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**BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT: VOTE 29, DATED 23 NOVEMBER 2021**

The Portfolio Committee on Agriculture, Land Reform and Rural Development (hereinafter referred to as the Committee), having considered the 2020/21 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 2020/21 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 from 30 September to 12 November 2021; 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 2020/21 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 Department and its Public Entities**

| Department and Public Entities | Date of briefing |
|---|---|
| Department of Agriculture, Land Reform and Rural Development | 09 November 2021 |
| Commission on Restitution of Land Rights | 09 November 2021 |
| Office of the Valuer-General | 09 November 2021 |
| South African Veterinary Council | 09 November 2021 |
| Agricultural Research Council | 12 November 2021 |
| Onderstepoort Biological Product | 12 November 2021 |
| National Agricultural Marketing Council | 12 November 2021 |
| Perishable Products Export Control Board | 12 November 2021 |
| KwaZulu-Natal Ingonyama Trust Board | 16 November 2021 |

### 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 2020/21:

1.3.1 Briefings by the Department on quarterly performance and expenditure reports of the Department for the 2020/21 financial year.

1.3.2 Oversight visit to KwaZulu-Natal (KZN) in August 2021 to oversee the impact of the unrest on the agricultural and agroprocessing value chain, agrologistics and damage to infrastructure; as well as Government's response and plans to address the resultant impact and relevant infrastructure damage.

1.3.3 Held briefings and considered the medium term Strategic Plan, the Annual Performance Plan and Budget of the Department for the 2020/21 financial year, including those of its entities, as listed on Table 1.

1.3.4 Received inputs and a briefing on the 2020/21 Annual Reports of the Department and its entities from the Auditor-General of South Africa.

1.3.5 Subsequently, on the 9th, 12th and 16th November 2021, the Committee held briefings and considered the Annual Reports of the Department and its entities for the 2020/21 financial year.

1.3.6 The BRR Report also draws from other briefings and inputs that the Committee received throughout the 2020/21 financial year; and the 2021/22 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 2020/21 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 2020/21 financial year has been a transitional year for the Department as it was undergoing the process of amalgamation of the former DAFF with the former DRDLR in line with the new Administration's reconfiguration. The Department's plans were informed and aligned with government-wide planning and policy mandates particularly the National Development Plan (NDP), as well as 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. The NDP is implemented in 5-year phases, which are outlined in Government's MTSFs. 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 aligned to MTSF priorities 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 will measure 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, Health, Food Safety, Natural Resources and Disaster 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**: It is responsible for initiation, facilitation, coordination and act as a catalyst for the implementation of a comprehensive rural development programme leading to sustainable and vibrant rural communities.
- **Programme 5 - Economic Development, Trade and Marketing**: it promotes economic development, trade and market access for agricultural products; and forester international relations for the sector.
- **Programme 6 - Land Administration**: It provides geospatial information, cadastral surveys, deeds registration and spatial planning in addition to technical services in support of sustainable land development.

### 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 National Policy on Comprehensive Producer Development Support**, which has been under development for several years, is still awaiting Cabinet approval since 2019/20. The Policy seeks to guide and regulate support that is provided to producers and is expected to play a central role in ensuring that adequate and appropriate support is provided to different farmer categories in order to realise the NDP objectives for the sector. It also seeks to strengthen institutional mechanisms to provide timely and standardised support to producers and to mainstream the participation of vulnerable groups in the agricultural value chain.

3.2.3 **The Agriculture and Agroprocessing Master Plan** 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 development of the Plan is coordinated by the National Agricultural Marketing Council, which is currently undergoing a consultation process with relevant stakeholders.

## 4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

### 4.1 Overview of Vote Allocation and Departmental Expenditure

The Department of Agriculture, Land Reform and Rural Development was appropriated a total amount of R15.2 billion in the 2020/21 financial year; and spent approximately R14 billion (92.4 per cent) of the appropriated funds (see Table 3). The Department's main cost drivers were transfers and subsidies (grants and entities), which accounted for 40 per cent of the Department's total expenditure with R5.68 billion. Transfers and subsidies were followed by goods and services as well as compensation of employees, with expenditure of R3.7 billion each (i.e. each accounting for 27 per cent of the Department's total expenditure). Payment for capital assets accounted for 6 per cent of total expenditure.

All Programmes underspent on compensation of employees and the main reason provided was delays in filling of positions as the Department was in the process of matching and placing staff due to the merger of the two Departments. In light of the Department's capacity challenges, underexpenditure for compensation of employees (COE) remains a concern. In the year under review, underexpenditure on COE was R366.4 million, which is approximately 32 per cent of the R1.15 billion that was not spent (Table 3).

**Table 3.** The Department's Budget and Expenditure for the 2020/21 Financial Year

| Programme | Adjusted Appropriation | Virements | Final Appropr. | Actual Expend. | Variance | Expend. as % of Final Appropr. |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | |
| **Administration** | **2 817 077** | **302 572** | **3 119 649** | **3 119 503** | **146** | **100,0%** |
| *Ministry* | *63 564* | *(22 754)* | *37 701* | *37 701* | *-* | *100,0* |
| *Departmental Management* | *140 250* | *1 678* | *122696* | *122 578* | *118* | *99,9* |
| *Internal Audit* | *52 950* | *151 42* | *382 42* | *382* | *-* | *100,0* |
| *Corporate Services* | *856 002* | *48 347* | *859 877* | *859 875* | *2* | *100,0* |
| *Financial Services* | *248 544* | *2 118* | *244 672* | *244 646* | *26* | *100,0* |
| *Provincial Coordination* | *439 142* | *145 331* | *666 719* | *666 719* | *-* | *100,0* |
| *Office accommodation* | *1 016 625* | *127 701* | *1 145 602* | *1 145 602* | *-* | *100,0* |
| **Agric. Prod, Health, Food, Safety, Nat. Res & Disaster Man** | **2 960 049** | **-4 751** | **2 955 298** | **2 828 021** | **127 277** | **95,7%** |
| *Inspection and Quarantine Services* | *573 355 22 853* | *(4 584)* | *591 624* | *582 325* | *9 299* | *98,4* |
| *Plant Production and Health* | *540 534 5 005* | *-* | *545 539* | *544 313* | *1 226* | *99,8* |
| *Animal Production. & Health* | *327 624* | *-* | *310 321* | *203 919* | *106 402* | *65,7* |
| *Nat. Res & Disaster Management.* | *268 616* | *(167)* | *257 894* | *247 544* | *10 350* | *96,0* |
| *Agricultural Research Council* | *1 249 920* | *-* | *1 249 920* | *1 249 920* | *-* | *100.0* |
| | | | | | | |
| **Food Security, Land Reform & Restitution** | **6 986 096** | **-218 831** | **6 767 265** | **5 915 425** | **851 840** | **87,4%** |
| *Food Security* | *2 068 071* | *-24 000* | *2 224 059* | *1 440 239* | *783 820* | *64,8%* |
| *Land Tenure Reform* | *454 903* | *-17 396* | *433 882* | *432 280* | *1 602* | *99,6%* |
| *Land Acquisition & Redistribution* | *699 364* | *-19 133* | *676 326* | *628 036* | *48 290* | *92,9%* |
| *Nat. Ext.. Services & Sector Capacity* | *573 678* | *-20 000* | *360 608* | *359 257* | *1 351* | *99,6%* |
| *Farmer Support* | *9 459* | *0* | *696* | *696* | *0* | *100,0%* |
| *Property Man & Advisory Services.* | *258 282* | *-47 309* | *302 160* | *302 160* | *0* | *100,0%* |
| *Restitution* | *2 922 339* | *-90 973* | *2 769 534* | *2 752 757* | *16 777* | *99,4%* |
| | | | | | | |
| **Rural Development** | **770 405** | **-45 279** | **725 126** | **715 087** | **10 039** | **98,6%** |
| *National Rural Youth Service Corps* | *294 641* | *0* | *280 980* | *280 979* | *1* | *100,0%* |
| *Rural Social Infrastructure Coordination* | *453 780* | *-45 279* | *429 571* | *420 161* | *9 410* | *97,8%* |
| *Technology Research & Coordination* | *21 984* | | *14 575* | *13 947* | *628* | *95,7%* |
| | | | | | | |
| **Economic Dev, Trade & Marketing** | **656 900** | **-1 541** | **655 359** | **538 049** | **117 310** | **82,1%** |
| *International Relations & Trade* | *184 642* | *(1 131)* | *205 603* | *191 055* | *14 548* | *92,9* |
| *Cooperatives Development* | *33 019* | *14 000* | *44 091* | *43 836* | *255* | *99,4* |
| *Agroprocessing Marketing & Rural Industrial Dev* | *439 239* | *(14 410)* | | | | |
| | | | | | | |
| **Land Administration** | **1 057 086** | **-32 170** | **1 024 916** | **976 946** | **47 970** | **95,3%** |
| *Nat. Geomatics Management Services* | *524 372* | *-27 925* | *522 522* | *483 846* | *38 676* | *92,6%* |
| *Spatial Planning & Land use* | *166 312* | *-4 245* | *140 183* | *131 032* | *9 151* | *93,5%* |
| *Registration of Deeds Trade Account* | *358 034* | *0* | *358 034* | *358 033* | *1* | *100,0%* |
| *SA Council of Planners* | *4 035* | *0* | *4 035* | *4 035* | *0* | *100,0%* |
| *SA Geomatics Council* | *4 333* | *0* | *142* | *0* | *142* | *0,0%* |
| **TOTAL** | **15 247 613** | **-** | **15 247 603** | **14 093 031** | **1 154 582** | **92,4%** |

Source: Department of Agriculture, Land Reform and Rural Development Annual Report (2021).

As a result of underexpenditure during 2020/21, the Department surrendered a total of R1.3 billion to the National Treasury (NT)'s Revenue Fund. This comprised of R1.15 billion of the Department's voted funds (Table 3), 66 per cent of which was in goods and services; R22.4 million from Departmental revenue and National Research Foundation (NRF) receipts and R121.7 million from payables. While reasons for underexpenditure have been provided (see Programmes below), underexpenditure particularly of the voted funds and NRF receipts, is a concern as it might create the impression that the Department does not need the funds, which may negatively impact its future budgetary allocations.

It is noteworthy that 99.6 per cent of the R1.7 billion that was transferred to provinces as conditional grants has been spent, with 100 per cent expenditure on both Comprehensive Agricultural Support Programme (CASP) and Ilima/Letsema. The R6.6 million that was not spent was in respect of the LandCare transfers that were withheld for Gauteng, Limpopo and North West provinces due to unsatisfactory financial performance. The latter is a continuing transgression for Gauteng Province as in the previous two financial years, LandCare transfers to the province were withheld due to non-compliance with the Division of Revenue Act (DORA).

#### *4.1.1 Irregular expenditure*

The Department incurred total irregular expenditure amounting to R203.8 million, which was largely historic from both former Departments. The majority of the irregular expenditure, worth R202.7 million (99.5 per cent) was due to non-compliance with supply chain management (SCM) procedures and both former Departments were guilty of the transgressions. About R1 million of the irregular expenditure was overpayment on recapitalisation and development.

#### *4.1.2 Fruitless and wasteful expenditure*

During the 2020/21 financial year, the Department incurred fruitless and wasteful expenditure of approximately R44.5 million, which was also largely historic from both former Departments. The majority of the fruitless and wasteful expenditure worth R29.17 million was due to non-delivery of veterinary mobile clinics by a service provider, attributed to the former DAFF; R8.8 million was interest paid on late payment of invoices; R5 million was interest paid as compelled by court and R1.3 million was due to non-attendance of training. The former DAFF previously reported that the fruitless and wasteful expenditure worth R29.17 million due to non-delivery of veterinary mobile clinics was a legal matter. An update in this regard was sought from the Department.

## 4.2 Financial Performance per Programme during the 2020/21 Financial Year

### 4.2.1 Programme 1: Administration

The Administration Programme, which had the second highest allocation from the Department's total budget, spent almost 100 per cent of its appropriated budget during the 2020/21 financial year. The majority of the expenditure in the Programme was in respect of Compensation of Employees (COE), which accounted for approximately R1.3 billion and office accommodation (operating leases and property payments) under Goods and Services, which accounted for R1 billion of the expenditure. The R146 million that was not spent in the Administration Programme was mostly in respect of compensation of employees under the Departmental Management subprogramme.

### 4.2.2 Programme 2: Agricultural Production, Health, Food Safety, Natural Resources and Disaster Management

In Programme 2, the Department spent 95.7 per cent of its appropriated R2.95 billion, which is the third largest allocation from the Department's total budget. The expenditure in the Programme was largely driven by the transfer of R1.2 billion to the ARC (approximately 44% of the Programme's total budget); as well as allocations to the Inspection and Quarantine Services subprogramme (R582.3 million) and Plant Production and Health subprogramme (R544.3 million). The total underexpenditure of R127.3 million was in respect of compensation of employees (COE), which totalled R120.7 million across all subprogrammes; and the R6.6 million in respect of LandCare transfers that were withheld to Gauteng, Limpopo and North West provinces. The withholding of LandCare funds has been also reported in the previous financial year for Gauteng Province. The most significant underexpenditure on COE was in the Animal Production and Health subprogramme, which accounted for R106.4 million (88 per cent) of the R120.7 million.

### 4.2.3 Programme 3: Food Security, Land Reform and Restitution

Programme 3 received the largest appropriation of R6.77 billion from the Vote, with Restitution and Food Security accounting for more than two thirds of the Programme's appropriation. The Department spent 87 per cent of the allocated budget for Programme 3, which also registered the highest underexpenditure across all programmes, of R851.8 million. The Restitution subprogramme was the main cost driver accounting for 46.5 per cent (R2.75 billion) of the total allocation for Programme 3, followed by the Food Security subprogramme with R1.44 billion (24 per cent) and to a lesser extent, the Land Acquisition and Redistribution subprogramme with R628 million (10.6 per cent).

Approximately 92 per cent of the R851.8 million underspending was incurred in the Food Security subprogramme, which underspent R783.8 million. Approximately R757.3 million of the latter underexpenditure was attributed to a late receipt of R1 billion allocation for the Presidential Employment Stimulus Initiative (PESI) that was introduced in order to provide relief to distressed farmers affected by the COVID-19 pandemic. The Department had to then verify a large number of farmers who applied, which resulted in issuing of vouchers being delayed. Long processes of verification of a significant number of farmers who applied and late issuance of vouchers could mean that the Department had no systems in place to deal with demand for financial assistance at scale expected. The Department has since requested the National Treasury for the rollover of the funds as verification was finalised late and vouchers were issued to farmers in the new financial year.

### 4.2.4 Programme 4: Rural Development

This programme involves initiation, facilitation, and coordination of, as well as acting as a catalyst for, the implementation of comprehensive rural development. The programme received a final appropriation of R725.1 million and its expenditure at the end of the financial year was R715 million (98.6 per cent) It recorded an underexpenditure of R10 million (1.4 per cent).

Rural development was organised under three sub-programmes; namely National Rural Youth Service Corps (NARYSEC), Rural Social Infrastructure (RSI), and Technology, Research and Coordination (TRC). Except for NARYSEC which recorded 100 per cent expenditure (R280.9 million), RSI and TRC performance were 97 per cent and 95 per cent respectively. The temporary closure of Technical and Vocational Education and Training colleges (TVETs) as a result of COVID-19 pandemic impacted the programme negatively because limited training and development of rural youth could be provided. Whilst NARYSEC recorded 100 per cent expenditure of its budget allocation, critical questions need to be asked about the long-term effect of this programme on youth empowerment and its sustainability. In this regard, it is important to find out where the graduates of this programme are in terms of participation in the economy.

### 4.2.5 Programme 5: Economic Development, Trade and Marketing

Of the R655.3 million that was appropriated for Programme 5, the Department spent R538 million, which is 82 per cent of the Programme's appropriation. Approximately 62 per cent (R405.7 million) of the Programme's total allocation went to the Agroprocessing, Marketing and Rural Industrial Development subprogramme, through which transfers to the NAMC are also made; 31 per cent went to the International Relations and Trade subprogramme and the rest to the Cooperatives Development subprogramme.

The underexpenditure of R117.3 million (18 per cent) was largely attributed to R102.6 million underspending for COE under the Agroprocessing, Marketing and Rural Industrial Development subprogramme. Under the International Relations and Trade subprogramme, the R14.5 million underspending on foreign governments and international organisations was attributed to delays in the approval of a transfer for membership fees to the Food and Agriculture Organisation of the United Nations (FAO).

### 4.2.6 Programme 6: Land Administration

The Land Administration Programme deals with geospatial information, cadastral surveys, deeds registration and spatial planning to ensure spatial transformation and effective and efficient land administration. It received a final allocation of R1.02 billion and its expenditure for 2021 was R976.94 million. The programme recorded an under expenditure of R47.97 million (4.7 per cent of its total budget). It was explained that the recorded underexpenditure was due to delays in the filling of vacant posts pending the finalisation of the micro-organisational structure and the delays in the implementation of national geomatics services, spatial planning and land use management projects. Both National Geomatics and Spatial Planning and Land Use sub-programmes had expenditure rate of 92 and 93 per cent respectively. The Registration of Deeds Trading Account (DRTA), discussed later in this report, and the South African Council of Planners recorded 100 per cent expenditure of R358 million and R4 million respectively.

### 4.3 Report of the Audit Committee

The Department has an independent Audit Committee that provides independent oversight over the Department's financial management and reporting, governance, risk management, internal control, compliance, performance information management, internal and external audits, and information and communications technology (ICT) functions. The Audit Committee is supported by the Internal Audit Unit, which undertakes risk based audit assignments to evaluate the adequacy and effectiveness of the internal controls and the control environment. The Audit Committee meets on a quarterly basis to receive and review reports from Management, make recommendations and review progress on actions to address findings of both the Auditor-General of South Africa (AGSA) and the Internal Audit Unit.

The Audit Committee (AC) was satisfied with effectiveness of the Internal Audit function, which took into consideration the risks pertinent to the Department its audits and made significant progress with audits conducted in terms of its strategic three-year rolling Internal Audit Plan. The AC noted that the system of internal controls within the Department was not entirely effective and significant control deficiencies were noted in the areas of:

- Information and Communication Technology (ICT);
- Records Management;
- Compliance Management;
- Project Management;
- Contract Management;
- Financial Management;
- Property Management; and
- Management of Fraud, Corruption, Misconduct, Irregularities and Mismanagement.

The AC expressed serious concern with **inadequate internal control structures** to prevent and detect fraud and the incidences of fraud identified in the Department. It also expressed concern with **in-year monitoring and reporting** in respect of the progress made in the achievement of planned performance targets.

### 4.4 Report of the Auditor-General of South Africa

The Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as the Department) received an unqualified audit opinion from the Auditor-General of South Africa (AGSA) with matters of emphasis and repeat findings. The AGSA drew attention to the following:

#### 4.4.1 Emphasis of matters

- ***Significant uncertainties*** in respect of claims worth R1.1 billion that were instituted against the Department and are subject to the outcome of legal proceedings.
- ***Impairments*** – provision for R100.8 million in relation to the impairment of accrued Departmental revenue and R19.99 million in relation to impairment of receivables.

#### 4.4.2 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:

- ***Expenditure management:*** Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R203.8 million as required by Section 38(1)(c)(ii) of the PFMA and Treasury Regulation (TR) 9.1.1. In addition, effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R44.5 million as required by Section 51(1)(b)(ii) of the PFMA.
- ***Payments*** were not made within 30 days or an agreed period after receipt of an invoice as required by TR 8.2.3.
- ***Procurement and contract management:*** Some of the invitations for competitive bidding were not advertised for the stipulated minimum period, as required by TR 16A6.3(c). 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).

- ***Consequence management:*** Disciplinary steps were not taken against officials who had incurred and/or permitted irregular expenditure, fruitless and wasteful expenditures as required by Section 38(1)(h)(iii) of the PFMA.

### 4.4.3 Usefulness and reliability of reported performance information, as well as adjustment of material misstatements:

- The AGSA identified material misstatements on the reported annual performance information submitted for auditing for Programme 3: Food Security, Land Reform and Restitution. As the management subsequently corrected the misstatements, AGSA did not raise any material findings on the usefulness and reliability of the reported performance information for Programmes 3.

### 4.4.4 Deficiencies in internal controls

- Leadership was not always effective, as evidenced by the misstatements identified in the Annual Performance Report and non-compliance with laws and regulations.
- 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.

The AGSA reported that the Forestry function, which previously led to a qualified audit opinion for the former DAFF in respect of the accuracy of biological assets, has since been transferred to the Department of Forestry, Fisheries and Environment (DFFE).

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 pending at the time of the AGSA's Report on 31 July 2021.

## 4.5 Discussion on Financial Performance

The newly-merged Department was commended for the unqualified audit opinion, particularly the submission of financial statements for auditing that were without material misstatements. Notwithstanding the unqualified audit opinion from the AGSA, the Committee is concerned with the audit findings and highlighted the weaknesses and challenges that have been raised by the Department's Audit Committee and AGSA. The Department's expenditure management particularly 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 failure to pay invoices within 30 days, which cost the Department R8.8 million in interest, also remains a concern as it has a negative impact not only on Departmental resources but on suppliers and service providers particularly small, medium and micro enterprises (SMMEs).

It was recognised that the Department has a challenge with effective and efficient spending of its budget as planned and 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 Economic Stimulus Initiative (PESI). As much as the Department and some of its entities are underfunded, inability to efficiently utilise appropriated funds as planned, may negatively impact the Department's future budget allocation from the National Treasury. In the year under review, the Department had to surrender R1.15 billion of voted funds back to National Treasury as a result of underexpenditure, which was mostly in respect of PESI and unfilled vacancies.

As much as Covid-19 pandemic and the merger of the two former Departments have been blamed for inability to timeously utilise funds, motivation for additional funding becomes difficult when a Department is not prudent and efficient in the utilisation of allocated resources. The 100 per cent spending of conditional grants specifically CASP and Ilima/Letsema is commended, however, timeous verification and reliability of reported information is still a major concern as AGSA identified material misstatements in Programme 3. This makes it a challenge to measure value for the money that has been invested against service delivery. The

Department needs to appropriately respond to matters that are raised by the Internal Audit Unit and the Audit Committee as well as those that are raised by AGSA in Management Reports.

### 4.6 Human Resource Management

Last year the Department reported that the Macro Structure regarding the merger of the two former Departments was finalised and it was busy with the development of the Fit-for-Purpose Structure. However, it has now reported that it will embark on a Fit-For-Purpose Structure that is aligned to the Strategic Plan, objectives, service delivery model and available budget once the migration process for the lower level positions has been completed. The migration of senior management has been reportedly completed and officials were issued with letters.

The Department reported that the delay in finalising the migration process for lower level positions was due to lack of participation of Branches in providing information, and further reported that the matter has been escalated to the office of the Deputy Director-General (DDG): Corporate Support Services for intervention. However, the Committee was not satisfied with the response highlighting the serious impact that non-compliance and lack of consequence management has in the Department. As an example, despite the extension of the submission of signed performance agreements by senior managers to 31 October 2020 by the Minister of Public Service and Administration (MPSA), the Department's compliance by senior managers was 73% on 31 October 2020 and 81% by the end of the financial year. This was attributed to Covid-19 challenges and the merger of the two Departments. Further, out of 107 misconduct cases, only 39 were finalised (that's 36%) in the year under review while the rest are still pending. This was also attributed to Covid-19 restrictions, which impacted scheduling and capacity constraints.

The Committee was not satisfied with the reasons provided regarding delays in the finalisation of the merger and raised serious concerns in light of the delays in the filling of vacancies, which negatively impacts capacity and service delivery as well as challenges with addressing repeat audit outcomes. The Department ended the 2020/21 financial year with a high vacancy rate of 15.7%, with high numbers of vacancies in the Administration Programme, Programme 2 and Programme 4. It reported that due to the continued budget cuts imposed by National Treasury, the Department operated under skeletal capacity as vacant unfunded positions were ultimately abolished and filling of positions remained suspended. However, priority posts have been identified for filling by looking at scarce skills and Occupation Specific Dispensation (OSD); and the facilitation of job descriptions and job evaluations exercise for prioritised posts have been completed.

It was noted that lack of capacity may also be correlated to the Department's continued use of consultants, on whom it spent R56.6 million of voted funds in the year under review. The funds were for 52 consultants working on 7 projects. The Committee welcomed the appointment of the Accounting Officer (Director-General) for the Department and hoped that the appointment will result in some positive outcomes in all the audit matters that have been raised by AGSA as well as improvements on service delivery and accountability matters that have been raised by the Committee. The Department is commended for meeting the 2% employment equity (EE) target for people with disabilities at senior management service (SMS) level but was concerned with the inability to do likewise in the entire Department, where the percentage is 1.5%. Additionally, the non-achievement of the EE targets for females at the SMS level, where the Department had 40% representation at the end of 2020/21, was also flagged.

## 5. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

### 5.1 DALRRD Service Delivery Performance for the 2020/21 Financial Year

The Department's overall performance with respect to planned targets was 59%, where 26 targets out of a total of 44 were achieved. This is not withstanding that the targets were reviewed while some were removed following the adjustment of the national budget by National Treasury in response to the Covid-19 pandemic. The Committee was not impressed with the performance particularly its impact on service delivery when the Department has utilised 92% of the budget. For the financial year under review, misalignment of expenditure with actual performance has been more prevalent on Programmes 1, 2, 3 and 6 as illustrated on Table 4 below. In light of the revision of targets, the Rural Development Programme achieved both planned annual targets for 2020/21. Programme 1, Administration, did not achieved its two planned targets but utilised 100 per cent of the budget. Across Programmes, covid-19 restrictions and inability to fill vacancies until the Department's Fit-For-Purpose structure is finalised, have been mostly cited as reasons for underperformance.

**Table 4.** Summary of Performance Target Achievements & Expenditure for 2020/21 per Programme

| **Programme** | **No. of Targets** | **Achieved** | **Not achieved** | **Percentage achieved** | **Budget spent (R'000)** | **% of budget spent** |
|---|---|---|---|---|---|---|
| **1. Administration** | 2 | 0 | 2 | 0% | 3,119,503 | *100%* |
| **2. Agricultural Production, Health, Food Safety, Natural Resources & Disaster Management** | 15 | 10 | 5 | 67% | 2,828,021 | *95.7%* |
| **3. Food Security, Land Reform & Restitution** | 13 | 5 | 8 | 38.5% | 5,915,425 | *87.4%* |
| **4. Rural Development** | 2 | 2 | 0 | 100% | 715,087 | *98.6%* |
| **5. Economic Development, Trade & Marketing** | 8 | 7 | 1 | 87.5% | 538,049 | *82.1%* |
| **6. Land Administration** | 4 | 2 | 2 | 50% | 976,946 | *95.3%* |
| **TOTAL** | **44** | **26** | **18** | **59%** | **14,093,031** | ***92.4%*** |

### 5.1.1 Programme 1: Administration

Although it spent 100 per cent of allocated funds, the Department did not achieve both planned targets for the Administration Programme for the 2020/21 financial year. Whilst the Department reportedly achieved an unqualified audit opinion from the AGSA, the former DAFF had a qualification due to material findings in respect of the accuracy of biological assets for the Forestry function, which has since been transferred to the Department of Forestry, Fisheries and Environment (DFFE). The Committee raised a concern with the former DAFF's continued qualification on Forestry's biological assets and the subsequent burden that the issue may place on the new Department to which the function has been transferred. The second target is non-achievement of the target to pay 100% of valid invoices within 30 days upon receipt. The Department only achieved 86% in this regard; and cited delays in the submission of delivery notes for bulk procurement of laptops and delays in the verification of Information Technology (IT) equipment before processing of invoices. In this regard, poor planning on the part of the Department was highlighted by the Committee, which further highlighted the negative impact of delayed payment of invoices on suppliers and SMMEs.

### 5.1.2 Programme 2: Agricultural Production, Health, Food Safety, Natural Resources and Disaster Management

For Programme 2, the Department achieved 10 out of the 15 planned targets (67%) for the financial year under review, while it spent approximately 96 per cent of the budget. The achieved targets include amongst others Gauteng and Mpumalanga having delineated agricultural areas; surveillance conducted on plant pests and animal diseases; 100% placement of qualifying veterinary graduates in the compulsory community service (CCS) programme that seeks to address shortage of veterinary services particularly in rural areas; as well as the number of hectares that have been converted from conventional to conservation agriculture. The achievement of the latter target, which was exceeded, was commended for its contribution to agricultural production and in light of water scarcity and other agricultural disasters that are associated with climate change.

The Department did not achieve the target to implement Kaonafatso ya Dikgomo (KyD), which forms part of the livestock (prioritised) value chain. It cited delays in physical mobilisation for data analysis due to Covid-19 restrictions on large gatherings, a reason that was not fully acceptable to the Committee as the Department managed to do capacity building of 120 smallholders producers on Crop Suitability to Climate Change during lockdown and within the same Programme 2. Poor planning was again highlighted as the Cannabis Master Plan was not approved during 2020/21 due to further consultations that the Department needed to do.

Another important target that was not met was the establishment of biosecurity coordinating structures in 5 provinces (Free State (FS), Gauteng Province (GP), Limpopo (LP), Mpumalanga (MP) and North West (NW)). In this regard the Department only managed to develop draft terms of reference, which were not even consulted with the provinces by the end of the financial year citing rigorous consultations on the concept note. The Committee was dissatisfied with the reason and highlighted the importance of biosecurity to the sustainability of the agricultural sector including employment creation. The Committee further made an example with foot-and-mouth disease (FMD) whose outbreak was first reported in early 2019 in Limpopo and has since cost the country its status of a FMD-free zone without vaccination from the World

Organisation for Animal Health (OIE - *Office International des Epizooties*). The outbreak also has an adverse impact on trade and revenue generated from the country's export of cloven-hoofed animals and/or their products. Despite assertions from the Department during a Committee briefing then, that the outbreak in Limpopo was under control, the disease has since moved to other areas in the province and Mpumalanga.

### 5.1.3 Programme 3: Food Security, Land Reform and Restitution

In addition to Programme 2, this is one of the key and cost-driving Programmes for the Department as it is responsible for providing frameworks for promoting food security through the development and support of subsistence and smallholder producers to improve their productivity and to enable participation in the sector; acquire and redistribute land; capacity building of extension and advisory services; as well as the development and transformation of Agricultural Colleges. Therefore, the Programme is central to service delivery. However, for the 2020/21 financial year, this was the worst performing Programme, with the Department only managing to achieve 38% of the planned targets (5 out of 13). With the exception of land claims, 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 and 50 000 subsistence producers that could not be supported through the Covid-19 Relief Fund.

**Food Security subprogramme:** 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. Although the Department reported last year that the National Policy on Comprehensive Producer Development Support (NPCPDS) was tabled to Cabinet on 04 March 2020, the planned annual report on the implementation of the policy was not achieved. The Department cited the long process of engagement at NEDLAC, which meant that the Policy has not been approved by Cabinet. The delay in the approval of the Cabinet, which has been under development since 2017, was raised as a concern in light of the merger of the two Departments that have been historically implementing different farmer support programmes with more or less similar objectives and targeting the same farmer categories. The Policy seeks to strengthen institutional mechanisms to provide timely and standardised support to producers and to mainstream the participation of vulnerable groups in the agricultural value chain.

**Land Reform and Restitution subprogramme** entails land redistribution (PLAS), State Land Allocation and tenure reform (labour tenants' applications, farm dwellers, communal land tenure), and Communal Property Associations (CPAs). Restitution will be dealt with separately under entities (CRLR). With regard to acquisition and redistribution of land, the Department reported that the outbreak of Covid-19 and related restrictions with regard to travel and gatherings as well as reprioritisation of budgets in response to the pandemic caused a downward revision of the targets. Notwithstanding the above, the programmes to redistribute land for the benefit of farm dwellers, labour tenants, people with disabilities and youth exceeded the set targets. The Department allocated 1 270.5 ha more than was planned for 2020/21. However, with regards to allocation of state land, 55 167 ha were allocated as opposed to the revised target 401 787 ha.

There was a notable focus on settlement of the labour tenants' applications in line with the judgement on the matter of *Mwelase and Others v Director-General for the Department of Rural Development and Land Reform and Others*. However, only 196 applications were settled as opposed to a target of 450. The Committee noted that 250 cases where settlement agreements could not be signed were referred to Court. The Committee commended the Department for exceeding the targets to allocate land to smallholder farmers, farm dwellers and/workers and/or labour tenants. However, it expressed concerns with regard to the budget cuts which impact on the pace and rate of land delivery.

There was a concerted effort to support CPAs to comply with the relevant legislation, especially about Annual General Meetings (AGMs), annual financial statements submission, election of committees, and regular meetings as per the Constitutions. Whilst the Department targeted to support 394 CPAs, at the end of the year it had reached 455 CPAs. The Committee commended the Department for developing, and implementing, a catch up plan after ease of lock down restrictions (level 2 and 1 mainly). Such level of commitment could not be observed in the implementation of Transformation of Certain Rural Areas Act (Act NO. 94 of 1998) commonly known as TRANCRAA and related annual targets. The target to transfer properties involving 9 areas was not achieved because COVID-19 regulations reportedly barred them to hold community meetings to take resolutions.

### 5.1.4 Programme 4: Rural Development

As stated above, this programme involves initiation, facilitation, and coordination of, as well as acting as a catalyst for, the implementation of comprehensive rural development. Given the prevalence of Covid-19 and related restrictions to travel and gatherings as well as reprioritisation of government funds to respond to covid-19 outbreak, the original number of targets were revised downward. The target to complete 130 infrastructure projects was removed from the APP for 2020/21. With this in mind, note that the Department achieved the two revised annual targets for in 2020/21 in terms of infrastructure and NARYSEC.

With regard to infrastructure development, the set target regarding the number of infrastructure projects was exceeded by 21 projects. Equally, the National Rural Youth Service Corps (NARYSEC) managed to recruit 1926 youth (10 more than the target), a crucial contribution to skilling, empowerment and employment of youth. Rural development initiatives created jobs for women (9%) and youth (30%). Whilst the 2020 SONA pronouncements put emphasis on prioritisation of women, youth and people with disabilities in all government programmes or initiatives, this programme has lagged behind. The Committee expressed concern over the long terms programme impact because evidence around placement/employment and creation of sustainable rural communities was sketchy.

### 5.1.5 Programme 5: Economic Development, Trade and Marketing

The Programme achieved 7 out of 8 planned targets (87.5%). However, it was noted that most of the achieved targets were reports on trade, bilateral, multilateral and other strategic engagements; and the finalisation of AgriBEE Fund applications that were received. As the Programme's mandate is promotion of economic development, trade and market access, it was highlighted that the Department should submit detailed reports on the impact of the trade agreements in the development and transformation of the agricultural sector including specific opportunities it has created and the support that it provides through Programme 5 to ensure smallholder producers have access to export markets. The only target that was not achieved was the development of the Draft Marketing of Agricultural Products Amendment (MAPA) Bill, citing further consultations with the Office of the State Law Advisor before submission to the Department of Planning, Monitoring and Evaluation (DPME) for the first phase of the

Socio-economic Impact Assessment System. The Committee seeks to regularly follow-up on the processing of the MAPA Bill, which has also been under development for more than three years.

### 5.1.6 Programme 6: Land Administration

Land administration deals with geospatial information, cadastral surveys, deeds registration and spatial planning and other technical services in support of sustainable land development. The ultimate goal is to ensure spatial transformation and effective and efficient land administration. The Department achieved three of the six revised annual targets, which means a performance rate of 50 per cent.

The Department prioritised development of National Land Information System and completion of Electronic Deeds Registry System (e-DRS). Completion of Phase 1 of e-DRS could not be achieved because there was no adequate funding. It thus means that implementation of the Electronic Deeds Registration System Act, 2019 will be delayed. It is a great concern, especially given the prevailing covid-19 conditions, that transformation of systems to adapt to new technologies were being delayed.

Plans to ensure that Land Administration Legislative Framework (LALF) that ought to be approved were postponed due to budget reprioritisation whereas targets on CPAs was moved to Programme 3. However, the Department has planned to obtain approval of the Land Administration Framework Bill in 2021/22. The impact on the removal of the LALF is yet to be seen at the end of 2021/22.

## 5.2 Discussion on the Department’s Service Delivery Performance

Lack of alignment between use of financial resources and performance remains a concern as the Department spent 92 per cent of its budget but achieved less than 60% of its planned annual targets. Even for the targets that have been achieved, for example in Programmes 4 and 5, impact on service delivery is not evident. Persistent challenges with usefulness and reliability of reported performance information particularly for activities that are implemented by Provinces through conditional grants, the monitoring and evaluation (M&E) of such activities and grants utilisation remain a challenge. The effectiveness of the Department’s planning, setting of performance indicators and M&E system was questioned as for the third consecutive year, AGSA found material misstatements on the usefulness and reliability of performance information for Programme 3, although these were subsequently corrected.

The reported inability to carry out certain functions due to the national lockdown, which was largely a reason for poor performance in most instances, was unacceptable to the Committee as the hard lockdown was only for 2 months. For most of the financial year, different lockdown alert levels were introduced that permitted certain activities including domestic travel and gatherings subject to Covid-19 Protocols. Furthermore, Agriculture was also classified as an essential service. The delays in getting the National Policy on Comprehensive Producer Development Support approved was seen to show a lack of urgency by the Department in addressing the challenges that are faced by subsistence and smallholder farmers in particular, as has been illustrated by the inability to timeously support subsistence farmers through the Covid-19 Relief Fund, which should have been an emergency intervention to alleviate food insecurity.

Critical work with regard to policy and legislation development was not moving at pace expected. Among those areas is long outstanding tabling of the Communal Land Tenure Bill and related policy framework as well as the so-called redistribution legislation. It is noted that these had been dropped from the APP. However, they are critical component of the mechanisms to address the pressing needs for land to meet multiple livelihoods and a range of uses.

## 6. AN OVERVIEW OF THE PERFORMANCE OF THE DEPARTMENT'S ENTITIES

### 6.1 Agriculture Entities

#### 6.1.1 Agricultural Research Council (ARC)

The ARC's total budget for the 2020/21 financial year remained stagnant at R1.38 billion, which is slightly more than R1.35 from the previous financial year. The budget comprised of the Parliamentary Grant (PG) worth R985.8 million and self-generated revenue amounting to approximately R393 million. The ARC spent approximately 88 per cent of its budget of R1.38

billion and had an operational surplus of R162 million, an improvement from the previous year's R65 million. The ARC received a **qualified** audit opinion from the AGSA for the fifth consecutive year as a result of uncorrected material misstatements and/or supporting in respect of property; plant and equipment. Although the AGSA recognised some improvement as the entity resolved prior year qualifications on revenue and commitments, there were repeat findings on non-compliance with the PFMA, which resulted in the qualified opinion; on expenditure management, which resulted in irregular expenditure of R2.5 million; and on overall internal control deficiencies. The ARC reported that investigations on irregular, fruitless and wasteful expenditure have been concluded, resulting in two dismissals, which the Committee welcomed.

**Targets achieved:** Despite the challenges associated with funding and covid-19 as indicated in some instances, the ARC achieved 70% of the planned annual targets for the 2020/21 financial year (62 out of a total of 88 targets). In the previous year, it achieved 58%. Some of the ARC's key performance highlights that were achieved in 2020/21 include research on the determination of slaughter conditions to optimise visual and eating quality of goat meat; drought response by mega-herbivores under different management regimes; providing scientific support to more than 4 800 smallholder livestock farmers through the Kaonafatso ya Dikgomo (KyD) Animal Improvement Scheme; the ARC's Veterinary Research and the Biotechnology Platform assisting the National Health Laboratory Services with the testing of Covid-19 samples; and development of novel plant-derived preventative and therapeutic medicines for Covid-19 in South Africa. While the ARC has performed much better compared to the previous year, the Committee was concerned that the ARC did not meet any of the targets that are related to vaccine production bearing in mind the animal disease challenges that the country faces, particularly foot-and-mouth disease (FMD). The ARC planned to produce 50 000 doses of the FMD vaccine during 2020/21 but none were produced. It reported that a delay in the procurement of mid-scale equipment impacted the development and production of FMD vaccines. The delay in the construction of the FMD Facility for which the ARC received R422.5 million from National Treasury was not acceptable in light of the FMD challenge and its impact on the livestock industry.

The ARC ended the financial year with 227 vacancies (9.7%). From the total of 227 vacancies, the ARC identified 100 priority positions and 23 of these were filled by year end. As a result, the ARC spent 57 per cent on personnel costs compared to the previous year's 62 per cent. As much as the ARC's vacancy rate was less than 10%, there was a concern that 17% of the vacancies were of qualified professionals and 12% were in senior management. At executive management there were vacant positions of the position of Group Executive (GE) for Research and Innovation Systems, GE for Human Resources and Legal Services (since November 2020); and since August 2021, the Chief Executive Officer (CEO) position also became vacant. The process to appoint a CEO was welcomed but there was also emphasis on the filling of the two other executive management positions including the rest of the identified critical positions.

### 6.1.2 Onderstepoort Biological Products (OBP)

As a Schedule 3B entity (i.e. national government business enterprise), the OBP, which is also a National Key Point, does not receive a Government grant but funds all its operations from self-generated revenue (mostly from sale of animal vaccines and related products). During 2020/21, the OBP's revenue increased by 35 per cent from R177 million in 2019/20 to R238 million in 2020/21. The entity attributed the revenue increase to increase in demand for OBP products from foreign countries. In light of the resource constraints for the timely completion of the Good Manufacturing Practice (GMP) Project, the OBP acknowledges the importance of cash flow management as it ended the financial year with R274 million, which is R12 million less than in the prior year due to continued investment on the modernisation and refurbishment project.

The OBP received an unqualified audit opinion with material findings from the AGSA for the 2020/21 financial year, which has also been the case in the previous two financial years. The repeat findings were on non-compliance with the PFMA in terms of material misstatements on financial statements, non-compliance with SCM processes, poor expenditure management as well as internal control deficiencies. Irregular expenditure has increased significantly from R2 million in 2019/20 to R9 million in the year under review; while fruitless and wasteful expenditure has slightly decreased from R7.4 million in 2019/20 to R4.9 million in 2020/21. As much as consequence management processes have been implemented, prevention of poor and wasteful expenditure was highlighted as an area for intervention particularly in light of budgetary constraints to finish the modernisation project for GMP Facility. Implementation of consequence management was appreciated as the OBP reported that disciplinary action has been taken against personnel responsible for the fruitless and wasteful expenditure, which led to dismissals, some investigations are ongoing while some cases have been referred to the

South African Police Service (SAPS) including details of the companies that colluded with officials.

**Targets Achieved:** As much as the OBP managed to increase its revenue through vaccine and other product sales, an area in which it has done exceedingly well, the entity's performance on planned performance targets has not been satisfactory. It achieved 7out of the planned 16 targets (44%), which is slightly more than the previous year's 36% achievement. The OBP did not achieve the target on 100% completion of Phase 1 and 50% completion of Phase 2 of the Good GMP Facility. This was attributed to lockdown restrictions and dispute that has been raised with the supplier, which has been referred to a legal process. It reported that work on the project will continues as soon as the legal process is finalised. Despite the poor overall performance, there were notable achievements in sales, which led to a 35% increase in revenue; and also over achievement in the production efficiency index, number of newly registered suppliers and number of farmers trained in OBP products.

The entity ended 2020/21 with a high vacancy rate of 26% with 21 vacancies in the Clinical Unit (29%) and 28 vacancies in Operations (39%), which was quite a serious concern with the Committee in light of the OBP's mandate and nature of work. It was further noted that the entity's poor performance may also be linked to the instability at senior management level as the CEO has been on suspension and under investigation following a number of allegations against him. Further, the entity did not have an HR Manager. Without an HR Manager, the Human Resource Management and Development Programme was the worst performer, achieving none of the 3 planned targets.

### 6.1.3 National Agricultural Marketing Council (NAMC)

For the 2020/21 financial year, the NAMC had a total budget of R77.46 million, which comprised of R47.4 million Parliamentary Grant (PG), R27.3 million from other income and sponsorships received and R2.8 million worth of interest received. The total budget is slightly less than the previous year's R81.8 million due to a decline on income and sponsorships received and the PG that has remained stagnant. The NAMC's expenditure in the year under review was R75.2 million, which left the entity with a surplus of R2.3 million, which is an improvement from the prior year's deficit of R1.9 million.

The NAMC received an unqualified opinion with repeat findings from the AGSA in respect of non-compliance with the PFMA in terms of late submission of financial statements, non-compliance with SCM processes, expenditure management, consequence management and internal control deficiencies. The NAMC incurred total irregular, fruitless, wasteful and unauthorised (IFWU) expenditure of R30.2 million that the NAMC incurred was flagged for attention. Although it was far less than the previous year's total IFWU expenditure of R125.7 million, there was major concern with lack of investigations as the AGSA could not find appropriate audit evidence that disciplinary steps were taken against officials who had incurred the irregular, fruitless, wasteful and unauthorised expenditure as required by the PFMA. Additionally, as it has been the case in 2019/20, most of the NAMC's irregular expenditure worth R25 million was caused by contravention of SCM legislation in respect of the National Red Meat Development Programme (NRMDP).

The AGSA further 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 has initiated a process to implement the recommendations contained in the Report, on which the Committee should request updates.

**Targets Achieved:** For the fifth consecutive year, the NAMC has achieved all its planned annual performance targets. However, it was noted that most of the NAMC's targets were reports. This may pose a challenge in terms of assessing whether the NAMC has actually achieved what it sets out to do under each Programme, bearing in mind that it also gets commissioned by the Department in coordinating and implementing certain projects e.g. the NRMDP.

Some of the NAMC's highlighted performance achievements are publications of Agripreneur Magazine; Food Basket Price Monthly, Input Cost Monitors and a South African Food Cost Review; development of a baseline on the Smallholder Market Access Tracker (SMAT) for raisins; reports on Agricultural Industry Trusts and coordinating the development of the Agriculture and Agroprocessing Master Plan (AAMP), on which an investigation has been instituted. The appointment of a new Chief Financial Officer (CFO) and the new Board (in May 2021) were welcomed.

### 6.1.4 Perishable Products Export Control Board (PPECB)

The PPECB is a national public entity that is listed under Schedule 3A of the PFMA. Unlike the ARC and NAMC, 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. For the 2020/21 financial year, the PPECB's total generated revenue was R487.6 million, a commendable 12% increase from the previous year's R431.5 million. The expenditure for the year under review was R464.2 million and the PPECB realised a surplus of R23.4 million, which is a significant improvement in its financial status as it ended 2019/20 with a deficit of R4.7 million, which has since been recovered during 2020/21. The surplus of R23.4 million was attributed to the income of R4.7 million, reduction in operational costs (travelling and training activities) as a result of Covid-19 restrictions, increase in volumes of exports and an increase in levies.

The PPECB received a clean audit opinion from the independent auditors, SizweNtsalubaGobodo (SNG) Grant Thornton Inc. which took over since the AGSA opted out of auditing the PPECB from 2018/19. The entity also incurred no irregular, fruitless and wasteful expenditure during 2020/21. The PPECB is the only entity of the former Department that has maintained clean audit outcomes for more than 13 successive years, an excellent achievement that was praised by the Committee in light of the audit challenges within the Department and other entities.

**Targets achieved:** The PPECB significantly improved its performance during the 2020/21 financial year despite the challenges associated with Covid-19 restrictions, which had an impact on its business operations. The entity achieved 12 out of 14 (86%) planned targets for the year, a significant improvement from the prior year's 71%. It achieved 100% achievement in both the Corporate and Operational Services Programmes, which was an indication of good governance; and also exceeded some of the achieved targets by varied margins across all Programmes. The two targets that were not achieved were the number of analysed samples under the Food Safety Services Programme and number of smallholder farmers trained under Transformation and Development Services Programme. The underperformance was attributed to Covid-19, climate conditions and emerging competitors in the case of analysis of samples; and Covid-19 restrictions and provinces not concluding Memorandums of Agreement, Service Level Agreements and SCM processes for training of smallholder farmers.

Key performance highlights included the export of 3.2 million pallets of perishable products despite Covid-19 challenges, which was 12.5% more than in 2019/20; significant increases in volumes of fruit exports as well as maize, 56% of which was to African countries; a 2% increase in Export Certificates issued and capturing of 190 million cartons on Project TITAN 2.0 (ICT-based), which was launched in October 2019. The PPECB's performance was also commended.

### 6.1.5 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; and
- Encourage and promote efficiency in and responsibility concerning the practice of the veterinary professions and para-veterinary professions.

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. During 2020/21, it realised a total income of R17.7 million (68 per cent from Vets, 17 per cent from Para-Vets and 15 per cent from other income). The entity expenditure for the year under review was R15.87 million (89.7 per cent) and it remained with a surplus of R1.83 million. At the end of the 2020/21 financial year, SAVC had 6 455 registered veterinary

(Vets) and para-veterinary (Para-vets) professionals as well as 800 persons authorised to perform veterinary and para-veterinary professional services. SAVC received a clean audit opinion from the independent auditors, Acton and McIntosh.

SAVC also achieved all its planned targets for the 2020/21 financial year. In addition to looking after the interests of veterinary and para-veterinary professionals, one of its key programmes is the mentorship programme for compulsory community service (CCS) veterinary graduates. It is implementing the mentorship programme jointly with the South African Veterinary Association (SAVA) with funding from the Health Workers Sector Education Training Authority (HWSETA). By the end of 2020, 27 mentors have been trained with much interest from both mentors and mentees. SAVC further highlighted the standing challenge with the Threatened or Protected Species (TOPS) Permit System of the Department of Forestry, Fisheries and Environment (DFFE) that requires Vets to apply for a permit every time they have to work on TOPS. However, it reported that some progress has been made as amended Regulations were tabled for consideration by the National Council of Provinces during February 2020.

## 6.2 Land Reform Entities

### 6.2.1 Commission on Restitution of Land Rights

The Commission on Restitution of Land Rights (CRLR) exists to provide equitable redress to victims of racially-based land dispossession in line with the provisions of the Restitution of Land Rights Act, 1994 (Act No.22 of 1994). Since the establishment of the CRLR, there has always been concerns about slow pace of settlement of the land claims lodged by 31st December 1998. A need for acceleration of the pace has recently been made more pronounced due to, in addition to a pressure to meet claimants land needs and social justice, the increasing number of backlog settlements, the new order land claim and the Court order to settle pre-1998 land claims prior to processing new order land claims. Further, restitution has become the only programme that results in freehold property ownership. Other programmes provides land under the terms of a lease agreement with the state.

In response to the critique, the CRLR initiated a project commonly known as Kuyasa in order to improve business processes and systems that could potentially reduce the backlog of settlements, develop financial and settlement models and determine an appropriate organisational form of an autonomous Commission. In addition, it was meant to develop an organisational structure design to support the redesigned process based on the new operating model. To date, the CRLR has developed, and submitted for further processing by the Minister, a business case that details the proposed design and cost implications. In addition, an interim Commission structure towards autonomy was approved and backlog reduction strategy has been developed with plans to settle all outstanding claims within the next five years' subject to the availability of funding. Part of the strategy seeks to ensure that all outstanding land claims are research by 2023.

With regards to the contribution of the State Land Release project, 120 properties measuring 24 703.69316 ha were transferred under the restitution programme. However, the Committee noted that 181 state land properties were transferred for restitution in 2019/20, which means that fewer properties were transferred in 2020/21. The CRLR explained that fewer state properties were transferred because of Covid-19 related restrictions. For example, due to lock down, municipalities had longer turnaround times for issuing clearance rate certificates, and restrictions on travel meant that surveying of land could not proceed as planned. The CRLR could not convene community meetings to establish legal entities and to sign settlement agreements.

Whilst the Commission exceeded the targets for settlement and finalisation of land claims, the targets have been decreasing over time. The original target to settled 454 claims in 2020/21 was revised down to 244. The original target to finalise 479 claims in 2020/21 was also revised down to 294. The Committee was concerned about the pace and the extent to which all outstanding 7849 pre-1998 land claims would be settled over the next five years.

### 6.2.2 The Office of the Valuer-General

The Committee welcomed the report that the Inter-Ministerial Advisory Panel on Land Reform (MAP) has started the process of reviewing the Property Valuation Act, Act No.17 of 2014 (PVA) to confirm the role, mandate and valuation methods of the OVG.

With regard to performance information, the OVG achieved five (5) out of nine (9) planned targets for the 2020/21 financial year, representing a performance rate of 54 per cent. The

Committee was concerned that the targets on valuations were not achieved, yet this area is its core mandate. However, a sub programme for 100 per cent completion of valuation submitted by clients was at 93 per cent success rate. With regard to backlog valuations, it achieved 68 per cent instead of 100 per cent target. The OVG also took 53 working days to issue valuation certificate instead of 50. The Committee, having noted that the OVG had in the past taken 117 working days, commended the work being done to improve service delivery in this regard. The Committee identified three key areas that required attention; namely, building capacity by clarifying the legal and policy instruments; finalisation of the organogram and filling key strategic positions; and development of clear guidelines and protocols for private sector partners to carryout valuations

With regard to financial report, the OVG received a budget allocation of R100 million in the year under review. Its annual expenditure was R44.9 million (44.9%) and recorded balance R55.1 million. Although 44.9 per cent expenditure is not commendable, the Committee noted that its performance was improving when compared to a 28 per cent expenditure in 2019/20. Therefore, this performance was a step in the right direction. Unfortunately, the funds would have to returned to the fiscus because public entities are not allowed to accumulate surplus unless a permission to retain the funds is granted by the National Treasury. The key concerns, which also led to under expenditure, were the delay in the finalising the OVG organogram resulted in delays in procurement of service relating to operational requirement of the entity.

The AGSA issue an unqualified opinion with findings in respect of the OVG. This can be considered a regression when compared to the clean audit it received in 2019/20. The problems that require attention were the following: financial statements were not submitted for auditing within two months after the end of the financial year as required by PFMA, instead they were submitted on 1 June 2021 and financial statements containing material misstatements. The OVG did not incur irregular expenditure, unauthorised expenditure, fruitless and wasteful expenditure in the year under review.

### 6.2.3 KwaZulu-Natal Ingonyama Trust Board (ITB)

The ITB is established in terms of the KwaZulu-Natal Ingonyama Trust Act (1997) to manage the affairs of the Ingonyama Trust and Trust land. The ITB receives grant funding from the

Department while the Trust derives its budget from revenue collected from its trading and investment activities.

The ITB operates under two programmes, namely, Administration as well as Land and Tenure Management. *Programme 1 (Administration)* provides administrative support to the Board in order to execute its mandate. The programme achieved 1 out of 4 targets planned. Poor performance was linked to the lockdown restrictions due to Covid-19. The ITB could not connect with stakeholders to sign relationship agreements, to capacitate and support Traditional Councils and to engage on existing draft policies. *Programme 2 (Land and Tenure Management)* provides property management, land tenure administration and valuation services to the Board. The programme achieved one out of the two targets. It exceeded the target about the number of land tenure rights to be approved by 1 998 as it approved 3 198 land tenure rights instead of the targeted 1 200 of land tenure rights.

The ITB receives grant funding from the Department whereas the Ingonyama Trust derives its budget from revenue collected from trading and investment activities, i.e. mainly from leases, contractual royalties and compensation from servitudes. The transfer payment of the ITB was R22.2 million. Because of the budget deficit, the Trust allocated R24.1 million from the Trust to the ITB, which exceeds the required 10% of the total revenue (i.e. R4.9 million) to be used towards the operational costs of the Board in terms of the Act's regulations. The total of R46.3 million covered the operational costs of the ITB. The ITB spent R44.9 million of the total income of R46.3 million.

**Report of the Auditor-General of South Africa (AGSA)**

The ITB received an unqualified audit opinion with findings from the Auditor-General of South Africa (AGSA). Given the ITB's track record, the audit outcome is a welcome improvement when compared to the qualified opinion it has been receiving in the past three consecutive years. Some issues that remain are:

- The completeness of Ingonyama Trust Board's irregular expenditure must be addressed.
- AGSA could not establish evidence of consequence management

- No sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA.
- Investigations into irregular expenditure were not performed.

The tabled annual report of the ITB did not contain financial statements for the Ingonyama Trust. The explanation given was that it submitted the report to the AGSA late and there was ongoing work with the AGSA to audit the report. Given the interlinkage between the work of the ITB and the Trust, the Committee could not assess the effectiveness of the ITB without view of the financial performance of the Trust. It therefore resolved to note the report of the ITB and requested that the ITB table a full report that include the financial statements of the Ingonyama Trust. It is then that the Committee will consider the report and possibly, make further recommendations if necessary.

Discussion of the matter by the Committee raised a number of issues which can be summarised as follows:

- The Committee, unanimously, expressed its disquiet about non-submission of the annual financial statements of the Trust. It resolved to note the report and request the Minister to ensure that a comprehensive report should be tabled.
- For a longest time, there has been difficulties with the Ingonyama Trust's accounting before the Portfolio Committee and not submitting documents as requested by the Committee.
- The Ingonyama Trust must be seen as a model for strengthening tenure in communal areas; however, evidence before the Committee is to the contrary.
- Given the challenges experienced with accountability of the Ingonyama Trust as observed over the last three years, the Committee seeks to explore legislative review that might result in the repeal of the Ingonyama Trust Act or substantial amendments to strengthen the rights of holders. If the model is such a successful case, which so far the existing evidence is to the contrary, why is it that it is not replicated across the Country.
- The Committee resolved to seek legal advice on the various options available for the Committee to address the standing matters of the ITB and the Ingonyama Trust.

### 6.2.4 Trading Accounts (Land reform)

#### (a) Agricultural Land Holding Account (ALHA)

Agriculture Land Holding Account (ALHA) is responsible for the acquisition of strategically located land for agriculture productivity under the Proactive Land Acquisition Strategy (PLAS). Whilst ALHA has a track record of spending 100 per cent of its transfers from the Department, for the period under review the transfers had decreased significantly from R1.68 billion in 2019/20 to R448.04 million in 2020/21. The decrease impacted negatively on the amount of hectares to be acquired. With regard to revenue, it recorded a decrease of R2.4 million when compared to the estimated budget, yet the expenditure increased by R41.53 million. Therefore, its performance for 2021 resulted in a deficit of R669.09 million.

For a third consecutive year, ALHA received a qualified opinion from the AGSA for 2020/21 because of inadequate processes to assess and account for grants paid to farmers through the Land Development Support Programme (LDSP) and used for the Recapitalisation and Development grant. Further, no effective and appropriate steps were taken to prevent irregular expenditure of R13.87 million incurred in land development support projects. The Committee also noted that ALHA had no adequate monitoring and oversight to ensure compliance with legislation, to prevent irregular expenditure from being incurred and to ensure that payments are made within 30 days from the date of receipt of invoice. Further, the failure of management to exercise effective oversight over financial reporting, compliance and related controls was a major concern, amongst other issues.

#### (b) Deeds Registries Trading Account (DRTA)

The **DRTA** is responsible for the registration of deeds and maintains public registers of land. It’s main source of funding is fees charged on the registration of deeds and the sale of deeds information. It recorded an increase of revenue from non-transactions by R99. 97 million considered against the final budget. Its budgeted grants of R358 million for operational costs was reduced to R138 million, resulting in a difference of R220 million. However, R208 million was reclassified as a conditional grant for implementation of e-DRS over the next two to three years. Of this amount, R12 million has been allocated for departmental activities that deeds are required to pay for. The Committee welcomed its surplus of R93.35 million compared to the previous financial year where it recorded a deficit of R80.9 million. The e-DRS project, which is critical for improving service delivery in the Deeds Registration Office by transitioning from a manual lodgement to an electronic system of deeds registration, has seemingly been delayed. Further, the DRTA received an Unqualified opinion from the AGSA.

## 7. COMMITTEE FINDINGS AND OBSERVATIONS

### 7.1 Department of Agriculture, Land Reform and Rural Development

7.1.1 Underspending by the Department, which in the year under review resulted in the surrender of R1.3 billion to the National Treasury's Revenue Fund. Of particular concern is the prevalence of underspending on compensation of employees when there are capacity challenges in some of the Department's key programmes.

7.1.2 Lack of consequence management for employee transgressions both in terms of performance and revenue management. The Department incurred historic (both former DAFF and DRDLR) irregular expenditure of R203.8 million and fruitless and wasteful expenditure of R44.5 million, which were largely due to non-compliance with SCM procedures. There has been no reported consequence for officials responsible for such expenditure.

7.1.3 Delays in the development and finalisation of the merged Department's fit-for-purpose structure for the merged Department, which has also been compounded by the vacant position of the Accounting Officer, affected accountability for both financial and service delivery performance as the protracted merger and Covid-19 restrictions have been cited as reasons for non-achievement of some of the targets across Programmes.

7.1.4 The appointment of the Accounting Officer who will resume duties on 01 December 2021 was welcomed and there is an expectation that the appointment will improve accountability, address non-compliance and ensure implementation of consequence management.

7.1.5 Inadequate internal control structures to prevent and detect fraud and effectively address incidences of fraud identified in the Department; as well as weak in-year monitoring and reporting in respect of progress on planned performance targets, which becomes even more important for concurrent functions.

7.1.6 Lack of urgency and poor response to the plight of destitute subsistence and distressed smallholder farmers as illustrated by challenges and transgressions in the implementation of the Covid-19 Relief Disaster Agricultural Support Fund that were raised on AGSA’s Special Reports and the delayed implementation of the PESI.

7.1.7 Misalignment between budget utilisation and service delivery performance as 92.4% of the budget was utilised but only 59% of planned performance targets were achieved.

7.1.8 Delays in the development and finalisation of important legislation and policies, with some meant to be processed and finalised in the year under review, namely, the Marketing of Agricultural Products Amendment (MAPA) Bill and the National Policy on Comprehensive Producer Development Support (NPCPDS); as well as the longstanding Communal Land Tenure Policy and the Communal Land Tenure Bill.

7.1.9 Increasing budget cuts and downward revision of targets both because of limited available resources hampers efforts to accelerate the redistribution of land.

7.1.10 Despite an increasing pressure to redistribute land to the poor, the redistribution and state land release project has not released much land as anticipated. A large number of released land was a confirmation of land already occupied by farmers or communities. When government attempts to reallocate such land, it gives rise to community conflicts.

7.1.11 Reports on the redistribution of land foregrounds land or ha redistributed and less about the beneficiaries and land use. It thus becomes difficult to assess whether the State was receiving value for money from a range interventions and socio-economic benefits for land reform beneficiaries.

7.1.12 Despite promises to table the Communal Land Tenure Policy and Bill, Redistribution Bill, to date it remains unclear by when these will be tabled in Parliament. These Bills are vitally important and strategic in order to ensure that Parliament is not constantly accused for a breach of Section 25(6).

7.1.13 The delays in the implementation of the e-DRS continues to hamper the Deeds Office to function optimally using the available technology that makes easier to lodge registrations electronically. Such initiative would have make a huge difference during the Covid-19 lock down when Deeds Offices were closed for public access. Faster transitioning electronic lodgement could potentially improve the systems of registration and turnaround times.

## 7.2 Observations on Department Entities

### *7.2.1 Agricultural Research Council (ARC)*

(a) There has been some improvement in addressing some of the previous audit findings including implementation of consequence management and ensuring the entity did not incur fruitless and wasteful expenditure during the 2020/21 financial year.

(b) Despite the improvement on previous findings, the Audit Action Plan did not adequately address root causes of previously raised audit findings and there is a major concern with internal control deficiencies that manifested in the successive qualified audit opinions on property, plant and equipment; and also non-prevention of irregular expenditure worth R2.5 million.

(c) Appreciation of the improvement in the entity's financial viability as well as improvement in performance but concern with overall revenue management and the non-achievement of targets relating to the FMD Facility and vaccine production.

(d) Concern with vacancies at executive management level and in critical positions, which are central to the entity's stability and optimal performance.

### *7.2.2 Onderstepoort Biological Products (OBP)*

(a) The stagnant audit outcomes with material findings, most of which were repeat findings needs attention. However, application of consequence management and investigations on previous transgressions were welcome.

(b) Serious internal control deficiencies in respect of revenue management, which were previously highlighted by the AGSA as non-compliance with the PFMA and SCM procedures continue.

(c) With the reported inadequate internal controls, the significant increase in the combined irregular, fruitless and wasteful expenditure of R13.9 million that was incurred during the financial year due to non-compliance with SCM processes could not be prevented and needs attention.

(d) Dissatisfaction with poor performance of the OBP on planned targets. However, the increase in revenue from vaccine sales and the improvement in production efficiencies were commended in light of the continuing and delays in the refurbishment of the GMP vaccine manufacturing facility.

(e) Lack of progress in the completion 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 need to finalise investigations against the suspended CEO and prioritisation of the appointment of the HR Manager as instability at senior management impacts the entity's performance.

(g) Appreciation for the Department's intervention to ensure that Provinces procure vaccines and other relevant products from OBP.

### *7.2.3 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 and SCM procedures due to internal control deficiencies.

(b) The combined irregular, fruitless, wasteful and unauthorised expenditure of R30.2 million remains a major concern particularly as R25 million of the amount was caused by contravention of SCM procedures in the National Red Meat Development Programme (NRMDP), which was a similar case in the previous year.

(c) There is a need for the NAMC to link actual service deliverables to planned targets when reporting as most of its performance targets, which were all achieved, are reports.

(d) The appointments of the new Board and the CFO were appreciated as the appointments are expected to lead to an improvement in the entity's future audit outcomes.

### *7.2.4 Perishable Products Export Control Board (PPECB)*

(a) The PPECB's track record of maintaining clean audits for more than a decade without fail was acknowledged including the good performance of 86% on planned targets despite the challenges associated with Covid-19. Additionally, the entity was also congratulated for good governance as it also did not incur any irregular, fruitless sand wasteful expenditure during the year under review. The PPECB and its Board were subsequently applauded for their excellence.

### *7.2.5 Commission on Restitution of Land Rights (CRLR)*

(a) The delay of finalisation of the autonomy of the CRLR is impacting the implementation of strategies put in place to fast-track settlement of land claims and ridding the CRLR's implementation of programmes it was not set up for; for example, support of CPAs and development support.

(b) of state and public land could assist to resolve outstanding land claims on large tracks of land under forestry, mining and military control.

(c) Court order to refer all matters that the CRLR cannot finalise will potentially put pressure on the Land Claims Court due to limited number of Judges available to hear the matters.

(d) A majority of outstanding land claims involve large tracts of land, some claimed by communities. The Committee will require capacity to conduct credible research that will meet the 2023 deadline. Such reports must be able to stand scrutiny at the Land Claims Court.

### *7.2.6 Office of the Valuer-General (OVG)*

(a) Increasing the pace of redistribution, speedy delivery of land that meets land needs of a large number of people may require a shift to district/area-based rather than piece-meal approaches redistribution. Further, review of policy and legislative instruments, and bureaucratic red-tape affecting finalisation of settlement agreements and property valuations by the OVG must be resolved.

## 8. 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**

8.1 Fast track the finalisation of the fit-for-purpose organisational structure of the Department to strengthen the Planning, Monitoring and Evaluation functions as weaknesses in these functions contributed significantly to unsatisfactory performance, delays in the verification of performance information and repeat audit findings on usefulness and reliability of performance information.

8.2 Prioritise the filling of vacancies at senior management service (SMS) level particularly DDGs and other critical positions to prevent instability and unsatisfactory performance in the Department.

8.3 Ensure that the signing of performance contracts and assessments by SMS employees in particular are done timeously on an annual basis as required to improve performance and accountability in the Department. Additionally, where transgressions occur, consequence management should be applied.

8.4 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.

8.5 Ensure that the Department engages with the Internal Audit Unit and the Chairperson of the Audit Committee in reviewing the Department's Audit Improvement Action Plan and report to Parliament on a quarterly basis on the implementation of actions to address specific audit findings including investigations and action on the reported and other identified irregular, fruitless and wasteful expenditure.

8.6 Submit to Parliament a detailed report on the implementation of PESI including a complete breakdown on the utilisation of the allocated funds and the M&E Plan for the implementation of the Initiative.

8.7 Continuously review the Department's international trade agreements and protocols; and submit a report to Parliament on the status of these agreements and protocols including benefits to the country, implementation challenges and contentious issues.

8.8 Explore mechanisms to ensure that the Department speeds up the redistribution of land, including review of policies and development of legislation such as the Land Reform Framework Act which address questions of equitable access and the pro-poor land redistribution instruments.

8.9 Finalise policy review and table the Communal Land Tenure Policy and Communal Land Tenure Act in order to ensure compliance with Section 25(6) of the Constitution.

8.10 Fast track the implementation of e-DRS implementation in order to ensure transformation of deeds registration in South Africa. Further, ensure allocation of resources to the project.

**The Department's Public Entities**

8.11 Engage with the Boards and management of entities, namely, ARC, OBP and NAMC to ensure that assistance of the respective Internal Audit functions and Audit Committees is sought to strengthen the inadequate internal controls; and in reviewing and effectively implementing their Audit Improvement Action Plans. The Plans should include consequence management to ensure that the proposed corrective measures are effective and responsive to root causes of audit findings particularly on irregular, fruitless and wasteful expenditure due to poor supply chain management processes.

8.12 Ensure that all entities, with the exception of the PPECB and SAVC, report to Parliament every quarter on the implementation of the Audit Improvement Action Plans including investigations and actions on reported and identified irregular, fruitless and wasteful expenditure.

8.13 Ensure that the Board of the ARC fast tracks the appointment of the CEO and prioritise other vacant SMS level positions.

8.14 Ensure that the Board of the OBP fast tracks and report on the finalisation of the investigations against the suspended CEO and also prioritise the appointment of the HR Manager as management instability negatively impacts the entity's performance.

8.15 Ensure that the Board of the NAMC fast tracks the implementation of the recommendations of the report on suspected fraud, corruption and conflict of interest on the procurement and contract management relating to the Agriculture and Agroprocessing Master Plan (AAMP).

8.16 Ensure that the autonomy of the CRLR is realised within the timeframes set out in the business case developed for the project. Further ensure that the research strategy finalises all outstanding research.

8.17 Ensure that the OVG prioritise the filling of vacancies at senior management service (SMS) level particularly the Valuer-General and the Chief Operations Officer (COO) as well as other critical positions to prevent instability and unsatisfactory performance.

8.18 Ensure that the ITB tables a comprehensive annual report including the audited annual financial statements of the Ingonyama Trust for consideration by the Portfolio Committee.

8.19 Submit a report on the interventions made by the Inter-Ministerial Task Team appointed to look at functioning of the Ingonyama Trust Board in response to the recommendations made by the Presidential Panel on Land Reform. The report must also include the Minister's account of steps she has taken to improve accountability of the ITB and the Ingonyama Trust.

*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.