

GOVERNANCE D

1. INTRODUCTION

As a component of the National Treasury, GTAC is governed by the precepts of the Public Finance Management Act and the principles of the King IV report on corporate governance, in line with standard corporate governance processes and systems. In terms of a service level agreement between the National Treasury and GTAC, the Treasury assists GTAC with governance and compliance functions (e.g. internal audit, an audit committee and enterprise risk management, including a risk management committee). This section discusses GTAC's internal governance committees, followed by the shared functions under the service level agreement with the Treasury. It concludes with the report of the Audit Committee.

2. GOVERNANCE COMMITTEES

In this reporting period, significant progress has been made in establishing the appropriate governance functions within GTAC. Several committees have been institutionalised to assist with the efficient delivery of its strategic and operational business functions. The aim is to ensure rigorous management consultation and discussion for informed decision-making. The committees also provide a governance mechanism to ensure efficient use of resources through the prioritisation of a project approval process, which includes decision-making on financial allocations and expertise, as well as for regular reporting on progress, issues, risks and remedial actions. The decisions of these committees directly affect how GTAC prepares its compliance reporting (including quarterly and annual reporting).

The three GTAC governance committees are the management committee, which is the accounting authority, the project committee and the quarterly review committee. The mandate and operations of the subcommittees were set out in terms of reference and approved by the management committee during the year.

2.1 MANAGEMENT COMMITTEE

The management committee was established in 2014 to provide overall strategic business direction, policy guidance and management oversight of business decisions in GTAC. This executive committee provides an effective mechanism for the management team to engage in strategic decision-making and oversight of organisational matters, and thus ensures that GTAC fulfils its mandate and complies with governing legislation, such as the Public Finance Management Act.

The main duties of the committee are to:

- Conduct strategic planning and set priorities for the organisation.
- Approve organisational policies, financial accounts and budgets.
- Approve statutory reports (financial, quarterly performance against the annual performance plan and annual reports).
- Facilitate the sharing of high-level information on GTAC activities.
- Advise on particular issues that may require management attention.
- Any other activity of a strategic policy purpose that may require its intervention.

The committee is chaired by the head of GTAC, and the heads of GTAC's business units are permanent members. The committee also has a secretariat.

The committee is convened on a quarterly basis; during 2016/17, four meetings were held. Additional or special meetings may be scheduled as needed. The meeting is considered quorate if six permanent members and the chairperson are present. The members deliberate and agree by consensus, and have collective responsibility for the decisions of the committee.

2.2 PROJECT COMMITTEE

The project committee serves as the formal mechanism for the approval of projects within GTAC, and assigns projects to the relevant business units. It considers the strategic value of projects, and provides appropriate responses to project requests. The committee ensures that for all projects, agreement is reached on the work to be done, deliverables, resourcing required (including the level of effort, skills sets and budget), the timing, and the source of funding. Once approved, projects are tracked and monitored through the quarterly project review meetings.

The main duties of the committee are to:

- Consider and approve new project requests.
- Assign project numbers and maintain a central project register.
- Allocate appropriate resources.
- Discuss project-related risks, where applicable.

The committee is chaired by the head of GTAC, and the heads of GTAC's business units are permanent members. Invited members may join on request. The committee also has a secretariat.

This committee is convened on a monthly basis, or can be convened electronically for urgent project decisions. The meeting is considered quorate if three permanent members and the chairperson are present. Any senior manager requesting the approval of a project is required to attend and present the project request. The members deliberate and agree by consensus, and have collective responsibility for decisions of the committee.

2.3 QUARTERLY REVIEW COMMITTEE

The purpose of this committee is to facilitate the exchange of high-level project data with the head of GTAC and among business units, and to address issues related to the implementation of projects. Projects in all GTAC's technical work areas have to undergo periodic reviews to discuss progress, monitor project expenditure, review resourcing requirements, identify trends and risks, and discuss risk mitigation plans. A dashboard is used to present each unit's portfolio of projects.

The committee is chaired by the head of GTAC, and the heads of GTAC's business units are permanent members. The committee also has a secretariat.

The committee is convened on a quarterly basis; during 2016/17, four meetings were held. Additional or special meetings may be scheduled as needed. The meeting is considered quorate if four permanent members and the chairperson are present. The members deliberate and agree by consensus, and are bound by the decisions of the committee.

3. SHARED COMPLIANCE FUNCTIONS

As noted, GTAC has entered into a service level agreement with the National Treasury, in terms of which it shares a risk committee, internal audit function, antifraud and anticorruption activities, conflict of interest prevention, and health, safety and environmental protection activities with the Treasury. These are discussed in more detail below.

3.1 ENTERPRISE RISK MANAGEMENT

The shared risk committee is chaired by an independent member selected by the Treasury in consultation with GTAC. It oversees the development and implementation of the risk management policy, framework and mitigation strategy. GTAC conducts quarterly risk assessments and submits these, together with information on new and emerging risks, to the committee for deliberation. Some risks are specific to the GTAC business model, and there is ongoing engagement with the internal risk team to ensure that such risks are adequately managed.

The chairperson of the risk committee tables a report for discussion at GTAC audit committee meetings. This strengthens risk management oversight and manages gaps identified by the enterprise risk management process.

GTAC has also begun to integrate its risk management processes into the management of its strategic planning processes. A strategic risk register was compiled and tabled at the risk committee meeting to ensure improved alignment and information sharing with the committee.

In 2016/17, the risk committee met twice. GTAC is confident that it will continue to improve its risk maturity level in 2017/18.

3.2 INTERNAL CONTROL

In terms of the service level agreement, Internal Audit performed assurance and provided consulting services during the year under review. Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of GTAC and assisting it in accomplishing its objectives. It does this by bringing a systematic and disciplined approach (an annual and three-year rolling risk-based audit plan) to evaluate and improve the effectiveness of the organisation's governance, risk management and internal controls.

Specific support services include the following:

- Assurance services consist of independent reviews of the adequacy and effectiveness of GTAC's risk management, internal control and governance processes. These reviews include ongoing and regular reviews of compliance with relevant legislation, regulations, approved policies and procedures, and best industry practices, where applicable.
- Consulting services are advisory in nature and are intended to add value to and improve GTAC's operations. The scope of work is agreed upon with management. Consulting engagements are both informal and formal in nature, and include informal participation in meetings, routine information exchange with management and staff, and providing best practice frameworks, policies and procedures.

Internal Audit implemented its annual risk-based audit plan for 2016/17 as part of the three-year rolling plan, which was agreed with management and approved by the GTAC Audit Committee. A total of 18 audits were planned for 2016/17; all of these were conducted within the set time frames. All audit engagements and other work of Internal Audit were executed in accordance with the International Professional Practice Framework of Internal Audit, issued by the Institute of Internal Auditors.

3.3 FRAUD AND CORRUPTION

The Treasury's anticorruption unit has a three-pronged approach to fraud:

- Prevention: All new recruits are screened before appointment. All employees of GTAC must be vetted, and senior management must disclose their financial interests annually.
- Detection: The Treasury has a confidential whistle-blowing platform through which any staff member in GTAC may disclose suspected fraud and corruption. The anticorruption unit also runs an anticorruption awareness campaign annually to encourage staff to report instances of fraud and corruption.
- Enforcement: The Treasury has established a case management register where reported and known corruption cases are recorded and monitored until they have been successfully concluded. Once a corruption case has been reported, the anticorruption unit performs a preliminary investigation, followed by a referral for further investigation where appropriate. In addition, progress on cases received through the Presidential Hotline is reported quarterly to the Public Service Commission.

3.4 MINIMISING CONFLICT OF INTEREST

GTAC employees are annually informed of the potential risks and related impact of conflicts of interest. The Treasury's Corporate Services anticorruption programmes and financial disclosure procedures are used to encourage employees to disclose any registrable interests or any remunerative work conducted outside GTAC. Where conflicts of interest are identified, employees are engaged and, where appropriate, standard disciplinary steps are taken under the disciplinary code and procedure of the public service.

GTAC's business resourcing model opens it up to potential conflicts of interest in the management of its long- and short-term technical advisory consultants. A policy will be developed in the next financial year to ensure that this risk is appropriately and adequately managed. Transgressions will be effectively dealt with within the confines of applicable legal prescripts.

3.5 CODE OF CONDUCT

During the reporting period, GTAC appointed its first ethics officer, who is the head of human resources. All new employees and contractors sign a code of conduct as part of their recruitment process.

GTAC adheres to the public service code of conduct, which gives practical effect to the relevant constitutional provisions. All GTAC employees are expected to comply with the code of conduct, as it acts as an ethics guide, both in their individual conduct and in their relationships with others. Compliance with the code of conduct strengthens professionalism in GTAC and contributes to service delivery and confidence in the public service.

Newly appointed employees receive training on the code during the induction programme. The code of conduct is also re-emphasised during capacity building sessions on different platforms. In instances where the code of conduct is breached, standard disciplinary steps are taken in terms of the disciplinary code and procedure of the public service.

The professional and ethical code of conduct for technical advisory consultants is guided by appropriate conditions within the contracts and will be managed accordingly.

3.6 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

GTAC and the Treasury are committed to proper management of safety, health and environmental factors. The Treasury has a designated official responsible for safety, health, environmental, risk and quality management, who runs the health and safety committee. Through this committee, GTAC has designated health and safety officials who are trained to manage health- and safety-related priorities.

Crime and increased protests in the Pretoria central business district have affected the safety of staff. The identified risks have been mitigated through the following measures, among others:

- Improved notification of staff when protests are anticipated
- Improved bulk text communication in emergencies
- Establishment of a security forum with the City of Tshwane to coordinate crime prevention strategies in the central business district.

4. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

4.1 BACKGROUND

- The Audit and Risk Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.
- The Committee has adopted formal terms of reference as its audit committee charter and has fulfilled its responsibilities for the year in compliance with its charter. This year marks the second year in which GTAC's operations are reported independently and the Committee has noted progress made by management in setting up the necessary internal control systems and governance structures.

4.2 MEMBERSHIP AND ATTENDANCE

- The Committee consists solely of independent members who are financially literate and also have appropriate experience.
- The Committee met six times during the year.
- The following is a list of its members, qualifications and a record of their attendance

4.3 THE AUDIT COMMITTEE'S RESPONSIBILITIES

Name of member	Qualifications	Appointment Date	*Number of meetings attended
*Ms Octavia Matloa	Chartered Accountant (SA), BCom(Hons) and CTA	01/07/13	6 of 6
Mr. Ameen Amod	Certificate in Internal Audit (CIA – IIA), Certified Government Auditing Professional Auditor (CGAP – IIA) and Certification in Risk Management Assurance (CRMA – IIA), Chartered Director ((IODSA)IIA), Chartered Director (IODSA)	01/07/15	6 of 6
Ms. Anna Badimo	BSc Computer Science, BSc(Hons) Computer Science, MBA, MSc, CISM, CGEIT, MInstD, Cobol Programming Diploma, Project Management Diploma	01/07/15	6 of 6
Ms. Berenice Francis	Certification in Control Self-Assessment (CCSA), Certified Internal Auditor (CIA), BCompt(Hons) and BCom Accounting	01/08/13 – 31/07/16	2 of 6
Mr. Brandon Fusternburg	MSc Financial Management, MCom Economics, BCom(Hons), BCom, and FAIS exams: RE1, RE3 & RE5	01/06/16	5 of 6
Mr. Charl De Kock	MCom(IT Audit), BCompt(Hons)(Acc) BCom(Acc), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Professional Accountant (SA) (SAIPA)	01/02/17	1 of 6
Mr. Luyanda Mangquku	Chartered Accountant (SA), Master's in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	01/07/15	6 of 6

*Ms. Octavia Matloa became Chairperson from 18 April 2016.

The purpose of the Committee, which operates in conjunction with the Risk Committee, is to:

- Assist the Accounting Officer in discharging his duties relating to the safeguarding of assets; the operation of adequate systems, control and reporting processes; and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.
- Oversee the activities of, and ensure coordination between, the activities of internal and external audit.

- Provide a forum for discussing financial, enterprise –wide, regulatory and other risks and control issues; and to monitor controls designed to minimise these risks.
- Receive and deal with any complaints concerning accounting practices, internal and external auditing or the content and audit of its financial statements and performance reports, or related matters.
- Annually review the Committee’s work and charter to make recommendations to the Accounting Officer to ensure its effectiveness.

4.4 RISK MANAGEMENT

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud, and the implementation of internal controls.
- Internal Audit was guided by the consolidated risk profile, provided by the Enterprise Risk Management unit, critical audit areas and management’s inputs in the formulation of its three-year strategic and annual plans.
- The entity shares the Risk Committee with National Treasury and the Committee is chaired by an independent member who reports directly to the Audit Committee.
- The Risk Committee met twice during the year under review.
- A risk register is updated at least annually to ensure that all the major risks, including emerging risks facing the entity, are properly managed.

4.5 INTERNAL AUDIT

The Committee approved a risk-based Audit Coverage Plan for Internal Audit, which included a three-year rolling plan for the period 1 April 2016 to 31 March 2019 and an annual plan for the year under review.

Type	Total Planned Audits	Total No (%) Completed
Completed	18	100%
Regularity Audit	6	33%
Performance Audit	1	6%
Information Technology Audit	11	61%
Ad-hoc Audits	2	100%
Total	20	100%

The Committee reviewed all internal audit reports, and found it satisfactory:

- With the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That internal auditing is conducted in accordance with the standards set by the Institute of Internal Auditors.
- With the implementation of improvement actions that were recommended during the external quality assurance review that the internal audit function underwent in the 2014/15 financial year. The quality assurance review gave them a General Conformance rating in terms of their operations in compliance with the definition of Internal Auditing, International Standards for the Professional Practice of Internal Audit (ISPIIA) and the Code of Ethics.

4.6 ACCOUNTING AND AUDITING CONCERNS IDENTIFIED BY INTERNAL AUDIT

There are no accounting and auditing concerns that have been noted and brought to our attention.

4.7 OTHER IDENTIFIED CONCERNS

The Committee noted the following areas of concern:

- Capacity constraints emanating from the need to set up necessary structures as an independent entity.
- New cases of irregular expenditure as a result of non-compliance with the Supply Chain Management laws and regulations.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

The Committee is of the opinion that Internal Audit is independent and provided objective assurance and consulting activities that were designed to add value and improve the entity's operations.

4.8 THE ADEQUACY, RELIABILITY AND ACCURACY OF THE FINANCIAL AND PERFORMANCE INFORMATION

The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal auditors and the Auditor-General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate.

4.9 EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the external auditors.
- The external auditors attended six meetings of the Committee and we are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and approved the external audit report.

Other than the matters referred to in the preceding paragraph, no other accounting and auditing concerns were noted.

4.10 THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee:

- Considered all the reports issued by the various assurance providers, including the Internal and External Auditors and the Risk Committee.
- Noted management's actions in addressing identified control weaknesses; is satisfied with the following achievements reported during the year; and continued to monitor and engage management on key matters:

Assurance Provider	Total Findings	Resolved Findings	Unresolved Findings
Internal Audit	7	7	0
External Audit	29	29*	0

**In agreement with Auditor-General's report*

In light of the above, we report that the system of internal controls for the period under review is considered to have been adequate except for matters reported in the auditor's report.

4.11 COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

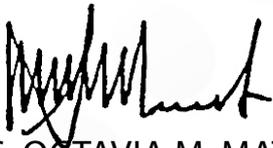
- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and the Division of Revenue Act and is satisfied that no material deviations were noted.
- The Committee noted management's policies and procedures to ensure compliance with applicable laws and regulations.
- The Committee has also taken note of concerns with the entity's non-compliance with some of the legislative requirements relating to procurement and contract management, as reflected in the audit report.

4.12 EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2017 and duly recommended these for the Accounting Officer's approval prior to them being submitted to the Auditor-General for audit.

The Committee reviewed the auditors' management report and concurs with their conclusions. We therefore accept the audit opinion and conclusion expressed by the external auditors on the annual financial statements, annual performance report and annual report.

We commend Internal Audit and management for providing us with the necessary support in the execution of our fiduciary responsibilities.



MS. OCTAVIA M. MATLOA

Chairperson

22 August 2017