



AUDITOR - GENERAL
SOUTH AFRICA



2023-24 Portfolio Committee

Gauteng Department of Agriculture, Rural Development and Environment

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1. Introduction

1.1 Mission of the Auditor-General of South Africa

The Auditor-General 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.

1.2 Vision of the Auditor-General of South Africa

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

1.3 Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and related matters concerning the portfolio for the 2023/24 financial year.

1.4 Brief overview of the department or portfolio

The Gauteng Department of Agriculture, Rural Development and Environment obtained an unqualified audit opinion with material findings on compliance with laws and regulations. This audit opinion is the same as in the prior year. This is as a result of continued material non-compliance finding on expenditure management relating to payment of invoices not made within 30 days of receipt.

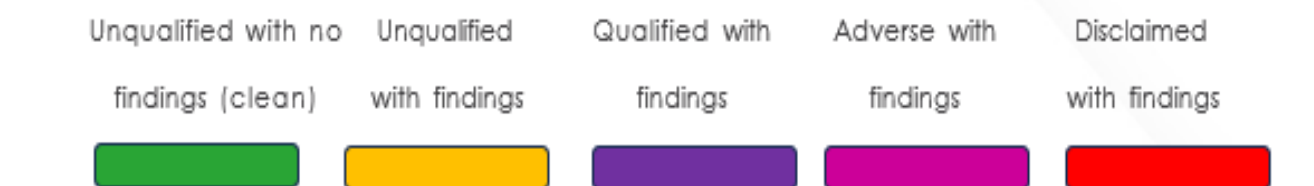
The department made progress in addressing issues identified on the financial statements in the prior year. The remaining key challenges in achieving a culture of performance, accountability, transparency and integrity is to strengthen controls around compliance with key legislation, the reliability of the annual performance report, completion of various investigations in progress and debt collection.

The department made good progress in implementing most of the recommendations made in the prior years and this is evidenced by the reduction of AFS findings in the current year. Controls over the review of the annual financial statements and annual performance report should be improved, even though misstatements identified in the submitted annual financial statements were not material and the material misstatement on the annual performance was corrected.

2. Audit opinion history

Gauteng Department of Agriculture, Rural Development and Environment						
	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19
Audit opinions	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with no findings	Unqualified with findings	Unqualified with findings

Audit outcome / opinion index



Gauteng Department Agriculture, Rural Development and Environment

The audit outcomes for the department has remained stagnant in the current financial period under review as unqualified with material findings on compliance with key legislation when compared to the prior year. In the current year the material non-compliance with key legislation was as a result of late payment of invoices. Furthermore, there were material finding on reliability identified on the annual performance report.

Gauteng Department of Agriculture, Rural Development and Environment					
DESCRIPTION	2023-24	2022-23	2021-22	2020-21	2019-20
A: Report on the audit of the financial statements					
Audit opinions	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with no findings	Unqualified with findings
<i>Emphasis of matters:</i>					
<ul style="list-style-type: none"> Material underspending of the budget 		X	X	X	
<ul style="list-style-type: none"> An uncertainty relating to the future outcome of exceptional litigation or regulatory action 	X				
<ul style="list-style-type: none"> Material uncertainty relating to contingent liabilities 	X	X		X	
<ul style="list-style-type: none"> Significant uncertainty relating to litigations 			X		
<ul style="list-style-type: none"> Covid-19 expenditure response 			X		
<ul style="list-style-type: none"> Material uncertainty 					X
<i>Other matters:</i>					
<ul style="list-style-type: none"> Unaudited supplementary schedules 	X	X	X	X	X
<ul style="list-style-type: none"> Unaudited irregular expenditure and fruitless and wasteful expenditure 		X			
B: Report on predetermined objectives					
<ul style="list-style-type: none"> Reliability 	Material finding	No finding	No finding	No finding	Material limitations

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Gauteng Department of Agriculture, Rural Development and Environment

DESCRIPTION	2023-24	2022-23	2021-22	2020-21	2019-20
A: Report on the audit of the financial statements					
Audit opinions	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with no findings	Unqualified with findings
<ul style="list-style-type: none">Usefulness	No finding				
<ul style="list-style-type: none">Adjustment of material misstatement	No	No	Yes	No	Yes
<ul style="list-style-type: none">Presentation and disclosure: overall disclosure	No finding				
<ul style="list-style-type: none">Relevance: completeness of indicators	No finding				
C: Compliance with specific laws and regulations					
<ul style="list-style-type: none">Procurement and contract management		X			
<ul style="list-style-type: none">AFS and annual report			X		X
<ul style="list-style-type: none">Revenue management					
<ul style="list-style-type: none">Expenditure management	X				
<ul style="list-style-type: none">Assets management					
<ul style="list-style-type: none">Strategic planning					
<ul style="list-style-type: none">Consequence management					
<ul style="list-style-type: none">Transfer of funds					
<ul style="list-style-type: none">Conditional grants					

3. Culture shift reflections: Gauteng Department of Agriculture, Rural Development and Environment

What we aspire to:

To have stronger, more direct and consistent impact on improving the lived reality of South Africans.

How we aim to achieve it:

By sustainably and efficiently shifting public sector culture through insight, influence and enforcement. Shifting of the auditees to be characterized by the behavior that can be described as doing good



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<u>Performance</u>	<u>Accountability</u>	<u>Transparency</u>	<u>Institutional integrity</u>
<ul style="list-style-type: none"> 81% target achieved as per the mandate which is to foster eradication of the triple challenge of poverty, inequality and unemployment, and improving food security in the Southern African region. The department managed to support small holder farmers, women and youth through the provision of agricultural products and skills development. No material non-compliance with law and regulation which could result in material irregularity was noted during the audit. 	<ul style="list-style-type: none"> The department reported to the audit committee on a quarterly basis regarding the implementation of the action plans, including the financial reports, performance reports and non-compliance with legislations Investigation of irregular expenditure is underway and no new irregular expenditure was identified and confirmed in the current financial reporting financial year. 	<ul style="list-style-type: none"> The department provided adequate information to the audit committee to enable them to provide adequate oversight. Sufficient and relevant information was also provided to the external auditors to conduct the audit, however there was some delays which were experienced as a results of lack of controls around record keeping. 	<ul style="list-style-type: none"> The department has a code of conduct which provides staff with a clear outline of expected behaviour, and instructions on what is and isn't considered good practices. The staff is trained and made aware of ethics Managers are encouraged to disclose their interests. BSC, BEC and BAC committees are properly instituted to ensure that supply chain management system is fair, equitable, transparent, competitive and cost effective.

4. Report on the audit of compliance with legislation

Finding	Root cause	Recommendation
Payments not made within 30 days.	Management did not keep track of the invoice submission dates and monitor to ensure that invoices are paid within 30 days as required by Treasury Regulations.	Management should ensure that the reasons they reject invoices are valid and specific to each situation. An assessment needs to be complete for the population to determine the deviation rate as a whole and submitted for audit verification
During the audit of compliance for the 2023/24 financial year, it was identified that the winning suppliers did not complete the declaration of interest forms (SBD 4) for the limited bids or proposals.	Management has not put adequate controls in place to ensure compliance with the requirements of Section 16A6 3(a) of Treasury Regulation and National Treasury Practice Note 7 of 2009/10 par 4.1.2 through ensuring that the declaration of interest forms (SBD4) are completed and signed by the winning supplier of limited bids or proposals.	The department should implement a compliance checklist to be completed for every procurement to ensure that there is compliance with all the applicable legislation and to avoid reoccurrence of non-compliance matters in all steps in the procurement process.

5. Audit of pre-determined objectives

In terms of predetermined objectives, the respective auditee should address the audit findings on predetermined objectives by ensuring alignment to the process of collection, collation and reporting of data to ensure consistency for the indicator.

We selected Programme - Agricultural Producer Support and Development for audit.

The below table contains indicators which were not achieved in the period under review:

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Key indicators not achieved	Number of indicators planned	Number of indicators achieved	Reasons for non-achievement
Number of producers supported in the Grain Commodity	60	57	The TOR for the supply and delivery of grain production inputs was not concluded on time. Therefore, alternative support such as extension and advisory services were provided to the farmers.
Number of smallholder producers commercialised (Reaching an annual net income that exceeds R 1m)	50	0	22 farmers were assisted with production inputs to reach the commercial stage. However, the challenge was that most of the farmers were not able to provide audited financial statements citing the fact that they cannot afford to pay the fees for the auditors. Additionally, the other reason the target could not be reached was due to the non-responsiveness of the poultry, grains and livestock value chains to advertised tenders.
Number of youths trained in food production programmes as part of the rehabilitation programmes.	2000	1449	Less youth showed interest in food production training as was organised by GDARD. This is a demand-driven target, however, GDARD will put mechanisms in place to continuously attract more youth to participate in skills development programmes in the new financial year.

We further selected Programme - Compliance and Enforcement for audit in the year under review.

Portfolio Committee Briefing Document

The below table contains indicators which were not achieved in the period under review:

Key indicators not achieved	Number of indicators planned	Number of indicators achieved	Reasons for non-achievement
Percentage of administrative enforcement notices complied with	70%	26%	Of the 170 administrative notices issued, 45 notices were closed/withdrawn resulting in a 26% achievement on this target. This is because several of the administrative notices are still in the process of being complied with as the timeframes indicated for compliance are not yet lapsed.
Percentage of compliance to legislative obligations in respect of licensed facilities inspected	70%	41%	139 facilities were monitored in the year under review, of which 57 facilities were fully compliant with the legislative obligations (conditions) in the licences or registration certificates issued by the department resulting in 41% compliant facilities. Administrative enforcement notices were issued to the 82 facilities that were not fully compliant with the condition of their licences or registration certificates.
Number of designated Environmental Management Inspectors (EMI) in provincial departments and local government	8	0	The indicator is demand driven, both the inspectorate and municipalities did not get the planned number of people to be trained and designated.

We selected *Programme - Biodiversity management* for audit.

Number of indicators

Key indicators not achieved	Number of indicators planned	Number of indicators achieved	Reasons for non-achievement
Number of hectares under the conservation estate	89512	0	Many of the due diligence activities are reliant on external stakeholders, which makes finalising the NEMPAA (National Environment Management: Protected Areas Act) declaration process with one year difficult. Continual

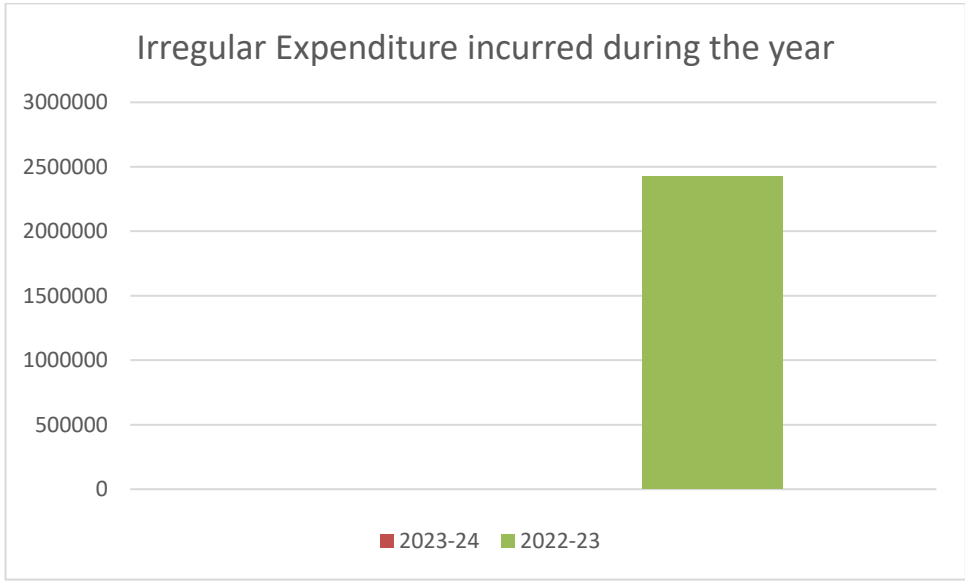
Portfolio Committee Briefing Document

			sensitisation of external stakeholders on the urgency of memos that impact on APP targets.
Number of new Stewardship sites assisted to increase land under Conservation through the Biodiversity Stewardship Program	1	0	There has been a delay in the signing of the declaration notices as most of the due diligence activities are reliant on external stakeholders.
Finding	Root cause		Recommendation
<p><u>Number of hectares under the conservation estate</u></p> <p>The reported performance was not valid as it contradicted the requirements of the technical indicator description and not supported by valid portfolio of evidence presented for verification.</p>	<p>The planning division did not accurately document the reporting process on the technical indicator description for the affected indicator to reflect the manner in which information is collected, collated and ultimately reported in the annual performance report. Moreover, the reporting segment did not exercise appropriate scrutiny over the submitted evidence as it clearly states that no hectares were reported in the current year, which would have been sufficient to reject the proposed achievement of 87 430 in line with the technical indicator description requirements.</p>		<p>Management should adjust the reported achievement for the indicator to correctly reflect the number of hectares added in the current financial year as per the requirements of the TID.</p> <p>The documentation of the technical indicator description should be aligned to the process of collection, collation and reporting of data to ensure consistency for the indicator.</p>

6. Irregular expenditure

The department has not incurred irregular expenditure for the current year:

Irregular Expenditure

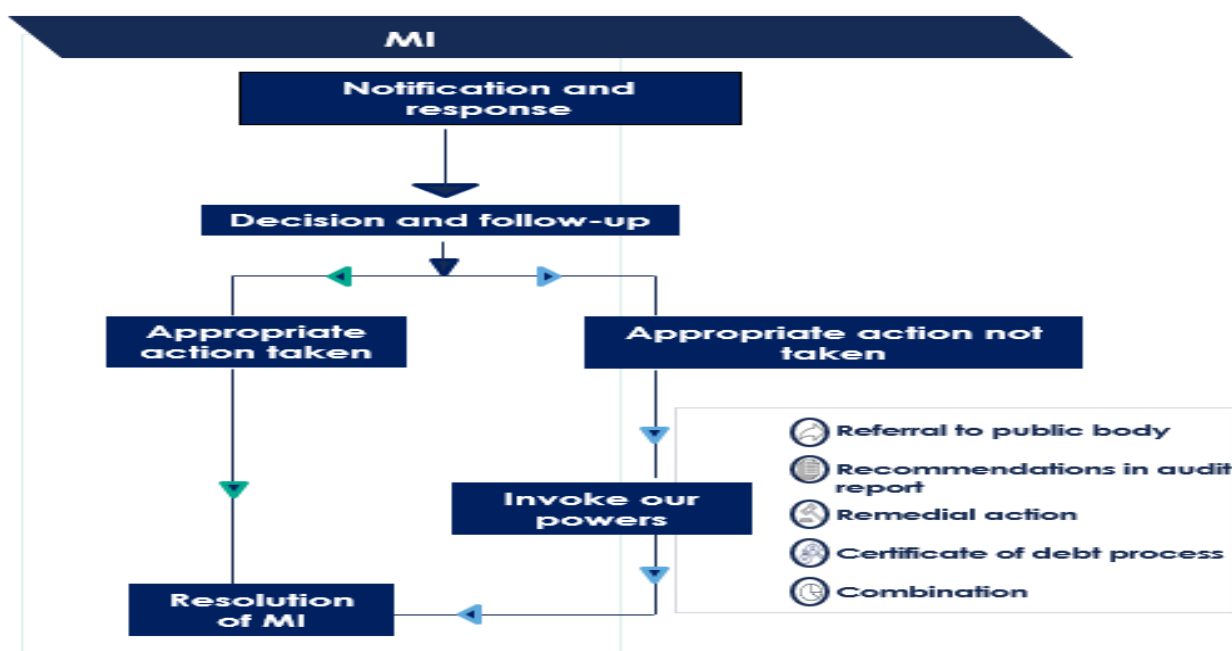


Nature of irregular expenditure: Breakdown

Nature	R000
No irregular expenditure was identified or incurred in the current year	0

What can be done to prevent and rectify IE?
<ul style="list-style-type: none">We commend the department for not incurring any irregular expenditure in the current reporting financial year.

7. Material irregularities



The audit team did not identify any material irregularities during 2023-24 audit cycle.

8. Other matters

Senior management provided the following key commitments to address the matters identified during the audit:

No.	Commitment	Made by	Status
1	Development of a checklist that will be used every time procurement takes place to ensure that the applicable prescribed legislations are adhered to before procurement is finalized.	Accounting officer	In progress
2	Implementation of a proper record control and management system over access to information to ensure that all information is available upon request.	Accounting officer	In progress
3	The review processes of the financial statements should be further strengthened to identify and correct errors when they exist, more especially in the disclosure notes.	Accounting officer	Implemented

9. Status of internal controls

Drivers of internal control														
Department	Leadership						Financial & performance management					Governance		
	Effective leadership culture	Oversight responsibility-monitoring	HR management	Policies and procedures	Action plans	IT governance	Proper record-keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Audit committee	Internal audit
Department of Agriculture, Rural Development and Environment														

LEGENDS:

Preventative or detective controls are in place and are functioning effectively
Progress was made with the implementation of controls, but further improvement is required where actions taken are not sustainable
Internal controls are not effective, and intervention is required to design and implement appropriate controls

10. Recommendation to the different role players

Role player	Recommendation
What should be addressed by the portfolio committee	<p>Continue to provide oversight to the department and assist the department to capacitate the SCM unit and order to have adequate staff members who will implement adequate controls and ensure that proper records managements is implemented.</p> <p>Quarterly reviews of the performance reports and the annual financial statements to ensure that there are no findings identified.</p>

11. Key recommendations to the committee

An improved service delivery enabled by capable, cooperative, accountable and responsive institutions delivering on their mandates

Activate the accountability ecosystem to address the current realities

We request and recommend that the portfolio committee consider the following actions to be implemented as part of their oversight role to facilitate an improvement in the financial and performance management, as well as the status of compliance of the department/ entity to improve audit outcomes, thereby ensuring good governance and administration of public funds:



The department's financial statements review processes should be further strengthened to identify and correct errors when they exist.



Management in the department should develop a checklist that will be used every time procurement takes place to ensure that the applicable prescribed legislations are adhered to before procurement is finalized.



Management should implement a proper record control and management system over access to information to ensure that all information is available upon request.



The department should implement adequate security measures and controls to prevent theft and vandalism of property which led to incurrence of fruitless and wasteful.



The new organisational structure should be approved and vacant positions should be filled urgently to ensure that there is sufficient resources to conduct the processes of the department, more especially in the SCM unit.

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