

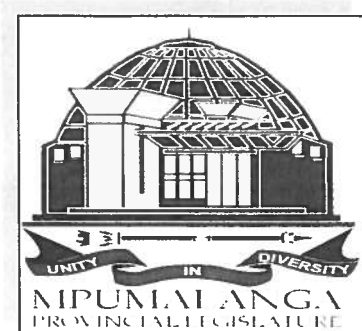


Report

Report of the Portfolio Committee on
Agriculture, Rural Development, Land
and Environmental Affairs



**Annual Report Of The Department Of Agriculture,
Rural Development, Land And Environmental Affairs
2013/14**



CHAIRPERSON

Hon. VV Windvoël

MEMBERS

Hon SPD Skhosana Ka Mahlangu

Hon GC Shabalala

Hon BV Nkuna

Hon SI Malaza

Hon B Grobler

Hon MC Sedibe

Hon C Maunye

Hon PS Ngomana

Hon AM Benadie

Annual Report 2013/14

Department of Agriculture, Rural Development, Land and Environmental Affairs

REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS

2013/14 ANNUAL REPORT OF THE DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS

1. INTRODUCTION

The Portfolio Committee on Agriculture, Rural Development, Land and Environmental Affairs (the Committee) has a mandate as per Section 114(2) (b) of the Constitution of the Republic of South Africa (Act. 108 of 1996), read with rule 219(4) of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules), to oversee the performance of the Department of Agriculture, Rural Development, Land and Environmental Affairs (the Department).

Section 133(b) of the Constitution requires the Member of the Executive Council (MEC) to provide the Legislature with full and regular reports concerning matters under their control. Thus the tabling of the 2013/14 Annual Report of the Department of Agriculture, Rural, Land and Environmental Affairs was in compliance with section 65(a) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

The consideration and scrutiny of the 2013/14 Annual Report of the department was for the Committee to satisfy itself that the department's performance was in line with its approved 2013/14 Annual Performance Plan (APP) and the budget that was appropriated for the financial year under review. The Annual Report oversight exercise is a mechanism of the Committee to ensure that public funds allocated to the department in the year under review, were used economically, efficiently, equitably and effectively. There should ultimately be value for money in any activity undertaken by the department. Thus, the Executive Authority was held to account for the department's performance in the 2013/14 financial year.

2. METHOD OF WORK

The MEC tabled the 2013/14 Annual Report in accordance with Section 65(a) of the PFMA and the Speaker subsequently applied rule 201(1) of the Rules and Orders of the Mpumalanga Provincial Legislature by referring the report to the Committee for consideration and report back to the House.

On 23 October 2014 the Committee considered a detailed analysis of the 2013/14 Annual Report and raised key observations and questions that were sent to the department for written responses.

Thereafter, on 31 October 2014, the Committee interacted with the HOD and the Senior Management team of the department on the 2013/14 Annual Report. The Committee met again on 11 November 2014 to consider its report.

3. STRATEGIC OUTCOME ORIENTED GOALS

As part of the oversight exercise, the Committee sought to evaluate the extent to which the department's planned activities during the year under review were guided by its strategic objective and key policy priorities, as well as the national and provincial government policy priorities.

Table 1: Strategic Outcome Oriented Goals

| Department's Strategic Outcome Goals | Achievement in 2013/14 |
|---|---|
| 1. To support the development of a sustainable agrarian reform and the large farming sector | <ul style="list-style-type: none">• 18 119 smallholder farmer supported• 161 farm assessment completed• 237 project performance report complied |
| 2. To improve access to affordable and diverse food | <ul style="list-style-type: none">• 34 866 ha food insecure households benefiting from intervention• 3466.73 ha ploughed and planted for subsistence farmers (ha)• 24 875 ha ploughed and planted for land and agrarian reform beneficiaries (ha) |

| | |
|--|---|
| | <ul style="list-style-type: none"> • 4 587 ha food Gardens established and maintained |
| 3. To improve services to support healthy livelihoods | <ul style="list-style-type: none"> • 18 diseased of economic importance managed • 4 563 clients serviced with agricultural research and information system. • 554 student registered into higher Education and Training (HET) qualification • 7 657 Learners completing non-accredited short course |
| 4. To create Rural Jobs and Promote Sustainable Economic Livelihood | <ul style="list-style-type: none"> • 17 826 Jobs created through CRDP initiatives • 125 cooperatives establishment • 23 cooperatives provided with technical and advisory services through land reform |
| 5. To improve the institutional delivery environment by ensuring that there are credible IDPs and skills audit | <ul style="list-style-type: none"> • 8 Council of Stakeholders, task teams and working groups established and functional • 18 Municipalities supported • 8 Hearings conducted by Mpumalanga Township board |

There are 5 strategic goals outlined in the Strategic Plan and APP that will enable the department to achieve the priorities set by government within the 5 years period and also progress towards achievement of National Development Plan priorities and outcome 7; which is about ensuring vibrant, equitable and sustainable rural communities with food security for all. The department pays attention to the realization of the NDP vision 2030 which seeks to accelerate job creation, poverty alleviation, and reduce inequality through among others, agriculture development, improve skills, and development of agro-processing industries and inland fisheries.

4. REPORT OF THE AUDITOR GENERAL

The department of Agriculture, Rural Development, Land and Environmental Affairs has once again obtained a Qualified Audit Opinion due to movable tangible assets amounting to **R331 368 000**, which could not be traced from the floor to the assets register. Accruals as disclosed in the financial statements were overstated by **R7 635 441**. The Auditor General could not obtain appropriate evidence to support accruals amounting to **R28 854 000** as disclosed in the financial statements. Compensation of Employees amounting to **R393 248 000** were without relevant supporting document to prove that this amount has been paid to existing employees. This also indicates that there were material findings under Compliance with Legislation, Financial and Performance Management and Predetermined Objectives. The department needs to improve from this performance, especially on Financial Management, Internal Controls as well as implementing recommendations of both the Audit Committee and the Auditor-General.

The Department managed to achieve 68 out of 166 (or 41%) counted targets for the 2013/14 financial year. This translates to **41%** of targets achieved. The department's overall adjusted budget for the 2013/14 financial year was at **R1 013 397 000** and the overall spending was at **92%** of the budget allocation. This translates to an under expenditure of **8%** which is above the 2% acceptable norm for under/over expenditure prescribed by the National Treasury.

5. OVERVIEW BY THE MEC

The MEC, Hon AM Gamede tendered an apology for the meeting as he was attending a MINMEC meeting. The Committee accepted his apology.

6. PROGRESS REPORT ON THE IMPLEMENTATION OF HOUSE RESOLUTIONS – 2012/13 ANNUAL REPORT

The Committee considered an updated report on the progress made by the department in implementing previous House Resolutions emanating from the 2012/13 Annual Report. The progress report is reflected in this Committee report to provide a comprehensive perspective (see **Annexure A**).

6.1. Issues emanating from the progress report on the Implementation of House Resolutions: 2012/13 Annual Report:

6.1.1. Accruals

With regards to accruals, the department reported that as at the end of the 2013/14 financial year, accruals to the value of **R28 053 million** were disclosed. These accruals were cash backed since the department under spent by **R85 102 million** on its allocated budget. In addition, the department reported that a roll-over has been requested from the Provincial Treasury to honour these accruals during the financial year 2014/15; hence there has not been any negative impact on the incoming administration.

The Committee noted that the approval for a roll-over had not yet been granted by the Provincial Treasury. The Committee was of the view that the accruals will continue to have a negative impact on service delivery by the department. The Committee then requested the department to withdraw the misleading statement that the accruals will not have a negative impact on service delivery.

The Committee also raised a concern that the department was not reporting on what measures were taken against the officials who contributed to the accruals. The Committee was of the view that the department seems to be taking the issue of accruals as "business-as-usual" and there seemed to be a lack of planning by the department.

6.1.2. Asset Management

The department reported that full asset verification was undertaken during the 2013/14 financial year. The Committee enquired on what was the outcome of the verification process. In the response the department reported that:

The verification process was completed, however, during the audit period; the Auditor General identified the following issues:

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- Four assets on the floor that could not be traced to the Asset Register. The assets were said to be two trailers and two boats;
- There was no asset maintenance plan or strategy in place;
- There was no asset register for biological assets.

This raised a concern on the completeness of the assets register; subsequently the Auditor General raised this as a concern on the Auditors Report.

6.1.3. Staff Verification

The department reported that a staff verification process is conducted on an annual basis. The Committee enquired on what the outcome of the verification process was.

It was reported that the process was successful and no ghost employees were identified. However, one staff member who was a lecturer at Marapyane College did not adhere to the rules of the Auditor General. The staff member disappeared during the verification process and never returned to the college. Subsequently, he was terminated. The Committee raised a concern that it seemed like the Human Resource Management section was not properly conducting a verification of staff's qualification.

7. SUMMARY OF THE ANNUAL REPORT

7.1. Achievement of planned targets

The Committee enquired on how the department managed to spend 92% of the budget allocation and only achieve 41% of the planned targets. The department reported that they had to curtail some of the projects in order to address accruals. As a result, this led to expenditure on the allocated budget without really contributing to the achievement of some of the service delivery targets. In addition, the department reported that erratic weather patterns (late arrival of rains leading in some cases into floods) also contributed in the department not achieving some of the planned targets.

The Committee enquired on how the department managed to spend when they could not plough because of the rain. The department then corrected their statement and reported that initially they had ploughed, but the floods washed out everything that was planted.

7.2. Impact on service delivery

The Committee enquired on what impact the non-achievement of planned targets have on service delivery. The department reported that the non-achievement of targets have a negative impact towards the general development of farmers, the community and the growth of the agricultural sector. Furthermore, the department indicated that this contributed heavily on the backlog that the department is having on infrastructure development and the turnaround of the agricultural sector to contribute as per the NDP requirement.

The Committee expressed its dissatisfaction on the response provided by the department. The Committee was of the view that the department seemed to be unaware that food is a basic need and how much agriculture is needed by the people of this country. The Committee requested the department to acknowledge the impact that this have on ordinary citizens and requested the department to provide a report that will specify which municipalities and projects were affected by the non-achievement of planned targets.

8. PART A: GENERAL INFORMATION

8.1. OBSERVATION ON THE DEPARTMENT'S COMPLIANCE WITH NATIONAL TREASURY GUIDE ON THE PREPARATION OF THE ANNUAL REPORT

The Committee noted that the 2013/14 Annual Report of the Department of Agriculture, Rural Development, Land and Environmental Affairs was in compliance with the National Treasury Guide on Preparation of the Annual Report for the year under review. However the organizational structure indicated on page **26 of the Annual Report** does not reflect the names of officials occupying the positions, their pictures and if the posts are vacant or filled.

8.2. SERVICE DELIVERY ENVIRONMENT

The Committee noted the following with regard to the service delivery environment of the Department:

The department reported that most developing farmers in the province did not meet the criteria set by financial institution when applying for credit finance and the department assisted on sourcing finance for these farmers. The department also indicated that the Province suffered effects of late arrival of rains and in areas such as Nkomazi, and Bushbuckridge Municipalities where rains led to drastic floods which negatively impacted on programmes such as Masibuyele Emasimini.

The Committee notes that the National Treasury guide for Annual Report requires departments to report on challenges, successes and other factors that might impact on their performance and how they have operated to implement their strategic plan and annual performance plan. The Committee noted that department of Agriculture, Rural Development, Land and Environmental Affairs did not give a true reflection of the current status on service delivery as many challenges and successes for the 2013/14 financial year were not fully disclosed.

8.3. ORGANISATIONAL ENVIRONMENT

During the financial year under review, the department had challenges of addressing accrual. To assist in this regard the Executive Council instituted an intervention in the department through the Provincial Treasury in terms of Section 18 (2)(g) of the PFMA. This included the establishment of a Finance Management Committees (FMC) that approved all acquisition and payment of goods and serviced.

The department operated with an SMS vacancy rate of 33.3%. The following key SMS positions were vacant:

- Chief Director: Rural Development
- Chief Director: Policy, Planning and Information Management
- Director: Internal Audit

- Director: Asset Management and Facilities
- Director: Labour Relations

9. PART B: OVERVIEW OF DEPARTMENTAL PERFORMANCE

9.1. BUDGET PERFORMANCE

With regards to the budget performance, the Committee noted that:

- 9.1.1. The department spent 92% of its allocated budget;
- 9.1.2. The department underspent above the 2% acceptable norm for under/over expenditure prescribed by the National Treasury.
- 9.1.3. The department collected R5 640 000 in revenue from a projection of R5 157 000 resulting in an over collection of R 483 000.

The table below indicates the spending pattern of the department for the past four years.

Table 2: Expenditure pattern for the past Financial Years

| Year | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|------------------------|---------|---------|---------|-----------|
| | R'000 | R'000 | R'000 | R'000 |
| Main appropriation | 737 936 | 969 111 | 980 476 | 1 050 045 |
| Final appropriation | 774 536 | 968 320 | 982 333 | 1 013 397 |
| Actual amount spent | 759 462 | 972 320 | 974 177 | 928 295 |
| Over/under expenditure | 15 074 | 3 710 | 8 156 | 85 102 |
| % of expenditure | 98% | 99,6% | 99,17% | 92% |

9.2. CONDITIONAL GRANTS

Table 3 below shows each of the conditional grants and earmarked funds received by the department and the spending per grant:

Table 3: Conditional Grants

| Name of grant | Budget receipts R'000 | Actual expenditure R'000 | Variance R'000 |
|--|--------------------------|-----------------------------|-------------------|
| Ilima / Letsema Projects | 43, 845 | 43, 845 | 0 |
| Land Care Project Grant | 10, 249 | 10, 244 | 5 |
| Comprehensive Agricultural Support Programme Grant | 130, 986 | 130, 986 | 0 |
| Expanded Public Works Programme | 5, 619 | 5, 619 | 0 |
| Total | 190, 699 | 190, 694 | 5 |

9.3. AUDIT OPINIONS

Table 4: Audit Opinions for the past four years

| 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---------------------------|---------------------------|-----------|-----------|
| Unqualified with findings | Unqualified with findings | Qualified | Qualified |

The department did not improve from the previous year audit opinion as it has remained with a Qualified Audit Opinion. This indicates that the department is still struggling with the management of its assets, reporting on performance information as well as compliance related issues.

9.4. PROGRAMME 1: ADMINISTRATION

The purpose of this programme is to ensure that all nine-core function programmes of the department are adequately provided with political leadership; strategic leadership (planning, organising and monitoring), corporate support services; financial management support; and public communication support services. The programme achieved 57% (12 out of the 21) of planned targets for the year under review.

9.4.1. Expenditure of the Programme

| 2013/14 | | | |
|------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Office of the MEC | 6 877 | 6 295 | 582 |
| Management Services | 19 002 | 20 104 | (1 102) |
| Corporate Services | 43 856 | 44 147 | (291) |
| Financial Management | 47 546 | 43 471 | 4 075 |
| Communication Services | 5 312 | 4 389 | 923 |
| Total | 122 593 | 118 406 | 4 187 |

The programme's adjusted budget was **R122 593 000** for the 2013/14 financial year and the expenditure was at 96.58% of the budget.

9.4.2. Vacant Positions

The Committee enquired whether the department had a plan in place to fill the existing vacant positions. The department reported that 42 posts were already advertised and profiled. Ten of those posts were at salary level 13 – 14 (Senior Management Position) and 32 were at salary level 1 -12. The department reported that 20 posts had already been shortlisted. In addition, the department reported that posts that are within salary level 1- 12 will be filled by 01 December 2014 and posts that are within salary level 13 – 14 will be filled by 01 February 2015.

9.5. PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

The purpose of this programme is to ensure that communities are provided with agricultural infrastructure development services to ensure sustainable development and management of agricultural resources. The programme plays a key role in promoting the expanded Public Works programme (EPWP) in the rehabilitation of degraded land. The programme achieved 27 % (8 out of the 29) planned targets for the year under review.

9.5.1. Expenditure of the Programme

| 2013/14 | | | |
|--------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Engineering Services | 46 768 | 45 116 | 1 652 |
| Land Care | 12 752 | 12 566 | 186 |
| Land Use Management | - | - | - |
| Disaster Risk Management | 2 070 | 1 585 | 485 |
| Total | 61 590 | 59 267 | 2 323 |

The programme's adjusted budget was **R61 590 000** for the 2013/14 financial year and the expenditure was at 96.23% of the budget.

9.6. PROGRAMME 3: FARMER SUPPORT AND DEVELOPMENT

This is the central service delivery programme in the department, which is responsible for delivering district level services in support of the agrarian reform and rural development. The programme achieved 10 out of the 24 planned targets for the financial year under review. This indicates that this programme has achieved only **42%** of the planned targets.

9.6.1. Expenditure of the Programme

| 2013/14 | | | |
|---------------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Farmer Settlement | 129 643 | 118 647 | 10 996 |
| Extension and Advisory Services | 244 095 | 232 915 | 11 180 |
| Food Security | 89 526 | 65 924 | 23 602 |
| Total | 463 264 | 417 486 | 45 778 |

The programme's adjusted budget was **R 463 263 000** for the 2013/14 financial year and the expenditure was at 90.12% of the budget.

9.6.2. Performance of the Programme

The Committee noted that the report by the Auditor General indicated that significantly important targets were not reliable when compared to the source information or evidence provided. This was due to the inadequate monitoring of processes implemented to ensure the validity, accuracy and completeness of reported achievements.

9.6.3. Masibuyele eMasimini Programme

The Committee noted that most targets under the Masibuyele eMasimini programme were not achieved due to financial constraints and migration from service providers to Cooperatives. The Committee then requested the department to explain the 90% spending on this programme.

The department reported that during the financial year under review, the department opened up with accruals coming from the previous financial year (2012/13) which had had to be settled with the budget of the 2013/14 financial year. The accruals contributed considerably to the expenditure of the programme however not contributing towards the target as set in that financial year. Please see above discussion on accruals.

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9.6.4. Support to Cooperatives

The Committee requested the department to explain its plans of providing support to cooperatives to ensure that service delivery is not compromised.

It was reported that during the current financial year, the department has reviewed the Masibuyele Emasimini mechanization intervention. The department has developed a new strategy of providing mechanization support directly to the farmers, whereby tractors are now fully managed by the department. In addition, the department reported that committees were formed for the management and monitoring of the tractors and farmers were represented in those committees. Furthermore, the department reported that Senior Managers have been deployed as champions to different municipalities and that the MEC has taken the initiative of monitoring the programme himself.

9.6.5. Mphatlatsane Cooking Oil Project

The Committee noted that the Mphatlatsane Cooking Oil Project was not rolled over to the 2014/15 financial year and sought clarity from the department on why the project was not rolled over.

The department stated that Mphatlatsane cooking oil project was funded in the 2007/8 financial year with comprehensive infrastructure that included a building and refinery equipment. In the 2008/09 financial year the project was operational and had contracts with companies such as Wimpy for cooking oil supply. Due to mismanagement, the project stopped operating in the same year, citing reasons of low sunflower production. During the 2009/10 financial year, the department provided assistance through the Masibuyele Emasimini programme by planting sunflower within the vicinity to further assist the challenge of production supply. However, due to mismanagement, the project still collapsed. The department is currently exploring the possibility of outsourcing a strategic partner that would assist with the day to day management of the project together with the currently existing beneficiaries.

9.7. PROGRAMME 4: VETERINARY SERVICES

The purpose of this programme is to promote animal health, welfare and production in the province. Through veterinary public health programmes the health and welfare of both humans and animals are also promoted. The programme achieved 88% (9 out of the 24) planned targets for the year under review.

9.7.1. Expenditure of the Programme

| 2013/14 | | | |
|--------------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Animal Health | 78 770 | 74 558 | 4 212 |
| Veterinary public Health | 21 524 | 21 568 | (44) |
| Veterinary Laboratory Services | 4 306 | 1 963 | 2 343 |
| Total | 104 600 | 98 089 | 6 511 |

The programme's adjusted budget was **R104 600 000** for the 2013/14 financial year and the expenditure was at 93.78% of the budget.

9.8. PROGRAMME 5: TECHNOLOGY, RESEARCH AND DEVELOPMENT

The programme has a responsibility to provide agricultural research services and to develop and transfer appropriate agricultural technologies to improve agricultural productivity, both in crop and animal production. It also establishes and strengthens partnerships with other agricultural research institutions. The programme achieved 50% (7 out of the 14) planned targets for the year under review.

9.8.1. Expenditure of the Programme

| 2013/14 | | | |
|---------------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Research | 17 407 | 17 891 | (484) |
| Technology Transfer Services | 4 863 | 4 588 | 275 |
| Infrastructure Support Services | 15 292 | 14 122 | 1 170 |
| Total | 37 562 | 36 601 | 961 |

The programme's adjusted budget was **R37 562 000** for the 2013/14 financial year and the expenditure was at **97.44%** of its budget.

9.8.2. Performance of the Programme

The Committee noted that the underperformance on this programme was due to realignment of infrastructure project and finalization of the Funda Mlimi Center. However the strategies to overcome areas of underperformance indicated by the department do not address the challenges faced by this programme. The Committee requested the department to indicate how delays in the implementation of animal breeding and mycotoxins project will be addressed.

The department stated that the delays in the completion of the fencing project in Funda Mlimi, a site that was identified for breeding new livestock resulted in the department not being able to implement the livestock breeding project. The fencing project has since

been accelerated and will result in the rapid implementation of the livestock breeding project. The mycotoxins project was delayed by difficulties in getting the analysis done on the High Performance Liquid Chromatography (HPLC), which could only be carried out at the Medical Research Council in Cape Town. The department indicated that the analyses have since been carried out and that the project result will be realized in the current financial year.

9.9. PROGRAMME 6: AGRICULTURAL ECONOMICS

The programme is responsible for providing timely and relevant support to internal and external clients with regard to agricultural marketing, statistical information, agricultural feasibility and viability studies in order to ensure sustainable agriculture and rural development. The programme achieved 42% (5 out of the 12) planned targets for the year under review.

9.9.1. Expenditure of the Programme

| 2013/14 | | | |
|-------------------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Agri-Business Support & Development | 45 373 | 39 304 | 6 069 |
| Macro Economics | 8 260 | 7 929 | 331 |
| Total | 53 633 | 47 233 | 6 400 |

The programme's adjusted budget was R53 633 000 for the 2013/14 financial year and the expenditure was at 88% of the budget.

9.9.2. Performance of the Programme

The Committee noted that the underperformance on this programme was due to critical vacant posts in municipalities, poor quality of produce and total crop losses for some farmers caused by high rain fall and farmers who do not meet financing criteria from financial institutions. The Committee requested the department to indicate what measures have been put in place to ensure that the programme delivers on all the planned targets in the 2014/15 financial year.

The department responded that provision has been made the five municipalities which do not have Agricultural Economics be serviced by Economists from the neighboring municipalities at least twice a week. In addition, the department reported that districts performance review meetings are held on a monthly for early detection of individual under performance.

9.10. PROGRAMME 7: STRUCTURED AGRICULTURAL TRAINING

This programme is responsible for the provision of agricultural training services at the Higher Education and Training (HET) and Further Education and Training (FET) levels. Training offered at the Lowveld College of Agriculture, based in Nelspruit, focuses on HET programmes for students whilst FET programmes are conducted throughout the province for farmers on commodity basis. The programme achieved 22% (2 out of the 9) planned targets for the 2013/14 financial year. This indicates that this programme has achieved 22% of the planned targets.

9.10.1. Expenditure of the Programme

| 2013/14 | | | |
|--------------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Higher Education and Training | 60 736 | 57 873 | 2 863 |
| Further Education and Training | 12 347 | 13 418 | (1 071) |
| Total | 73 083 | 71 291 | 1 792 |

The programme's adjusted budget was **R73 083 000** for the 2013/14 financial year and the expenditure was at 98% of its budget for the financial year under review.

9.10.2. Performance of the Programme

The Committee noted that the programme underperformed on the following targets:

- Student registered into a Higher Education and Training (HET) qualification,
- Student completing accredited (HET) qualification,

- Learners completing accredited skill programme and short courses

The Committee requested the department to indicate what measures have been put in place to overcome the poor performance of the programme.

The department explained that:

- **Students registered into Higher Education and Training the department reported that:**

Due to more students opting for registration into the Bachelor of Agriculture programme of the University of Mpumalanga, the MRTT's Hospitality Management Programme as well as the Bachelor of Education programme in Siyabuswa, most students who would normally opt for programmes offered by the department are diverted to the University of Mpumalanga. This was further exacerbated by the request by the DHET for a reduced intake by DARDLEA into the Colleges in preparation for the college incorporation, particularly in Marapyane.

Through the Gazette No. 38085, which was published on the 10 October 2014, the Lowveld College of Agriculture will be fully incorporated into the University of Mpumalanga on the first of January 2015. In addition, the department reported that all the assets and staff in this programme will be transferred to the University of Mpumalanga.

- **Students completing Higher Education and Training**

The department constituted a team of academic staff members to focus on supporting under-performing students.

- **Learners completing accredited skill programme and short courses**

The department will schedule the accredited training programmes in a way that will coincide with the peak production period.

9.11. PROGRAMME 8: RURAL DEVELOPMENT

The objectives of the programme are to coordinate CRDP in the Province, to support agrarian reform by facilitating land acquisition applications in the Province, to solicit baseline information from rural communities and to mobilize poor households in the

seven most deprived municipalities targeted for CRDP. The function of this programme is coordination, facilitation and convening stakeholder meetings in rural communities. The programme achieved 44% (8 out of the 18) planned targets for the year under review. This indicates that this programme has achieved 44% of the planned targets.

9.11.1. Expenditure of the Programme

| 2013/14 | | | |
|---|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Comprehensive, Rural Development | 19 454 | 18 561 | 893 |
| Land and Agrarian Reform | 57 430 | 43 196 | 14 234 |
| War on Poverty & Community Mobilization | 2 796 | 2 001 | 795 |
| Total | 79 680 | 63 758 | 15 922 |

The programme's adjusted budget was **R79 680 000** for the 2013/14 financial year and the spending was at 80% of the budget.

9.12. PROGRAMME 9: LAND ADMINISTRATION

The programme is responsible for facilitating sustainable development through environmental planning and coordination, greener governance, environmental awareness and capacity building, integrated pollution and waste management as well as promote biodiversity management. The programme achieved 47% (7 out of the 15) planned targets for the year under review. This indicates that this programme has achieved **47%** of the planned targets.

9.12.1. Expenditure of the Programme

| 2013/14 | | | |
|------------------------------|---------------------|--------------------|----------------------------|
| Sub-Programme | Final Appropriation | Actual Expenditure | (Over) / Under Expenditure |
| | R'000 | R'000 | R'000 |
| Planning and Survey Services | 10 973 | 10 663 | 310 |
| Land Administration | 6 419 | 5 501 | 918 |
| Total | 17 392 | 16 164 | 1 228 |

The programme's adjusted budget was **R17 392 000** for the 2013/14 financial year and the expenditure was at 93% of the budget.

10. PART C: GOVERNANCE

On governance, the department reported the following key aspects: risk management; internal control; internal audit and audit committees; fraud and corruption; minimizing conflict of interest; code of conduct and health safety and environmental issues. The Committee raised the following concerns with regard to risk management:

The Committee enquired on the extent at which risk management has played its role in the implementation of planned targets. The department reported that a Risk Management Committee has been operational in the financial year under review. The main focus of the committee was among others the following:

- The review of the progress made on the implementation of the action plan of the Auditor Generals findings;
- The review progress report on the implementation of the mitigation plans on the top ten strategic risks.

The department indicated that the risk management function as part of governance structures was at a satisfactory level. This judgement was based on the positive and improved assessment result by MPAT and FMCMM for the financial year under review.

11.PART D: HUMAN RESOURCE MANAGEMENT

11.1. Organizational Structure and Statistics

The Committee noted that the department had 1 974 number of posts on the approved establishment and 1 764 filled posts which indicate that the department had a vacancy rate of 10.6% at the end of the financial year under review. At senior management level there were 71% male employees and 29% female employees. The department had 22 employees with disabilities which translate to 1.25% which is below the 2% employment equity targets.

12.PART E: FINANCIAL INFORMATION

12.1. Irregular Expenditure

The Committee noted that The Auditor General has indicated that irregular expenditure were not investigated and taken through the condoning process as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The Committee then requested the department to indicate the remedial plan in place in dealing with the irregular expenditure since they had negatively impacted on service delivery and performance of the department.

The department reported that in the 2013/14 financial year, the department incurred irregular expenditure of R107 000. This irregular expenditure was a result of not following normal procurement processes in the acquisition of goods and services. The officials responsible for the incurred irregular expenditure were subjected to disciplinary actions and recommended sanctions were implemented. Furthermore, the department reported that two officials were involved and they were given written warnings.

12.2. Compensation of Employees

The Committee noted that the Auditor General highlighted that no supporting documents were provided by the department to support the figure for compensation of employees amounting to **R393 248 000** as disclosed in the financial statement. The Committee requested the department to indicate the measures in place to address the finding by the Auditor General. The department reported that:

The department could not provide the supporting documents for some accruals disclosed on the financial statement within the required timeframe as set by the Auditor General. The reason for non-compliance to the set timeframe was that some of the required supporting documents were at the district offices, which required time to be collected and forwarded to the Auditor General. In addition, the department reported that all supporting documents for accrued invoices will be collected and kept at Head Office for auditing purposes.

12.3. Internal Controls

The Committee noted that the Auditor General indicated that financial statements submitted for audit were not prepared in accordance with the prescribed financial reporting framework and misstatement identified during audit were not adequately corrected. The Committee requested the department to explain why internal controls were not adequately monitored in ensuring that financial and performance information were accurately prepared.

It was reported that the department had both internal and external of review sessions to ensure accuracy of reported information. Through internal processes, the department held management and internal audit reviews. Externally, the reviews were done by the Provincial Treasury and Audit Committee.

12.4. Underspending

The Committee noted that the Auditor General indicated that the department materially underspent on its budget with an amount of R87 932 000 without satisfactory explanation.

13. FINDINGS

Based on the deliberations with the Department of Agriculture, Rural Development, Land and Environmental Affairs on the 2013/14 Annual Report, the Committee made the following findings:

9.1. Findings from the Auditor General's Report:

- a) For the past two financial years; the Auditor General's findings had indicated that the department did not exercise the oversight responsibility regarding financial and performance reporting and compliance, asset management as well as related internal controls.
- b) Of the total number of 166 targets planned for the year, 98 were not achieved during the year under review. This means that 59% of the total planned targets were not achieved.
- c) Compensation of Employees amounting to R393 248 000 were without relevant supporting document to prove that this amount has been paid to existing employees;
- d) Accruals were overstated by R7 635 441;
- e) Irregular expenditure were not investigated and taken through the condoning process as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

9.2. With regards to the management of assets:

- a) The department does not have an asset maintenance plan or strategy in place;
- b) Four assets were verified but were not captured on the asset register (two boats and two trailers);
- c) A detailed listing of Biological assets with unique identification was not available.

9.3. An employee of the department did not comply with the requirements of the Auditor General during the staff physical verification process. The employee disappeared and was later terminated from the system.

9.4. With regards to accruals:

- a) The department has requested a roll over from the Provincial Treasury to honour the accruals of R 28 053 000. No decision has been taken by the Provincial Treasury regarding the rollover;
- b) No disciplinary action has been taken on the employees who have caused the department to have accruals amounting to R113 000 000 during the 2012/13 financial year.

9.5. The department did not give a true reflection of the current status on service delivery as many challenges and successes for the 2013/14 financial year were not fully disclosed.

9.6. With regards to the establishment of the University of Mpumalanga:

- a) The department will no longer have an intake of students in its colleges to prepare for the incorporation of the colleges to the University of Mpumalanga. The Marapyane College will be used by the department as a farmer training centre from 2017 financial year;
- b) Some assets and personnel in the Structured Agricultural Training Programme will also be transferred to the University of Mpumalanga

9.7. The wage bill of the department was at 45% during the year under review.

10. RECOMMENDATIONS

After the deliberations, the Committee recommends that the department must:

10.1. With regards to the findings from the Auditor General's Report:

- a) Ensure that the Internal Controls of the department are reviewed and implemented accordingly.
- b) Develop a mechanism that will ensure that planned targets are achieved accordingly. Furthermore, the department must ensure that planned targets are properly reviewed to ensure that they are realistic and achievable to avoid under performance.
- c) Develop and closely monitor an action plan that will ensure that all the findings of the Auditor General are properly dealt with;
- d) Ensure monitoring of creditors and prepare monthly reports on creditors paid to avoid overstating accruals in the Financial Statements.
- e) Ensure that supporting documents are properly kept and made available to the Auditor General whenever requested.

10.2. With regards to the management of assets:

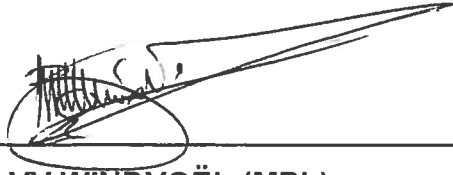
- a) Ensure that an asset maintenance plan is in place;

- b) Ensure that all assets are recorded in the asset register;
 - c) Ensure that an asset register for biological assets is in place.
- 10.3. Ensure that the Human Resource Management section screens all applications and qualifications of all potential candidates are properly vetted for credibility before appointments are made.
- 10.4. **Regarding accruals that:**
- a) The Committee will closely monitor how the department deals with accruals;
 - b) Ensure that disciplinary actions are taken against all the employees who caused the department to have accruals amounting to R113 000 000 during the 2012/13 financial year. In addition, a report must be provided to the Committee.
- 10.5. Ensure compliance to the National Treasury guide on compilation of Annual Reports. The department must in future disclose fully its achievements and challenges in the Service Delivery section of its Annual Report;
- 10.6. **With regards to the establishment of the University of Mpumalanga that:**
- a) Ensure that the planned targets on learner intake are properly reviewed and adjusted to cater for the request received by the department from the Department of Higher Education and Training;
 - b) There is a smooth transition of assets and personnel for the better establishment of the University Of Mpumalanga;
- 10.7. Ensure that there is no overspending on Compensation of Employees.

11. CONCLUSION

In conclusion, the Chairperson would like to thank the Honourable Members of the Portfolio Committee, the HOD and the support staff of the Department of Agriculture, Rural Development, Land and Environmental Affairs, the support staff of the Legislature for their availability, dedication and commitment shown during the deliberations.

This Committee report on the 2013/14 Annual Report of the Department of Agriculture, Rural Development, Land and Environmental Affairs is hereby tabled to this House with a request to adopt the report with its recommendations for implementation by the Department and report back by the MEC to the Honourable Speaker of the Legislature by no later than 28 February 2015 and thereafter, on quarterly basis.



HON. VV WINDVOËL (MPL)

14 / 11 / 2014
DATE

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
AGRICULTURE, RURAL DEVELOPMENT, LAND
AND ENVIRONMENTAL AFFAIRS**

ANNEXTURE A: PROGRESS REPORT ON THE IMPLEMENTATION OF THE HOUSE RESOLUTIONS EMANATING FROM THE 2012/13 ANNUAL REPORT

| Resolution | Progress Reported |
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| <p>The Department must continue to implement the 2012/13 audit plan and provide quarterly progress to the Committee in the 2013/14 financial year.</p> | <p>The recommendation by the Committee is currently being implemented. The Department developed an Audit Action Plan to address all the issues raised by the Auditor General for the audit of the financial year ended 31 March 2013. This action plan seeks to address the root causes of the findings by the Auditor General. Progress on the implementation of the Audit Action Plan is monitored on a monthly basis by management. Quarterly progress reports are also presented to the Audit Committee</p> |
| <p>Special focus and effort must be placed on the assets portfolio of evidence, which must be properly kept and made available to the Committee during the deliberations on 2013/14 quarterly performance reports.</p> | <p>The recommendation by the Committee was noted and implemented. The Audit Action Plan contained actions that were taken to deal with the issues raised by the Auditor General in respect of the Departmental assets. A separate detailed plan was developed and was implemented. The detailed plan is attached for ease of reference together with a report on progress made dealing with the issues of assets management in the financial year 2013/14. The plan included conducting full scale assets verification and an updating of the assets register to ensure that complete supporting documents was available and was produced for audit purposes in line with the recommendation by the Committee.</p> |
| <p>The Department must work hard to fully address all the AG findings so as to obtain a clean audit for the 2013/14 financial year.</p> | <p>The recommendation by the committee was noted and implemented. The Department has been committed to fully address the root causes of the findings raised by Auditor General and has developed an audit action plan for the financial year ended 31 March 2013.</p> <p>The Department continues to assign Programme Managers with specific responsibility and timeframes in dealing with the issues raised. Progress on the implementation of the audit action plan is monitored on a monthly basis to the</p> |

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| | Provincial Treasury. Quarterly progress reports are also presented to the Audit Committee. |
| The Department must fast track the process of cleaning up the line item description on LOGIS so that future audits of the Department will not be compromised. The process should be completed by 28 February 2014. | <p>The recommendation by the committee was incorporated into the detailed operational plan in addressing the issues of asset management. Included in the detailed operation plan as attached, is the process of conducting full scale asset verification and the updating of that information on to the LOGIS system. This process was completed by 28 February 2014 in line with the recommendation by the committee. Departmental teams were set-up and conducted the verification in the four districts.</p> <p>Furthermore, teams comprising officials from other components in the Department were established and trained to assist with the process of updating the LOGIS system. The Provincial Treasury conducted the training of these officials.</p> |
| Ensure that accruals are cleared by the end of the 2013/14 financial year, no accruals must be allowed that will have a negative impact on the incoming administration | <p>The Department disclosed accruals of R113 million during the financial year 2012/13 were honoured by the end of the financial year 2013/14. At the end of the financial year 2012/13, the department disclosed accruals of R28.053 million. These accruals were cash backed since the department under spent by R85.102 million on its allocated budget.</p> <p>The department has requested a roll-over from the Provincial Treasury to honour these accruals during the financial year 2014/15; hence, there has not been any negative impact on the incoming administration.</p> |
| Intensify its engagements with National Departments in relation to their commitments made for jointly funded projects in line with signed MOUs | The recommendation by the committee is noted and the department will continuously engage with our National counterpart to honour their part of any Memorandum of Understanding (MOU) entered into on jointly funded projects. |

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| | <p>The Department will further involve the National and Provincial Treasury when such agreements are signed to ensure that parties comply with the terms of such agreements. Where necessary the Treasury will be requested to intervene to resolve any non compliance with the agreement and to ensure that such agreements are in line with the requirements of the Public Finance Management Act.</p> <p>During the financial year 2013/14, the National Departments honoured the commitments entered into with the department.</p> |
| <p>Adhere to the planned budget expenditure as per the approved Annual Performance Plan, such that service delivery of core services is not hampered.</p> | <p>The recommendation by the committee is noted. The Department will ensure that all programmes implemented are as per the approved Annual Performance Plan. Performance against the approved Annual Performance Plan is monitored on a monthly basis and quarterly management reviews are conducted to identify any challenges and appropriate remedial action taken. These quarterly reports are also submitted to the Portfolio Committee for consideration.</p> <p>The department endeavour to ensure that the Annual Performance Plan (APP) is implemented as per the budget allocated.</p> |
| <p>Ensure that staff is correctly placed in the relevant programmes and that overspending on compensation of employees does not recur.</p> | <p>Correct placement of staff in relevant programmes</p> <p>The Department noted the recommendation by the Committee. The department continues to review and realign the staff complement in relation to the Strategic Plan and APP as revised annually.</p> <p>The Department also conducts staff verification on an annual basis. The results have since been consolidated and where misplacement are found, the PERSAL records are updated.</p> |

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| | <p>Avoiding overspending on compensation of employees</p> <p>During the financial year 2013/14 the Department managed not to over-spend on the compensation of employees.</p> |
| <p>Programme 2 must fast track the implementation of the acceleration plan to address unachieved targets, quarterly progress reports must be provided to the Committee.</p> | <p>The Department did fast track the implementation of targets through an acceleration plan. However, due to accruals incurred in the 2012/13 financial year by the programme, the issue of non-achievement persisted.</p> <p>Due to accruals incurred, the Executive Council instituted an intervention in the Department through the Provincial Treasury in terms of the PFMA sec 18 (2)(g). In line with this section Provincial Treasury took appropriate steps to implement controls to assist the Department to avoid any accruals in the 2013/14 financial year. Thus some projects and targets could not be achieved due to reprioritization to address accruals.</p> |
| <p>Programme 3 must intensify its monitoring and evaluation in the districts to ensure that reported performance information is reliable, verifiable in all districts and is in line with Head Office. Furthermore, the Executive Authority must take disciplinary action against the HOD for misleading the Legislature regarding the status of the Klipspruit Irrigation Scheme.</p> | <p>The Department during the year under review had since appointed district monitoring and evaluation officials in the four districts. Each appointed official reports to the respective District Director as well as the Director, Monitoring and Evaluation at Head Office.</p> |
| <p>The Department must immediately establish a task team involving all role players in the cooperative, which should include the Department of Public Works, Roads and Transport (DPWRT), the main farmer (Mr Tjatji), the commercial farmers (sub-leasee), the Executive Committee of the cooperative and the Thembisile Hani Local Municipality as an observer (noting that the land is not municipal land)</p> | <p>The Department has established a Task Team as advised by the Committee to work on the Klipspruit Irrigation Scheme. Appointment letters were sent to all members approved by the Accounting Officer</p> |
| <p>The HOD of the Department of Agriculture, Rural Development and Land Administration must head the task team</p> | <p>The Accounting Officer heads the task team, however, the day to day running of the task team are delegated to Mr V</p> |

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| <p>and coordinate that task team report for submission to the Committee on or before 30 January 2014</p> | <p>Mahlangu: Acting Chief Director: Rural Development. The report on the status of Klipspruit irrigation Scheme is attached.</p> |
| <p>All concerns of the cooperative members, as well as the infrastructure, governance and funding issues must be thoroughly investigated by the task team and addressed</p> | <p>The team has since met with the beneficiaries and all the relevant stakeholders and the plans for sub-divisions were agreed upon for agriculture, business and residential rezoning.</p> <p>The Department has had meetings with all members involved in the project. A resolution was taken by all that a new cooperative will be established that will include all four families. The Department has since tasked its economist to assist with the registration of the cooperative. The only delays had been caused by the post office industrial strike.</p> <p>The task team continues to provide support to the cooperative</p> |
| <p>A current status report on its specific role in the portion of land and what it; has done to date since the DARDLA communicated with then regarding the situation at Klipspruit Irrigation Scheme</p> | <p>A working relationship and understanding exists at a provincial level between DPWRT and DARDLEA in dealing with the scheme in question. Although the property belongs to DPWRT, DARDLEA takes responsibility for all the land issues under them. The Municipality applies to DARDLEA for transfer of land as they are better placed to deal with development applications.</p> |
| <p>The DPWRT must assume its role in this cooperative and enforce the contract that it has with the cooperative.</p> | <p>DPWRT as part of the task team has assumed the role, and will enforce the contract between the cooperative and other relevant stakeholders.</p> |
| <p>Ensure that all cooperatives who rendered services to the Department are paid immediately and that a commitment is made to pay them within the 30 days period.</p> | <p>The Department acknowledges the recommendation by the Committee and had endeavoured to ensure those cooperatives are either paid immediately after rendering the service or within the 30 days period.</p> <p>However, in the year under review, the payment of service providers within 30 days had been a challenge due to the non-availability of cash. This was caused by amongst others the non-transfer of funds</p> |

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| | by National Department on projects that are co-funded. |
| Strengthen relations with the beneficiaries of all Departmental land reform projects and cooperatives, such that they gain the necessary access to information on training and government funding. Provide the Committee with a status report on the land reform farms, as well as the Coromandel project. | The recommendations by Portfolio Committee are acknowledged. The Department in its Annual Performance Plan has included the plans to provide support to cooperatives as per the initiative of Provincial Cabinet. The Department has since in its annual performance plans included the indicators and targets that are earmarked to provide support to the cooperatives. In the financial year 2013/14, the Department had established and supported 23 cooperatives that are assisting the Department in delivering the programmes and amongst these cooperatives there are land reform farmers. Continuous meetings and capacitive workshops are regularly convened to share the necessary information with these cooperatives |
| The beneficiaries must also be taken on board regarding the details of the strategic partnerships and ownerships of the cooperative must be explained to them. These engagements with the beneficiaries must be documented and made available to the Committee. | The Department notes the Committee's recommendation. It must be indicated however, that the Department in its drive and endeavour to revitalize Land reform farms, it assists beneficiaries in identifying strategic partners to bring investment to their projects for sustainability purposes. The Department in consultation with the land reform beneficiaries is currently developing strategic partnership principles that would provide direction and guidelines on how they can identify and select a good strategic partner. The Department notes the Committee's recommendation. However, it must be stated that the process flow for appointment of strategic partners begins with the consultation of beneficiaries, training them on pros and cons of such engagements and recordings of such engagements are kept. |
| Submit the agreement between the Nkomazi Red Meat Abattoir farmers and the strategic partner. | The tripartite MOU between the Nkomazi Red Meat Abattoir farmers, the Department and the previous strategic partner (Die Stelet Trust) is attached as requested. However, the red meat abattoir farmers have since entered |

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| | <p>into a new agreement with a strategic partner called FOCOT on their own.</p> <p>To date, the Department reports that the abattoir is completed and handed over to the farmers. From the last meeting held in October 2014 with the farmers, the Department had requested the beneficiaries to submit the new Memorandum of Agreement, signed between themselves and their new Strategic Partner for the Department to advise accordingly .</p> |
| <p>Ensure that Programme 4 vacant funded posts are filled</p> | <p>Currently (FY 2014/15), the Department had advertised the posts for programme 4 and is in the process of filling them in 3rd quarter.</p> |