

SCOPA BRIEFING NOTE



PFMA audit outcomes of the 2020-21 financial year for

**Western Cape
Department of Agriculture**

1 February 2022

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



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

CONTENTS

	Page
1. Introduction	1
Reputation promise of the Auditor-General of South Africa	1
Purpose of this document	1
Overview	1
Organisational structure	1
Funding	2
2. Audit opinion history	2
Emphasis of matters	4
Additional matter	4
3. Key focus areas	4
Compliance focus areas	4
Performance information	4
Internal control deficiencies	5
4. SCOPA resolutions	5
5. Emerging risks	5
New pronouncements	5
New legislation	
Possible changes in audit scope	
Subsequent events	
Audit findings on the annual performance report that may have an impact on the audit opinion in future	5

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 this document

The purpose of this document is to provide an executive summary of the audit outcomes of the financial audit, the audit of performance information and the audit of compliance with key legislation of the Western Cape Department of Agriculture for the 2020-21 financial year.

1.3 Overview

The mission of the Western Cape Department of Agriculture is unlocking the full potential of agriculture to enhance the economic, ecological and social wealth of all the people of the Western Cape.

1.4 Organisational structure

Designation	Incumbent
MEC	Minister Ivan Meyer
Head of department (accounting officer)	Dr Mogale Sebopetsa
Deputy Director General: Agricultural Development and Support Services	Darryl Jacobs
Chief financial officer	Floris Huysamer
Chief Director: Research and Technology Development Services	Dr Ilse Trautman
Chief Director: Operational Support Services	Rashidah Wetzel
Acting Chief Director: Rural Development	Douglas Chitepo
Chief Director: Veterinary Services	Dr Gininda Msiza
Acting Chief Director: Farmer Support and Development	Jerry Aries
Chief Director: Structured Agricultural Education and Training	Hayley Rodkin

1.5 Funding

As disclosed on page 34 of the department's annual report, the Western Cape Department of Agriculture spent R917,8million of a budget/appropriation of R928,8 million, resulting in an overall under-expenditure of R10,95 million or 1,18% (2019-20: 2% underspent).

As disclosed on page 32 of the department's annual report, the department's revenue budget of R28,5 million was exceeded by R9,1 million or 31,8% (2019-20: 67,5% over-collected). An amount of R37,6 million was collected during the 2020-21 financial year.

Detailed explanations for the underspending on the expenditure budget and over-collection on the revenue budget are set out on pages 293 to 295 of the department's annual report.

2. Audit opinion history

2.1 Withdrawal of previously tabled audit reports

Judgement has been handed down on 4 October 2021 by the Supreme Court of Appeal (SCA) in favour of the MEC for Economic Opportunities, Western Cape in relation to the matter pending before. The outcome of this matter has had an impact on the audit reports tabled from 2016/17 financial for Western Cape Department of Agriculture.

In adherence to the SCA's order, the Auditor-General of South Africa hereby notified the Western Cape Provincial Parliament to retract the audit reports previously tabled for the Western Cape Department of Agriculture for the following financial years due to the incorrect qualification paragraphs regarding transfer payments and irregular expenditure included therein:

- Audit report for the 2016/17 financial year
- Audit report for the 2017/18 financial year
- Audit report for the 2018/19 financial year
- Audit report for the 2019/20 financial year
- Audit report for the 2020/21 financial year

Amended audit reports were consequently tabled with the Western Cape Provincial Parliament on 15 November 2021.

2.2 Audit opinion history based on amended audit reports:

Details	2020-21	2019-20	2018-19	2017-18	2016-17
Audit opinion					
Findings on compliance with key legislation:					
• Material misstatements in financial statements submitted	No	No	No	No	No
• Performance and annual reports	No	No	No	No	No
• Procurement and contract management	No	No	No	No	No
• Revenue management*	No		No	No	No
• Expenditure management	No	No	No	No	No
• Transfer of funds*					No
• Utilisation of conditional grants	No	No	No	No	No
• Strategic planning and performance management	No	No	No	No	No
• Consequence management	No	No	No	No	No
Findings on predetermined objectives	No	No	No	Yes	No
Internal control deficiencies	No	No	No	Yes	No

* Compliance focus area scoped out for some years if blacked out

Audit opinions

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

2.3 Emphasis of matters

Subsequent events: With reference to note 29 to the financial statements, the department is a defendant in a damages claim. The department is opposing the claim. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

2.4 Additional matter

Unaudited supplementary schedules: The supplementary information set out on pages 346 to 359 of the department's annual report, does not form part of the annual financial statements and is presented as additional information. I have not audited these schedules and, accordingly will not express an opinion on thereon.

3. Key focus areas

3.1 Compliance focus areas

No material findings were raised on any of the compliance focus areas indicated in paragraph 2 of this document.

3.2 Performance information

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 programme presented in the annual performance report of the department for the year ended 31 March 2021:

Programme	Pages in the annual report
Programme 3 – Farmer Support and Development	107 – 117

I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes.

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 107 to 117 of the department's annual report for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

3.3 Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

I did not identify any significant deficiencies in internal control.

4. SCOPA resolutions

Page 186 and 187 of the department's annual report details feedback on the resolutions or matters of concern included/raised in the prior year's *Report of the Standing Committee on Public Accounts*.

5. Emerging risks

5.1 New pronouncements

Componentisation of assets: Departments are encouraged to componentise assets in their asset registers, as detailed in Chapter 11: Capital Assets of the National Treasury Accounting Manual for Departments (dated December 2019), since it will become a requirement in future. The effective date to componentise assets has not been determined yet.

Inventory: Departments are encouraged to develop their inventory management systems, as the inventory disclosure note will become a requirement in future. The effective date to disclose inventory is still to be determined by the Accountant-General in a Treasury Instruction.

5.2 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 programme 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.

Issued under embargo until SCOPA is briefed on the audit outcome

- **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
 - customised indicators related to the core functions prioritised for the year under review are included in planning documents.

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

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

5.3 Possible impact of the judgment handed down by the Supreme court of appeal regarding the principal – agent classification for auditees

The impact of the judgement handed down on 4 October 2021 by the Supreme Court of Appeal (SCA) in favour of the MEC for Economic Opportunities, Western Cape regarding the classification of principal-agent relationship when transfer payment occur will be assessed for all auditees within the business unit.

The principles of the judgement will be applied through technical consultations and will be applied prospectively as applicable.

This may have an impact on disclosures within the financial statements where similar findings have been raised in the past.

Amended audit reports were consequently tabled with the Western Cape Provincial Parliament on 15 November 2021. The implications of the judgement on the WC Department of Agriculture has already been implemented through the retraction and tabling of previous audit reports.