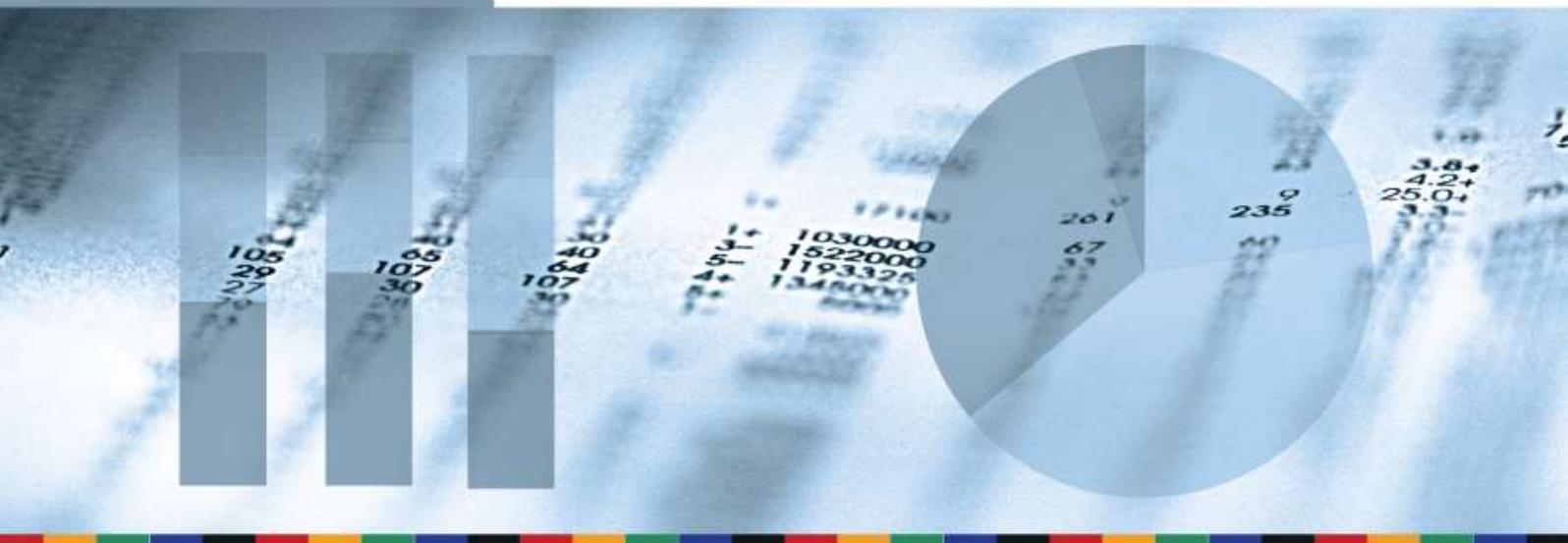


SCOPA BRIEFING NOTE



PFMA audit outcomes of the 2018-19 financial year for

**Western Cape
Casidra SOC Ltd**

22 October 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 2018-19 financial year.

1.3 Overview

Casidra is a public entity 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 Ivan Meyer
Accounting authority (chairperson of the board)	Ainsley Moos
Chief executive officer	Ashley Seymour
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 R35,5 million (2017-18: R38,3 million) on operating expenditure. This excludes project expenditure and salaries of R342 million (2017-18: R309,9 million) as disclosed in the annexure to the financial statements on page 73 of the entity's annual report.

2. Audit opinion history

Details	2018-19	2017-18	2016-17
Audit opinion			
Findings on compliance with key legislation	Yes	Yes	No
• Material misstatements in financial statements submitted	No	Yes	No
• Procurement and contract management	Yes	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	Yes	No
Internal control deficiencies	Yes	Yes	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

No matters were raised.

2.2 Significant other matter

Unaudited supplementary schedules: The supplementary information set out on pages 70 to 73 does not form part of the Financial Statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Previous period audited by a predecessor auditor: The Financial Statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act on 23 August 2018.

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3. Key focus areas

3.1 Compliance focus areas

Procurement and contract management: Sufficient appropriate audit evidence could not be obtained that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

The preference point system was not applied to some of the procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was reported in the prior year.

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 2019:

Programmes	Pages in the annual performance report
Programme 2 – Agriculture and land reform	24 to 25
Programme 3 – Rural infrastructure development and poverty alleviation	30 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 2– agriculture and land reform

2.2.6: Number of queries resolved (technical/ financial/ EIA/ impact studies): The reported achievement of 34 for target number of queries resolved (technical/ financial/ EIA/ impact studies) is not reliable as the entity did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. As a result, I was unable to obtain sufficient appropriate audit evidence in some instances while in other cases the supporting evidence provided did not agree to the reported achievement. Based on the supporting evidence that was provided, the achievement was 15, but I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

I was unable to obtain sufficient appropriate audit evidence for the reported achievements of two of the 16 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

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Indicator number	Indicator description
2.2.5	Number of business plans reviewed/developed and legal inputs given by UTA
2.2.7	Number of land reform interventions assisted by LREAD

Programme 3 – rural infrastructure development and poverty alleviation

3.2.2: Number of households food security projects delivered in current year: I was unable to obtain sufficient appropriate audit evidence of the reported achievements for this indicator relating to the programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for this indicator.

3.3.4: Number of farmers trained in accredited courses facilitated: I was unable to obtain sufficient appropriate audit evidence for the planned target of 2 400 of farmers trained in accredited courses which clearly defined the predetermined nature and required level of performance and/or method of calculation. This was due to a lack of technical indicator descriptions that defined how accredited courses facilitated would be measured. I was unable to test by alternative means whether the target for this indicator was clearly defined.

3.3.5: Number of farmers trained in non-accredited courses facilitated: I was unable to obtain sufficient appropriate audit evidence for the planned target of 2 500 of farmers trained in non-accredited courses which clearly defined the predetermined nature and required level of performance and/or method of calculation. This was due to a lack of technical indicator descriptions that defined how non-accredited courses facilitated would be measured. I was unable to test by alternative means whether the target for this indicator was clearly defined.

Other matters relating to predetermined objectives

I draw attention to the following matters:

Achievement of planned targets: Refer to the annual performance report on pages 24 to 36 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs above.

Adjustment of material misstatements: I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2 – agriculture and land reform, programme 3 – rural infrastructure development and poverty alleviation and programme 4 – local economic and business development. As management subsequently corrected only some of the misstatements, I 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

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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.

The annual performance report contained misstatements that were not corrected. The reporting of indicators and supporting evidence received were not according to the technical indicator description in the annual performance plan. In some cases, indicators were not drafted according to the SMART principles.

Inadequate deviation processes were followed in instances where price quotations could have been obtained or a competitive bidding process could have been followed. Furthermore, reasons for deviations were not adequately recorded and approved. The company did not ensure that the Supply Chain Management Policy was compliant to requirements of the PFMA and Treasury Regulations. Application of preference points system was not always applied by the company for transactions above R30 000 as required by the PPPFA and was not incorporated within procurement policies at the company.

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.

5.3 Audit findings on the annual performance report that may have an impact on the audit opinion in future

The planned and reported performance information of selected programmes was audited against the following additional criteria as developed from the performance management and reporting framework:

Presentation and disclosure – Overall presentation: Overall presentation of the performance information in the annual performance report is comparable and understandable

Relevance – Completeness of relevant indicators: Completeness of relevant indicators in terms of the mandate of the auditee, including:

- relevant core functions are prioritised in the period under review
- relevant performance indicators are included for the core functions prioritised in the period under review

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Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinion of the selected programmes in this report. However, it may impact on the audit opinion in future.

No material findings were identified in respect of the additional criteria.

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