

# STATUS OF THE FINDINGS

The status of these issues is set out below. The overall results of the follow –up audit reflect a movement from high risk to acceptable level.

**AGSA Management report findings raised for the financial year ended 31 March 2017.**

|  |  |  |
| --- | --- | --- |
| **Summary of AGSA findings** | | |
| **Status** | **Number** | **Percentage %** |
| **Completed** | 13 | 62% |
| **Incomplete** | 2 | 10% |
| **Issues were agreed dates has not passed** | 6 | 29% |
| **Total** | **21** | **100%** |

**The status in graph:**

# SUMMARY

| **Finding** | **Risk Rating** | | | **Status of implementation** |
| --- | --- | --- | --- | --- |
| **High** | **Medium** | **Low** |
| **Predetermined Objectives** | | | | |
| Complaints not dealt with in accordance with the complaints manual |  |  |  | Complete |
| The strategic plan does not include an analysis of the risks |  |  |  | Incomplete |
| Quarterly performance reports not procedures within 30 days of the end of the quarter |  |  |  | Complete |
| Objective 2 & 3 indicator and target not well defined |  |  |  | Complete |
| Baseline for certain targets is not based on the recorded performance of the prior year |  |  |  | Complete |
| Indicator 6 under strategic planning 2 has been understated |  |  |  | Complete |
| **Procurement, Expenditure and Contract Management** | | | | |
| Internal control deficiencies |  |  |  | Incomplete |
| Non-compliance with laws and regulations |  |  |  | Complete |
| **Human Resources** | | | | |
| No appointment made for vacancies in management roles |  |  |  | Issues were agreed dates has not passed |
| Updated and accurate documentation related to employees was not maintained |  |  |  | Complete |
| Insufficient training of personnel |  |  |  | Issues were agreed dates has not passed |
| **Asset Management** | | | | |
| Significant control deficiencies relating to the fixed assets register and resulting impact on the depreciation expense |  |  |  | Complete |
| **Governance** | | | | |
| Audit Committee packs not submitted timeously |  |  |  | Complete |
| No control over ensuring that the recorded donor income complete |  |  |  | Issues were agreed dates has not passed |
| Insufficient policies, procedures and guidelines on reaction to fraud allegations |  |  |  | Issues were agreed dates has not passed |
| **Information Technology** | | | | |
| ITC Policy not reviewed annually |  |  |  | Issues were agreed dates has not passed |
| **Expenditure Management** | | | | |
| Irregular Expenditure not reported to National Treasury |  |  |  | Complete |
| Municipal services relating to prior years all recorded in the current financial year due to lack of receipt of invoices from the Department of Public Works |  |  |  | Complete |
| Control deficiency regarding the receipt of invoices |  |  |  | Complete |
| Insufficient controls over travel expenses |  |  |  | Complete |
| Control deficiency over Western Cape and Eastern Cape telephone costs. |  |  |  | Issues were agreed dates has not passed |

# DETAILED FINDINGS

| **Number** | **Category** | **Findings** | **Recommendation** | **Root cause** | **Action Plans** | **Implementations date** | **Responsible person** | **Progress** | **Status** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Predetermined Objectives | Complaints not dealt with in accordance with the complaints manual | Management needs to ensure that the complaints are dealt with in accordance to the Complaints’ Manual, this can be achieved by ensuring that the steps taken to attend to complaints are clearly documented and adhered to. Additionally, continuous monitoring of the complaints process should be completed to ensure that legal officers, which are the individuals who are attending to the complaint, are familiar with the manual and apply it consistently through the complaints that are received. We have noted that a checklist has been developed to assist the legal officers to comply with the complaints manual. The checklist is a good tool and management should ensure that this is used by the legal officers.  Management should ensure that the indicator has a clear unambiguous description, to ensure that there are no different interpretations to the meaning of the indicator  Head of Legal, should inspect the legal registers kept by the legal officers, when she visits the provincial offices, and agree them to the files they currently have on hand, to enhance the completeness of the complaints registers in the future.  Management should avoid double counting, and this can be achieved, for example by breaking down the indicator into two activities, to rather report on those opened and closed separately. | 1. Lack of management oversight No continuous monitoring and review of legal complaints for compliance with the procedure manual. 2. The annual target did not comply with the SMART criteria | The Annual target for legal complaints to be adjusted to ensure it complies with the SMART criteria 2. HOD Legal will continuously monitor complaints files for compliance with the procedure manual | Immediately | HOD Legal | 1. Obtained the amended APP, and inspected the legal complaints annual target and it was noted that the annual target was adjusted respectively. 2. Selected a sample of 10 complaints files and inspected if the acknowledgement letters were sent within 7 days and it was noted that from sample selected the acknowledgement letters were sent within 7 days. | Complete |
| 2 | Predetermined Objectives | The strategic plan does not include an analysis of the risks | Management should include the risks associated to each objective including how the risks will be managed to achieve the set strategic objectives in the strategic plan. | The strategic plan was tabled in parliament in 2013 and it did not include strategic risk. Thus, the organization decided on including the strategic risk on the APP. | Our mitigating strategy was to include the analysis of risk on the APP. As we are sitting on our last year of our 5 years’ strategic plan. | N/A | Keketso Maema: Chief Executive Officer and Joan de Klerk: HOD Public Education and Information | Obtained the APP, it was noted that the strategic risk analysis was included for the year under audit even though the Commission will not be able to edit the long term strategic plan. This finding can only be rectified on the new strategic plan. | Incomplete |
| 3 | Predetermined Objectives | Quarterly performance reports not procedures within 30 days of the end of the quarter | Quarterly reports must be produced and submitted within 30 days after the end of the quarter. Tabling of quarterly report must be prioritised and controls should be in place to ensure our recommendations are fully implemented | Shifting of plenary dates because of parliamentary invitations, instructing the Commission to appear before the portfolio committees | Management has developed and implemented a yearly plan with plenary dates and will attempt to abide by the schedule of dates | 30-Sep-17 | Keketso Maema: Chief Executive Officer and Joan de Klerk: HOD Public Education and Information | Obtained a yearly plan with Plenary dates, that has deadlines for quarterly reports, we obtained an audit trail of quarterly reports that were submitted to plenary during first quarter and it was noted that the reports were submitted within 30 days of that quarter | Complete |
| 4 | Predetermined Objectives | Objective 2 & 3 indicators and targets are not well defined | Management must ensure that indicators for performance reports have a clear unambiguous definition thus avoid having more than one interpretation.  Furthermore we recommend that the subject matter and content outline be provided for the assessment reports on regional protocols and charters, number of presentations made to relevant national regional and international stakeholders and engagements with stakeholders on CGE attendance at international and regional events. | Lack of management oversight | All targets on the APP have been reviewed for SMART for this financial year. All changes have been tabled and adopted by Plenary. | 30-Sep-17 | Keketso Maema: Chief Executive Officer and Joan de Klerk: HOD Public Education and Information | Obtained minutes of the Strategic Plans Committee and Plenary, it was noted that management does perform reviews on the Annual Performance Plans (APP) for consistency, accuracy, completeness and validity. | Complete |
| 5 | Predetermined Objectives | The baseline for certain targets is not based on the recorded performance of the prior year | We recommend that management take into considerations the prior year achieved targets when developing the annual performance plan. Management should determine their baseline, as the level of performance recorded in the year prior to the planning period, to ensure compliance with the framework for strategic plans and annual performance plans | Lack of management oversight | The baseline for all targets have been recorded accordingly. | 30-Sep-17 | Keketso Maema: Chief Executive Officer and Joan de Klerk: HOD Public Education and Information | Obtained minutes of the Strategic Plans Committee and Plenary, it was noted that management does perform reviews on the Annual Performance Plans (APP) for consistency, accuracy, completeness and validity. | Complete |
| 6 | Predetermined Objectives | Indicator 6 under strategic objective planning 2 has been understated | Management should ensure that all achievements recorded are in line with the indicator requirements as this will ensure that management records the correct achievement relating to their indicators. | Lack of management oversight | The strategic objective 2 has be reinstated to reflect the actual achievement. | 30-Sep-17 | Keketso Maema: Chief Executive Officer and Joan de Klerk: HOD Public Education and Information | Obtained minutes of the Strategic Plans Committee and Plenary, it was noted that management does perform reviews on the Anuual Performance Plans (APP) for consistency, accuracy, completeness and validity. | Complete |
| 7 | Procurement, Expenditure and Contract Management | Internal control deficiencies | Management should ensure that all contracts are signed and all related documents are correctly included in the contract files.  2. The procurement for a new insurance contract should begin to ensure that these are procured on time.  3. Shadrack Mafutsa (SCM Official) should ensure that all bid files and related documents are properly safeguarded whether relating to cancelled or non-cancelled bids.  4. Management should implement controls where they monitor the frequency of deviations and where possible enter contracts to supply the CGE with goods or services that meet reoccurring operational needs | Having set-up automated systems, tools and procedures as well as personnel capacity through necessary training on SCM related prescripts. The following issues are considered as the key remaining impediments: 1. Organizational-wide culture and discipline for proper planning (most mistakes and deviations are made in haste as opposed to emergency or reasonable urgency). 2. Culture of accountability (must still be heightened) 3. Non-adherence to regular monitoring and review procedures. 4. Lack of capacity within the SCM unit 5. Poor performance management of officials that are underperforming 6. Quarterly contract reviews not adequately performed. 7. Contract listing not continuously updated and reviewed by senior officials. | 1. Contracts to be reviewed on a quarterly basis 2. Contract listing to be performed on a continuous basis, an independent official to review the contract register at least quarterly for completeness, accuracy and validity. 3. Management to continuous monitor the performance of SCM officials 4. Proper performance management processes to be implemented. | 30-Oct-17 | Moshabi Putu: Chief Financial Officer | 1. Obtained the contract register from Finance Manager, it was noted that it does not comply with the National Treasury Contract Framework mainly on: - Contract value is not stipulated - Contract complexity is not stipulated. 2. Obtained the contract register from Mxolisi Magubane (FM) and inspected if it is complete. From the contract register it was noted that some fields were not updated. | Incomplete |
| 8 | Procurement, Expenditure and Contract Management | Non-compliance with laws and regulations | The Accounting Officer should ensure that the requirements of Circular 1/2/1/2 paragraph 4.6.1, are adhered to by submitting an annual procurement plan to the National Treasury by the 30th of April each year. | Having set-up automated systems, tools and procedures as well as personnel capacity through necessary training on SCM related prescripts. The following issues are considered as the key remaining impediments: 1. Organizational-wide culture and discipline for proper planning (most mistakes and deviations are made in haste as opposed to emergency or reasonable urgency). 2. Culture of accountability (must still be heightened) 3. Non-adherence to regular monitoring and review procedures. 4. Lack of capacity within the SCM unit 5. Poor performance management of officials that are underperforming 6. Quarterly contract reviews not adequately performed. 7. Contract listing not continuously updated and reviewed by senior officials. | 1. To enforce SCM officials to submit the Procurement Plan prior to 30 April. | 30 April 2017 | Mxolisi Magubane | Obtained the procurement plan for the 2017/18 financial year and inspected if it was submitted to National Treasury before 30 April 2017. It was noted that the procurement plan was submitted to National Treasury before 30 April 2017. | Complete |
| 9 | Human Resources | No appointment made for vacancies in management roles | Management should ensure that vacant managerial positions are filled in order to ensure that management can be effective in performing their duties. | Budget | 1. Business model to be developed 2. Plans for fundraising and on-going funding discussion with government through parliament | 01-Apr-18 | Acting Chairperson and Chief Executive Officer | **Cannot be tested the implementation date has not yet passed** | In progress |
| 10 | Human Resources | Updated and accurate documentation relating to employees was not maintained | Management should ensure that all employees sign their employment contracts, as well as any changes to contracts, to ensure that the employee agrees to the terms of their employment.  Management should on a yearly basis keep record of how senior management requested to structure their remuneration that reconciles to the remuneration determined based on Depart of Public Services and Administration Circulars determining the remuneration to be paid to head of national/provincial departments and provincial administrators. | Confirmation letters for subsidy entitlement to employees have not been updated and issued annually. The practice was started by not carried forward. | Management will ensure that confirmation letters/documents regarding salary structure and housing allowance to employees are issued annually. | 31-Jan-18 | Chief Financial Officer | Selected a sample of 10 employee files and it was noted that the third confirmation for this financial year were included in the files | Complete |
| 11 | Human Resources | Insufficient training of personnel | Management should provide additional training to personnel involved in all areas where repeat report items are raised, specifically relating to the supply chain management report items. | Lack of coherence and ineffective PMDS | Comprehensive HR strategy and plan to be developed and implemented | 31-Mar-18 | Chief Financial Officer | Cannot be tested the implementation date has not yet passed | In progress |
| 12 | Asset Management | Significant control deficiencies relating to the fixed assets register and resulting impact on the depreciation expense | Management should review the fixed asset register to ensure it is accurate and correct the depreciation and accumulated depreciation balances as at year end. The remaining useful lives as included in the Pastel System should be reviewed and corrected to ensure the depreciation is correctly calculated going forward and assets not working should be impaired. Furthermore, an annual impairment review should be implemented. | 1. The depreciation miscalculation resulted from effect on useful life extension (being a once-off/non-standard system procedures). It is submitted that this function should have been tested intensely at the system sign-off stage. 2. At the point of data migration into the new system environment, no proper change control procedures were followed as the ICT Department and other control steps were engaged thus, the Pastel system was not adequately reviewed (parallel system testing during transition, etc.) 3. Inadequate review systems due to lack of capacity/poor performance by middle management in the unit. | 1. Management will ensure that there are proper reviews for the measurement and estimate for useful lives, impairment, including depreciation and all other adjusting entries. 2. Management to continuously review the financial records, to ensure that financial information is complete, accurate and relevant. Monthly reconciliations between GL and FAR module will be completed and reviewed. | 31-Jan-18 | Chief Financial Officer | Cannot be tested the implementation date has not yet passed | In progress - midyear processing is executed while the change in estimate procedures and valuations will be completed at year-end. |
| 13 | Governance | Audit Committee packs not submitted timeously | The Audit Committee should enforce management to comply with the requirements of the CGE Audit Committee Charter. | Management provide the documents late | Management will ensure that audit packs are submitted 7 days before the meeting | Immediately | Chief Financial Officer and Chief Audit Executive | The audit packs are electronically being submitted as per the audit committee charter | Complete |
| 14 | Governance | No control over ensuring that the recorded donor income is complete | We recommend that management implements the following control:  Perform a review where there have been considerations to request donations by the Fund-Raising Committee to actual donations received and recorded in the ledger and follow up on differences. | Over-riding of established controls as per policy. | Officials are not aware of the donor income prescripts. | Immediately | Chief Financial Officer | Awareness raising to internal stakeholders on the provisions of the Donor Funding policy and risks associated with no-observance. | Complete |
| 15 | Governance | Stuffiest policies, procedures and guidelines on reaction to fraud allegations | Plenary should ensure that they have detailed formal policies, procedures and guidelines in place to assist them in handling a variety of significant issues facing the organization within a specified timeframe and manner. | Roles and responsibilities relating to fraud prevention were not clearly defined | Commissioners' handbook to be reviewed to include the roles and responsibilities relating to fraud prevention | 31-Dec-17 | Chairperson of the Good Governance and Ethics Committee which bydefault is the Chairperson of the CGE. | In progress - the Commission is currently in the process of reviewing the Commissioners Handbook. **Cannot be tested the implementation date has not yet passed** | In progress |
| 16 | Information Technology | ITC Policy not reviewed annually | The terms of reference should be reviewed annually and changes made where necessary, in accordance to the policy. | Lack of management oversight/ management structures or systems | To reviewed in the ICT Committee for relevance and completeness against best practices and changes in the operating environment | 31-Oct-17 | Chief Financial Officer | In progress - the ITC policy has been circulated to officials for inputs. **Cannot be tested the implementation date has not yet passed** | In progress |
| 17 | Expenditure Management | Irregular Expenditure not reported to National Treasury | The accounting officer should ensure that the requirements of Section 38 (1) (g) are adhered to by disclosing the above on a timely basis.  The accounting officer must report the 2016/17 irregular expenditure incurred to National Treasury as a matter of urgency. | 1. Lack of management oversight 2. No monthly reviews of incurred and recorded expenditure by a senior official | Monthly review of incurred and recorded Expenditure and provision of a report by 10th of each month | 30-Sep-17 | Chief Financial Officer | Obtained monthly incurred and recorded expenditure report, which were monthly reviewed by the CFO. Complete | Complete |
| 18 | Expenditure Management | Municipal services relating to prior years all recorded in the current financial year due to lack of receipt of invoices from the Department of Public Works | Management should ensure that all expenses are accrued for in the correct financial periods and urgently request a valid invoice before payment is made. | Yearend procedures not followed | Update year end procedures & follow GRAP checklist at each reporting date. | 30-Sep-17 | Chief Financial Officer | Completed based on materiality in line with GRAP3 | Complete |
| 19 | Expenditure Management | Control deficiency regarding the receipt of invoices | Management should ensure that there are adequate controls in place to ensure the adherence to the PFMA requirements to stamp the invoices on the correct day it was received. Segregation of duties should be implemented to ensure the person who received the invoices is not the same as the person making the payments. A central point of receipt for all quotations or invoices should be implemented to ensure appropriate audit trail is being kept. | 1. Disputes with the service providers not adequately and timely resolved. For this finding, the issue was with a single service provider. 2. Non-adherence to the National Treasury not/guideline on the 30-day payment rule viz maintaining/tracking of invoices as they are received, date stamping procedures. 3. This was mainly caused by an element of human error. | 1. Implementation of an instruction note by National Treasury the 30-day rule. All stipulated procedures steps will fully be undertaken. 2. Management will perform quarterly review for payments to ensure they comply with the relevant rules and regulations. | 30-Sep-17 | Chief Financial Officer | Obtained a register of all invoices tracking receipt date that is being maintained and it was noted that the invoices register is being maintained | Complete |
| 20 | Expenditure Management | Insufficient controls over travel expenses | Management should develop and implement controls to ensure that excessive costs relating to travel are avoided and that travel bookings are made in advance to secure the cheapest price for a flight. | 1. Poor planning 2. Lack of proper monitoring of excessive travelling expenses. 3. Decentralized logistics management 4. Lack of effective accountability. | 1. Management will continuously monitor travel expenses, to ensure that excessive travel is avoided. This forms part of employing cost measures. 2. Proper discretion by management to be implemented when approving travel requisitions. 3. Cost containment measures to be regularly employed and monitored. | 30-Sep-17 | Chief Financial Officer | This forms part of cost-cutting mergers. CFO reports to Plenary and the Audit Committee on a quarterly basis. | Complete |
| 21 | Expenditure Management | Control deficiency over Western Cape and Eastern Cape telephone costs. | Management should implement and develop controls to ensure that all telephone costs at all the provincial offices are appropriately monitored to avoid incurring excessive telephone bills. | 1. Lack of management oversight 2. Management decisions making does not always incorporate financial implications | 1. To be resolved through the new VOIP solution to be implemented before the end of the calendar year.  2. Management will enforce departmental heads and provincial coordinators to do monthly print outs and monitored usage as per office. | 30-Apr-18 | Chief Financial Officer | This forms part of cost-cutting mergers. CFO reports to Plenary and the Audit Committee on a quarterly basis. | In progress |