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BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT: VOTE 29, DATED 25 OCTOBER 2022

The Portfolio Committee on Agriculture, Land Reform and Rural Development (hereinafter referred to as the Committee), having considered the 2021/22 financial year performance and expenditure of the Department of Agriculture, Land Reform and Rural Development and the relevant National Public Entities as listed on Table 1, reports as follows:

1. INTRODUCTION

This report accounts for the process embarked upon by the Portfolio Committee on Agriculture, Land Reform and Rural Development to consider the 2021/22 Annual Reports for Vote 29, which constitutes the Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as the Department) and the relevant National Public Entities. The reports were tabled in Parliament by the Minister of Agriculture, Land Reform and Rural Development on 30 September 2022; and were presented at briefing sessions with the Committee as shown in Table 1 below.

This report is compiled in terms of the Money Bills Amendment Procedures and Related Matters Act, 2009 (Act No.9 of 2009). The Act requires the National Assembly to conduct annual assessment of the performance of each national department, giving particular focus to the medium-term estimates of expenditure. Section 5 of Act No. 9 of 2009 sets out a procedure for assessing the performance of each department by the National Assembly. It further requires committees of the National Assembly to prepare budgetary review and recommendation reports (BRRRs).

The report is a culmination of the assessment of the Department and the relevant entities' service delivery performance within the allocated resources; the effectiveness and efficiency of the Department's use and forward allocation of available resources. It therefore accounts for work carried out by the Committee during assessment of the 2021/22 performance of the Department and relevant entities; and also makes recommendations for service delivery improvements to the Minister of Agriculture, Land Reform and Rural Development.

Table 1: Briefing Sessions by the Auditor-General, Department and its Public Entities

Department and Public Entities	**Date of briefing**
Auditor-General of South Africa	11 October 2022
Department of Agriculture, Land Reform and Rural Development	11 October 2022
Commission on Restitution of Land Rights	11 October 2022
Agricultural Research Council	12 October 2022
Onderstepoort Biological Product	12 October 2022
National Agricultural Marketing Council	12 October 2022
Perishable Products Export Control Board	12 October 2022
South African Veterinary Council	12 October 2022
Office of the Valuer-General	12 October 2022
KwaZulu-Natal Ingonyama Trust Board	12 October 2022

1.1. Mandate of the Portfolio Committee on Agriculture, Land Reform and Rural Development

The mandate of the Committee is derived from Sections 55 and 56 of the Constitution of the Republic of South Africa and provisions that are contained in the Rules of the National Assembly. The Committee is mandated to consider, amend and/or initiate legislation that is specific to, or impacts on agriculture, land reform and rural development; monitor and oversee the activities and performance of the Ministry, the Department of Agriculture, Land Reform and Rural Development (DALRRD or Department) and its Entities.

The Committee's mandate is to also consider and review the budget of the Department and its entities; consider sector related international treaties and agreements; and provide a platform for the public to participate and present views on specific topics and/or legislation in relation to the sector.

1.2. Purpose of the Budgetary Review and Recommendation Report

The process for the budgetary review and recommendation is set out in Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009). The Act sets out the process that allows Parliament's National Assembly, through its Committees, to make recommendations to the Minister of Finance to amend the budget of a national department. The Budgetary Review and Recommendation Report (BRRR) for each department that falls under each National Assembly Committee's responsibilities, in this case, the Department of Agriculture, Land Reform and Rural Development:

- must provide an assessment of the Department's service delivery performance given available resources;
- must provide an assessment on the effectiveness and efficiency of the Department's use and forward allocation of resources; and
- may include recommendations on the forward use of resources.

The BRR Report may also act as a source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-term Budget Policy Statement (MTBPS).

1.3. Preparation for the BRR Report

In preparation for the BRR Report and in compliance with its mandate as set out in Section 5(1) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), the Committee undertook the following activities in 2021/22:

1.3.1 Briefings by the Department on quarterly performance and expenditure reports of the Department for the 2021/22 financial year.

1.3.2 Joint oversight visit to KwaZulu-Natal Province with the Select Committee on Agriculture, Land Reform, Environment, Mineral Resources and Energy in August 2021 to ascertain the extent to which the unrest that took place in July 2021 has impacted the agricultural and agroprocessing value chains, agrologistics and damage to relevant infrastructure, its impact on the agricultural supply chain and food availability; and to assess Government's response and plans to address the resultant impact and relevant infrastructure damage.

1.3.3 Oversight visit to Gwatyu farms in the Eastern Cape Province in January 2022 to monitor the processes that the Department has been facilitating to resolve the Gwatyu land impasse; to assess the effects of government interventions as agreed in meetings of the Portfolio Committee on 09 February and 07 December 2021; and to interact with the affected parties and different stakeholders in order to understand their challenges and gain perspectives on how their concerns can be resolved.

1.3.3 Held briefings and considered the medium term Strategic Plan, the Annual Performance Plan and Budget of the Department for the 2021/22 financial year, including those of its entities, as listed on Table 1.

1.3.4 Received inputs and a briefing on the 2021/22 Annual Reports of the Department and its entities from the Auditor-General of South Africa.

1.3.5 Subsequently, on the 11th and 12th October 2022, the Committee held briefings and considered the Annual Reports of the Department and its entities for the 2021/22 financial year.

1.3.6 The BRR Report also draws from other briefings and inputs that the Committee received throughout the 2021/22 financial year; and the 2022/23 financial year to date.

1.4. Outline of the Contents of the Report

The Report reflects on Government key policy areas including those of the Department as they relate to the national Government Priority Outcomes; the Department and the entities' financial and service delivery performance for the 2021/22 financial year to date; and observations and recommendations from annual reports and other Committee engagements with the Department and entities including those from oversight visits.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

The Department's plans were informed and aligned with government-wide planning and policy mandates particularly the National Development Plan (NDP), the Medium Term Strategic Framework, the State of the Nation Address and other sectoral policies.

2.1 The National Development Plan: Vision 2030

The NDP's overarching aim is to eliminate poverty and reduce inequality by 2030. The Plan recognises that South Africa needs an inclusive economy that is more dynamic and in which the fruits of growth are shared equitably amongst its citizens. Chapter 6 of the NDP titled, *"inclusive rural economy"*, outlines the NDP's vision for the development of rural areas. Its focus is sustainable land reform and agrarian transformation, which encompasses the mandate of the Department. Agriculture is identified in the NDP as one of the key sectors through which increased employment and poverty alleviation can be achieved. In this regard, approximately 1 million new jobs and a trade surplus are expected to be created from agriculture, agro processing and related sectors by 2030. The NDP further expects that a third (33%) of the food trade surplus should be produced by smallholder producers by 2030.

With regards to land reform, the NDP sets a target to redistribute 16.5 million hectares or 20 per cent of commercial agricultural land by 2030. By 2018, Government had redistributed close to 10 per cent of commercial agricultural land. It thus suggests that in the next 10 years, over 10 per cent of commercial agricultural land must be redistributed.

2.2 Medium Term Strategic Framework 2019-2024

The MTSF is the Government's strategic plan for the 2019-2024 period. It is a five-year implementation phase of the NDP that is outcomes-based. It takes into account the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and other Government policy foci. The MTSF 2019-2024 is the second implementation plan of the NDP, following the MTSF 2014-2019. The MTSF's aim is to ensure policy coherence, alignment and coordination across Government Plans, as well as alignment with budgeting processes. The MTSF 2019-2024 aims to address challenges of poverty, inequality and unemployment through the following pillars:

- Achieving a more capable state;
- Driving a strong and inclusive economy; and
- Building and strengthening the capabilities of South Africans.

The above three pillars underpin Government's seven Key Priorities that have been adopted to implement the current MTSF. The 7 Key Priorities are expected to be achieved through the joint efforts of government, the private sector and civil society. For each MTSF Priority, a number of Outcomes and associated interventions are outlined in an Implementation Plan and a Monitoring Framework by which each relevant Department's performance is going to be assessed by the Presidency in the five-year period. The Department directly contributes to five (5) of the seven (7) Key Priorities, namely:

- **Priority 1:** A capable, ethical and developmental state
- **Priority 2:** Economic transformation and job creation
- **Priority 3:** Education, skills and health
- **Priority 5:** Spatial integration, human settlements and local government
- **Priority 7:** A better Africa and world

3. OVERVIEW OF THE STRATEGIC FOCUS OF THE DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT

3.1 The Department of Agriculture, Land Reform and Rural Development and its Core Functions

The main aim of the Department of Agriculture, Land Reform and Rural Development is to provide equitable access to land, integrated rural development, sustainable agriculture and food security for all. The Department's legislative mandate is derived from the following Sections of the Constitution of the Republic of South Africa, 1996:

- **Section 24(b)(iii)** (environment and natural resources clause) and **27(1)(b)** (food and water clause) that cover the agricultural value chain and resources.
- **Section 25** (property) that establishes the framework for the implementation of land reform.
- **Section 27(1)** (health care, food, water and social security clause) that establishes the framework for the implementation of the comprehensive rural development programme.

The Department executes its legislative mandate by implementing, managing and overseeing no less than 35 key pieces of legislation that cover inter alia land acquisition, restitution and use; agricultural production and its value chain regulation; conservation of resources and the establishment of the Department's public entities.

The strategic focus of the Department in the current five-year strategic framework period is to accelerate land reform, catalyse rural development and improve agricultural production to stimulate economic development and food security. Based on this strategic focus, the Department has developed seven Strategic Outcomes for the current MTSF period ending in 2024, that are aligned to MTSF priorities of Government as shown in Table 2 below.

Table 2: Alignment of Department Outcomes and the 2020-2024 MTSF Priorities

Department Outcome (OC)	MTSF Priority (P)
OC1. Improved governance and service excellence	P1: A capable, ethical and developmental state
OC2. Spatial transformation and effective land administration	P5: Spatial integration, human settlements & local government
OC3. Redress and equitable access to land and producer support	P2: Economic transformation & job creation and P5
OC4. Increased production in the agricultural sector	P2 and P3: Education, skills and health
OC5. Increased market access and maintenance of existing markets	P2 and P7. A better Africa & world
OC6. Integrated and inclusive rural economy	P2 and P5
OC7. Enhanced biosecurity and effective disaster risk reduction	P5

The Department has six programmes through which it measures its Strategic Outcomes, namely:

- **Programme 1 - Administration:** It is responsible for provision of strategic leadership, management and support services to the department.
- **Programme 2 - Agricultural Production, Biosecurity and Natural Resource Management:** It oversees livestock production, game farming, animal and plant health, natural resources and disaster management.
- **Programme 3 - Food Security, Land Reform and Restitution:** Acquires and distributes land and promotes food security and agrarian reform programmes
- **Programme 4 - Rural Development**: Facilitates rural development strategies for socioeconomic growth.
- **Programme 5 - Economic Development, Trade and Marketing**: It promotes economic development, trade and market access for agricultural products; and foster international relations for the sector.
- **Programme 6 - Land Administration**: Provide and maintain an inclusive, effective and comprehensive system of planning, geospatial information, cadastral surveys,

legally secure tenure and land administration that promotes social, economic and environmental sustainability.

3.2 The Department's Key Policy Developments

3.2.1 **The National Food and Nutrition Security Policy** is a collaboration between the Department, the Department of Social Development and Department of Basic Education that was approved by Cabinet in September 2013. The Policy seeks to ensure the availability, accessibility and affordability of safe and nutritious food at national and household levels. Coordination of Food Security including the implementation of the Policy is administered at the Office of the Deputy President.

3.2.2 **The Agriculture and Agroprocessing MasterPlan** is a social compact that will provide a blueprint of developing the agriculture and food sectors through public-private partnerships. Through the Plan, the Department seeks to transform and restructure the agricultural sector while ensuring the participation and inclusion of black and rural producers in the mainstream economy of the country and globally. The Master Plan, whose development was coordinated by the National Agricultural Marketing Council, has been finalised and endorsed by all social partners and stakeholders. Its implementation framework, operational plan and risk register have also been produced.

4. OVERVIEW AND ASSESSMENT OF EXPENDITURE AND SERVICE DELIVERY PERFORMANCE

4.1 Overview of Vote Allocation and Departmental Expenditure

For the 2021/22 financial year, the Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as the Department) was appropriated a total amount of R18 billion; and it spent approximately R17 billion of the appropriated funds (93.9 per cent) as illustrated on Table 3. Programme 3 (i.e. Food Security, Land Reform and Restitution) accounted for 52 per cent of the total departmental expenditure followed by Programme 1 (Administration) with 19.5 per cent of the total expenditure. In terms of economic classification, approximately R7.6 billion of the Department's total expenditure (45 per cent) went to transfers and subsidies. These include transfers to Provinces in the form of conditional grants, transfers to households, transfers to public entities and departmental agencies, as well as payments to foreign governments and international organisations. In terms of current payments, R3.8 billion went to compensation of employees while R3.7 billion went to goods and services, which accounted for 23 and 22 per cent of total Department expenditure, respectively. The Department underspent R1.1 billion in 2021/22, which was surrendered to the National Treasury (NT)'s Revenue Fund. This comprised of R1.06 billion of the Department's voted funds and R11.7 million from Departmental revenue and National Research Foundation (NRF) receipts.

Table 3. The Department's Budget and Expenditure for the 2021/22 Financial Year

Programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expenditure	Variance	Expend. as % of Final Approp
	R'000	R'000		R'000	R'000	R'000	
Administration	2 904 058	-	399 800	3 303 858	3 303 826	32	**100%**
Agric. Production, Biosecurity & Natural Resources Management	2 613 010	-	(105 331)	2 507 679	2 471 198	36 481	**98.5%**
Food Security, Land Reform & Restitution	9 793 004	-	(309 572)	9 483 432	8 781 155	702 277	**92.6%**
Rural Development	1 077 756	-	(84 471)	993 285	919 552	73 733	**92.6%**
Economic Development, Trade & Marketing	872 820	-	121 574	994 394	804 453	189 941	**80.9%**
Land Administration	762 612	-	(22 000)	740 612	651 040	89 572	**87.9%**
TOTAL	**18 023 260**	**-**	**-**	**18 023 260**	**16 931 224**	**1 092 036**	**93.9%**

Source: Department of Agriculture, Land Reform and Rural Development Annual Report (2022).

Whilst underexpenditure in the financial year under review is slightly less than the previous year's R1.3 billion, there is a concern with the reduction in the spending of conditional grants when farmers needed assistance the most. Of the R2.23 billion that was allocated for conditional grants, provinces spent R1.99 billion (89 per cent) during 2021/22, which is a regression from the previous financial year's 99.6 per cent expenditure. As it has been the case in the previous financial year, North West (NW) and Limpopo (LP) Provinces were the transgressors, spending 62 and 72 per cent of the allocated conditional grants, respectively. The reasons provided were challenges with service providers and availability of commodity capacity for NW and late inception of the Kaonafatso ya Dikgomo (KyD) programme and late appointment of infrastructure service providers for LP.

4.1.1 Irregular expenditure

The Department incurred total irregular expenditure amounting to R208.7 million, an increase from the R203.8 million incurred in 2020/21. Approximately R204.5 million of the irregular expenditure was historic from both former Departments; and was due to non-compliance with supply chain management (SCM) procedures. Of the total irregular expenditure of R208.7 million, only R5.4 million is under determination and investigation. There is also irregular expenditure of R33.58 million that is not included in the R208.7 million as it is under assessment in respect of non-compliance with policies on Land Acquisition.

4.1.2 Fruitless and wasteful expenditure

The Department incurred fruitless and wasteful expenditure of R36 million during the 2021/22 financial year, which is less than the prior financial year's R44.5 million, but remains a concern nonetheless. Of the R36 million, only R33 000 is under determination and investigation in respect of interest on late payment of invoices (R10 000), interest on late payment of pension (R3 000) and spa treatment (R20 000). Approximately R5 million of the fruitless and wasteful expenditure relating to interest paid as per a Court order was written off. There is also an additional R56.6 million of fruitless and wasteful expenditure that is under assessment. The expenditure is not included in the reported R36 million; and it is in relation to non-compliance with policies.

4.2 Overview of Performance in terms of Service Delivery Targets

The Department's performance in terms of service delivery targets remains stagnant despite the 94 per cent expenditure of allocated funds, with only a 1 per cent overall improvement from the previous financial year's 59 per cent. There is no alignment between the Department's expenditure and service delivery performance, an issue that is also illustrated by goods and service only receiving 22 per cent of the total budget allocation. Regression in performance and misalignment with expenditure was observed across all Programmes with the exception of Programme 2 (Table 4), which performed at 93 per cent in the year under review compared to 67 per cent in 2021/22. Across Programmes, cited reasons for underperformance varied from inability to fill vacancies, delays in verification processes, challenges with suppliers to covid-19 restrictions in the first quarters of the financial year.

Table 4. Summary of Performance Target Achievement against Programme Expenditure

Programme	No. of Targets	Achieved	Not achieved	Percentage achieved	Budget spent (R'000)	% of budget spent
1. Administration	2	1	1	50%	3 303 826	100%
2. Agricultural Production, Biosecurity and Natural Resource Management	14	13	1	93%	2 471 198	98.5%
3. Food Security, Land Reform & Restitution	13	6	7	46%	8 781 155	92.6%
4. Rural Development	5	3	2	60%	919 552	92.6%
5. Economic Development, Trade & Marketing	12	6	6	50%	804 453	80.9%
6. Land Administration	4	1	3	25%	651 040	87.9%
TOTAL	**50**	**30**	**20**	**60%**	**16 931 224**	**93.9%**

Source: Department of Agriculture, Land Reform and Rural Development Annual Report (2022).

4.3 Programme Expenditure and Performance during the 2021/22 Financial Year

4.3.1 Programme 1: Administration

Table 5: Programme 1 Budget and Expenditure for 2021/22

Sub-programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expendi-ture	Variance	Expend. as % of Final Approp.
	R'000	R'000		R'000	R'000	R'000	%
Ministry	*71 820*	(34 039)	-	37 781	37 781	-	100
Departmental Management	153 050	(39 318)	-	113 732	113 731	1	100
Internal Audit	60 092	(24 319)	-	35 773	35 773	-	100
Financial Management Services	297 853	6 419	-	304 272	304 263	9	100
Corporate Support Services	821 827	(24 101)	-	797 726	797 710	16	100
Provincial Operations	537 239	115 783	239 335	892 357	892 351	6	100
Office Accommodation	962 177	(425)	160 465	1 122 217	1 122 217	-	100
Total	**2 904 058**	**-**	**399 800**	**3 303 858**	**3 303 826**	**32**	**100**

The Administration Programme, which received the second highest allocation (R3.3 billion) from the Department's total budget, is consistent in spending 100 per cent of its appropriated budget but with little improvement in performance. The main cost driver for the Programme remain the Compensation of Employees (COE) on which the Department spent approximately R1.5 billion (46 per cent of total Programme expenditure) in 2021/22 followed by office accommodation (operating leases and property payments) with R1.1 billion. Whilst The

Department spent 100 per cent of its allocated R2.9 billion budget in 2021/22, it only achieved 1 of the 2 planned targets.

As it has been the case in previous years, the Department did not pay 100 per cent of valid invoices within 30 days upon receipt. However, the percentage of paid invoices improved from 86 per cent in the previous financial year to 96 per cent in the year under review. The Department attributed the delays in payment of invoices to the verification process that it had to embark on due to supplier banking details on the invoice not matching those in the system. The Committee highlighted the negative impact of delayed payment of invoices on suppliers particularly small, medium and micro enterprises (SMMEs), whose livelihoods and business sustainability may depend on the timeous payment of the invoices.

4.3.2 Programme 2: Agricultural Production, Biosecurity and Natural Resources Management

Table 6: Programme 2 Budget and Expenditure for 2021/22

Sub-programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expendi-ture	Variance	Expend. as % of Final Approp.
	R'000	R'000		R'000	R'000	R'000	%
Inspection and Quarantine Services	470 287	(11 272)	(7 539)	451 476	443 035	8 441	98.1
Plant Production and Health	162 901	(30 051)	-	132 850	114 513	18 337	86.2
Animal Production. & Health	350 342	(7 357)	(67 262)	275 723	271 201	4 522	98.4
Nat. Resources & Disaster Management.	342 667	48 948	(30 530)	361 085	356 314	4 771	98.7
Biosecurity	4 181	(268)	-	3 913	3 503	410	89.5
Agricultural Research Council	1 282 632	-	-	1 282 632	1 282 632	-	100
Total	**2 613 010**	**-**	**(105 331)**	**2 507 679**	**2 471 198**	**36 481**	**98.5**

Programme 2 receives the third largest allocation from the Vote and in 2021/22 the Department spent 98.5 per cent of the R2.5 billion appropriation. It is an improvement from the previous financial year when it spent 95.7 per cent of the R2.95 billion that was appropriated. Underexpenditure in the Programme was attributed to compensation of employees due to 120 vacant positions, which is a continuing trend from prior years. Expenditure in the Programme was largely driven by the transfer of R1.28 billion to the Agricultural Research Council (ARC), which in the year under review constitute approximately 51 per cent of the Programme's total budget.

The ARC is followed by allocations to the Inspection and Quarantine Services subprogramme (R451.5 million, which is less than the previous year's R591.6 million) and the Natural Resources and Disaster Management subprogramme. For the latter subprogramme, the R361 million that has been allocated in 2021/22 is slightly higher than the previous year's R257.9 million, a commendable action in light of the natural disasters that continue to impact the sector. Also commendable was an allocation of R3.9 million to the Biosecurity subprogramme, which previously did not receive any allocation despite significant biosecurity threats to the agricultural sector. These include the outbreak of foot-and-mouth disease (FMD) and other plant diseases, which all have an adverse impact on trade and revenue generated from the country's export of agricultural products.

In terms of performance targets, the Programme achieved 13 out of a total of 14 planned targets (93 per cent), a significant improvement from the 2020/21 performance of 67 per cent. The only target that was not met was the implementation of two animal improvement schemes for prioritised value chain commodities, namely, KyD and poultry schemes. It was noted that the Department has finally realised the error of having the target in its plans when the ARC has always been implementing KyD, a matter that has been repeatedly raised and questioned by the Committee. The Department reported that it will now focus on oversight and monitoring of the implementation of KyD by the ARC.

One of the reportedly achieved target was the report on the implementation of the Cannabis Master Plan, which was questioned by the Committee as the said Plan has not been finalised as the Executive Authority reported in the Annual Report that the Department is collaborating with Vulindlela, provincial departments and other relevant stakeholders in finalising the Cannabis Master Plan. The delay in finalising the Cannabis Master Plan was questioned as the consultation process to finalise the Plan was also reported as ongoing since the 2020/21 Annual Report. The Department was however, commended for capacitating 140 smallholder producers on Crop Suitability to Climate Change in Free State (FS), KwaZulu-Natal (KZN), Limpopo (LP) and Mpumalanga (MP).

4.3.3 Programme 3: Food Security, Land Reform and Restitution

Programme 3 received the largest appropriation of R9.5 billion from the Vote (Tables 4 and 7), which is R3 billion more than the previous financial year's R6.77 billion. Food Security and Restitution subprogrammes when combined, accounted for two thirds of the Programme's appropriation. While the Department spent 98.5 per cent of the funds allocated to Restitution, it only spent 80.9 per cent of the allocation to Food Security (Table 7) despite the increasing levels of food insecurity in the country. Overall, the Department spent R8.8 billion (92.6 per cent) of the funds appropriated to Programme 3 and ended the financial year with underexpenditure of R702.3 million.

Table 7: Programme 3 Budget and Expenditure for 2021/22

Sub-programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expendi-ture	Variance	Expend. as % of Final Approp.
	R'000	R'000		R'000	R'000	R'000	%
Food Security	3 070 465	98 617	(38 832)	3 130 250	2 532 747	597 503	80.9
Land Redistribution & Tenure Reform	949 009	58 034	(199 179)	807 864	753 775	54 089	93.3
National Extension. Services & Sector Capacity Development	561 469	4 686	(11 066)	555 089	553 274	1 815	99.7
Farmer Support & Development	612 564	(6 220)	(8 311)	598 033	598 032	1	100
Restitution	3 506 150	(155 117)	(52 184)	3 298 849	3 249 980	48 869	98.5
Agricultural Land Holdings Account	937 986	-	-	937 986	937 986	-	100
Ingonyama Trust Board	23 517	-	-	23 517	23 517	-	100
Office of the Valuer-General	131 844	-	-	131 844	131 844	-	100
Total	**9 793 004**	**-**	**(309 572)**	**9 483 432**	**8 781 155**	**702 277**	**92.6**

Underspending was attributed to delays in the transfer of funds to support farmers through the Presidential Employment Stimulus Initiative (PESI) due to prolonged verification of applicants and shortage of suppliers. Approximately R507 million of PESI funds was not spent. Other reported reasons for underspending were slow movement in the settlement of land claims as a result of delays in finalising valuations as well as disputes by landowners and claimants regarding offered amounts; delays in acquisition of land due to prolonged facilitation and negotiations with landowners; and lastly delays in the filling of vacancies. While the Committee was displeased with underspending in Programme 3, the underspending of the PESI funds in particular was deemed unacceptable as by its very nature, the Initiative was established as an intervention to assist vulnerable households and subsistence producers with livelihoods means and self-employment to minimise the impact of the covid-19 pandemic.

In light of the poverty and hunger situation that has been compounded by the Covid-19 pandemic, failure to timeously support subsistence farmers at a time when they needed support the most to enable them to grow their own food was deemed unacceptable and as the Committee lamented the Department's lack of urgency and poor planning. The Committee was also concerned that the poor management of PESI funds was also the reason for the Department's qualification as discussed under the Report of the Auditor-General of South Africa (AGSA). It further highlighted the Department's failure to take lessons from the implementation of the Covid-19 Disaster Fund as similar issues were raised by the AGSA on the implementation of the Covid-19 Fund.

Although the Department spent 92.6 per cent overall in Programme 3 and notwithstanding the centrality of the Programme to sector development and transformation, achievement of performance targets remains poor. The Department only achieved 6 out of 13 planned targets (46 per cent) during 2021/22 for Programme 3. With the exception of land claims, some of the key targets that are central to the Programme's purpose were not achieved. These include amongst others, the number of farms supported through the Land Development Support (LDS) Programme; allocation of land to vulnerable groups (i.e. women, youth and people with disabilities) and number of hectares acquired for farm dwellers and labour tenants. Although there are funds that were transferred to the Land Bank under this Programme, there was no report on how the funds have been utilised during the year under review.

On the land reform front, the Committee remarked about the Communal Property Associations (CPAs), redistribution /Proactive Land Acquisition Strategy and allocation of land, labour tenant applications (restitution will be discussed under the Commission on Restitution of Land Rights).

- *CPAs:* An improvement in the support of CPAs to achieve compliance with the CPA Act was welcome, especially when the Department exceeded the planned target of 577 CPAs and supported 636 CPAs, However, a concern was that the Department continue to focus on compliance to legislation as a measure of success whereas oversight visits reports have demonstrated that compliance to legislation only does not equate to functionality CPAs and productivity of land allocated to communities. The basis for this view was that the Committee has been receiving reports about tensions and conflicts, which obstruct productive use of the land, within some of the compliant CPAs whereas some of the CPAs have reported to comply with the Act. The Committee further encouraged the Department to include, in addition to compliance, performance indicators on functionality and productive use of the land under CPAs. Another critical concern was lack of movement in the signing of the CPA Amendment Bill (B12 -2017). It was approved by Parliament in 2018 but had not been assented to by the President and thus not being implemented.

- *Land Reform:* Whilst the targets for restitution and acquisition of strategically located land have been met, the Department's failure to meet targets in the number of ha allocated to farm dwellers/labour tenants, women and youth; finalisation of labour tenant applications; and the transfer of Transformation of Certain Rural Areas Act (TRANCRAA) areas was among the major concerns. In addition, failure to meet targets on provision of post settlement support under the LDS was also a worrying factor because majority of land reform projects (especially farm dwellers and labour tenants' settlement) that the Committee had visited during the joint oversight with the Portfolio Committee on Employment and Labour were in distress, if not totally collapsed. Yet the Department has recorded R1 billion in unspent funds (R702 million to be specific for this programme).

- *Labour Tenants Applications:* Having concluded oversight visits to some of the labour tenant settlements and farms recently, members of the Committee have been exposed to the levels of insecurity, poverty and impediments to livelihood activities. The Committee expressed concerns with regard to the dismal performance in the finalisation of labour tenant applications where only 108 labour tenant applications were finalised against the annual target of 1000. Even more worrying was the fact that such a poor performance occurred under the watch of the Special Master of Labour Tenants at the Land Claims Court (SMLT). The reasons for lack of achievements of the targets were not new. For example, untraceable applicants and rejection of offers from the Office of the Valuer-General (OVG) as well as referrals of matters to court are matters that the Department has been dealing with and were also detailed in the SMLT Implementation Plan. However, attempts to address some of these challenges have not yielded desirable outcomes.

4.3.4 Programme 4: Rural Development

This programme recorded a 60 per cent performance rating with a 92.6 per cent expenditure of the total budget of the programme as shown in Tables 4 above and 8 below. In Rand terms, the total under-expenditure was about R73.7 million. It is reported that underexpenditure was due to delays in finalising some of the rural infrastructure projects, especially due to social unrest by local sub-contractors and COVID-19 restrictions on the site. There were also instances where contractors did not deliver as per agreement as well as termination of some contracts to non-performance.

Table 8: Programme 4 Budget and Expenditure for 2021/22

Sub-programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expendi-ture	Variance	Expend. as % of Final Approp.
	R'000	R'000		R'000	R'000	R'000	%
National Rural Youth Service Corps	220 440	6 035	1 523	227 998	222 173	5 825	97.4
Rural Infrastructure Development	831 164	1 273	(85 994)	746 443	679 109	67 334	91.0
Technology Research & Development	26 152	(7 308)	-	18 844	18 270	574	97.0
Total	**1 077 756**	**-**	**(84 471)**	**993 285**	**919 552**	**73 733**	**92.6**

The Committee expressed its displeasure at the fact that the number of infrastructure projects completed to support Farmer Production Support Units (FPSUs) was not achieved. Amongst other reasons, the Department reported that contractors failed to perform and abandoned construction site. The Committee was also dissatisfied with service delivery performance when assessing it against programme expenditure. Further, this continued non-alignment of service delivery target against the programme expenditure rate is a matter that the Department must find ways to address. The fact that that there was non-delivery by contractors raises questions about processes for bidding and selection of contractors and whether the best service providers where appointed for the job. Oversight visits by the Committee has shown lack of internal coordination within the Department. In some cases, land purchased for labour tenants did not receive complementary development support including infrastructure development which is provided under this programme Rural Development. There is a need for joint planning and collaboration amongst programmes in order to maximise the benefit of limited resources available to the Department.

The programme of Rural Development was commended for exceeding the target on the number of youth trained under the National Rural Youth Service Corps (NARYSEC). However, as stated before, the socio-economic impact of the programme has not been quantified. There were still no clear indications about what happens to the youth after their tenure at the training programme as well as sustainability of their enterprises. The Committee reiterated that NARYSEC should be focussed on provision of agricultural support to smallholders/emerging farmers whereas some should be supported to become farmers in their own right.

4.3.5 Programme 5: Economic Development, Trade and Marketing

The Department spent R804 million of the appropriated R994 million (81 per cent) in the 2021/22 financial year. The majority of the Programme's appropriation went to two subprogrammes, viz. the Agroprocessing, Marketing and Rural Industrial Development subprogramme (66 per cent) and the International Relations and Trade subprogramme (20 per cent). However, expenditure on both subprogrammes has been relatively low at 82 per cent and 71 per cent, respectively.

Table 9: Programme 5 Budget and Expenditure for 2021/22

Sub-programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expendi-ture	Variance	Expend. as % of Final Approp.
	R'000	R'000		R'000	R'000	R'000	%
International Relations & Trade	213 730	(13 334)	-	200 396	142 518	57 878	71.1
Cooperative Development	80 314	(1 422)	-	78 892	74 289	4 603	94.2
Agroprocessing, Marketing & Rural Industrial Development	518 298	16 985	121 574	656 857	540 341	116 516	82.3
Development Finance	13 173	(2 229)	-	10 944	-	10 944	-
National Agricultural Marketing Council	47 305	-	-	47 305	47 305	-	100.0
Total	**872 820**	**-**	**121 574**	**994 394**	**804 453**	**189 941**	**80.9**

The underspending in the Programme was mainly attributed to vacancies in South Africa's Missions (International Relations and Trade subprogramme) and local offices under the Agroprocessing, Marketing and Rural Industrial Development subprogramme; as well as outstanding invoices that were not received and still needs to be paid for membership subscriptions to international organisations. The Department also failed to spend the R10.9 million that was appropriated for Development Finance in 2021/22.

In terms of service delivery performance, the Department regressed from 87.5 per cent of performance targets that were achieved in the previous financial year to 50 per cent in the year under review (achieving 6 out of 12 planned targets). One of the targets that were achieved under this Programme is the training of cooperatives. However, within the same Programme, the Department failed to comprehensively support 35 Farmer Production Support Units (FPSUs) to full functionality as planned. In this case, only 4 FPSUs were supported to be fully functional. This was raised as a concern as the FPSUs are expected to play a central role in assisting smallholder and emerging producers with comprehensive support that will ensure their access to markets. This meant that training of cooperatives without access to comprehensive support and markets in particular, becomes fruitless.

For the second consecutive year, the Department did not meet the target related to the development of the Draft Marketing of Agricultural Products Amendment (MAPA) Bill. In the previous financial year, it cited further consultations with the Office of the Chief State Law Advisor (OCSLA) before submission to the Department of Planning, Monitoring and Evaluation (DPME) for the first phase of the Socio-economic Impact Assessment System. In the year under review, consultations on the Amendment Bill could not be undertaken due to delays in obtaining a legal opinion from the OCSLA. The Committee was not happy with the slow pace of the Department in reviewing important legislation as the MAPA Bill has been under development for more than four years.

4.3.6 Programme 6: Land Administration

Table 10: Programme 6 Budget and Expenditure for 2021/22

Sub-programme	Adjusted Appropriation	Shifting of funds	Virements	Final Appropria-tion	Actual Expendi-ture	Variance	Expend. as % of Final Approp.
	R'000	R'000		R'000	R'000	R'000	%
National Geomatics Management Services	547 658	15 529	(3 000)	560 187	498 742	61 445	89.0
Spatial Planning & Land Use	204 219	(15 529)	(19 000)	169 690	144 158	25 532	85.0
Deeds Registration	1	-	-	1	-	1	-
SA Council of Planners	4 140	-	-	4 140	4 140	-	100.0
SA Geomatics Council	4 194	-	-	4 194	4 000	194	95.4
Integrated Land Administration	2 400	-	-	2 400	-	2 400	-
Total	**762 612**	**-**	**(22 000)**	**740 612**	**651 040**	**89 572**	**87.9**

Of the 4 targets set for the financial year, the programme achieved only 1, which is a 25 per cent performance rating, yet in terms of the financial performance the programme has spent 87.9 per cent of the total allocation for the programme. The 1 target achieved relates to the development and approval of the Monitoring Framework for National Spatial Development Framework (NSDF) Spatial Action Areas Implementation Plan. The Electronic Land Registration System, i.e. Phase 1 of e-DRS, could not be completed, and so was the Deeds Registries Amendment Bill, and the turnaround times for processing cadastral documents could not be achieved as planned. The Committee expressed some concerns with regard to the delays in the e-DRS and non-performance in the Integrated Land Administration (ILA). As can be seen in Table 10, there were no expenses under ILA, meaning non-performance. As a result, the Committee wanted the Department to put together mitigating strategies to remedy this non-performance.

4.4 Report of the Audit Committee

The independent Audit Committee was satisfied with effectiveness of the Internal Audit Function, which took into consideration the risks pertinent to the Department in its audits and made significant progress with audits conducted in terms of its strategic three-year rolling Internal Audit Plan. Deficiencies were detected and reported through internal audits performed on the system of internal controls and management continued to address control weaknesses reported by the Internal Audit function. However, the Audit Committee noted that the system of internal controls within the Department was not entirely effective and expresses serious concern on inadequate internal control structures to prevent and detect fraud and the incidences of fraud identified in the Department. Significant control deficiencies were noted in the areas of:

- Information and Communication Technology;
- Records Management;
- Financial Management in the Department of Agriculture, Land Reform and Rural
- Development and the Agricultural Land Holdings Account;
- Project Management;
- Contract Management; and
- Management of fraud, corruption, misconduct, irregularities and mismanagement.

It further noted that a Risk Management Committee has been appointed and is chaired by an independent chairperson and advises the Accounting Officer. Based on the Internal Audit report, the departmental risk and fraud management system requires improvement to address the following:

- Decision making not occurring within the confines of the defined risk appetite;
- Incomplete inventory of risks and opportunities;
- Insufficient quality of risk registers and inadequate attendant actions to address identified risks;

- The absence of structures which facilitate the timeous dissemination of risk related information;
- Risk Management function not fully capacitated; and
- Non-performance of cost benefit analysis in relation to risk mitigation strategies.

4.5 Report of the Auditor-General of South Africa

The Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as the Department) received a **qualified audit opinion** from the Auditor-General of South Africa (AGSA). The AGSA was unable to obtain sufficient appropriate audit evidence relating to goods and services included in prepayments (expensed) as management did not implement adequate internal control systems for proof of delivery of the goods to the intended beneficiaries of the Presidential Employment Stimulus Initiative (PESI). The auditor could not confirm whether the delivery took place by alternative means; and consequently, was unable to determine whether any adjustment was necessary to goods and services stated at R335.6 million in the financial statements. The AGSA further drew attention to the following, which are mostly repeat findings:

4.5.1 Emphasis of matters

- ***Significant uncertainties*** in respect of claims worth R2.2 billion that were instituted against the Department and are subject to the outcome of legal proceedings.
- ***Impairments*** – provision for R97.97 million in relation to the impairment of accrued Departmental revenue and R20.68 million in relation to impairment of receivables.

4.5.2 Non-compliance with legislation i.e. the Public Finance Management Act (PFMA) (Act No.1 of 1999) and National Treasury Regulations in respect of Expenditure and Procurement:

- ***Annual financial statements:*** The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by Section 40(1)(a) and (b) of the PFMA. Some material misstatements that were identified by the auditors in the submitted financial statements were corrected but material misstatement of supporting records for prepayments expensed (PESI) could not be provided, which subsequently resulted in the financial statements receiving a qualified opinion.

- ***Consequence management:*** Disciplinary steps were not taken against officials who had incurred and/or permitted irregular expenditure as required by Section 38(1)(h)(iii) of the PFMA.
- ***Procurement and contract management:*** Some of the bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.

4.5.3 Usefulness and reliability of reported performance information

- The AGSA did not raise any material findings on the usefulness and reliability of the reported performance information for Programmes 3.

4.5.4 Deficiencies in internal controls

- Management did not implement adequate internal controls over financial reporting, resulting in material misstatements being identified through the audit process. These misstatements were not prevented and detected by the Department due to lack of adequate reviews.
- Leadership did not implement adequate controls over record keeping; this resulted in underlying records being unavailable to support the sum of the amounts disclosed in the financial statements.
- The management did not implement effective monitoring of compliance with applicable legislation. Non-compliance with legislation and supply chain management processes could have been prevented if compliance had been properly reviewed and monitored.

Other reports

The AGSA further drew attention to other reports that have or could potentially have an impact on the Department's financial statements, reported performance information and compliance with applicable legislation and other related matters, viz.

- The Presidential Proclamation Number R.36 of 2019 (GG 42577 dated 12 July 2019) for the Special Investigating Unit (SIU) to investigate matters related to maladministration in the affairs of the Department in relation to the mismanagement of the Comprehensive Agricultural Support Programme (CASP). The outcome of the SIU report was still pending at the time of the AGSA's Report.

4.6 Discussion on Financial and Service Delivery Performance

The Department's inability to efficiently utilise appropriated funds as planned, may negatively impact future budget allocation from the National Treasury, which is a concern to the Committee as underfunding has a major impact on service delivery. In the year under review, the Department had to again surrender R1.1 billion of voted funds back to National Treasury as a result of underexpenditure, which was mostly in respect of PESI and unfilled vacant positions. The Department's failure to effectively address matters that are consistently raised by the AGSA, which led to the qualification on its financial statements in the year under review needs urgent attention.

The Committee emphasised the need for the Department to address the repeat audit findings and further highlighted the weaknesses and challenges that have been repeatedly raised by the Department's Audit Committee and AGSA. The Department's expenditure management particularly non-compliance with the PFMA, poor monitoring and reporting, lack of consequence management and deficiencies in internal controls were highlighted as areas of serious concern in light of the high irregular expenditure and the incurred fruitless and wasteful expenditure.

The Committee further recognised and remain concerned with the misalignment between expenditure and achievement of performance targets where the Department spent 94 per cent of appropriated funds but only achieved 60 per cent of planned targets. The Department has a challenge with effective and efficient spending of its budget on planned targets to ensure optimal service delivery and value for money. This is worrisome as the Committee recognises that inadequate funding remains a key challenge to ensure that the Department carries out all its mandated activities as highlighted in the NDP and other Government directives such as the State of the Nation Address (SONA) and the Presidential Employment Stimulus Initiative (PESI).

Notwithstanding the service delivery challenges, the Department did not have a Service Delivery Improvement Plan (SDIP) for the financial year under review. The primary reason cited being that the Department of Public Service and Administration (DPSA) declared the 2021/22 financial year as a gap year, which is very worrisome. The continued citing of the Covid-19 pandemic and the merger of the two former Departments as the reasons for the inability to achieve certain targets and timeously utilise voted funds were unacceptable to the Committee as motivation for additional funding becomes difficult when a Department is not prudent and efficient in the utilisation of allocated resources on planned targets.

As it has been repeatedly raised by the Committee, critical work with regard to important policy and legislation development was not moving at the pace that is expected. Among these areas is the long outstanding tabling of the Communal Land Tenure Bill and the Perishable Products Export Control (PPEC) Bill, as well as the finalisation of the Marketing of Agricultural Products Amendment Bill.

5. AN OVERVIEW OF THE PERFORMANCE OF THE DEPARTMENT'S ENTITIES

5.1 Agriculture Entities

5.1.1 Agricultural Research Council (ARC)

The ARC's total budget, which is largely driven by the Parliamentary Grant (PG) allocation, remained stagnant at R1.39 billion when compared to the previous financial years (R1.38 billion and R1.35 billion for 2020/21 and 2019/20, respectively). The budget comprised of the PG worth R1 billion and the rest was from self-generated revenue. The ARC spent approximately R1.2 billion and remained with an operating surplus of R168 million, a slight improvement from the previous year's R162 million. The main cost driver is COE, on which the entity spent R755 million (54 per cent of the budget).

The ARC received a **qualified** audit opinion from the AGSA for the sixth consecutive year with material findings of non-compliance with legislation. The qualification areas increased from one to four, indicating a regression in the control environment from the prior financial year; and an indication that significant deficiencies that require urgent attention still remain. In previous years, the qualification area was mainly in respect of property, plant and equipment. However, for 2021/22 financial year, in addition to the *repeat findings on property, plant and equipment*, AGSA also qualified its audit opinion on:

- *Depreciation and amortisation* as auditors were unable to quantify the full extent of the misstatements of the depreciation amount and of property, plant and equipment as it was impracticable to do so.
- *Irregular expenditure* as the ARC incorrectly included transactions that do not meet the definition of irregular expenditure in its irregular expenditure note, while it also omitted some transactions that meet the definition of irregular expenditure. Consequently, irregular expenditure was misstated. The auditors could not confirm if the requirements of the irregular expenditure framework were complied with regarding the removal of irregular expenditure of R208.7 million that was written off as appropriate evidence was not provided; and further, AGSA was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R533.9 million (R532 million for the prior year) in the financial statements.
- *Contingencies* as AGSA was unable to obtain sufficient appropriate audit evidence to substantiate the amounts disclosed in the financial statements relating to legal costs and litigations as the ARC did not have adequate records of the basis on which estimates of these costs were made; and furthermore, litigations and legal costs were recorded at incorrect amounts, resulting in contingencies being misstated by R1.9 million.

The Committee was not pleased with the lack of improvement and further regression in the ARC's audit outcomes. It noted that there was some instability at executive management level in the financial year under review, with the contract of the former Chief Executive Officer (CEO) having ended in July 2021 and the Chief Financial Officer (CFO) who resigned before the end of the financial year under review, while there were also vacancies of Group Executives. However, the additional qualification areas and the entity's failure to address the matters raised by AGSA on property, plant and equipment was not acceptable. The Committee did however welcome the plans that have been put in place to address the findings and appreciated the investigations that are underway and actions that have been taken against those responsible for irregular, fruitless and wasteful expenditure.

The ARC achieved approximately 70 per cent of its planned annual targets. Some of the key achievements were the development of alternative post-harvest pre-treatment strategies for the management of stone fruit, using alkaline electrolysed water treatment on storage quality of fresh nectarines; as part of its climate change initiatives, the ARC prepared a report on the organisational Scope 1, 2 and 3 greenhouse gas (GHG) emissions, it released a biological control agent against the invasive alien weed, *Chromolaena odorata*, a noxious weed that also presents a serious fire hazard on rangelands and its ICT Unit together with researchers in collaboration with the South African Weather Service (SAWS), developed a strong focus area in crop monitoring, water management and land cover change, using an UAV (unmanned aerial vehicle) system, as well as weather applications (Apps) for farmers in multiple local languages. The ARC also supported 7 096 smallholder farmers that participated in KyD.

The Committee raised concerns with poor achievement of targets relating to human resources and performance management, as well as the target for the production of blood vaccines. The ARC produced 49 890 doses of blood vaccines (African Redwater and Asiatic Redwater) for the Onderstepoort Biological Products (OBP) during 2021/22, a figure that was far less than the planned 235 000 doses. It attributed the shortfall to quality assurance that is outside of the ARC control and fewer orders that have been placed. The Committee registered its displeasure with the delay in the construction of the foot-and-mouth disease (FMD) Facility highlighting the impact of the delay to the development and local production of the FMD vaccine. Local production and availability of the FMD vaccine was highlighted as quite crucial as the livestock industry is faced with export bans to some overseas markets as a result of the FMD outbreak in the country. The Committee noted the report of the Board regarding the appointment of service providers for the construction of the FMD Facility and plans to re-register the FMD vaccine with Act No. 36 of 1947.

The ARC ended the 2021/22 financial year with 291 (12.9%) vacancies, much higher than the previous year's 227 vacancies and a rate of 9.7%. The high vacancy rate for 2021/22 was attributed to mainly retirements (42%) and resignations (34%). The Committee raised concerns on the high vacancy rate particularly vacancies at the executive management level and further enquired about the entity's plans to retain expertise. Given the lack of improvement in the ARC's audit opinion and some repeat audit findings, the Committee highlighted that instability at executive management level will likely contribute to the ARC's poor audit outcomes. The Board of the entity gave the Committee an assurance that the new CEO, who started on 01

April 2022, has been given a go ahead to appoint a team that he can work with to turn the situation around. The ARC has also just completed its institutional review, which is a 5-year legislative process.

5.1.2 Onderstepoort Biological Products (OBP)

As a Schedule 3B entity (i.e. national government business enterprise), which is also a National Key Point, the OBP does not receive a Parliamentary Grant but funds all its operations from self-generated revenue (mostly from sale of animal vaccines and related products). The OBP's revenue decreased from R209 million in 2020/21 to R170 million by the end of 2021/22. The OBP attributed the reduction in revenue to equipment breakdown, which affected production capacity and resulted in the unavailability of key products particularly blood vaccines as well as African Horse Sickness (AHS) vaccine and S19.

The OBP acknowledged the challenges with vaccine availability particularly the AHS vaccine, due to aged infrastructure and equipment breakdowns. It assured the Committee that the AHS vaccine has since become available and the entity has met with the equine industry to discuss the challenges. The Board also reported the approval of procurement of a new freeze dryer and the vector proof facility; and sought assistance of a service provider for the repair and maintenance of the broken freeze dryer.

Another major challenge that was highlighted by the OBP that affect production capacity and consequently revenue generation was electricity outages. The outages lead to lots of spoilt vaccine batches being thrown away, which is costly and a loss to the entity. The OBP reported that it is collaborating with the ARC's Onderstepoort Veterinary Research (ARC-OVR) Institute, which is equally affected by power outages, in investigating renewable energy sources. It has signed a memorandum of understanding (MOU) with the ARC; and the two entities have established a Steering Committee for collaborative work.

The OBP received an unqualified audit opinion from AGSA without findings on financial information but with findings on performance information. AGSA commended the OBP for the improvement in compliance with laws and regulations and for submitting financial statements that were free from material misstatements. The findings on performance information were in respect of Programme 2, Continuous Improvement of Business Processes for the indicator, *Improved Production Efficiency Index*. AGSA's finding was that source information, evidence and method of calculation for achieving the planned indicator was not clearly defined.

The auditors found that oversight responsibility regarding performance reporting was not adequately exercised, as the controls in place did not prevent or detect internal control deficiencies that resulted in the material misstatement on performance information. The entity's irregular expenditure decreased from R9.4 million in 2020/21 to R423 884 in 2021/22; and it incurred no fruitless and wasteful expenditure in 2021/22. The OBP was applauded for not incurring any fruitless and wasteful expenditure, which the Committee previously highlighted as an area of intervention particularly in light of its financial constraints. The Committee appreciated the work that the entity has put in the implementation of its Audit Improvement Plan and further commended the OBP for the improvement in the audit outcome on financial information and implementation of consequence management.

The OBP's performance on planned performance targets remains unsatisfactory. It achieved 10 out of the 21 planned annual targets (48%). In addition to non-achievement of targets relating to vaccine sales and consequently, increased revenue generation, the OBP did not achieve the target on the Good Manufacturing Practice (GMP) Facility and most human resource (HR) related targets. For the GMP, it cited suspension of work due to the contractual dispute with the principal consultant, whose contract has been terminated; and for HR, it cited instability in the HR environment as the entity did not have an HR Manager. It reported that work on the GMP Project will continue as soon as the process to appoint a new principal contractor and service provider is finalised. Despite the poor overall performance, the OBP achieved the recertification for ISO 9001:2015; it overachieved in the production efficiency index and the number of farmers trained in OBP products.

The entity ended the financial year under review with a high vacancy rate of 29%, which is even higher than the prior year's 26%; and almost three times than the allowable 10%. As it has been previously the case, the majority of vacancies are in the Operations, which have increased from 28 to 31 vacancies and the Clinical Unit, which has the same 21 vacancies as in the previous year. A concern was raised with the high vacancy rate including the protracted case of the former CEO including delays in appointing a new CEO and filling the HR Manager position that has been vacant for quite some time, which both have a bearing on filling other critical positions particularly in Operations and the Clinical Unit.

5.1.3 National Agricultural Marketing Council (NAMC)

The NAMC ended the 2021/22 financial year with a total budget of R54,48 million, which comprised of the Parliamentary Grant (PG) of R47.3 million and R7.2 million from sponsorships and other revenue. The total budget for the year under review was far less than the R77.46 million that the NAMC had in 2020/21. The higher revenue in 2020/21 was due to a once-off allocation of R20 million from the Department for the development of the Agriculture and Agroprocessing Master Plan (AAMP), which was commissioned to the NAMC. The NAMC spent almost 100 per cent of the total budget for the financial year under review and remained with a surplus of R24 000, far less than the prior year's surplus of R2.3 million.

There was no improvement in the NAMC's audit outcomes for 2021/22, meaning that the audit opinion remained unchanged from 2020/21. The entity received an unqualified opinion with repeat findings from the AGSA in respect of non-compliance with laws (PFMA) and regulations (supply chain management). The findings were in respect of material misstatements in the financial statements that were submitted for audit. The entity received an unqualified audit opinion after AGSA allowed it to make the necessary corrections. Additional findings were on poor expenditure management, lack of consequence management and internal control deficiencies. AGSA found that adequate internal control processes were not in place to ensure that proper consequence management processes were conducted at the NAMC.

The NAMC ended 2021/22 with a total irregular expenditure of R154 million, the majority of which is historical (R148 million). The majority of the irregular expenditure incurred by the NAMC in the year under review (R6 million) relates to the AAMP and the National Red Meat Development Programme (NRMDP) where the contracts were entered into without following the delegation of authority. The AGSA reported that the Accounting Authority (the Board) had resolved in the prior year that the contracts must be investigated due to indicators of fraud, however, the investigation was not performed for the NRMDP, consequently, any possible consequence management could not take place. This contract has since lapsed (September 2020) and the NAMC entered into a new agreement with the Department.

The NAMC reported that it has applied to the National Treasury (NT) for the condonement of some of the historical irregular expenditure, however, the NT refused and instructed the NAMC to implement consequence management. The entity reported that it has since appointed a consultant to further investigate the irregular expenditure and the NAMC is still waiting for the report from the consultant. The AGSA emphasised that the Board of the entity needs to ensure that investigations into irregular expenditure are prioritised and finalised.

The NAMC ended the 2021/22 financial year with R7.98 million worth of fruitless and wasteful expenditure. Approximately R7.94 million of this amount is historical as the entity incurred fruitless and wasteful expenditure of R42 000 in the year under review, which was mostly related to non-compliance with SCM regulations in respect of the NRMDP. As highlighted by AGSA, there was major concern with lack of investigations by the entity as the AGSA could not find appropriate audit evidence that disciplinary steps were taken against officials who had incurred the irregular, fruitless and wasteful expenditure as required by the PFMA.

In the last financial year, AGSA drew attention to a Preliminary Report that was issued on 01 February 2021 on suspected fraud, corruption and conflict of interest on the procurement and contract management relating to the Agriculture and Agroprocessing Master Plan (AAMP). By 31 August 2021, the Council/Board of the NAMC had initiated a process to implement the recommendations contained in the Preliminary Report. However, in the year under review, AGSA further drew attention to the fact that at the date of its Audit Report (31 July 2022), the Council/Board had not completed a full investigation as per the recommendations contained in the Preliminary Investigation Report issued on suspected fraud, corruption and conflict of interest in procurement and contract management relating to the AAMP contract.

While the NAMC has consistently achieved all its planned annual performance targets in previous years, its performance has regressed and it achieved 13 out of the 17 planned targets (76 per cent) for 2021/22. The reasons for underachievement in most cases, were reportedly factors outside the control of the NAMC, for example, less applications received for statutory measures and in terms of procurement, services required in the year under review were not being offered by vulnerable groups. The NAMC was commended for overachieving its annual target for linking farmers with market opportunities; and also for the well-prepared and comprehensive performance report., which was a clear indication that the entity is responsive to issues that were previously raised by Committee in respect of the presentation of performance information.

5.1.4 Perishable Products Export Control Board (PPECB)

The PPECB is a national public entity that is listed under Schedule 3A of the PFMA. The PPECB does not receive a Parliamentary Grant but generates its own revenue through fees and levies charged for inspections done on perishable products that are due for export, issuance of export certificates and laboratory services. The PPECB's total generated revenue for the 2021/22 financial year was R562.5 million, a 15 per cent increase from the R487.6 million generated in the 2020/21 financial year. The increase was due to increased volumes of perishable export products (fruit) and consequently, demand for inspection services and issuance of export certificates. The expenditure for the year under review was R527 million and the entity remained with a surplus of R35.4 million, another improvement from the prior year's surplus of R23.4 million. Employee costs remain the PPECB's largest cost as it is a service-orientated organisation. The second largest costs after employee costs are computer expenses as the entity continued with its digitalisation drive.

The PPECB maintained its clean audit outcomes (i.e. unqualified audit opinion without any material findings on both financial and performance information). In the year under review, the PPECB was audited by independent auditor, Morar Incorporated. While the entity incurred no irregular, fruitless and wasteful expenditure during 2020/21, it regressed in this regard during 2021/22. The PPECB incurred irregular expenditure of R1.4 million that is mostly related to procurement of goods and services; and the entity has taken action to address the noncompliance in all cases. It also incurred fruitless and wasteful expenditure of R32 294 relating to cellular phone contracts of employees who resigned during the year under review. Although the employee signed acknowledgement of debt, they did not honour the commitment and attempts to recover the monies were futile. The PPECB has since 31 March 2022, informed its employees of the revocation of cell phone contract benefits. However, existing cell phone contracts will continue until conclusion but no new contracts on behalf of employees will be entered into by the entity. The Committee praised the PPECB for consistently maintaining clean audits and for implementing consequence management to address transgressions and also prevent future transgressions.

The PPECB achieved all its 14 planned annual targets (100%) for 2021/22, a significant improvement from the prior year's 86% achievement. Despite the Covid-19 challenge and the unrest in KZN and Gauteng, which affected the PPECB's business operations in the two provinces, the entity overachieved both planned targets for the Food Safety Programme and also overachieved the majority of planned targets in the other 3 Programmes. The performance is indicative of good governance as the PPECB availed additional resources to address further strain on struggling port infrastructure due to increased export volumes and also introduced a 24-hour service delivery model to alleviate the pressure on the logistical chain. Key performance highlights included the 90% satisfaction rating for the PPECB's customer satisfaction survey conducted in January 2022, representing a 6% improvement on the previous year's rating; significant increases in volumes of fruit exports as well as maize; a 12% increase in Export Certificates issued; an improvement in the adoption of TITAN 2.0®, which saw 280 million cartons (88%) being captured on the digital platform, namely, grapes (98%), avocados (88%), citrus (87%) and pome (76%); and official launch of its data intelligence online platform called Intellex. The PPECB's impressive performance was applauded by the Committee.

While the entity performed exceedingly well in the year under review, it highlighted challenges to its operations, which relate to logistics, data security, working environment and pandemics. It reported that the PPECB Laboratory has continued battling a decline in sample volumes over the last year and has once again incurred a financial loss. The Laboratory ended the year with a shortfall of R5.1 million, mainly due to the under-realisation of income related to the Mycotoxin Analytical Programme (MAP). However, a turnaround strategy in collaboration with the Department to refocus the Laboratory will be implemented during the coming financial year to strengthen its financial situation. The highlight for the PPECB Laboratory is that it passed the SANAS audit and maintained its accreditation of ISO 17025:2017.

The Chairperson of the Board informed the Committee that the term for 5 members of the PPECB Board including himself, ends in November 2022 and the Department is in the process to appoint new members. He mentioned uncertainty and a need for clarity from the Department regarding legislation as the long-awaited Perishable Products Export Control Bill (PPEC Bill) might have to revert to an amendment of the old Perishable Products Export Control Act (PPEC Act), Act No. 9 of 1983, instead of a new legislation being tabled. The Chairperson also highlighted the devastating effect on South African orange exports to the European Union (EU) that could emanate from the European Commission's (EC's) restriction on the importation of oranges due to Citrus Black Spot (CBS) and False Codling Moth (FCM) from South Africa unless certain phytosanitary conditions are met. The restriction is yet to be determined.

5.1.5 South African Veterinary Council (SAVC)

The SAVC is a statutory professional body that was established in terms of the Veterinary and Para-Veterinary Professions Act, (Act No. 19 of 1982) to regulate the veterinary and para-veterinary professions in South Africa. Its core functions amongst others, are to:

- Regulate the practising of the veterinary and para-veterinary professions and the registration of persons practising such professions;
- Determine minimum standards of tuition and training required for degrees, diplomas and certificates entitling the holders thereof to be registered to practise the veterinary professions and para-veterinary professions;
- Exercise effective control over the professional conduct of persons practising the veterinary professions and para-veterinary professions;
- Determine the standards of professional conduct of persons practising the veterinary professions and para-veterinary professions;
- Encourage and promote efficiency in and responsibility concerning the practice of the veterinary professions and para-veterinary professions;
- Protect the interests of the veterinary and para-veterinary professions;
- Maintain and enhance prestige, status and dignity of veterinary and para-veterinary professions and integrity of persons practising such professions; and
- Advise the Minister concerning any matter affecting a veterinary or a para-veterinary profession.

The organisation's income mainly comes from membership fees from veterinarians (Vets) and other para-veterinary (Para-Vets) professionals that are registered with SAVC as well as other income from interest received, authorisation fees, facility inspections, student registrations and maintenance fees. At the end of the 2021/22 financial year, SAVC had 6 629 registered veterinary (Vets) and para-veterinary (Para-vets) professionals and 832 persons that are authorised to perform veterinary and para-veterinary professional services. Vets comprised 52% of the registrees, followed by Animal Health Technicians (AHTs) with 23% and

Veterinary Nurses at 11%. The Compulsory Community Service (CCS) Vets constituted 4% of the registrees. SAVC realised a total income of R19.9 million in 2021/22, a R2.2 million increase from the prior year's R17.7 million. The entity received a clean audit opinion on its financial statements from the independent auditors, Acton and McIntosh.

SAVC again achieved all its planned annual targets for the 2021/22 financial year. Some of the key achievements are the completion of the review of rules for the para-veterinary professions for alignment with the rules for the veterinary profession and the respective sets of the finalised rules were submitted to the Minister of Agriculture, Land Reform and Rural Development for approval prior to publication in the Government Gazette for public consultation; approval by the Minister, the proposed amendments to the regulations pertaining to the veterinary and para-veterinary professions, with specific provision for an electronic voting system for Council member elections; and the Marketing Surveys and Statistical Analysis (MSSA) investigation into the country's need for veterinary and para-veterinary services that commenced in February 2020 and was funded by the Health and Welfare Sector Education and Training Authority (HWSETA) has been completed and the report will be disseminated to relevant stakeholders after approval by the Council.

5.2 Land Reform Entities

5.2.1 Commission on Restitution of Land Rights (the Commission)

The Commission reported that it has continued to comply with the Constitutional Court with regard to the filing of reports on six monthly bases with regard to the settlement of all 'old order' land claims and the sixth report was filed 29 June 2022. All the 2014 land claims were still interdicted. Further, the Commission has sought legal opinion with regard to the manner in which it may proceed as some provinces have almost settled and finalised all the 'old order' land claims. For 2021/22, the Commission has transferred 58 state land properties measuring 60 599,5353ha in terms of the directive of the Inter-Ministerial Committee to prioritise settlement of land claims on state land. been transferred. The project to realise the autonomy of the Commission was well underway. The Commission has produced a business case document (including feasibility study, situational analysis, budget implications, and strategic plan). It was at the time of reporting consulting widely on legislative review as well as the business case consultation with DPSA and National Treasury.

In terms of service delivery performance, the Commission exceeded the targets; it settled 262 land claims and finalised 442 land claims. In total, it has acquired about 66 789 ha at the cost of R899.1 million for land acquisition. In addition, it spent R1,2 billion for financial compensation and 87 million for grants. Its total budget was R3.3 billion and expenditure was R3.2 billion and the variance was R48 869 million

There is a vacancy rate of 11% (80 vacant posts) currently it operates with 663 people. Except for the position of the Deputy Land Claims Commissioner, all the senior management service posts have been filled.

5.2.2 The Office of the Valuer-General

The total transfer allocation from the DALRRD and other income was about R132 million. By the end of the financial year, the OVG had spent R68.4 million, i.e. about 52% of the entire budget allocation. Expenditure rating was something that the Committee was concerned about. For the year under consideration, the OVG incurred an irregular expenditure of R16 000. At the time of the reporting, the OVG was conducting investigations into the expenditure and find out the causes. Whilst it was commendable that there were not unauthorised expenditure, there was an incident of fruitless and wasteful expenditure of R131 which has been recovered from the responsible official. The OVG attained an unqualified audit opinion from the Auditor-General.

In terms of service delivery performance, the OVG operated at a performance rating of 80 percent because it achieved 8 of 10 targets that it had set for itself. The sub-programme that could not meet the targets (all two) was operations. Valuations obtained 100% achievements of targets. With regard to the number of days taken to issue valuation certificate, the OVG had planned to take a total of 50 days on average, however it achieved 34 days. The OVG also completed 100% of all the backlog valuations.

Operations has met the targets for valuation performance reports and compliant projects. However, it attained 91% of planned projects milestones (*viz.* Project Management and Human Capital Management modules). These were delayed, but have since started during April 2022. The OVG also fell short of achieving filling of all funded posts. Whilst there was a target to achieve 67 posts, the OVG only attained 64.

5.2.3 KwaZulu-Natal Ingonyama Trust Board (ITB)

The ITB has two programmes; i.e. administration and land and tenure management. Programme 1 (administration) achieved 4 of the 5 targets. A target that could not be achieved relates to policy development where the ITB failed to develop only 1 out of 5 policies due to capacity constraints. Programme 2 (land and tenure management) could not achieve any of its targets relating to tenure rights approval by the ITB and a number of Traditional Councils with human settlement plans. The Committee expressed concerns that programme 2 which is at the core of the existence of the ITB and the Ingonyama Trust has not achieved the set targets.

The Auditor-General of South Africa (the Auditor-General) gave an unqualified audit opinion to the ITB with findings on compliance to prescripts. There are two critical areas of concern to the Committee; that is the fact that the Auditor-General found that there were material misstatements on the financial statements of the ITB and there was lack of appropriate steps taken to prevent irregular expenditure. With regard to procurement and contract managements, the Committee expressed concerns with regard to the failure of the ITB to obtain minimum required number of quotations in some cases as well as extension of contracts without appropriate delegation. According to the Committee, irregularity in the area of procurement could be a fertile ground for nepotism and corruption.

The Ingonyama Trust received a qualification on the basis of municipal property rates not fully accounted for. These are properties owned by the Trust, and it thus impact on the expenditure and liabilities. Therefore, the incorrectly disclosed municipal rates not fully accounted for as contingent liability. The other critical thing is the subsidiary company called the Ingonyama Holdings (Pty) Ltd. Apart from the fact that there not financial statements for the company, the question of directorship and accountability of the Trust was a critical matter of concern to the Committee.

5.2.4 Trading Accounts (Land Reform)

(a) Agricultural Land Holding Account (ALHA)

Whilst there has been an improvement in lease management and revenue generation, the

Committee remained concerned about the repeat of a qualified audit opinion in relation to ALHA's recapitalisation grants that was not yet not resolved. This year (2022) marks the third consecutive year of ALHA receiving a qualified opinion. The Department reported that it was difficult to address the matters raised by the Auditor-General because these were historical matters. However, the Auditor-General has stated that it is important for the Department to comply with its policies. In this instance, the policy requires that there should be accountability on moneys spent by the grant beneficiaries and determine that the expenditure was a qualifying one in line with the agreements entered into with the farmers. ALHA still has challenges with regard to the invoices that are available at the entity not being assessed; and contracts that have expired and contain repayment clauses but the Department has not claimed back the money repayable to invoke their rights. The Committee also noted with concern that ALHA continued to incur irregular expenditure on the LDS programme where commodity organisations incur expenditure without following SCM transcripts.

(b) Deeds Registries Trading Account (DRTA)

The Committee commended the Deeds Registration Trading Account (DRTA) for receiving an Unqualified opinion from the AGSA. A concern in this account relates to transition to an introduction of the e-DRS and the state of readiness, especially migrating all the records into a digital platform. In addition, there were a range of matters in Court for litigation which might impact negatively on the financial status of the DRTA, noting that there was an increase of an amount from R305,558 million in 2020/21 to R317,732 million in 2021/22. Incidents of irregular expenditure of R4 843 000 could have been avoided if management had taken appropriate steps required in section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

6. COMMITTEE FINDINGS AND OBSERVATIONS

6.1 Department of Agriculture, Land Reform and Rural Development

6.1.1 The regression in the Department's audit outcomes, which led to a qualified audit opinion from AGSA due to poor expenditure management in respect of PESI funds, which also contributed significantly to the underexpenditure amount of R1.1 billion in the year under review.

6.1.2 The performance in respect of service delivery targets was stagnant; and misalignment between expenditure and achievement of planned annual targets remains a challenge for the Department, where 94 per cent of the appropriated funds was spent but only 60 per cent of the planned annual targets were achieved. Regression in performance and misalignment with expenditure was observed across all Programmes with the exception of Programme 2.

6.1.3 The Department's Audit Improvement Action Plan is either not effective in addressing the weaknesses that have been repeatedly flagged by AGSA including the Department's own Internal Audit Unit, or it is not appropriately implemented. As it has been the case in the previous year, and in addition to the qualified audit opinion received in the year under review, AGSA highlighted repeat findings in respect of non-compliance with the PFMA and Treasury Regulations, uncertainties in respect of legal claims against the Department, non-compliance with SCM policies, lack of consequence management and deficiencies in internal controls.

6.1.4 The Department's inability to effectively and adequately address AGSA's findings particularly lack of consequence management for employee transgressions both in terms of performance and revenue management manifested in increased irregular expenditure and continuous incurring of fruitless and wasteful expenditure, which were largely due to non-compliance with SCM procedures.

6.1.5 There is lack of urgency and poor response to the plight of destitute subsistence and distressed smallholder farmers as illustrated by reported reasons for underachievement in the implementation of farmer support programmes such as the Land Development Support Programme and PESI, which has been the biggest contributor to underexpenditure for 2021/22 and the reason for the Department's qualified audit opinion from AGSA. More concerning to the Committee was the fact that the Department has not learned from the implementation of the Covid-19 Disaster Fund as similar findings were raised and recommendations made through AGSA's Special Reports.

6.1.6 Despite the great need for comprehensive farmer support and access to markets for smallholder farmers in particular, the Department failed to comprehensively support 35

Farmer Production Support Units (FPSUs) to full functionality as planned. FPSUs are expected to play a central role to farmer support and access to markets, however, in 2021/22, only 4 FPSUs out of the planned 35 were supported to be fully functional.

6.1.7 There have been significant amounts of monies that have been transferred to the Land Bank through Programmes 3 and 5 for producer support and development. However, only Programme 5 has specific targets in terms of MAFISA and AgriBEE Fund, which have historically been administered by the Land Bank. Despite previous requests for comprehensive reports on all funds transferred to the Land Bank, the reports have not been submitted.

6.1.8 The programme of land reform has not been moving at a pace and direction anticipated. In spite of land reform being a priority, and core mandate of the Department, it continues to struggle to meet the targets for allocation of land to the poor, particularly allocation of land to farm dwellers/labour tenants, women and youth. Equally important is the failure to meet the targets for the finalisation of labour tenant applications; and the transfer of TRANCRAA areas. The effectiveness of the SMLT in overseeing the finalisation of labour tenant applications by the Department is also something to consider, particularly to ascertain if the required resources have been made available in line with the Court order.

6.1.9 Provision of post-settlement support to land reform beneficiaries through LDS, appear to continue along the former DRDLR model without integrating with other farmer development programmes of the former DAFF. A comprehensive post settlement and land development support is required if land reform should be successful.

6.1.10 Inability to meet the targets for the finalisation of labour tenants, in spite of the appointment of the SMLT to oversee the process, demonstrate the extent of weak capacity to deal with Labour Tenants Act (LTA) applications by the Department. Further, the challenges outlined have been part of the diagnosis at the beginning of the SMLT work and could not be used to evade accountability as expected by both Parliament and the Land Claims Court. Whilst there is a push to finalise the LTA applications, there are no credible plans for provision of complementary support services.

6.2 Observations on Department Entities

6.2.1 Agricultural Research Council (ARC)

(a) There is no improvement in the ARC's audit opinion but it has regressed instead. While the qualification in previous years has been in respect of property, plant and equipment, in the year under review, the AGSA highlighted three new qualification areas, viz. depreciation and amortisation, irregular expenditure and contingencies.

(b) Urgent attention is required on the regression in the entity's control environment as highlighted by AGSA as well as significant deficiencies that manifested in the successive qualified audit opinions and non-prevention of irregular expenditure.

(c) There was a concern with the increased vacancy rate from 9.7% in the prior year to 12.9% in the year under review, which is largely driven by retirements and resignations. The Committee acknowledged that vacancies and instability at Executive Management following the expiry of the contract of the former CEO and the resignation of the CFO may have contributed to the entity's poor and stagnant audit outcomes.

(d) The filling of the positions of the CEO and CFO in the current financial year was welcomed and there is an expectation that there will be an improvement in audit outcomes going forward.

(e) The delay in the construction of the foot-and-mouth disease (FMD) Facility displeased the Committee, which highlighted the impact of the delay to the development and local production of the FMD vaccine. The Committee however, welcomed the report of the Board regarding the appointment of service providers for the construction of the FMD Facility.

(f) The continued underachievement of performance targets in respect of human resources and performance management in the ARC, as well as the production of blood vaccines where 49 890 vaccine doses were produced out of a planned total of 235 000 doses.

6.2.2 Onderstepoort Biological Products (OBP)

(a) Appreciation for the improvement in the OBP's audit outcome in respect of financial information, which received an unqualified audit opinion without material findings. AGSA also commended the entity for the improvement in compliance with laws and regulations and for submitting financial statements that were free from material misstatements. However, the entity should ensure that it addresses the findings in respect of performance information.

(b) The OBP was applauded for not incurring any fruitless and wasteful expenditure in 2021/22, an area that the Committee previously highlighted for intervention in light of its financial constraints. It was also commended for the 95% reduction in irregular expenditure from R9.4 million in 2020/21 to R423 884 in 2021/22 while it continues to implement consequence management.

(c) Dissatisfaction with poor performance of the OBP on planned annual targets, which was linked to equipment breakdown and delays in the refurbishment of the GMP vaccine manufacturing facility, factors that also contribute to vaccine shortages.

(d) The approval of procurement of a new freeze dryer and a vector proof facility; as well as the assistance of a service provider for the repair and maintenance of the broken freeze dryer were welcomed.

(e) Lack of progress with the construction of the GMP Facility remains a concern as the Facility is quite central to the sustainability of product development, in ensuring the OBP's business excellence, improved competitiveness and subsequently, its financial sustainability.

(f) The protracted finalisation of the case between the OBP and the former CEO, delays in appointing a new CEO and the very high vacancy rate (29% by end of March 2022) are negatively impacting the entity's performance.

(g) In addition to the numerous challenges the OBP has, the Committee noted the negative impact that electricity outages have on the entity's business operations and revenue generation capacity. It welcomed the interventions that the OBP is putting in place in collaboration with the ARC to address the challenge.

6.2.3 National Agricultural Marketing Council

(a) There was no improvement in the NAMC's audit outcomes as repeat audit findings were highlighted in respect of non-compliance with PFMA, expenditure management, lack of consequence management and non-compliance with SCM procedures due to internal control deficiencies. AGSA found that adequate internal control processes were not in place to ensure that proper consequence management processes were conducted at the NAMC.

(b) Failure to adequately address repeat audit findings and lack of consequence management manifested in poor expenditure management. The entity ended 2021/22 with total irregular expenditure of R154 million due to contravention of SCM procedures, although the majority (R148 million) of which is historical; as well as fruitless and wasteful expenditure total of R7.98 million, majority of which (7.94 million) was also historical. There was a serious concern as AGSA reported that the investigation into contracts that led to the irregular, fruitless and wasteful expenditure that was requested by the Board in the prior year, was not performed and consequently, any possible consequence management could not take place.

(c) There was a regression in the achievement of performance targets from 100% in the prior year to 76% in the year under review, a reduction that was attributed to factors outside the NAMC's control. The Committee however, appreciated the improvement in how the NAMC presented performance information in its Annual Report and Presentation, where actual service deliverables were clearly linked to planned targets.

(d) The delay by the Board of the NAMC to complete a full investigation as per the recommendations contained in the Preliminary Investigation Report that was issued on 01 February 2021 on suspected fraud, corruption and conflict of interest on the procurement and contract management relating to the Agriculture and Agroprocessing Master Plan (AAMP).

6.2.4 Perishable Products Export Control Board (PPECB)

(a) The PPECB's track record of maintaining clean audits for more than a decade without fail was applauded including the 100% achievement of performance targets for the 2021/22 financial year despite the challenges that affected its business environment in the year under review.

(b) The entity was also commended for implementing consequence management and efficiently addressing cases of irregular, fruitless and wasteful expenditure during the year under review.

6.2.5 ***Ingonyama Trust Board (ITB)***

(a) The failure of the Ingonyama Trust Board to comply with the prescripts around procurement and contract management; in particular, not obtaining required number of quotations prior to procurement and extension of contracts without appropriate delegation, can be create a suitable platform for nepotism and corruption.

(b) The creation of the Ingonyama Holdings (Pty) Ltd as a subsidiary company of the Ingonyama Trust and lack of financial statements of the company does not bode well for public accountability and transparency. Given the ongoing discussion about accountability of the Trust to Parliament and the directorship of the company adds to the complexity.

(c) The conclusion of an investigation into an allegation of misappropriation of the Ingonyama Trust's assets implicating the employees of the Ingonyama Trust Board between 1 April 2017 to 31 March 2019 could assist to unearth some of the challenges of the ITB. The delay to release the report which was concluded on 29 November 2021 and the corrections being made should not compromise the findings of the independent panel.

6.2.6 Office of the Valuer-General

(a) Slow pace of redistribution and restitution (including finalisation of labour tenants) is attributed to the rejection of offers made by the OVG. If the OVG does not close the loopholes and gaps resulting in the challenging of their offers, including legislative review where necessary, land redistribution might be stalled.

6.2.7 Commission on Restitution of Land Rights

(a) The Commission received a final allocation of R3.298 million and concluded the financial year with an actual expenditure of R3.249 billion (98.5 percent of its allocation). Assessed against service delivery performance, the Commission exceeded the set targets for the year; settled 262 land claims against a target of 240 and finalised 442 land claims against a target of 316. However, there are 6 685 pre-1994 land claims yet to be processed. In addition, there are more than 140 000 new land claims that have been held in abeyance through a Court interdict until all the old order land claims have been settled.

(b) A number of factors must be taken into consideration if the Commission was to settle all the outstanding 'old order' land claims. These factors can be summarised as follows:

- Internal human resources constraints due to high vacancy rate. It thus means that the Commission must secure resources to fill all the vacancies, including strategic position of the Deputy Chief Land Claims Commissioner.
- Financial demands on the Commission to enable it to attain the autonomous status as envisaged in the Restitution of Land Rights Act (Act No.22 of 1994)
- Researching, gazetting and negotiating all the outstanding old order land claims require that the Commission must have additional resources to, if need arise, procure services of specialists to assist in producing credible research reports that can stand scrutiny at the Land Claims Court.

(c) Various assessment of the work of the Commission, including reports of this Portfolio Committee, Report of the Presidential Advisory Panel on Land Reform and Agriculture, as well as the Parliamentary High Level Panel on Assessment of Key Legislation and Fundamental Transformation have pointed to the slow process of settlement of land claims, especially the fact that both restitution and redistribution have fallen short of expectations by only redistributing less than 10 percent of commercial agricultural land.

(d) Upscaling delivery of land require a well-structured Commission. The Committee supports the initiatives of the Commission and measures being undertaken to transform the Commission to make it function better, faster and smarter. The commissioned report which gave an independent financial forecasting for restitution must guide the funding allocation for restitution. The forecasting indicates that an estimated amount of R65 billion will be required to settle all outstanding old-order claims.

6.2.7 Agricultural Land Holding Account

(a) ALHA can be a very useful instrument to contribute to equitable access to land by those who previously would not have been able to. However, challenges relating to debt management and collection of revenue are among the obstacles towards its efficiency. The audit outcomes, third qualified audit opining for the third time in a row, shows some of the important accountability short-comings.

7. COMMITTEE RECOMMENDATIONS

The Committee makes the following recommendations to the National Assembly for the attention of the Minister of Agriculture, Land Reform and Rural Development:

The Department of Agriculture, Land Reform and Rural Development

7.1 Ensure that the Accounting Officer addresses repeat audit findings and reports regularly on the activities of the Intergovernmental Working Committees that are led by the Department's DDGs to strengthen intergovernmental relations and integrated planning within the Department and between the Department and Provinces.

7.2 Ensure that the Department engages with the Internal Audit Unit and the Chairpersons of the Audit and Risk Committees in reviewing the Department's Audit Improvement Action Plan and Risk and Fraud Management System. The Department and the Audit Committee should report to Parliament on a quarterly basis on the implementation of actions to address specific audit findings as highlighted by AGSA and risks as highlighted by the Audit Committee.

7.3 Submit to Parliament reports on investigations and action that has been taken on the reported irregular expenditure of R208.7 million incurred in 2021/22 including the additional R33.6 million that is under assessment; as well as the fruitless and wasteful expenditure of R36 million including the additional R56.6 million that is under assessment.

7.4 Submit to Parliament a detailed report on the implementation of PESI including a complete breakdown on the utilisation of the allocated funds, the M&E Plan for the implementation of the Initiative and the Action Plan to specifically address the AGSA findings on PESI.

7.5 Submit a detailed report on all Farmer Production Support Units (FPSUs) throughout the country including details on their funding, operational activities and areas or producers that they support.

7.6 Submit to Parliament detailed reports with specific activities implemented from all the funds that have been transferred to the Land Bank, namely,

- AgriBEE Fund (total of R170 million from 2017/18 to 2021/22);
- MAFISA including activities, funds transferred and balances that are with intermediaries in all provinces;
- Black Producers Commercialisation Programme (total of R885.4 million from
- 2017/18 to 2021/22); and
- Covid-19 Agricultural Disaster Fund (R100 million transferred in 2019/20).

7.7 Prioritise filling of vacancies as some of the Department's underspending was attributed to inability to fill vacancies, resulting in the Department's vacancy rate increasing from 15.7% in the prior financial year to 19.6% in 2021/22. The high vacancy rate also had an impact on the unsatisfactory performance in respect of planned annual targets. The Department should report on its vacancy rate and progress in filling vacancies on a quarterly basis.

7.8 Submit to Parliament comprehensive budget requirements for the finalisation of all labour tenants' applications over a reasonable period of time. Analysis of the requirement and the allocation must take into consideration the operations of the office of the SMLT, land acquisition, and funding the required complementary development support for labour tenants.

7.9 Conducts quick survey of all finalised labour tenant applications and farms allocated to farmworkers and farm dwellers, assess development needs as well as propose interventions to ensure productive use of the land given to labour tenants.

7.10 Ensure that ALHA prioritises, and conclude, verification of all outstanding RECAP grants expenditure and ensure that all the funds that were disbursed have been allocated and accounted for. Further submit a report that demonstrate plans to address all ALHA related matters raised by the Auditor-General.

The Department's Public Entities

7.10 **ARC:**

- Ensure that the ARC Board engages regularly with the entity's Executive Management and Audit Functions to review the entity's Audit Improvement Action Plan to address the repeat audit findings that have been identified by AGSA. The ARC should submit to Parliament on a quarterly basis, progress on the implementation of such an Audit Improvement Action Plan and activities towards an improved audit outcome.
- The ARC should submit to Parliament reports on investigations on the stated irregular expenditure of R533.9 million including how it is addressing the specific areas that have been highlighted by AGSA in respect of the expenditure.
- Ensure that the ARC provides a progress report to Parliament on a quarterly basis on the construction of the FMD facility.
- The entity should fast track the filling of vacancies and submit to Parliament a Strategy to mitigate the impact of retirements and staff resignations on its research capacity and institutional memory.

7.11 **OBP:**

- Engage regularly with the Board of the OBP to get an update on resolving the challenges associated with frequent equipment breakdowns, delays in the finalisation of the GMP Project as well as electricity outages, which threaten the OBP's vaccine production potential and consequently, revenue generation and sustainability.
- Ensure that the OBP, on a quarterly basis, provides progress to Parliament on the finalisation of Phase 1 and work on Phase 2 of the GMP Project including an update on the litigation process between the entity and the former contractor for the GMP Project.
- Ensure that the Board of the OBP fast tracks the appointment of the CEO and filling of other critical vacancies as the very high vacancy rate impacts the entity's performance.
- The OBP should develop a service delivery improvement plan for submission to Parliament to address poor achievement of planned annual targets.

7.12 **NAMC:**

- Ensure that the Board of the NAMC engages with the entity's Management and Audit Functions to review the entity's Audit Improvement Action Plan in order to effectively address the repeat audit findings that have been identified by AGSA. The NAMC should submit to Parliament on a quarterly basis, progress on the implementation of the Audit Improvement Action Plan.

- The NAMC should submit to Parliament consequence management reports on the irregular expenditure of R154 million and fruitless and wasteful expenditure of R7.98 million that have been reported for the 2021/22 financial year.
- The NAMC should submit to Parliament the report of the consultant that has been appointed to investigate the irregular expenditure that the National Treasury refused to condone, once it becomes available.
- Ensure that the Board of the NAMC fast tracks the completion of the full investigation as per the recommendations of the Preliminary Investigative Report on suspected fraud, corruption and conflict of interest on the procurement and contract management relating to the Agriculture and Agroprocessing Master Plan (AAMP), and report to Parliament accordingly.

7.13 To ensure that the **PPECB** maintains its excellent track record in terms of audit outcomes and performance:

- Fast track the filling of the 5 positions that will become vacant in the Board of the PPECB once the term of 5 Board Members ends in November 2022.
- The Department should provide an update on the status of the long outstanding PPEC Bill.

7.14 **OVG:**

- Comprehensive review of the factors relating to slow pace of redistribution of land or restitution, especially the role played by the OVG in valuations including increasing trend of rejection of offers by the landowners and claimants.

7.15 **ITB:**

- Put in place mechanisms for effective oversight of the Ingonyama Trust Board to ensure that its operations are guided by the applicable laws and policies. Among the critical issues that should receive the Minister’s attention are matters relating to the Ingonyama Holdings (Pty) Ltd as raised in this report, accountability of the Ingonyama Trust to Parliament, procurement and contract management, as well as compliance with legislation as raised by the Auditor-General.

- The Ingonyama Trust Board must ensure that the report on an investigation into an allegation of misappropriation of the Ingonyama Trust's assets implicating the employees of the Ingonyama Trust Board is completed. The findings and recommendations must be implemented without delay.

7.16 Commission on Restitution of Land Rights (budget recommendation):

Given the Constitutional imperative for restitution, and an obligation over the Commission process and finalise all the claims it has received, and further noting that an independent forecasting that shows that the State would require R65 billion to settle all the outstanding pre-1994 land claims, it is clear that an annual allocation of R3.2 billion for the Commission is unlikely to result in faster pace of settlement and finalisation of land claims. Unless additional resources are allocated, having land claims lying unattended opens up the Commission and the Minister for litigation to compel the Commission to settle land claims expeditiously as the Lamosa and Mwelase matters have demonstrated.

Therefore, budgetary review recommendation for Restitution (currently under Programme 3) is that the Minister of Finance, the Minister of Agriculture, Land Reform and Rural Development as well as the Chief Land Claims Commissioner should consider meeting to jointly analyse the financial forecasting outcomes together with the resource needs of the Commission. The Minister of Finance to consider budget increases for the Commission, to meet the demands on the Commission as shown above, over a reasonable period of time in order to enable to Commission to become autonomous in line with the Restitution of Land Rights Act (Act No. 22 of 1994), settle all the outstanding old order land claims, and ultimately allow the Commission to process the new order land claims.

Unless otherwise indicated, responses to the above recommendations should be submitted to the National Assembly ***not later than 3 months*** *after the adoption of this report by the National Assembly.*

Report to be considered.