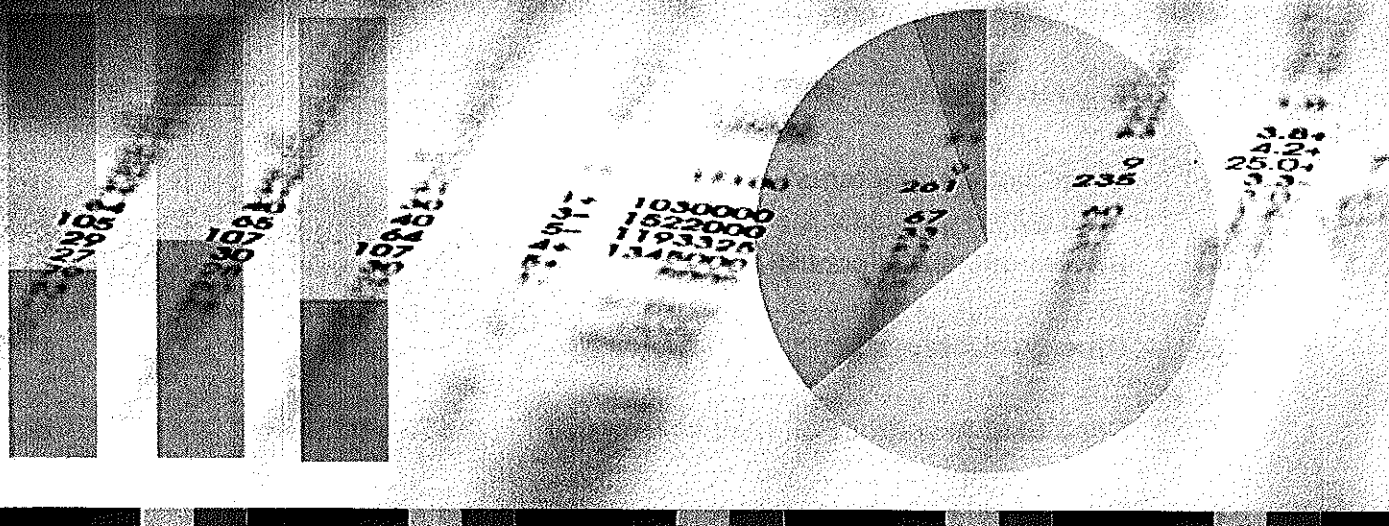


PCWomen 191310

# PC BRIEFING NOTE



PFMA audit outcomes of the 2014-15 financial year

## Women in the Presidency October 2015



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**CONTENTS**

<b>1.</b>	<b>Introduction</b>	<b>1</b>
<b>2.</b>	<b>Audit opinion history</b>	<b>3</b>
<b>3.</b>	<b>Key focus areas</b>	<b>4</b>
<b>4.</b>	<b>Other matters of interest</b>	<b>9</b>
<b>5.</b>	<b>Drivers of internal control</b>	<b>11</b>
<b>6.</b>	<b>Other AGSA reports</b>	<b>11</b>
<b>7.</b>	<b>Combined Assurance on Risk Management in the Public Sector</b>	<b>12</b>
<b>8.</b>	<b>Minister commitments and progress on these commitments</b>	<b>13</b>
<b>9.</b>	<b>Commitments from the Portfolio Committee</b>	<b>13</b>

## **1. Introduction**

### **1.1 Reputation promise of the Auditor-General of South Africa**

The Auditor-General has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

### **1.2 Purpose of document**

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and other findings in respect of the Department of Women and its entities for the 2014/15 financial year.

### **1.3 Overview**

#### **Legislative mandate**

The Department of Women (DoW) derives its mandate from the Constitution of the Republic of South Africa; in particular, section 9 (3), which states that "the state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth"; and section 10, which states that "everyone has inherent dignity and the right to have their dignity respected and protected".

The National Development Plan (NDP) is anchored on the Constitution's vision of a prosperous, democratic, non-sexist, non-racial and equal society. The mandate of the department is aligned to the NDP in championing the advancement of women's socio-economic empowerment and women's rights.

The President announced on 25 May 2014 that: "The functions related to support for people with disabilities and children will be transferred to the Department of Social Development. The current Ministry of Women, Children and People with Disabilities is now the Ministry of Women, which will be located in the Presidency. The Women's Ministry will champion the achievement of women's socio-economic empowerment and women's rights."

While the DoW does not administer any legislation apart from the Commission on Gender Equality Act, there is a wide range of legislation that has a direct impact on the mandate of the department. Post-apartheid South Africa provided for a strong Constitutional and legal framework that protects, supports and promotes gender equality and women's rights across all sectors of society. Gender equality and women's rights are encompassed in multiple laws and policy frameworks across the three spheres of government.

The mandate of the DoW is to champion the advancement of women's socio-economic empowerment and the promotion of gender equality.

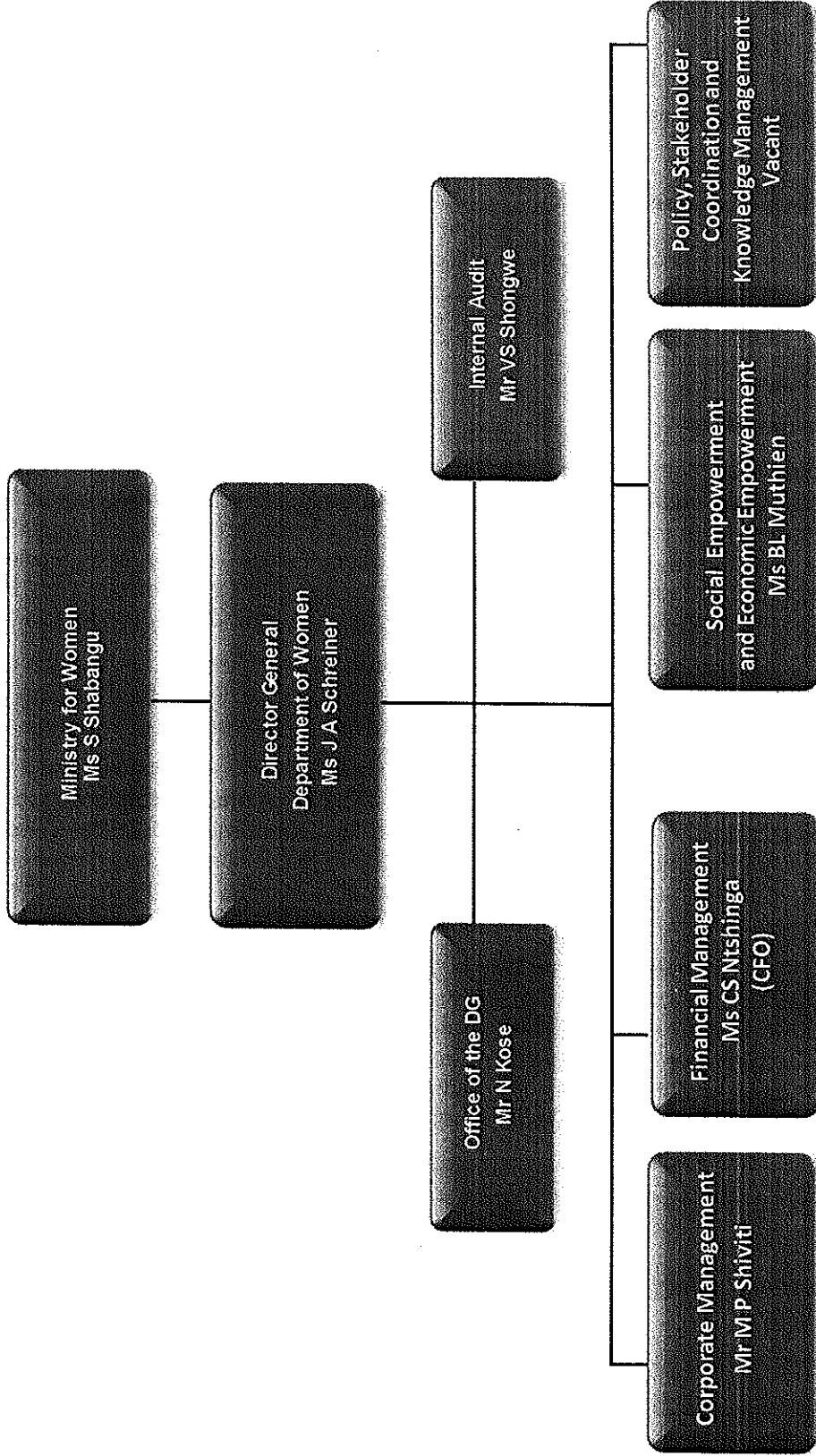
#### **Vision**

A society that realises the socio-economic empowerment of women and the advancement of gender equality.

#### **Mission and objectives**

Accelerate socio-economic transformation for women empowerment and the advancement of gender equality.







1.4 Organisational structure



**2. Audit opinion history**

<b>Audit opinions</b>	<b>14/15</b>	<b>13/14</b>	<b>12/13</b>	<b>11/12</b>	<b>10/11</b>
• Department of Women (previously the Department of women, children and people with disabilities)					
• The Commission for Gender Equality					
<b>Predetermined objectives</b>	<b>14/15</b>	<b>13/14</b>	<b>12/13</b>	<b>11/12</b>	<b>10/11</b>
• Department of Women	✓			✓	✓
• The Commission for Gender Equality				✓	✓
<b>Compliance with laws and regulations</b>	<b>14/15</b>	<b>13/14</b>	<b>12/13</b>	<b>11/12</b>	<b>10/11</b>
• Department of Women	✓	✓	✓	✓	✓
• The Commission for Gender Equality	✓	✓	✓	✓	✓

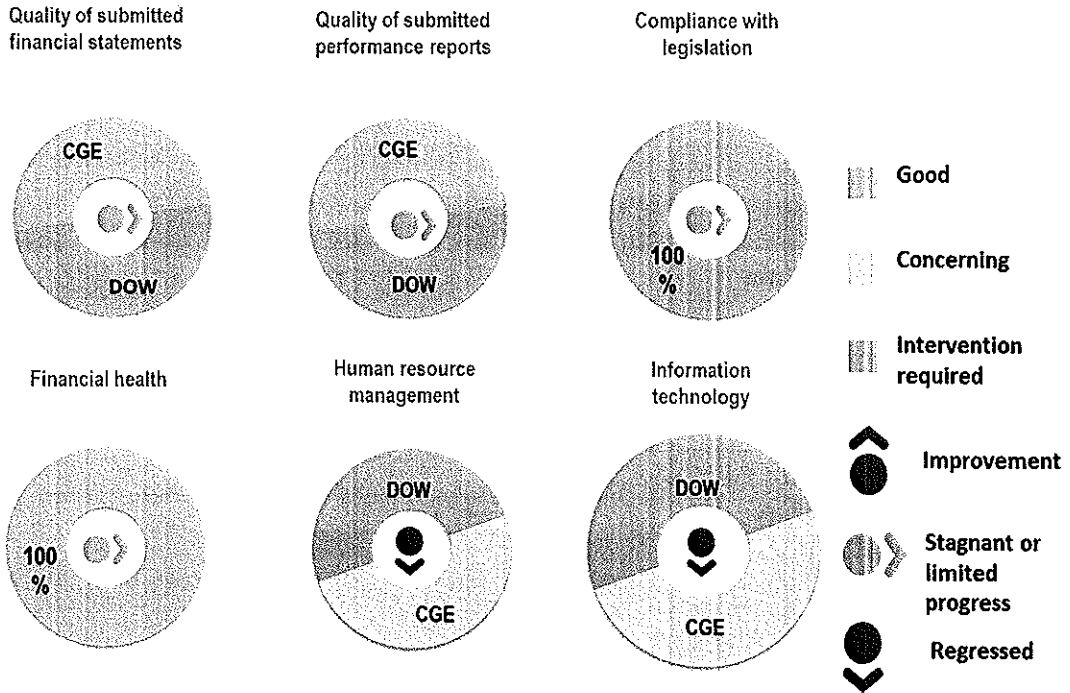
**AUDIT OPINION LEGEND**

	CLEAN AUDIT OPINION: No findings on PDO and Compliance
	UNQUALIFIED with findings on PDO and/or Compliance
	QUALIFIED AUDIT OPINION (with/without findings)
	DISCLAIMER/ADVERSE AUDIT OPINION
	ENTITY NOT YET ESTABLISHED
	DEPARTMENT/ENTITY HAD FINDINGS (in the related matter)

**2.1 Significant emphasis of matters**

<b>Department/Entity</b>	<b>Emphasis of matter raised</b>
The Commission for Gender Equality	Restatement of corresponding figures  The corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 31 March 2015 for the year ended, 31 March 2014.

**3. Key focus areas**



**3.1 Material errors/omissions in submitted annual financial statements**

Department/Entity	Finding	Root cause	Recommendation
Department of Women	Material misstatements of the appropriation statement, current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	This was due to vacancies in the finance section.	Key vacant positions within finance should be filled.

**3.1.1 Comments on additional AGSA interactions to help improve financial outcomes**

Department/Entity	Additional interaction/ add service (eg. Workshops etc)	Impact / outcome
The audit opinions were unqualified over the past four years and no intervention was necessary.		

**3.2 Predetermined objectives**

Department/Entity	Finding	Root cause	Recommendation
Department of Women	Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. Thirty three percent (33%) of the targets tested for programme 2 were not specific.	There was inadequate review by management to ensure targets are specific.	Management should enhance the review process to ensure that planned targets and indicators are SMART.

**3.2.1 Comments on additional AGSA interactions to help improve AOPO outcomes**

Department/Entity	Additional interaction/ add service	Impact / outcome
Department of Women	On an annual basis we review the annual performance plan (APP) prior to approval by the Minister and presentation to the Portfolio Committee.	Due to the transfer of functions the APP had to be revised post our review and due to inadequate review by management this resulted in some targets not being specific.

**3.3 Compliance with legislation**

Department/Entity	Finding	Root cause	Recommendation
Department of Women	The annual performance report did not contain the actual performance results against the objectives, indicators and targets as per the first annual performance plan of 2014-2015, as required by section 40(3)(a) of the PFMA and Treasury Regulation 5.2.4.  As indicated in paragraph 4 of the annual performance report there was a transfer of functions to the Department of Social Development during the year and thus the Department of Women had two approved annual performance plans. The department did not report in its annual performance report the actual performance results against the objectives, indicators and targets as set out in the first annual performance plan.	Leadership did not exercise adequate oversight responsibility regarding performance reporting.	Oversight responsibility over performance reporting should be strengthened.
	The internal audit function did not submit reports detailing the	The accounting officer did not ensure	Vacancies in key positions, such as



Department/Entity	Finding	Root cause	Recommendation
	performance against the annual internal audit plan, to the audit committee every quarter, as required by Treasury Regulation 3.2.7(d).	that an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively was in place subsequent to the resignation of the director: internal audit.	director: internal audit should be filled.  In the interim period an employee should act in that position or an alternative arrangement should be made to ensure business continuity.
	The internal audit function did not assess the operational procedure over all transfers made, as required by Treasury Regulation 3.2.8.		
	The internal audit function did not evaluate the effectiveness and efficiency of controls, as required by Treasury Regulation 3.2.11.		
	The internal audit function did not evaluate the compliance with laws and regulations, as required by Treasury Regulation 3.2.11(e).		
The Commission for Gender Equality	Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation (TR) 9.1.1.	Leadership did not adequately monitor the implementation of action plans to address internal control deficiencies with respect to procurement and contract management.  Management did not have sufficient monitoring controls to ensure compliance with all relevant laws and regulations pertaining to procurement and contract management.	The monitoring controls over compliance with laws and regulations and the implementation of an action plan should be enhanced.
	Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by (TR) 16A6.1.		
	Invitations for competitive bids were not always advertised in at least the government tender bulletin, as required by TR 16A6.3(c).		

**3.4 Financial Health**

Department/Entity	Finding	Root cause	Recommendation
	There were no unfavourable indicators.		



**3.5 Human resource management and consequence management**

Department/Entity	Finding	Root cause	Recommendation
Department of Women	Senior managers did not sign performance agreements for the year under review as required by Public Service Regulation 4/III/B.1.	Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored by senior management.	Oversight by the Accounting officer and senior management over compliance with legislation should be enhanced.  Actions should be taken against transgressors.
	Employees were appointed without following a proper process to verify the claims made in their applications in contravention of Public Service Regulation 1/VII/D.8.		
The Commission for Gender Equality	Excessive leave accumulated at year end and not in line with CGE's leave policy.	The rules of the leave policy were not enforced consistently.	Monitoring controls should be implemented to ensure compliance with internal policies.
	Performance bonus provision are not based on the latest available information.	Accurate and complete financial information was not used in the calculation of the provision.	The latest available information should be used in the calculation of the provision.

**3.6 Information technology (control environment)**

Department/Entity	Finding	Root cause	Recommendation
Department of Women	The department did not signed service level agreements (SLAs) with the service providers which provided antivirus solution and patch management services to the department.	The SLAs took longer than planned to finalise.	Management should ensure that formal SLAs are entered into with service providers contracted by the department.
	Proper security management monitoring controls were not implemented at the department relating to unauthorised access control; patch management; network traffic and the review of the firewall rules.	Lack of monitoring of the activities of administrators resulted in non-compliance	Tools for the monitoring of the administrators activities should be investigated and the security policy should be amended.
The Commission for Gender Equality	Access to the Pastel system was not terminated for an employee who moved out of the finance division during the current financial year.	Management did not ensure that adequate controls exist to ensure that only appropriate employees have access to edit and	Management should ensure that there are proper controls over the processing of transactions in the Pastel system by ensuring that only

Department/Entity	Finding	Root cause	Recommendation
		post journals in the financial system.	finance personnel have access to post manual journals to the financial accounts.
The Commission for Gender Equality	<p>The Commission had inadequately documented disaster recovery procedures as time frames for recovery and backup recovery tests have not been outlined.</p> <p>Backup restoration tests were not performed.</p> <p>Backup logs and reports were not maintained.</p> <p>The Disaster Recovery Plan (DRP) had not been tested.</p>	<p>The DRP was drafted based on the new IT Infrastructure. The entity did not have the necessary resources to do a DRP test.</p> <p>Reliance was placed on the service providers to provide adequate backup services.</p>	<p>The IT Manager should ensure that the backup logs and reports are periodically monitored and follow ups are performed to address root causes where backups were unsuccessful.</p> <p>The DRP should be reviewed and updated to include the time frames for recovery and backup recovery tests. Once done, the DRP should be approved and periodically tested.</p>

4. Other matters of interest

(a) Unauthorised expenditure: Expenditure not in accordance with the budget vote

Department/ Entity		Unauthorised expenditure			
		Movement	Amount R 2014/15	Amount R 2013/14	Root cause
1	There was none incurred.				

(b) Irregular expenditure: Expenditure incurred in contravention of key legislation

Department/ Entity		Irregular expenditure				
		Movement	Amount R 2014/15	Amount R 2013/14	Root cause	Recommendation
1	Department of Women	↓	R2 941 000	R4 088 000	Inadequate review of compliance with the PPPFA and Regulations	Management must ensure that all officials involved in procurement have an understanding of SCM legislation and requirements.  Staff should be held accountable for repeat non-compliance.
2	The Commission for Gender Equality	↓	R1 041 669	R1 854 591	Inadequate review of compliance with the regulations	Management must ensure that all officials involved in procurement have an understanding of SCM legislation and requirements.  Staff should be held accountable for repeat non compliance

(c) Fruitless and wasteful expenditure: Expenditure that should not have been incurred (incurred in vain that could have been avoided and no value for money received)

Department/ Entity		Fruitless and Wasteful expenditure				
		Movement	Amount R 2014/15	Amount R 2013/14	Root cause	Recommendation
1	Department of Women	↑	R262 000	R15 000	Processes are in place to ensure compliance with regulations; however there is a lack of monitoring by management to ensure adherence.	Management should ensure that proper controls and processes are applied to ensure that all rules and regulations are adhered to.  Fruitless and wasteful transactions should be investigated by management and if applicable management should recover losses incurred.
2	The Commission for Gender Equality	↓	R134 654	R1 236 897	Interest and penalties payable due to late - or underpayment of PAYE, UIF and SDL to SARS.	Management should implement controls to ensure that interest and penalties are avoided.  Fruitless and wasteful transactions should be investigated by management and if applicable management should recover losses incurred.

**5. Drivers of internal controls**

Drivers of internal control														
Department & Entities	Leadership					Financial & performance management					Governance			
	Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Internal audit	Audit committee
Department of Women														
Commission for Gender Equality														

**6. Other AGSA reports**

6.1 There are no other reports.

**7. Combined Assurance on Risk Management in the Public Sector**

<b>Management assurance First level of assurance</b>	
Senior management	Executive authority
Accounting officers/ authority	
Required assurance levels	
Extensive	Extensive

- Management's assurance role**
- Senior management – take immediate action to address specific recommendations and adhere to financial management and internal control systems
  - Accounting officers/ authority – hold officials accountable on implementation of internal controls and report progress quarterly and annually
  - Executive authority – monitor the progress of performance and enforce accountability and consequences

<b>Oversight assurance Second level of assurance</b>	
Coordinating / Monitoring institutions	Audit committee
Internal audit	
Required assurance levels	
Extensive	Extensive

- Oversight's assurance role**
- National Treasury/ DPSA – monitor compliance with laws and regulations and enforce appropriate action
  - Internal audit – follow up on management's actions to address specific recommendations and conduct own audits on the key focus areas in the internal control environment and report on quarterly progress
  - Audit committee – monitor risks and the implementation of commitments on corrective action made by management as well as quarterly progress on the action plans

<b>Independent assurance Third level of assurance</b>		
Oversight (portfolio committees/ councils)	Public accounts committee	External audit
Required assurance levels		
Extensive	Extensive	Extensive





- Role of independent assurance**
- Oversight (portfolio committees) – review and monitor quarterly progress on the implementation of action plans to address deficiencies
  - Public accounts committee – exercise specific oversight on a regular basis
  - External audit – provide independent assurance on the reliability, accuracy and credibility of reported financial and performance information and identify instances non-compliance

## 8. Minister commitments and progress on these commitments

The following includes prior year commitments and new commitments made

Focus area	Commitment	Due date	Status
Key risk areas	The minister committed to create capacity in key areas such as finance, human resources, internal audit and information technology.  The focus would also be on performance management to ensure frequent assessments are undertaken.	March 2015	
Audit committee engagements	The minister committed to have regular interactions with the audit committee.	March 2015	

### STATUS LEGEND

	Commitment has been implemented
	Commitment in progress
	Commitment has not been implemented
	New commitment made in current year

## 9. Commitments from the Portfolio Committee

The following recommended commitments to be actioned by the committee:

- The portfolio committee should monitor progress against the annual performance plan and track the implementation of action plans to address previously identified audit findings on a quarterly basis.



