PART C

GOVERNANCE

GOVERNANCE

1. INTRODUCTION

The department is committed to maintaining the highest standards of governance to ensure that public finance and resources are managed economically, effectively and efficiently. Good governance structures have been put in place to utilise state resources in a responsible way. Assessments have been conducted in areas where control measures are lacking or still have to be established, or improved. Where a lack of capacity had been identified in specific units, new posts were created on the establishment of the department to improve service delivery. In areas where weaknesses were identified during the period under review; these will be addressed in the 2015/16 financial year.

2. RISK MANAGEMENT

Risk Management Strategy

DAFF has a well-established Risk Management Strategy, which is subject to an annual review by relevant stakeholders within the department. These stakeholders include the Risk Management Committee, the Executive Management Committee, the Internal Audit function and the Director: Risk Management and Investigations. The implementation of the departmental Risk Management Strategy is embedded in the Risk Implementation Plan of the department.

Risk assessment

The Directorate: Risk Management and Investigations conducts ongoing risk assessments in order to monitor and respond to changes in the department`s risk profile. The assessments are done on an ongoing basis to assist the department in identifying the emerging risks; facilitating better planning; improving decision making; and assessing the effectiveness and adequacy of existing internal controls.

Risk Management Committee

The Risk Management Committee (RMC) of DAFF was established in accordance with the requirements of Treasury Regulations and the Public Sector Risk Management Framework and is governed by the approved Risk Management Charter. Its membership comprises both internal and external representation. The members of the department's Executive Management team, serving on the RMC, possess different skills and expertise, and every departmental branch is represented on the RMC. This is to ensure that the outcome of the deliberations provides effective inputs into the department's activities, including improvements in the risk mitigating plans.

Risk Committee membership	
External members	**Internal members**
Mr Mabombo (Chairperson)	Mr Ramasodi, Acting DDG: APHFS
Dr D. Triegaardt	Mr Hlatshwayo, CFO
	Mr Kgobokoe, DDG: FSAR
	Dr Motete, DDG: FMNR
	Mr Dredge, Acting DDG: PPME

Effectiveness of the Audit Committee

The expertise found in the Audit Committee, as represented by the appropriateness of the qualifications of its members and enriched by the experience of its members, serve as an integral part of DAFF's risk management architecture. The Audit Committee executes its responsibilities with regard to risk management as stipulated in the Treasury Regulations, King III report, DAFF Risk Management Strategy and Audit Committee Charter. The Executive Management team always ensures implementation of the recommendations made by the Audit Committee.

Risk management

The department has ensured that progress on risk management forms part of the integrated reporting, done on a quarterly basis, to ensure accountability and effective risk management. The steady rise in the level of risk maturity contributes to the improvement of internal controls, organisational performance and governance practices.

3. FRAUD AND CORRUPTION

Implementation of Fraud and Corruption Plan

The Fraud Prevention Strategy has been approved in the third quarter of the 2014/15 financial year by the Director-General to provide a framework for the management of fraud and corruption across DAFF.

Mechanisms in place to report fraud and corruption

DAFF has an approved Whistle Blowing Policy, which has been uploaded on the Internet for easy access. During 2015/16, plans will be developed to communicate the policy to all officials and external members to eliminate fear of victimisation by the whistle blower.

How cases are reported

Currently, the cases against DAFF are reported at the National Anti-fraud Hotline and Presidential Hotline. However, the department encourages its employees to also make use of internal structures. There are various units within the department which carry out investigations, depending on the nature of the case, e.g. Directorate Risk Management and Investigations and Directorate Employee Relations. Disciplinary action is taken against officials who are found guilty of any kind of misconduct. In cases where the complaint emanates from an external source relating to the delivery of services, the complainant is provided with feedback *via* the Presidential Hotline.

4. MINIMISING CONFLICT OF INTEREST

SMS members are required to declare their financial interests in terms of the Public Service Regulations, 2001, Chapter 3, C, by 30 April annually.

In 2014 the DPSA introduced the eDisclosure system and provided an instruction manual on how to declare financial interests online. A departmental SMS circular was also forwarded to all SMS members to provide information to further assist them with the process of registration and declaration. All SMS members on the fixed post establishment and in the service of the department on 31 March 2015, successfully registered on the eDisclosure system.

Furthermore, ethics officers who are required to electronically monitor compliance and validate the completeness of the disclosures before these are submitted to the Executive Authority, were appointed by the Accounting Officer, signed off by the Executive Authority and registered on the eDisclosure system by the DPSA.

In terms of section 30(1) of the Public Service Act, no employee shall perform or engage him/herself to perform remunerative work outside his/her employment in the relevant department, except with the written permission of the Executive Authority of the department.

In terms of paragraph 4.5.2 of National Treasury Practice Note 7 of 2009/10, accounting officers should implement and actively monitor the systems of control to manage the performance of other remunerative work by employees. Disciplinary action should be taken against employees who perform other remunerative work without the necessary approval.

5. CODE OF CONDUCT

The department ensures compliance to the Public Service Code of Conduct. This is enforced through policies, circulars and the Director-General's directives. Non-compliance is handled in terms of the Public Service Coordinating Bargaining Council Resolution 1 of 2003, which deals with misconduct and Chapter 7 of the Senior Management Handbook.

6. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The department conducts regular occupational health and safety audits and corrective interventions are identified. The department ensures compliance with the Occupational Health and Safety (OHS) Act, the Compensation of Injuries and Diseases Act and the DPSA Employee Health and Wellness Framework. However, according to the nature of the jobs, different categories of employees are exposed to occupational health risks, which include extreme weather conditions and exposure to chemical and physical threats, injuries on duty and noise. The possible effects of these

on the department include high costs in protective clothing and protective equipment; absenteeism and reduced productivity, resulting in poor organisational performance and service delivery; legal implications in non-compliance to the OHS Act, as well as high maintenance costs.

7. PORTFOLIO COMMITTEES

The following table contains the dates and topics for meetings with the Portfolio Committee (PC). The issue of capacity in the Parliamentary Office in Cape Town, as well as the department`s ability to ensure effective oversight and follow-up on parliamentary matters has been identified as a weakness and will be addressed in 2015/16.

PORTFOLIO COMMITTEE ACTIVITIES FOR 2014/15

Item	Date	Agenda items
1	08 July 2014	Briefing by DAFF and MLRF on the Strategic Plans, 2014/15 APPs and budgets: Briefing on Strategic Plans, 2014 /15 APPs and budgets by: • ARC • OBP • NAMC • Ncera farms (Pty) Ltd • PPECB
2	2 Sept. 2014	Briefing by DAFF and the NAMC on the implementation plan for the Fetsa Tlala Initiative and the Agro-processing Strategy Presentation of DAFF strategy on coordination, collaboration and alignment of activities/services rendered by the different entities
3	5 Sept. 2014	Briefing by DAFF on its 2014/15 First Quarter Performance and Expenditure Report
4	9 Sept. 2014	Briefing by DAFF and NAMC on projects that are funded through the Strategic Infrastructure Project 11 (SIP 11), which are aimed at improving investment in infrastructure to support agricultural, forestry and fisheries production, including their respective roles in the SIP 11 project implementation, as well as a briefing by DAFF on the Mechanisation Policy
5	16 Sept. 2014	Briefing by DAFF, AgriBEE Charter Council and Forestry Charter Council on their action plans, including financial implications for the implementation of the Forestry and the AgriBEE Transformation Charters
6	16 Oct. 2014	Briefing by DAFF on its 2014/15 First Quarter Performance and Expenditure Report
7	21 Oct. 2014	Briefing by NAMC on the SIP 11 and briefing by DAFF on the Mechanisation Policy Briefing by DAFF on the agreement to the Establishment of the Indian Ocean Tuna Commission (IOTC), the Convention for the Conservation of the Southern Bluefin Tuna (CCSBT), the FAO Port State Measures Agreement to Prevent, Deter and Eliminate Illegal Unreported and Unregulated (IUU) Fishing and explanatory memorandum of the agreement in terms of the Constitution, 1996
8	4 Nov. 2014	Briefing by DAFF, AgriBEE Charter Council and Forestry Charter Council on their action plan, including financial implications for the implementations of the Forestry and the AgriBEE Transformation Charters

Item	Date	Agenda items
9	24 Feb. 2015	DAFF, OBP and NAMC to be part of the discussions—DAFF to present a status update on FMD, redline fence and OIE visit in December 2014
10	27 Feb. 2015	Response by DAFF on the State of the Nation Address Progress report by DAFF on the alignment of services between DAFF, its entities and the provinces
11	3 Mar. 2015	Briefing by the DAFF on the 2014/15 Second and Third Quarter Performance and Expenditure Report Progress report by DAFF on the deregistration of Ncera Farms (Pty) Ltd
12	10 Mar. 2015	Briefing by DAFF on the finalisation of the National Policy on Extension and Advisory Services
13	13 Mar. 2015	Briefing by the NAMC on the agricultural industry trusts Introductory meeting with South Africa Poultry Association (SAPA), Association of Meat Importers and Exporters (AMIE) and brief presentation on the challenges facing the industry. DAFF to be part of the discussion with Poultry SA, AMIE and NAMC
14	17 Mar. 2015	Briefing by DAFF on the Implementation Plan for the Small-scale Fishing Policy, including financial implications; a comprehensive report on the management of contract for fisheries vessels; update on Fishing Rights Allocation Process (FRAP); and status of fisheries research capacity and clarity on responsibility in the past two years when the research vessels were under repair and not sailing. Response by DAFF on the issues raised by the Committee on the International Fisheries Agreement
15	24 Mar. 2015	Presentation on the APAP by DAFF. Progress report by DAFF on the deregistration of Ncera Farms (Pty) Ltd Briefing on Strategic Plans, 2015/16 APPs and budgets by: • DAFF • MLRF • NAMC • PPECB
16	26 Mar. 2015	Briefing on Strategic Plans, 2015/16 APPs and budgets by: • ARC • OBP • South African Veterinary Council (SAVC)

SELECT COMMITTEE ON LAND AND MINERAL RESOURCES

SELECT COMMITTEE ACTIVITIES FOR 2014/15

Item	Date	Agenda items
1	11 July 2014	Briefing by the DAFF on their Strategic Plan and APPs with specific reference to: The budget allocations made per province in the following programmes: Programme 2: Agricultural Production, Health and Food Safety Programme 3: Food Security and Agrarian Reform Programme 4: Economic Development, Trade and Marketing Programme 5: Forestry Programme 6: Fisheries
2	16 Sept. 2014	Meeting with the Department of Rural Development and Land Reform and the DAFF to discuss the post-settlement support provided to land reform beneficiaries
3	14 Oct. 2014	Briefing by the DAFF on the progress on aquaculture development in South Africa
4	18 Nov. 2014	Briefing by DAFF on progress to date with the development of the National Policy on Extension and Advisory Services and the implementation plan in various provinces: • The DAFF to identify beneficiaries, food security programmes and smallholder farmers
5	24 Feb. 2015	Briefing by the DAFF on its 2013/14 Annual Report. Consideration and adoption of minutes

8. SCOPA RESOLUTIONS

During the period under review, the department appeared before SCOPA on 18 March 2015, and there are no SCOPA resolutions to report

9. PRIOR MODIFICATIONS TO AUDIT REPORTS

There has been no modification of the Audit Report.

10. INTERNAL CONTROL UNIT

At present there is no internal control unit in the department, however, the mandate of the Internal Audit Unit covers the review of the internal control environment. During the year under review the Internal Audit Unit completed a number of audits. Based on the reports finalised and issued, the control environment can generally be regarded as adequate. However, there are areas

where controls are not considered effective, mainly owing to the ineffective monitoring to ensure that internal controls have been implemented and, where implemented, are being adhered to.

The Internal Audit Unit conducted compliance testing in relation to internal policies, laws and regulations relating to the assignments undertaken and tested the effectiveness of internal controls. Discrepancies were identified, noted and brought to the attention of management with recommendations to enhance the effectiveness of such controls. The Internal Audit Unit also undertook independent follow-up tests on the Auditor-General's findings to assess whether corrective actions had been implemented.

The Department has an Audit Steering Committee in place that:

- Manages the process of submission of audit findings to the department and submission by the Department of management responses to the Auditor-General.
- Monitors the execution of the audit action plan to address the audit findings by the Auditor-General. This action plan is updated as planned actions are implemented. The plan is presented to the Audit Committee on a quarterly basis for monitoring and recommendations.

11. INTERNAL AUDIT UNIT AND AUDIT COMMITTEE

Key activities and objectives of the Internal Audit Unit

The Institute of Internal Auditors defines internal auditing as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

To achieve the above, the Internal Audit Unit is responsible for the following:

- Evaluating controls and advising managers;
- Analysing operations and confirming information;
- Reviewing compliance to rules, regulations, laws and codes of practice;
- Report on the state of governance, risk management and control in the department.

The Department has an Internal Audit Directorate which operates in accordance with the PFMA, Treasury Regulations and the approved internal audit charter which defines the purpose, authority and responsibility of the unit. The unit also conducts its operations in accordance with the standards for the professional practice of internal auditors issued by the Institute of Internal Auditors. The Internal Audit Unit through its chief audit executive reports functionally to the Audit Committee and administratively to the Accounting Officer.

The Audit Committee and management assessed the performance of the Internal Audit Directorate to determine the level of its effectiveness and recommends areas which need improvement.

Summary of audit work done

The unit, as per requirements of the Institute of Internal Auditors' standards and Treasury Regulations, developed a three-year rolling strategic plan inclusive of a one-year operational audit plan in consultation with management which was approved by the Audit Committee. The Internal Audit Unit provided the Audit Committee on a quarterly basis with progress reports on the execution of the approved annual plan. The annual plan made provision for risk-based, governance, regularity and compliance audits. Status as at year end on the approved annual plan was as follows:

Audit status	**Audits**	**% Progress**
Total audit projects for the year	31	
Audits completed	21	68%
Draft Reports Issued	6	19%
Audits at reporting phase	2	7%
Audits in execution phase	1	3%
Audits in Planning Phase	1	3%
Total	**31**	**100%**

The reviews conducted by the function had reflected that the systems of internal controls are adequate in those areas reviewed while in certain areas control weaknesses were identified pertaining to the effectiveness of those controls. Recommendations were made on weaknesses identified and management committed itself to implement actions plans agreed to.

Key activities and objectives of the Audit Committee

In terms of the PFMA, an Audit Committee is established to serve as an independent governance structure whose function is to provide an oversight role on the financial reporting process, the

system of internal control, the audit process, the process of monitoring compliance with laws and regulations, the Code of Conduct and the evaluation of the adequacy and efficiency of risk management and governance.

Governance entails how an organisation is managed, which includes culture, policies and strategies and the way it deals with stakeholders such as the Audit Committee.

Audit Committees are constituted to ensure their independence. The Audit Committee operates in terms of its written Terms of Reference (ToR) which, among other matters, deal with membership, authority and responsibilities. The Audit Committee assists the Accounting Officer in the effective execution of her responsibilities with the ultimate aim being the achievement of the department's objectives.

The Department has a fully functional Audit Committee, which operates in accordance with the requirements of the PFMA and Treasury regulations; the Audit Committee comprises highly qualified members appointed from outside the public service. In addition the committee also operates in terms of the audit committee charter (ToR), which were reviewed and approved during the period under review.

During the period under review the committee met eight times and the Accounting Officer and executive management were always represented at these meetings. The Office of the Auditor-General, National Treasury and the chairperson of the Risk Management Committee are always invited to these meetings.

The committee has unrestricted access to both information and personnel of the department. A 360-degree evaluation of the performance of the committee was done to assess its performance and measures are put in to place to address weaknesses identified. The results of the assessment conducted during the period under review reflect that performance of the committee is satisfactory and the committee is adding value to the department.

Audit Committee members and attendance

The Audit Committee consists of five external members listed below and meets at least four times a year, in accordance with its approved ToR. During the period under review, eight meetings were held on 16 April 2014, 27 May 2014, 24 July 2014, 18 August 2014, 12 November 2014, 10 December 2014, 05 March 2015 and 26 March 2015.

Name	Qualifications	Internal or external	Date appointed	No. of meetings attended
Mr Ayanda Wakaba -Chairperson	B.Compt Honours MB	External	01 December 2013	**8**
Mr Molemo Maliehe	B.Comm.	External	01 December 2013	**6**
Mr Stefaan Sithole	CA (SA) CIA	External	17 July 2012	**6**
Mr Nico Russouw	CA (SA)	External	01 December 2013	**8**
Mr Paul Serote	CA (SA)	External	01 December 2013	**6**

12. AUDIT COMMITTEE REPORT

We present our report for the financial year ended 31 March 2015.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities in terms of section 38(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13.The Audit Committee also reports that it has adopted appropriate formal ToR as outlined in its Audit Committee Charter and met its responsibilities as stipulated in the charter.

Internal audit

The internal audit function was supported by National Treasury to address the capacity shortfalls. The Committee approved the Internal Audit Charter and the three-year rolling strategic plan inclusive of a one-year operational audit plan. The chief audit executive resigned during the financial year and an Acting Chief Audit Executive was appointed for the remainder of the financial year. The Internal Audit Unit reported on a quarterly basis on the progress regarding the execution of the approved annual plan and functioning of the unit in terms of its Internal Audit Charter. During its scheduled meetings and when the need arises, the committee holds closed meetings with the Internal Audit Unit or the Auditor General.

The Audit Committee is satisfied that the internal audit function is independent, objective and strives to address the risks pertinent to the Department in its audits. The committee evaluated the effectiveness of the Internal Audit Unit and raised concerns regarding capacity and the resultant functioning thereof. This matter was addressed by the department's management and appropriate action was taken to address the concerns.

Summary of audit work done

During the year under review the Internal Audit Unit completed the following audits:

- Performance Information: Quarter 4 of the 2013/14 financial year
- Human Resource Management and Development
- SCM (procurement processes)
- Micro agricultural Financial Institutions of South Africa (MAFISA)
- Draft Annual Financial Statements for the 2013/14 financial year
- Reduction in production levels and genetic resources
- Timber theft causes
- Safeguarding of assets
- Losses Register
- Performance information for Quarter 1 to 3 of the 2014/15 financial year
- Management of genetic resources for food and agriculture
- Occupational health and safety and dangerous working environment
- Budget management
- Fetsa Tlala
- Implementation of Agriculture Policy and Action Plan
- Interim Financial Statements for the period ending 31 December 2015
- Revenue
- Communication services
- Fruitless, wasteful and irregular expenditure
- Performance/Service delivery processes and project implementation
- DORA
- Timber shortages

The Auditor-General had concerns with the completeness and quality of the work done by internal audit on DORA and the performance information audits. These concerns will be attended to in future assignments.

Effectiveness of internal controls

The committee reviewed the findings of the internal audit work performed by the Division Internal Audit. Our review of the findings of the internal audit work performed relating to internal controls based on risk based assessments conducted in the department revealed some weaknesses, which were raised with the department.

Areas of concern for the Audit Committee

The areas of concern to the committee are the recurring system deficiencies raised by both Internal and External Auditors from the previous year which management has not addressed adequately. These include, *inter alia*, the Performance Management System/Predetermined objectives/ Performance information, Marketing of Agriculture Products Act, filling of vacant SMS positions, etc.

In-year Management and Monthly/Quarterly Report

The department is reporting monthly and quarterly to Treasury as is required by the PFMA. The quality of management and quarterly reports submitted to Treasury, as is required by the PFMA and the DORA, was reviewed and found to be adequate.

Evaluation of Financial Statements

We have reviewed the Annual Financial Statements prepared by the department and satisfied ourselves that they are of the required standard and comply with the relevant Prescripts and Treasury Guidelines. The Audit Committee therefore submits that it has:

- Reviewed and discussed the unaudited financial statements submitted to the Auditor-General;
- Reviewed the Auditor-General management report and management responses to the report; and
- Reviewed audited financial statements and adjustments made.

Changes to Accounting Policies

The Audit Committee noted that there were no changes to the accounting policies.

Auditor-General's Report

We have reviewed the department's implementation plan for audit issues raised in the previous year and we noted that while most matters were adequately resolved, a significant number remained unresolved. Management has recommitted to clear the outstanding matters during the coming financial period. Unresolved matters include:

- Strategic Plan — key targets that DAFF are required to implement per the MTSF outcomes are not planned for in the Strategic Plan for the next five years and in the APP for 2015/16. This indicates that key service delivery areas are not accounted for.
- Transfer of funds — transfer of funds not monitored in terms of the DORA Framework.
- SCM — recurring finding resulting in irregular expenditure.
- Key compliance areas not adequately covered by internal audit — performance information and transfer of funds compliance concerns.
- Budget process — inadequate linkage of the budget to the targets as per the Strategic Plan.
- Risk assessments — deficiencies noted on risk assessment performed.
- Human resource management — SMS positions vacant for more than 12 months.
- Annual Performance Plans and predetermined objectives — usefulness and reliability of some targets performance information.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and be read together with the Auditor-General's report.

Conclusion

We extend our appreciation to the Executive Authority, the Director-General and her management team, as well as the broader staff of the department for their efforts, dedication and support to the work of the Audit Committee during the period under review.

MR A.P. WAKABA

CHAIRPERSON OF THE AUDIT COMMITTEE

Department of Agriculture, Forestry and Fisheries

Date: 28 July 2015