

Personnel/29/009

**Audit outcomes of The Department of Women,
Children and People with Disabilities and The
Commission on Gender Equality**

Financial year ended 31 March 2012

9 October 2012



Auditing to build public confidence



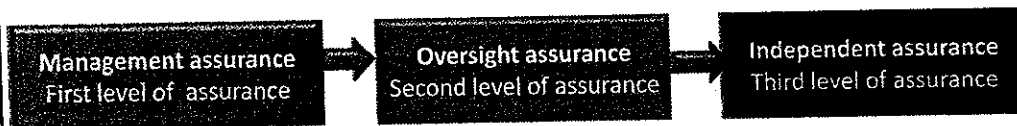
**AUDITOR-GENERAL
SOUTH AFRICA**

Reputation promise/mission

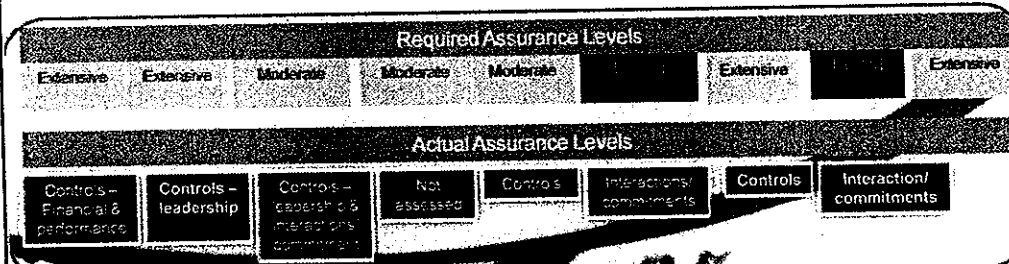
The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



Combined Assurance on risk management in the Public Sector



Senior management	Accounting Officer / Authority	Executive Authority	Legal & Risk Committee	Audit Committee	Oversight	Internal Audit	Coordinating Institutions	External audit
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Significantly lower than required level of assurance

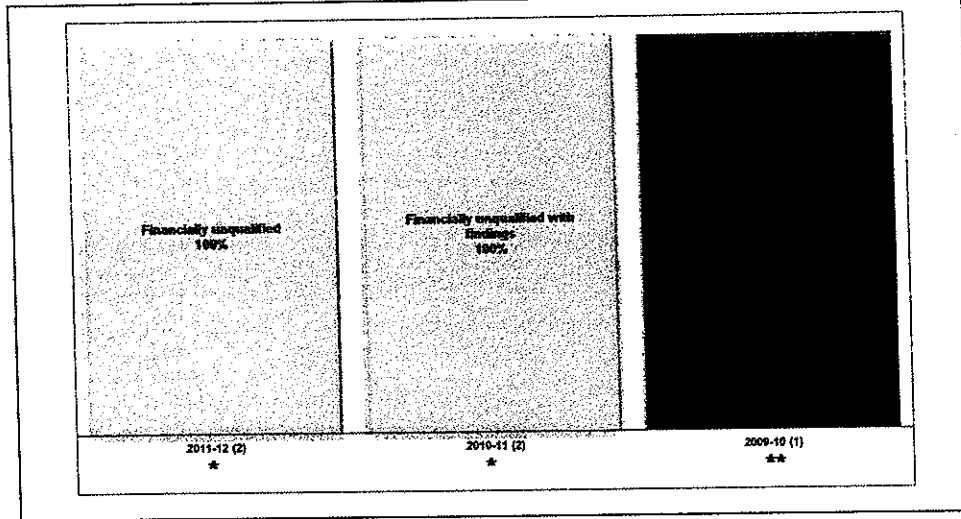
Meets required level of assurance

Meets required level of assurance note that no internal audit was appointed

Adding to build public confidence

SOUTH AFRICA

Three year audit outcome



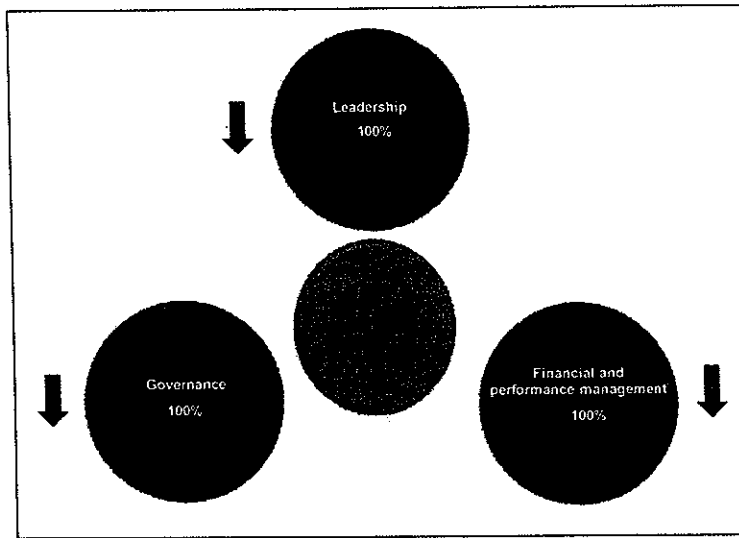
* Applicable to DWCPD and CGE.
 ** Applicable to CGE (DWPD only established in 2010/11).



There has been no improvement in the audit outcomes in the portfolio when compared to the prior year. Although the dwcpd received an unqualified audit opinion with findings, the number of non-compliance identified has increased from the prior year. Note the financial statements were subject to material adjustments.

Auditee	2011-2012	2010-2011	2009-2010
DOC	Unqualified with other findings	Unqualified with other findings	Qualified
Icasa	Qualified	Qualified	Qualified
Telkom	Unqualified with no other findings	Unqualified with no other findings	Unqualified with no other findings
SAPO	Unqualified with other findings	Unqualified with other findings	Unqualified with no other findings
Nemisa	Unqualified with other findings	Unqualified with other findings	Unqualified with other findings
USAASA	Unqualified with other findings	Unqualified with other findings	Unqualified with other findings
USAF	Unqualified with other findings	Unqualified with other findings	Unqualified with other findings
Sentech	Unqualified with other findings	Unqualified with other findings	Qualified
SABC	Qualified	Qualified	Unqualified with other findings

Drivers of Internal Control



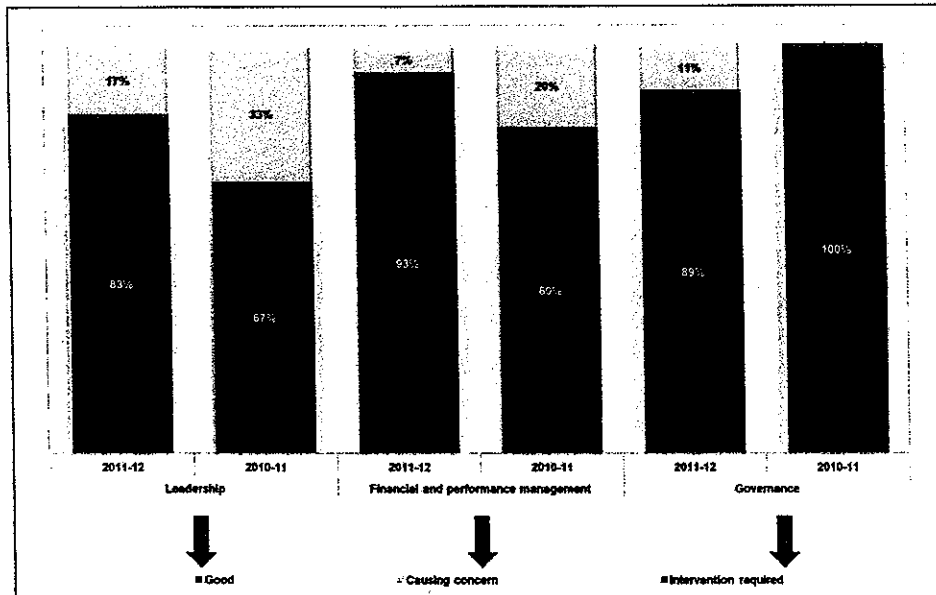
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Key controls are a concern in the portfolio.

	Leadership	Financial	Governance
DOC			
Telkom			
USAF			
UAASA			
Nemisa			
ICASA			
SABC			
SENTECH			
SAPO			

Movement in key controls - DWCPD

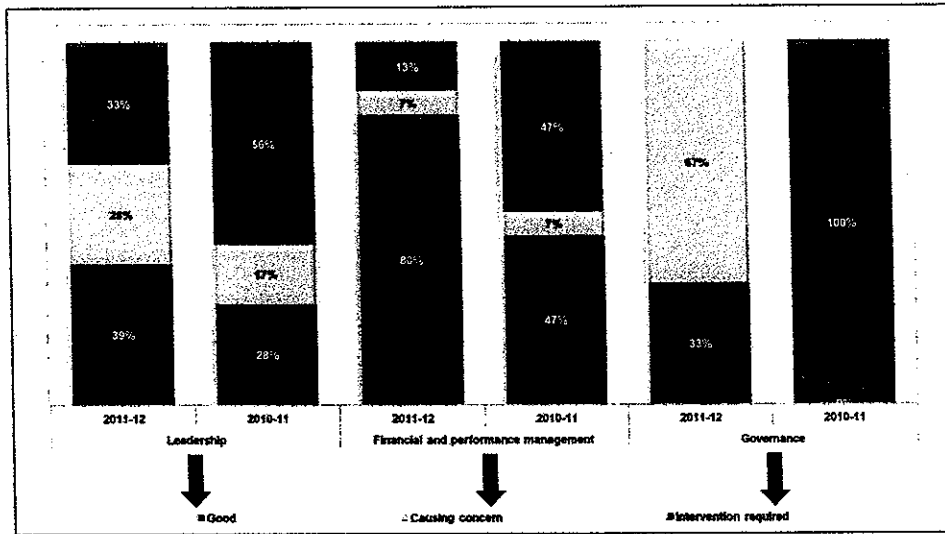


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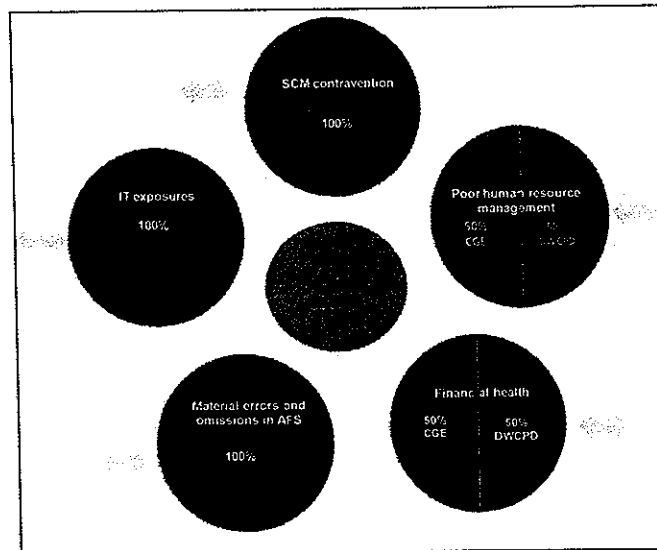
The above bar graphs indicate a regression from the prior year. This is due to additional non-compliance identified in the 2011/12 year and a set of financial statements that was subject to material adjustments at the department. The governance structures i.e internal audit and external audit were not functional. Although an audit committee was appointed, it was appointed late in the year and thus had no impact.

Movement in key controls - CGE



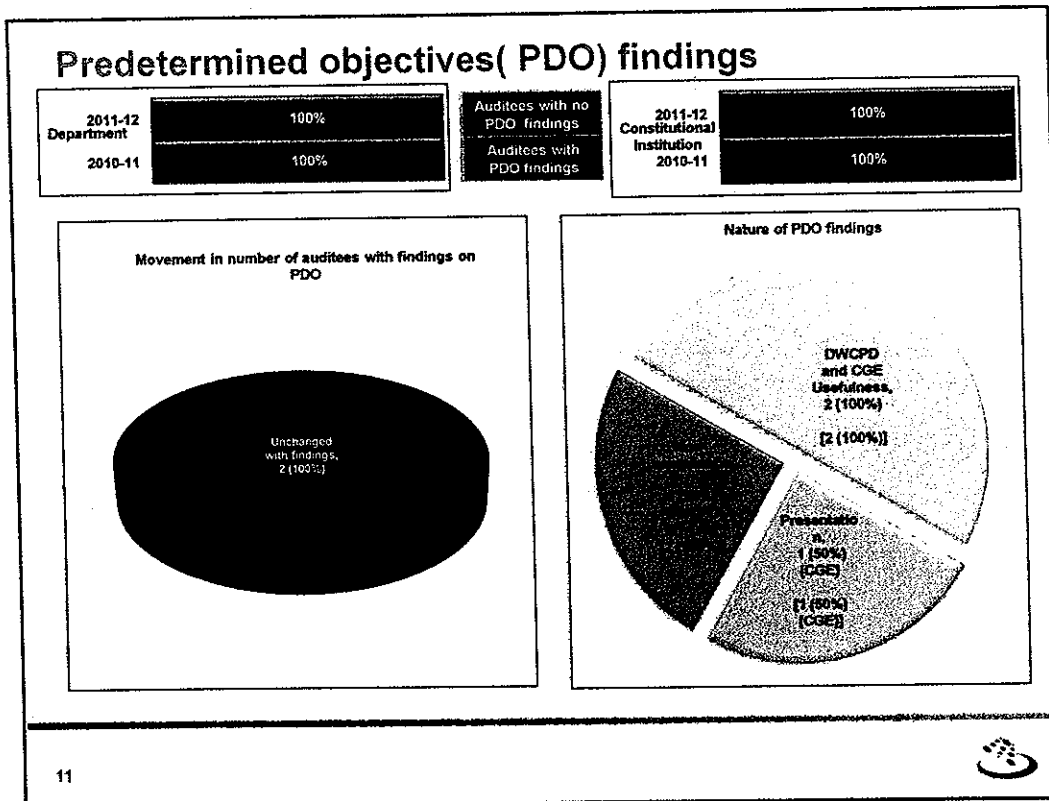
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Status of focus area



Summary of focus areas – areas of concern identified in all focus areas at the department.

(performance information).

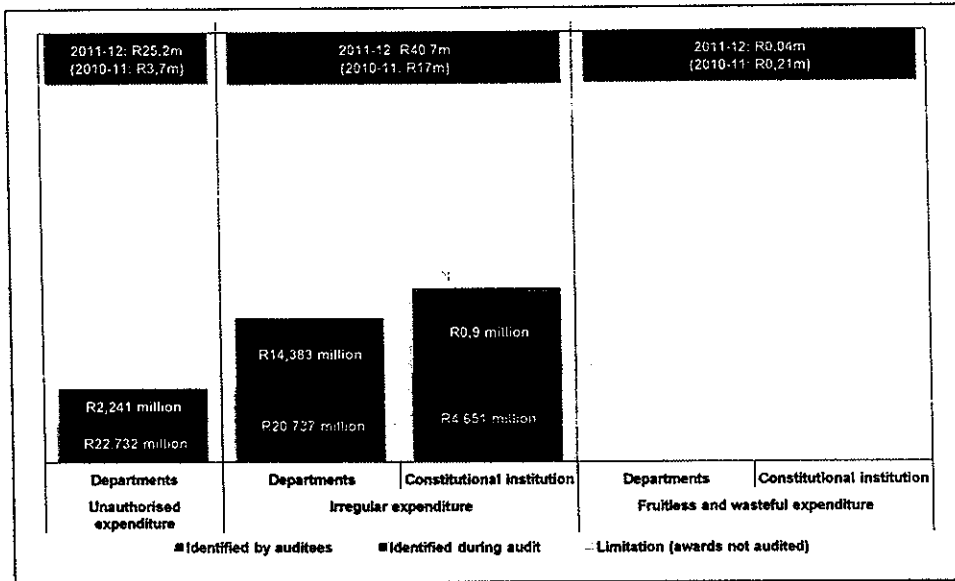


Unchanged with Findings

- DWCPD and CGE
- **At the dwcpd the following was reported:**
 - Targets are not consistent with the indicators and targets as per the approved annual performance plan.
 - Targets were not specific in clearly identifying the nature and the required level of performance.
 - Targets were not measurable.
 - Indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.
- **At the CGE the following was noted :**
 - Reasons for major variance were not explained.
 - Reported targets were not consistent when compared with planned targets.

no movement from the previous year.

Unauthorised, Irregular and Fruitless and wasteful expenditure



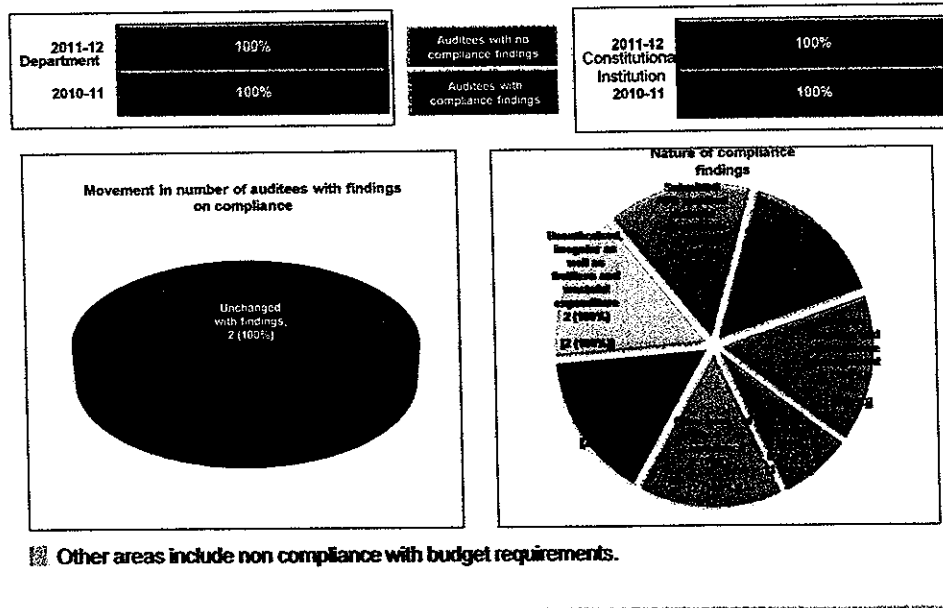
Department of Women and Children and People with disabilities

Unauthorised: The Unauthorised expenditure amounting to R25,2 million is due to overspending of the vote as well as main divisions within the vote. The accounting officer did not implement sufficient and appropriate budgetary controls to prevent and detect unauthorised expenditure.

Irregular expenditure: The department did not have sufficient and appropriate supply chain management controls.

Commission on Gender Equality

Findings on compliance with laws and regulations



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Findings of compliance at both the entities.

The dwcpd had findings on :

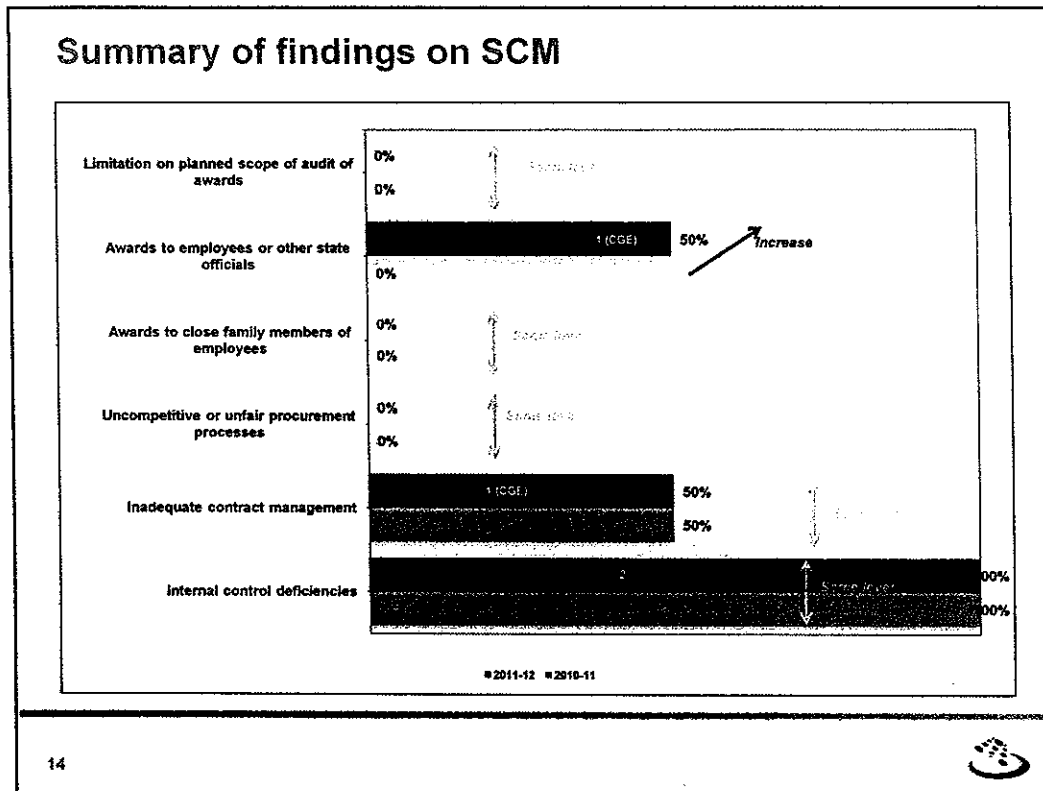
1. Strategic planning and performance management – the department did not have and maintain an effective, efficient and transparent system of internal control regarding performance management,
2. Budgets – steps were not taken to prevent overspending, the budget for compensation was overspent, increases in the budget for compensation of employees were not approved by the National Treasury.
3. Annual financial statements – The AFS were subject to material adjustments.
4. Audit committee - did not review the effectiveness of the internal control systems and accounting and auditing concerns identified from external audits, did not review the adequacy, reliability and accuracy of the financial information provided to management and other users and did not review the institution's compliance with legal and regulatory provisions.
5. Internal audit – There was no internal audit established.
6. Procurement – three quotations not obtained, tax clearance certificates not obtained, preference point system was not applied, Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state and Employees of the department performed remunerative work outside their employment in the department without written permission.
7. Human resource management - Job descriptions were not established for all posts, appointments were not only made in posts which were approved, Salary ranges of posts were increased without a job evaluation that supports the increase, Employees received overtime compensation in excess of 30% of their monthly salaries and the human resource plan did not include a budget analysis that ensures that the plan can be executed within the available budgeted funds.
8. Expenditure management - The accounting officer did not take effective steps to prevent unauthorised and irregular expenditure.
9. Revenue - The accounting officer did not take effective and appropriate steps to collect all money due.

→ referring to previous debt.

The CGE had findings on:

1. Annual financial statements - The AFS were subject to material adjustments
2. Asset management – Proper control systems not implemented for safeguarding and maintenance of assets, bank reconciliations not performed on a weekly basis.
3. Expenditure management – Effective and appropriate disciplinary steps not taken against officials who made or permitted irregular/ fruitless and wasteful expenditure and Payments to creditors not settled within 30 days. The accounting officer did not take effective steps to prevent unauthorised and irregular expenditure.
4. Procurement and contract management – Three written quotations not invited and/or deviations not justified, preference point system not applied.

all documentation was submitted, experienced no limitations.



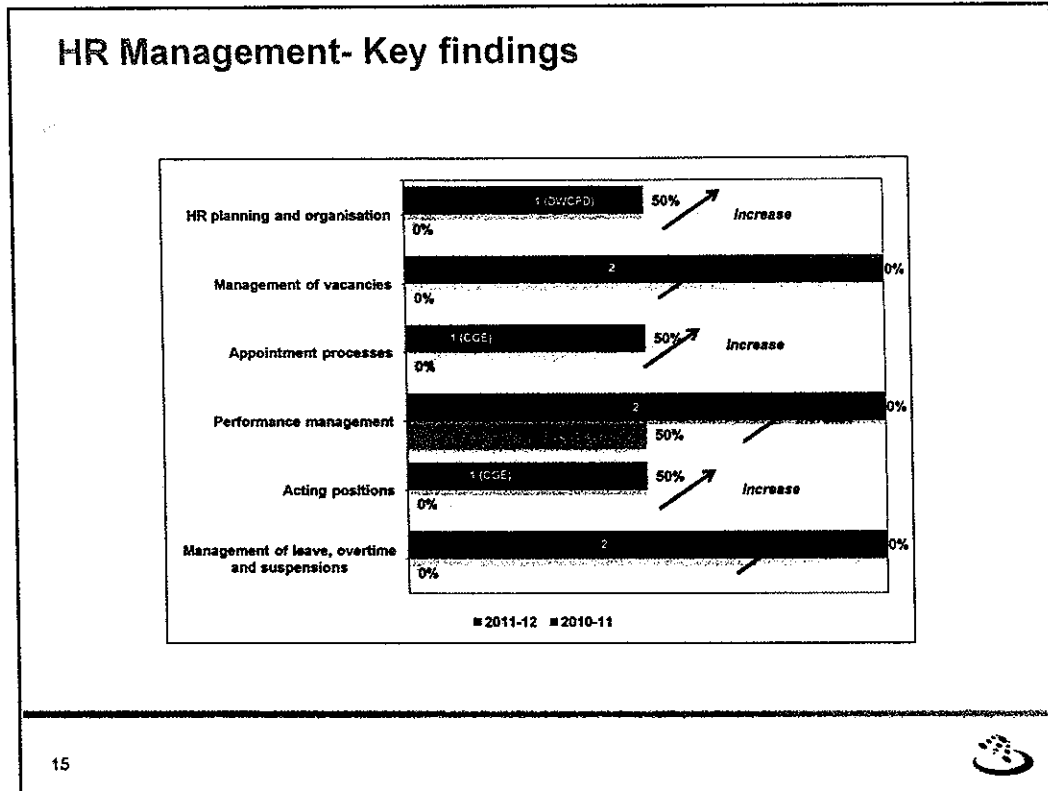
DWCPD:

- Awards to employees or other state officials - Employees of the department performed remunerative work outside their employment in the department without written permission from the relevant authority.
- Internal control deficiencies - The preference point system was not applied in all procurement of goods and services above R30 000, Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations.

CGE:

- inadequate contract management – Inadequate contract performance measures and monitoring.
- Internal control deficiencies - The preference point system was not applied in all procurement of goods and services above R30 000, Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations.

Key issue of significant concern at the Dept, planning & organisation, ~~now~~ continues to be an issue.

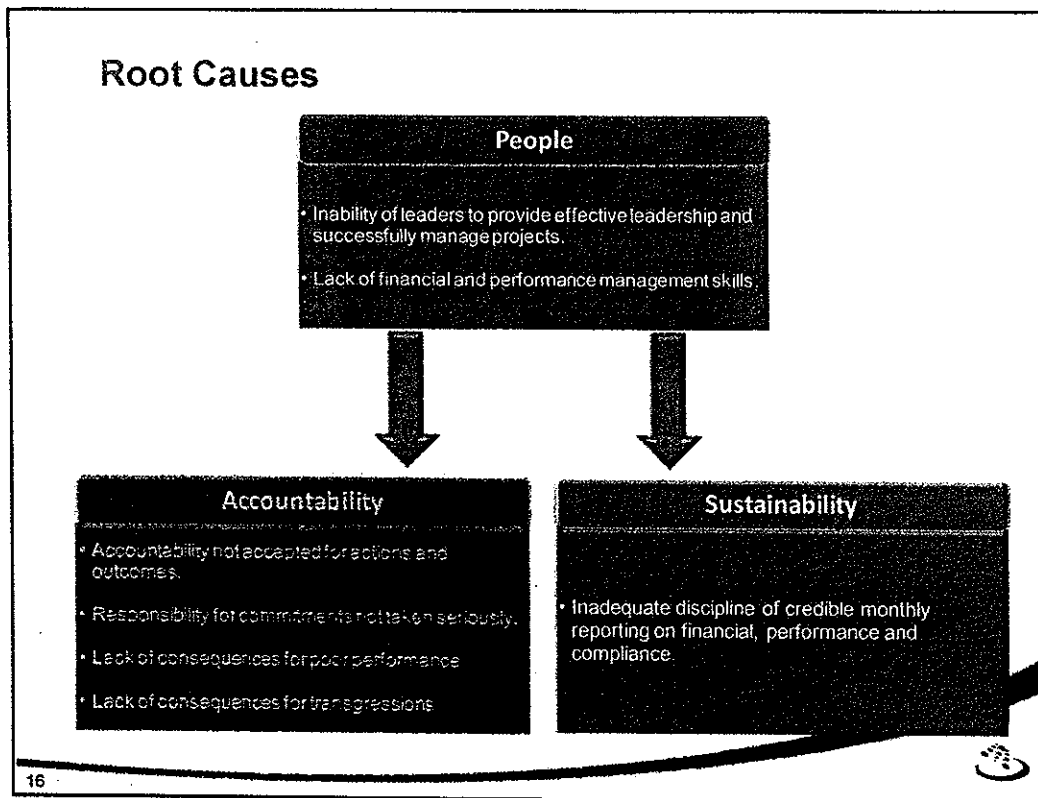


DWCPD:

- Management of vacancies – Vacant posts not advertised within 6 months and positions vacant for more than 12 months.
- Performance management – Senior managers did not sign performance agreements for current performance period.
- Management of leave, overtime and suspensions – Written authorisation not provided in advance for overtime to be worked.

CGE

- Management of vacancies – Overall vacancy rate increased from previous year.
- Appointment processes – Verification process for new appointments did not cover all verifications prescribed.
- Performance management – Performance bonuses paid to employees without signed performance agreements for applicable period.
- Acting Positions – Senior managers acted in positions for more than 6 months.
- Management of leave, overtime and suspensions – Employees received more than entitled annual leave.



DWCPD:

Leadership - The accounting officer did not ensure that sufficient monitoring controls exist to ensure compliance with laws and regulations and proper implementation of the overall process of planning, budgeting, implementation and reporting of performance against pre-determined objectives were developed and implemented. The accounting officer did not have sufficient monitoring controls to ensure that funds were utilised in accordance with the approved budget and for the purpose for which they were intended.

Financial and performance management - The effectiveness of in-year monitoring of compliance with the financial and budgetary requirements as well as all applicable legislation was inadequate, and non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored. The financial statements contained misstatements that were corrected. This was mainly due to staff members not fully understanding the requirements of the financial reporting framework and a lack of internal control procedures to ensure accurate and complete financial reporting.

Governance - The governance structures required by the Treasury Regulations were not established. There was no internal audit function in place and the audit committee was appointed late in the year.

CGE

Leadership - The accounting officer and management did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. Management did not timeously monitor the implementation of action plans to address internal control deficiencies resulting in repeat audit findings. Management did not adequately establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.

Summary

Top areas of concern	<p>Unauthorised expenditure – Lack of budgetary controls to ensure expenditure is within the budget (DWCPD).</p> <p>Compliance with laws and regulation : Lack of mechanism in place to ensure compliance (DWCPD & CGE).</p> <p>Matters of governance are not prioritised (DWCPD) The CGE does have internal audit and an audit committee, it is however not effective.</p> <p>Supply Chain management – Lack of compliance with SCM laws and regulations resulting in irregular Expenditure (DWCPD & CGE)</p> <p>Basic controls not established at the department to ensure sound financial management and compliance (DWCPD).</p> <p>Predetermined objectives – Lack of understanding of the FMPPI requirements resulting in strategic plans not conforming to the "SMART" principle (DWCPD & CGE)</p> <p>Inadequate compilation of AFS (preparation) resulting in material adjustments to AFS submitted for audit. (DWCPD & CGE)</p> <p>Transgressors should be held accountable (DWCPD & CGE)</p> <p>Action plans should be properly implemented to ensure that they address matters highlighted of shortcomings. (DWCPD & CGE)</p> <p>Those charged with governance should properly review financial statements (DWCPD & CGE)</p> <p>Proposed commitments for the Portfolio Committee:</p> <ul style="list-style-type: none"> • Request and monitor progress on the turnaround strategy developed by the department. → address top areas of concern • Request and review preparation of monthly financial statements. • Review quarterly reports on performance information. • Review the implementation and assessment of the key controls.
Commitments	<p>New Legislation -</p> <p>Developments in SCM legislation: The revised Preferential Procurement Regulations came into effect on 7 December 2011. The most significant changes were the introduction of B-BBEE certificates and the requirement for evaluation of functionality. All organs of state should ensure that their policies and procedures are in compliance with these regulations to avoid any regression in terms of compliance findings.</p> <p>New framework for strategic and annual performance plans: The National Treasury Framework for strategic and annual performance plans is fully effective from 1 April 2012.</p> <p>Inventory – Departments are to be required to report on their inventory in the future, not yet effective.</p>

