



REPORT 11 OF 2013
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 4TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (2011/12)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) examined the annual report of the Department of Agriculture, Rural Development and Land Administration (Department), which includes the financial statements, report of the Auditor-General, report of the Accounting Officer and performance information.

The Committee sent preliminary questions to the department and received responses which were subsequently presented during a hearing. This transparent process of engagement was aimed at assisting and guiding the department on areas that require improvement and monitoring.

The Committee discharged its mandate of ensuring prudent financial management over the report of the department.

2. COMMITTEE PROCEDURES

The Committee met on 6 August 2013 to deliberate on the above reports. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 116 and section 118 (1) (b) of the Constitution of the Republic of South Africa.

The Accounting Officer and her delegation responded to various questions posed by the Committee during the hearing.

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 MEASURABILITY OF INFORMATION

The Committee found that the Auditor General has reported that the indicators of programme 3 (Farmer Support and Development) were not measurable. The Committee further found that in the previous financial year, the same finding was made and the Department indicated that it will

not repeat again because of the measures put in place. The Committee further noted that it has passed resolutions in relation to this matter in the previous financial year. This resulted in the Committee believing that the Accounting Officer did not implement the House resolution relating to this finding in the previous financial year and as a result wanted an indication on the progress that is being made in implementing the plans outlined to the Committee the previous financial year. The Committee is of the view that the Executing Authority must take actions against the Accounting Officer for failure to implement the House resolution relating to this finding.

However, the Committee further wanted the department to provide reasons for not ensuring that 27% of the indicators of Programme 3 are well defined and variable and the steps taken by the Accounting Officer to ensure that the management of the department understand the requirement of the Performance information Management Policy as well as the measures taken - by the Accounting Officer- to curb this finding from recurring.

The Department indicated that the previous House Resolutions were implemented but the challenge was that the resolutions came at a later stage in the financial period, wherein the Annual Performance Plan of the department was already adopted and implemented. However, the implementation of the House Resolutions will bear full results in the current financial period of 2012/13.

The Department further indicated that the plans presented to the Committee in the previous financial years are being implemented and re-enforced by sending a team to the Western Cape Provincial Government for benchmarking. The department, continued to, explain that the implementation of the plans and the house resolutions is on-going hence the Executing Authority has not taken any decisions against the Accounting Officer for failure to implement House Resolutions. In fact- the department reported that the Executing Authority has supported the Accounting Officer by ensuring , amongst others, that the position of a Senior Manager posts are filled including the post of a Senior Manager: Monitoring and Evaluation. As part of the implementation of the plan presented, the Executing Authority ensures that quarterly reviews.

The Accounting Officer of the department indicated that to address this finding from recurring she has ensured that performance agreements and contracts of officials are aligned to the Annual Performance Plan with incentive to those who performed well. The Accounting Officer further indicated portfolio of evidence is packaged per indicator and filed in the district offices and has introduced a combined assurance committee comprised of the risk, audit and Monitoring and Evaluation units to verify the portfolio of evidence. In addition, the Accounting Officer has conducted workshops and trainings aimed at assisting top management and staff of the department to understand the Framework for Managing Program Performance Indicators.

The Accounting Officer indicated that she has ensured that various levels of management conduct reviews and verification of performance and there are independent assessments conducted by the monitoring and evaluation unit of the department. Lastly, the department has also introduced a tracking register on the findings by the Auditor General.

The Committee commended the department for introducing the tracking register of Auditor General's findings but wanted the department to indicate the successes of this initiative and its prospect to ensure that the department achieve clean audit in the near future.

The Committee held a different view from the Department in relation to understanding performance indicators and the Committee believes that for the department to understand performance, it needs management of the department to understand and master performance information. The Committee further believes that those who collect performance information must also understand the indicator and the information relating to the indicator.

The Committee is convinced that the filling of posts is not relevant to the measurability of information provided for auditing purposes. It believes that the issue of lack of capacity is not only about vacant posts but extend to the lack of ability to do the work on the part of the appointed officials.

The Department acknowledged and accepted the view of the Committee but emphasized that the tracking register has improved the pace and manner in which it respond to the findings made by the Auditor General.

The Department emphasised that the Executing Authority has not taken steps against the Accounting Officer because she acknowledged the progress made amid the vacancies in critical posts. Instead, the Executive Authority has ensured that the Department fill all the critical post at the SeniorManagement level. The Accounting Officer affirmed the Committee that all indicators were well packaged, well defined and understood by officials of the department.

3.1.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Executive Authority must ensure that the Accounting Officer implement all House Resolutions.
- (ii) The Accounting Officer must ensure that all indicators are measurable.

3.2 VALIDITY OF INFORMATION

The Committee found that the Auditor General has reported that the department has failed to ensure that 51% of the actual reported performance relevant to programme 3: farmer support and development does not differ materially when compared to the source information and evidence provided.

The Committee was concerned that the Accounting Officer failed to put adequate measures to prevent this finding from occurring. The Committee was, equally, disappointed that the Accounting Officer failed to implement the action plan presented to the Committee the previous financial year relating to this finding. In addition, the Committee registered its concern that theSenior Management and Internal Audit Unit failed to monitor the recording of actual performance. Lastly, the Committee afforded the Accounting officer to explain measures put in

place to ensure that this finding does not recur in the future as the province marches forward to clean audit opinions.

The Department - to the understanding of the Committee - indicated that the measures and plans presented to the Committee will be effective in the 2013/14 financial year because at the time of the presentation to the Committee, an APP was approved and being implemented. The department, in addition, developed the Monitoring and Evaluation Matrix has been implemented from the third quarter of the previous financial year. As a result, performance reviews are conducted to assess the availability of evidence for reported performance; the reviews are therefore conducted in line with the M&E matrix. In addition the department has appointed M& E coordinator in all the districts to assist the district director to monitor, verify performance reports and supporting documents and ensure proper filling evidence.

The Department further indicated that the failure of Senior Management and the Internal Audit unit to monitor recording of actual performance was because of the establishment of systems, processes and controls which took longer than anticipated owing to the lack of human capacity in the Risk Management and the M&E directorates, including some of the Senior management positions especially district directors including some of the Senior managers' positions, district directors and Middle managers which were filled in the fourth quarter of the financial of 2012/13.

The Internal Audit unit, on the other side, conducted periodic audits but its findings could not be implemented due to insufficient capacity to verify the validity of information.

The Accounting Officer further assured the Committee that an action plan has been developed to address audit findings and its progress is monitored on a quarterly basis. Monitoring and evaluation units verifies while Internal Audits also conducts audits to assess availability of supporting evidence for reported performance.

The Committee noted that each year, the department develop an action plans but they are not improving the status quo. Hence, the Committee wanted the department to indicated the successes and improvement brought by these plans.

The Committee further wanted to know whether the model from the Western Cape is helping the department, considering that they are still failing in this regard. Therefore, the Committee considered sending the department team to the Western Cape as having no value for money. The Committee re-emphasized it earlier view that the lack of capacity cannot solely be put on vacancies but must also be incapacity for existing staff to understand their work; which speaks to the recruitment process of the department that failed to recruit staff with the required skills and expertise.

3.2.1 RECOMMENDATION

The Committee recommends that the House resolve that:

- (i) The Executing Authority must ensure that the Accounting Officer addresses all findings of the Audit Committee.
- (ii) The Accounting Officer must implement the Monitoring and Evaluation Matrix and conduct performance reviews.
- (iii) The Accounting officer must ensure that all officials collecting performance information are trained on the indicator they collect information for.

3.3 ACCURACY

The Committee has found that the Accounting Officer failed to ensure that 51% of the actual reported indicators relevant to Programme 3: Farmer Support & Development were accurate when compared to source information.

The Department - to the understanding of the Committee - indicated that the measures and plans presented to the Committee will be effective in the 2013/14 financial year because at the time of the presentation to the Committee, an APP was approved and being implemented. The department, in addition, developed the Monitoring and Evaluation Matrix has been implemented from the third quarter of the previous financial year. As a result, performance reviews are conducted to assess the availability of evidence for reported performance; the reviews are therefore conducted in line with the M&E matrix. In addition the department has appointed M& E coordinator in all the districts to assist the district director to monitor, verify performance reports and supporting documents and ensure proper filling evidence.

The Department further indicated that the failure of Senior Management and the Internal Audit unit to monitor recording of actual performance was because of the establishment of systems, processes and controls which took longer than anticipated owing to the lack of human capacity in the Risk Management and the M&E directorates, including some of the Senior management positions especially district directors including some of the Senior managers' positions, district directors and Middle managers which were filled in the fourth quarter of the financial of 2012/13.

The Internal Audit unit, on the other side, conducted periodic audits but its findings could not be implemented due to insufficient capacity

The Accounting Officer further assured the Committee that an action plan has been developed to address audit findings and its progress is monitored on a quarterly basis. Monitoring and evaluation units verifies while Internal Audits also conducts audits to assess availability of supporting evidence for reported performance.

3.3.1 RECOMMENDATION

- (i) The Executing Authority must ensure that the Accounting Officer addresses all findings of the Audit Committee.

- (ii) The Accounting Officer must implement the Monitoring and Evaluation Matrix and conduct performance reviews.

3.4 ACHIEVEMENT OF PLANNED TARGETS

The Committee found that the Accounting Officer failed to ensure that all planned targets are achieved during the 2011/12 financial period. The Committee wanted the department to explain the reasons for this failure and the impact that this failure caused to Service Delivery as well as the measures that the Accounting Officer has put in place to address this finding.

The Department indicated that the failure in Programme 3.1: Farmer settlement was caused by the Land and Agrarian Unit not being fully capacitated coupled with infightings in most of the identified 292 farms. The failure relating to Programme 3.3: MasibuyeleEmasimini was because of erratic rain patterns in the province that resulted in either floods or droughts which resulted in this failure to achieve the planned hectares that needed to be ploughed and planted.

The Department further indicated that some of the portfolio of evidence was not accepted by the Auditor General as supporting documents due to challenges faced by the department in monitoring the field staff because of high vacancy rate in the Department.

The Accounting Officer indicated that this failure was caused by the reasons that the department was still in the process of consulting the National Department, National Treasury, Auditor General and other provinces to ensure the suitability of indicators.

This failure, according to the Accounting Officer, impacted on service delivery because most of the ailing land reform farms which the department planned to support were not supported and revitalized because of the infightings that existed in the identified 292 land reform farms. Broadly, the Accounting Officer indicated that less hectares were ploughed and planted and therefore less tonnage of produce was delivered.

The Accounting Officer has indicated that – to address this failure – the department has filled all the vacant posts which existed especially under land and agrarian land reform directorate. The Accounting officer has improved the monitoring process through the establishment of municipal and district management committees. In addition, quarterly performance reviews are conducted by the Executive Authority, Accounting Officer and senior managers and where underperformance is identified; corrective measures are taken to address them.

3.4.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must develop measures to assist the farmers to address their infighting with speed (land reform farms).
- (ii) The accounting officer must ensure that the department has adequate capacity to achieve all targets.

- (iii) the accounting officer must ensure that the department has effective performance management system and action is taken against officials who fail to perform
- (iv) The Accounting Officer must report to the Committee on the outcome of the consultation with the National Department, National Treasury, Auditor General and other provinces on the suitability of indicators.

3.5 MATERIAL ADJUSTMENT TO THE ANNUAL PERFORMANCE REPORT

The Committee found that the Auditor General has reported the Department the annual performance report had material adjustments. The Committee wanted the Accounting to explain the failure to ensure that the annual performance report is free from material audit adjustments and the measures taken to ensure that this does not recur.

The Accounting Officer indicated that some of the evidence provided to the Auditor General was rejected since it did not meet some of the Auditor General's requirements. This necessitated adjustments to be made to be in line with the evidence that the Auditor General Accepted. The Accounting Officer indicated that, to prevent this finding from recurring, has developed a system where each indicator, the required document are clearly defined and the key controls to authenticate the captured information.

3.5.1 RECOMMENDATION

The Committee recommends that the House to resolve that:

- (i) The Accounting Officer must package evidence of the Annual Performance report in the manner that will support its reported information in line with the National Treasury Framework reporting on programme performance.

3.6 ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORT

The Committee found that the Auditor General has reported the Accounting Officer to have failed to ensure that financial statements are free from material misstatements. **The Committee wanted the department to indicate where the misstatements were identified.** The Committee further wanted an explanation as to the reasons for the Executive Authority's failure to submit or table the annual report before the legislature within one month of receiving it.

The Accounting Officer indicated that thereported failure was as a result of payments being reviewed after the financial statements were submitted to the Auditor General. The Accounting Officer further indicated that the material misstatements of disclosure related to the accuracy and completeness of the disclosed accruals and the department has established different levels of financial statements reviews which include the reviews by Internal Audit and the Provincial Treasury. The Accounting Officer indicated that in order to prevent this finding from future recurrence, has developed an action plan which include a review of subsequent payment to ensure that reported accruals are accurate and complete before submission to the financial statements to the Auditor General.

The failure for the Executive Authority to table the annual report with 30 days after receiving it was due to limited capacity of the service provider, this was because the service provider had to print other annual reports from other departments. To correct this finding, the Accounting Officer has improved on the process of compiling the annual report to allow sufficient time for printing.

The Committee was of the view that gaps must be identified internally in the department and not wait for the Auditor General to make a finding and that the Accounting Officer should have put measures to ensure that the Annual Report is printed in time. In addition, the Committee is of the view that an action plan **is not measures** but wanted measures put in place to address all these findings.

The Accounting Officer indicated that there are 113 accruals and the plan to deal with them has been tabled and approved by the Executive. The department has also put measures to deal with the completeness of accruals by having an invoice register, receipts stamp. The CFO also indicated that this problem relate to the cash basis accounting and would prefer an accrual basis accounting. The Accounting Officer indicated that DARDLA is the major contributor to the provincial accruals and MasibuyeleEmasimini is a major contributor to the accruals of the department coming from long term contracts.

The Committee rejected the view of the department that the cash basis accounting is difficult but is of the view that if the department followed the Annual Performance Plan (APP) and paid according to the APP there would be no accruals. The Committee was also sceptical of the department that it might be using the budget allocated to an APP for settling its debts. The Committee further believed that some of the payments made are made outside of contracts agreed upon.

The department accepted the views of the Committee and added **that is not uses 30%** of service providers and 70% of cooperatives as means to address accruals.

In relation to the action taken against the service provider who failed to print the Annual Report in time, the Department indicated that no action has been taken but they will no longer use that service provider.

In this regard, the Committee is of the view that the Department submitted late and the service provider used a first come, first served. However the Department indicated that here were challenges with the service provider as some of the machine were broken and not in use which resulted in the delay.

3.6.1 RECOMMENDATIONS

The Committee recommends that the House to resolve that:

- (i) The Accounting Officer must ensure that all payments made are within the approved Annual Performance Plan and budget.
- (ii) The Accounting Officer must develop measures to prevent further escalations of accruals of the department.
- (iii) The Accounting officer must ensure that the Annual report is submitted on time

- (iv) The accounting officer must ensure that the department submit correct financial statements, without misstatements.

3.7 AUDIT COMMITTEE

The Committee found that in the previous financial year, for five months, the department did not have an audit committee as per the requirement of the Public Finance Management Act.

The Department indicated that the delay in the appointment of audit committee was due to the evaluation that was made by the department of either advertising for the members of the audit team or have a shared audit committee with the Provincial Treasury. The department had since been approved by Provincial Treasury to have a shared audit committee with the Department of Finance.

3.7.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must ensure that the department always have an audit committee whether shared or otherwise.

3.8 HUMAN RESOURCE MANAGEMENT

The Committee found that the Auditor General has reported that the Accounting Officer failed to ensure that employees appointed through following a proper process to verify the claims made in their application.

The Accounting indicated that this was caused by the poor turnaround time by the South African Qualification Authority and the balancing of service delivery. The Accounting has since appointed a service provider to conduct verification of qualifications of all new recruits who joined the department from 1 April 2012 to 31 March 2013.

The Committee was of the view that the department is fully capacitated with the appointment of all critical posts and as such Human resource management should conduct this function not the service provider.

The Committee further noted that the Auditor General has reported that the Accounting Officer failed to ensure that all leaves taken by employees were recorded accurately and in full.

The Department has indicated that the failed was caused by the time delay between the approval of leave and capturing in the PERSAL. To prevent this from recurring, the Accounting Officer has developed an electronic leave management system and the system is to be implemented from April 2014 for all officials but has been implemented since May 2013 for extension officers. The Accounting Officer, in addition, indicated that monthly visits to district offices are conducted where leave audits are done through the leave register and that there is a manager assigned to look specifically on leave management.

3.8.1 RECOMMENDATIONS

The Committee recommends that the House to resolve that:

- (i) The Accounting Officer must ensure that the service provider, appointed for verification of qualifications of appointed officials, transfer skills to the officials of the department.
- (ii) The department, upon the end of the contract with the service provider appointed to do qualification verification, must locate this function internally in the Human Resource Management Directorate.
- (iii) The Executive Authority must ensure that the Accounting Officer implements the action plans and measures to prevent further audit findings on leave management.

3.9 PROCUREMENT AND CONTRACT MANAGEMENT

The Committee has found that the Auditor General has reported that employees of the department performed remunerative work outside of their employment without written approval from the relevant authority and without declaring their interest as required by section 30 of the Public Service Act, Act 103 of 1994.

The Accounting Officer has indicated that 18 officials were found to have performed remunerative work without approval and a further 97 officials who performed remunerative work are external employees outside of the Department. The amount relating to the internal staff of the department is R1270 846.31 while the amount related to external employees is R 4 676 206.00. The Accounting Officer indicated that that written warning has been issued to the internal officials who work in the department.

The Committee believes - without the objection from the Accounting Officer - that the written warnings were just written without a proper hearing and that the written warning was not sufficient but those involved should return the profits gained to the department.

The Committee further found that the Accounting Officer has allowed contracts to be awarded to suppliers whose tax matters have not been declared by SARS.

The Accounting Officer indicated that only two service providers were awarded contracts without tax clearance certificate. However, the Accounting Officer has ensured that officials are trained to verify VAT status of service providers on SARS website.

3.9.1 RECOMMENDATION

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must recoup the profit gained by officials who did business with government without approval
- (ii) The Accounting Officer must take disciplinary actions against the officials who awarded contract to service providers without tax clearance certificates.

3.10 LEADERSHIP

The Committee found that the Auditor General has reported that the Accounting Officer failed to exercise oversight responsibility regarding compliance to laws and regulation.

The Accounting Officer indicated that this reported failure was because the department did not have sufficient capacity to exercise oversight responsibility regarding compliance with laws and regulation. In addition, the Accounting Officer indicated that she has appointed a Risk Management Committee to do an oversight responsibility in ensuring that the Risk Management Strategy and mitigating plans are implemented. The Chairperson of this Committee is a non – official who is independent from the operations of the department and all managers are appointed risk owners and champions to ensure isolation of responsibility and accountability for each risk raised and the implementation of mitigating plans.

The Committee is of the view that the finding of the Auditor General relates to the function of the Accounting Officer not any other officials; hence the reason for failure is rejected by the Committee.

3.10.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must exercise oversight responsibility in the department.

3.11 FINANCIAL AND PERFORMANCE MANAGEMENT

The Committee has found the Accounting Officer has failed to exercise oversight responsibility regarding the safekeeping and proper maintenance of assets.

The Accounting Officer indicated that the reason for this finding was due to the lack of capacity for assets management. The Accounting Officer sourced an external capacity to review Assets Management Policies including maintenance and disposal therefore. Appointment of officials has enhanced the internal capacity of the department to deal with this finding.

The Committee is of the view that where senior officials are appointed there should be no reason for external capacity being sourced because this responsibility resides with the officials in the department. However, where an external source is used, there must be transfer of skills.

3.11.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting officer must ensure that there is skills transfer to the officials in the department from the external capacity
- (ii) The Executive Authority must ensure that the Accounting Officer does not source external capacity where there are personnel appointed but must ensure that appointed officials do their work.

3.12. GOVERNANCE

The Committee has found that the Auditor General has reported that the Accounting Officer failed to adequately implement appropriate risk management activities to ensure that all identified risk were fully addressed.

The Accounting Officer indicated, at the time of the findings, that the risk management unit was not established. The Accounting Officer has since established the risk management unit and appointed a Director and support staff. Above that the Accounting Officer has developed the Risk Management Strategy which includes the fraud prevention plan as per PSC guideline. In addition, the Accounting Officer has established a Risk Management Committee.

3.12.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must implement the Risk Management Strategy and ensure that all identified risks are addressed.

3.13 FRUITLESS AND WASTEFUL EXPENDITURE

The Committee found that the notes of the Annual Financial Statements indicated that there was fruitless and wasteful expenditure of R208 000.00.

The Accounting Officer indicated that the fruitless and wasteful expenditure was incurred when a training session was cancelled because the persons that turn up for training where not qualifying and the department only realise during registration that they did not qualify and had to cancel the training thus incurring fruitless and wasteful expenditure

The Accounting Officer further indicated that the fruitless and wasteful expenditure has been reported to the provincial treasury

The Committee further noted a fruitless and wasteful expenditure of R641 000.00. The Committee did not believe that the letter sent as an annexure was sent to the Provincial Treasury, even if it was sent, it did not explain the amount involved and the reason for incurring this expenditures as well as how the money will be recouped.

3.13.1 RECOMMENDATION

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must take steps against officials who caused the department to incur the fruitless and wasteful expenditure.
- (ii) The Accounting Officer must recoup the money from the officials who caused the department to incur the fruitless and wasteful expenditure.
- (iii) The Accounting Officer must accordingly report with reasons to the Provincial Treasury and Auditor General the Fruitless and wasteful expenditure.

3.14 CONTINGENT LIABILITIES

The Committee noted that there were contingent liabilities of R 21 142 000.00.

The Department indicated that the contingent liabilities were emanating from claims against the department, housing guarantees, and intergovernmental payables. Claims against the department amounted to R20 957 000.00 which the department acknowledges only R6 000 000.00, Housing guarantees of R121 000.00, intergovernmental payables of R 64 000.00.

The Committee was concerned with the amount associated with the contingent liabilities and wanted to know how would the department pay for this liabilities because they are never budgeted for or put in the APP.

The Committee was assured that the contingent liabilities will be paid through savings. However the Committee believed that such a saving would have negative impact to service delivery.

3.14.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must develop a plan of dealing with contingent liabilities and submit the plan to the Committee.

4. CONCLUSION

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Department of Agriculture, Rural Development and Land Affairs.

Unless specified otherwise, progress on all resolutions must be submitted to the Committee by the 30November 2013 and thereafter on quarterly basis

5. ADOPTION

The Select Committee on Public Accounts recommends the House adopt this report and its recommendations as House Resolutions.

Hon. NS Mtsweni
Chairperson
Select Committee on Public Accounts
Mpumalanga Provincial Legislature

Date