



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on
the Environment

October 2022

*Briefing document on the
audit outcomes for the
Environmental portfolio:*

2021-22

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

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

1.2 Role of the AGSA

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a budgetary review and recommendations report (BRRR).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance given available resources
- An assessment on the effectiveness and efficiency of entities' use and forward allocation of available resource
- Recommendations on the forward use of resources

1.4 Mandate of the AGSA and the portfolio committee

Slide 2

AGSA mandate	Portfolio committee mandate
Section 188 of the Constitution	National Assembly Rule 227 Portfolio committees may, amongst other things, perform the following functions:



AGSA mandate	Portfolio committee mandate
<p>The AGSA must audit and report on the accounts, financial statements and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> • The AGSA must prepare an audit report containing an opinion/conclusion on the: <ul style="list-style-type: none"> ○ fair presentation of the financial statements ○ compliance with applicable legislation ○ reported performance against predetermined objectives. • Discretionary audits (including special audits, investigations and performance audits) <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> • issue a material irregularity • include recommendations in the audit report • take an appropriate remedial action • issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<ul style="list-style-type: none"> • Deal with bills and other matters falling within their portfolio, as referred to them in terms of the Constitution, legislation or rules, or by resolution of the assembly • Maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within its portfolio, any constitutional institution falling within its portfolio, and any other body or institution in respect of which oversight was assigned to it • Consult and liaise with any executive organ of state or constitutional institution • Monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution • Consult and liaise with any executive organ of state or constitutional institution • Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, these rules, the Joint Rules or resolutions of the Assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions.

1.5 Purpose of this document

The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

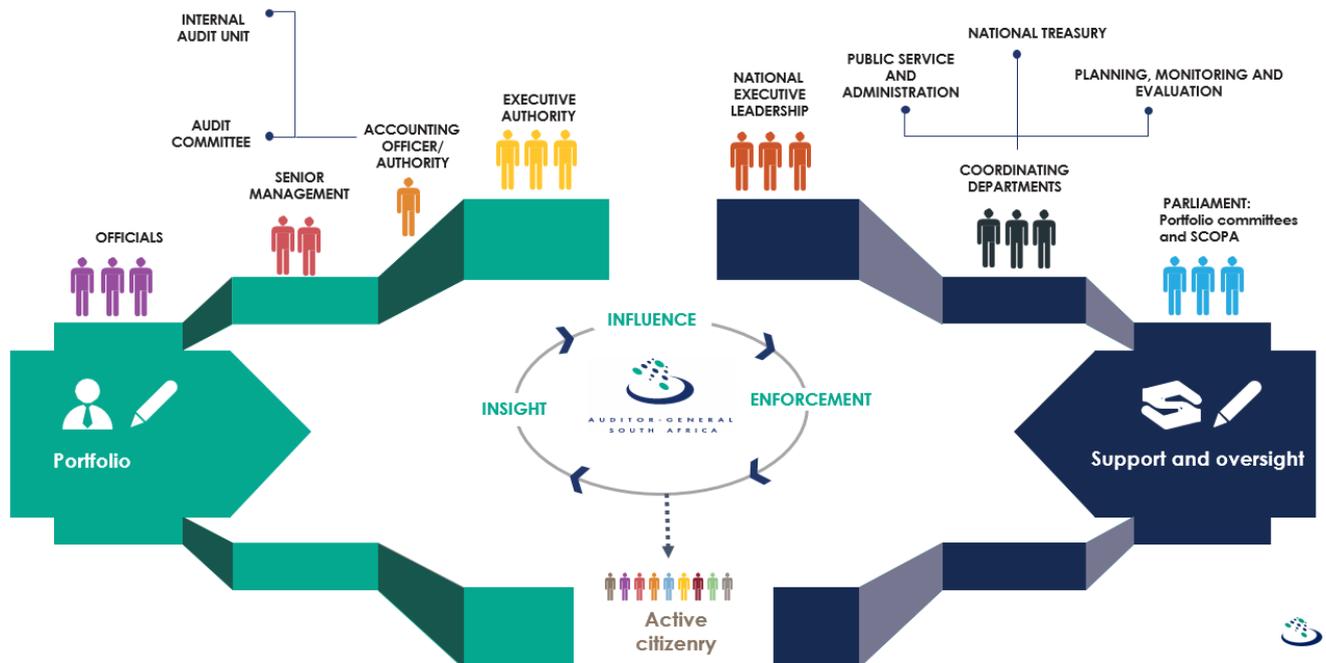
1.6 Shifting the public sector culture through the accountability ecosystem

Slide 3



All have role to play in national government accountability eco-system

3



- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.
- Given the nature of the AGSA's mandate, by the time that we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.
- Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.

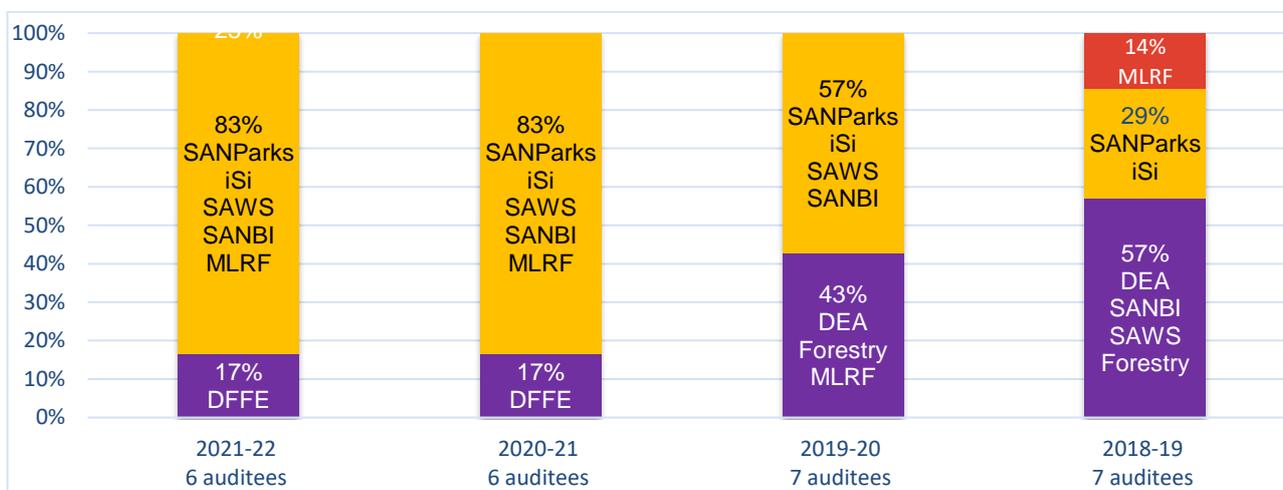
1.7 Audit outcomes explained

Unqualified opinion with no findings (clean audit)	Financially unqualified opinion with findings	Qualified opinion	Adverse opinion	Disclaimed opinion
				
<p>Auditee:</p> <ul style="list-style-type: none"> produced credible and reliable financial statements that are free of material misstatements reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP) complied with key legislation in conducting their day-to-day operations to achieve their mandate 	<p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> align performance reports to the predetermined objectives they committed to in APPs set clear performance indicators and targets to measure their performance against their predetermined objectives report reliably on whether they achieved their performance targets determine the legislation that they should comply with and implement the required policies, procedures and controls to ensure compliance 	<p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published. 	<p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements 	<p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

2. Improvement in audit outcomes over administration term

Slides 4 & 5

Four-year audit outcomes



Unqualified with no findings	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits
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2.1 Overview

- The ***overall audit outcomes of the portfolio remained stagnant***, with only the department receiving a qualified audit opinion.
- The **action plan prepared by DFFE management to address the prior year misstatements** was effective in resolving some of the qualification matters, relating to material limitations on the audit scope and non-disclosure of material items. **DFFE management successfully collaborated with the assurance providers** in using the limited time available after the conclusion of the prior year audit to address the matters resolved.
- The work performed was **however not sufficient to achieve an unqualified audit outcome**. Material misstatements were noted on the capital work in progress, immovable tangible assets and irregular expenditure disclosure balances.
- The financial statements provided by the public entities unfortunately **contained material misstatements, with the exception of SAWS and iSi**. These errors were **detected and corrected through the audit process** which resulted in the financial statements being unqualified therefore indicating some residual improvements in internal control still required in management's own processes.
- Some improvements were noted in compliance with key legislation as **SAWS, SANBI and iSi were able to successfully reduce the prior year matters to one material non-compliance finding in the current year**. Unfortunately, SANParks experienced an increase in non-compliance findings in the current year while the department continued to struggle with numerous compliance matters.

2.2 Detail on outcomes

Overview

We commend management of SAWS for submitting their reported performance information without material misstatements. The reported information submitted by iSi and MLRF contained misstatements, which were subsequently resolved resulting in the no material matters reported.

The indicators and targets were not well defined in the annual performance report for SANBI and SANParks, as the targets were not specific. They are also linked to key strategic objectives and may result in non-achievement of the strategic intent of these entities. The reported performance for certain indicators at the DFFE and SANParks was not supported by verifiable evidence and therefore was not reliable. This means that the performance reported by these entities may not be credible.

DFFE

Overall we noted that in 5 of the 9 programmes the department had not achieved a minimum of 70% of their performance targets. Programme 7 reflected a 57% achievement of their planned targets, while programme 8 reflected a 71% achievement indicating room for improvement. Furthermore, the mentioned programmes were audited in the 2021/22 financial year, and material findings were noted. Goods and services form a significant portion of the actual expenditure within programme 7 and this is due to the waste tyre management expenditure, in which the Waste Bureau payments are made. Programme 8's achievement exceeds the extent of payments made within the programme, which is commendable and should be improved going forward to ensure that the department improves the lived experiences of the citizens.

SAWS



The SAWS has achieved most of their targets and this is commendable. The targets audited in the programme selected for audit were speaking to the availability of the weather forecasts, as well as the accuracy of aerodrome warnings which relate to the primary mandate of the entity of providing meteorological services. The extent of achievement of targets in relation to the actual expenditure is good with the exception of the Infrastructure and information systems programme in which the spending did not translate to an equivalent achievement of targets. This was due to instrument failure and a lack of timeous maintenance that will ensure that the infrastructure is working optimally and more consistently.

SANParks

SANParks exceeded the budget however, not all the targets were fully achieved, this is mainly due to the budget cut in 2022 financial year in order to break- even and comply with PFMA 53(4). The overspending was funded by the approved roll over of funds from the previous years. Most targets were met, however only 60% of the targets were achieved in goal 2, this is due to 3 products that were implemented against the target of 10 planned new and diverse tourism products to attract domestic visitors. In addition the responsible tourism audits were not conducted in all the 4 parks as planned. The non-achievement in goal 1 was due to a decline in the rhino population and less animals delivered to African Range State. The above then reflects that a reasonable effort was made to execute the mandate of conservation, protection and management of parks services.



2.2.1 Findings on the audit of the annual performance report and achievement of targets

Slides 7 – 9

Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
DFFE	<p>Programme 7 – chemicals and waste management</p> <p><u>Indicator: Percentage waste diverted from landfill sites (prioritised waste streams)</u> Some planned targets for indicator percentage waste diverted from landfill sites (prioritised waste streams) as per the approved revised annual performance plan and the performance against the planned target were not reported in the annual performance report. I was unable to obtain sufficient appropriate audit evidence for the achievement of 12, 52% tonnes of waste tyres diverted reported against the target of 15% waste tyres in the annual performance report due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.</p> <p><u>Indicator: Number of waste management legislative and regulatory instruments developed</u> The achievement of situational analysis report for draft green public procurement strategy for stimulating demand of construction and demolition waste developed was reported against target situational analysis report for draft green public procurement strategy for stimulating demand of construction and demolition waste developed in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement.</p> <p><u>Percentage decrease of HCFC consumption</u> The achievement of 60.4% HCFC Quantity Reduction was reported against target HCFC consumption reduced by 40% in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement.</p>	8 out of 14 (57 %)	The department may not be making significant progress in achieving its mandate as a result various reasons, resulting in the NEMA and other applicable laws not being fully complied with.



Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
DFFE	<p>Programme 8 – forestry management</p> <p><u>Indicator: Number of small contractors trained on various practices such as harvesting, chainsaw operations, business management and essential labour-related practices in the sector</u></p> <p>I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined evidence to be used when measuring the actual achievement for the indicator. This was due to lack of measurement definitions and processes. I was unable to test whether the indicator was well defined by alternative means.</p> <p><u>Indicator: Various indicators</u></p> <p>I was unable to obtain sufficient appropriate audit evidence for the reported achievements of five of the 15 indicators relating to this programme. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators identified. The approved changes to some of the targets per the initially approved annual performance plan were not disclosed in the annual performance report</p> <p><u>Indicator: Number of hectares in State forests rehabilitated (clearing of alien invasive)</u></p> <p>The achievement of 200ha of state indigenous rehabilitated forests rehabilitated (clearing of alien invasive) was reported against target of 200ha rehabilitated in the annual performance report. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence to substantiate the reported achievement. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.</p>	10 out of 14 (71 %)	The forestry management unit is reliant on service providers for the achievements of some of their targets therefore the work that has not been completed in the current year might create a backlog in the coming years that will result in the department being unable to deliver on the mandate. This will further impact on the lack of adequate management of the plantations resulting in losses because of the department not being able benefit from their investments.



Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
SANParks	<p>Outcome goal 1 – Sustainable biodiversity and cultural heritage across land and sea delivers benefits for the people of SA and the world, now and in the future</p> <p><u>Sub-outcome 2: Effective and efficient management of national parks - Percentage of METT corrective actions implemented</u></p> <p>The method of calculation for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement of 73.3% progress against identified Management Effectiveness Tracking Tool (METT) corrective action against target reported against target ≥ 70 per cent progress against identified METT in the annual performance report.</p> <p><u>Sub-outcome 2: Effective and efficient management of national parks - National parks and MPAs assessed</u></p> <p>I was unable to obtain sufficient appropriate audit evidence for the achievement of 20 national parks assessed (85% of parks with a score of $> 67\%$ threshold score) and 6 MPAs assessed (33% of MPA with a score of $> 67\%$ threshold score) reported against target 20 national parks (80% of National parks with a score of $> 67\%$ threshold score) and 6 MPAs assessed (33% of MPA with a score of $> 67\%$ threshold score) in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement</p>	2 out of 2 (100 %)	Not applicable as all targets were achieved
SANBI	<p>Programme 1 – National Botanical Gardens and National Zoological Gardens</p> <p><u>Indicator: 5 new infrastructure projects completed in the established NBGs or NZGs</u></p> <p>The planned target of 5 new infrastructure projects completed in established NBGs or NZGs is not specific in clearly identifying the nature and required level of performance of the infrastructure project when the target was set.</p>	11 out of 11 (100 %)	Not applicable as all targets were achieved



Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
	<p>The planned target of 5 new infrastructure projects completed in established NBGs or NZGs is not specific, it not clearly identify new infrastructure means projects started and completed in the under review or whether the new means that new infrastructure projects that have not been part of the SANBI assets in the past which can be a multi year projects or short term projects (started and completed in the same year)</p> <p><i>Indicator: Number of indigenous species added to the living collections of the national botanical gardens and/or MSBP.</i></p> <p>The planned target of at least 100 indigenous plant species added to the living collections of the combined network of NBGs and/or the Millennium Seed Bank Partnership for this indicator was not specific in clearly identifying the nature and required level of performance. The planned target of at least 100 indigenous plant species added to the living collections of the combined network of NBGs and/or millennium seed bank partnership is not specific and did not clearly differentiate between NBG or MSBP, the targets stated that combined network of NBGs and/or Millennium Seed Bank Partnership and did not clearly the actual number to be achieved.</p>		



2.2.2 Value for money and service delivery audit



Slides 10 & 11

We could not confirm that the department is effectively implementing the waste management initiatives and facilitation of sustainable socio-economic growth and development opportunities and strategies in the environmental sector.

Ultimately the lack of and inadequate reporting on such key information does not assist in ensuring that interventions put in place to control pollution and reducing the impact of waste on the environment and ordinary citizens have not been implemented accordingly.

Inadequate monitoring of the waste management implementation plan:

The department did not report on 3 out of the 4 targets that are aimed at measuring waste diverted from landfill sites (E-waste, lighting waste, paper and packaging waste) that were removed during the mid-term review. This was due to changes in EPR Regulations during the financial year. These targets are meant to measure the threats on environmental quality and human health.



The department did not have processes in place to measure the amount of tyres that have been processed by the tyre processors. As a result, a material misstatement was reported on the remaining target. Therefore the impact of the diversion of waste tyres from landfill sites could not be measured reliably.

The following control deficiencies were noted within waste tyre management:

- Inadequate contract management resulting in contracts with depot operators ending and/or extension required
- Delays in paying depot owners resulting in them restricting access to depot operators

These deficiencies have a direct impact on the rate at which the tyres are processed possibly resulting in tyre pile up and consequentially hampering the successful management of waste tyre management.

2.2.3 Material irregularities

Slides 15, 16 and 17

Definition: A material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

Auditees in the portfolio scoped in

	2021-22	2022-23
Auditees	DFFE SAWS	SANParks SANBI iSi MLRF



Material irregularities identified during current year audit

No material irregularities were confirmed as at financial year end, however there are MIs currently being consulted on. Engagements are on-going with the affected auditee.

2.2.4 Findings on the audit of financial statements**Slide 20**

Auditee	Outcome	Details on qualification areas
DFFE	Qualified	<p>Irregular expenditure – Incomplete disclosure of irregular expenditure incurred by the department, which was expenditure from contracts previously communicated by the audit team as findings in previous audits.</p> <p>Capital work in progress – The department did not adequately account for the project related costs as required by MCS, as the department did not consider whether expenditure incurred was directly or indirectly attributable to the construction of the assets. As a result, the misstatements to capital commitments and the prior period error note could not be determined.</p>
SANParks	Unqualified	No qualification areas on financial statements.
SAWS	Unqualified	No qualification areas on financial statements.
SANBI	Unqualified	No qualification areas on financial statements.
iSi	Unqualified	No qualification areas on financial statements.
MLRF	Unqualified	No qualification areas on financial statements.



2.2.5 Financial health risk

Slide 21

The debt-collection period exceeded 90 days at SANParks which reflected a deficiency in the debt management controls. Furthermore, SANParks incurred expenditure that exceeded the approved budget, which is currently disclosed as alleged irregular expenditure in the entity's financial statements. No further significant financial health risk was noted in the portfolio.

2.2.6 Irregular expenditure analysis

Slide 24

During the year under review, auditees incurred irregular expenditure amounting to R975 million, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 57,6% compared to the prior year. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
DFFE	SCM objectivity	603 068 000	Objectivity criteria not applied as prescribed by the Preferential Procurement Policy Framework Act (PPFA) mainly from ongoing contracts; Procurement of services not in line with Service Level Agreements (Working-on-Fire); and Procurement without following competitive bidding or quotation process	Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive for the majority of the indicated awards.
	Waste Bureau	270 338 000		
	EPIP	486 000		
	SCM non-compliance	3 360 000		
	NRM: Working on Fire	<u>11 002 000</u>		
		<u>888 254 000</u>		



			Poor contract management resulting in payments for goods or services not indicated in the MOA.	
SANParks	Irregular expenditure: Current year Irregular expenditure: Prior year	24 128 000 <u>12 697 000</u> <u>36 825 000</u>	Procurement without following competitive bidding or quotation process.	Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive for the majority of the indicated awards.
SANBI	Irregular Expenditure	8 712 501	Procurement without following competitive bidding or quotation process.	Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive for the majority of the indicated awards.
iSi	Irregular Expenditure	41 240 986	Services that were procured from suppliers who did not meet the pre-qualifying evaluation criteria.	Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive for the majority of the indicated awards.
SAWS	Irregular Expenditure	353 303	Payments made on expired contracts.	Other – Contract management deficiencies
Total IE disclosed		975 385 790		



2.2.7 Fruitless and wasteful expenditure analysis

During the year under review, the auditees incurred fruitless and wasteful expenditure amounting to R9 million, which was disclosed in the financial statements. The analysis of fruitless and wasteful expenditure shows a significant decrease when compared to the prior year. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
DFFE	Fruitless and wasteful expenditure	9 016 000	Fruitless and wasteful expenditure was incurred by DFFE due to work not completed by the implementing agents, depots that are non-compliant and overpayment of suppliers.	Incurring of financial losses
SANParks	Fruitless and wasteful expenditure	10 000	No shows fees, cancellations and after hours booking fees being incurred.	Incurring of financial losses
Total FWE disclosed		9 026 000		

2.2.8 Findings on compliance with legislation

Slides 22 & 23

Some improvements were noted in compliance with key legislation as SAWS, SANBI and iSi were able to successfully reduce the prior year matters to one material non-compliance finding in the current year. Unfortunately, SANParks experienced an increase in non-compliance findings in the current year while the department continued to struggle with numerous compliance matters.

The following material non-compliance issues were identified and reported:



Finding	Auditees	Root cause
<p><u>Annual Financial Statement</u> The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework. Material misstatements identified by the auditors in the submitted financial statements were corrected (except where auditees were qualified).</p>	<ul style="list-style-type: none"> • DFFE • SANParks • SANBI • MLRF 	<p><u>DFFE</u> The effectiveness of the action plan was not timely enough to ensure that all prior year findings are resolved prior to the submission of the AFS for audit purposes.</p> <p><u>SANParks, SANBI, MLRF:</u> Inadequate review and validation of the amounts as per financial statements against the underlying supporting evidence due to time constraints. The material misstatements could have been avoided had timeous reviews been performed and corrections been made.</p>
<p><u>Expenditure Management</u> Effective and appropriate steps were not taken to prevent <u>irregular expenditure</u>, as required by section 51(1)(b)(ii) of the PFMA.</p>	<ul style="list-style-type: none"> • DFFE • SANParks • SAWS 	<p><u>DFFE</u> There is improvement in the extent of procurement and contract management findings noted, however as new cases of non-compliance were noted in the current year, such cases resulted in irregular expenditure being incurred. The irregular expenditure was therefore as a result of a lack of monitoring controls within the SCM environment and the procurement function being decentralised.</p> <p><u>SANParks</u> Management did not adequately review and monitor compliance to ensure compliance with the applicable laws and regulations in some instances.</p> <p><u>SAWS</u> Management did not always ensure that contracts that are due to expire are extended using the legislated expansion approval procedure, and that new contracts are entered into timeously to prevent payments being made on expired contracts.</p>



<p><u>Expenditure Management</u> Effective steps were not taken to prevent fruitless and wasteful expenditure as required by section 51(1)(b)(ii) of the PFMA.</p>	<ul style="list-style-type: none"> • DFFE 	<p><u>DFFE</u> Management did not implement adequate controls that ensure that payments are made for goods and services that have been received.</p>
<p><u>Consequence Management</u> I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.</p>	<ul style="list-style-type: none"> • DFFE • SANParks 	<p><u>DFFE</u> The department had not investigated the irregular, fruitless and wasteful expenditure that related to the 2020-21 financial year as the department had prioritised the investigation of irregular expenditure arising from the 2017-18 financial year. This decision was based on the magnitude of the latter irregular expenditure disclosed.</p> <p><u>SANParks</u></p> <ul style="list-style-type: none"> • The determined disciplinary action was not implemented against individuals that had caused irregular expenditure. • No investigations had been performed on the fruitless and wasteful expenditure incurred in the prior year.
<p><u>Strategic planning and performance management</u> Specific information systems were not implemented to enable the monitoring of progress made towards achieving targets, core objectives and service delivery as required by public service regulation 25(1)(e)(i) and (iii).</p>	<ul style="list-style-type: none"> • DFFE 	<p><u>DFFE</u> Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Strategic Management, monitoring and evaluation did not ensure that the information reported by the branches is adequately verified and validated to ensure that the reported information in the quarterly reports (and subsequently the Annual Performance Report) is valid and supported by the accurate and reliable information.)</p>



2.2.9 Consequence management

Slide 25

The following material non-compliance issues relating to consequence management were identified and reported:

Finding	Auditees	Root cause
I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section and 38(1)(h)(iii) and 51(1)(e)(iii) of the PFMA.	<ul style="list-style-type: none"> • DFFE • SANParks 	<p><u>DFFE</u> The department had not investigated the irregular, fruitless and wasteful expenditure that related to the 2020-21 financial year as the department had prioritised the investigation of irregular expenditure arising from the 2017-18 financial year. This decision was based on the magnitude of the latter irregular expenditure disclosed.</p> <p><u>SANParks</u></p> <ul style="list-style-type: none"> • The determined disciplinary action was not implemented against individuals that had caused irregular expenditure. • No investigations had been performed on the fruitless and wasteful expenditure incurred in the prior year.

2.2.10 Other important matters

Investigations

DFFE

At the request of the department, independent consultants are investigating allegations of fraud, covering the period 2019 to 2022. The outcomes of most of the investigations are still to be determined and are expected during the 2022-23 financial year.

SAWS



An independent consultant was investigating an allegation of a lack of implementation of segregation of duties at the request of the public entity, pertaining to an incident that occurred during the 2021/22 financial year. The outcome of the investigation was not yet determined.

2.2.11 Internal controls

The significant deficiencies in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Auditee	Leadership	Financial and performance management	Governance
DFFE	<ul style="list-style-type: none"> The department did develop and monitor audit action plans but they were not fully effective to address internal control deficiencies, which resulted in some of the prior year misstatements not being addressed. 	<ul style="list-style-type: none"> The department controls over daily and monthly processing and reconciling of transactions were not fully effective. As a result, several matters resulting in material misstatement of the AFS and APR were identified during the audit. The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting this included information that related to the collection, collation, verification, storage and reporting of actual performance information. The department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information, which resulted in material misstatements being identified during the audit. 	<ul style="list-style-type: none"> None identified



		<ul style="list-style-type: none"> Management did not institute consequence management processes on the prior year reported instances of irregular and fruitless & wasteful expenditure incurred as it focused on addressing the backlog disciplinary process from 2017 to 2020 financial year. 	
SANParks	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> The financial statements contained material misstatements due to inadequate review of financial statements against the supporting schedules, resulting in material adjustments being made to the financial statements submitted for auditing. Management did not ensure that consequence management was fully implemented for the irregular and fruitless and wasteful expenditure incurred in the previous financial years, due to expiry of the term of the loss control committee and delays in reappointing members for the committee and also not implementing recommendations of the loss control committee. The control deficiencies on the METT, a system of the department that controls the entity, resulted in limitations in confirming the reliability of the reported achievements on the METT scores for the current financial year, as there were no other reliable alternative methods of calculating the scores. 	<ul style="list-style-type: none"> None identified



		<ul style="list-style-type: none"> Management did not ensure that the planned target of METT corrective actions clearly identified the nature and required level of performance and was measurable. 	
SAWS	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> Compliance monitoring controls in place were effective in reducing the expenditure incurred in contravention with the PFMA, but were however inadequate in eliminating the repetition of material non-compliance with legislative requirements. 	<ul style="list-style-type: none"> None identified
SANBI	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> The technical indicator descriptions and relevant planning documentation for some performance indicators were not compiled in a manner that ensured that ambiguity enclosed in their targets were clarified at the start of the financial year resulting in the indicator being not well defined. The review process of the financial statements was inadequate to ensure compliance with the reporting framework which resulted in material adjustment to the financial statements through the audit process. 	<ul style="list-style-type: none"> None identified
iSi	<ul style="list-style-type: none"> Notwithstanding the accounting authority's oversight and monitoring, there were still minor inadequacies that resulted in non-compliance with legislation relating to procurement and contract management as proactive 	<ul style="list-style-type: none"> The annual performance report contained misstatement that were corrected. This was mainly due to inadequate review of the performance report by management. 	<ul style="list-style-type: none"> None identified



	means to monitor compliance with legislation were not adequately implemented and monitored.		
MLRF	<ul style="list-style-type: none"> Leadership did not provide adequate direction through effective monitoring of action plans and oversight to prevent or detect misstatements in the financial statements and the performance report, and ensure compliance to laws and regulations. 	<ul style="list-style-type: none"> Management’s processes for the preparation and review of financial statements were not sufficient to ensure full compliance with the financial reporting framework (GRAP). 	<ul style="list-style-type: none"> None identified



3. Main root causes, recommendations and commitments for the portfolio

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All role players should continue to work together to strengthen the capacity, processes and controls of entities in the portfolio, which will enable credible financial and performance reporting, compliance with key legislation, sound financial management and improved service delivery.

Overall root causes of significant findings in the Environmental portfolio

Root cause	Recommendation	Commitment
Deficiencies in the quality assurance controls that ensure that the reported performance information is supported by credible and reliable supporting evidence (DFFE, SANParks).	Assess the credibility of the source documentation used to validate reported achievements	Accounting authorities and the DG to follow up on the progress of implementation of audit action plan on a quarterly basis.
Inadequate consideration of the SMART criteria in planning and defining the planned indicators and targets (DFFE, SANParks, SANBI)	Revisit the process followed in determining and defining annual indicators and targets to ensure that they are well defined and that targets are specific.	
Inadequate controls were put in place by management to prevent material non-compliance findings (DFFE, SANParks, SANBI, iSi, MLRF).	Institute reviews of the implementation of compliance monitoring control in place to reduce material non-compliance and the resultant irregular expenditure.	

Key recommendations to, and commitments by, accounting officers and authorities

Root cause	Recommendation	Commitment
Inadequate review of the validity, accuracy and completeness of the information presented for audit, as included in the financial statements (DFFE, SANParks, MLRF, SANBI) and the annual performance report (DFFE, SANParks, SANBI, iSi, MLRF).	Monitor the timeous implementation of the AFS and APR preparation plans, which will enable management to have adequate time to address misstatements identified before submission for audit purposes.	AO agreed to get feedback from audit committee chair quarterly on progress with implementation of audit action plan Quarterly feedback by the CFO and DDG is to be provided to the DG on the progress made on the action plan and the ARC will monitor the progress on a quarterly basis.

Commitments by executive authority

Commitment	Status
<p>Follow up with DG (AO) and boards (AAs) on progress of implementation of audit action plans</p> <p>Minister agreed to corporate governance agreements with the entities in the portfolio to create alignment in the execution of the overall mandate of the department.</p>	In progress

4. Portfolio committee message**Slide 29**

The continued oversight exercised by the portfolio committee is encouraged as it assists the assurance providers in monitoring the progress made in addressing key deficiencies that have been identified that prevented the auditees from achieving their mandate. The oversight further assists in promoting accountability on how the funds allocated to the department and entities are managed for the benefit of the lived experiences of the citizens.

Proposed commitments

Commitment	Date of commitment
Request regular feedback from the portfolio on the irregular expenditure in order to identify the movements in the expenditure incurred. Request the department and entities to provide action plans on how they will implement preventative controls to deal with the repetition of instances of non-compliance.	11 October 2022
Request and review progress reports of feedback on the tracking and identification of emerging risks in the portfolio, and how the department is mitigating the risks identified that could prevent achievement of key objectives linked to the mandate.	11 October 2022
Request feedback on the progress made in ensuring that the planned indicators and targets not only adhere to the SMART criteria, but that they contribute to what the portfolio wants to achieve and is responsible for in terms of delivery.	11 October 2022
Continue the engagements on requesting proper detailed briefs on how the portfolio continues to deal with the irregular expenditure investigations. This feedback must clearly indicate the actions taken in terms of consequence management implemented by the department and entities.	11 October 2022