

# Budgetary review and recommendations report (BRRR) Portfolio Committee on Forestry, Fisheries and the Environment

**PFMA  
2022-23**

11 October 2023



AUDITOR-GENERAL  
SOUTH AFRICA



## MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution 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.



## VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.



Consuming unsafe water



Schools using pit latrines, no basic amenities

Crossing rivers without bridges



**The negative impact on the lived reality of South Africans** is the most important story represented by the numbers, findings and audit outcomes.

**Continued misuse** of state resources and persistent weaknesses in systems of transparency, accountability and performance are of significant concern for citizens of South Africa broadly

Heavy duty goods transported through roads



Learners learning under trees



Overcrowded hospitals



High influx of illegal immigrants

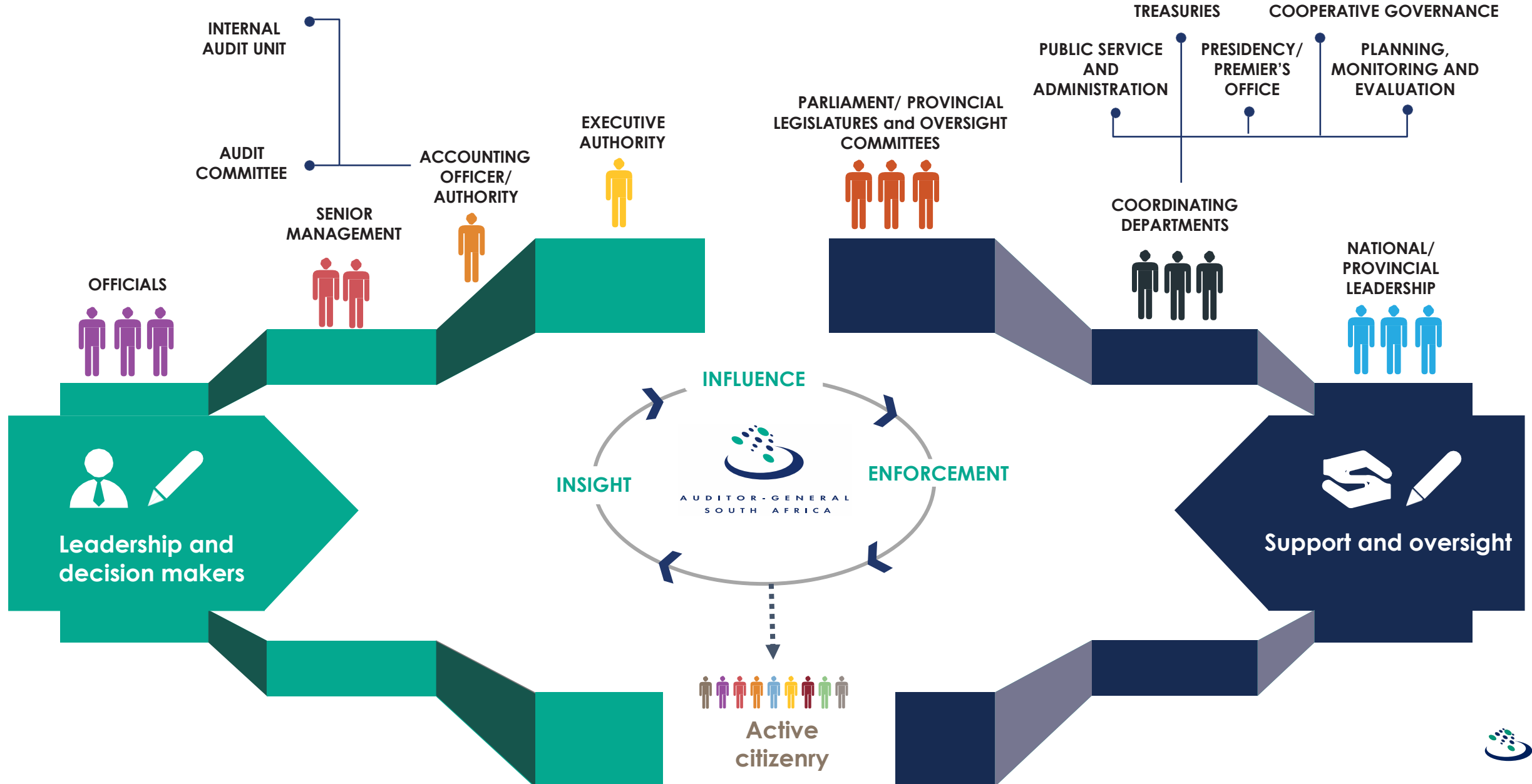


Living in mud houses and shacks



Load shedding

# All have a role to play in accountability ecosystem



# Improvement over administration term

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2018-19 FIRST YEAR OF ADMINISTRATION	0	2	4	0	1	0	7
2021-22	0	5	1	0	0	0	6
2022-23	3	3	0	0	0	0	6

**MOVEMENTS FROM PREVIOUS YEAR:**  
4 ↑ 2 →

**FROM FIRST YEAR OF ADMINISTRATION:**  
3 ↑ 3 →

South African Weather Service (SAWS)  
ISimangaliso Wetland Park Authority (Isi)  
Marine Living Resource Fund (MLRF)

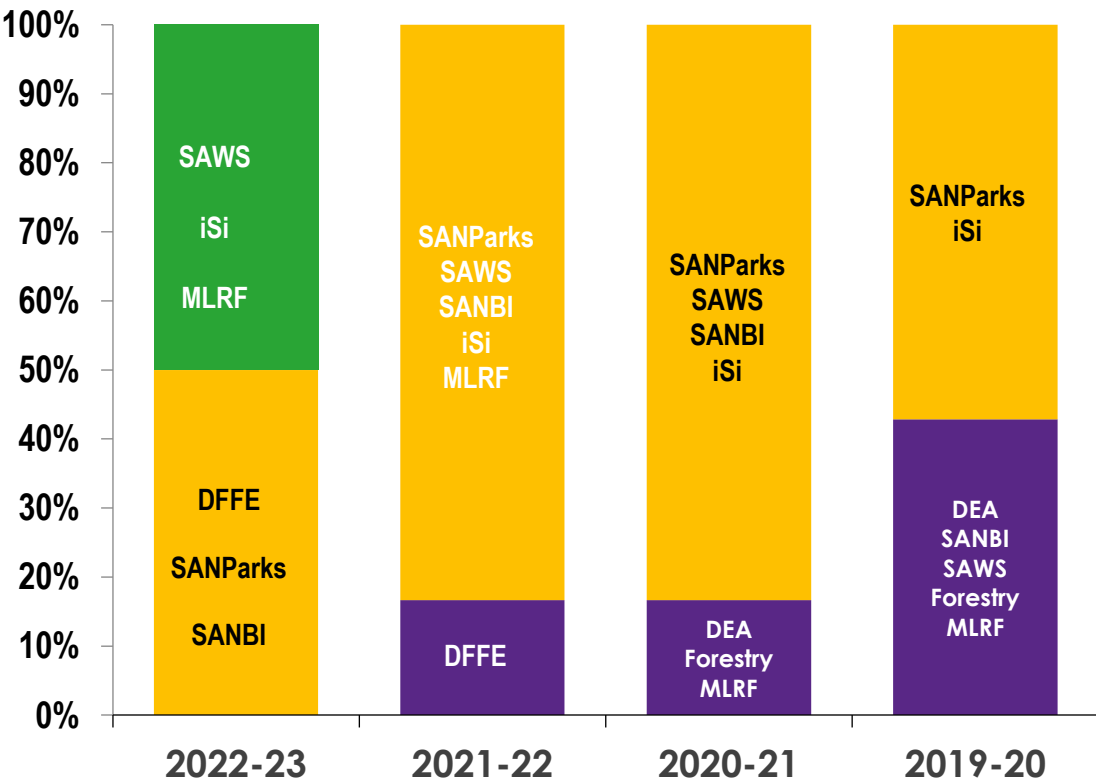
South African National Parks (SANParks)  
Department of Forestry, Fisheries and the Environment (DFFE)  
South African National Biodiversity Institute (SANBI)

Department of Forestry, Fisheries and the Environment (DFFE)

Forestry was a branch within the previously known Department of Agriculture, Forestry and Fisheries (DAFF) and has since moved to DEFF.

Submission of financial statements by legislated date for portfolio remained stagnant from 100 % to **100%**





**The overall outcomes improved for the portfolio.** This reflects a state of the internal control environment improved for favorable outcomes:

- SAWS, ISI and MLRF** – We commend SAWS, MLRF and ISI for receiving a clean audit – best practices included proper reviews of financial statements submitted and performance report for audit and adherence to laws and regulations.
- DFFE** – The department moved from a qualified opinion to unqualified with findings on compliance with legislation and performance information.
- SANBI and SANParks** – These two entities remained stagnant with unqualified with findings for the 2022-23 financial year.

**Recommendations:**

- Adequate reviews and implementation of preventative controls, including the monitoring of compliance with laws and regulations to prevent the repeat material findings on compliance and performance information.
- Institute investigation and determination test timeously in order to ensure that those responsible are held accountable.

Forestry was a branch within the previously known Department of Agriculture, Forestry and Fisheries (DAFF) and has since moved to DEFF.

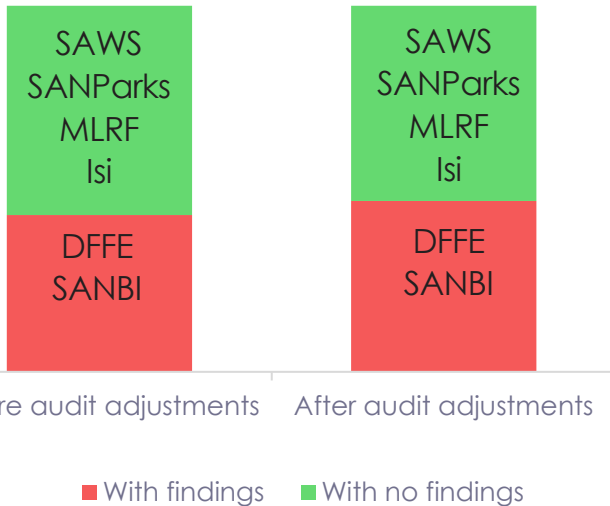
Audit outcomes are indicated as follows	Movement					
	Unqualified with no findings	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits
	▲					3
	▼					0
	▶					3



# Portfolio performance



## Quality of performance reports before and after audit



### Findings: Reporting

- DFFE – Differences between the reported and audited achievements which has resulted in the reported achievement not supported by verifiable evidence.
- SANBI – Reported achievement not supported by sufficient and appropriate documentation.

### Impact:

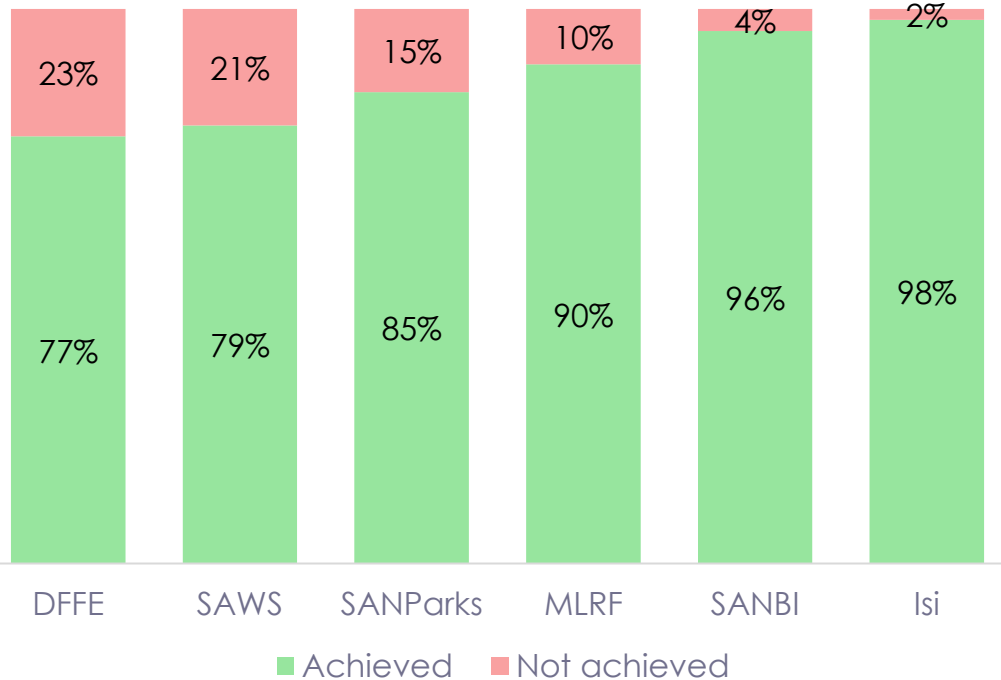
- The reported achievement in the annual performance report were not supported by reliable and appropriate evidence
- We could not verify the validity and accuracy of the reported achievement due to the limitation of scope.



## Key targets in medium-term strategic framework for portfolio

- **Indicator:** Compliance with national annual ambient air quality standards. **Target:** NAQI less than 1
- **Indicator:** Percentage waste diverted from the landfill sites through recycling. **Target:** 2 326 000 tons diverted
- **Indicator:** Percentage increase in conservation estate. **Target:** 610 674 ha of land added to conservation estate
- **Indicator:** Percentage of areas of state-managed protected areas assessed with a METT score above 67%. **Target :** Status report on implementation of committed improvement plans compiled:

## Achievement of annual targets as reported in annual performance report (all indicators) – 2022-23



### Key targets not achieved include:

- NAQI target set less than 1, however the department has reported a non-achievement of 1.14
- The target set for 2 326 000 number of waste tonnes diverted from landfill sites was not achieved as the department reported 1 658 345,2 tons diverted.
- Number of hectares of land added to the conservation estate per annum, targeted at 610 674 ha was also not achieved.
- The target for METT indicator was not achieved as a result of the METT system not being fully operational.

### Impact of targets not achieved

- The non-achievement on NAQI is indicative of the poor air quality across the country which poses a potential health harm to the citizens.
- Control deficiencies of the METT system impacts on the data integrity which is used by various stakeholders including the management authorities.
- The lack of diverting waste from the landfill sites result in inadequate management of waste resulting in increasing illegal dumping sites that could cause potential harm to citizens.



# Achieving key performance targets – summarised information from performance report

Output indicator	Target	Actual performance	Reason for non-achievement
<b>DFFE-</b> National air quality indicator	NAQI: Equals to or less than 1	NAQI is 1.14	Certain areas in the country experience poor air quality due to among others, industrial activities, domestic fuel burning, traffic pollution, resulting in air quality above ambient air quality standards, especially in priority areas.
<b>DFFE-</b> Number of waste tonnes diverted from landfill sites (prioritised waste streams)	2 326 000 tons diverted (paper and packaging)	1 658 345,2 tons diverted (paper and packaging)	<p>Waste management facilities that contribute to diversion (i.e., recycling and energy recovery) reporting to PROs may not all be reporting to SAWIS as per the National Environmental Management Waste Act (NEMWA) and its regulations due to thresholds controls</p> <p>Lack of timeous reporting of free riders Non-payment of waste picker collection service fee led to low collection of recyclables</p>
<b>DFFE-</b> Number of hectares of land added to the conservation estate per annum	610 674 ha of land added to conservation estate	382 517,130 ha added to the conservation estate	Identified land parcels have pending land claims
<b>DFFE-</b> Protected areas management improvement plans of management authorities monitored and annual status report compiled	Status report on implementation of committed improvement plans compiled	Draft status report on implementation of improvement plan developed for the South African National Parks in March 2023	Status report not compiled for remaining management authorities as baseline data to determine which authorities need to develop and implement improvement plans to be collected



# Achieving key performance targets – summarised information from performance report

Output indicator	Target	Actual performance	Reason for non-achievement
<p><b>SANParks</b> - Percentage annual increase in rhino population in identified rhino core areas in the Kruger National Park (KNP)</p>	<p>Rhino population trends in KNP core areas increasing at 0,5% per annum</p>	<p>Off target There was a 19,58 % decline in rhino population trends in the core areas in KNP</p>	<p>The varied responses within the various conservation zones result from movement responses with rhinos shifting into previously occupied zones with suitable habitats, and variable poaching pressure. In addition, recruitment rates of white rhinos are illustrating synchronous births with a year of high recruitment followed by a year of low recruitment since the drought of 2015 to 2017, with 2022 being a year of low recruitment. As a result, recruitment (6%) was far less than losses (13,5%), resulting in an overall population decline. For black rhino, recruitment (7,8%) was slightly higher than total loss (6,9%).</p>
<p><b>SAWS</b>- Percentage of priority areas air quality stations available on SAAQIS meeting minimum data requirements</p>	<p>80% of priority areas air quality stations available on SAAQIS meeting minimum data requirements</p>	<p>Not achieved  <input type="checkbox"/> 60% of priority areas air quality stations available on SAAQIS meeting minimum data requirements                      Average of quarterly performance  <math>(82,05\% + 71,06\% + 55,56\% + 31,11\%) \div 4 = 59,95\%</math></p>	<p>Instrument failure/faults experienced at numerous stations. Intermittent power failures due to load shedding and localised power supply issues as well as power surges resulted in unexpected damage to aging and new instruments.</p>

# Key message on service delivery



## Waste management - Depots



### Impact:

- Potential fire outbreak may occur due to non-adherence to the fire breaks as per operational plan
- The department is exposed to fines and penalties from the relevant provincial spheres due to non-compliance with the NEMA.
- The over-capacity of depots due to lack of tyre processing also pose fire hazards threats in the case of fire outbreak

### Cause:

- Insufficient tyre processing coupled with an increase in waste tyres from the manufacturers result in inadequate recycling of waste tyres thereby leading to stockpiling at the depots
- Challenges with the industry role players for the approval of the waste management plan.

### Actions/Recommendations:

- Increase tyre-processing capacity to reduce stockpiling that poses a significant fire hazard and enforce adherence by the depots to the approved operational plan.
- Improved inspection and management of tyre production can lessen the burden on the depots.
- Intervention from the oversight committee to influence the industry role players for the approval of the waste management plan

Waste management is a critical core function of department to protect health and the environment by providing reasonable measures for the prevention of pollution; provides for national norms and standards for regulating the management of waste by all spheres of government; and provides for the licensing and control of waste management activities. We have thus selected tyre depots as a specific focus area to be audited for service delivery.

Out of twenty-seven (27) tyre waste depot sites inspected by the audit team, seven (7) - 26% - were found to be in contravention of the operational plan approved by the chief fire officers.

BUDGET	SOURCE OF FUNDS	SPENDING
R327 499 000	Appropriation funds	R 313 505 000 (31 March 2023)

## Key message

The method of stacking of tyres applied in most of the depots are not in compliance with the operational plan approved by the chief fire officer.

This exposes the department to fire outbreaks that in turn puts the lives of the citizens at risk.

Furthermore, there was no evidence noted to confirm that the municipalities monitor waste tyre depots for compliance with the plans on regular basis.

Some depots also operate without the approved norms and standards.



# Key message on service delivery

## Air quality & climate change



### Key observations:

- Inability by the national department, SAWS and the provincial departments to monitor the air ambient due to **lack of fully operational** monitoring stations and the impact of load shedding.
- Currently, as a country, we are **not doing well** in meeting the air quality standards which is at NAQI: 1.14 and should be <1
- Air quality monitoring stations reporting to SAAQIS **not meeting data recovery standard** of 75%

### Root causes:

- Inadequate maintenance and safeguarding the instruments used to monitor climate and pollution.

### Recommendations:

- Implement adequate maintenance and safeguarding of the monitoring stations used to monitor climate and pollution.
- Back-up plans to address the risk of load shedding.
- Strict monitoring of the implementation Air Quality Management Plan by the industrial sectors.

The national department, through SAWS monitors fifteen (15) air quality-monitoring stations in the three (3) National Priority Areas namely , Vaal Triangle Airshed Priority Area (VTAPA), Highveld Priority Area (HPA), and the Waterberg-Bojanala Priority Area (WBPA) . The stations measure criteria pollutants such as SO<sub>2</sub>, NO<sub>x</sub>, ozone, PM<sub>10</sub>, etc. These stations are under the South African Air Quality Information System( SAAQIS) and must have a data availability more significant than 75%.

		2022-23 - Q1				2022-23 - Q2				2022-23 - Q3				2022-23 - Q4				Power cuts - Q4		
		Apr	May	Jun	Q1	Jul	Aug	Sep	Q2	Oct	Nov	Dec	Q3	Jan	Feb	Mar	Q4	Jan	Feb	Mar
Highveld priority area (HPA)	eMalahleni - SAWS	88	89	85	<b>87</b>	65	80	77	<b>74</b>	75	56	66	<b>66</b>	67	58	74	<b>66</b>	226	183	157
	Ermelo	63	81	75	<b>73</b>	58	75	60	<b>64</b>	51	59	52	<b>54</b>	53	29	66	<b>49</b>	189	182	130
	Hendrina - SAWS	75	84	79	<b>79</b>	79	73	72	<b>75</b>	73	71	60	<b>68</b>	65	41	75	<b>60</b>	203	188	150
	Middleburg - SAWS	90	89	91	<b>90</b>	80	85	69	<b>78</b>	78	64	68	<b>70</b>	73	52	77	<b>67</b>	179	235	130
	Secunda	79	85	70	<b>78</b>	71	81	74	<b>75</b>	75	70	60	<b>68</b>	69	60	82	<b>70</b>	217	210	155
Vaal triangle airshed priority area (VTAPA)	Diepkloof	87	94	91	<b>91</b>	81	92	77	<b>83</b>	82	81	81	<b>81</b>	71	57	80	<b>69</b>	191	189	123
	Kliprivier	94	91	93	<b>93</b>	86	91	87	<b>88</b>	95	89	89	<b>91</b>	87	71	90	<b>83</b>	56,6	152	0,72
	Sebokeng	0	0	0	<b>0</b>	0	0	18	<b>6</b>	60	62	62	<b>61</b>	63	53	64	<b>60</b>	143	0	2,64
	Sharpeville	58	91	76	<b>75</b>	73	87	44	<b>68</b>	83	80	80	<b>81</b>	72	41	63	<b>59</b>	172	339	253
	Three Rivers	0	0	0	<b>0</b>	30	70	81	<b>60</b>	75	87	87	<b>83</b>	99	98	73	<b>90</b>	0,02	0	4,56
The waterberg- bojanala priority area (WBPA)	Zamdela	75	79	84	<b>79</b>	81	71	76	<b>76</b>	70	79	79	<b>76</b>	72	62	78	<b>71</b>	178	177	129
	Lephalale	55	77	83	<b>71</b>	71	64	75	<b>70</b>	69	56	45	<b>57</b>	39	59	76	<b>58</b>	430	215	148
	Mokopane	65	88	80	<b>78</b>	62	81	70	<b>71</b>	93	70	87	<b>83</b>	87	89	90	<b>89</b>	0,17	4,35	0,15
	Thabazimbi	91	99	97	<b>96</b>	93	82	98	<b>91</b>	77	84	99	<b>87</b>	72	82	82	<b>79</b>	2,14	6,5	2,13
	Xanadu	90	86	90	<b>89</b>	73	87	77	<b>79</b>	75	79	72	<b>75</b>	72	62	77	<b>70</b>	163	168	115
Number of stations reporting to SAAQIS	13	14	13	<b>15</b>	14	14	15	<b>15</b>	15	15	15	<b>15</b>	15	15	15	<b>15</b>				
Number of stations meeting minimum data requirement of 75%	9	11	11	<b>11</b>	6	10	8	<b>8</b>	10	7	7	<b>8</b>	3	3	10	<b>4</b>				





## DFFE

### Impact:

The e-PMS system was meant to increase efficiency of processes for the Environmental Programmes. The system was going to support the execution of the work done on these programmes and while doing so, ensure the integrity of information. Without the system, the department may continue to encounter challenges with the integrity of the data while also not being able to improve the efficiency of processes for these programmes.

### Cause:

The original project plan could not be adhered to partly due to impact of covid-19 and organisational restructuring which took place in the department.

### Actions/recommendations:

Management should address project delays promptly, communicate effectively with stakeholders, and take appropriate actions to minimize the negative consequences. This might entail management engaging in the following activities;

- Revising the project plan
- Allocating additional resources
- Communicating with stakeholders
- Collaborating with the project team
- Implementing mitigation strategies
- Monitoring progress and adjust as needed
- Learning from the experience

The department embarked on a five year project to implement the ePMS system from 2018 to 2022. The project charter was approved by the chief director – information management systems and acting director: Management information systems on 1 July 2020. The approved budget for the project was R47 300 198, 57. The department had already spent R41 million (estimated 88%) of the budget while the system has not been completed.

A flight plan was created to monitor the project milestones and a project steering committee met to monitor and provide oversight of the project. However, the project was not finalised and was not delivered as per the approved project plan.

## Overall ICT message

### Inadequate project management processes on ePMS:

- There was no oversight of the project as the last project steering committee meeting was held in 2019.
- There was no evidence showing communication to the key stakeholder on the progress of the project.
- As per the project charter, the project was supposed to be finalised in 2023. However, the system development was not concluded.



# Other sector key messages



# Observations: Enforcement – landfill sites\*

All the nine (9) provincial environmental departments undertook inspections and enforcement to ensure compliance against the National Environmental Management Act (NEMA) and National Environmental Management Act (NEMA) Waste Act. The focus is mainly on the municipal landfill sites.

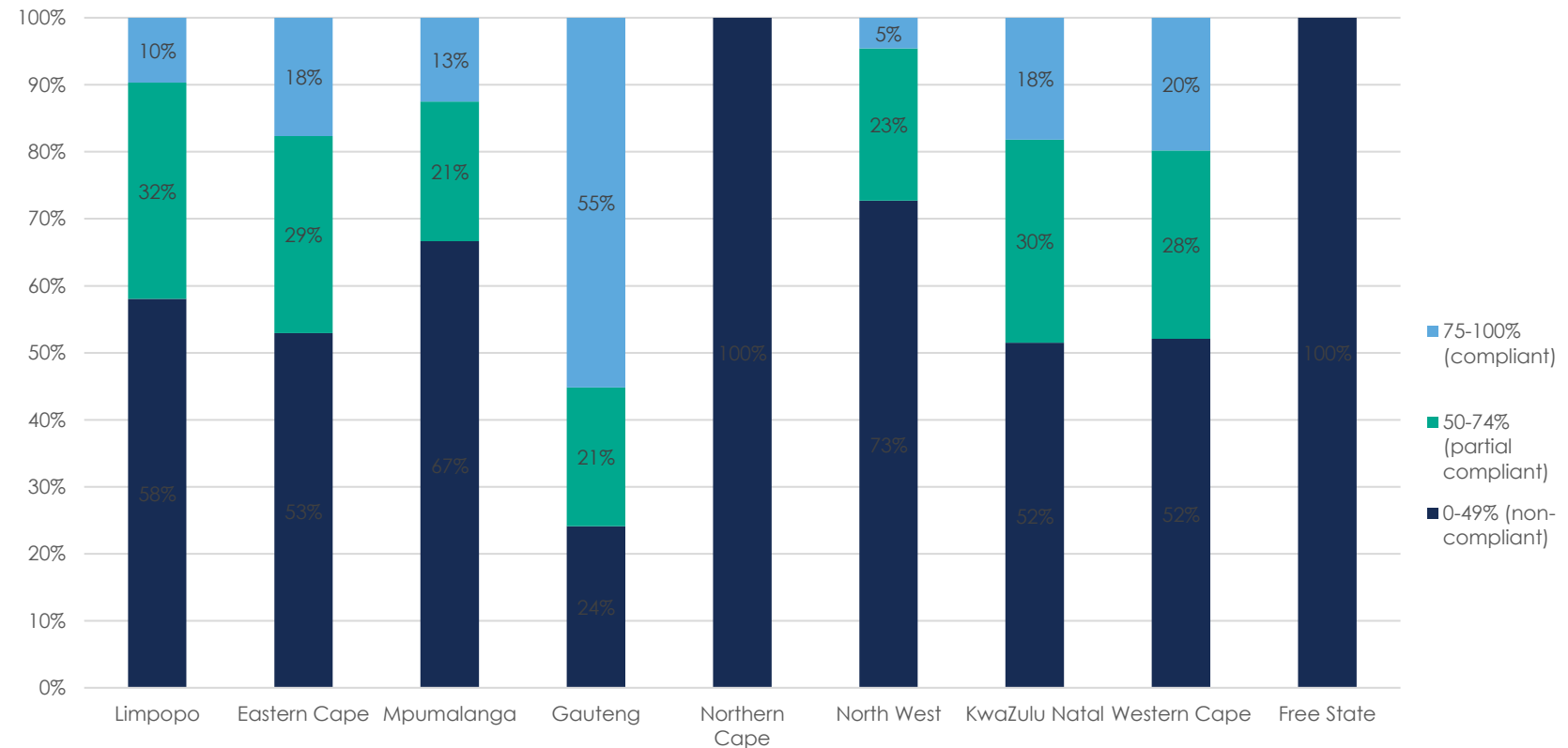
A total of 331 out of 543 (61%) landfill sites have been inspected. The site inspection entails amongst others, observations, review of records or documentation and a review of the information provided by the site representation.

Province	Number of Sites	Inspected (2017/18FY – 2022/23)
Limpopo	44	33
Eastern Cape	103	20
Mpumalanga	47	47
Gauteng	26	26
Northern Cape	92	25
North West	22	22
KwaZulu Natal	40	36
Western Cape	96 (operational only)	96
Free State	73 (64 licensed +9 unlicensed)	23

## Observations

- The two provinces, namely Northern Cape and Free State have received **100% non-compliance**.
- Only one(1) province being Gauteng has achieved a **high number of compliance rate**.
- The provincial departments have only managed to **inspect 61% of the landfill sites in six (6) years**, which is indicative of the inadequate capacity of Environmental Management Inspectors (EMIs) across the country.

% Compliance per province (2017-18 to 2022-23)



## Recommendation

- Increase the capacity of the EMIs across the provinces to ensure that there is sufficient capacity to conduct the assessments.
- Regular and constant follow-up of enforcement compliance notices or notice of intention to issue compliance notice to ensure that the recommendations and actions to be take are implemented.

\*Note: Information as reported by management





# Observations: Enforcement – capacity of environmental management Inspectors (EMIs) in the country\*

South Africa has trained inspectors at local, provincial and national level that are charged with ensuring compliance with the NEMA and other applicable laws. There are a total of 2995 designated EMIs with 1489 from national departments and entities, 1506 from provincial departments and entities . Listed below is the number of inspectors at national and provincial level

Institution Name	Number of EMIs
<b>National EMI Institutions</b>	
DFFE	138
iSimangaliso	8
SANParks	1258
DWS	79
SANBI	6
<b>Provincial EMI Institutions</b>	
Eastern Cape DEDEA	39
Free State DESTEA	32
Gauteng DARD	92
KwaZulu-Natal DEDTEA	65
Limpopo DEDET	55
Mpumalanga DARDLEA	8
Northern Cape DENC	27
North West DREAD	32
Western Cape DEADP	88
CapeNature	60
Eastern Cape Parks	245
Ezemvelo	661
Mpumalanga Parks	34
North West Parks Board	68
<b>TOTAL</b>	<b>2995</b>

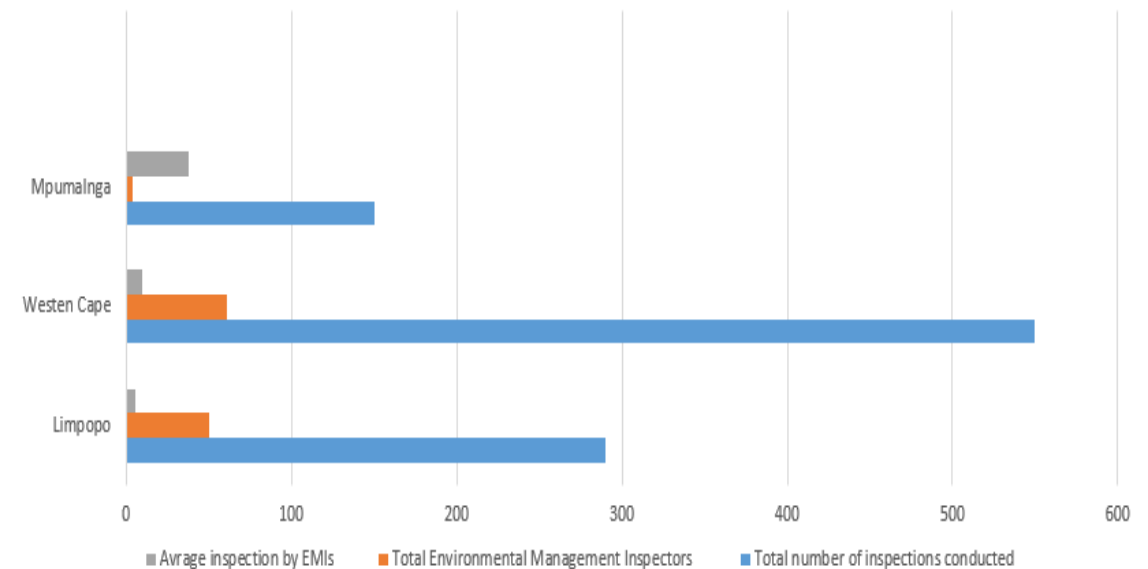
**Key observations:**

- There is **lack of capacity** in terms environmental management inspectors (EMIs) at the national and provincial monitoring levels to enable adequate inspections.

**Root causes:**

Limited environmental management inspectors (EMIs) due to capacity constraints placed by the recent government moratoria resulting in less inspections being performed

Number of inspection conducted in Provinces



**Key recommendation:**

- Since stakeholders in the environmental sector are responsible for both the implementation and enforcement of compliance with the NEMA, and applicable laws, we recommend that the re-designed coordination focuses on clear segregation of duties with a view towards the reduction of the self-review threat created. This can be achieved through ensuring that the units and levels of government responsible for the monitoring of compliance with the NEMA and related legislation are not the same units and levels responsible for the implementation of measures to achieve compliance.
- Increase the number of EMIs capacity to ensure sufficient inspections across the country.

\*Note: Information as per reports from management



## *Lived reality of citizens:*

- The insufficient number of EMIs results in a high number of compliance inspections not conducted, which could lead to hazardous environments that can affect the health and safety of the citizens.
- Some of the non-compliances identified on landfill sites and waste facilities could result in hazardous waste facilities. This could lead to various illness such as asthma, cancer, heart attacks, Alzheimer, etc.
- Poor air quality and air pollution also results in citizens breathing the air which is not good for their health and often results in respiratory diseases. The possible ripple effect could lead to serious illness or even premature death.

## **Ripple impact:**

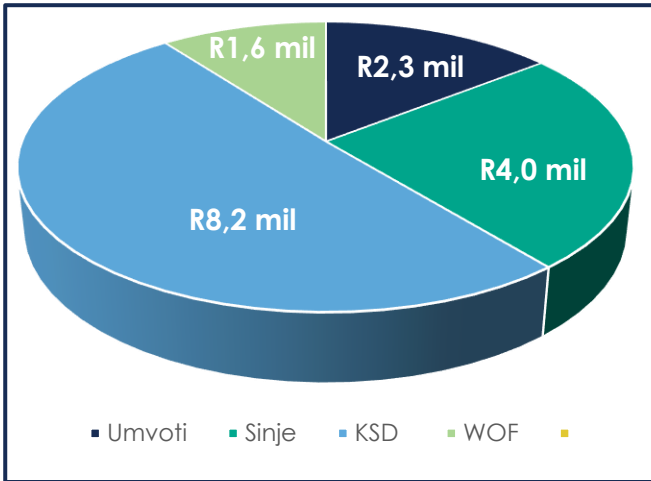
- If the air pollution is not reduced to improve the quality of air we breathe, it could also have a **negative impact on the health** of the people living in those cities or villages. This could have a ripple effect on the health sector due increased patient load and possible litigations
- The inadequate management of the landfill sites could lead to early decommissioning which will require additional funds to construct new landfill sites further putting the strain on the **national fiscus**.



# Material irregularities



## Material irregularities



## MI description

**Umvoti** - Payments made to perform remedial work on vandalism of deliverables that were already completed

**Sinje**- Lease payments made for no value for leasing of land required for tyre storage

**KSD**- Payments made for waste disposal project deliverables not received

**Working on fire** - Disposal of state motor vehicles through transfer to employees of the service provider not in line with requirements of National Treasury



## ACTIONS TAKEN BY AUDITEES

R0 m

**Prevented financial loss** from taking place

R14,7 m

Financial loss **in process of recovery**

R0 m

Financial loss **recovered**

5

Responsible officials identified and **disciplinary process** completed or in process

4

**Investigations** instituted

0

**Stopped supplier contracts** where money is being lost

3

**Internal controls and processes** improved to prevent recurrence

## Observations from MI process

- The accounting officer (AO) has instituted investigations into all MIs notified and the department has undertaken a litigation process for recovery of the financial losses incurred from the service providers.
- Five ex officials were found to be liable for the financial loss incurred for the lease of land required for tyre storage (Sinje), however consequences management could not be implemented as there were no longer in the employment of the department. The department is still in the process of the identifying the official responsible for the Umvoti and KSD.
- The WoF MI is under litigation process to ensure the recoupment of funds for the 48 vehicles(42 plus 6). A needs analysis to ensure the transfer of assets take place as per the Transfer Management Plan(TMP) and to avoid any further unauthorized disposals is also being finalized. However, the department is of the view that no-one can be held responsible for this MI.

## Recommendations for portfolio committee

The PC should follow-up with the AO on the recovery process of the financial losses within the agreed timelines to ensure that the funds are recovered.

Continuous monitoring of the investigations to ensure that there are finalised and that consequence management is implemented to hold the officials found to be responsible accountable

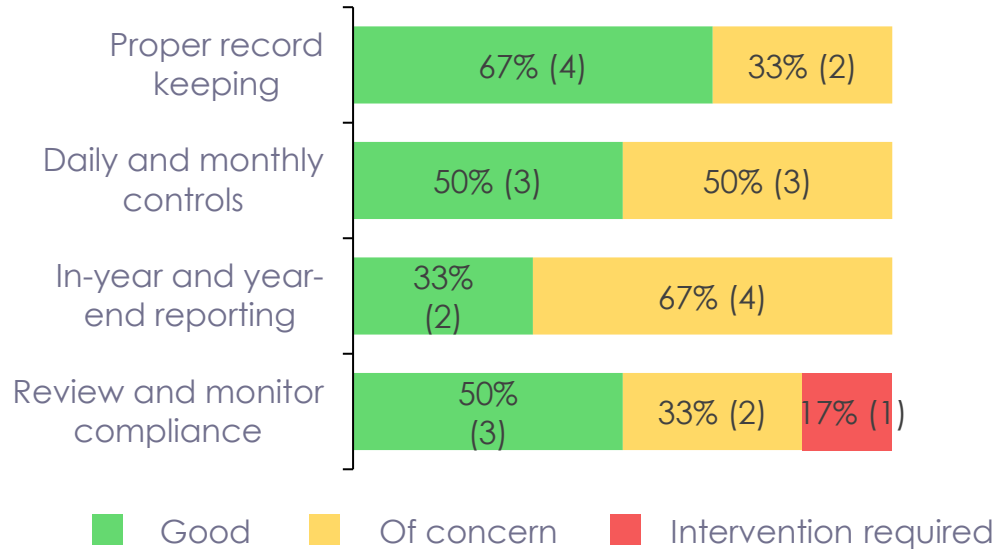




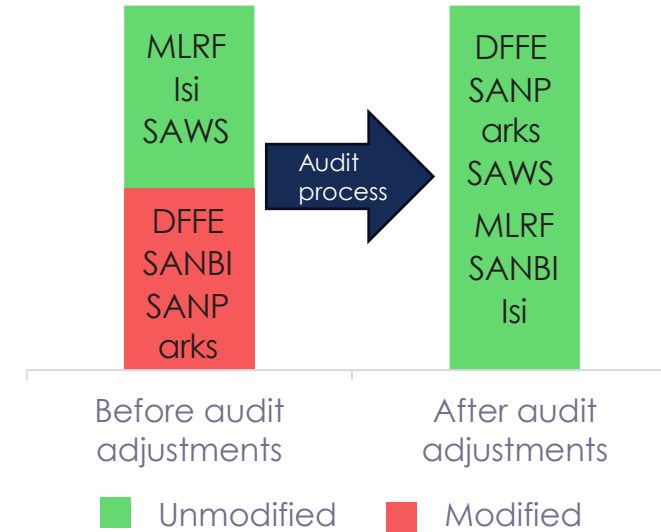
# Financial management and compliance



## Financial management controls



## Impact on quality of financial statements submitted for auditing



### Impact

- Not implementing the action timely to address the internal control deficiencies that resulted in material misstatement in the prior year resulted in misstatement being identified during the final audit and required the AFS to be adjusted in order to qualifications.
- Lack of proper record keeping resulted in preparation of financial statement not supported by reliable listings and information.
- Inadequate implementation of controls over daily and monthly processing and reconciling of transactions resulted in material misstatement being identified and reported.



# Compliance with key legislation



2022-23

MLRF, Isi, SAWS

DFFE, SANParks, SANBI



No material findings



Material findings

MOVEMENTS FROM PREVIOUS YEAR:

3 ↑ 0 ↑

FROM FIRST YEAR OF ADMINISTRATION:

1 ↑ 0 ↓

## Most common areas of non-compliance

DFFE

SANParks

SANBI

Procurement and contract management

X

Quality of financial statements

X

X

Prevention of irregular, unauthorised, and fruitless and wasteful expenditure

X

X

Effecting consequences

X

X

X Previous year's finding addressed

X New finding identified in 2022-23

X Repeat finding

SANParks also had a material non-compliance on revenue management X

DFFE also had a material non-compliance on asset management X



## Status of compliance with legislation on procurement and contract management



2022-23

SAWS, Isi, MLRF

DFFE, SANBI

SANParks

MOVEMENTS FROM PREVIOUS YEAR:  
2 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:  
0 ↑ 0 ↓

● With no findings   ● With findings   ● With material findings

Details of procurement findings	DFFE	SANParks	SANBI
Uncompetitive and unfair procurement processes	X	X	X
Prohibited awards to employees			
Prohibited awards to other state officials			X
Limitations on audit of awards selected for testing			

X Previous year's finding addressed   X New finding identified in 2022-23   X Repeat finding

### Payment for goods and services not received or of poor quality

● None



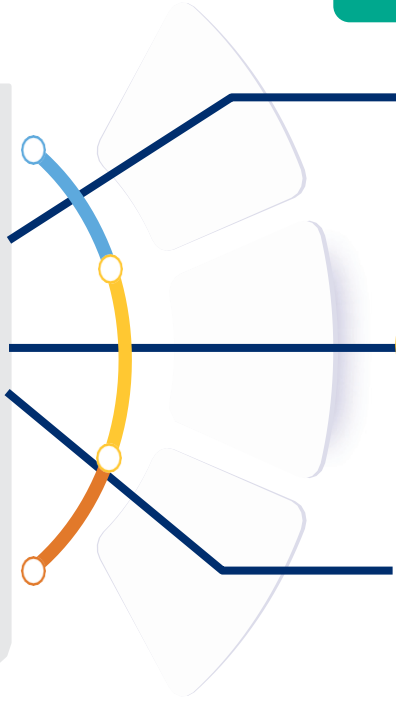


National Treasury Instruction No. 4 of 2022-2023: **PFMA Compliance and Reporting Framework** (Instruction) which came into effect on **3 January 2023**, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA

Public objective of the Instruction note is to prescribe the **principles and compliance reporting requirements** for PFMA institutions to the Public Finance Management Act, 1999 regarding **unauthorised, irregular and fruitless and wasteful expenditure** (UIF&WE).

## Framework

The new framework brought **significant changes** in relation to the disclosure of **irregular, and fruitless and wasteful expenditure** (IFWE). These changes are as follows:



- 1** **Movement** in the disclosure note of IFWE has been moved from annual financial statements to the annual report.
- 2** **PFMA institutions** will only disclose IFWE incurred in the current year, with a one-year comparative analysis.
- 3** **Historical balances (i.e., opening balances)** have been completely removed from the annual financial statements

## Message to portfolio committee

The fact that the disclosure of IFWE (historical balances and movements) is **no longer required on the annual financial statements** and **no audit assurance** is provided thereon, the oversight structures would need to engage **directly with the information disclosed in the annual report** to exercise their oversight.

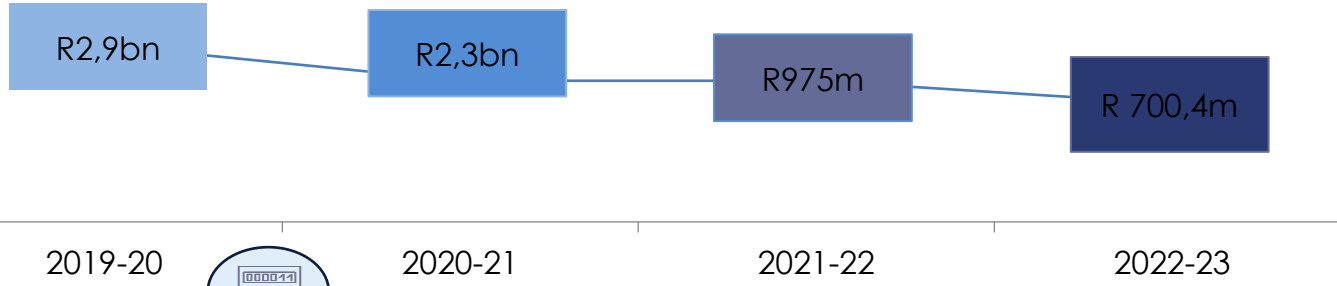
AGSA refined its audit approach to uphold transparency by continuing to audit the IFWE disclosure in the annual report

There is a clear messaging in the audit report on reliability of the IFWE disclosure in the annual report

The objective was to ensure that we could still be in a position to report to users of the AFS in cases where these historic balances of IFWE are not complete and accurate. This had no impact on the audit opinion.



## Annual irregular expenditure



### Irregular expenditure is not complete

Still investigating to determine full amount = 2 auditees (42%) (2022-23) (2021-22); two (42%)

**DFFE:** R175 m possible irregular expenditure will be subjected to assessment and determination test as required by PFMA compliance and reporting framework. The material non-compliance were in terms of bids awarded not in accordance with the bid specifications.

**SANParks** – PPP management contracts are currently under assessment to determine if reimbursed amounts will amount to irregular expenditure. National Treasury has granted SANParks an exemption relating certain goods that falls within the PPP contract. The assessment will requirement management to go through each line item within each invoice across all the National Parks. The assessment will be finalized in the 2023-24 financial year.

## Top contributors



## Impact of irregular expenditure incurred

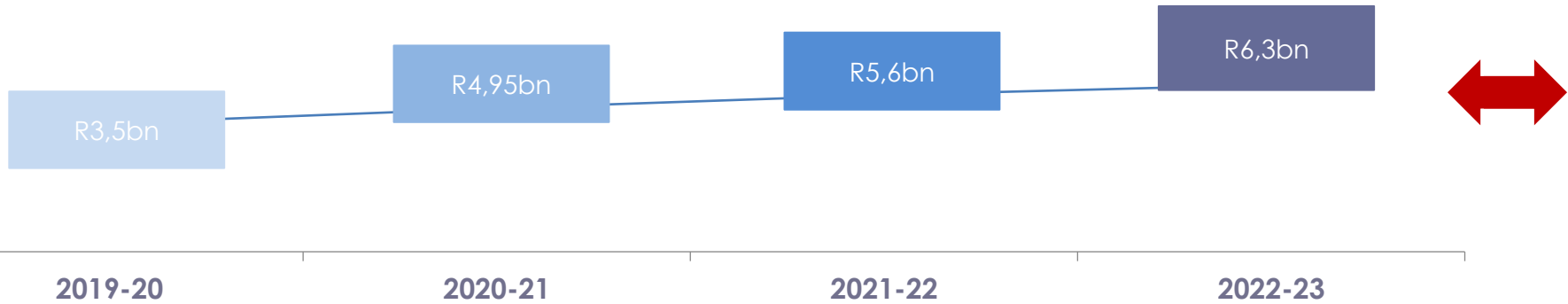
**Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive:** DFFE : R551m various awards on breach of fairness in the subjective application of functionality criteria  
**SANBI:** The R1,8m irregular expenditure incurred constitutes non-compliance with SCM legislation

**Other:** SANParks: R128 m (70%) as a result of non-compliance with the preferential procurement regulations on local content. The remaining 12% (R18m) was a result of utilising expired contracts and non compliance with the SCM prescripts



# Consequence management – dealing with irregular expenditure

## Closing balance of irregular expenditure continues to increase



90% of the irregular expenditure incurred by the DFFE is due to a matter identified in the 2018/19 financial year audit affecting awards made from the 2017/18 financial year and as most of these contracts are still in place, the expenditure continues to be incurred resulting in the department's irregular expenditure not reducing significantly.

### Reasons for IE not dealt with:

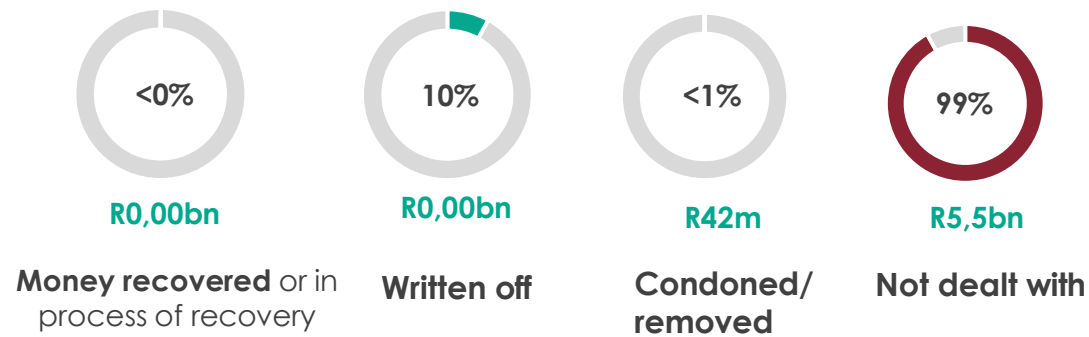
#### DFFE:

- Of the DFFE's backlog of irregular expenditure opening balance, 53% was investigated as at 31 March 2023, and 47% was in the process of going through the determination test by the department's determination committee

#### SANParks:

- The loss control committee did not operate effectively throughout the year and the entity still developing a framework for dealing with local content irregular expenditure (IE) cases. Only 26% ( 10 out of 39) cases of IE were investigated and 74% is still on progress.

## How have auditees dealt with irregular expenditure







### Top 5 contributors (R5,6 bn) to irregular expenditure not dealt with constitute 99% of R5,6bn



# Conclusions and recommendations



## In 2021-22, we recommended the following:

-  DFFE- Continue regular monitoring of the progress made in implementing action plans to ensure that all findings raised are addressed and are not repeated.
-  SANParks - Institute reviews of the implementation of compliance monitoring control in place to reduce material non-compliance and the resultant irregular expenditure.
-  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.
-  MLRF, SAWS and ISI - 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.

 Implemented

 In progress



## Overall reflections on implementation of recommendations:

- We commend DFFE, MLRF, SAWS and ISI for effective implementation of the action plans to address the root causes resulting in the improvement in the quality of annual financial statement submitted for audit and the overall audit outcomes.
- We commend DFFE for effective implementation of the action plans to address root causes resulting in the improvement in the quality of annual financial statement submitted for audit.
- Inadequate implementation of the preventative controls and monitoring of compliance with applicable laws and regulations aimed at the reduction of irregular expenditure at SANParks was noted.
- SANBI has improved in ensuring that the planning documents adhere to the Revised Framework for Strategic Plan and annual performance plan which led to no material findings on usefulness for the 2022-23 financial year.

 Not implemented



## Overall root causes of significant findings

- Inadequate review of the validity, accuracy and completeness of the information presented for audit, as included in the financial statements (DFFE, SANBI) and the annual performance report (DFFE, SANBI).
- Resignation of key finance personnel at SANParks impacted the quality of the financial statements.
- Deficiencies in the quality assurance controls that ensure that the reported performance information is supported by credible and reliable supporting evidence (DFFE, SANBI).
- Inadequate controls were put in place by management to prevent material non-compliance findings (DFFE, SANParks).
- Inadequate review not performed on financial statements to ensure compliance with GRAP requirements by SANBI.

## Key recommendations

- Continue regular monitoring of the progress made in implementing action plans to ensure that all findings raised are addressed and are not repeated.
- SANParks should have a proper succession plan
- Institute reviews of the implementation of compliance monitoring control in place to reduce material non-compliance and the resultant irregular expenditure.
- 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.
- Management to prioritise the finalisation of investigations on most recent irregular expenditure first and then move to prior years' irregular expenditure.
- Management should keep proper record of performance information, to ensure the reported information is complete and regularly reviewed.

## Commitments by executive authority

- Minister to follow up with accounting office (AO) on progress of implementation of audit action plans.
- Regular engagements with the accounting authorities and obtain commitments obtained from them.



## Overall message

1

Continue the engagements on requesting proper detailed briefs on how the department and its entities 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.

2

Request regular feedback from the department and its entities 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.

3

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.

4

Request regular feedback on the material irregularities in the department and its entities, and how the department is addressing the MIs identified that could prevent achievement of key objectives linked to the mandate.



# THANK YOU



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