



# Vote 32 Environment, Forestry and Fisheries

## Presentation of Progress made on the Plan on Audit Outcomes for 2019/2020

16 November 2021

# AUDIT OUTCOMES



# HISTORY OF AUDIT OUTCOMES

2017-18

- Adverse with findings

2018-19

- Qualified with findings (11)

2019-20

- Qualified with findings (3)

# Background

In terms of Section 40(1)(b) of the Public Finance Management Act, Act no 1 of 1999 (PFMA), the Department is required to submit within two months after the end of the financial year, annual financial statements which comply with Generally Recognised Accounting Practice, namely the Modified Cash Standards.

1. The Department was required to submit annual financial statements by 31 July 2020 to the Auditor-General of South Africa for auditing purposes and National Treasury.
2. The department obtained permission from the National Treasury to submit the Annual Financial Statements for audit purposes on the 30 September 2020 due to the challenges experienced with the preparations of the annual financial statements and the audit process during the Covid-19 lockdown period.
3. The Auditor General of South Africa finalized and provided the department with a signed audit report on the 23 December 2020.

# Improvements achieved as at end October 2021

Audit Finding by AG	Status	Action Plan
<p><b>1. Immovable tangible capital assets (note 36.3)</b>                      Non-disclosure of immovable tangible capital assets in line with chapter 11 of the Modified Cash Standards.                      Unable to determine whether any adjustments were necessary in note 36.3 to the financial statements (R285,624 million for 2018/19) and R132,115 million for 2017/18</p>	<p>Resolved except for the part relating to the section 42 transfers of completed projects which remains a qualification paragraph.</p>	<p>Refer to 2020-21 Audit Action Plan below</p>
<p><b>2. Overstatement of Accruals (note 22.1)</b>                       The department recognised accruals where it did not meet the recording requirements as prescribed by chapter Overstatement of accruals in 22.1 of the financial statements (R56,404 million)</p>	<p>Resolved.</p>	<p>Finalised</p> <p>Finalised</p>
<p><b>3. Overstatement of commitments</b>                       The department did not implement appropriate systems and controls to properly account for commitments. (for 2018/19 R598,519 million and for 2017/18 R165,477)</p>	<p>Resolved</p>	

# Improvements achieved as at end October 2021

Audit Finding by AG	Status	Action Plan
<p><b>4. Goods and services</b></p> <p>The Department did not obtain sufficient appropriate audit evidence for the amounts disclosed in note 5 of the financial statements and this resulted in the AG not being able to confirm the adjustments to goods and services (outsource services) (R1,349 billion 2018/19), R2,238 billion 2017/18</p>	Resolved	Finalised
<p><b>5. Expenditure for capital assets (notes 9 and 36)</b></p> <p>The Department did not adequately separate capital and current expenditure (Work-in- progress for EPWP Projects and completed projects) Understated by R78,646 million)</p>	Resolved	Finalised

# Improvements achieved as at end October 2021

Audit Finding by AG	Status	Action Plan
<p><b>6. Prepayments and advances (note 11.1 and 11.2)</b></p> <p>Unable to obtain sufficient appropriate audit evidence for the amounts separately disclosed as prepayments and advances in notes 11.1 and 11.2 of the financial statements (R2,371 billion)</p>	Resolved	Finalised

# Improvements achieved as at end October 2021

Audit Finding by AG	Status	Action Plan
<p><b>7. Irregular expenditure (note 26)</b></p> <p>Department could not provide sufficient evidence of a rational process followed when inviting suppliers from the prospective supplier listing or established panels of service providers, this resulted in AG not being able to determine the amount adjusted in note 26 to the financial statements (for 2018/19 R72,832 million and for 2017/18 R77,584 million)</p> <p>Department did not record and include the required information on irregular expenditure in the notes 26 to the financial statements resulting in understatement of the irregular expenditure by R241,064 million</p>	<p>Not resolved.</p>	<p>Refer to 2020-21 Audit Action Plan below</p>
<p><b>8. Fruitless and wasteful expenditure by Implementing Agents (note 27)</b></p> <p>Unable to confirm the amount of fruitless and wasteful expenditure to be disclosed by alternative means in note 27 to the financial statements (R3,152 million)</p>	<p>Resolved</p>	<p>Finalised</p>



# 2019-20 Audit Report Qualification Matters

Audit Finding by AG	Action Plan	Progress Report
<p><b>1. Irregular expenditure</b></p> <p>I was unable to obtain the extent of payments made to contractors which have been identified as irregularly appointed by the department. The department did not maintain accurate and complete records of the related expenditure incurred on separate contractual agreements with contractors to determine the irregular expenditure disclosed in the financial statements. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure stated at R 2,668 billion in note 27 to the financial statements.</p> <p>The department did not include the particulars of all irregular expenditure in the notes to the financial statements as required by section 40(3)(b)(i) of the Public Finance Management Act of South Africa 1999 (Act No. 1 of 1999) (PFMA). Furthermore, the department did not implement adequate internal control systems to identify and record all instances of irregular expenditure in both the current and prior years. This resulted in the irregular expenditure disclosure being understated. The full extent of the misstatement of irregular expenditure to be disclosed could not be quantified as it was impracticable to do so. Consequently, I was unable to determine the extent of adjustments necessary to the balance of irregular expenditure disclosure stated at R 2,668 billion (2019: R 496,3 million) in note 27 to the financial statements.</p>	<p>To be devised by 15 February 2021.</p>	<p>Work in Progress</p>

# 2019-20 Audit Report Qualification Matters

Audit Finding by AG	Action Plan	Progress Report
<p><b>2. Immovable tangible capital assets</b></p> <p>I was unable to obtain sufficient appropriate audit evidence to confirm the disposals of immovable tangible capital assets that was constructed through the expanded public works programme (EPWP) as reported in note 36 to the financial statements. The department and recipient entities did not complete asset handover certificates as required and prescribed by section 42 of the PFMA. I was unable to confirm the disposals and its related impact on the current and previous year by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to disposal of immovable tangible capital assets stated at R 208,748 million (2019: R 395,708 million) in note 36 to the financial statement.</p>	<p>To be devised by 15 February 2021.</p>	<p>Work in progress</p>

# STATUS ON CONSEQUENCE MANAGEMENT AS AT END OCTOBER 2021

# Consequence Management: Irregular Expenditure Investigation

No of tenders	Findings	Recommended Action	Updated Status
<p style="text-align: center;"><b>13</b></p> <p>Total contract value</p> <p style="text-align: center;"><b>R866 655 962</b></p>	<ul style="list-style-type: none"> <li>• In these tenders it was found that there was no evidence to indicate the presence of favouritism for any one bidder or that any fraudulent motives existed on the part of the members of the BEC and BAC</li> <li>• No loss suffered</li> <li>• Department received value for money due to the fact that the bid was awarded to the lowest quoting bidder who had met the criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the recommendations with regard to improvements to SCM procedures included in the investigation report</li> <li>• Apply to National Treasury for condonation for the irregular expenditure incurred.</li> </ul>	<ul style="list-style-type: none"> <li>• 36 official attended counselling sessions as the investigations proved that there were no fraudulent motives in the awarding of contracts.</li> <li>• SCM processes and procedures on the evaluation criteria have been improved.</li> <li>• Application for condonation has been submitted to National Treasury for consideration on cases where the consequence management were implemented.</li> </ul>

# Consequence Management: Irregular Expenditure Investigation

No of tenders	Findings	Recommended Action	Updated Status	Salary levels
<p>5</p> <p>Total contract value</p> <p><b>R135 672 108</b></p>	<ul style="list-style-type: none"> <li>Bid Evaluation Committees for these tenders failed to apply due care during their evaluation, as they overlooked certain irregularities.</li> <li>The investigation evidence illustrated that these BEC members have committed various acts of financial misconduct, including misrepresentation to the Bid Adjudication Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the recommendations with regard to improvements to SCM procedures included in the investigation report</li> <li>Initiate disciplinary action</li> </ul>	<ul style="list-style-type: none"> <li>5 officials were issued with final written warnings.</li> <li>3 officials were issued with written warnings.</li> <li>1 official was found guilty and suspended for three months without pay.</li> <li>Disciplinary process for the other officials is still in process.</li> </ul>	<p>FWW</p> <ul style="list-style-type: none"> <li>2x officials level 14</li> <li>2x officials level 13</li> <li>1x official level 12</li> </ul> <p>WW</p> <ul style="list-style-type: none"> <li>1x officials level 13</li> <li>1x officials level 14</li> <li>1x official below SMS</li> </ul> <ul style="list-style-type: none"> <li>1x official level 14</li> </ul> <ul style="list-style-type: none"> <li>2x official level 14</li> <li>2x officials level 13</li> <li>3x officials below SMS</li> </ul>

# Consequence Management: Irregular Expenditure Investigation

No of tenders	Findings	Recommended Action	Updated Status	Salary levels
<p>3</p> <p>Total contract value</p> <p><b>R379 573 308</b></p>	<ul style="list-style-type: none"> <li>Investigation found prima-facie evidence illustrating elements of preferential treatment to selected bidders with regard to two (2) of the three (3).</li> <li>In two of the tenders, the investigation evidence has confirmed that officials committed acts of fraud</li> <li>For the remaining tender there was no evidence to indicate the presence of favouritism for any one bidder</li> </ul>	<ul style="list-style-type: none"> <li>Report matter ito Section 34 of the PRECAA to SAPS</li> <li>Initiate disciplinary actions</li> <li>Application to the National Treasury for irregular expenditure to be condoned for bidders that were fully compliant in respect to tender requirements.</li> <li>Implement the recommendations with regard to improvements to SCM procedures included in the investigation report</li> </ul>	<ul style="list-style-type: none"> <li>Reported the matter to SAPS – CAS548/1/2021</li> <li>1 official was issued with a final written warning.</li> <li>6 official attended counselling sessions as the investigations proved that the non-compliance acts were not malicious acts.</li> <li>Application for condonation to National Treasury will be made after the conclusion of the disciplinary processes.</li> </ul>	<p>FWW</p> <ul style="list-style-type: none"> <li>1x official salary level 14</li> </ul> <p>Counselling</p> <ul style="list-style-type: none"> <li>1x official level 13</li> <li>5x official below SMS - (1xSL11;3x SL10 &amp; 1XSL6)</li> </ul>

# Consequence Management: Irregular Expenditure Investigation

No of tenders	Findings	Recommended Action	Updated Status	Salary levels
<p>3</p> <p>Total contract value</p> <p><b>R903 277 512</b></p>	<ul style="list-style-type: none"> <li>Investigation found prima-facie evidence illustrating that irregular appointments arose as a result of fraud, misconduct and possible corruption by officials of the Department.</li> <li>It was also found that officials misrepresented information to the Bid Adjudication Committee.</li> <li>The investigation also found aspects of poor project management by the officials of Department</li> <li>The actions of officials resulted in fruitless and wasteful expenditure amounting.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the recommendations with regard to improvements to SCM procedures included in the investigation report</li> <li>Precautionary suspension</li> <li>Report matter to Section 34 PRECAA</li> </ul>	<ul style="list-style-type: none"> <li>8 officials were initially suspended however after representation, suspension for 2 officials was lifted.</li> <li>6 officials were issued with written warnings</li> <li>2 officials are still undergoing disciplinary processes.</li> <li>Process for 1 official still to commence.</li> <li>1 official found guilty and suspended for three months without pay</li> <li>Reported matter to SAPS – CAS548/1/2021</li> </ul>	<p>Suspensions:</p> <ul style="list-style-type: none"> <li>4x officials level 14</li> <li>1x official level 13</li> <li>3x officials below SMS</li> </ul> <p>WW:</p> <ul style="list-style-type: none"> <li>3x officials level 14</li> <li>1x official level 13</li> <li>2x officials below SMS</li> </ul> <p>Disciplinary process:</p> <ul style="list-style-type: none"> <li>2x officials level 14</li> </ul> <p>The cause for the delay is that the appointed employer representative is no longer available and will be replaced</p> <p>1x official level 14</p>

# Progress made on SCM improvements

Recommendations	Status to date
<ul style="list-style-type: none"><li data-bbox="92 244 1076 448">• The Department should revise its functionality criteria for tenders such that there is compliance with the Preferential Procurement Policy Framework Act, 2000: Preferential Procurement Regulations,</li><li data-bbox="92 529 1076 733">• The DEFF should revise its practice of appointing the same officials to serve on the BSC and BEC. The functions of bid specification and evaluation should be segregated in order to minimise the risk of collusion between officials.</li><li data-bbox="92 815 1076 962">• The DEFF should implement a system whereby all BSC, BEC and BAC meetings are mechanically recorded. Such recordings should be filed for reference.</li><li data-bbox="92 1043 929 1076">• Skills development and full capacitation in the SCM unit.</li></ul>	<p data-bbox="1103 239 1547 272">Implemented from 1 April 2020</p> <p data-bbox="1103 544 1773 654">Implemented from 1 April 2021. There is the segregation of duties amongst all the bids committee</p> <p data-bbox="1103 811 1773 882">Implemented through MS Teams platform since April 2020</p> <p data-bbox="1103 1039 1773 1225">Still work in progress. The Director – Acquisition Contract Management was appointed w.e.f 1 September 2021. Training in a form of workshops were provided to the SCM staff and the End-users.</p>



# THANK YOU!

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Thank You



environment, forestry  
& fisheries

Department:  
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