

BOARD REPORT

In terms of the Perishable Products Export Control Act (Act 9 of 1983) (PPEC Act) and the Public Finance Management Act (Act 1 of 1999) (PFMA) this report addresses the performance of the Perishable Products Export Control Board (PPECB) and relevant compliance with statutory requirements.

In the opinion of the Board, which fulfils the role of an accounting authority as envisaged by the PFMA, the annual financial statements fairly reflect the financial position of the PPECB as at 31 March 2020 and the results of its operations and cash flows for the year then ended.

We have pleasure in submitting to Parliament, through the Minister of the Department of Agriculture, Forestry and Fisheries (DAFF), now DALRRD, this report and the audited annual financial statements of the PPECB for the year ended 31 March 2020.

Our statutory basis

The PPECB was established in 1926. As a Section 3A national public entity, the PPECB is constituted and mandated in terms of the PPEC Act to perform cold chain services.

Our mandate

The PPECB is an independent service provider of quality certification and cold chain management services for producers and exporters of perishable food products. These services support the PPECB's strategic objectives of enhancing the credibility of the South African export certificate and supporting the export competitiveness of South Africa's perishable products industries.

The PPECB also delivers inspection and food safety services assigned by DAFF (now DALRRD) under the APS Act (Act 119 of 1990). The presence of the PPECB in the export industry is furthermore enhanced by South Africa's recognition as an approved country under the European Commission Regulation 543 of 2011. This agreement recognises the South African inspection systems as equivalent to those of the European Union inspection bodies and therefore ensures less frequent checks at the port of import into the European Union.

Vision, mission and values

The vision of the PPECB is to enable its customers to be the preferred suppliers of perishable products worldwide. This vision is supported by the PPECB's mission to empower its people to execute our mandates to ensure the integrity of our customers' products. This mission is further underpinned by the PPECB values of professionalism, accountability, passion, integrity, confidence and collaboration.

Board

The constitution of the Board is prescribed by the PPEC Act which requires that nine (9) and a maximum of ten (10) members be appointed by the Executive Authority. At the date of this report, there were ten (10) members of whom all are non-executive members.

The tenure of office for the members of the Board shall not exceed three (3) years, as per the conditions determined by the Executive Authority.

Board meetings

The Board meets at least four (4) times per annum, or as circumstances necessitate. Board meetings follow a formal agenda to ensure that all substantive matters are addressed and information relevant to the meetings is supplied to Board members in advance so that they can make informed and reasoned decisions.

All documents submitted to the Board, are reviewed by the PPECB Executive Committee and are approved by the Chief Executive Officer to ensure completeness and relevance.

Executive management

The PPECB's executive management is listed below:

- Chief Executive Officer: Mr L Jansen
- Chief Financial Officer: Mr J Schwiebus
- Chief Operating Officer: Mr C Julius
- Chief Information Officer: Ms Y Ramiah
- Human Resources Executive: Ms P Luwaca

There were no changes in executive management during the year under review.

Board members' interest in contracts

None of the members of the Board had any interest in contracts entered into during the year under review.

Board members

| Name | Industry | Changes |
|-------------------|----------------------------|--------------------------------|
| Mr W Bam | Table Grapes | Appointed 1 February 2020 |
| Mr CG Garrett | Subtropical | |
| Mr KB Kato | Citrus | |
| Ms M Kotzé | Pome & Stone | Appointed 1 February 2020 |
| Mr AJ Kruger | Pome & Stone | |
| Dr C Nkuna | Organised Agriculture | Appointed 1 February 2020 |
| Mr RM Ramasodi | Ministerial Representative | |
| Ms K Sinclair | Marine | Appointed 1 February 2020 |
| Ms M Slabber | Citrus | |
| Dr M van Eeden | Processed Foods | Appointed 1 February 2020 |
| Ms JM Atwood-Palm | Fruit & Vegetable Canning | Term completed 31 January 2020 |
| Dr JM Mashaba | Deciduous | Term completed 31 January 2020 |
| Mr AG Petersen | Other Products | Term completed 31 January 2020 |
| Ms E Scholtz | Table Grapes | Term completed 31 January 2020 |
| Mr AM Shipalana | Marine | Term completed 31 January 2020 |

Finances

The PPECB is self-funded by charging levies to recover costs for services rendered. The PPECB made a net deficit of R4.7 million (2019: surplus of R25.5 million) for the year ended 31 March 2020. The financial review provides further details regarding financial performance.

Financial statements

The Board confirms that it is responsible for preparing the annual financial statements that fairly present the state of affairs of the PPECB as at the end of the financial year. The annual financial statements contained on pages 72 to 93 have been prepared in accordance with Standards of Generally Recognised Accounting Practice and the Public Finance Management Act.

They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates. The external auditor is responsible for carrying out an independent examination of the financial statements in accordance with Standards of Auditing and for reporting any findings thereon. The external auditor's report is set out on pages 65 to 67.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Board reviewed and approved the PPECB's financial budgets for the period 1 April 2020 to 31 March 2021 and is satisfied that adequate resources exist to continue business for the foreseeable future. The Board confirms that there is no reason to believe that the PPECB's operations will not continue as a going concern in the year ahead.

Impact of COVID-19

On 11 March 2020 the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic, triggering various government interventions in order to stem the spread. On 15 March 2020 the President of South Africa declared a National State Of Disaster and on 23 March 2020 a national lockdown was announced starting on 26 March 2020.

As most of the countries that South Africa exports to are in various stages of the pandemic, the full impact of the pandemic on exports will only be known over time.

Food security and safety must be maintained during the pandemic period. Agricultural services were recognised as an essential service, which allowed the PPECB to continue operations during the national lockdown in South Africa. It is with this in mind, the Board believes that the PPECB will continue to retain a level of resilience in comparison to other industries. Notwithstanding the above, the Board has assessed the potential impact, including a wide range of related risks that COVID-19 may have on the entity's performance and liquidity in the short-to-medium term. While the situation remains challenging, we believe that the strength of the PPECB's financial position and cash flows will allow the entity to continue services to our stakeholders.

The going concern assumption, as adopted in the preparation of the financial statements for the PPECB, remains applicable. With the effects of the COVID-19 pandemic continuing to unfold, the uncertainty of the economies in which the PPECB operates remains prevalent. The Board and management will continue to monitor the PPECB's position as data become available and circumstances change.

As at 31 March 2020 and the foreseeable future, the Board and management conclude that the PPECB generates sufficient cash flow and holds sufficient provisions to support its future business.

Strategic planning policy

The corporate plan is approved by the Board and the Executive Authority, and contains predetermined strategic and operational objectives. The plan, together with associated budgets, is approved at the beginning of the financial year in compliance with the provisions of the Public Finance Management Act (Act 1 of 1999) (PFMA).

The PPECB has analysed the environment within which it operates and has identified as some of its biggest challenges the cost of doing business, financial performance of the laboratory and the retention of core technical skills. Informed by this analysis, the PPECB developed a five-year plan focusing on customer-centricity, operational efficiency and competent human resources to effectively deliver on its mandate.

Shareholders' Compact

In terms of the Treasury's Regulations issued in accordance with the Public Finance Management Act, the PPECB must, in consultation with the Executive Authority, annually agree on its key performance objectives, measures and indicators. These are captured in the Shareholders' Compact which is annually concluded between the PPECB and DAFF (now DALRRD). The Compact promotes good governance practices in the PPECB by helping to clarify the roles and responsibilities of the Board and DAFF (now DALRRD), as well as ensuring agreement on the PPECB's mandate and key objectives.

Performance information

In the PPECB's performance information, its achievements are highlighted against the predetermined objectives for the year. The PPECB achieved 11 of its 14 objectives for the year, a 79% success rate.

Significance and materiality framework

The significance and materiality framework for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as significant transactions envisaged per section 54(2) of the Public Finance Management Act, has been confirmed by the Board. Losses through criminal conduct and irregular, fruitless and wasteful expenditure which are identified are disclosed as prescribed in terms of relevant legislation.

Delegation of authority

The Board has delegated a range of matters to the PPECB Executive Committee, and has established three (3) Board committees to assist in discharging its responsibilities. Delegating authority to committees or management does not in any way release the Board of its duties and responsibilities. There is always transparency and full disclosure from the Board committees to the Board.

Employees

The PPECB had 502 (2019: 480) permanent employees, 35 (2019: 40) fixed-term contract workers and 251 (2019: 232) seasonal contract workers as at 31 March 2020.

Events subsequent to reporting date

The members of the Board are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which will have a significant impact on the operations, financial results or the financial position of the PPECB.

Compliance with legislation

The Board believes that management has, during the year, complied, in all material respects, with all legislation and regulations applicable to it, including without limitation, the Public Finance Management Act (Act 1 of 1999), Treasury Regulations and the Income Tax Act (Act 58 of 1962). The PPECB has compiled a Legal Compliance Register which is monitored, updated as legislation changes and reported to the Risk Committee periodically.

External auditor

The Board appointed SizweNtsalubaGobodo Grant Thornton Incorporated (SNG Grant Thornton) as the PPECB's external auditor, which was ratified by the Auditor General.