



Audit Action Plan (Corrective Measures undertaken: Auditor-General's BRRR)

17 October 2023



LIST OF ACRONYMS/ABBREVIATIONS

BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
CSIR	Council for Scientific and Industrial Research
DALRDD	Department of Agriculture, Land Reform and Rural Development
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Minerals Resource and Energy
DPWI	Department of Public Works and Infrastructure
EPMS	Environmental Programmes Management System
EPR	Extended Producer Responsibility
METT	Management Effectiveness Tracking Tool
MINMEC	Committee consisting of the Minister and MECs of Environment and Tourism
MinTech	Ministerial Technical Committee
NPC	Natal Portal Cement
NECEF	National Environmental Compliance and Enforcement Framework



LIST OF ACRONYMS/ABBREVIATIONS....CONT....



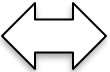
EMI	National Environment Management Inspectors
OECM	Other Effective Conservation Mechanisms
PPC	Pretoria Portland Cement
PROs	Producer Responsibility Organisations
TOPS	Threatened Or Protected Species
SANParks	South African National Parks
SANDF	South African National Defence Force
SOE	State-owned enterprise
SCM	Supply Chain Management
UP	University of Pretoria
WG4	Working Group 4

Contents

- Audit Action Plan on the Financial Statements Issues
- Audit Action Plan on Performance Information
- Measures addressing key issues on Material Irregularities
- Measures addressing enforcement capacity



2022/2023 AUDIT OUTCOME

Outcome area	Movement	Impact/comment
1. Financial statements	Improvement	Unqualified with findings audit opinion
2. Annual performance report		
Programme 2: Regulatory Compliance and Sector Monitoring	Improvement	
Programme 5: Biodiversity and Conservation	Regression 	Protected Areas - Management Improvement Plans of Management Authorities were not developed and monitored. TOPS permits issued in the current year not included in the reported target.
3. Compliance with legislation		
Annual Financial Statements, performance and annual reports	Improvement	
Expenditure management	Improvement	
Asset Management	Regression 	The department did not determine if any state institution involved in education required computer equipment before disposal of such equipment, as required by Treasury Regulation 16A.7.7.
Consequence management	Unchanged 	This was because most or a large number of the transactions incurring irregular expenditure had not been investigated.
Procurement and contract management	Improvement	
Strategic planning and performance management	Improvement	



KEY FINDINGS

Audit Finding	Detailed Finding	Remedial action
Assets management	<ul style="list-style-type: none"> The Auditors have noted during the testing of disposals that the department has sold computer equipment to the officials of the department for at the market cost. The Departmental Disposal Committee approved a decision to sell to the staff rather than to donate the computer equipment to the schools. 	<ul style="list-style-type: none"> Asset Management unit presented the submission to the Disposal Committee on 19 September 2023 to reconsider their initial decision for selling computer equipment's to staff. The department will deliberate and consider the disposal methods in line with the Treasury Regulations. If no or partial interest/response received from schools or training institutions, the disposal committee to consider other disposal methods.
Contingent liabilities	<ul style="list-style-type: none"> The Auditors inspected the contingent liability schedule and noted that there were discrepancies between the schedule amount and the amount per the external confirmations from legal counsel for litigations. 	<ul style="list-style-type: none"> Regular reconciliations will be conducted between the departmental contingent liability register and the confirmations from the external counsel and will be verified with supporting documents.



KEY FINDINGS....CONT....

Audit Finding	Detailed Finding	Remedial action
Consequence Management	<ul style="list-style-type: none"> The auditors were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1) (h)(iii) of the PFMA. This was because most or a large number of the transactions incurring irregular expenditure had not been investigated. 	<ul style="list-style-type: none"> Assessment and the determination test of irregular expenditures, fruitless and wasteful expenditure cases will be expedited. Labour relation to conduct training for all BEC members affected by SCM Non-Objectivity transgression. Risk and Fraud prevention will expedite the investigation of irregular expenditure cases
Broad-Based Black Economic Empowerment (B-BBEE)	Annual Report and Annual financial statements not filed within 30 days to the BEE Commission	<ul style="list-style-type: none"> The annual report and the BBEE certificate were submitted to the BEE Commission. The Service Provider is currently doing the verification for 2022/2023 financial year and the final submission will be made by 30 September 2023.



2022/23 AUDIT ACTION PLAN

- An Audit Action Plan was put in place to ensure all areas of risk and other findings are addressed.
- Progress on remedial actions is monitored on weekly basis.
- Branches are engaged on a weekly basis for updates on the implementation of remedial actions, with a sufficient Portfolio of Evidence.



2023/24 FINANCIAL YEAR MONITORING

- Quarter 2 reporting concluded on 30 September 2023
- Target of 44% expenditure met with 48 % actual spending.
- Quarter 2 Interim Financial Statements in process of finalisation for submission 31 October 2023
- Ongoing weekly meetings to monitor the expenditure progress in order to meet the projected annual target (98%).

DETERMINATION COMMITTEE ACTIONS: IRREGULAR EXPENDITURE OVERVIEW

** The closing balance of R3bn emanates from the 2017/18 old cases and the 2018/19 multi-year contracts which were non-compliant due to the evaluation criteria that was subjective.

Nature of IE	Opening Balance 2022/23	Condoned Cases	Closing Balance 2023/24
Resp VIA - EP	284 331 820.22	-	284 331 820.22
NRM - EP	152 629 924.46	-	152 629 924.46
EPIP Non-Compliance: EP	335 009 392.56	-	335 009 392.56
Waste Bureau	992 616 019.66	626 855 620.41	356 760 399.25
SCM Non-Compliance	30 148 371.10	9 060 016.21	21 088 354.89
SCM Objectivity	4 640 798 897.98	2 232 280 498.58	2 408 518 399.40
Total	6 196 678 155.68	2 868 196 135.20	3 567 338 290.78



DETERMINATION COMMITTEE ACTIONS: IRREGULAR EXPENDITURE REPORTED IN THE 2022/23 FINANCIAL YEAR

Financial Year	Number of Contracts	Amount
2018/2019	120	539 496 663.78
2020/2021	2	335 168.00
2022/2023	3	10 791 482.42
Amount as per AFS		550 623 314.20

**R540 million was paid in the 2022/23 financial year emanating from the old non-compliant contracts but the payments made had to be reported as irregular and are as follows:

- Included in the 2018/2019 FY is 113 contracts relating to Environment programmes amounting to R417 991 810.06 as well as 7 contracts for Waste Bureau Management amounting to R 121 504 853. All these contract were found to be irregular due to the evaluation criteria.
- Included in 2020/2021, is 2 contracts amounting to R 335 168.00 which was found to be Non-compliant with regulation 4 of the preferential procurement regulations.
- Included in 2022/2023 is 1 contract amounting to R 9 775 976.00 which was found to be Non compliant with Mandatory requirement of the TOR and 2 contracts amounting to R 1 015 505.00 for service which were rendered without a purchase order.



DETERMINATION COMMITTEE ACTIONS: FRUITLESS AND WASTEFUL EXPENDITURE OVERVIEW

Nature of the case	No of cases	Amount
EPIP (48 cases R 51 550 155.16 under assessment by EPIP management, 45 cases R 109 502 974.70 are with legal service for recovery)	93	161 053 129,86
NRM (4 cases R 2 116 082.52 under legal for recovery, 2 cases R 9 119.52 SANBI still to recover 1 case R 724 546.46 referred to Labour relation)	7	2 849 748,50
Office of the CFO	1	50 000,00
Chemicals and Waste Management	1	952 140,00
Waste Bureau	15	59 250 668, 82
Finance – Cape Town office(4 cases on interest, traffic fines and 11 cases on misuse of state vehicles)	15	33 836,03
Corporate Services Management	2	98 747,00
SCM (no show case R48 469,04 and Payment to the wrong service provider R32 650,00)	24	81 119,04
Regulatory Compliance Sector Monitoring	1	39 759,55
TOTAL		R 224 409 148,79

** The new FWE for the 2022/23 financial was R819 000.00

The balance is from the old cases that are currently under assessment and investigation.

DETERMINATION COMMITTEE'S UPDATE

- The Department has established a Determination Committee (DC) that seat every Thursdays to address and deal with the back lock of irregular, authorized,, wasteful and fruitless expenditure.
- Due to improvements in internal processes and structures the DFFE managed to recently addressed and resolved above R2,8 billion of irregular expenditure that occurred over at least five past years.
- The Department and DC acknowledge the task at hand and committee in addressing the outstanding irregular and fruitless expenditure and concurrently ensure that adequate processes are in place to prevent future unintended and unwanted events.



ETHICS AND FRAUD MANAGEMENT'S UPDATE

- Total number of seven (7) cases currently referred for forensic investigations by established Determination Committee to Ethics and Fraud Management Unit.
- Two (2) cases at the final stages / quality review of the forensic investigation outcome conducted by the independent Service Provider.
- Five (5) recently received cases under pre-investigation assessment, pending the outcome the cases, the cases maybe referred assigned to the external and independent services provider for full investigation being conducted by internal Ethics and Fraud Management officials. Ethics and Fraud commit to priorities this case to ensure that they are close before the end of this currently financial year.
- This will assist DFFE to address above R2 billion of Irregular expenditure .

AUDIT ACTION PLAN IN RELATION TO PERFORMANCE INFORMATION/SERVICE DELIVERY



STRATEGY AND BUSINESS PERFORMANCE RESPONSE TO AUDIT FINDINGS

FINDINGS: REPORTING	IMPACT	MEASURES PUT IN PLACE TO ADDRESS AUDIT FINDINGS
<p>Differences between the reported and audited achievements which has resulted in the reported achievement not supported by verifiable evidence.</p>	<p>The reported achievement in the annual performance report were not supported by reliable and appropriate evidence.</p>	<ul style="list-style-type: none"> • Internal Audit required to audit performance information prior sign-off by the Director-General. • Deputy Directors-General required to sign-off on quarterly performance reports confirming information reported is accurate, valid and complete • Site visits conducted on sample indicators on a quarterly basis to physically verify information reported on.

CWM'S RESPONSE: CORRECTIVE ACTION PLAN ON NOT MEETING THE WASTE DIVERSION TARGET ON PAPER AND PACKAGING WASTE THROUGH EXTENDED PRODUCER RESPONSIBILITY – TACKLING FREE RIDERS

- ❖ Approach (principles) to dealing with **“new laws”**:
 - ❖ **Facilitate compliance, through** Administrative enforcement notices before proceeding to criminal;
 - ❖ **Testing challenges / responses (internal, system functionality), mindful of enforcement capacity**
 - ❖ **Establishing if there are wilful / intentional violators – Ground-tooth through selecting small sample**
 - ❖ **Review – Assess impact**
- ❖ **First Phase - Test the reaction of the sector:**
 - ❖ **1300 warning letters** requiring them to register on the SAWIS
 - ❖ Based on responses received, only 6% (214) submitted their applications late and were requested to file reasons to condone the late registration. These were further categorised into:
 - ❖ **192 refused** to submit reasons requesting condonation
 - ❖ **22 submitted reasons**, which were condoned, but still failed to re-register but moments before the next phase 2 re-registered
- ❖ **Second phase – 20 pre-compliance notices were issued**
 - ❖ 90% responded by acknowledging receipt, 10% did not (18 responded and 2 did not)
 - ❖ **3 submitted information** and close out letters to be issued, **13 requested training** (documents could not be uploaded, credential challenges and etc). These will be given a few weeks to fully comply with registration process. **2 requested removal** since they do not fall within Section 18. This still needs to be verified. **2 failed to respond** and will now be issued with final notices
- ❖ **Third phase – institute action against the 192 - (Q3-Q4 of the FY)**
 - ❖ **Multiple actions based on learning of the first exercise. Sector will come into compliance but a blend of PCNs and Warnings required. At the same time, initiate training intervention. 32 will be targeted each month. Previous action 2 still needs final Notices for non-compliers – reaction will be tested, and criminal intervention may be required.**



CORRECTIVE ACTION PLAN ON NOT MEETING THE WASTE DIVERSION TARGET ON PAPER AND PACKAGING WASTE THROUGH EXTENDED PRODUCER RESPONSIBILITY – COLLECTION SERVICE FEE & SAWIS REPORTING

- ❖ DFFE has worked with both Department of Science and Innovation and the CSIR to develop a South African Waste Pickers Registration System:
 - ❖ Producer Responsibility Organisations have worked with Waste Pickers Organisations on the rate of fees that would be used for 2022 and 2023 to compensate waste pickers for the collection of recyclables;
 - ❖ There were delays experienced on the transfer of the system from CSIR to the PRO Alliance however that has since been resolved
- ❖ DFFE is working with PROs to ensure that they also ensure that the recyclers also report on SAWIS the tonnages that may be below the thresholds although the Waste Information Regulations does not require it. The Waste Information Regulations reporting requirements on minimum thresholds were avoiding administrative burden however the implications on EPR schemes is being reviewed.

CC&AQ'S RESPONSE: FINDINGS ON NAQI TARGET SET LESS THAN 1 (CURRENT NAQI IS 1.14)

DFFE INDICATOR	INTERVENTIONS
<p>Recommendations:</p> <p>3.1 Implement adequate maintenance and safeguarding of the monitoring stations used to monitor climate and pollution.</p> <p>3.2 Back-up plans to address the risk of load shedding.</p>	<p>3.1. Stations that were non-functional due to vandalism (Sebokeng and Three Rivers) were relocated to safe areas with improved security and are now fully operation.</p> <p>3.2. The following interventions have been identified to help limit the impact of load shedding on instrument performance:</p> <ul style="list-style-type: none"> • 8kva 6-hour lithium-ion battery backup solution for stations that can be charged via solar and electricity. Procurement process underway – the Bid Evaluation Committee (BEC) report under review by Supply Chain Management (SCM) for Bid Adjudication Committee (BAC). It is anticipated that these will be installed at the stations in December 2023. • The Department is monitoring the SAWS procurement plan for the backup power systems on a weekly basis • Installation of automatic voltage regulators to help reduce damage to instruments as a result of power surge and UPS failure was completed in August 2023.



FINDING ON AIR QUALITY MONITORING STATIONS REPORTING TO SAAQIS NOT MEETING DATA RECOVERY STANDARD OF 75%

DFFE INDICATOR	INTERVENTIONS
<p>Recommendations: 3.3 Strict monitoring of the implementation pollution prevention plans by the industrial sectors.</p> <p>Strict monitoring of the implementation of air quality management plans</p>	<p>The Department is in the final stages of promulgating priority area air quality management plans that will provide mechanisms for the enforcement and effective implementation of air quality management plans</p>



WB'S RESPONSE TO AUDIT FINDINGS

Summary of Findings	Internal Control Improvement Plan	Progress on Implementation
<p>Movable Tangible Capital Assets: Assets that could not be verified for existence.</p>	<p>The CD: Asset Management will ensure that assets are recorded in the existing asset register and are available for verification upon request</p>	<p>This is being addressed with the Asset Management Unit through their periodic inspections.</p>
<p>Depot where no pre-processing or collection of tyres is taking place</p>	<p>Two (2) tenders and single source acquisition for Transnet and DPWI to add additional waste tyre storage capacity, to ensure compliance with the Waste Tyre Regulations</p>	<p>The process of reallocating diesel balers is underway to provide processing capacity to depots that do not currently have. Three (3) electric balers are also in the process of being allocated to depots.</p>
<p>Old tyres which are of no use being stored for no purpose</p>	<p>A study has been conducted by the University of Pretoria on new waste processing rates for different technologies to ensure the development of a sustainable waste processing sector. Engagements are planned with National Treasury.</p>	<p>It is the responsibility of the WMB to receive, store and ultimately process all waste tyres. Additional processing capacity is being brought online for shredded tyres by two (2) cement kilns being PPC Slurry and NPC Port Shepstone. This will consume tyre types that are not typically demanded by current processors and exporters.</p>



WB'S RESPONSE TO AUDIT FINDINGS...CONT...

Large quantity of inbound and less outbound for processing or dispatching to external users	UP Study	Additional processing capacity is being brought online. An MoU has in the process of being finalised with PPC for their Slurry Kiln to make capital upgrades that will enable them to process 24,000 tons of shredded tyres per year
No evidence of approved norms and standards	Quarterly inspections will include compliance registration in terms of norms standards	Quarterly audits are being conducted by the Regional Coordinators. The outcomes are being addressed by the Regional Project Managers.
Assets (bailers) that are not bar-coded with the department's unique asset number	Quarterly inspection	This is being addressed with the Asset Management Department through their periodic inspections.
Contract management	The reporting lines for the Regional Coordinators has been amended to align with the Regional Project Managers.	Quarterly audits are being conducted by the Regional Coordinators. The outcomes are being addressed by the Regional Project Managers.



WB'S RESPONSE TO AUDIT FINDINGS...CONT...

<p>Depot in non-compliance with the Waste Tyre Regulations</p>	<p>2 tenders and single source acquisition for Transnet and DPWI to add additional waste tyre storage capacity, to ensure compliance with the Waste Tyre Regulations</p>	<p>Additional storage capacity is being brought online through engagements with the following entities:</p> <ol style="list-style-type: none">1) Processors with large land allocations such as the cement kilns. Four (4) depots are currently under negotiation or in the process of having leases negotiated.2) SOE such as Transnet Properties. A list of 25 sites was received and has resulted in applications for leases for six (6) of these sites which can be prepared for use within six (6) months. A further ten (10) sites are suitable for use but require 6 - 18 months to be ready for use.3) Potential sites have also been received from the National Department of Public Works and Infrastructure. A shortlist of approximately ten (10) sites are under review.
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B&C RESPONSE TO AUDIT OUTCOMES

INDICATOR	TARGET	ACTUAL PERFORMANCE	AG FINDING	HOW PERFORMANCE WILL BE IMPROVED
DFFE- 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	<ul style="list-style-type: none"> Expansion options will include Other Effective Conservation Mechanisms OECM: Communal Land ,Land owned by SANDF, Agricultural land, Strategic water sources, municipal open spaces, conservancies, indigenous forest areas, biodiversity stewardship, sustainability certified game ranches. Land claims are addressed in consultation with DALRDD and through development of co-management agreements. Mining license issues being addressed with DMRE through consultation at Ministerial level



B&C RESPONSE TO AUDIT OUTCOMES

INDICATOR	TARGET	ACTUAL PERFORMANCE	AG FINDING	HOW PERFORMANCE WILL BE IMPROVED
<p>DFFE- Protected Areas Management Improvement Plans of Management Authorities monitored and annual status report compiled</p>	<p>Status report on implementation of committed improvement plans compiled</p>	<p>Draft status report on implementation of improvement plan developed for the South African National Parks in March 2023</p>	<p>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</p>	<p>Target redefined to specify six (6) management authorities that are being engaged for which information is available.</p> <p>METT system is being improved in order to improve the quality of information</p>



IT RESPONSE TO AUDIT FINDINGS

FINDINGS: REPORTING	IMPACT	MEASURES PUT IN PLACE TO ADDRESS AUDIT FINDINGS
<p>Actions / Recommendations: Management should address project delays promptly, communicate effectively with stakeholders, and take appropriate actions to minimize the negative consequences.</p>	<p>The e-PMS system was meant to increase efficiency of processes for the Environmental and Project Administration 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.</p>	<ul style="list-style-type: none"> • Project plan has been revised and the project steering Committee reconstituted, additional development resources allocated by the service provider. • Business unit initiated EPMS Pilot process targeting SANParks data captures ,DFFE SMS members and Project Managers. • Based on the success of pilot process a pre-Change management process is already implemented. • The next steps is the website will Go-live, Post-Change management process to follow and System training refresh for system users to be conducted. • The Go live date is planned for 31 March 2024.



MATERIAL IRREGULARITIES (AFFECTING EP BRANCH)

- 1) Umvoti and King Sabata Dalindyebo (KSD) waste disposal projects
 - Two investigations were finalized. The Department is due to receive final reports from the service provider. The report is due by 13 October 2023.
 - The reports will inform consequence management and due corrective action to be undertaken by the Department.

- 2) Working on Fire – disposal of state motor vehicles not in line with National Treasury requirements
 - The Department has already issued a letter to the service provider confirming that it will recoup funds associated with the transfer made without the Department's approval and not in line with National Treasury requirements. In this regard, further engagement has been held with the service provider.
 - The Department has initiated the legal process to recoup these funds.



MEASURES TO ADDRESS EMI CAPACITY CONSTRAINTS (RCSM)

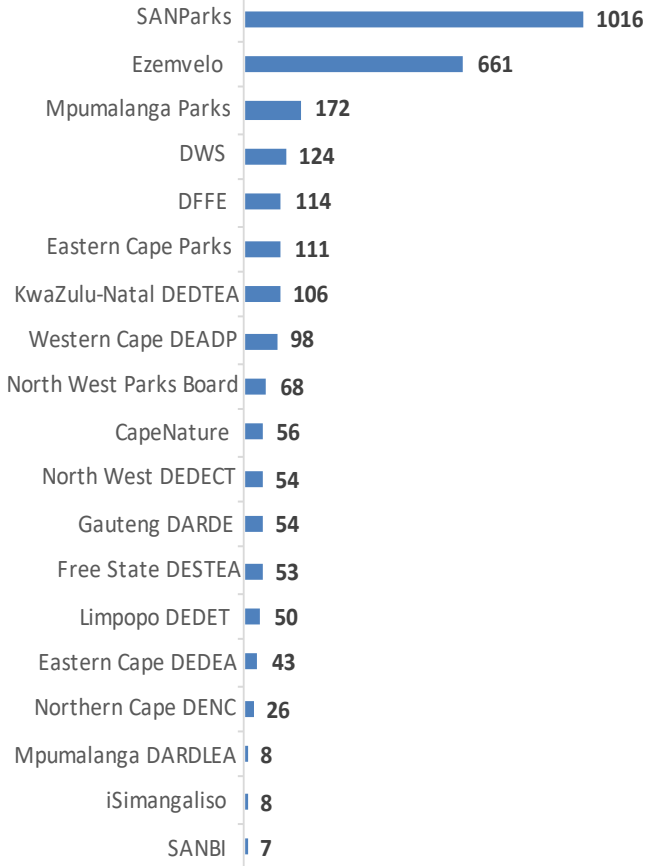
- Co-ordination of environmental compliance and enforcement between national and provincial spheres of government through MINTECH WG4 which sets out the strategic, priority projects / sectors
- WG4 have prioritised municipal landfill sites for compliance and enforcement due to poor compliance records. As part of this project, provinces have intensified enforcement actions (administrative and criminal) against municipalities
- National Environmental Compliance and Enforcement Framework (NECEF), setting out a 5-year roadmap for improved performance and collaboration, has recently been approved by MINMEC
- National EMI Training Programme (support to all 19 EMI institutions)
- National support - EMI Helpdesk; Environmental Crime Hotline; Environmental Enforcement Fusion Centre
- Organisational Review recently undertaken in the CD: Sector Compliance and CD: Sector Enforcement within DFFE



The Environmental Management Inspectorate (EMI)

Overview of EMI designations

National and Provincial designated EMI's per institution

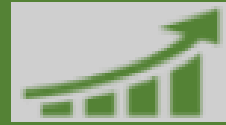


The number of Grade 5 EMI's increased by

6%

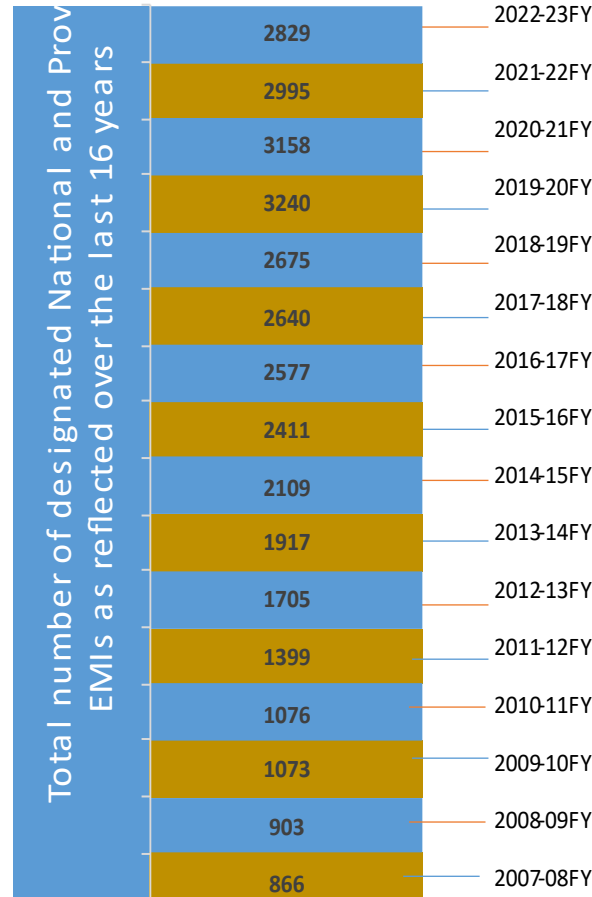
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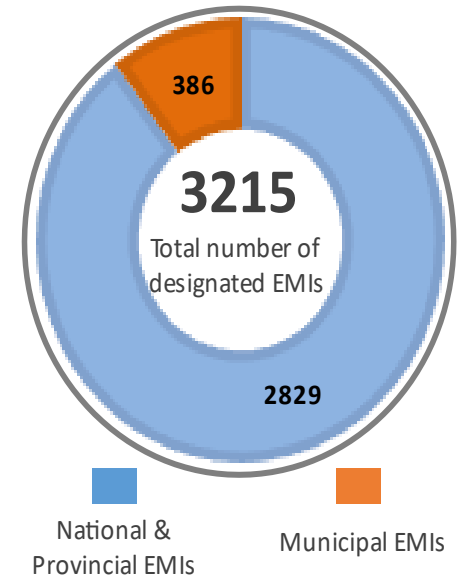


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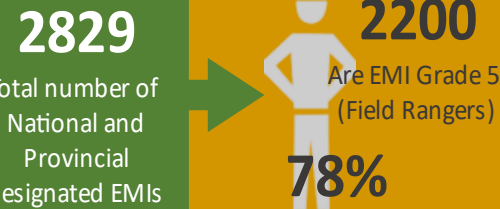
2022/2023



Total Number of EMI's



■ National & Provincial EMIs
■ Municipal EMIs



7% decrease in EMIs designated at local authority levels over the past reporting year

6%

decreased in total number of EMIs on the National Register



Thank You



forestry, fisheries
& the environment

Department
Forestry, Fisheries and the Environment
REPUBLIC OF SOUTH AFRICA

