



AUDITOR - GENERAL
SOUTH AFRICA



17 April 2018

Auditing to build public confidence

Review of 2018/19 Annual Performance Plan and the Strategic Plan – DRDLR Portfolio

Our reputation promise/mission

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



Purpose of the briefing

1. Outline the findings/recommendations made on the review of the 2018/19 Annual Performance Plan of the Department of Rural Development and Land Reform (encompassing DRD, ALHA and DEEDS registration Account)
2. Provide our assessment of the status of implementation of the recommendations made based on the audit performed during the 2016/17 period.
3. Highlight implications of the above issues on the Portfolio Committee's oversight activities
4. Portfolio committee considerations when reviewing 2018/19 APP
5. Update on Ingonyama Trust





Role of the AGSA in the review of the draft 2018-19 APP



Role of the AGSA



- The AGSA performed an annual review of the annual performance plans (APPs) of the departments which covers performance indicators and targets of the department and its entities being ALHA and DEEDS .
- The purpose of such a review is to provide feedback to department on the areas that require improvement and to offer the portfolio committee insight into the interim review of the department's APP in order to add value to oversight.
- The focus of our review is on the measurability of the indicators and targets of the APP in line with the requirements of the Framework for Strategic Plans and Annual Performance Plans.
- The department has been granted an opportunity to consider the AGSA's recommendations and make the required adjustments before finalising the 2018/19 APP for consideration by the Portfolio Committee.
- A full assessment of the impact of the issues raised on the 2018/19 on the audit outcomes will be assessed during the 2018/19 audit cycle, to the extent that they remain unresolved.





Background and applicable legislation



Background and applicable legislation

- National Development Plan (NDP) 2030
- Medium Term Strategic Framework (MTSF) 2014-2019
- Framework for Managing Programme Performance Information (*FMPPi*)
- Framework for Strategic Plans and Annual Performance Plans (APPs)
- National Treasury, Instruction Note No 33 - Framework for strategic and APPs



AGSA review of the draft 2018-19 APP



Review process

- Assessed the overall planning process followed by the department to prepare and submit strategic plans(if relevant) and APP.
- Reviewed draft annual performance plans (APP) for each selected programme, focusing on the same programmes that have been selected for the 2017-18 audit.

Reporting

- Findings from the review are communicated.
- Findings relevant to the interim review do not have an impact on the audit conclusion of the selected programmes for the PFMA 2017-18 year end audit.

Criteria used to assess indicators



A good performance indicator should be:

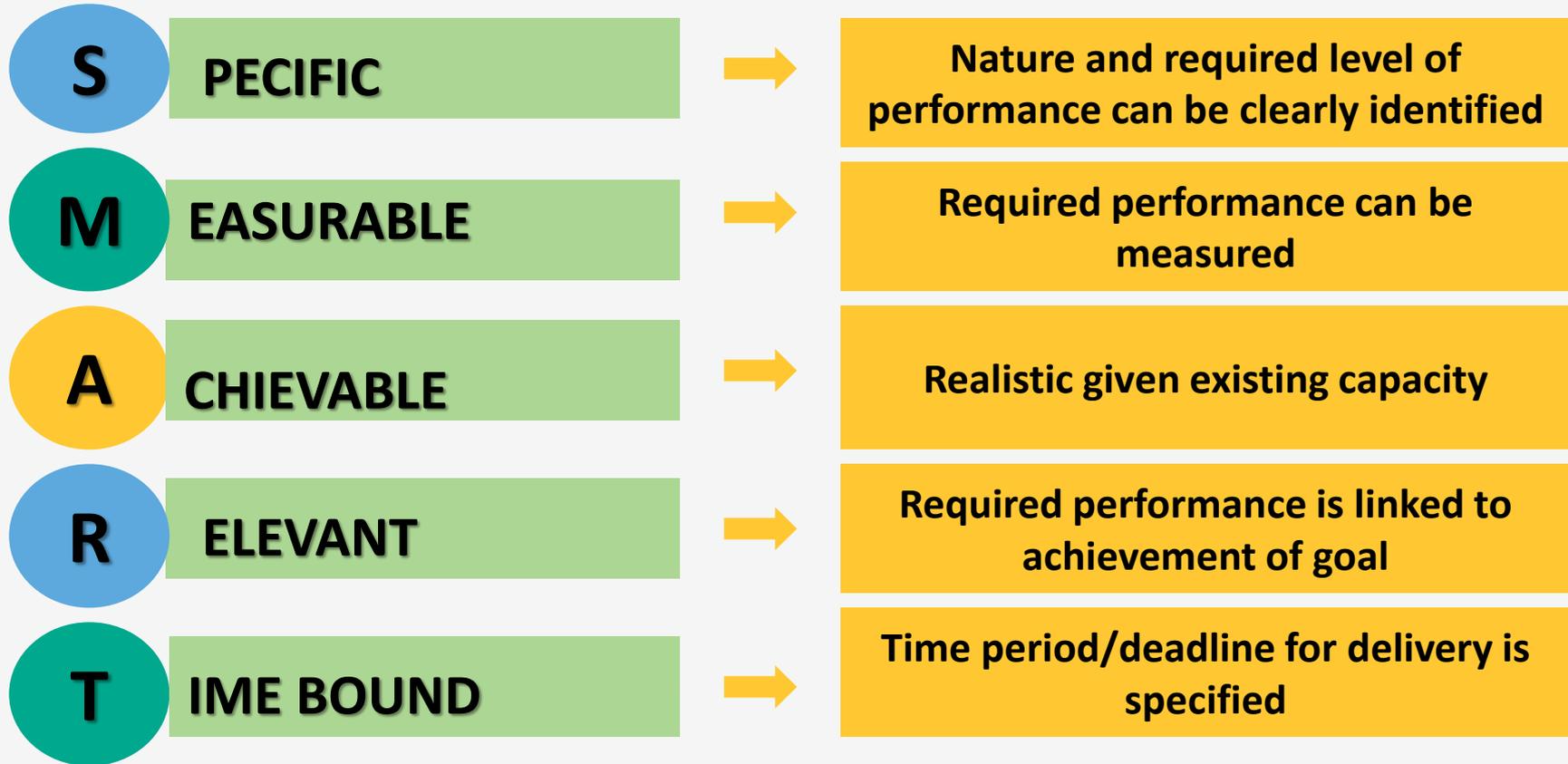
Well-
defined

Verifiable

Relevant



SMART criteria for performance targets





Outcomes of the 2018/19 APP review

A review was performed on the draft APP for 18/19 (subsequent to DPME review), as provided by the department and the following observations have not yet been resolved:

Programme	Strategic objective	Performance indicator	Observation
Programme 5 Land reform	5.2	Number of farms supported through post settlement support	New target. Clarity has not yet been provided on differentiation of roles between DRDLR and the Department of Agriculture, Forestry and Fisheries (DAFF) relating to support of farmers in this regard.
Programme 5 Land reform	5.1.1	Number of hectares acquired	The 2018/19 Annual Performance Plan does not show a split between the indicators and targets for the DRDLR and the ALHA. This amounts to non-compliance with the National Treasury Regulations which require separate identifiable of the Trading entity's targets from the department's targets
Programme 5 Land reform	5.1.3	Number of hectares acquired through Strengthening of Relative Rights programme	On page 82, the method of calculation for the indicator "Number of hectares acquired through the Strengthening of Relative Rights Programme" does not appear to be aligned to the Indicator as it refers to a simple count of hectares "approved" for the SRR Policy.





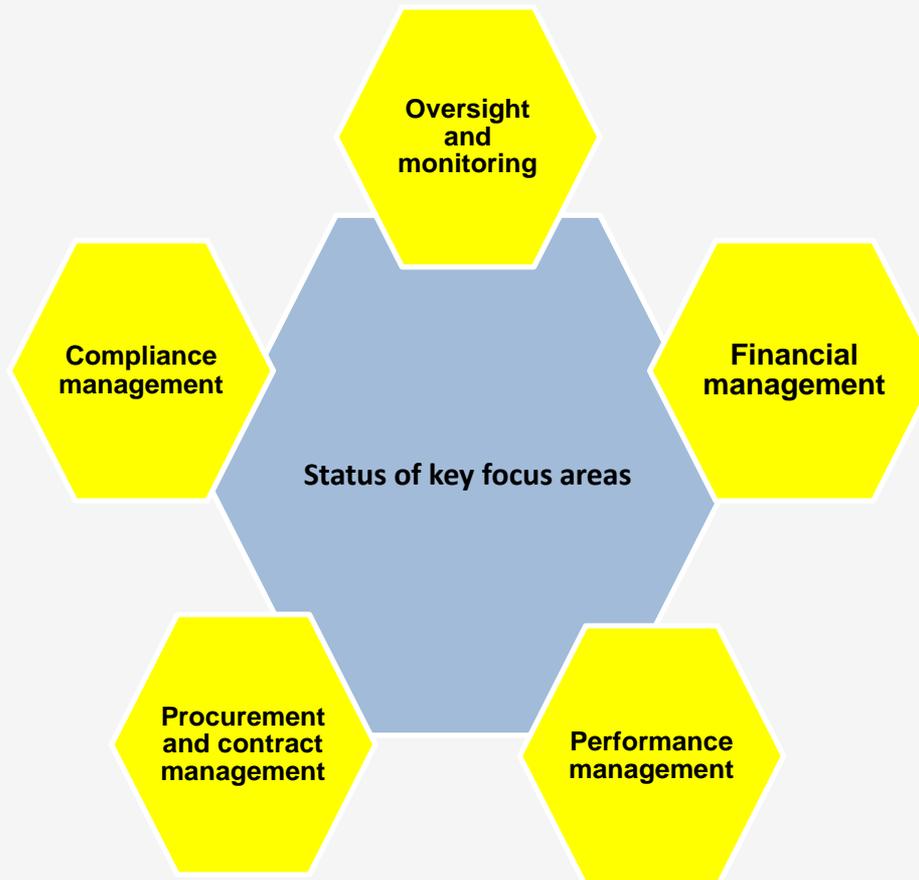
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Programme	Strategic objective	Performance indicator	Observation
Programme 3 Rural Development	3.1.1 and 3.1.2	Number of households supported through one hectare one house hold, and one household 2 dairy cows programme	The portfolio of evidence referred to for indicators 3.1.1 and 3.1.2 refers to “signed invoice” but does not specify by who must the invoice be signed.
Programme 3 Rural Development	3.4	Increase job opportunities and ensure skills development through CRDP and land reform initiatives by 2020	The numbers allocated between the different programmes in the department (RID, REID, Narysec), in the annual targets, for a number of financial periods does not add up to the totals for the period.



Summary: AGSA evaluation of the internal control environment and progress made in addressing the prior year findings - 31 December 2017.



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Oversight and monitoring

The department's audit action plan has not yet been fully implemented and some of the misstatements identified during the course of the interim audit were repeat findings which were also identified in the prior year.

Financial management

Misstatements were identified during the interim audit in the following areas:

- Commitments
- Accrued departmental revenue

The above misstatement are caused by weaknesses in the management controls to ensure accurate and complete recording of transactions.



Summary :AGSA evaluation of the internal control environment and progress made in addressing the prior year findings - 31 December 2017



Performance management

Based on the interim review performed, we identified material findings on the usefulness of pre-determined objectives which could impact on the reliability of the reported information as well. This will be followed up during the final audit

Procurement and contract management

There has been a number of request for deviations from normal procurement prescripts and extensions of existing contracts sent to National Treasury as the Department deviated from normal procurement processes.

This increases the risk of irregular expenditure to the department.



Summary :AGSA evaluation of the internal control environment and progress made in addressing the prior year findings - 31 December 2017.



Compliance management

Based on our review, there is still a risk of non-compliance with key legislation for the current year under review.

The following non compliances have been identified:

- Treasury Regulation 8.2.3 requirement to pay service providers within 30 days of receipt of valid invoices.
- PFMA S 38 (1) (c) (ii) requirement to prevent Irregular and Fruitless Wasteful expenditure
- PFMA S 40 (1)(b) requirement for the department to prepare accurate financial statements in accordance with the prescribed financial reporting framework.



Key matters for attention of the Portfolio Committee regarding its oversight activities



The following matters are of concern:

- Possible impact of the non-compliance with the Treasury Regulations relating to the splitting of ALHA targets from the department's
- It is worth noting that once ALHA targets are clearly distinguishable from those of the department, that would enhance ability to measure and monitor ALHA's performance against the legislated objectives for its existence in terms of the Provision of Land Assistance Amendment Act of 2009.
- If matters identified from the review of the department's APP for 2018/19 remain unresolved, they might negatively impact the audit outcomes for the 2018/19 audit cycle.



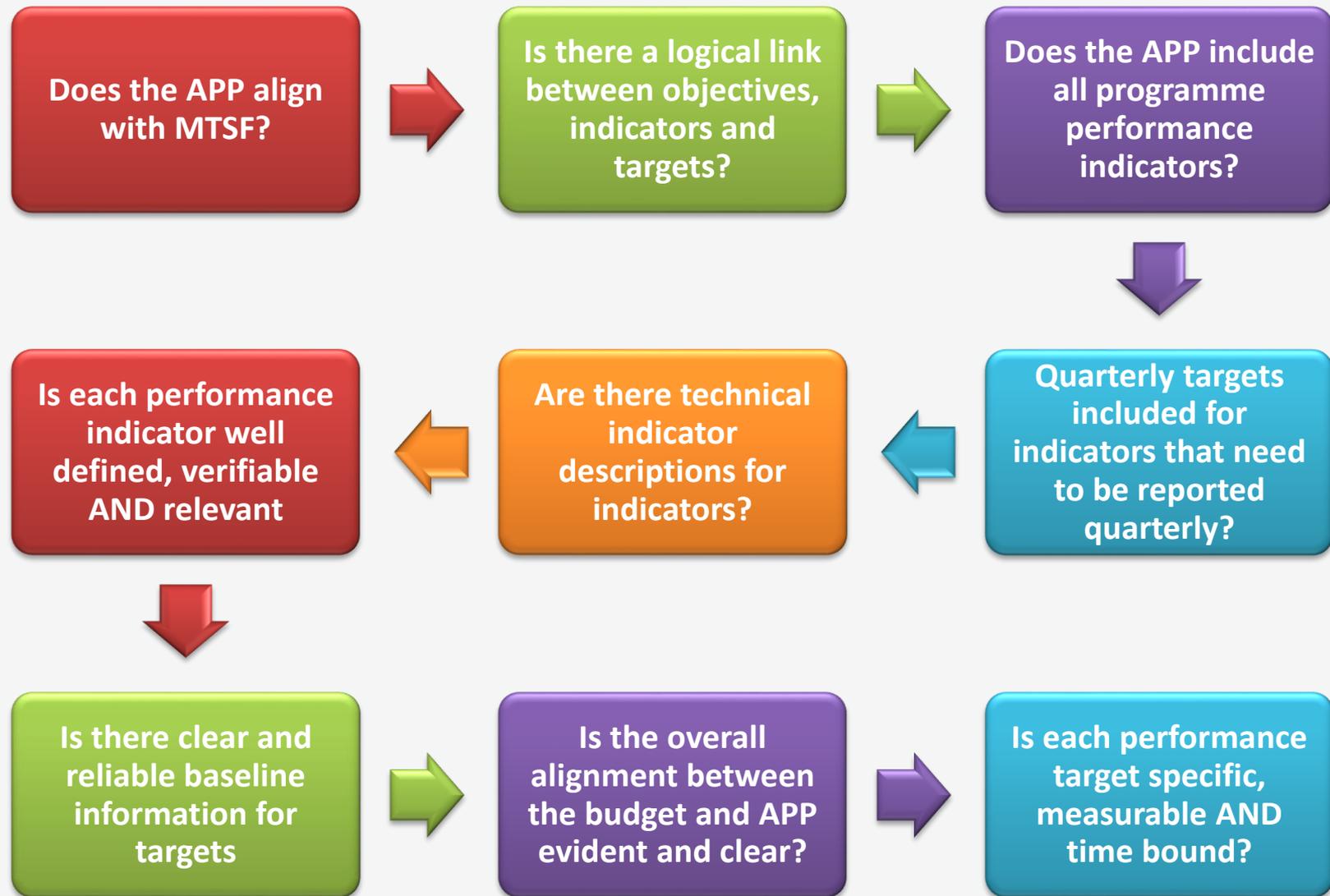


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Portfolio committee considerations when reviewing 2018/19 APP



Key committee considerations when reviewing the APP



Ingonyama Trust

Progress to address the prior year findings:

Material findings	Recommendations	Management actions	Auditors response
<p>Property, plant and equipment</p> <p>The trust did not recognise the land in accordance with the requirements of GRAP 17 by recognising it at fair value at the date of acquisition.</p>	<p>A process to fair value the land should be undertaken in order to correctly record the value of land in the fixed asset register and the financial statements to ensure compliance with GRAP.</p>	<p>Management indicated that work is underway to determine the fair values of the properties.</p>	<p>For both the main findings contained in prior year audit report, management is still in the process of resolving the findings, therefore the matters can only be unpacked further as part of final audit.</p>
<p>Royalties revenue</p> <p>Royalties received by the trust from the mining operators were incorrectly recognised as revenue by the trust.</p>	<p>The revenue raised should be reversed and the royalty income should be recognised as a liability. Arrangements should be made to pay over the monies to the National Revenue Fund</p>	<p>Management indicated that there has been engagement with the Department of Energy with regard to this matter. Engagement with National Treasury is also yet to take place in this regard.</p>	



Ingonyama Trust.



- The matters raised by the portfolio committee in the October session with regards to the 2 separate entities (Ingonyama Trust and Ingonyama Trust Board) have not yet been resolved, a similar approach will be followed as in the previous year that the entities will be audited separately.



QUESTIONS



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