



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

AUDIT COMMITTEE RESPONSE TO THE PORTFOLIO COMMITTEE QUESTIONS

Why have the concerns that were brought to the attention of the Committee that directly relate to operational matters and risk have not found expression in reporting under Corporate Governance or Risk Management?

Did the RMC not deal with issues raised by the CEO in Q4 of 2020/21 and Q1 2021/22? If not, why not. If yes, how and why was it not reflected in the quarterly reports then?

The Commission has two different structures that deal with the issues relating to risk management, namely Risk management Committee and Audit and Risk Committee.

The difference between the two structures are as follows:

Risk Management Committee.

- This committee is an internal operational committee.
- The primary objective of the Committee is to assist the Chief Executive Officer in discharging her accountability for risk management by reviewing the effectiveness of the institution's risk management systems, practices, and procedures, and providing recommendations for improvement.
- Permanent members of the Committee shall be formally appointed by the Chief Executive Officer. The members, as a collective, shall possess the blend of skills, expertise, and knowledge of the Institution, including familiarity with the concepts, principles, and practice of risk management, such that they can contribute meaningfully to the advancement of risk management within the Institution. Membership shall comprise:
 1. The Chairperson shall be an independent member, with requisite and relevant expertise and shall ideally not be an employee of the CGE.
 2. All senior management for each functional area in the CGE.
 3. Chief Financial Officer.

4. Information Technology Manager.
5. Human Resources Manager.
6. Communications Manager.
7. Two Representatives nominated from amongst the nine Provincial Managers.
8. And Chief Audit Executive as standing invitee.

Audit and Risk Committee.

- This committee is an independent external oversight committee.
- Audit and Risk Committee is an independent committee constituted to review the control, governance, and risk management within the Institution, established in terms of section 76 (4) (d) and 77 of the Public Finance Management Act (PFMA).
- The committee responsibility relating to risk management is as follows:
“Review whether risk management is carried out in a manner that really benefits the CGE.” and “Provide regular feedback to the Accounting Officer and Commissioners on the adequacy and effectiveness of risk management in the Institution, including recommendations for improvement.”
- The Committee consists of three members who are all independent of the Commission.

In replying to the above questions, the issue brought before the Audit and Risk management committee by the CEO were discussed and resolution/advise/ opinions were given to assist the commission.

What were the key findings of the RMC for the FY 2020/21? How many of these are repeat findings? What were the key challenges identified by the RMC? What were the recommendations proposed by the RMC?

Significant finding raised by the internal Audit from ordinary Audit Committee meeting held on the 21 December 2020.

I. Governance Audit

The following are significant issues raised pertaining to the above audit:

- Commission oversight committee's performance evaluation not conducted on the following committees: Strategic Plan, Annual Report, M&E; Finance; Human Resources; Information Technology and Communication; Good Governance; and Risk Management.
- Evaluation of Plenary which indicates its effectiveness and efficiency were not conducted in every two years as required.
- Shortcomings were noted wherein some critical vacancies were not filled.
- The CGE Code of conduct does not make provision for officials to declare financial and non-financial interest. In other instances, some of the officials did not declare their annual declaration of interest. Commitments were made by those responsible and accountable for governance to ensure that controls are reviewed and improved to mitigate the risk.

II. IT General and Application Controls Audit

Significant matters identified during the audit review on IT General Controls were as follows:

- IT Governance Framework not updated; (Repeat finding)
- IT Infrastructure Standards not in place.
- Disaster Recovery plan not updated not tested; (Repeat finding)
- No offsite storage in place; (repeat finding)
- No back-up of critical applications and restoration backup testing; (Repeat finding)

➤ Inadequate incident and management process in place.

III. Human Resources Audit

Internal control deficiencies identified pertaining to HR are as follows:

- Part-time Commissioners salary paid without supporting documentation. In that, for the period of April 2020 to October 2020 when the country was in a National State of Disaster due to COVID-19, part-time Commissioners were paid 100 hours without supporting documentation. Further to this the salary was paid without supporting timesheets approved by the Executive Authority.
- Employee's appointment in contravention to the CGE Recruitment and Selection Policy and the CGE Act by the executive authority. The appointments were pertaining to Personal Assistant to Commissioners wherein the appointment process after the Commission Chairperson invoked PFMA Section 64, the recruitment and selection process were not in accordance with the Policy.
- Furthermore, the expenditure incurred on refreshments and background checks prior to the process taken by the Commissioners have triggered fruitless and wasteful expenditure.
- Salaries paid to the Personal Assistant were not aligned to the employments contract and designated scale or level. The position was on temporary contract at level 5 and the current appointment level is at level 6 and on September, a different in two level salary, to amount of R 1 734.95 were paid.
- Incumbent appointed in a post grade level lower than the organogram job profile and advertised level. The Personal Assistant to Commissioner Position were advertised at a salary scale of R 316 791 p.a (which is level 8) and when official was appointed to the advertised position, the salary scale downgraded to R 208 584.00 p.a (which is level 6).
- The appointment of the IT Specialist was done on the month of October 2020; however, there were no contract signed.
- There were fourteen internal Policies that were reviewed timeously and most of these policies were approved 6 years; seven years; and 8 years back. (Repeat finding)

Significant finding raised by the internal Audit from ordinary Audit Committee meeting held on the 26 February 2021.

I. Supply Chain Management and Payments Audit

The following are significant issues raised pertaining to the above audit:

- Critical vacancies not filled - The Chief Financial Officer's contract is coming to end on the 31st of March 2021 and the Finance Manager position is also vacant. This has a direct bearing on SCM as the Finance Manager is also responsible for heading the SCM.
- Accumulating irregular expenditure - irregular expenditure accumulated on the payment of expired contracts. The supplier's name is Vox Telecommunications, the irregular expenditure amounted to R125 274,57
- Irregular expenditure incurred in prior year(s) not treated – The Commission had a total of R1 424 304 of irregular expenditure that was not condoned or removed from its books, and as the Audit Committee we are concerned that there has not been any evidence provided that the Commission is dealing with the previously reported irregular expenditure.
- Expired contracts still being paid – The Audit Committee is concerned about contract management as the Moolman group contract expired on 01 April 2020, yet the company is still being paid.

Commitments were made by those responsible and accountable for SCM to ensure that controls are reviewed and improved to mitigate the risk.

II. Audit of Performance Information

Significant matters have been identified during the audit review on IT General

Controls were as follows:

- Performance Information and financial reporting not integrated – In contrast to the strategic plan that contains the budget estimates as per each strategic objective, the Commission's performance information reporting only shows what has been achieved without integrating budget information and actual expenditure incurred.
- Reasons for non-achievement not adequate - Reason for nonachievement on quarterly performance target was not adequate and does not explain why the target was not achieved.
- Targets without reasons and corrective actions

- 34.78% of planned quarterly performance not achieved - 23 targets were planned for the first quarterly, 8 targets were not achieved. This represents 34.78% of total planned targets that were not achieved during the 1st quarter.
- Unachieved target of previous quarters not reported on - targets that were reported as not achieved in 1st quarter and the corrective action was to achieve the variance in the second quarter, but the Commission does not have procedures and processes in place to report on targets that were not achieved in previous quarters.

Management has given the committee an undertaking that, the action plans to address the audit findings will be reviewed and that the issues identified will be addressed accordingly.

III. AGSA Management Report Follow Up

The status of implementation of agreed action plans for findings reported by the AGSA and Internal Audit were as follows:

Status	No. of Findings	Implementation in %
Complete	19	63%
Partially complete	7	23%
No progress	4	13%

The Audit Committee was mainly concerned about the treatment of reported irregular expenditure. Management confirmed that they are in the processes of investigating the reported irregular expenditure.

Significant finding raised by the Internal Audit from ordinary Audit Committee meeting held on the 10 May 2021.

I. Assets management report

The following are significant issues raised by Internal Audit pertaining to the above audit:

- Purchased assets not being used.

The commission brought 10 Samsung 49 Smart TVs on the 2nd of April 2019 for the value of R 71 875.00, and they have never been used.

- Procured software not being used.

The Commission procured the CRM Software on the 28th of March 2018 for the automation of the management of legal case management. The CRM Software was fully capitalized as an asset on the 09th of July 2018. The system has been in use, however, the migrating of data from the manual to the automated system took longer. In April 2020, the licenses of the system expired, and they were never renewed. Reasons for the none-renewal could not be obtained.

- Procured assets that are still under development stage.
 1. The Teleconference phones were purchased on the 12th of December 2019 for an amount of R131 649.47 and delivered in CGE offices nationally during June 2019 for the purpose of conducting stakeholders' engagements telephonically. One (1) year and nine (9) months later, the project sign-off for these procured conference phones has not yet occurred.
 2. The Commission procured an HR Premier Software with an intention to automate the performance management processes on the 8th of August 2018 for an amount of R30 621,05 and the project is still under development stage.
- Assets on the fixed assets register but not on the floor (existence)

The existence of following assets could not be verified:

Asset Description
Dell Latitude E5430
ZKTeco F18 Biometric Reader
Acer DLP 3D Projector

- Losses not recovered

The following assets were concluded as lost and a receivable was raised in the previous financial year i.e., 31 March 2020. However, the recorded receivable has not yet been allocated the official accountable to date and the collection of such receivable has not yet commenced. Below is the figure of the above-mentioned receivable as recorded in the Annual Financial Statements.

Asset Description	Purchase Cost	Book Value
Dell Latitude 3440 Laptop	R13 290,12	R1 456,73
HP ProBook 450 G2 Laptop	R12 622,00	R4 417,70
Dell Vostro 3360 Silver	R11 756,25	R183,98
Dell Vostro 3360 Silver	R11 756,25	R1 125,51
Phillips Digital Voice Recorder	R6 050,00	R5 142,50
HP ProBook 430 G2 Laptop	R16 199,00	R2 699,83
HP ProBook 450 G2 Laptop	R12 622,00	R4 417,70

- Damaged assets not disposed

The commission is carrying a lot of damaged assets both at Head Office and Provincial level.

Commitments were made by those responsible and accountable for governance to ensure that controls are reviewed and improved to mitigate the risk; the Audit committee will continue to monitor the implementation of the agreed actions.

II. Audit of Performance Information (AOPI).

- Non-cumulative reporting on performance information tables

Quarterly targets not reported cumulatively, as a result under and overstatement on the achievement of reported targets have been noted

- Reasons for non-achievement not adequate. (Repeat finding)

Reason for non-achievement on quarterly performance target was not adequate and does not explain why the target was not achieved.

- Target not specific. (Repeat finding)

Quarterly target that is not specific i.e., not measurable.

- Typing errors on the reported third quarter performance information

Inadequate review as typing errors on the reported third quarter performance information tables.

The following are general discussion during the meeting.

1. Risk Management

The Audit Committee is entrusted through its charter to:

“Review whether risk management is carried out in a manner that really benefits the CGE.” and “Provide regular feedback to the Accounting Officer and Commissioners on the adequacy and effectiveness of risk management in the Institution, including recommendations for improvement.”

The CEO informed the committee that the external Risk Management Chairperson has resigned in the fourth quarter of the financial year, though we were assured that the risk management committee has been functional in the absence of a chairperson. Although the Risk Management committee managed to review its charter, there is a dire need to fill this vacant post as soon as possible. In addition, the Audit Committee noted with concern that the last Risk Management Maturity assessment was done in 2014 through a National Treasury online assessment where the commission was found to be on level three.

Resolution:

The Audit committee recommends that the commission have an independent assessment of the risk management process to determine the commission’s risk management maturity wherein recommendations on improvements can be made and acted upon.

2. Governance Structure Review

The Audit and Risk Committee has noted, with concern, that the governance structure of the Commission is contrary to the principles of good corporate governance as contained in the King IV Report. As a committee, we have an appreciation of the constitutional mandate of the Commission for Gender Equality, its status as a Schedule 1 entity under the PFMA as well as the need for its independence thereof to effectively execute its mandate. Having noted this, in the performance of our duties, we have reviewed the internal audit findings, external audit findings, risk registers among other documents.

We have noted certain control weaknesses that we believe may be intricately linked to the current governance structure of the entity. The glaring examples are the absence of a company secretary or a similar strategic role as well as the existence of full-time and part-time commissioners. According to King VI, when determining the requisite number of members of a governing body, the appropriate mix of executive, nonexecutive and independent non-executive members should be considered and entrusted with an oversight role. This ensures that potential conflicts of interest are reduced in as far as reasonably possible and to ensure the effective segregation of duties and powers.

Resolution:

The Audit and Risk Committee strongly recommends for Plenary to solicit services of an external governance practitioner to review the current governance structure of the Commission for Gender Equality and make recommendations that will align with best practice to ensure that the entity adopts a structure that is fit for purpose.

The Committee further appreciates that the current structure is as taken from the CGE Act and thus any recommendations made will necessitate the change of the Act. It is also our view that in light of the Act having been drafted in 1996, it is prudent at this time and juncture to interrogate it and embark on the journey in ensuring that the entity's structure is an enabling one.

What were the key findings of the RMC for Q1 of 2021/22? What recommendations were proposed by the RMC?

Significant finding raised by the internal Audit from ordinary Audit Committee meeting held on the 16 July 2021.

I. Provincial offices audit

- Critical vacancies not filled timeously. (Repeat findings)
The Legal Officer in the Free State Provincial Office has been vacant from the 01 February 2021 and recruitment processes for filling this position has not yet commenced as of 27 May 2021.
- COVID 19 screening not done properly.
The Eastern Cape, Western Cape, Free State and Northern Cape Provincial Offices' screening forms do not have listed symptoms screening as required in the Disaster Management Act and CGE COVID Protocol.

- Assets that were purchased and never been used but have been replaced. (Repeat finding)

The Commission purchased seven (7) Wi-Fi routers in 2016, the Wi-Fi routers have never been installed and used to date. In March 2021, 11 Wi-Fi routers were purchased, replacing the old 7 that were previously purchased. Below is the summary of costs related to the 7 Wi-Fi routers that were purchased in 2016:

Asset Description	Purchase price	Total Depreciation	Book Value
Mikro Tik Router Board 2011UiAS	R3 926,16	R3 835,56	R90,60
Mikro Tik Router Board 2011UiAS	R3 926,16	R3 835,56	R90,60
Mikro Tik Router Board 2011UiAS	R3 926,16	R3 835,56	R90,60
Mikro Tik Router Board 2011UiAS	R3 926,16	R3 835,56	R90,60
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Mikro Tik Router Board 2011UiAS	R3 926,16	R3 835,56	R90,60

- Damaged assets not disposed. (Repeat finding)

The commission is carrying a lot of damaged assets at Provincial level.

- No signed performance agreements for the 2021/22 financial year.

The Eastern Cape, Western Cape, Free State and Northern Cape Provincial Officers staff do not have signed performance agreements.

- Security and access control weaknesses. (Repeat finding)

The Eastern Cape and Free State Provincial Offices do not a biometric system in place and there are no burglar alarms to compensate for the access control weakness. This finding was previously raised by Internal Audit in the financial year ending 31 March 2017. Commitments that were made by management then, were never implemented.

- IT Incidents not timeously resolved.

i. Western Cape Provincial Office:

Username and Location	Nature of Problem	Date and Time Reported	Date and Time Finalized	No. of days lapsed
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Gadija Evans Western Cape	Monthly telephone report not being received	02-Mar-21	Not yet resolved	2 months and 14 days
Gadija Evans Western Cape	Request for a cell phone for the Western Cape Legal Officer	04-May-21	Not yet resolved	13 days

ii. Northern Cape Provincial Office:

The Office Assistant in the Northern Cape commence duties on the 03 May 2021. The primary roles of the Office Assistant are the following:

- Province Administrative support inclusive of reception duties.
- Be responsible for the distribution of mail.
- Management of clients' needs.
- Maintenance of hygiene of the CGE's office.
- Assist in catering functions.
- Assist with other general duties as assigned.

The Office Assistant as of the 25th of May 2021 does not have a telephone code, which will enable the official in executing their duties. The incident was reported to the IT Department on from then 10th of May 2021.

- Damages not claimed for third parties timeously.

The Samsung TV which was purchased on the 02 April 2019 and was delivered Free State Provincial Office via courier services on the 04th of March 2020 by the IT Department. The TV was delivered with a cracked screen, the provincial office reported the damage to the IT Department on the 05th of March 2020. The Samsung TV was not yet claimed from the courier company as of 27 May 2021 by the IT Department.

Commitments were made by those responsible and accountable for governance to ensure that controls are reviewed and improved to mitigate the risk; the Audit committee will continue to monitor the implementation of the agreed actions

II. Strategy Planning and Budget audit

- Impact statement not short and precise.
The Commission impact statement is in paragraphs, not short and precise contrary to the Revised Framework for Strategic Plans and Annual Plans.
- Proof of re-tabling the APP and 5-year strategy not submitted with the DPME
The Commission tabled the APP and Revised 5-year strategy with Parliament; however, proof of tabling APP and re tabling of the 5 – year strategy was not submitted to the DPME within a month after re-tabling the APP and 5-year strategy. Further to this, the new revised APP and 5-year strategy was not shared with the DPME, National Treasury.
- Incorrect baselines.
- Ambiguous five-year targets
- Incorrect audited performance on the APP
- Annual target not specific (Repeat finding)
- Performance Information and financial reporting not integrated (Repeat finding)
- No participative budgeting
The Commission uses an incremental and zero-based budgeting techniques, which do not require managers to draw up their respective departmental budgets and have inputs on the overall Commission budget.
- Centralized budgeting system
The Commission’s budget is controlled by the finance department. Budget holders are not given an opportunity to be actively in control their departmental budgets. All requisitions are approved at the discretion of the Chief Financial Officer.
- No approved provincial implementation plans

Commitments were made by those responsible and accountable for governance to ensure that controls are reviewed and improved to mitigate the risk; the Audit committee will continue to monitor the implementation of the agreed actions.

What if any are the challenges experienced by the RMC?

Internal Audit Capacity

As it stands, the entity only has the Chief Audit Executive employed in the Internal Audit department. A second member of the team resigned recently. In light of this, the Internal Audit function is in dire need of being capacitated for it to be able to meet its legislated obligations.

Risk Management Capacity

The Audit and Risk Committee oversees the effectiveness of the entity's Risk Management. We are aware of the resignation of the independent Chairperson of the operational Risk Management Committee mentioned above. We believe that the filling of this vacancy will further assist the entity to improve its risk management processes and provide the Audit and Risk Committee with such assurance.

Governance Structure Review

Another challenge identified by the Audit and Risk committee relates to Governance in the Commission. This issue has been raised with Plenary of Commissioners and we have made recommendation to assist the commission. The challenge is detailed below:

The Audit and Risk Committee has noted, with concern, that the governance structure of the Commission is contrary to the principles of good corporate governance as contained in the King IV Report. As a committee, we have an appreciation of the constitutional mandate of the Commission for Gender Equality, its status as a Schedule 1 entity under the PFMA as well as the need for its independence thereof to effectively execute its mandate. Having noted this, in the performance of our duties, we have reviewed the internal audit findings, external audit findings, risk registers among other documents.

We have noted certain control weaknesses that we believe may be intricately linked to the current governance structure of the entity. The glaring examples are the absence of a company secretary or a similar strategic role as well as the existence of full-time and part-time commissioners. According to King VI, when determining the requisite number of members of a governing body, the appropriate mix of executive, nonexecutive and independent non-executive members should be considered and entrusted with an oversight role. This ensures that potential conflicts of interest are reduced in as far as reasonably possible and to ensure the effective segregation of duties and powers.

Resolution:

The Audit and Risk Committee strongly recommends for Plenary to solicit services of an external governance practitioner to review the current governance structure of the Commission for Gender Equality and make recommendations that will align with best practice to ensure that the entity adopts a structure that is fit for purpose.

The Committee further appreciates that the current structure is as taken from the CGE Act and thus any recommendations made will necessitate the change of the Act. It is also our view that in light of the Act having been drafted in 1996, it is prudent at this time and juncture to interrogate it and embark on the journey in ensuring that the entity's structure is an enabling one.