

# SCOPA BRIEFING NOTE



PFMA audit outcomes of the 2017-18 financial year for

**Western Cape  
Casidra SOC Ltd**

*26 February 2019*

*Issued under embargo until SCOPA is briefed on  
the audit outcome*



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

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## 1. Introduction

### 1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

### 1.2 Purpose of document

The purpose of this document is to provide an executive summary of the audit outcomes of the financial audit, audit of performance information and compliance with key legislation of Casidra SOC Ltd (Casidra) for the 2017-18 financial year.

### 1.3 Overview

Casidra is a public entity resorting under the oversight responsibility of the Western Cape Minister of Economic Opportunities. Casidra's mission is to maximise agriculture and economic opportunities in rural communities through project management excellence.

### 1.4 Organisational structure

Designation	Incumbent
MEC	Minister Alan Winde
Accounting authority (chairperson of the board)	Leonie Coetzee
Chief executive officer	Michael Brinkhuis
Chief financial officer	Freek van Zyl

### 1.5 Funding

As disclosed in the detailed financial statements on page 56 of the entity's annual report, Casidra spent R38,3 million (2016-17: R34,4 million) on operating expenditure. This excludes project expenditure and salaries of R309,9 million (2016-17: R277,1 million) as disclosed in the annexure to the financial statements on page 72 of the entity's annual report.

**2. Audit opinion history**

Details	2017-18	2016-17	2015-16
Audit opinion			
Findings on compliance with key legislation	No	No	No
• Material misstatements in financial statements submitted	Yes	No	No
• Procurement and contract management	No	No	No
• Revenue management	N/A	N/A	N/A
• Expenditure management	No	No	No
• Utilisation of conditional grants	N/A	N/A	N/A
• Strategic planning and performance management	N/A	N/A	N/A
• Consequence management	N/A	N/A	N/A
Findings on predetermined objectives	Yes	No	No
Internal control deficiencies	Yes	No	No

**Audit opinions**

	CLEAN AUDIT OPINION (no findings on PDO or compliance with laws & regulations)
	UNQUALIFIED with findings on PDO and/or compliance
	QUALIFIED AUDIT OPINION (with or without findings)
	DISCLAIMER/ADVERSE AUDIT OPINION

PDO = Predetermined objectives (audit of performance information/service delivery/annual performance report)

**2.1 Significant emphasis of matter**

**Restatement of corresponding figures:** As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of a reclassification in the financial statements of the company at, and for the year ended, 31 March 2018.

**2.2 Significant other matter**

No matters were raised.

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### 3. Key focus areas

#### 3.1 Compliance focus areas

**Annual financial statements and annual report:** The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### 3.2 Predetermined objectives

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Agriculture and land reform	24 to 25
Programme 3 – Rural infrastructure development and poverty alleviation	31 to 32
Programme 4 – Local economic and business development	35 to 36

The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

#### Programme 4 – Local economic and business development

**Number of co-operatives assisted with business support interventions in terms of advice:**

I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information to be used when measuring the completeness of the indicator. This was due to a lack of proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported, as requested by the Framework for managing programme performance information. We were unable to test whether the indicator was complete by alternative means.

#### Programme 2: Agriculture and land reform

I did not raise any material findings on the usefulness and reliability of the reported performance information on this programme.

#### Programme 3: Rural infrastructure development and poverty alleviation

I did not raise any material findings on the usefulness and reliability of the reported performance information on this programme.

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## Other matters relating to predetermined objectives

I draw attention to the following matters:

**Adjustment of material misstatements:** We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of local economic and business development. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

### 3.3 Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

**Financial and performance management:** Management did not put adequate processes in place to ensure that internal review procedures could identify and correct material misstatements in the financial statements and the annual performance report before submission for auditing.

## 4. SCOPA resolutions

No resolutions/requests were included in the in the prior year's *Report of the Standing Committee on Public Accounts*.

## 5. Emerging risks

### 5.1 New pronouncements

**Standards of GRAP:** The ASB, on a regular basis, issues new GRAP standards and interpretations. These standards only become effective once an effective date has been gazetted by the Minister of Finance. A number of GRAP standards and interpretations have been issued by the ASB, but the effective dates have not yet been gazetted. Entities are encouraged to familiarise themselves with such standards to ensure that adequate processes are put in place to ensure full compliance once the standards become effective.

### 5.2 New legislation

**Treasury regulations:** The treasury regulations are currently being revised, which may introduce a number of new requirements once effective.