliation and first line technical support
		<b>226 368 656</b>	





Annexure 1(d) : Current breakdown of Group centralised functions

Cost Centre	Number of staff	Salary per annum	Time allocation to CPS functions*	*Time allocation to CPS functions				
				Beneficiary / recipient enrolment, biometrics	Cash distribution and payment	Electronic payments	Integrated grant information system or other relevant central database and information system	Central administration
Central Procurement	4	1 448 614	60%					100%
Data Processing	5	2 096 772	100%				100%	
Fleet, Insurance, Contracts	4	1 301 064	80%	10%	90%			
Fica scanning	16	1 563 706	100%					100%
Executive	4	19 512 758	35%					100%
Facilities	7	768 356	50%					100%
SA Finance	13	7 545 743	80%					100%
HS Finance	2	3 632 850	5%					100%
Human Resources	26	9 858 389	75%					100%
Compliance	7	5 160 565	60%	10%	30%	30%	20%	10%
Investigations	9	1 898 645	100%		50%	50%		
Merchant Acquiring	6	1 534 284	80%		100%			
Production	52	10 278 902	80%	15%	85%			
Stock Warehouse	5	1 022 511	80%	15%	85%			
Stratus recon	1	888 168	60%	0%	80%	10%	10%	
ATM Monitoring	5	1 039 002	100%	0%	100%			
Pension & Welfare	1	1 691 466	100%		100%			
Debtors Collection	6	1 789 142	30%		100%			
Information Technology	126	86 364 457	0%				100%	
Admin & Support	22	10 664 254	50%					100%
Call Centre	88	14 886 115	100%		50%	50%		
		<b>184 945 765</b>	<b>65 678 065</b>	<b>1 769 889</b>	<b>22 863 968</b>	<b>9 374 572</b>	<b>2 769 330</b>	<b>28 900 307</b>
				2,7%	34,8%	14,3%	4,2%	44,0%

91



**From:** Hester Cornelia Wagenaar [mailto:HesterW@sassa.gov.za]  
**Sent:** Monday, 09 April 2018 5:57 PM  
**To:** hermank@net1.com  
**Cc:** nandap@net1.com; anjal@net1.com; simone.joynt@net1.com; Pearl Sizeka Bengu; Dianne Dunkerley; Sindisiwe Shoba  
**Subject:** CPS role at SASSA Local Offices as from 01/04/2018  
**Importance:** High

Dear CEO

Herewith for your kind attention.

Regards



Hester Wagenaar  
Executive Assistant to the ACEO  
Telephone: 012 400 2037  
Cellphone: 082 822 5520  
Email: [HesterW@sassa.gov.za](mailto:HesterW@sassa.gov.za)

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Chief Executive Officer  
Cash Paymaster Services  
P O Box 2424  
**Parklands**  
2121

**Attention: Mr H Kotze**

Dear Sir

**CPS role at SASSA local offices as from 1 April 2018**

1. The letter serves to clarify the role of Cash Paymaster Services (CPS) at SASSA local offices with effect from 1 April 2018.
2. The Constitutional Court Order dated 23 March 2018 made it very clear that an extension is only granted for CPS to continue with cash payments, for a period of 6 months, while SASSA makes the necessary arrangements for alternative payment service providers, including the South African Post Office in terms of the agreement entered into. As a result, the role of CPS at SASSA local offices will.
3. For the month of April 2018, CPS is expected to remain at all the SASSA local offices, but will be confined to the following services only:
  - 3.1 PIN resets for the holders of the existing SASSA payment card;
  - 3.2 Issuing the existing SASSA payment card as a replacement card on request, for those beneficiaries who are on the April cash payment file only. All beneficiaries who have lost their cards, and who utilise alternative payment methods must be referred to SASSA staff, who will then assist them to change the method of payment to a personal bank account, or to go to SAPO to open an account with the Post Office;



[ *paying the right social grant, to the right person,  
at the right time and place. N!ALO!* ]



South African Social Security Agency  
Head Office – OFFICE OF THE CEO

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3.3 Replacement cards for existing beneficiaries who use the current SASSA payment card in the National Payment System can only be provided where the beneficiary has not yet accessed his/her money for April, and the money is already in the card;

3.4 Biometric enrolment and issuing the existing SASSA card for only those beneficiaries at identified SASSA local offices where there is no access to alternative payment infrastructure. All new beneficiaries will be actively encouraged to receive their grants through their personal bank accounts or through the Post Office.

4. As from 1 May 2018, CPS is only to retain staff and enrolment equipment in offices which will be identified by SASSA. These are the offices where access to banking infrastructure or a Post Office is extremely limited. These are the only offices where new beneficiaries can choose cash as a payment method. In all other offices, beneficiaries will only have the option to choose to receive their grants in their own personal bank accounts or through SAPO.
5. The location of the above offices will be confirmed by no later than 16 April 2018, to enable you to make the necessary arrangements with your staff.
6. Your co-operation in ensuring that these changes are effected smoothly and without disruption to the services is appreciated.

Yours sincerely




**Ms P Bengu**  
**Acting Chief Executive Officer**

Date: 09/04/2014.....



[ *paying the right social grant, to the right person,  
at the right time and place. NJALO!* ]



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-----Original Message-----

From: Dianne Dunkerley

Sent: Monday, April 23, 2018 11:21 AM

To: hermank@net1.com; Nanda Pillay; 'Anja Lewington'

Cc: Busisiwe Mahlobogoana; Raphaahle Ramokgopa; Zodwa Mvulane; Abraham Mahlangu; Thandi Miriam Sibanyoni; Tsakeriwa Chauke; Paseka Cornelius Letsatsi; Pearl Bengu; Sindisiwe Shoba; Hester Cornelia Wagenaar; Henry De Grass; Andrew Brewer; simone.joynt@net1.com

Subject: Limited presence of CPS in SASSA offices

Dear CEO,

Please find attached letter, together with the list of SASSA offices where the biometric enrolment and card issuing service will still be required after 1 May 2018.

Your response will be appreciated.

Kind regards

Dianne

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Chief Executive Officer  
Cash Paymaster Services  
P O Box 2424  
Parklands  
2121

**Att: Mr H Kotze**

Dear Sir,

**CPS presence at SASSA local offices**

My previous correspondence dated 9 April 2018 refers.

SASSA has undertaken an exercise to identify those local offices where payment of social grants at cash pay points may remain an option for new beneficiaries. The attached list indicates the offices where CPS biometric enrolment and card issuance may still be required, for the period from 1 May 2018 to 30 September 2018.

Please note that the information for Eastern Cape is still outstanding. This will be provided separately no later than today, Monday 23 April.

However, it should be noted that, the requirement for a CPS presence even at the offices included on the list may change during this time frame. Any changes will be communicated in writing.

The CPS staff who remain at the identified 198 local offices are only to undertake the following functions:

1. Card replacements for only those beneficiaries who are already on the cash payment file and where the beneficiary does not choose to change the method of payment.
2. Biometric enrolment and issuing the existing SASSA card to those new beneficiaries where SASSA has approved that cash payment at the identified pay points will remain open to accept new beneficiaries who do not opt to choose an alternative method of payment.



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CPS staff based at the local SASSA offices **cannot** market the EPE account. While they are in SASSA premises, they are permitted only to undertake the above functions, in line with the limited services related to cash payments of social grants only.

It would be appreciated if you can confirm the arrangements made to comply with this instruction.

Yours sincerely,



**Ms P S Bengu**  
**Acting Chief Executive Officer**

Date: 2018-04-23.....



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at the right time and place. NJAL!*

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<b>Western Cape</b>
<b>Local Offices</b>
Beaufort West
Bellville

Calendon  
Eestrivier  
Geoge  
Oudhshoorn  
Paarl  
Vredenburg  
Vredendal  
Worcester  
Wynberg  
**Total=11**

<b>Nothorn Cape</b>		<b>Gauteng</b>
<b>Local Offices</b>		<b>Local Offices</b>

Bendel  
Churchill  
Delportshoop  
Ga Segonyama  
Garies  
Gronblershoop  
Jankempdorp  
Kakamas  
Kiesmoes  
Pofadder  
Port Nolloth  
Posmasburg  
Springbok  
Steinkopf  
Tihokomelo  
Upington  
Warrenton  
Douglas  
Reitfontein  
**Total=19**

Randfontein  
Forchville  
Krugersdorp  
Vereeniging  
Meyerton  
Heidelberg  
Bronkrspruit  
Soshanguve  
Orange Farm  
**Total=9**



<b>Mpumalanga</b>
<b>Local Offices</b>

Bushbuckridge  
 Delmas  
 Dipaleseng  
 Elukwatini  
 Emakhazeni  
 Emalahleni  
 Govan Mbeki  
 Kabokweni  
 KwaMhlanga  
 Lekwa  
 Marapyane  
 Matibide  
 Matsulu  
 Mayflower  
 Mbangwane  
 Mbibane  
 Mbombela  
 Mkhondo  
 Mkobola  
 Mmamethlake  
 Msukalingwa  
 Phola  
 Schoemansdal  
 Seme  
 Siyabuswa  
 Steve Tshwete  
 Tonga  
 Umjindi  
 Verena  
**Total= 29**

<b>Free State</b>
<b>Local Offices</b>
Bethlehem
Ladybrand

Qwaqwa  
 Thaba Nchu  
 Welkom  
**Total=5**

<b>North West</b>
<b>Local Offices</b>

Dryharts
Kagisano
Morokweng
Naledi
Sekhing
Taung

Tlaakgameng  
 Manthe  
 Ventersdorp

<b>Makwassie</b>
------------------

Moretele  
 Mogwase  
 Madikwe  
 Madibeng  
 Mabeskraal  
 Cyferskuil  
 Mafikeng  
 Ratlou  
 Ramotshere  
**Total = 19**





<b>Limpopo</b>		<b>Easterncape</b>
<b>Local Offices</b>		<b>Local Offices</b>
Apel		ALI WAL NORTH
Bahananao		BETHERLDORP
Bakenberg		HUMANSDORP
Bela Bela		IBAYI
Botlokwa		JOUBERTINA
Ceres		KEISKAMMAHOEK
Dzanani		KIRKWOOD
Hlanganani		LADY FRERE
Giyani		LIBODE
Leeufontein		LUSIKISIKI
Malamulele		MACLEAR
Mankweng		MATATIELE
Maraba		MDANTSANE 2
Modimolle		MIDDLEBURG
Mokerong		MIDDLEDRIFT
Moutse		MOTHERWELL
Nkidikitlana		MQANDULI
Polokwane		MT FRERE
Silaom		MT. AYLIF
Thabamoopo		MT. FLETCHER
Thabazimbi		MTHATHA
Tshaulu		NGQELENI
Tzaneen		NQAMAKWE
Witpoort		NTABANKULU
Zabediela		PEDDIE
Total =25		PORT ALFRED
		PORT ST JOHNS
		QUEENSTOWN
		QUMBU
		SOMERSET EAST
		STERKSPRUIT
		STUTTERHEIM
		TSOLO
		TSOMO
		UITENHAGE
		WALMER
		WHITTLESEA
		WILLOMORE
		WILLOWVALE
		ZWELITSHA
		ZWIDE
		<b>Total = 61</b>

## Kwa Zulu Natal

### Local Offices

Nkandla  
 Babanango  
 Mondlo  
 Louwsburg  
 Manguzi  
 Ingwavuma  
 Hlabisa  
 Mbazwana  
 Ubombo  
 Umbumbulu  
 Bhamshela  
 Harding  
 Hlanganani  
 Impendle  
 Ixopo  
 Phungashe  
 Umzumbe,  
 Umzimkhulu  
 Underburg  
 Vulamehlo  
**Total =20**