



Department
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA

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MANAGEMENT ACTION PLANS ON THE AUDITOR GENERAL'S REPORT FOR THE FINANCIAL YEAR 2011/12

Prepared for:

THE PORTFOLIO COMMITTEE ON RURAL DEVELOPMENT AND LAND REFORM

Prepared by:

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1. PURPOSE

The purpose of this report is to inform the Portfolio Committee on Rural Development and Land Reform of the management action plan to address the Auditor General's Report.

2. EXECUTIVE SUMMARY

The Auditor General has audited the financial statements of the Department of Rural Development and Land Reform, which comprised of the appropriation statement, the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended 2011.

Findings were discussed, and accepted by management. Management Action Plans were put in place to address outstanding queries raised by the Auditor-General. The Report below details the issues raised, management action plan and progress made to-date.

Basis for qualified opinion

Tangible capital assets

1. "Although the department put a lot of effort in updating the immovable asset register of the Department of Rural Development and Land Reform, I was still unable to obtain sufficient and appropriate audit evidence to satisfy myself as to the completeness of the properties recorded in the immovable asset register as disclosed in disclosure note 34 to the financial statements."

Management Action Plan:

Research on 236 properties which could not be verified at year end is completed. Property description and registered owner name comparison were done per provincial deeds office (7.6 million properties). Lists of registered owner names that are not on the register were compiled and update on the asset register.

An immovable asset register policy was drafted and will be finalised by 31 March 2012 for implementation on 01 April 2012.

Emphasis of matters

"I draw attention to the matters below. My opinion is not modified in respect of these matters:

Tangible capital assets

2. As disclosed in disclosure note 34.3 to the financial statements, the approximate extent of un-surveyed land falling under the custodianship of the department approximates 2,870,711.31 hectares. As indicated in note 4.8.2 of the related accounting policy, un-surveyed land is not recognised in the financial statements until the full surveying process has been completed. "

Management Action Plan:

As at 31 December 2011, 883 000 hectares of unsurveyed state land comprising Administrative Areas and SDFs, were surveyed and approved.

Restatement of corresponding figures

3. As disclosed in disclosure note 34 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of an error discovered during the 2010-11 financial year."

Management Action Plan:

Procedure for processing Restitution Claims on State Land was approved on 19 January 2012 and implemented immediately. Monitoring of compliance is done by the newly established Quality Control Committee.

Restitution technical support team is analysing the expenditure made since 2009 and identifying properties which have been registered in the name of state that are not recorded in the asset register.

Significant uncertainties

4. Attention is drawn to disclosure note 20.1 to the financial statements, relating to claims instituted against the department amounting to R1.172 billion. These claims are subject to the outcome of legal proceedings. The ultimate outcome of the matter cannot be determined at present and no provision for any liability (interest and legal costs) that may result has been made in the financial statements."
5. As disclosed in note 20.1 to the financial statements the department has a possible liability towards the claimants in terms of the Restitution of Lands Rights Act, 1994 (Act No. 22 of 1994). The total amount of claims verified and on route for approval in terms of section 42D of this act amounts to approximately R883.470 million. Due to the significant uncertainties relating to the complications and outcome of the process that must be followed in validating a claim, it is not possible to determine a reliable estimate of the value of the potential liability beyond that".

Management Action Plan:

The powers to negotiate settlement is centralised to the Regional Land Claims Commissioner.

All files were captured in all provinces; a cover sheet was compiled for each claim before scanning. The cover sheet is called Meta data which will be used to search and retrieve information on the file.

Scanning has been completed in the majority of sites except Limpopo, North West, Pretoria and a few in the Eastern Cape. We plan to complete this by 31 March 2012

Commitments

6. "As disclosed in note 21 to the financial statements, included in commitments of R6.573 billion is an amount of R642 million relating to projects that are older than three years on which there has been no movement (no payments were made) due to changes in restitution settlement options, community disputes, tribal disputes, family disputes and/or untraceable claimants."

ATHOL
JACOB

Management Action Plan:

A Restitution Technical Committee was put in place to do a full analysis of the commitment register. Expenditure has been categorised into financial compensation, land purchase, grants, attorney fees and conveyance fees

Fruitless and wasteful expenditure

7. "As disclosed in note 27 to the financial statements, fruitless and wasteful expenditure of R73.406 million was incurred, as a result of interest paid as compelled by the court on late settlement of land purchases."

Management Action Plan:

We have developed a litigation handling procedure and currently analysing the expenditure to determine if there is a responsible official before a condonement can be granted.

3. CONCLUSION

It is recommended that the Committee notes the progress made in clearing the audit issues.

Date: 27 February 2011