

GOVERNANCE C

1. GOVERNANCE

1.1 INTRODUCTION

The hallmarks of GTAC's governance approach are integrity, a strong commitment to ethical culture, respecting the rule of law, and acting in the public interest at all times.

The creation of a professional advisory and support services environment that shares a common set of values and purpose is fundamental to the effectiveness of GTAC. GTAC's corporate governance arrangements help the organisation achieve its goals and objectives, while ensuring that it has the requisite capacity to perform at the highest level and maintain proper stewardship of its public finances and resources. In the year ahead, it is envisaged that GTAC's draft governance framework (as defined by the Constitution, the Public Service Act and the Public Finance Management Act) will be adopted for implementation. In line with its commitment to best practice, GTAC also considers the King IV corporate governance code as an additional guidance framework.

In the year under review, GTAC rolled out its first strategic plan, which helped it to successfully implement its first annual performance plan. While GTAC celebrates this milestone, it acknowledges that there are many lessons to be learnt in developing fit-for-purpose approaches to its business model. This year, GTAC continued to conduct its business affairs with the utmost integrity and with the necessary adherence to the principles of good corporate governance to deliver good results in a sustainable manner. Through proactive leadership and effective oversight, GTAC plans to enhance its organisational efficiency by finetuning operations to better align workflows, staffing and financial resources to maximise productivity and output. The organisation's commitment to compliance with legislation and best practices will be reflected in its governance system, which covers how it is managed, its corporate structures, its culture, its policies and processes, and the way it deals with stakeholders. GTAC delivered on in its commitment to openness and transparency in all aspects of its work, including regular and timely publication and dissemination of knowledge and research products on its projects, critical inputs into government policy and planning, and the development of relevant materials such as methodologies, toolkits, and trend analyses of project experiences.

During the year, GTAC focused on strengthening governance structures and convened governance committees with approved terms of reference. The Management Committee (MANCO) provides overall strategic direction and leads the implementation of the systems, policies, processes, decisions and behaviours necessary for good corporate governance. It is supported by, for example, the Projects and the Quarterly Review committees, which play a more hands-on role with administrative functions such as project allocation, financing, and the management of project performance and risk (including monitoring, evaluation and learning).

Good corporate governance is also about responsible leadership that builds relationships with key stakeholders and strategic partners that balance their legitimate, reasonable needs with their interests and expectations. In the

past year, a draft stakeholder engagement framework was developed to guide GTAC's extensive engagement with domestic and international parties, other government institutions, think tanks and experts. These engagements help GTAC keep abreast of changes and developments in the government and advisory environment, and bring new, innovative new methodologies and service offerings to its attention.

1.2 RISK MANAGEMENT

In the year under review, GTAC developed and approved an enterprise risk management framework and a risk management policy and strategy, in consultation with the Risk Management Committee of the National Treasury. These risk governance documents describe the principles and components of an effective enterprise risk management process, setting out how risks should be identified, analysed, evaluated, responded to and controlled. They also emphasise how an effective strategy should identify not only the challenges but also the opportunities to enhance financial management and accountability. The documents clearly outline the roles and responsibilities of key stakeholders to enable a systematic assessment of the key risks associated with strategic objectives (including identifying new and emerging risks). The Risk Management Committee advises management on the overall system of risk management, oversees the effective implementation of the risk management strategy, and ensures adequate and effective mitigation strategies, especially of unacceptable levels of risk. It also assists management in reviewing and making recommends on the risk policy, strategy and implementation plan. The chairperson of the Risk Management Committee ensures reporting across the business units within GTAC and provides regular feedback to the Audit Committee, the accounting authority and the executive authority. In addition, the committee provides overarching oversight across all risk types, including reviewing the implementation of actions recommended by other assurance providers. In line with the approved terms of reference, the chairperson of the committee is external and independent. The committee meets at least four times a year; additional meetings may be scheduled as required.

The Internal Audit function provides independent and objective assurance of the overall adequacy and effectiveness of governance, risk management and controls, and makes recommendations for improvement. In line with the approved terms of reference, the Audit Committee oversees the financial and non-financial reporting process, the management of risk, the system of internal control, the audit process, and GTAC's process for monitoring compliance with laws, regulations and the code of conduct. Senior management promotes a strong risk culture and strategic risk assessment by overseeing the internal control environment and risk management in all units. Ongoing monitoring and management of risks through management reviews, self-assessments and risk management reports help to embed risk management in daily operations. To this end, management continues to make an active and visible commitment to the core principles of public sector governance and promotes them internally and externally, to encourage good governance practices in pursuit of the highest level of performance with accountability.

1.3 FRAUD AND CORRUPTION

GTAC, as a component of the National Treasury, maintains a zero-tolerance approach towards fraud, corruption and unethical behaviour. Every staff member is required to minimise the possibility of fraud and corruption within GTAC. The Anti-Corruption Unit, which is part of the shared services with the National Treasury, liaises with the ethics officer and investigates all potential and reported conflicts of interest and unethical behaviour to ensure that adequate measures are taken if the ethical code and anti-corruption policy have been violated. The policy also provides for a fraud and corruption prevention plan, which includes whistle-blowing mechanisms with procedures for employees or the public to register complaints and anonymously disclose information on impropriety, fraud and corruption. The anti-corruption and ethics management plan was approved in May 2018 and its implementation is detailed on the anti-corruption and ethics management plan matrix. The plan is reviewed as required, but at least once a year. In the year ahead, appropriate fraud and corruption risk assessments will be conducted on an ongoing basis to assist management in prioritising areas for attention and in developing appropriate controls to mitigate identified exposures. In the year ahead, appropriate fraud and corruption risk assessments will be performed on an ongoing basis to help management prioritise areas

for attention and develop appropriate controls to mitigate identified exposures. The fraud and corruption risk register will be drafted and monitored on a regular basis and will be tabled in the quarterly meetings of the Risk Management Committee to ensure adequate oversight.

The mechanisms to report suspected fraud and corruption anonymously are the National Anti-Corruption Toll-free Hotline on 0800 701 701, the Chief Risk Officer on 012 315 5203, by email to corruption@treasury.gov.za, or by walking in at 240 Madiba Street Building, 3rd floor. GTAC is committed to investigating all unethical conduct in an independent and objective manner and to report all suspected criminal conduct to the law enforcement authorities. Protection of whistle-blowers remains a core principle, as prescribed in the Protected Disclosures Act of 2000, to ensure that any employee who reports suspected fraud and corruption or any acts of impropriety is adequately protected. The fraud and corruption case management framework sets out processes, remedies and actions to be taken in instances where officials are found guilty.

GTAC's ethics, fraud and corruption processes are periodically assessed independently by internal audit and oversight structures such as the Risk and Audit Committees, and any weaknesses or gaps are addressed and monitored. In the year ahead, GTAC will intensify its efforts to provide training and promote awareness among staff and external partners of ethical values, the code of conduct, and fraud and corruption prevention activities. Platforms such as induction programmes, engagement meetings, posters, newsletters, pamphlets and computer screensavers will be used. Resolutions taken by MANCO and other governance committees will be cascaded to ensure a stakeholder-inclusive approach and transparency on anti-fraud and corruption matters.

1.4 MINIMISING CONFLICT OF INTEREST

GTAC management have an important stewardship role in exercising its powers and using public resources. It is therefore important for managers to govern GTAC in a way that sustains a strong capacity to serve government over time. This year management again set the tone for effective governance from the top, while setting an example to staff of good governance behaviours and demonstrating a commitment to achieving government objectives through accountable processes. GTAC's ethical code is based on the code of conduct for the public service in the Public Service Regulations. It is supported by the Public Sector Integrity Management Framework, which aims to strengthen measures and standards for ensuring integrity and ethical conduct. An ethics officer facilitates the development and implementation of GTAC's ethics strategy to embed an ethical culture through a strong and integrated approach. The strategy also addresses the management of key ethical risks and interaction with internal and external stakeholders. This will be accomplished with the support and oversight provided by the MANCO.

In the past year, GTAC continued to implement mechanisms for managing conflict of interest that may arise from financial interests, gifts, hospitality and other benefits. Post-GTAC employment and remunerative work outside of GTAC are monitored at least annually through the transversal system of the Department of Public Service and Administration. The recruitment process integrates pre-employment screening to ensure that GTAC selects people who can both provide quality services and uphold its organisational values. Employees must also be vetted by the National Intelligence Agency to obtain security clearance. In the year ahead, both new and existing contractors and service providers will be screened to ensure that no one is afforded scope to abuse the supply chain management system.

In the new year, MANCO will intensify its efforts to provide effective leadership based on a culture of honesty, ethical business practices and good governance, while protecting GTAC's best interests. This will include encouraging staff to raise any concerns about potential wrongdoing in the workplace and assuring them of the necessary protection and support. Employees at all levels must be aware of relevant compliance obligations and implement controls in their day-to-day business activities, including actively monitoring and reporting compliance issues and incidents. GTAC prohibits any form of discrimination or harassment based on race, colour, religion, national origin, age, physical disability, medical condition, gender, sexual orientation, marital status, or any other legally protected status. GTAC can only operate effectively if it has built strong relationships, based on trust, with all stakeholders; this drives its ethical culture and decision-making. It will remain steadfast in sustaining and fostering a culture and shared values that exemplify ethical behaviour and effective governance.

1.5 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

GTAC endorses the stipulation of the Occupational Health and Safety Act of 1993 that requires an employer to provide a working environment that is safe and without risk to the health and safety of its employees, and to ensure that other people who may be directly affected by its activities are not exposed to health and safety hazards. GTAC's occupational safety and health activities are governed by the approved Safety, Health, Environment, Risk and Quality (SHERQ) policy, which is part of the shared services with the National Treasury. This programme deals with the intangible and tangible factors affecting the health and safety of employees; the safety of citizens; the sustainability of the environment; and the management of occupational and general risks and the quality of government products and services. The occupational health and safety programme aims to anticipate, communicate and control environmental stressors in the workplace that may affect staff and members of the community. These include biological, chemical, physical, ergonomic and psychosocial stressors, which are managed through ongoing, systematic identification, risk assessment and mitigation measures. An emergency management plan is in place to mitigate and respond to any emergency incidents, and is complemented by continuous awareness, testing and training campaigns.

Another part of the shared services with the National Treasury is the Siyaphila employee health and wellness programme, which is driven by professionals such as registered social workers, psychologists, nurses and medical practitioners. This worksite programme is designed to assist employees in identifying and resolving personal concerns, such as health, marital, family, financial, alcohol, drug, legal, emotional, stress or other personal issues that may affect job performance.

1.6 PORTFOLIO COMMITTEES

In the year under review, GTAC did not participate in any portfolio committees.

1.7 SCOPA RESOLUTIONS

In the year under review, there were no SCOPA resolutions affecting GTAC.

1.8 PRIOR MODIFICATIONS TO AUDIT REPORTS

There were no prior modifications to the GTAC audit reports.

1.9 INTERNAL AUDIT AND AUDIT COMMITTEES

Internal auditing is an independent and objective assurance and consulting activity that is guided by a policy of adding value to improve GTAC's operations. It brings a systematic and disciplined approach, including an annual and three-year rolling risk-based audit plan, to evaluate and improve the effectiveness of GTAC's governance, risk management and internal control. The function is a shared service with the National Treasury.

Internal Audit implemented its annual risk-based audit plan for 2017/18 as part of the three-year rolling plan approved by the National Treasury's Audit Committee. From the plan, 37 audits were planned, 11 audits were postponed to 2018/19 and 2 cancelled because of emerging risks, changes in the department, and requests from management (as approved by the Audit Committee). It conducted 24 planned audits, with an additional 12 ad hoc engagements. These 36 audits represented 100% completion of the approved 2017/18 annual plan. All audits were conducted in accordance with the International Standards for the Professional Practice of Internal Audit, issued by the Institute of Internal Auditors.

The Audit Committee is established as a statutory committee in terms of section 38(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The committee performs an oversight and advisory role for GTAC and is accountable to the accounting officer, the executive authority and the public to properly consider and evaluate all matters as per its terms of reference.

The purpose of the committee is to assist the executive authority in fulfilling its oversight responsibilities and to assist the accounting officer in executive duties regarding the financial reporting process, the management of risk, the system of internal control, the audit process, and GTAC's process for monitoring compliance with laws, regulations and the code of conduct. The committee also has a primary responsibility to the public to form an opinion on the effectiveness of those issues within its ambit; it communicates this in the annual report in terms of the Treasury Regulations.

AUDIT COMMITTEES REPORT

We hereby present our report for the financial year ended 31 March 2018.

1.10 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 terms of reference.
- GTAC has previously reported as part of National Treasury's operations and the Committee exercised its oversight based on the risk-based plans executed by internal audit. Since last year GTAC commenced to report its financial and performance information independently. The Committee continues to monitor progress made by management in setting up the necessary internal control systems and governance structures.

1.11 MEMBERSHIP AND ATTENDANCE

- The Committee consists solely of independent members who are financially literate and have the appropriate experience.
- The Committee met 6 times during the year.
- The following is a list of Committee members, qualifications and a record of their attendance:

Name of member	Qualifications	Appointment Date	Number of meetings attended
Ms Octavia Matloa	Chartered Accountant (SA), B.Com (Hons) and CTA.	1 March 2016	6 of 6
Ms Anna Badimo	B.Sc Computer Science B.Sc Hons Computer Science Master in Business Administration, Master of Science, CISM (Certified Information Security Manager), CGEIT (Certified in the Governance of Enterprise IT), CRISC (Certified in Risk and Information Systems Control), Cobol Programming Diploma, Project Management Diploma, Cert. IT Auditing, F. Inst D (IoDSA), COBIT5.	1 July 2015	6 of 6
Mr Ameen Amod	Master in Business Administration, Bachelor of Commerce, Certificate in Internal Audit (CIA), Certified Government Auditing Professional Auditor and Certification in Risk Management Assurance, Chartered Director (SA)	1 July 2015*	6 of 6
Mr Brandon Furstenburg	Master of Science (MSc) in Financial Management, Master of Commerce (MCom) in Economics, BCom Hons, Bcom and FAIS exams: RE1, RE3 & RE5. M.InstD	1 June 2016	5 of 6
Mr. Charl de Kock	Masters in IT Auditing, Honours degree in Accounting, Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), South African Institute of Professional Accountants (SAIPA)	1 February 2017	6 of 6
Mr Luyanda Mangquku	Chartered Accountant (SA), Masters in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	1 July 2015*	6 of 6

*Contracts expired on 30 June 2018.

1.12 THE AUDIT COMMITTEE'S RESPONSIBILITIES

The Committee, in conjunction with the Risk Committee is satisfied that it has discharged its responsibilities in assisting the Accounting Officer with the following activities:

- 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.
- Overseeing the activities of, and ensuring coordination between, the activities of internal and external audit.
- Providing a forum for discussing exposures to financial and enterprise-wide risks and monitoring of controls designed to minimize these risks.
- Reviewing the organisation's quarterly financial and performance information, annual report, including the annual performance information and annual financial statements, and any other public reports or announcements containing financial and non-financial information.
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements and performance reports, or related matters.
- Annually reviewing the Committee's work in line with the charter and making recommendations to the Accounting Officer to ensure the Committee's effectiveness.

1.13 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 internal controls.
- Internal audit was guided by the consolidated risk profile, critical audit areas and management's inputs in the formulation of its three-year strategic and annual plans.
- The organisation has a Risk Committee which is chaired by an independent member who reports directly to the Audit Committee.
- The Committee met 3 times during the year under review.
- A risk register is updated annually to ensure that all the major risks including emerging risks facing the organisation are effectively managed and the recent one was updated in the first quarter of 2017/18 financial year.

1.14 INTERNAL AUDIT

The Committee approved a risk based three year rolling strategic internal audit plan and an annual audit coverage plan for the period 1 April 2017 to 31 March 2020 covering the following key audit activities:

Type	Total Planned Audits	Total
Regularity audit and Compliance Audit	2	2 (100%)
Performance audit	1	1 (100%)
Information technology audit	1	1 (100%)
Total planned audits	4	4 (100%)
Postponed Audits	0	0
Ad hoc audits	0	0
Total	4	100

The Committee reviewed all the Internal Audit reports and is satisfied:

- With the activities of the Internal Audit function, including its annual work programme, co-ordination with the External Auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That Internal Audit conducted its work in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

1.15 ACCOUNTING AND AUDITING ACCOUNTING AND AUDITING CONCERNS IDENTIFIED BY INTERNAL AUDIT

There are no accounting concerns that have been noted and brought to our attention; and all the auditing concerns which were brought to our attention were discussed with management and the Accounting Officer.

1.16 OTHER IDENTIFIED CONCERNS

The Committee noted the following areas of concern:

- The position of the Head of GTAC which has been vacant since the establishment of GTAC in 2014.
- 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 therefore of the opinion that Internal Audit is independent, provided objective assurance and consulting activities that were designed to add value and improve an entity's operations.

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

- The Committee noted:
 - The reported material misstatements, management's acceptance and amendment of the submitted annual financial statements.
 - The reported performance information for Management and Support Services and Transaction and Advisory Services are useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework.
- 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 Auditor-General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate.

1.18 EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the Auditor-General; and noted that there were no non-audit services rendered by them during the year.
- In line with the legislative requirements the Committee has also considered the Auditor-General' independence declaration in the auditors' report, "We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B". The Committee is therefore satisfied with their independence.
- The Auditor-General attended 6 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 and several accounting and auditing concerns were noted.
- The Committee has reported major concerns relating to the entity to the Accounting Officer, Executive Authority and the Auditor-General.

1.19 THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee:

- Considered all the reports issued by the various assurance providers e.g. internal and external auditors.
- Noted management's actions in addressing identified control weaknesses and is satisfied with the following achievements reported during the year:

Assurance provider	Total findings	Resolved	Unresolved findings
Internal audit*	4	2	2
External audit	31	22	9

***The figures indicate the statistics for a three year period: 2015/16; 2016/17 & 2017/18 as at 31 March 2018.*

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 areas reported in the auditor's report.

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 also noted managements' 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.

Evaluation of Financial Statements and Annual Report

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2018 and duly recommended these for the Accounting Officer's approval prior to being submitted to the Auditor-General for audit.

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

We would like to express our appreciation to the acting Accounting Officer and management for the achievement of the same unqualified audit opinion with findings.



Ms. Octavia M. Matloa

Chairperson

Date:

