

120221Scopa

# **SCOPA REVIEW OF 2010-2011 ANNUAL REPORT OF THE DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM**

**Date: Tuesday, 21 February 2012**

**Time: 09:00**

**Venue: M514, 5<sup>th</sup> Floor, Marks Building**

**Accounting Officer: P M Shabane**



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Rural Development & Land Reform  
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# Context

- The Annual Report of the Department of Rural Development and Land Reform (DRDLR) was tabled in Parliament on 23 September 2011
- Since its publication, the Department has engaged with oversight bodies including the Portfolio Committee on Rural Development and Land Reform, to ensure that issues raised in the audit report are addressed timeously.



# Context

- The focus of this presentation will therefore be :
  - The Accounting Officer's overview in response to the issues raised by the Auditor General; and
  - The Financial Performance Report.



# PERFORMANCE ACCOUNTING OFFICER'S OVERVIEW



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# Pre-Determined Objectives

- Post 2009 election, a new Department of Rural Development and Land Reform was created; it incorporated the mandate of the old “Department of Land Affairs”
- This necessitated a new restructuring of programs in order to ensure that DRDLR delivers successfully against the new mandate.
- Targets on the 2011 strategic plan are the revised targets which reflect the new mandate.





# Pre-Determined Objectives

- Since the tabling of the revised plan, outcome based targets were introduced; these resulted in certain targets incorporated in the annual plans which were not in the strategic plan.
  - The Department has since embarked on an exercise to align the targets and ensuring that the targets are measurable.



# Pre-Determined Objectives

- Gathering information relating to achievement of targets has been a challenge.
  - Information is now reported from one source after it is reviewed by the Monitoring and Evaluation Unit and Portfolio of Evidence is kept.
  - The New Planning Framework issued by NT is applied in setting targets and implementation date is 2012-2013
  - Internal Audit Reports are used to improve performance reporting.



# Capacity Constraints

- DRDLR continues to align the organisational structure to the new mandate of rural development and land reform.
- 8 Chief Directors: Restitution Support posts have since been filled.
- Current senior management vacancy rate is 8.24 % out of the departmental vacancy rate of 10.9%
  - Interviews for 3 Deputy Director General posts conducted and it is envisaged that the posts will be finalised by the end of the current financial year.





# PERSONNEL ESTABLISHMENT AND VACANCY RATIOS

PROGRAMME	Number of posts	Number of posts filled	Vacancy Rate %
Administration	1,103	883	19.94%
Cadastral Surveys	698	649	7.02%
Restitution	762	709	6.95%
Land Reform	849	791	6.83%
Rural Development	111	102	8.10%
Geo Spatial	349	305	12.60%
Deeds Trading Account	1,491	1,131	5.03%
<b>TOTAL</b>	<b>5,063</b>	<b>4,570</b>	<b>9.73%</b>



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# Corporate governance arrangements

- In order to strengthen accountability and weaknesses in the internal control systems:
  - DRDLR has since incorporated targets and indicators for good governance in the annual performance plan (APP) and performance agreements of senior managers.
  - A senior management post for Labour Relations has been created to capacitate the division in dealing with disciplinary matters.
  - Audit Committee monitors implementation of management action plans.



# Corporate governance arrangements

- Evidence suggests that fraud and corruption may have been a serious problem in the department and this puts into question the effectiveness of controls and risk strategies in place.
  - The Risk and Compliance Committee, chaired by a member of the Audit Committee has since been established and its recommendations are implemented timeously
  - These included updating the Risk Management Framework and the fraud risk registers of the Department



# Corporate governance arrangements

- Minister of DRDLR requested the SIU to investigate Land Reform Grants
- Proclamation R8 of 2011, published on 18 February 2011
- **Scope:** To investigate irregularities relating to the awarding and administration of Land Reform Grants under the Department's Land Reform Programme between 1 January 2006 and 18 February 2011.
- Investigation commenced on 1 March 2011 and is planned to run through to 31 March 2014





# Focus Areas

Identification of land and inflation of land prices



Irregularities relating to beneficiaries



Grant application and award process



Transfer of land to intended beneficiaries



# Prior Modification to Audit Report

- Earlier slides addressed matters on the Auditor-General's Report relating to Legal and Regulatory Requirements.
- The modification of the report were based on issues affecting financial statements as follows:
  - Completeness of immovable asset register as the basis of qualification;
  - Emphasis of matter paragraphs 9 and 10 are related to the above; and
  - Emphasis of matter paragraphs 11, 12, 13 and 14 relates to matters in the Restitution programme.



Report of the Auditor General

# REPORT ON THE FINANCIAL STATEMENTS



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# Immovable Asset Register

- Immovable Asset Register of DRDLR is maintained in terms of the minimum requirements of an asset register prescribed by National Treasury. The Immovable Asset Sector Specific Guide requires that the Department shall record its assets as reflected in the qualification paragraph.
- In the absence of a register handed to the Department for all former TBVC State Assets, compiling an Asset Register has been a process which the Department has made significant progress on.
- In the past years, the Auditor General could not express an audit opinion on the immovable asset register of the Department, followed by an inaccurate asset register. 2011 is the first year where the asset register was accurate.
- The maintenance of an Immovable Asset Register that can be used for decision making is still a challenge due to various factors affecting state land; the project of the State Land Audit which the Chief Surveyor-General is currently busy with will further enhance the quality of the immovable asset register of DRDLR and that of other organs of state.
- Significant progress has been made with the survey of state land, it is anticipated that the project will be finalised by 2013.





# Immovable Asset Register

- Land held for Land Reform Purposes, includes cases where it is envisaged that the immovable property will be transferred in the name of the state instead of a restitution claimant,
  - Immovable assets not yet transferred to claimants due to various reasons including disputes were initially not included in the assets register of DRDLR;
  - During the audit process an adjustment was made to correct the classification, this resulted in material adjustments in the financial statements reflected in paragraph 10 of the Auditor-General's Report.
  - An exercise of identifying all land parcels acquired by the Commission on Restitution of Land Rights that are registered in the name of the Government is in progress.



# Immovable Asset Register

- Differences were identified when comparing the Deeds Registries records to the immovable asset register of DRDLR e.g properties belonging to former TBVC and self governing states recorded in Deeds Registry but not recorded on the Department's immovable asset register;
- Reason: the assets in the Deeds records were recorded differently, and the Department in compiling the asset register focused on known names.
- Out of an exception of 6 117 records, only 236 did not link to the Asset Register. Further research conducted on the 236 has been completed.
- To correct this, a full Deeds dump has been obtained and is being analysed to ensure that all assets are accounted for.



# Significant Uncertainties

- Settlement of Restitution Claims follows a certain process from accepting a claim to validation, negotiations and finally settling the claim.
- It is therefore challenging to determine at which point of the negotiation stage a contingent liability could arise.
- In the past year various land owners took DRDLR to court for offers made that were not honored in time mostly due to unavailability of funds.
  - In order to limit the possibility of future court cases, claim negotiations have been centralised to the Regional Land Claims Commissioner.



# Significant Uncertainties

- To ensure that every stage of the restitution process is tracked and accounted for, an electronic document management project was established.
  - The first phase of the project is to identify, scan and capture restitution projects files. This will ensure there is a claim management database that provides information on claims lodged and settled.
  - The second phase of the project will be to trace and account for every step in the restitution process and therefore identify the potential financial exposure of the Department
  - At this point only those projects where negotiations were finalised and have been recommended by the Quality Control Committee for approval were considered as a contingent liability and the amount is known even if the outcome of the transaction is unknown.





# COMMITMENT

- A claim becomes a commitment once a Section 42D settlement agreement is approved.
- The movement in such commitments were slow due to changes in restitution settlement options, community disputes, tribal disputes, family disputes and/or untraceable claimants or lack of funds.
  - A Quality Control Committee reviews all requests for readiness of finalisation.
  - A project team has been put in place to analyse the full commitment register including their reasons for non movement. It is anticipated that the project will be finalised by March 2012.



Financial Performance

# REPORT ON THE FINANCIAL STATEMENTS



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# FINANCIAL PERFORMANCE

The Department achieved spending of 97.7% (2009/10: 91.6%) against the adjusted appropriation of R7.3 billion for the year under review.

	2010/11 R'000	2009/10 R'000
<b>Budget allocation</b>	7,293,382	6,391,091
<b>Actual Expenditure</b>	7,122,856	5,854,720
<b>Spending as a percentage</b>	97.7%	91.6%
<b>Unspent funds</b>	170,526	536,370
<b>Unspent funds as a percentage</b>	2.3%	8.4%



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# SPENDING PER PROGRAMME

PROGRAMME	2010/2011			2009/2010			
	Final Appropriation R'000	Spending 31/03/11 R'000	Spent %	Final Appropriation R'000	Spending 31/03/10 R'000	Variance R'000	Spent %
1: Administration	709,768	689,271	97.1%	661,848	578,804	83,044	87.5%
2: Geospatial and Cadastral Services	448,738	372,080	82.9%	350,974	311,690	39,284	88.8%
3: Rural Development	361,431	357,467	98.9%	252,340	62,991	189,349	25.0%
4: Restitution	3,774,221	3,766,833	99.8%	2,338,393	2,331,634	6,759	99.7%
5: Land Reform	1,999,224	1,937,205	96.9%	2,787,536	2,569,602	217,934	92.2%
<b>TOTAL</b>	<b>7,293,382</b>	<b>7,122,856</b>	<b>97.7%</b>	<b>6,391,091</b>	<b>5,854,721</b>	<b>536,370</b>	<b>91.6%</b>



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# VIREMENTS

SHIFT FROM	SHIFT TO	AMOUNT R'000
1. Administration	3. Rural Development	19,000
1. Administration	4. Restitution	42,000
2. Geospatial and Cadastral Services	4. Restitution	38,000
5. Land Reform	4. Restitution	120,000

To Prog 3: to augment shortfall of R19,000 mil under goods and services for the Implementation of the National Rural Youth Service Corps

To Prog 4: to augment short fall of R24,776 million at goods and services and R175,224 mil under households for the payment of court orders



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# Conclusion

- The Department of Rural Development and Land Reform remains committed and will continue to put financial management control measures to ensure that service delivery targets are met effectively and efficiently.



# Thank you



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