

# DALRRD COVID-19 AGSA REPORT

## PRESENTATION TO THE PORTFOLIO COMMITTEE ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT

**22 MARCH 2022**

This presentation addresses both the first and second AGSA reports on COVID-19 relief to small scale farmers. It must be stressed that the second AGSA report reflects, in part, a follow-up of the first report. There is therefore, to a significant extent, an interchangeability of findings between the first and second reports. This has been accommodated in our categorisation of the AGSA findings (both first and second reports) and the relevant responses thereto.

- It is important for the Portfolio Committee to note that the AGSA's Special Reports were compiled whilst the Department was still implementing the COVID-19 Disaster Agricultural Support Fund (CDASF), which commenced during a hard Lockdown.
- Due to the global pandemic, the Department had to quickly devise an intervention in order to cushion-off subsistence and communal farmers from the impact of the pandemic. This meant that, although the Department had previously dealt with natural disasters such as drought, locust etc, it had never dealt with a pandemic and therefore did not have all necessary systems, policies and programmes to deal with the pandemic.
- COVID-19 Fund had to be conceptualised and launched in less than two weeks during Lockdown Level 5. Applicants were given two weeks to submit Applications and restrictions of movement made it difficult for all potential beneficiaries to submit Applications.
- Furthermore, due to the Level 5 Lockdown regulations, the Department had to operate with only a few officials who could physically attend at offices in order to curb infections. However, despite this precaution, some officials did get infected and others even succumbed to the disease. The consequent impact of this were numerous office closures due to infections, which affected the Department's responsiveness.

## LIMITATIONS (Continued)

- The AGSA's Special Reports on COVID-19 are therefore not final audit reports as required by law, but preliminary reports, which were subsequently followed by a full audit of the Department's work. The Audit Report for 2020/21 did not raise any material findings on the COVID-19 Fund. This demonstrates that the Department implemented most of the AGSA preliminary findings prior to the full annual audit.
- The Department is still attending to some of the issues raised by the AGSA as well as the Portfolio Committee. Consequently, there are some information gaps that the Department is still attending to closing and will report on them in due course. Further investigations are also on-going, especially in light of the Monitoring and Evaluation report that the Department produced regarding the COVID-19 Fund.
- Valuable lessons have been learnt and the Department is implementing an automated process to minimise most of the challenges experienced such as data integrity, record-keeping and timeous reporting

## 1. Approved applicants also employed by an organ of state

### ▪ AGSA recommendation

*The department should investigate all approved applicants who are employed by an organ of state and ensure that they qualify for the relief provided. If they do not qualify, the department should cancel or withdraw any vouchers that have already been issued and recover any monies for vouchers that have already been redeemed, taking into account the legal implications.*

### Management response

- i. The AGSA identified **113** Applicants as employees of the state. The Department investigated the list and found **1** duplicate which was removed. The investigation also identified an additional **5** state employees in KZN, bringing the total to **117** and the total amount approved in their favour is **R4,232,336.00**. Vouchers in respect of **2** Applicants, amounting to **R45,000**, have been withheld, thus reducing the total amount to **R4,187,336.00**. A list of the affected officials is attached as **Annexure A** to this report. An amount of **R87,448.00** has been recovered so far. A total of **110** letters of demand have been issued to these Applicants and debtors accounts have been created. The letters of demand are attached as **Annexure B** to this report. The table in the next slide provides a summary on investigations concluded. More letters of demand will be issued to the outstanding few Applicants.

# AGSA FINDINGS AND MANAGEMENT RESPONSE

## 1. Approved applicants also employed by an organ of state, (Continued)

### Management response

Province	Applicants	Approved Amount	Debt Raised	Recovery to date
<b>Eastern Cape</b>	<b>38</b>	<b>1 414 217</b>	<b>1 405 217</b>	
Demand letter issued	38	1 414 217	1 405 217	
<b>Free State</b>	<b>19</b>	<b>765 920</b>	<b>765 920</b>	
Demand letter issued	19	765 920	765 920	
<b>Kwazulu natal</b>	<b>21</b>	<b>714 488</b>	<b>714 488</b>	
Demand letter issued	21	714 488	714 488	
<b>Limpopo</b>	<b>2</b>	<b>75 298</b>	<b>0</b>	<b>- 75 298</b>
Not issued	2	75 298	0	- 75 298
<b>Mpumalanga</b>	<b>8</b>	<b>393 013</b>	<b>393 013</b>	<b>- 3 150</b>
Demand letter issued	8	393 013	393 013	- 3 150
<b>Northern Cape</b>	<b>29</b>	<b>869 400</b>	<b>705 632</b>	<b>- 9 000</b>
Demand letter issued	24	705 632	705 632	- 9 000
Not issued	3	118 768		
Voucher withheld	2	45 000		
<b>Grand Total</b>	<b>117</b>	<b>4 232 336</b>	<b>3 984 270</b>	<b>- 87 448</b>

**Note: On AGSA data there's one applicant who appears in both LP and MP because he had benefitted in both provinces. He has since paid back the full amount in Limpopo and is yet to pay in Mpumalanga. However, a letter of demand has been issued to him.**

## 2. Approved applicants also receiving support from other departmental programmes

### Management response

- AGSA identified a total of **148** Applicants as having received COVID-19 support whilst 6 of them were also benefitting from CASP in the DALRRD and 132 were also receiving support from Programme 3. The Lists are attached to this report as **Annexure C** (for CASP) and **Annexure D** (for Programme 3), respectively.
- The Department is currently investigating these lists in order to ascertain whether indeed some of the Applicants were not supposed to benefit. Preliminary investigations indicate that some of the Applicants benefitted from Departmental programmes prior to the commencement of the COVID-19 Fund. However, detailed investigations will reveal the true picture and the Department will report on the findings and actions taken in due course.

## 2. Approved applicants also receiving support from other departmental programmes

### Management response (Continued)

The Table below provides a Summary of the numbers of Applicants affected by this finding

Province	CASP	Programme 3	Grand Total
Free State	3	6	9
KwaZulu Natal		68	68
Limpopo	3	10	13
Northern Cape		18	18
North West	7	20	27
Western Cape	3	10	13
<b>Grand Total</b>	<b>16</b>	<b>132</b>	<b>148</b>



# AGSA FINDINGS AND MANAGEMENT RESPONSE

## 3. Approved applicants also receiving support from other government programmes

### AGSA recommendation

*The department should investigate all approved beneficiaries also receiving support through other government programmes and ensure that they comply with departmental Circular No. 30 of 2020. The department should implement measures to recover the value of the support provided from applicants who have already redeemed their vouchers and to withdraw vouchers that have already been issued, taking into account the legal implications.*

Province	IDC_Debt_	Spaza_Sup		Grand Total	
	Relief_DAL	SASSA_R35	port_DALR		UIF_Ters_D
	RFP	O_DALRFP	FP	ALRFP	
Eastern Cape	1	145		43	189
Free State		22		17	39
Gauteng	2	88	1	58	149
Kwazulu natal	1	291	8	88	388
Limpopo		37		15	52
Mpumalanga		84		27	111
North West		281	1	179	461
Northern Cape		94		104	198
Western Cape	1	107		137	245
<b>Grand Total</b>	<b>5</b>	<b>1149</b>	<b>10</b>	<b>668</b>	<b>1832</b>



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## 3. Approved applicants also receiving support from other government programmes (Conti..)

### Management response

- The intent of Circular No. 30 of 2020 was to exclude applicants who were receiving agriculture-related benefits from DALRRD and not to exclude people who were benefitting from other government relief schemes. Therefore, the Department will not be recovering any funds from this category of beneficiaries.
- Secondly, some of the relief schemes from other Departments were introduced after the COVID-19 Disaster Agricultural Support Fund and thus it would be difficult for the DALRRD to penalise people who, at the time of approval of their CDASF applications were not yet receiving support from other Departments.
- List of Applicants who benefited from different schemes are attached to this report as

### Annexures E

## 4. No evidence that applications were received before closing dates

### AGSA recommendation

*When evaluating applications, the department should consider whether the application was submitted before the stipulated closing date and reject any applications received after the closing date. Where a late application was approved and voucher issued, the department should consider investigating the approval and taking appropriate steps.*

### Management response

- The Department relied heavily on manual registers, which are attached as **Annexure F** to this report as evidence that forms were recorded as and when they were received. However, the Department used a two-pronged approach of receiving applications manually as well as electronically.
- It is, however, accepted that there are risks in manual processes. In this regard the risks relating to manual registers, in particular, have been addressed through the automation of the processes for all future initiatives as evidenced with the implementation of the Presidential Employment Stimulus Initiative (PESI).

## 5. Incorrect applicant scoring

### AGSA recommendation

*We recommend that management review all applications and ensure that they comply with the set criteria. The department should investigate payments that were made to applicants who do not qualify for the grant and explore the possibility of recovering the money paid, taking into account the legal implications.*

### Management response

- All applications received have been reviewed and, where necessary, additional verification has been done through an electronic system called Survey 123. Of the **847** Applicants reported not to have proof of access to land (attached as **Annexure G** to this report), the Department managed to physically-verify, through a georeferencing system called Survey 123, that **683** Applicants have access to land. The list is attached as **Annexure H** to this report.
- The Department is currently physically verifying the remaining **164** Applicants and investigating few gaps in the list of 683 verified Applicants.

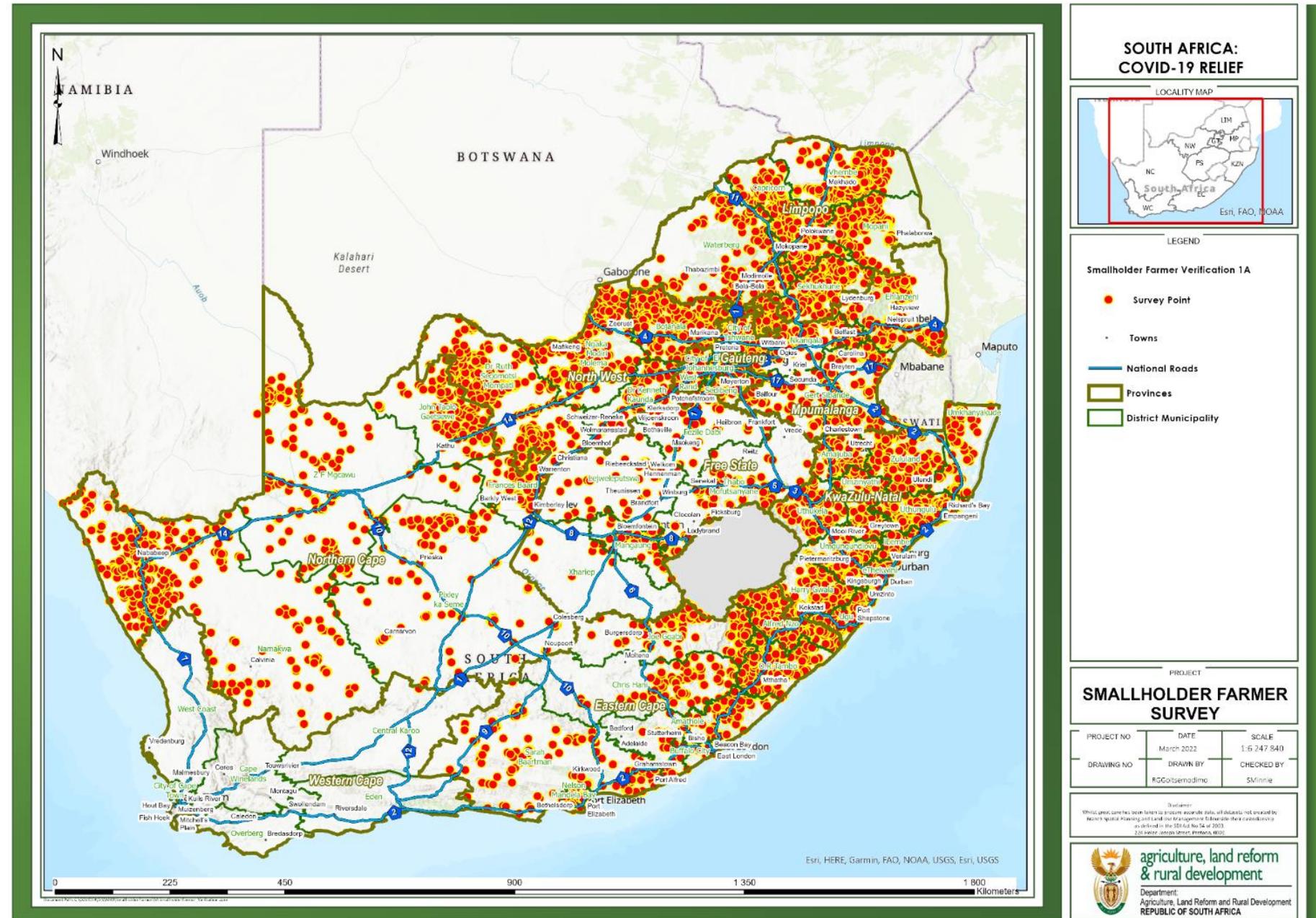
## 5. Incorrect applicant scoring

The Table below shows that a total of 683 out of the 847 Applicants who were said not to have proof of access to land were physically verified and do have access to land.

	Verified	No Acces to land	Outstanding
eastern_cape	109	134	25
gauteng	100	109	9
kwazulu_natal	154	168	14
limpopo	9	12	3
mpumalanga	10	11	1
north_west	277	385	108
northern_cape	24	28	4
free_state		0	0
western_cape		0	0
<b>Grand Total</b>	<b>683</b>	<b>847</b>	<b>164</b>

# National Outlook of Physical verifications

- A total number of **17 162** farmers were verified using Survey 123 for the Covid-19: Smallholder Farmer Verification 1A.



## 5. Incorrect applicant scoring (Continued)

### AGSA recommendation

*We recommend that management review all applications and ensure that they comply with the set criteria. The department should investigate payments that were made to applicants who do not qualify for the grant and explore the possibility of recovering the money paid, taking into account the legal implications.*

### Management response

- The Department did revisit the list of 521 Applicants who were said to have attained the minimum score of 5 but were never approved (attached as **Annexure I** to this report). A total of 33 were subsequently approved and issued with vouchers. The table below provides a summary regarding the 33 Applicants and a list with their details is attached as **Annexure J** to this report.

## 5. Incorrect applicant scoring (Continued)

Summary of 33 of the 521 Applicants who were subsequently approved is as follows:

PROVINCE	NO. OF APPLICANTS	GENDER		YOUTH	PWD	APPROVED AMOUNT (R)
		FEMALE	MALE			
MP	9	2	7	1	0	422,921.00
NW	24	3	21	15	1	1,041,953.00
<b>TOTALS</b>	<b>33</b>	<b>5</b>	<b>28</b>	<b>16</b>	<b>1</b>	<b>1,464,874.00</b>

## 6. Inconsistent method or process used to calculate assistance to farmers

### AGSA recommendation

*The department should communicate clear guidelines to all provinces in a timely manner to ensure calculations are consistently applied for assistance to small-scale and communal farmers when similar support programmes are implemented in future.*

*The department should investigate the method of calculations and the assumptions each province used to ensure that a fair and consistent approach was used for the support provided to small-scale and communal farmers throughout the country. If some farmers were disadvantaged by the process, the department should follow up and rectify this.*

### Management response

- COMBUD is a commodity budget or computerised enterprise budget. It is used to define cost elements of production per hectare. It does not provide a standard set of production cost but guides depending on the production zone. It highlights, cost associated with preparation of the soil, cost of labour, inputs, maintenance and it further highlights expected net and gross income per hector per defined commodity. As a guiding tool per production zone, it thus cannot provide similar figures hence the differences in determining the cap of assistance for similar commodity in provinces.

## 6. Inconsistent method or process used to calculate assistance to farmers (Continued)

### Management response

- Each province had to use its own COMBUD due to provincial variations.
- Copies of provincial COMBUDs used are attached as **Annexure K** to this report.

## 7. Payments not verified at national office

### AGSA recommendation

*We recommend that national finance officials verify and sign payment batches from provincial offices before payments are released to prevent invalid or fraudulent payments from being made. The department should implement a record management and reconciliation process that would enable adequate tracking and control of the payments in the system. Without an adequate record management system and reconciliation process, there is a risk that invalid, fraudulent or duplicate payments might be made.*

### Management response

- It should be noted that the Special Reports on COVID-19 are not full audit reports. The AGSA checked the implementation of the various COVID-19 interventions while implementation was taking place, thus not following the normal process where audit is conducted at the end of implementation. This then resulted in the AGSA requesting documents parallel to processing and quality checking of transactions. Due to the volume of transactions that were involved and urgency of the special audit, some documents were submitted to AGSA before all internal process were concluded and consequently discrepancies were detected. However, at the end of the project, all documents and processes had been implemented, hence when the AGSA conducted the actual annual audit for 2019/20 financial year, no material findings were raised on COVID-19 Funds.

## 7. Payments not verified at national office (Continued)

### Management response

- All payments were signed off and subjected to internal controls to conclude payment process. In addition, all payments have been captured on the ACCPAC system. In this regard, on the 2019/20 financial year-end audit, AGSA did not raise any finding relating to these matters as raised in the special report. Refer to the 2019/20 audit report attached to this report as **Annexure L**

## 8. Paid transactions not recorded in accounting system

### AGSA recommendation

*The Agricultural Land Holding Account should record transactions in the accounting system in a timely manner and update the general ledger accordingly. This will allow for timely reconciliation of the paid-for transactions with the bank statement. Any reconciling items, whether errors or potential fraud, can then be followed up and attended to.*

### Management response

- Due to the hard Lockdown, some of the normal processes that are performed when dealing with transactions could not be performed initially. The Lockdown Regulations did not permit for all officials to be physically at work due to the risk of infections. However, all transactions were subsequently captured on the system once all necessary capacity was back and the AGSA was able to audit transactions during the 2019/20 annual audit – no material findings were made in this regard.

## 8. Paid transactions not recorded in accounting system... Contin....

### Management response

- All payments captured in the commitment register were then imported onto the financial system, which was audited together with the manual commitment register that shows the details of each voucher paid. In this regard the AGSA has not raised any findings relating to these matters as per the recently completed regularity audit. Refer to **Annexure L** (Audit Report). The 2019/2020 annual audit Management Report, which is a more detailed report, can be sourced by the Committee from the AGSA. **Annexure M**, is a screenshot of what was captured on the system, which is the same as the Table below.

Province	Number of Transactions	Amount
Eastern Cape	371	76 297 118
Free State	750	17 348 524
Gauteng	2805	37 442 906
Kwazulu Natal	7723	96 529 882
Limpopo	1733	96 341 851
Mpumalanga	1929	38 279 112
North West	4387	76 592 277
Northern Cape	1483	46 640 662
Western Cape	3341	63 376 989
<b>Grand Total</b>	<b>24522</b>	<b>548 849 320</b>

## 9. Payments made to suppliers without detailed invoices

### AGSA recommendation

*The Agricultural Land Holding Account should review the invoices received to ensure that they provide the details of the **commodities redeemed** by the farmers and should assess the prices charged for reasonability. For all the invoices where payment has already been made, the department should ask suppliers to provide detailed invoices or receipts that include the relevant commodity descriptions and prices.*

### Management response

All payments have been verified and are supported by evidence. In addition, all payments have been captured. In this regard the AGSA has not raised any findings relating to these matters as per the recently completed regularity audit. A sample of captured payments showing all necessary details is attached as **Annexure N**

## 10. Inadequate oversight by department officials

### AGSA recommendation

*The department should perform adequate site visits to verify the accuracy of information on the application form, such as the type of farming activities, the size of the land, the number of livestock, etc. This will ensure that the commodities were received and used for approved farming activities, which will result in the objectives of this initiative being achieved.*

### Management response

- Department constituted a team with provincial departments of Agriculture and deployed officials to conduct physical verifications as per recommendation by AGSA. All physical verifications have been completed. Over 300 officials were deployed from national to local level to provide oversight on the project. Detailed lists are attached as **Annexure O** to this report. The Department is still awaiting information from some of the provinces and will provide it in due course

## 10. Inadequate oversight by department officials (Continued)

### Management response

- In addition, the Department deployed 16 officials from the national office to provide oversight in the adjudication of applications and distribution of vouchers by provinces. A list of these national officials is attached as **Annexure P** to this report.
- Over 67 oversight meetings were held at a national level, most of which included Provincial Shared Services Centres, in order to monitor the distribution, collection and capturing of Applications; provide guidance regarding the approval of Applications; granting concurrence to approved Applications; providing briefing to the Director General and Minister. A list of the meetings is attached as **Annexure Q** to this report.
- There were 3 Mintech meetings to provide progress reports on the implementation of the CDASF. The dates were: 20 May 2020, 29 June 2020, 15 February 2021.
- There were 3 MinMEC meetings wherein Executive oversight was provided. The dates were: 21 May 2020, 29 June 2020 and 21 August 2020

## 10. Inadequate oversight by department officials (Continued)

### Management response

- Officials from both the DALRRD and Provincial Departments of Agriculture were deployed to conduct physical verifications of Applicants' farming operations. A list of the officials and the physical verifications is attached as **Annexure R** to this report. The list shows names of officials, applicants, coordinates of locations where the physical verifications were conducted.

## 11. Commodities bought unrelated to farming activities approved

### AGSA recommendation

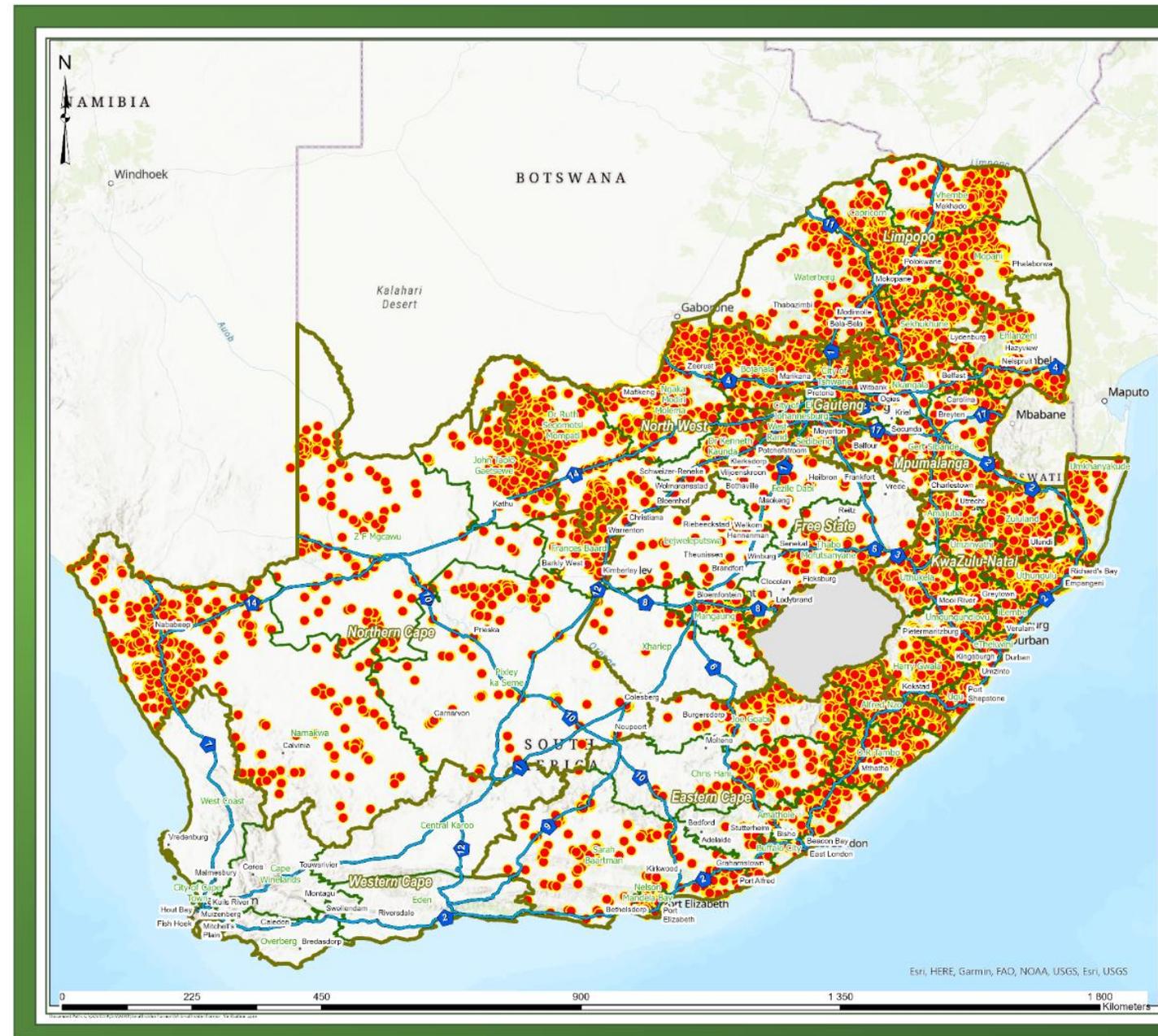
*Management should perform oversight to ensure that the necessary farm visits are conducted to verify the information indicated on the application form, such as the type of farming activities and the size of the land.*

### Management response

Department constituted a team with provincial departments of Agriculture and deployed officials to conduct physical verifications as per recommendation by AGSA. In total **17,162** physical verifications were conducted using Survey 123 Application. The following slides provide maps of locations where the verifications were conducted.

# National Outlook

- A total number of **17 162** farmers were verified using Survey 123 for the Covid-19: Smallholder Farmer Verification 1A.



**SOUTH AFRICA:  
COVID-19 RELIEF**

LOCALITY MAP

LEGEND

**Smallholder Farmer Verification 1A**

- Survey Point
- Towns
- National Roads
- Provinces
- District Municipality

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PROJECT

**SMALLHOLDER FARMER SURVEY**

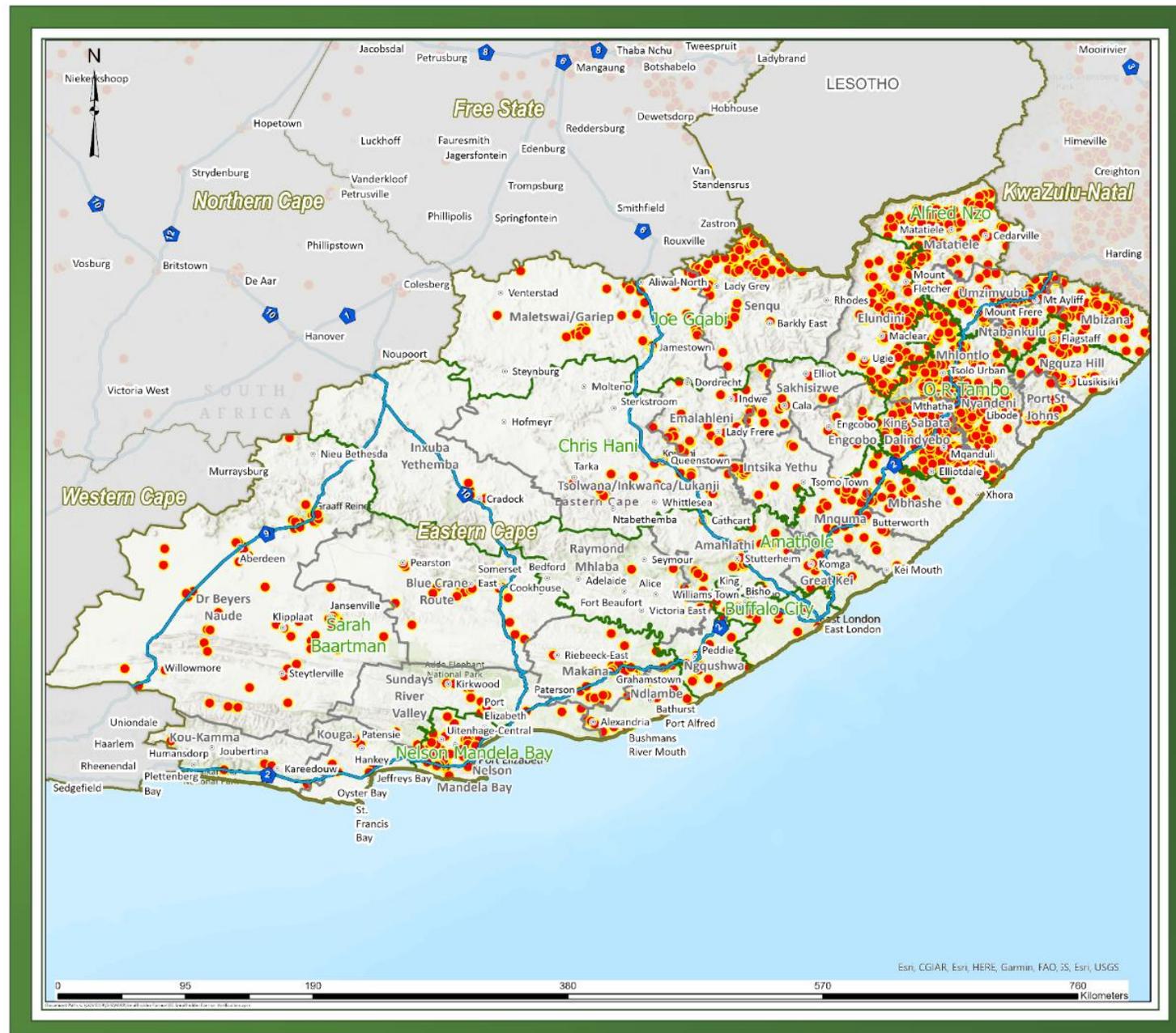
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# Eastern Cape Province

- A total number of **1 793** farmers were verified in the Eastern Cape Province.



**EASTERN CAPE:**

LOCALITY MAP

LEGEND

- ⊗ Towns
- Smallholder Farmer Verification 1A
- Survey Point
- National Roads
- ▭ Local Municipalities
- ▭ District Municipality
- ▭ Provinces

PROJECT

**Smallholder Farmers:  
Survey 123 Verification**

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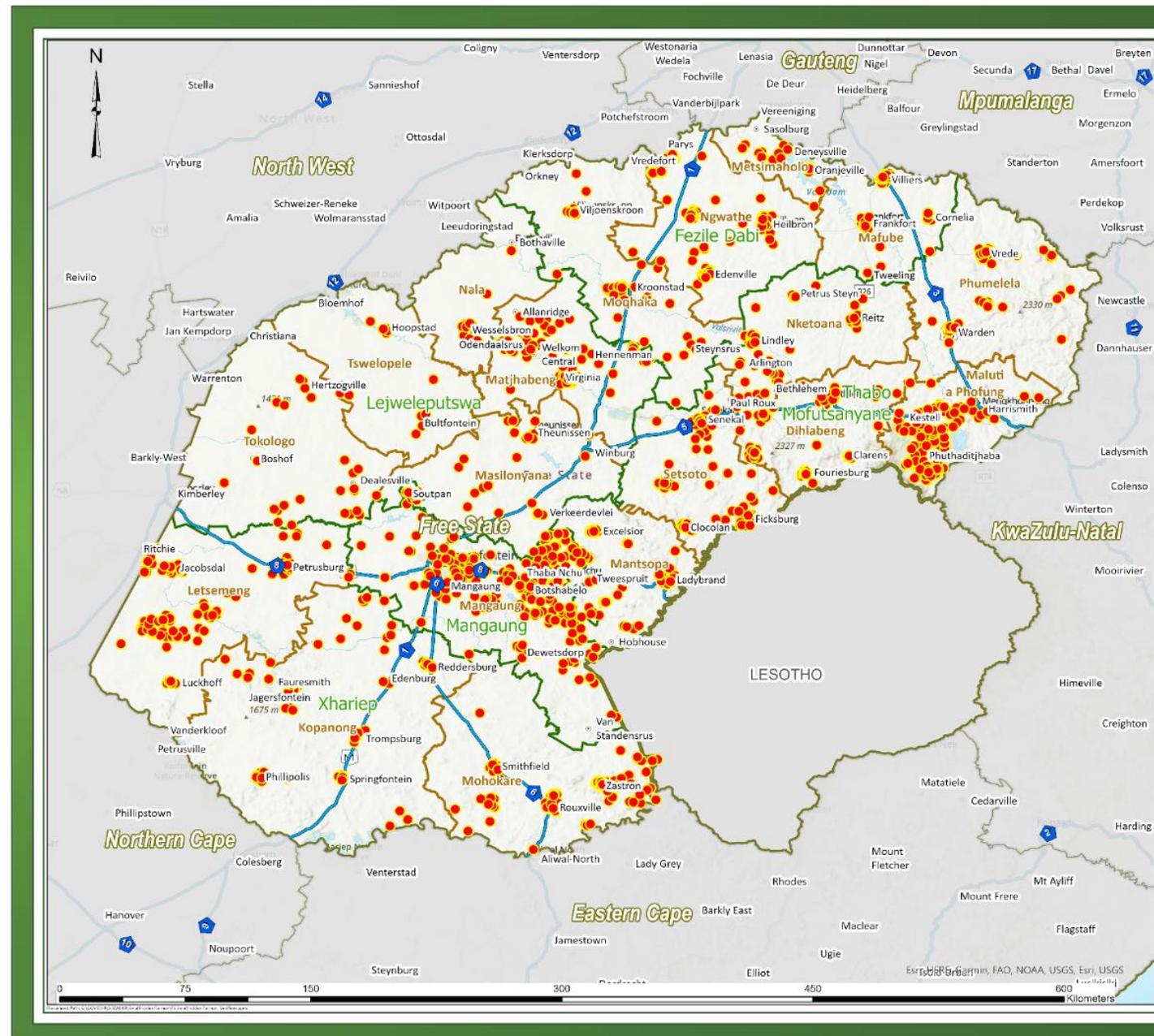
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# Free State Province

- A total number of **3 869** farmers were verified in the Free State Province.



**FREE STATE:**

LOCALITY MAP

LEGEND

- Towns
- FS Smallholder Farmer Verification 1A
- Survey Point
- National Roads
- Local Municipalities
- District Municipality
- Provinces

PROJECT

**Smallholder Farmers:  
Survey 123 Verification**

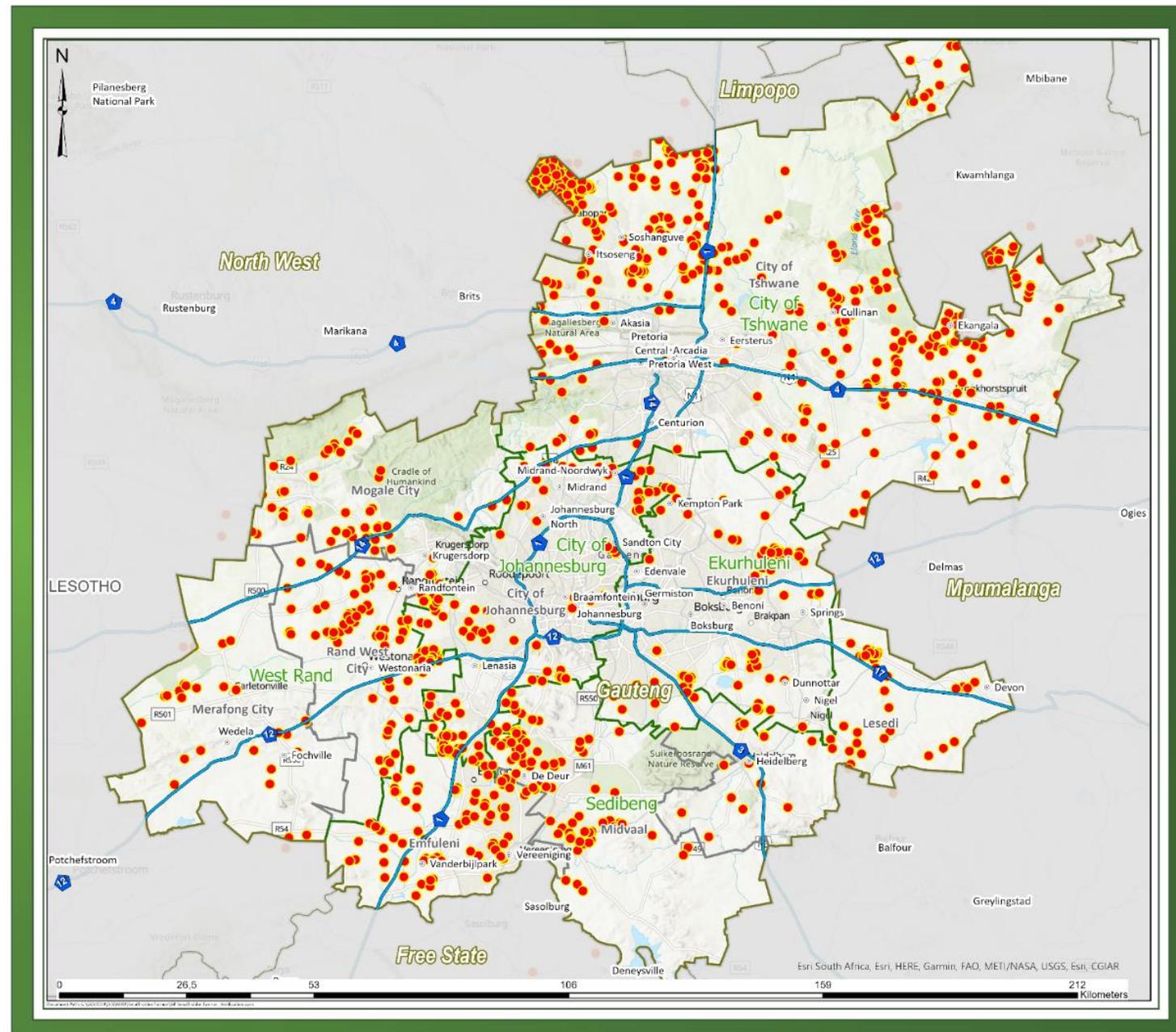
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# Gauteng Province

- A total number of **1 259** farmers were verified in the Gauteng Province.



**GAUTENG:**

LOCALITY MAP

LEGEND

- ⊗ Towns
- Smallholder Farmer Verification 1A
- Survey Point
- National Roads
- Local Municipalities
- ▭ District Municipality
- ▭ Provinces

PROJECT

**Smallholder Farmers:  
Survey 123 Verification**

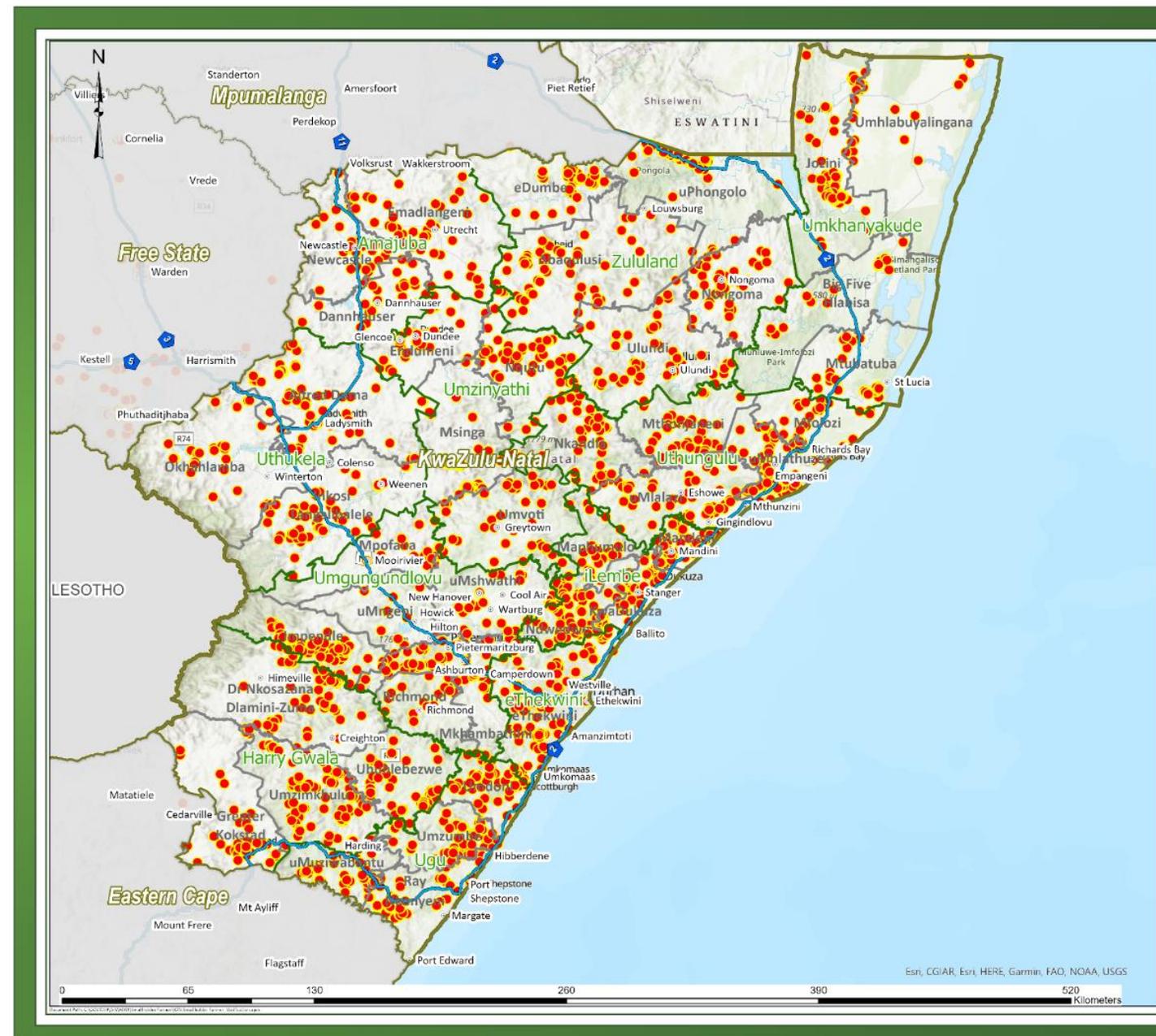
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# Kwa-Zulu Natal Province

- A total number of **2 709** farmers were verified in the Kwa-Zulu Natal Province.



**KWAZULU NATAL:**

LOCALITY MAP

LEGEND

- Towns
- Smallholder Farmer Verification 1A
- Survey Point
- National Roads
- Local Municipalities
- District Municipality
- Provinces

PROJECT

**Smallholder Farmers:  
Survey 123 Verification**

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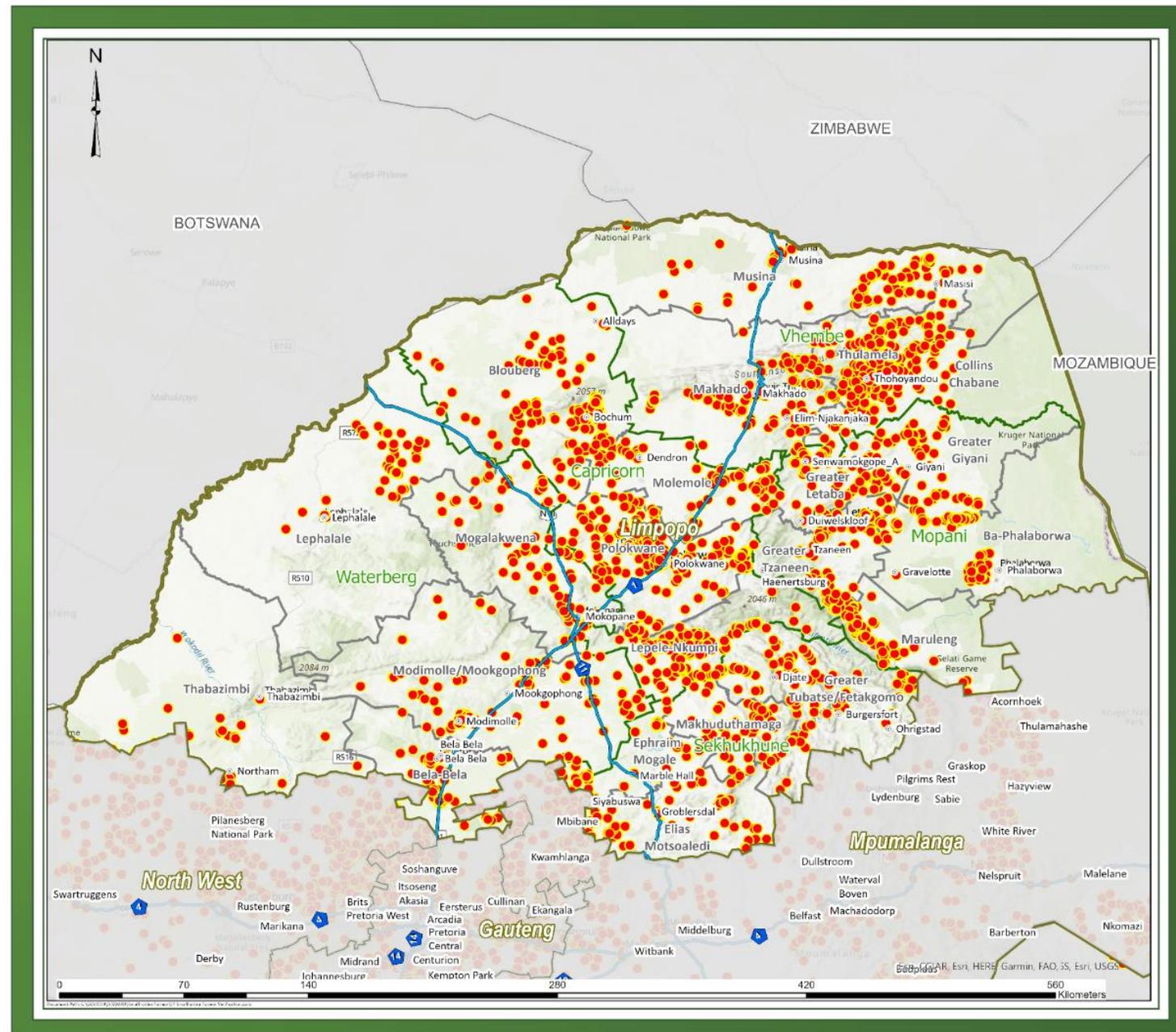
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# Limpopo Province

- A total number of **2 568** farmers were verified in the Limpopo Province.



**LIMPOPO:**

LOCALITY MAP

LEGEND

- Towns
- Smallholder Farmer Verification 1A
- Survey Point
- National Roads
- Local Municipalities
- District Municipality
- Provinces

PROJECT

**Smallholder Farmers: Survey 123 Verification**

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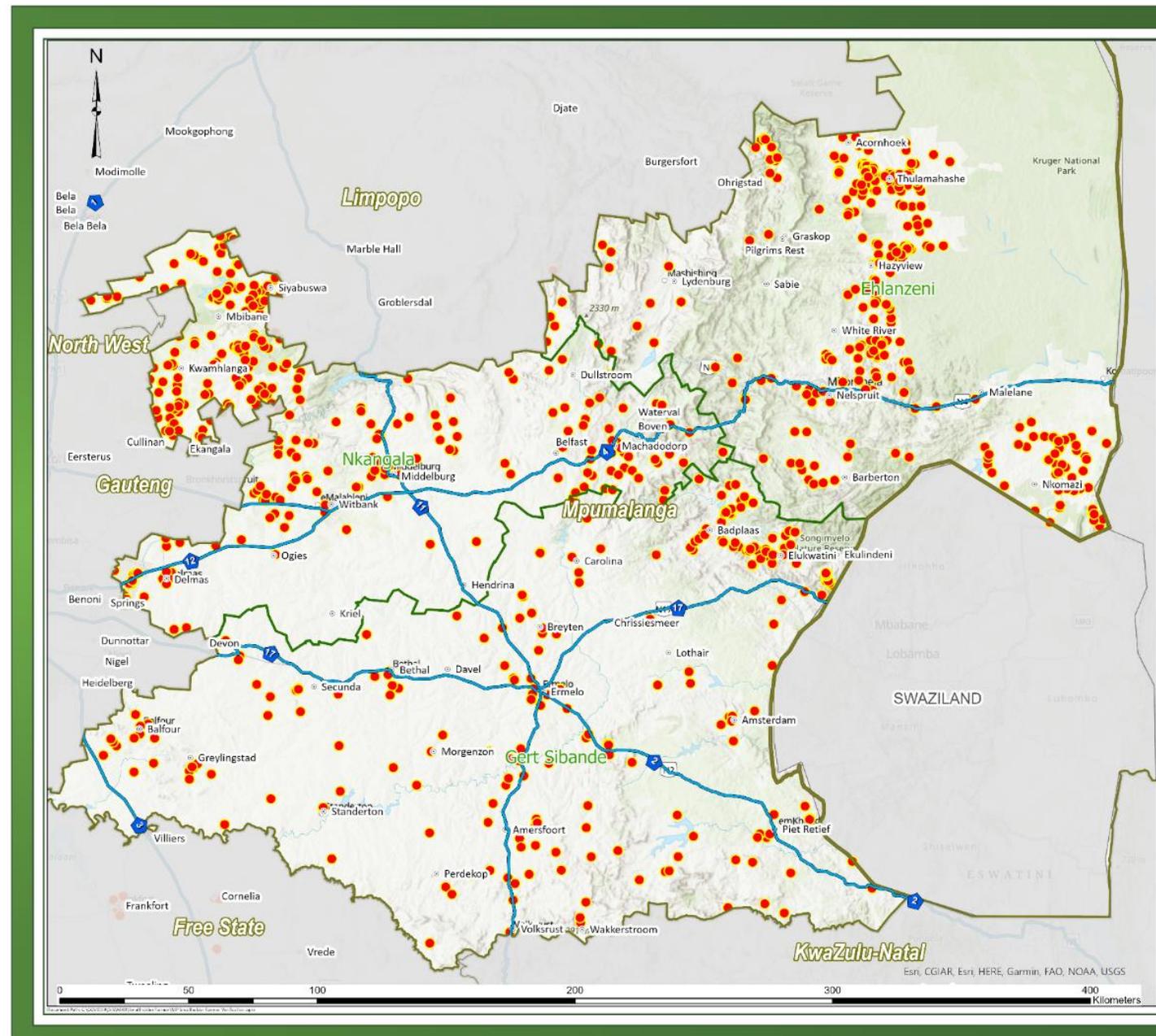
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# Mpumalanga Province

- A total number of **893** farmers were verified in the Mpumalanga Province.



**MPUMALANGA:**

LOCALITY MAP

LEGEND

- Towns
- Smallholder Farmer Verification 1A
  - Survey Point
  - National Roads
  - District Municipality
  - Provinces

PROJECT

**Smallholder Farmers: Survey 123 Verification**

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	RuGoitsemodimo	SMinnie

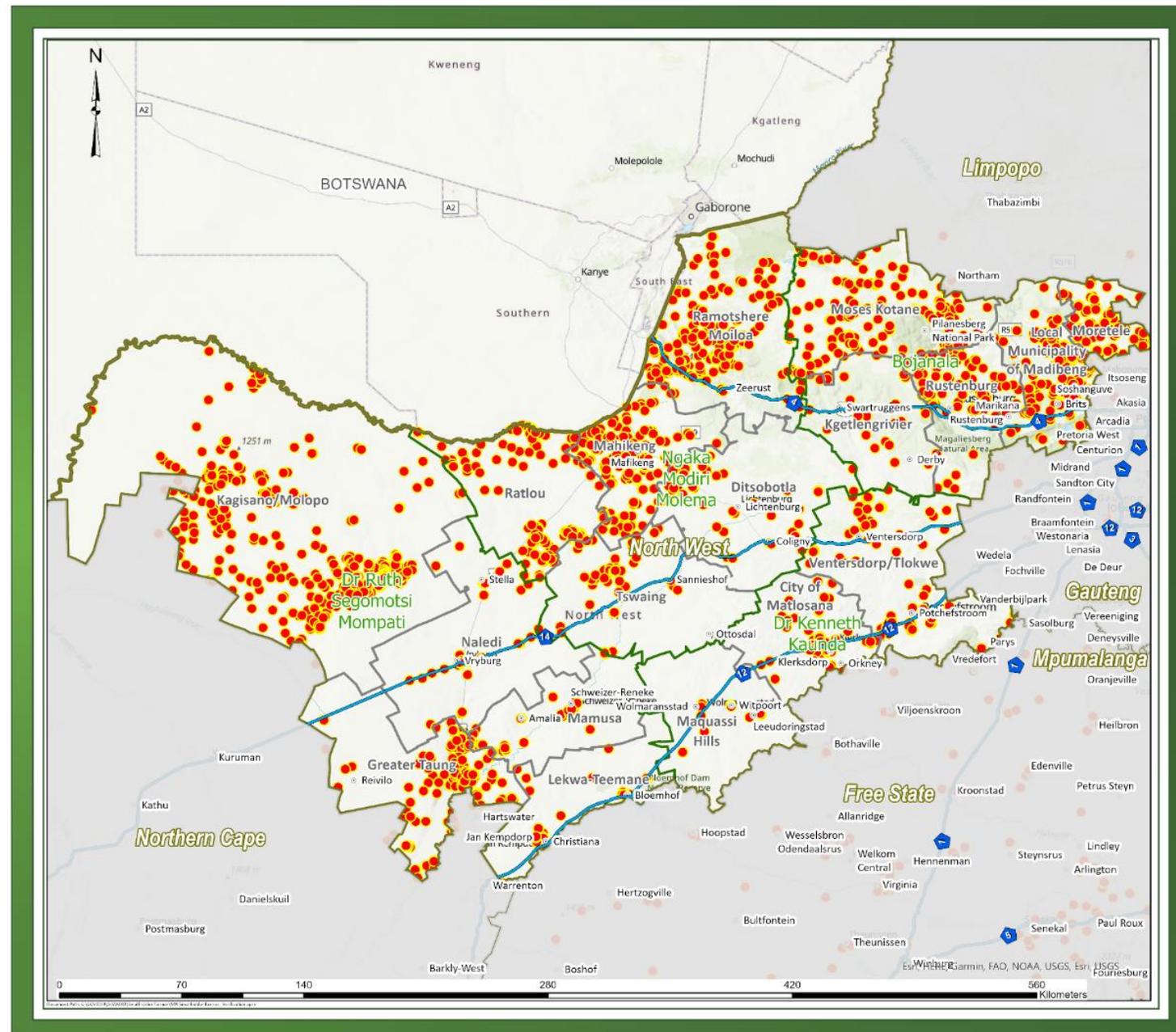
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# North West Province

- A total number of **2 666** farmers were verified in the North West Province.



**NORTH WEST:**

LOCALITY MAP

LEGEND

- ⊗ Towns
- Smallholder Farmer Verification 1A Survey Point
- National Roads
- Local Municipalities
- ▭ District Municipality
- ▭ Provinces

PROJECT

**Smallholder Farmers: Survey 123 Verification**

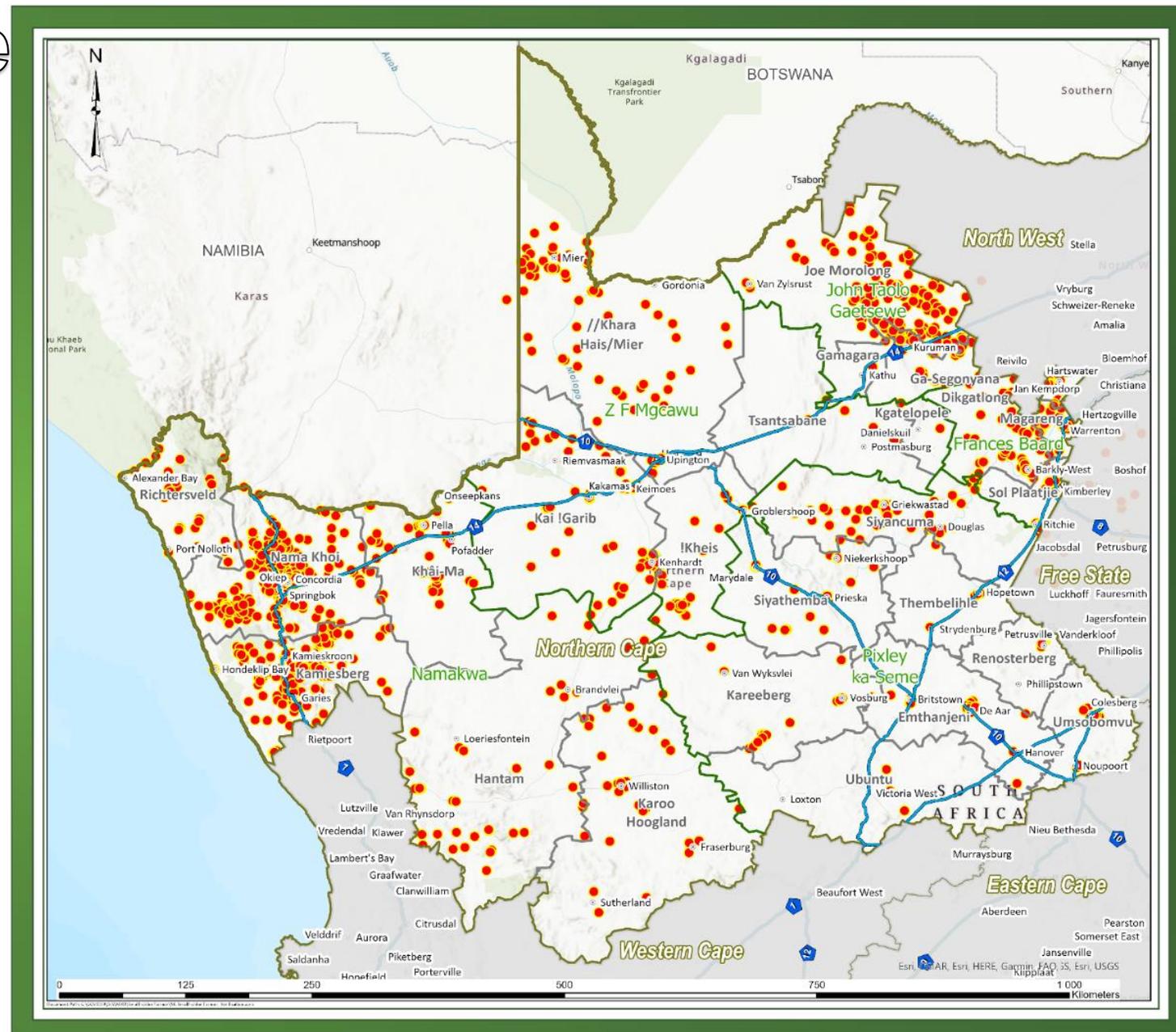
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DRAWING NO	DRAWN BY	CHECKED BY
	R.Gotsemadimo	S.Minnie

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**agriculture, land reform & rural development**  
Department: Agriculture, Land Reform and Rural Development  
REPUBLIC OF SOUTH AFRICA

# Northern Cape Province

- A total number of **1 405** farmers were verified in the Northern Cape Province.



**NORTHERN CAPE:**

LOCALITY MAP

LEGEND

- ⊗ Towns
- Smallholder Farmer Verification 1A
- Survey Point
- National Roads
- Local Municipalities
- District Municipality
- Provinces

PROJECT

**Smallholder Farmers: Survey 123 Verification**

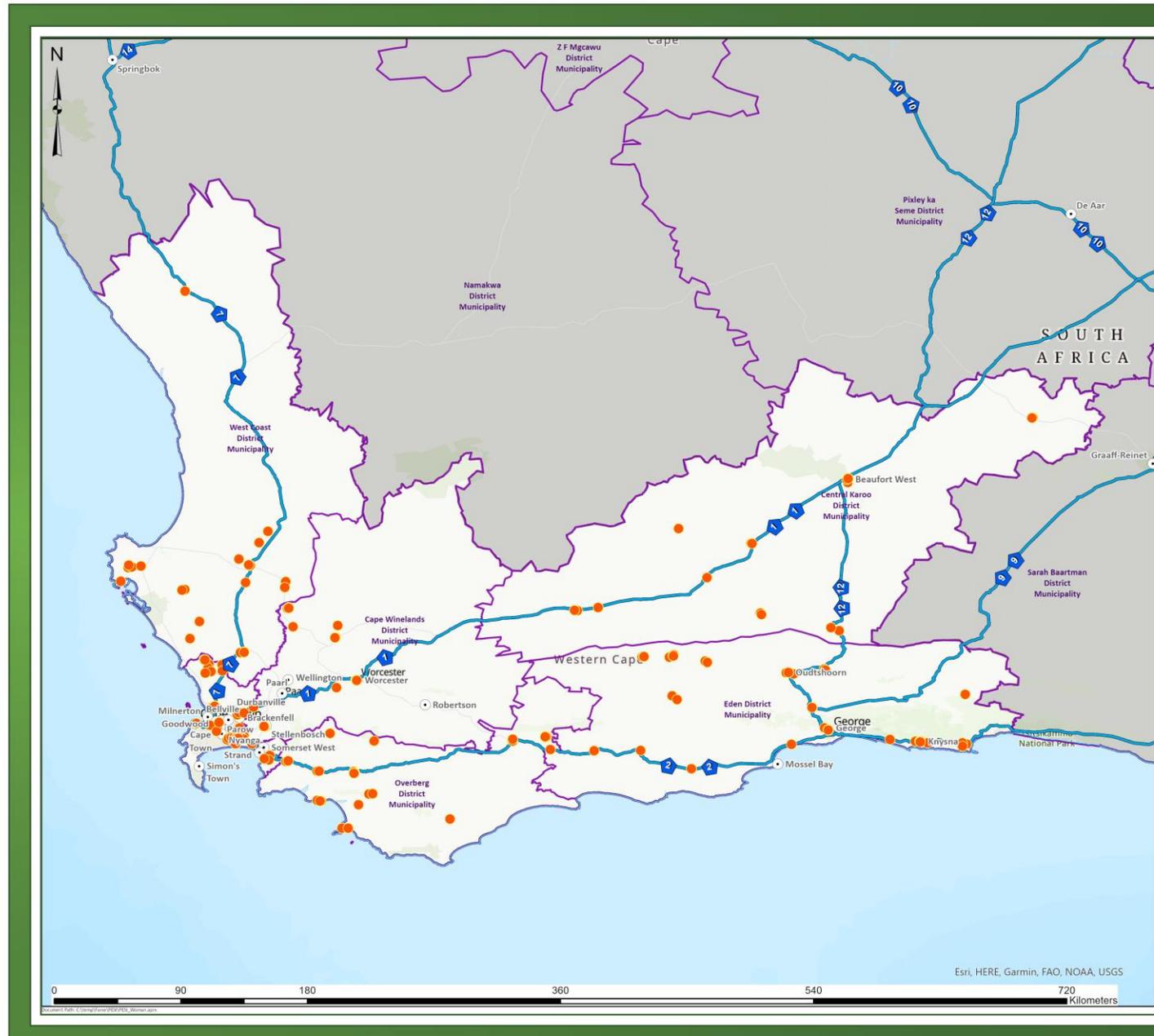
PROJECT NO	DATE	SCALE
	March 2022	1:3,547,480
DRAWING NO	DRAWN BY	CHECKED BY
	RoGoitsemodimo	SMinnie

Disclaimer: This project has been taken to produce accurate maps, all indications not prepared by the South African Department of Agriculture, Forestry and Fisheries. The accuracy of the data is not guaranteed. The SAGIS No 74 of 2003 204 meter contour lines are shown. ©2022

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# Western Cape Province

- A total number of **1 676** farmers were verified in the Western Cape Province.



**WESTERN CAPE  
CAPE TOWN**

LOCALITY MAP

LEGEND

- Survey Point
- Place Names
- National Roads
- Boundaries
- International Boundaries
- Coastline
- District Municipalities
- Provincial Boundaries

PROJECT

**Smallholder Farmers:  
Survey 123 Verification**

PROJECT NO	DATE	SCALE
	MARCH 2022	1:2 569 677
DRAWING NO	DRAWN BY	CHECKED BY
	KStorm	SMinnie

Disclaimer:  
Whilst great care has been taken to procure accurate data, all datasets not created by  
Branch Spatial Planning and Land Use Management fall outside their custodianship  
as defined in the SGI Act No 54 of 2003.  
224 Helen Joseph Street, Pretoria, 0002

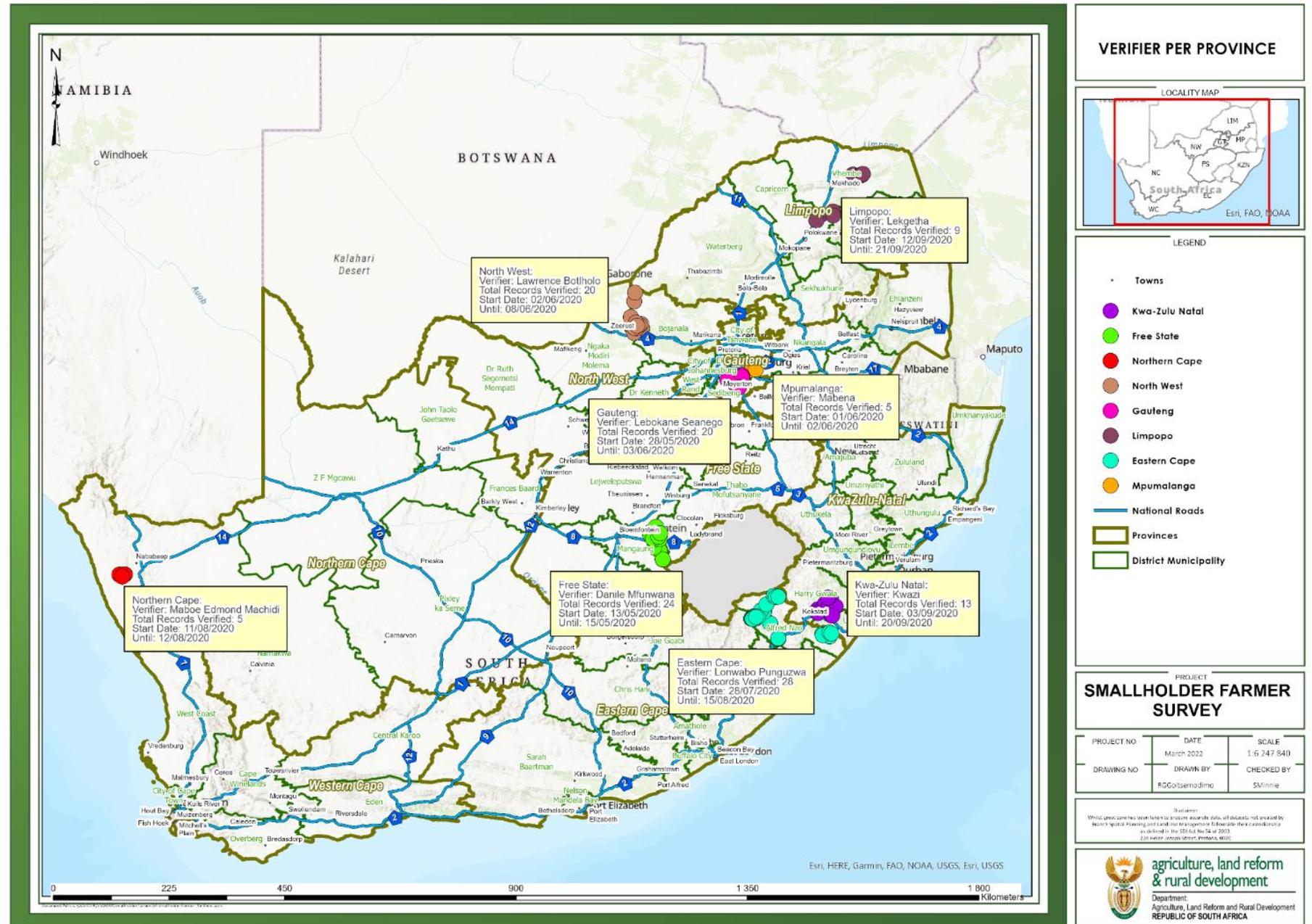
Esri, HERE, Garmin, FAO, NOAA, USGS

0      90      180      360      540      720  
Kilometers

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# Verifier per Province

- Randomly selected one verifier per Province as map sample.
- The information displayed, is the total number of surveys conducted per verifier, the start and end dates.



## 12. Limitation of scope

### AGSA recommendation

*Management should ensure that there are adequate controls in place to collect, track and provide the information requested; keep open communication where information is not available; and commit to a reasonable date to provide the information*

### Management response

The Department experienced regular office closures during the period of the implementation of the project as well as audit due to COVID-19 infections. Initially, offices would be closed for several days to allow for disinfection and therefore, some documents could not be availed to the AGSA on time. AGSA acknowledged the Department's response and indicated that all outstanding information was subsequently submitted. A list of dates during which offices were closed due to disinfections is attaches as **Annexure S**.

## 13. Inadequate distribution of cloth face masks and hygiene soaps

### AGSA recommendation

*Management should follow up to ensure that all goods and services paid for are received and provided to the intended beneficiaries.*

*Management should also implement a document management system for each directorate to ensure that information and documents are filed in an easily retrievable manner and can be submitted for audit without significant delays.*

### Management response

Distribution of PPEs was captured in manual registers, which are attached as **Annexure T** to this report. In some instances, the masks and soaps were received by organised agriculture for further distribution to farmers and farmworkers due to limited capacity to reach each and every farmworker. Records are still being collated from some provinces and will be provided in due course.

## 14. Inadequate supplier selection process

### AGSA recommendation

*The department should verify the tax compliance status of the suppliers that will submit invoices for redemption against the central supplier database before settling the invoices.*

### Management response

- Tax compliance is forever changing. It must be noted that a Supplier can be compliant at the time of selection or appointment and be non-compliant at the time of payment. The Department undertook verification at the provincial level of the tax compliance status in relation to suppliers at the time of appointment. In this regard none of the approved Suppliers were found to be non-compliant at the time of appointment.
- The Department acknowledges that there are Suppliers who have been paid whilst they were not compliant by the time of payment. Treasury Instruction No. 09 of 2017/2018 under paragraph 4.4 indicates that payment cannot be withheld where goods and services have been delivered successfully. Copies of CSD reports will be provided in due course. The CSD reports reflect a Supplier's tax status at the time of appointment.
- The following table is a summary of the number of Suppliers that were appointed by the Department and **Annexure U** to this report provides lists of Suppliers appointed in each province.

## APPROVED SUPPLIER LIST: YEAR 2020

Requirements:

- Complete list of products/Items that the supplier had in stock
- Physical address of the business from where farmers could redeem vouchers
- Completion of the Vendor form

Eastern Cape	49
Western Cape	24
Northern Cape	16
Free State	61
Gauteng	20
Kwa-Zulu Natal	25
North West	31
Limpopo	31
Mpumalanga	87
<b>TOTAL</b>	<b>344</b>

## 15. Deviation in procurement of PPE not reported to National Treasury

### ▪ AGSA Recommendation

- *Management ensure that department complies with procurement regulations and report deviation to National Treasury*

### ▪ Management Response

- The deviation was not reported to National Treasury within 30 days after procurement. Management acknowledges that the prescribed timelines were not adhered to.
- The report was eventually submitted to both the Office of the Chief Procurement Officer at National Treasury and the office of the Auditor-General in October 2020.
- After the audit performed by the AGSA, an investigation of the Special Investigation Unit (SIU) commenced. The SIU is investigating the procurement transaction of the supply of 3-ply face masks: Quantity 400 000 and total value: R11 500 000.00.
- The investigation is on-going and the outcome thereof is pending.

## 16. Approved applicants with invalid identity numbers

### AGSA recommendation

*Vouchers issued to non-South African citizen department should investigate possible fraudulent activities while canceling vouchers and recover for vouchers issued.*

### Management response

The Department identified 3 non-South Africans who benefitted from the COVID-19 Fund. Two of the Applicants are in Limpopo and one in Western Cape. The Western Cape has initiated recovery processes by issuing a letter of demand, which is attached herewith as **Annexure V** to this report. The Applicant has enlisted assistance of his attorneys to challenge the Department's stance. The Limpopo Applicants are to be issued with letters of demand on 25 March 2022

- ❑ The Department followed a two-pronged approach in addressing the AGSA's findings.
  - ❑ Firstly, the Department performed a retrospective analysis on the discrepancies raised and effected corrective measures. This retrospective analysis has yielded positive results as evidenced by the AGSA regularity audit outcome.
  - ❑ Secondly, from a forward-looking perspective, the Department has adopted automated processes to implement similar initiatives going forward. These automated processes have resulted in a significant improvement in the adequacy of controls and, by implication, the integrity of information and data.

It is recommended that the Portfolio Committee notes the Department's report and management response to the findings of the Auditor-General's two special reports on the Financial Management of Government's Covid-19 Initiatives.

Thank You.