

# SCOPA BRIEFING NOTE



PFMA audit outcomes of the 2020-21 financial year for

**Western Cape  
Department of Education**

15 November 2021

*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 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 Education Department for the 2020-21 financial year.

### 1.3 Overview

In terms of section 29 (1) of the Constitution of the Republic of South Africa, 1996 everyone has the right -

- (a) to a basic education, including adult basic education; and
- (b) to further education, which the state, through reasonable measures, must make progressively available and accessible.

The Western Cape Education Department is responsible for public schooling in the province of the Western Cape, from Grades R to 12. The vision of the Western Cape Education Department (WCED) is:

*Quality education for every child, in every classroom, in every school in the province.*

WCED Mission Statement:

*Every child has quality learning opportunities in a functional and enabling environment to acquire knowledge, competencies, skills and values to succeed in a changing world*

The department as highlighted in the Strategic Plan 2020-2025 has identified several areas on which it will focus its energy and resources over the next few years guided by the following underpinning policy priorities of the department to:

- Strengthen and expand quality-learning opportunities for enhanced learning;
- Enhance and expand enabling learning environments;
- Strengthen functionality and accountability; and
- Strengthen and enhance innovative adaptability and preparedness for a changing context

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These policy priorities underpin the performance of the department with the four listed below receiving heightened attention:

- Improvement in learner performance in Grade 3, 6, 9 and 12;
- Improving the learner retention rate from Grade 10 to 12
- Ensuring that learners have access to technical, agricultural, vocational and skills subjects and schools; and
- Ensuring that schools are safer, more secure places of learning.

**1.4 Organisational structure**

Designation	Incumbent
MEC	Ms Debbie Schäfer
Head of Department (Accounting officer)	Mr Brent Walters
DDG General / Corporate services / Chief Financial Officer	Mr Leon Ely
Deputy Director General: Institution Development and Coordination	Mr Archie Lewis
Deputy Director General: Curriculum and Assessment Management	Mr Haroon Mahomed
Deputy Director General: Education Planning	Mr Salie Abrahams

**1.5 Funding**

As disclosed on page 16 of the department’s annual report, the Western Cape Education Department spent R24,01 billion of a budget of R24,6 billion, resulting in an overall under-expenditure of R556,3 million or 2,3% (2019-20: 0,86% underspent).

As disclosed on page 15 of the department’s annual report, the department’s revenue budget of R24,7 million was under-collected by R4,4 million or 17,7% (2019-20: 12,4% over-collected). An amount of R20,3 million was collected during the 2020-21 financial year.

Detailed explanations for the underspending on the expenditure budget and under-collection on the revenue budget are set out on pages 16 to 17 of the department’s annual report.

## 2. Audit opinion history

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

### 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

**2.1 Emphasis of matter**

**Restatement of corresponding figures:** As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the department at, and for the year ended, 31 March 2021.

**2.2 Other matter**

**Unaudited supplementary schedules:** The supplementary information set out on pages 283 to 289 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 on them.

**3. Key focus areas**

**3.1 Compliance focus areas**

**Annual financial statements**

Financial statements were not submitted for auditing within the prescribed time frame after the end of the financial year, as required by section 40(1)(c)(i) of the PFMA.

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

Programme	Pages in the annual performance report
Programme 2 – public ordinary school education	81 to 87

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material finding on the usefulness and reliability of the performance information of the selected programme is as follows:

## Programme 2 – public ordinary school education

### ***PPM 208: percentage of learners with English first additional language (EFAL) and mathematics textbooks in grades 3, 6, 9 and 12***

An achievement of 87,4% was reported against a target of 60% in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement.

### **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 81 to 87 for information on the achievement of planned targets for the year and explanations provided for the under- and overachievement of a number of targets. This information should be considered in the context of the material finding on the reliability of the reported performance information in the paragraph above (paragraph 19 of the auditor's report).

***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: public ordinary school education. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

### **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. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the performance report and the findings on compliance with legislation included in this report.

Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance, as well as related internal controls, in respect of the submission of the financial statements as required by the PFMA.

Management did not perform adequate reviews to ensure that the annual performance report was supported by reliable evidence for the reported indicators.

## **4. SCOPA resolutions**

Pages 155 to 156 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

#### Modified cash standards

**Componentisation of assets:** Departments are encouraged to componentise assets in their asset registers, as 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.

Due to the uncertainty surrounding the effective date of implementation, we have not included any findings in the auditor's report relating to inventory. However, we include the following summary of findings from our review of the inventory management processes for your attention, to ensure that they are addressed in readiness for the eventual inclusion of inventory in the financial statement disclosures. It is further recommended that a process be put in place to determine the inventory held by the department at each year-end.

### 5.2 Risks that require continuous monitoring

**National instruction notes:** Instruction notes are issued by the National Treasury on a continuous basis in terms of section 76 of the PFMA. The arrangement in the Western Cape is that the Provincial Treasury review these instruction notes and re-issue them to the various departments and entities on a selective basis. The risk exists that material non-compliance could arise if certain national instruction notes are not complied with, where the necessary approval from the National Treasury to depart from them was not obtained as required by section 79 of the PFMA.

**Local content:** Regulation 8(2) of the Preferential Procurement Regulations 2017 requires that '*An organ of state must, in the case of designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.*'

The National Treasury issued an instruction, Instruction note no. 15 of 2016-17, where they have designated and provided minimum thresholds for steel products and components that are used for construction. This instruction is applicable when these products are purchased separately or used as part of a turnkey construction project and finds its basis in terms of paragraph 3.5 of the instruction.

It is acknowledged that we have not identified non-compliance with the mentioned instruction note, as it relates to turnkey projects, in previous audits, but that does not preclude the department from ensuring compliance to this instruction note. In the interest of fairness, we will limit the impact of the finding as an emerging risk to enable the department to amend the current processes and/or engage with the National Treasury. From 1 January 2022, for any construction projects or maintenance thereof, where steel products or components are used, full compliance with the mentioned instruction note is assumed. Any non-compliance detected after that date

will be reported as a non-compliance finding in the management and/or audit report, and the resultant irregular expenditure would have to be disclosed in the financial statements.

### 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 the 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

**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
- standardised 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.