



Commission for Gender Equality
A society free from gender oppression and inequality

Report to the Portfolio Committee for Women in the Presidency

Financial Quarter ended 30
September 2018



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Purpose of the presentation

- In accordance with provisions of the Constitution of South Africa, Act 108 of 1996 (chapter 13), The Public Finance Management Act of 1999 (as amended) – The Commission seeks to report to Parliament its financial affairs and activities for the financial year to 30 September 2018
- And account for spending of the funds appropriated by parliament in terms of the Appropriation Act of 2018 as well as report on other financial management responsibilities provided for in terms of related prescripts



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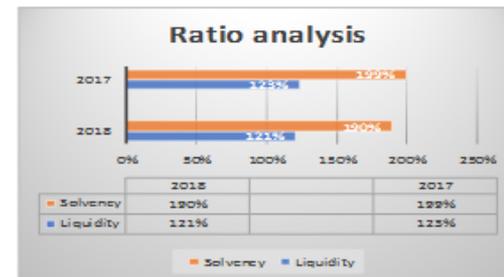
Financial Performance and Position



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Statement of Financial Position as at 30 September 2018

	Notes	2018 R	2017 R Revised
ASSETS			
Non-current assets			
Property, plant and equipment	11	6 304 142	6 048 902
Intangible assets	11	536 422	301 435
		<u>6 840 565</u>	<u>6 350 336</u>
Current assets			
Cash and cash equivalents	9	11 294 751	9 916 049
Receivables from non-exchange transactions	10	737 246	377 786
		<u>12 031 997</u>	<u>10 293 835</u>
Total Assets		<u>18 872 562</u>	<u>16 644 171</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	12	1 465 522	1 112 668
Payables from non-exchange transactions	13	5 301 248	3 042 053
Provisions	14	3 189 771	4 189 770
		<u>9 956 541</u>	<u>8 344 491</u>
Total liabilities		<u>9 956 541</u>	<u>8 344 491</u>
Net assets		<u>8 916 021</u>	<u>8 299 680</u>
NET ASSETS			
Accumulated surplus		8 916 021	8 299 680
Total Net Assets		<u>8 916 021</u>	<u>8 299 680</u>



- Solvency & Liquidity sound
- Going-concern valid
- Current assets mainly cash and accounts for the levels of liquidity
- Liabilities includes Performance bonus , 13th cheque, Payroll creditors (SARS) , trade creditors
- Age-maturity of liability – Leave provision is longer but effectively in line with policy. The rest of the creditors are paid within the 30 day rule

Financial Position



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Financial Statements for the Interim ended 30 September 2018
Statement of Financial Performance

Figures in Rand	Note(s)	6 months ended 30 September 2018	12 Months ended 31 March 2018 2018
Revenue			
Revenue from exchange transactions			
Other Income	11	505 419	5 202 472
Gain on disposal of assets and liabilities		-	171 941
Total revenue from exchange transactions		505 419	5 374 413
Revenue from non-exchange transactions			
Transfer revenue			
Transfers from National Government		40 367 000	78 266 000
Total revenue		40 872 419	83 640 413
Expenditure			
Operating Expenses	12	(12 287 608)	(24 998 884)
Employee related costs	13	(28 429 458)	(53 850 997)
Depreciation and amortisation		(1 258 703)	(1 301 455)
Debt Impairment	14	-	(23 209)
Finance costs	15	-	(1)
Total expenditure		(41 975 769)	(80 174 546)
(Deficit) surplus for the Interim		(1 103 350)	3 465 867

Case-ware extract

- Year-on-Year Baseline allocation did not increase – R80 million (2018/19) v R79,9 m (2017/18).
- ❑ **For the quarter under review Transfers were R20,2 million (YTD – R40,4m)**
- Salary increases for general staff. MMS & SMS ranging from 5,5% to 7% were effected retrospective to 1 April 2017.
- Salary increases for Commissioners were backdated from April 2017 at an average of 5% per annum.
- Salaries (COE) year-to end of Q2/2018-19 totaled R28,4 million or 68% of the total cumulative spending
- Goods & Services cumulative to 30 September 2018 accounts for R13,6 million – of which a key exceptional component is Audit Fees at +/-R2m of the total.
- ❑ **Total expenditure for the Q1 & Q2 amounted to R41,2 million**
- ❑ **Net operating deficit was R1,1 million**
- Budgetary pressures due to reductions effected from National Treasury for the year and the absence of planning space as a result of nature of budget/operating model – **fixed costs most of the line items**
- Continued financial viability depends on stringent cost control –Cost Containment, Partnering or Fund Raising for unbudgeted activities



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INCOME & EXPENSES – YTD : 30 September 2018

	Annual Budget figures 2018/19	Actuals: YT 30 Sept2018
Income analysis		
Donor income		(117 480)
Government Grant	(80 735 000)	(40 367 000)
Interest Income		(372 885)
Sundry Income		(15 054)
Grand Total	(80 735 000)	(40 872 419)

	Annual Budget figures 2018/19	Actuals: YT 30 Sept2018	YTD % deviation
Summary results			
Compensation of Employees	57 209 600	28 472 585	50%
Depreciation & Amortisation		1 258 702	
Goods & Services	23 525 400	12 244 478	52%
Income	(80 735 000)	(40 872 419)	51%
Grand Total	-	1 103 347	

- 50% of the annual allocation (R40.4 m/R80,7 m) was received in cash by 30 Sept 2018
- COE within budget although there are few vacancies – cost pressures could be explained by the higher than anticipated salary increase % for staff and management.
- Depreciation is not budgeted and is the main driver of the overall over-expenditure/deficit.
- G&S 2% nominal variance due to seasonal spending items such as audit fees, production of annual report, etc
- Although this deficit would be countered by an anticipated lower spending during Q3, the prospects would be spending/budgetary pressures during the latter quarter (Q4) – It is however, projected that with cost containment measures, operating results would be within the allocated funds.



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Expenditure by programme & economic classification

Row Labels	Budget figures 2018/19	Actuals: Yt 30 Sept2018	% COE to sub- progrm total
COMMISSIONERS: GOVERNANCE €	13 852 870	5 539 327	
Compensation of Employees	10 186 400	4 625 449	84%
Goods & Services	3 666 470	913 878	16%
CORPORATE SUPPORT SERVICES	21 699 920	13 723 956	
Compensation of Employees	11 329 500	6 075 680	44%
Depreciation & Amortisation		1 258 702	9%
Goods & Services	10 370 420	6 389 574	47%
SERVICE DELIVERY PROGRAM	45 182 210	22 712 482	
Compensation of Employees	35 693 700	17 771 456	78%
Goods & Services	9 488 510	4 941 026	22%
Grand Total	80 735 000	41 975 765	68%

- COE relative component mainly saturated under the programmes for Commissioners and Core Service delivery, respectively at 84% and 78% of component/sub-programme expenditure.
- COE for Corporate services constituted only 44% of R13,7 million at R6,075 million for the semester

More money is spent on legislated **Core than administration = effectiveness and/or mandate focussed spending of resources**



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Detailed expenditure analysis

Item	Annual Budget figures 2018/19	Year-to- 30 September 2018 Actual spending	YTD to Bud %
Bank Charges	75 000	37 028	49%
Compensation of Employees	57 009 600	28 429 457	50%
Computer Servicing, Internet & Website	1 109 401	746 677	67%
Courier Services	450 000	92 246	20%
Depreciation & Amortisation		1 258 702	0%
Media Outreach	1 000 000	1 126 415	113%
Office Cleaning, Maintenance, Plants & Security	2 013 000	1 567 063	78%
Office Consumables	254 000	144 327	57%
Printing & Stationery	740 000	308 918	42%
Professional Services	5 000 000	3 323 229	66%
Report writing, Printing & Publishing	1 480 000	465 148	31%
Subscriptions		32 994	0%
Telecommunication Expenses	1 700 000	1 102 854	65%
Training and Development	1 000 000	182 226	18%
Travel, Accommodation and Related Expenditure	6 000 000	2 003 604	33%
Vehicle expenses, maint, fuel and other	1 400 000	621 457	44%
Venues, Catering & Event Management	1 504 000	533 422	35%
Grand Total	80 735 000	41 975 765	52%

Total expenditure approximates annual budget at 52% for the Q1 & Q2, however, there exists accounts with material deviation as below;

- Media outreach exceeds the annual budget already by 13% (R1,126 actual v R1m budget) – This variance is accounted for by donor income of R117, 480 that was financed by the SABC. The remainder of the money was spent on branding plan which included the insignia on newly purchased vehicle and promotional materials such as banners and corporate gifts for the CGE events.
- Office cleaning and maintenance is on a cumulative basis 78% of the annual budget mainly as a result of R330, 000 shock expenditure that was reported in the previous quarter. This was caused by an extra-ordinary billing item reported in the previous period.
- Computer servicing is primarily constituted of subscriptions for the use of software for accounting systems, legal resources library, new automation for internal audit and complaints management systems. The expenditure is anticipated to exceed the available annual budget in similar proportions by the end of the financial year.
- For the first six months, spending on professional services was mainly on audit fees (R2 m) and legal fees in respect of a number of internal labour relations cases for which the legal services of third parties were utilised. The spending under this group is seasonal thus it is projected that the final spending for the year would be within budget as outlined above.
- The remainder of the spending lines mostly representing savings in cumulative expenditure is attributable to cost containment measures and related efficiency gains.



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Financial Statements for the Interim ended 30 September 2018

Cash Flow Statement

Figures in Rand	Note(s)	6 months ended 30 September 2018	12 Months ended 31 March 2018
Cash flows from operating activities			
Receipts			
Grants		40 367 000	78 266 000
Interest Received		372 884	568 089
Donor Income		398 490	206 641
Sundry Income		15 054	78 732
		41 153 428	79 119 462
Payments			
Personnel and Suppliers		(38 039 028)	(73 559 003)
Finance costs		-	(1)
		(38 039 028)	(73 559 004)
Net cash flows from operating activities	17	3 114 400	5 560 458
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(470 782)	(1 401 501)
Proceeds from sale of property, plant and equipment	2	-	286 440
Purchase of other intangible assets	3	(118 717)	(199 317)
Net cash flows from investing activities		(589 499)	(1 314 378)
Net increase/(decrease) in cash and cash equivalents		2 524 901	4 246 080
Cash and cash equivalents at the beginning of the year		8 769 850	4 523 770
Cash and cash equivalents at the end of the year	4	11 294 751	8 769 850

- The increase in net cashflows as at 30 September 2018 will be used to service the provision/liability for bonus payable on 15 December 2018.
 - R4 million cash outflow anticipated.
 - The remaining cash will match other liabilities comprised of exchange and non-exchange creditors



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Overview of Financial Management Systems



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Supply Chain Management

- ❑ Demand management – The yearly Procurement Plan for 2018/2019 identified for transactions above R500, 000 – overall planned procurement for spending over the next 3 year cycle amounts to R26 million.
- ❑ Major Competitive bids adjudicated during the period are for Travel Management Company, Cleaning Services. A bid for a Panel of Attorneys/Legal services awaits adjudication pending a report by BEC (Bid Evaluation Committee).
- ❑ Asset Management – Further disposal of old & obsolete assets underway for finalisation by the end of Q3/2019. Listings identified and ratified by the Disposal Committee.
- ❑ Logistics - Fleet Management of the CGE vehicle pool is satisfactorily undertaken – Condition assessments were good and fuel use & expenditure was noted to be within the standards and related norms for the quarter under review. The related internal control systems/practice were addressed as part of the action plans relating to internal audit findings.



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Major Procurement Transactions for 2018/2019

No	Programme	Project Description	Estimated Value
	Travel and accommodation services	Travel, accommodation and conferencing services for three (3) years, commencing 1 January 2019.	R 16m
2	Hygiene Services	Cleaning and hygiene services for three years commencing Sept. 2018	R 1m
3	Printing Services	Layout, design & printing services by a panel of providers over 3 yr cycle	R 5m
4	Legal Services	Appointment of a panel of attorneys over a three (3) year cycle	R3m
5	Information Technology	Electronic Knowledge and Information Management System – various services, specifications of which must be defined, including scope and budget availability.	R 1m Funds not secured



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Critical PFMA s38, 39, 40, 76 & 77 imperatives

Challenges

- Spending contained albeit with challenges.
- There are cost containment strategies and measures in place. However, without space to contain pressures in the near-term.
- Irregular Expenditure incurred in previous periods. Ongoing positive engagement with NT

Financial Management systems

- Systems of internal controls in place and improvements being effected based on the updated recommendations by AGSA. Action plans are updated and fully implemented.
- Oversight bodies fully functional: Internal, audit committee, Risk Management. Effective Openness and Accountability maintained in line with Chapter 13 of the Constitution



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Management's Accountability Representations and Disclosures on the Compliance with laws & regulations, Litigation, claims and/or other contingencies.....(1)

- Compliance with applicable legislation, primarily the PFMA, PPPFA and related Regulations is confirmed but for specific instances on the incurrence of Irregular expenditure. The expenditure in these cases is from the ICT contract and Legal fees which were incurred whilst not following the standard procurement established procedures.
- On 3 October 2018, the CGE received a letter from National Treasury in reply to an application made in earlier years by the Commission for National Treasury to condone the expenditure noted for such consideration to a total amount of R34 million. The expenditure mainly related to the period of management and governance distresses of 2007/2008 and 2008/2009 period. The grounds advanced by National Treasury for refusal included the fact that there was no proof that any investigation took place, nor any action taken against those implicated. Management has suggested in writing to engage further in order to clarify the issues that were ostensibly overlooked by National Treasury in arriving at the decision for refusal. We are yet, to find an acknowledgement and/or a slot to make these representations.



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Management's Accountability Representations and Disclosures on the Compliance with laws & regulations, Litigation, claims and/or other contingencies.....(2)

- Litigation & claims– No material claims or counter-claims except in relation to the ordinary staff discipline and core business activities. Of note is a claim expressed in monetary terms for R232,000 in favour of Mr. Sandile Ngobeni, following an award by the Pretoria CCMA branch. The Commission has however filed for a Labour Court review of this award. In the meantime, the claim amount is deposited in a trust account in terms of the attorneys Act , s78(2). There is a further claim by an erstwhile employee for performance bonus currently before the CCMA which must still be adjudicated – The CGE is defending this matter. Further a R6 million delictual claim (emotional suffering) summonses were received from the same employee during November 2018.
- Pursuant to reporting of the final figures on the CGE operating results for 2017/2018 period, in line with the regulations, the CGE made an application to retain the total cash surplus funds generated. The against an accounting surplus of R3,4 million (cash component of R1,6 m), National Treasury granted that all funds may be retained by the CGE bar for the surrender of R600,000 to the Revenue Fund.
- A two months' salary income replacement receivable is recordable as a contingent asset (estimated to R50,000 – level 7) in lieu of an employee on a temporary disability during the previous year.



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Audit Action Plans



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Audit Action Plans

- The 2017/18 audit outcomes by AGSA was an unqualified opinion. A matter which directly negatively affected the opinion was the incurrance of irregular expenditure (R641,000) during the period.
- The audit identified primarily that the existing internal control deficiencies on contract management was the root cause to this exception. Furthermore, other areas of weakness were identified and recommendations made for corrective actions by management – The plans, status and progress on this issues are summarized as in the table that follows;
- Institution and strengthening of Accountability and Consequence Management in terms of section 81-84 of the PFMA and related subordinate prescripts
- Internal Control and Process improvements in Contract Management in line with the Framework developed by National Treasury on Contract Management
- Effective decision regarding the deployment of strategy and resources – Firm strategic position on the shape and size of the establishment in the light of the available budget resources (ways and means to optimise/prioritise resources whilst maximising the service delivery objectives). Key decision were taken to remove the positions of Chief Operating Officer and Director –HR from the organogram to create the needed strategic certainty.
- Governance – improvement on policies, procedures, governance mechanisms on Fund raising/Donor income, cost containment and controls on Travel and Telephone claims
- “SMARTENING” of Strategic planning and Performance reporting documents and related mechanisms



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Audit Action Plans.....1

FINDING CATEGORY/CONTENT	PROGRESS MADE	STATUS	RESPONSIBLE	DUE DATE
ADMINISTRATIVE MATTERS				
APP contains basic spelling, grammar and layout error	Addressed as part of the continuous improvement intervention on planning documents	Completed	CEO	2018/08/31
Control deficiencies relating to the fixed asset register and related depreciation	Specific issues addressed and controls built into the automated processes	Completed	CFO	2018/08/31
Objective 2 & 3 indicators and targets are not well defined	Addressed as part of the continuous improvement intervention on planning documents	Completed	CEO	2018/08/31
Governance				
Inherent risk relating to the completeness of donor income	Defined processes and procedures exists and practiced in terms of the ToR's.	Completed	CFO	2018/08/31
Human Resources				
Insufficient controls over cell phone claims	Control deficiency effectively addressed and supported by RT15 arrangement	Completed	CEO	2018/08/31
Internal control deficiency relating to the Commission for Gender Equality travel and claims policy.	A total review of a travel policy, aligning to the National Treasury policy framework guide as well as plans for a centralized internal travel logistics management, incorporating value for money embedded processes through optimized planning, scheduling, competitive quotations assessment e.t.c	In progress	CFO	2018/11/30
Vacancies in management roles not filled	Unfunded positions officially collapsed from the establishment viz. COO and HR Director	Completed	Plenary of Commission	2018/08/31



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Audit Action Plans.....2

FINDING CATEGORY/CONTENT	PROGRESS MADE	STATUS	RESPONSIBLE	DUE DATE
▣ Predetermined Objectives				
Complaints per the consolidated listings is not complete	Improved internal controls as well as automation project - CRM	In progress	CEO	2018/08/31
Complaints targets to be improved in the upcoming years	Addressed as part of continuous improvement. The performance indicator precisely defined to enhance the	Completed	CEO	2018/08/31
Indicator 1 under strategic objective 2 reported achievement has been understated	Addressed as part of performance information reporting processes	Completed	CEO	2018/08/31
Indicator 2 under strategic objective 1 reported achievement has been understated	Addressed as part of performance information reporting processes	Completed	CEO	2018/08/31
Indicator 3 under strategic objective 2 reported achievement has been understated	Addressed as part of performance information reporting processes	Completed	CEO	2018/08/31
Indicator 5 under strategic objective 2 reported achievement has been understated	Addressed as part of performance information reporting processes	Completed	CEO	2018/08/31
The strategic plan does not include an analysis of the risks	Resolved. The newly tabled long-term plan includes the associated strategic risks	Completed	CEO	2018/08/31
▣ Procurement, Contract and Expenditure Management				
Control deficiency over telephone costs	The VOIP solution and revision of supporting policies & procedures. The in-built Spend Manager Program would ameliorate the controls	Completed	IT Manager	2018/08/31
Excess travel kilometers claimed	Internal control improvement effected e.g. "goggle map" support for each trip claimed put as a standard procedure requirement before any claim could be paid.	Completed	CFO	2018/11/30
Incorrect PPR scoring system used for the Vodacom WAM competitive bid	Fully addressed. This was a once-off change in regulations extending the financial threshold on the preferential point	Completed	FINANCIAL MANAGER	2018/08/31
Internal control deficiencies relating to contract management	The Contract register was reviewed in totality by the Financial manager, corrected and adjusted procurement plans to avoid	Completed	FINANCIAL MANAGER	2018/10/31
Irregular expenditure not reported to National Treasury	New guidelines issued, applicable effective from 1 December	Completed	FINANCIAL	2018/08/31



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Thank You

HAVE A GENDER RELATED COMPLAINT ????
REPORT IT TO

0800 007 709

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