

*Thursday, 14 December 2017]*

No 102 - 2017] FOURTH SESSION, FIFTH PARLIAMENT

# PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

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## ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

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THURSDAY, 14 DECEMBER 2017

### COMMITTEE REPORT

The Public Accounts Committee (PAC), having considered, as part of its oversight role, the annual reports of the 12 departments of the Western Cape Government (WCG) for the 2016/17 financial year, including their entities, wishes to report as follows:

#### 1. Introduction

The core functions of the PAC comprises of the following mandate (according to Standing Rules 96-99 of the Western Cape Provincial Parliament (WCPP) :

The PAC must examine:

- 1.1 The financial statements of all executive organs of the province and other provincial organs of state;
- 1.2 Any audit reports issued on statements;
- 1.3 Any reports issued by the Auditor-General of South Africa (AGSA) on the affairs of any provincial organs; and
- 1.4 Any other financial statements or reports referred to the Committee by the House.

When the PAC examines the annual financial statements and reports of departments and their entities, it must take into account the previous annual financial statements and reports, including all governance matters, which could impact on the audit outcomes of departments and entities, and report on the degree to which shortcomings have been rectified.

#### 2. Departments that reported to the PAC

The annual financial statements that were included in the annual reports for the financial year ending 31 March 2017, of the following provincial departments, were examined –

- 2.1 Department of the Premier;
- 2.2 Provincial Treasury;
- 2.3 Department of Community Safety;
- 2.4 Western Cape Education Department;
- 2.5 Department of Health;
- 2.6 Department of Social Development;
- 2.7 Department of Human Settlements;
- 2.8 Department of Environmental Affairs and Development Planning;
- 2.9 Department of Transport and Public Works;
- 2.10 Department of Economic Development and Tourism;
- 2.11 Department of Cultural Affairs and Sport; and
- 2.12 Department of Local Government.

### **3. Entities that reported to the PAC**

The annual financial statements included in the annual reports for the financial year ending 31 March 2017, of the following public entities, were examined –

- 1.1. Western Cape Gambling and Racing Board;
- 1.2. Western Cape Housing Development Fund;
- 1.3. Government Motor Transport (GMT);
- 1.4. Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO);
- 1.5. Western Cape Liquor Authority (WCLA);
- 1.6. Saldanha Bay Industrial Development Zone Licensing Company (SOC) Limited (Ltd);
- 1.7. Heritage Western Cape;
- 1.8. Western Cape Cultural Commission; and
- 1.9. Western Cape Language Committee.

### **4. Economic conditions under which departments and entities of the WCG delivered services to the Western Cape Province**

For the 2016/17 financial year, the Committee notes that the Western Cape's microeconomic conditions have seen a marginal growth that outperformed the growth forecast of the rest of South Africa. It was expected, during 2016, that the outputs could rise with 0,2%. This is due to the fact that the Western Cape's economy is primarily serviced by the tertiary sector (tourism, etc.), while the primary sector (mining, etc.), and does not have a huge impact on the economy of the Province.

The economic outlook of the Western Cape was forecasted to expand by 1% in 2016, and thereafter improving gradually to 1,8% in 2017. On average, the economy of the Province was forecasted to grow by 2,2% year-on-year from 2015 to 2020. The construction sector was forecasted to record the fastest growth rate, while the agriculture, forestry and fishing sector was expected to contract by 1,4% year-on-year.

Regarding the services that are being rendered by the departments and entities of the WCG, the Committee takes cognisance of the fact that the delivery of these services to the citizens of the Province takes place under budgetary constraints. It was, therefore, important for the departments and entities to obtain clean audits on their financial statements, including compliance with laws and regulations and pre-determined objectives. The assurance of clean audits would ensure that the departments and entities have the correct internal controls which would ensure services to the citizens of the Western Cape Province.

The Committee notes the challenges of the departments and entities of the WCG that operated under fiscal pressure, while the general expectation is present to deliver services to the citizens of the Province.

For example, the Department of Health indicated that it attended to 14,4 million primary health care contacts or citizens for the financial year under review. This has doubled the amount of patients that was attended to, during the 2005/06 financial year, where the Department attended to 7,4 million primary health care contacts. Similarly, the Western Cape Education Department accommodated 955 258 learners during the 2005/06 financial year, and during the 2016/17 financial year it accommodated 1 148 031 learners.

The aforementioned statistics serves as a reminder of the service delivery expectations of the citizens of the Western Cape Province to the departments and entities of the WCG.

## **5. Annual reports over which the Committee has not conducted oversight**

During the Annual Report period of the WCPP, October to November of each year, the standing committees of the WCPP conduct oversight over the annual reports of the departments and entities of the WCG of the previous financial year which constitutes historical oversight.

However, it should be noted that the Standing Committee on Economic Opportunities, Tourism and Agriculture, as well as the PAC, has not conducted oversight over the annual reports for the 2016/17 financial year of the Department of Agriculture, including the entity, the Cape Agency for Sustainable Integrated Development in Rural Areas (CASIDRA).

According to ATC 62 of 2017 (21 September 2017), in compliance to section 40(2) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), AGSA issued a special report to the Speaker of WCPP to inform of the delay of the submission of the Audit Report on the annual financial statements of the Western Cape Department of Agriculture for the 2016/17 financial year. The reason for the delay was that the AGSA was unable to complete the audit, including the submission thereof, to the Accounting Officer of the Department, due to the fact that there was a difference of opinion between the management team of the Department and the audit team of the AGSA. The difference of opinion related to the classification of certain expenditures as transfer payments or goods and services.

The Committee awaits the Annual Report of the Department of Agriculture for the 2016/17 financial year, wherein the audit report of the AGSA is contained, in order to conduct and conclude oversight as the 3rd level assurer. Upon receipt of this Annual Report, the PAC will perform its oversight over the Department of Agriculture and its entity, CASIDRA.

## **6. Transversal departmental resolution**

The Committee has been advised by AGSA that the National Treasury is currently drafting an Accounting Manual to distinguish between “Goods and services” and “Transfer payments”. This distinction can potentially have a negative future audit opinion outcome for departments and entities, if not adhered to.

The PAC, however, encourages the departments and entities of the WCG to consult with the Department of Economic Development and Tourism, which has successfully implemented a mechanism to address this potential audit outcome risk.

## 7. Matters reported to the standing committees of WCPP

In accordance with Standing Rule 99(2) of WCPP, the PAC would like to draw the following resolutions to the attention of the following standing committees:

STANDING COMMITTEE	RESOLUTION	DEPARTMENT	PAGE NUMBER (HERE-UNDER)
Standing Committee on the Premier	1. That the Standing Committee on the Premier monitor and evaluate Programme 3: People Management.	Department of the Premier	8
Standing Committee on Education	2. That the Department brief the Standing Committee on Education on the number of fatalities that occurred at the various primary- and secondary schools, within the Western Cape during the 2016/17 financial year, including any mechanisms that were developed and implemented to address this challenge.	Western Cape Education Department	15
Standing Committee on Human Settlements	3. That the Department design and implement a mechanism whereby the municipalities of the Western Cape assists the Department to submit the correct information that would enable the Department to meet its targets.	Department of Human Settlements	26-27
Standing Committee on Local Government	4. That the Department design and implement a mechanism whereby the municipalities of the Western Cape assists the Department to submit the correct information that would enable the Department to meet its targets.	Department of Local Government	26-27

## 8. Transversal resolution to an entity

During the latter part of the meetings on the 2017 Annual Report period with departments and entities, the Committee resolved that the following Entity should brief it on a transversal matter, as follows:

ENTITY	RESOLUTION	DEPARTMENTS/ ENTITIES
GMT	1. That GMT, including all departments and entities, briefs the Public Accounts Committee on the lease arrangement, as determined by the National Accountant General, as well as the lease payments to GMT within 1 year, between 2 to 5 years and more than 5 years.	Although the Committee resolved on this matter in the two last meetings of the 2017 Annual Report period, it resolved that all departments and entities should be included in the resolution.  Special reference to this matter are contained in the resolutions of the Department of Cultural Affairs and Sport and the entity, WCLA.

## 9. General Findings

Having considered the reports of the AGSA, including the Audit Committees, and having heard evidence from the Executive Members (the Premier and Ministers), the Heads of Department (Director-General and Heads of Department, delegated representatives of the Corporate Services Centre located within the Department of the Premier, the Chief Executive Officers and Board Members of the various entities, including the members of the public who were in attendance at the discussions on the annual reports of the departments and entities of the WCG for the 2016/17 financial year, the Committee wishes to report as follows:

- The Committee acknowledges the assurances that were provided by the first level (departmental management and leadership), second level (internal independent assurance and oversight), and the third level (standing committees) providers. These three levels of assurances were instrumental in ensuring that risks were mitigated, and ensured that the departments and entities strive towards an improved audit outcome.
- During the financial year under review, the movement in audit outcomes of the different departments and entities have resulted in an overall improvement in the audit outcomes of the WCG. The improved audit outcomes included those departments and entities that progressed to clean audit outcomes, by addressing control deficiencies in respect of predetermined objectives and/or compliance with laws and regulations, which were reported respectively in the 2015/16 and 2016/17 financial years.

The Committee notes that for the 2016/17 financial year, 11 departments and six entities achieved a clean audit outcome. The majority of the departments maintained their clean audit outcome status from the 2015/16 financial year. As previously mentioned, the total number of entities that obtained a clean audit outcome improved from five to six entities.

For the 2015/16 financial year, it was noted that two entities, WESGRO and Western Cape Housing Development Fund, improved their audit opinions, while one department, the Department of Health, achieved an unchanged unqualified audit report. The Department of Health's audit opinion remains unchanged, having obtained an unqualified audit opinion with

findings on pre-determined objectives. During the 2016/17 financial year, the Department of Human Settlements regressed from a clean audit opinion to an unqualified audit with findings on its pre-determined objectives.

The Committee wishes to advise departments and entities to be cognisant of the transversal risks that were identified by the Audit Committee during the 2016/17 financial year. These include the following:

- New regulations that may be introduced by National- or Provincial Treasury;
- Disclosure risks due to the continuous use of the Modified Cash Standard of accounting (componentisation of assets and developing an effective inventory management system)
- The audit opinion changes of the AGSA that may negatively affect the audit outcomes of the departments and entities, especially relating to findings on pre-determined objectives;
- The water crises that is currently being experienced in the Western Cape, and how this could affect the economic development and service delivery outcomes of the departments and entities of the WCG;
- Supply Chain Management (SCM) and the continuous associated changes that are being implemented by National Treasury regarding the Central Supplier Database (CSD) and National contracts; and
- Any changes that is necessary to compliment the new Public Service Regulations- which is effective from 1 August 2016.

Similarly, the Committee wishes to alert the departments and entities of the WCG of the following risks that will require continuous monitoring during the 2017/18 financial year:

- **B-BBEE certificates**

Footnote 3, in Treasury Instruction 4A of 2016/17, noted that the CSD does not verify B-BBEE status level and set a future date for verification of B-BBEE status (1 October 2016).

- **Central Supplier Database**

The Office of the Chief Procurement Officer introduced the CSD on 1 September 2015, which is accessible on [www.csd.gov.za](http://www.csd.gov.za). This mechanism aims to reduce the administrative burden on both the supplier and the administrator. The system verifies and validates information with the South African Revenue Service (SARS), Companies and Intellectual Property Commission (CIPC), and Department of Home Affairs, amongst others. The system was mandatory from 1 April 2016 for all suppliers to national and provincial governmental government, including all entities at these two spheres of government.

Permission was granted for the WCG to run the Western Cape Supplier Database (WCSD) concurrently with the CSD for a year up to 31 March 2017, provided that the CSD is the master of supplier information, and such information cannot be modified by the WCSD, and suppliers registered on the CSD should not be excluded or disadvantaged in any way by the existence of the WCSD.

- **eTenders Portal**

Suppliers who meet all compliance requirements can access opportunities on [www.eTenders.gov.za](http://www.eTenders.gov.za). The portal enables suppliers to have access to tenders published on the platform. The compulsory implementation of this portal was from 1 April 2016.

- **Public Service Regulations**

The new Public Service regulations, effective from 1 August 2016, as gazetted, still pose a number of risks for the departments and entities that need to be addressed in subordinate and administrative directives, as well as circulars by the Department of Public Service and Administration (DPSA) in order to give further guidance on its implementation.

The Committee noted that there has been a reduction in irregular expenditure compared to the 2016/17 financial year. It should be noted that during the 2015/16 financial year, R27 million in irregular expenditure was reported in 11 auditees that were sampled from the AGSA. For the 2016/17 financial year, the Committee noted that there was a reduction in irregular expenditure of R4 million (from R27 million to R23 million) which was sampled in 13 auditees.

The main contributor of 78% was due to non-compliance with SCM legislation. The main areas of non-compliance related to the following:

- Non-compliance with procurement processes requirements (43%);
- Non-compliance with legislation on contract management (36%); and
- Procurement without competitive bidding or quotation processes (21%).

In the 2017/18 financial year, the PAC aims to engage the AGSA on any performance audit reports, if such reports becomes available.

The resolutions of the PAC to the departments and entities of the WCG are stated below, including any requests for information, as follows.

## **Part A: Findings relating to departments**

### **10. Vote 1: Premier**

The Committee noted the Report of the AGSA regarding the Department of the Premier for the 2016/17 financial year, having obtained a clean audit outcome. This audit outcome remains unchanged from the 2015/16 financial year.

#### **Audit Opinion**

The AGSA issued an unqualified audit opinion on the annual financial statements of the Department and did not raise any findings on compliance with laws and regulations, nor on predetermined objectives.

#### **Financial Management**

The Department of the Premier spent R1 342,9 million of a budget of R1 364,8 million, which resulted in an overall under-expenditure of R21,9 million (1,6%).

The under-spending of R21,9 million occurred under the following five programmes:

- Programme 1 (Executive Support - Administration) – 2,73%.
- Programme 2 (Provincial Strategic Management) – 11,14%
- Programme 3 (People Management) – 2,26%
  
- Programme 4 (Centre for e-Innovation) - 0,29%

- Programme 5 (Corporate Assurance) – 4,76%

In addition, the economic classifications, within the programmes, which contributed to the underspending, were as follows:

- Current payments – 1,60%
- Transfers and subsidies - 3,85%
- Payments for capital assets – 0,49%
- Payments for financial assets – 1,10%

The Committee is cognisant of the fact that the overall material under-spending within the aforementioned programmes were attributed to the following factors:

- The Delivery Support Unit that took longer than anticipated to finalise certain projects.
- The resignation of staff and delays with the filling of various posts.
- Goods and Services which reflected savings on the Business Process Optimisation project.
- The Broadband and the Integrated Financial Management System that took longer than anticipated to be finalised.
- The transfer payment relating to infotainment monitors for health frontline facilities could not be processed in the interest of good governance, due to compliance issues with the prerequisites for transfers.

The Committee notes that the Department’s revenue budget of R1,7 million was exceeded by R1,65 million (96,3 %), with receipts which amounted to R3,37 million.

## 10.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 182 of the Annual Report</p> <p>Heading: “Statement of Financial Performance”</p> <p>Description: The Committee takes cognisance of the fact that the economic classifications of “goods and services” and “transfers and subsidies” could lead to an audit finding in future financial years, if these classifications are not correctly stated.</p>	<p>1. That the AGSA briefs the Committee on the required disclosure within the financial statements of the departments and entities of the WCG, for the economic classification of “goods and services” and “transfers and subsidies”.</p>	<p>To be scheduled by PAC.</p>
<p>Pages: 22 and 157 to 179 of the Annual Report.</p> <p>Heading: “Legislative mandates PFMA</p> <p>Description:</p>	<p>2. That the Department briefs the Committee on sections 41 to 44 of the PFMA in order to enable the Committee to monitor and evaluate the virements, and shifting of adequate funds within the Department, after the</p>	<p>To be scheduled by PAC.</p>

<p>The Committee notes that the Department managed its finances in accordance to the PFMA of 1999). However, the Committee would want to probe the department's practise of the virement of funds between programmes, including the shifting of funds within the same programme; after the annual Adjustment Appropriation Act, 2017 has been passed by the WCPP.</p>	<p>annual Western Cape Adjustments Appropriation Act, 2017 has been passed.</p>	
<p>Pages and ("Headings"):</p> <p>153-154 of the Annual Report ("Audit Scope of annual performance report") 59-76 and 168-171 of the Annual Report ("Programme 3: People Management")</p> <p>Description:</p> <p>The Committee notes that Programme 3: People Management has not been included in the audit scope by the AGSA for the 2016/17 financial year, for the auditing of the performance information. However, due to the fact that Programme 3: People Management's strategy has been developed to facilitate and improve citizen experience through people efficiencies, the Committee expressed an interest in the development of a mechanism that would monitor and evaluate the performance indicators. This includes the monitoring of the overall value of the programme towards the goal of the facilitation and improvement of citizen experience through people efficiencies.</p>	<p>3. That the Standing Committee on the Premier monitors and evaluates Programme 3: People Management and its performance indicators and overall value of towards the goal of the facilitation and improvement of citizen experience through people efficiencies.</p>	<p>The PAC resolved as per Standing Rule 99 (2) to confer with the Standing Committee on the Premier for further oversight and monitoring.</p>

## 10.2 List of Information Requested

None

## **11. Vote 3: Provincial Treasury**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2016/17 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2015/16 financial year.

### **Audit opinion**

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### **Errata (Addendum)**

On 24 October 2017, the WCPP tabled an erratum on behalf of Provincial Treasury (ATC 77-2017).

The errata affected the following financial data of the Annual Report of the Department for the 2016/17 financial year, as follows:

#### Page 135: Appropriation Statement

- Department receipts changed to R146 275 million.
- Total revenue changed to R400 823 million).

#### Page 149: Statement of Financial Performance

- Departmental revenue changed to R146 275 million.
- Total revenue changed to R400 823 million.
- Surplus for the year changed to R152 822 million.
- Departmental revenue and PRF receipts changed to R146 275 million.
- Surplus for the year changed to R152 822 million.

#### Page 163: Note 2: Provincial and Departmental Revenue

- Departmental revenue changed to R146 275 million.
- Own revenue included in appropriation changed to R433 529 million.

#### Page 173: Note 12: Departmental revenue and PRF receipts to be surrounded to the Revenue Fund

- Transfer from Statement of Financial Performance (as restated) changed to R146 275 million.
- Own revenue included in appropriation changed to R433 529 million.

#### Page 174: Note 14: Note cash flow available from operating activities

- Net surplus as per the Statement of Financial Performance changed to R152 822 million.
- Add back non cash/ cash movements not deemed operating activities changed to R153 787 million.

- Other non-cash items changed to R433 529 million.

Pages 127 to 134: Report of the AGSA for the year ended 31 March 2017

A new report was issued by AGSA, dated 20 October 2017, which replaced the Report contained in the printed Annual Report of the Department.

### Financial management

Provincial Treasury spent R248 001 million of a budget of R254 548 million, which resulted in a material under-expenditure of R6,547 million (2,6%).

The material under-expenditure of R6,547 million occurred under the following “goods and services” economic indicators:

- Administration (R1 397 million);
- Sustainable Resource Management (R2 512 million);
- Asset Management (R727 000); and
- Financial Governance (R1 911 million).

In addition, the total departmental revenue budget of R433 529 million was over-collected by R146 275 million, which resulted in a departmental receipt of R579 804 million.

The revenue over-collection was due to the following factors:

- Tax receipts (casino and horse race taxes);
- Sale of goods and services;
- Interest, dividends and rent on land;
- Fines, penalties and forfeits;
- Sale of the Departmental capital assets; and
- Financial transactions in assets and liabilities.

The Committee wishes to bring to the attention of the Department the new pronouncements, which are considered as emerging risks and which requires continuous monitoring, as follows:

Modified Cash Standard:

- Componentisation of assets; and
- Inventory.

For the 2016/17 financial year, the Department recorded a financial end-of-year balance of R2 000 for fruitless and wasteful expenditure, and paid all invoices within 30 days.

### 11.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 135 of the Annual Report Heading: “Appropriation Statement for the year ended 31 March 2017”	That the Department introduces a mitigating mechanism that would ensure that the underspending of the Department remains within	To be scheduled by the PAC.

<p>Description: The Committee notes that the Department had a material underspending at the end of the 2016/17 financial year of 2,6% across all of its programmes. The Committee takes cognisance of the fact that the allowable under-or-overspending of a national and/ or provincial department is considered to be no more than 2% (below or beyond this threshold).</p> <p>The material under-expenditure of R6, 547 million occurred under the “goods and services” economic indicators, as follows:</p> <ul style="list-style-type: none"> <li>• Administration (R1 397 million);</li> <li>• Sustainable Resource Management (R2 512 million);</li> <li>• Asset Management (R727 000); and</li> <li>• Financial Governance (R1 911 million).</li> </ul>	<p>the allowable limit of 2% either in over- or under expenditure and, thereafter, brief the Committee on the implementation of such a mechanism.</p>	
<p>Page: 74 of the Annual Report</p> <p>Heading: “Fraud and corruption”</p> <p>Description: The Committee takes cognisance that Provincial Treasury experienced losses of IT equipment and that the Internal Control function of the Department regressed during the financial year under review. The Committee notes the risks which are attached to such a regression.</p>	<p>2. That the Department implements a consequence management mechanism to mitigate any future losses of IT equipment, and thereafter brief the Committee on the implementation of such a mechanism.</p>	<p>To be scheduled by the PAC.</p>

## 11.2 List of Information Requested

None

## 12. Vote 4: Community Safety

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Department, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

### Audit Opinion

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### Financial Management

The Department of Community Safety spent R272 502 million of a budget of R276 144 million, which resulted in an overall under-expenditure of R3 642 million (1,3%). The under-expenditure occurred under the following programmes:

- Programme 1: Administration;
- Programme 2: Provincial Secretariat for Police Services;
- Programme 3: Provincial Policing Forum; and
- Programme 4: Security Risk Management

In addition, the Department spent R13 417 million of a budget of R13 700, that was received as aid assistance, which resulted in an under-expenditure of R283 000.

The under-expenditure was due to the following factors:

- Transfer and subsidies;
- Tangible capital assets;
- The Committee wishes to bring to the attention of the Department the new pronouncements, which are considered as emerging risks which requires continuous monitoring, as follows:
- Componentisation of assets; and
- Inventory.

For the 2016/17 financial year, the Department recorded a financial year-end balance of R14 000 for irregular expenditure, which was condoned; including an amount of R30 000 for invoices that were paid after 30 days.

### 12.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 203 of the Annual Report</p> <p>Heading: "Aid Assistance"</p> <p>Description: The Committee notes that the increase in goods and services expenditure is due to the Wolwekloof Academy being more operational in the 2016/17 financial year. Furthermore, the Committee notes that the Department is busy with an exit strategy from the Wolwekloof Academy. This is mainly due to the infrastructure challenges that was experienced by the Department, e.g. asbestos risk, etc.</p>	<p>1. That the Department briefs the Committee on the funds that were spent on the Wolwekloof Academy from the 2014/15 financial year to date. In addition, the Department must indicate the value-for-money that was derived from the Wolwekloof Academy from the 2014/15 financial year to date; including the exit strategy that has been developed.</p>	

<p>The Committee further notes that on 25 January 2017, a decision was made and communicated to Provincial Treasury to discontinue the use of the Wolwekloof facility, as it was no longer sustainable for the Department to continue operations on this site. A new training model has been developed since then and the Department is in the process of implementing its exit strategy of the Wolwekloof facility which will be concluded during the 2017/18 financial year.</p>		
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## 12.2 List of Information Requested

The Committee requested that the Department of Community Safety provide it with the following:

- 12.2.1 A list of bursaries that were awarded to the employees of the Department (referring to the salary/job levels), including the Bursary Policy of the Department, as reflected on page 158 of the Annual Report.
- 12.2.2 The business plan for the development of Wolwekloof Academy for the 2016/17 financial year, including the funding that was received from the Department of Transport and Public Works in relation to the Extended Public Works Programme.
- 12.2.3 A report which highlights the locations, specifically in municipal areas, where the students of the Chrysalis and Wolwekloof academies were placed, including when they completed their community service training for the 2016/17 financial year.

## 13. Vote 5: Education

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2016/17 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

### Audit Opinion

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### Financial Management

The Western Cape Department of Education spent R19,301 billion of a budget of R19,530 billion, which resulted in an overall under-expenditure of R229 million (1,18%).

The overall under-spending within the Department was mainly due to compensation of employees, goods and services and buildings and other fixed structures; within the following programmes:

- Programme 1: Administration;
- Programme 2: Public Ordinary School Education; and
- Programme 6: Infrastructure Development.

In addition, the Department's revenue budget of R40,348 million was under-collected by R1,652 million, which resulted in a Departmental receipt of R38 696 million.

- The revenue under-collection was due to the following factors:
- Interest, dividends and rent on land; and
- Financial transactions in assets and liabilities.

The Committee further notes that the Department occurred a 100% spend through its capital budget of R6 663million.

### 13.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 4-9 of the Audit Committee briefing document to the PAC.</p> <p>Heading: "3.5: Internal Controls"</p> <p>Description: The Committee takes cognisance of the fact that the Audit Committee noted major areas for improvement for the Department, during the performance of its work during the 2016/17 financial year. The major areas included the following:</p> <ul style="list-style-type: none"> <li>• District Support to Schools;</li> <li>• Teacher Absenteeism;</li> <li>• HR Planning - Schools Principals;</li> <li>• Transfer Payment - (Norms and Standards Funding of Public Schools);</li> <li>• Specialised Support; and</li> <li>• Disaster Recovery.</li> </ul>	<p>1. That the Department briefs the Committee on the major areas for improvement, as identified by the Audit Committee, during the 2016/17 financial year.</p>	<p>To be scheduled by the PAC.</p>
<p>Pages: 3; 24; 74-75.</p> <p>Heading: "Safe Schools"</p> <p>Description: The Committee takes cognisance of the fact that the WCED addressed safety issues at schools</p>	<p>2. That the Department briefs the Standing Committee on Education on the number of fatalities that occurred at the various primary- and secondary schools within the Western Cape Province during the 2016/17 financial year, including any mechanisms that were</p>	<p>The PAC resolved, as per Standing Rule 99 (2), to confer with the Standing Committee on Education for further oversight and monitoring.</p>

<p>through the safe schools programme and in partnership with other departments, including the City of Cape Town.</p> <p>It should be noted that the Safe Schools Call Centre received approximately 8 730 calls during the 2016/17 calendar year. Of these, 2 110 calls needed further follow up and support, 689 were crime related, 395 were abuse cases and 283 needed counselling and psychologist support.</p> <p>Although the Committee does not conduct oversight over the programmes and policies of the WCED, it; none the less; acceded to the concerns raised from members, and therefore PAC would request the Standing Committee on Education to take cognisance of this specific matter.</p>	<p>developed and introduced to address this challenge.</p>	
<p>Page: 216 of the Annual Report</p> <p>Heading: “Debts written off”</p> <p>Description: The Committee notes that the Department incurred an expenditure on its salary overpayments to the amount of R 5 562 million. Moreover, it was reported by the Department that the overpayments related to its Policy and Procedure on Incapacity Leave and Ill-health Retirement (PILIR) cases that were claimed for during the 2016/17 financial year.</p>	<p>3. That the Department briefs the Committee on the details of the salary overpayments in respect of PILIR cases that were claimed for during the 2016/17 financial year.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 221 of the Annual Report</p> <p>Heading: “Accruals and payables not recognised”</p> <p>Description: The Committee notes that the Department incurred expenditure on invoices beyond the 30 days period. This was in contrast to</p>	<p>4. That the Department briefs the Committee on the accrual payments that were made after 30 days of receipt of invoices.</p>	<p>To be scheduled by the PAC.</p>

<p>National Treasury Regulation 8.2.3 and Instruction Note 34, whereby an instruction was communicated that all departments (national and provincial) effect payments of invoices from stakeholders within thirty (30) days from receipt of an invoice as required.</p>		
<p>Page: 224 of the Annual Report</p> <p>Heading: “Note 22.4: Details of irregular expenditure under investigation”</p> <p>Description: The Committee notes that the Department incurred irregular expenditure which was not included in the main appropriations statement. The total costs that were appropriated from the fiscus of the Department amounted to R10 514 million. The Committee takes cognisance of Section 1 of the PFMA whereby it states that such type of expenditure, other than unauthorised expenditure, incurred in contravention of; or that is not in accordance with a requirement of any applicable legislation, including: (a) The PFMA; (b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; and (c) Any provincial legislation providing for procurement procedures in that provincial government.</p>	<p>5. That the Department briefs the Committee on the status of the investigations that is being undertaken within the Department, including the design or implementation of a mechanism, which would ensure minimisation of such expenditure.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 225 of the Annual Report</p> <p>Heading: “Note 23.4: Details of fruitless and wasteful expenditure under investigation”</p> <p>Description: The Committee notes that the Department incurred fruitless and wasteful expenditure which was</p>	<p>6. That the Departments brief the Committee on the status of the investigations that is being undertaken by the Department, including the design or implementation of a mechanism, which would ensure a minimisation of such expenditure.</p>	<p>To be scheduled by the PAC.</p>

<p>not included in the Appropriations Statement. The total costs that were appropriated from the fiscus of the Department amounted to R2 019 million.</p> <p>The Committee takes cognisance of National Treasury's Guideline on fruitless and wasteful expenditure whereby the Department should apply due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition (not being achieved as planned) is being managed to an acceptable level.</p>		
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### 13.2 List of Information Requested

The Committee requested that the Western Cape Education Department provides it with the following:

- 13.2.1 The nature of the Provincial Forensic Services Case Movement Certificates' 11 open cases, as at 1 April 2016, as reflected on page 127 of the Annual Report.
- 13.2.2 The case numbers of the six allegations that were substantiated, as per the outcome of the Provincial Forensic Service of cases closed, including those that were referred to the South African Police Services, as reflected on page 127 of the Annual Report.
- 13.2.3 A cost breakdown and nature of the legal services rendered to the WCED, which amounted to R2 329 million, as reflected on page 179 of the Annual Report.
- 13.2.4 A copy of the Departments' User Asset Management Plan (UAMP) for the 2016/17 financial year, with specific reference to the Asset Management Plan for Claremont and Wynberg High schools (to be provided to the Standing Committee on Education upon receipt).

### 14. Vote 6: Department of Health

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Department. The Department obtained an unqualified audit report with findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

#### Audit Opinion

Findings on the pre-determined objectives:

##### *Programme 2: District Health Services*

- Indicator: Dtap-IPV/Hpv 3- Measles first dose drop-out rate  
The Department did not have an adequate performance management system to maintain records that enabled reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances, while in other cases the evidence

that was provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported as the evidence provided indicated that it was 11,5% and not 13,8% (as stated).

The AGSA was also unable to confirm the reported achievement by alternative means. Consequently, the AGSA was unable to determine whether any further adjustments were required to the reported achievements as reported in the annual performance report.

- Indicator: Mother postnatal visit within six days rate  
The reported achievement for the target mother postnatal visit within six days rate was misstated as the evidence provided indicated 51,4% and not 60% as reported in the annual performance report. This was due to postnatal visits after six days also being reported on.

## **Financial Management**

The Department of Health spent R20, 079 billion of a budget of R20, 144 billion. This resulted in an overall under-expenditure of R66 million (0,3%).

In addition, the Department's revenue budget of R454 million was exceeded by R89 million (19,7%), which resulted in a departmental receipt of R544 million.

The revenue over-collection was due to the following factors:

- Sale of goods and services;
- Transfer funds that were received;
- Interest, dividends and rent on land;
- Sale of the Departmental capital assets; and
- Financial transactions in assets and liabilities.

The Committee also notes the following factors that impacted on the financials of the Department:

- As disclosed in note 22.2 to the annual financial statements, material losses to the amount of R269 million were incurred as a result of a write-off of irrecoverable accrued departmental revenue; and
- According to note 22.3 to the annual financial statements, accrued departmental revenue was significantly impaired. The impairment allowance amounted to R238 million. However, the Annual Report of the Department indicated that there was an overall under-spending within the Department, which was due to the following factors:
  - Compensation of employees;
  - Goods and services;
  - Transfers and subsidies; and
  - Payments for capital assets.

The underspending from the aforementioned economic classifications emanated from the following Departmental programmes:

- Programme 1: Administration;
- Programme 2: District Health Services;
- Programme 3: Emergency Medical Services;
- Programme 4: Provincial Hospital Services;
- Programme 5: Central Hospital Services;
- Programme 6: Health Sciences and Training; and

- Programme 7: Health Care Support Services.

### 14.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 192-193 of the Annual Report</p> <p>Heading: “Introduction and scope”</p> <p>Description: The Committee takes cognisance of the fact that the Department received two findings by the AGSA on Programme 2, which includes:</p> <ul style="list-style-type: none"> <li>• Indicator: Dtap-IPV/Hpv 3-Measles first dose drop-out rate; and</li> <li>• Indicator: Mother postnatal visit within six days rate.</li> </ul> <p>The concern which arises from the aforementioned findings included the reliability of the information that was reported on by the Department in its Annual Report for the 2016/17 financial year.</p>	<ol style="list-style-type: none"> <li>1. That the PAC conducts an oversight visit to a health facility, to be briefed on the mechanism that is in place to improve its reliability of information and the associated challenges on the programmes which the Department reports.</li> <li>2. That the Department briefs the PAC on the roll out of an electronic filing system that will assist it in improving its reliability of reported performance information.</li> </ol>	<p>To be scheduled by the PAC.</p> <p>To be scheduled by the PAC.</p>
<p>Page: 195 of the Annual Report</p> <p>Heading: “Appropriation statement”</p> <p>Description: The Committee notes that there were cases where the Department continued to possess ageing medical infrastructure amongst its assets, during the 2016/17 financial year.</p>	<ol style="list-style-type: none"> <li>3. That the Department briefs the Committee on its User Asset Management Plan (UAMP), from the 2016/17 to 2019/20 financial years, including all associated costs and challenges which relates to the upgrading and/ or eradication of its ageing infrastructure.</li> </ol>	<p>To be scheduled by the PAC.</p>

<p>Page: 243 of the Annual Report</p> <p>Heading: “6.2 Debts written off”</p> <p>Description: The Committee notes that the Department made salary overpayments to former employees which were not recoverable at a later stage. Subsequently, the amount of R1 107 million was written off during the 2016/17 financial year.</p>	<p>4. That the Department implements a mechanism that will avoid a future recurrence of such a nature. In addition, the Committee will request to be briefed by the Department to obtain further information regarding the challenges experienced on the recoverability of funds from former employees.</p>	<p>To be scheduled by the PAC.</p>
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## 14.2 List of Information Requested

The Committee requested that the Department of Health provides it with a report which indicates the cases of the 218 employees who were disciplined for the breach of the code of conduct, during the 2016/17 financial year, including the consequence management mechanism that was implemented to avoid a future recurrence of such a nature, as indicated on page 130 of the Annual Report of the Department.

## 15. Vote 7: Social Development

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Department, having obtained an unqualified audit report with findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

### Audit Opinion

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### Financial Management

The Department of Social Development spent R1,959 billion of a budget of R1,963 billion, resulting in an overall under-expenditure of R3,871 million or (0,20%).

The overall underspending within the Department was transversal in nature, due to the underspending for compensation of employees by not finding suitable candidates, internal promotions and staffs exists in the following programmes:

- Programme 2: Social Welfare Services;
- Programme 3: Children and Families;
- Programme 4: Restorative Services; and
- Programme 5: Development and Research.

In addition, the revenue budget of the Department of R963 000 was exceeded by R1,15 million, which resulted in a Departmental receipt of R2,078 million.

The revenue over-collection was due to the following factors:

- Sale of goods and services;
- Interest, dividends and rent on land; and
- Financial transactions in assets and liabilities.

### 15.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 4-9 of the Audit Committee briefing document to the Public Account Committee.</p> <p>Heading: “3.5: Internal Controls”</p> <p>Description: The Committee takes cognisance of the fact that the Audit Committee noted major areas for improvement in the Department during the performance of its work during the 2016/17 financial year.</p> <p>The major areas included the following:</p> <ul style="list-style-type: none"> <li>• DPSA delegations;</li> <li>• Youth Development;</li> <li>• Metro East: Child Care and Protection;</li> <li>• Metro South: Child Care and Protection;</li> <li>• Customer Care;</li> <li>• Substance Abuse; and</li> <li>• Sustainable Livelihoods.</li> </ul>	<p>1. That the Department briefs the Committee on the internal audit major areas for improvement during the 2016/17 financial year.</p>	<p>To be scheduled by the PAC.</p>

### 15.2 List of Information Requested

The Committee requested that the Department of Social Development provides it with the following information:

- 15.2.1 The case number of the Provincial Forensic Services investigation undertaken, whereby certain allegations were substantiated, as reflected on page 103 of the Annual Report.
- 15.2.2 A report which provides details as to the contract that was extended without approval, which was condoned on 16 January 2016, as reflected under Note 21.6 on page 215 of the Annual Report.

### 16. Vote 8: Department of Human Settlements

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2016/17 financial year, having obtained an unqualified audit opinion

with findings on predetermined objectives. This audit opinion represents a regression from the 2015/16 financial year, when the Department obtained a clean audit outcome.

### **Audit Opinion:**

The AGSA raised findings with the Department on its predetermined objectives.

The findings refer to the following programme:

#### *Programme 3- Housing Development*

Percentage of Human Settlements Development Grant (HSDG) paid to contractors with women representation, within the housing sector by 31 March 2017

The reported achievement of 9,29% for the target of Percentage of HSDG paid to contractors with women representation, within the housing sector by the end of the financial year was misstated as the evidence provided indicated that the HSDG schedule was not appropriately accumulated and HSDG schedule did not agree with evidence provided.

Percentage of HSDG paid to contractors with youth representation, within the housing sector by 31 March 2017

The reported achievement of 6,12% for the target of percentage of HSDG paid to contractors with youth representation, within the housing sector by the end of the financial year was misstated as the evidence provided indicated that the HSDG schedule was not appropriately accumulated and HSDG schedule did not agree with evidence provided.

### **Financial Management:**

The Department of Human Settlements spent R2, 2 billion (99,9%) of a budget of R2, 2billion, resulting in an overall underspending of only R1 000 (0,01%).

As disclosed on page 107 of the Annual Report of the Department, the revenue budget of the Department of R60 million was exceeded by R112 million (32,1%), which resulted in an overall over-collection from the R172 million collected by the Department for the 2016/17 financial year.

The Department spent 100% of its capital budget, which was appropriated for R6 663 million for the financial year under review.

### **Significant emphasis of matter**

Material losses/impairments: With reference to note 18.1 to the financial statement, the Department was a defendant in a land-claim lawsuit of R87, 2 million as at 31 March 2017, which the department is disputing.

Restatement of corresponding figures: As disclosed in note 31 to the financial statements, the corresponding figures have been restated as a result of errors discovered during the 2016/17 financial year, in the financial statement of the Western Cape Department of Human Settlements, as at, and for the year ended 31 March 2017.

## 16.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 4-12 of the Audit Committee briefing document to the Public Account Committee.</p> <p>Heading: “3.5: Internal Controls”</p> <p>Description: The Committee takes cognisance of the fact that the Audit Committee noted major areas for improvement for the Department during the performance of its work during the 2016/17 financial year.</p> <p>The major areas included the following:</p> <ul style="list-style-type: none"> <li>• Title Deed and Asset Management;</li> <li>• Housing Subsidy Administration;</li> <li>• Stakeholder Management;</li> <li>• Delegations Framework;</li> <li>• Human Settlement Implementation; and</li> <li>• Standing Operating Procedures: Contractors Framework.</li> </ul>	<p>1. That the Department briefs the Committee on measures put in place to address internal audit major areas for improvement during the 2016/17 financial year.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 105 of the Annual Report</p> <p>Heading: “Municipal Support”</p> <p>Description: The Committee notes that the Department has capacitated 25 municipalities within the Western Cape, in terms of human settlement development planning. The 27 human settlements projects were aligned to the Integrated Development Plans (IDPs) of the municipalities and to the objectives of Outcome 8 of the Department.</p>	<p>2. That the Department designs and implements a mechanism to assist municipalities in submitting the correct information that would enable the Department to meet its targets.</p>	<p>The PAC resolved, as per Standing Rule 99(2), to confer with the Standing Committees on Local Government and Human Settlements for further oversight and monitoring.</p>

<p>Pages: 112-113 of the Annual Report</p> <p>Heading: “Introduction and Scope”</p> <p>Description: The Committee noted that the Department has received an audit finding on its pre-determined objective (Programme 3). The Committee further noted that although the Department has accepted the finding by the AGSA, the Committee is somewhat concerned by the fact that the change in definition, and interpretation of the calculating formula of the Human Settlement Development Grant and Historically Disadvantaged Individual by the AGSA was changed, and that this was not communicated to the Committee in a timeous manner.</p>	<p>3. That the AGSA, furnishes the Committee, departments and entities with any changes to its definitions and interpretations which relates to economic classifications, and all related matters that may influence the audit outcomes of the departments and entities in a timeous manner.</p>	<p>To be monitored by the PAC on a quarterly basis.</p>
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## 16.2 List of Information Requested

The Committee requested that the Department of the Human Settlements provides it with the following:

- 16.2.1 The status of the referred cases and its SAPS and Provincial Forensic Services case numbers, as reflected by the Provincial Forensic Services’ Case Movement Certificate, as indicated on page 59 of the Annual Report.
- 16.2.2 A report on the number of bursaries holders in the Department, including the appointment/salary levels/bands of these bursary holders, as indicated on page 142 of the Annual Report.

## 17. Vote 9: Environmental Affairs and Development Planning

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2016/17 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2015/16 financial year.

### Audit opinion

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

## Financial management

The Department of Environmental Affairs and Development Planning spent R537 950 million of a budget of R543 699 million, resulting in an under-expenditure of R5 749 million (1,1%). The under-expenditure of R5, 749 million occurred under the following programmes and economic indicator:

- Programme 2- R885 000;
- Programme 6- R297 000;
- Programme 7- R1 846 million; and
- Goods and services- R4 053 million.

In addition, the total departmental revenue budget of R3 500 million was over-collected by R4 298 million, which resulted in a departmental receipt of R7 798 million.

The revenue over-collection was due to the following factors:

- Sale of goods and services;
- Transfers received;
- Interest, dividends and rent on land;
- Fines, penalties and forfeits;
- Sale of the Departmental capital assets; and
- Financial transactions in assets and liabilities.

The Committee wishes to bring to the attention of the Department the new pronouncements, which are considered as emerging risks which requires continuous monitoring, as follows:

Modified Cash Standard:

- Componentisation of assets; and
- Inventory.

For the 2016/17 financial year, the Department recorded a financial end-of-year balance of R3 000 for fruitless and wasteful expenditure which was condoned, and paid all invoices within 30 days.

### 17.1 Resolutions

None

### 17.2 List of Information Requested

The Committee requested that the Department of Environmental Affairs and Development Planning provides it with a list of all cases sent for litigation and court reviews which appeared before the High and Supreme courts of South Africa, as reflected on page 178 of the Annual Report.

## 18. Vote 10: Department of Transport and Public Works

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2016/17 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2015/16 financial year.

## **Audit opinion**

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

## **Financial management**

The Department of Transport and Public Works spent R7,029 billion of a budget of R7,093 billion, resulting in an overall under-expenditure of R64,0 million (0,9%). In addition, the total departmental revenue budget of R1,381 billion was over-collected by R203,8 million, which resulted in a departmental receipt of R1,584 billion.

The revenue over-collection was due to the following factors:

- Motor vehicle licences;
- Sale of goods and services;
- Transfer funds that were received;
- Interest, dividends and rent on land;
- Fines, penalties and forfeits;
- Sale of the Departmental capital assets; and
- Financial transactions in assets and liabilities.

The Committee noted that the overall under-spending within the Department occurred under the following economic indicators:

- Current payments;
- Transfers and subsidies;
- Payments for capital assets; and
- Payments for financial assets.

The Department spent R2,910 billion of a capital budget of R2,921 billion (99,6%), which resulted in an under-expenditure of R11 million (0,4%) for the financial year under review.

The Committee wishes to bring to the attention of the Department the new pronouncements, which are considered as emerging risks that require continuous monitoring, as follows:

Modified Cash Standard:

- Inventory;
- Capitalisation of roads;
- Deproclaimed road; and
- Immovable asset register.

National instruction notes:

- Accounting manual on transfer payments; and
- Performance information (Expanded Public Works Programme).



<p>Description: The Committee takes cognisance that the Department briefed the Audit Committee in respect of its current and older departmental debts during the 2016/17 financial year.</p> <p>This is in light of the material losses and debts that were written off during the financial year under review.</p> <p>In addition, the Committee notes Government Gazette No 2241, which is the Treasury Regulation for departments (read in conjunction with the PFMA), in terms of managing debt. The Accounting Officer of an Institution must take effective and appropriate steps to collect all money due to the Institution including, as necessary–</p> <p>(a) maintenance of proper accounts and records for all debtors, including amounts received in part payment; and</p> <p>(b) referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law. In addition, debts owing to the state may, at the discretion of the Accounting Officer of the Institution, be recovered in instalments.</p>	<p>the Department to minimise, if unable to mitigate, such an occurrence.</p>	
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## 18.2 List of Information Requested

The Committee requested that the Department of Transport and Public Works provides it with the following:

- 18.2.1 A detailed report which relates to the considered risk of the Department, where it was unable to maintain the provincial road network, as reflected on page 163 of the Annual Report.
- 18.2.2 A copy of the Provincial Forensic Services' Case Movement Certificate which relates to the cases that were referred to the South African Police Service for the 2016/17 financial year, including the case numbers, as reflected on page 166 of the Annual Report.
- 18.2.3 A report which highlights the bursaries that were awarded to the employees of the Department, including the job levels or salary bands, as reflected on page 251 of the Annual Report.
- 18.2.4 A report which highlights all claims above R1 million that were made against the state as per Annexure 2B for the 2016/17 financial year, as reflected on page 347 of the Annual Report.

## **19. Vote 12: Economic Development and Tourism**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2016/17 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

### **Audit Opinion**

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### **Financial Management**

The Department of Economic Development and Tourism spent R559 386 million of a budget of R573 266 million, resulting in an overall under-expenditure of R13 880 million (2,4%), as reflected on page 247 of the Annual Report of the Department.

The Committee notes that the departmental receipts of the Department was exceeded by R775 000, by collecting R1 059 million from an estimation or revenue of R284 000 for the financial year under review. The over-collection was due to the following:

- Sale of goods and services other than capital assets (tourist guides registration fees);
- Sale of capital assets; and
- Financial transactions in assets and liabilities.

### **Material underspending of the vote**

The Committee further notes that there were instances of material under-expenditure which occurred in the Department for the financial year under review. The Department has materially underspent the overall budget by R13,9 million (2,48%). The following departmental items were affected by the under-expenditure, as follows:

- Administration;
- Integrated Economic Development Services;
- Trade and Sector Development;
- Transfer payments for the Cape Capital Fund project;
- Business Regulation and Governance;
- Economic Planning;
- Tourism, Arts and Entertainment;
- Skills Development and Innovation;
- Current payments;
- Households; and
- Payments for capital assets.

### **Material impairment**

As disclosed in note 12.1 to the financial statements, the Department had an impairment of R67,1 million, which was due to its shareholding by the WCG in the Cape Town International Convention Centre Company (CTICC) SOC Limited. The WCG has a shareholding of 23,24% in the CTICC (Pty) Ltd. The Committee notes the explanation of the Department that its

shareholding with the CTICC will be finalised at a percentage of 23,93% upon conclusion of the transaction.

### 19.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 247 of the Annual Report</p> <p>Heading: “Statement of Financial Performance”</p> <p>Description: The Committee has been advised by the AGSA that the National Treasury is currently drafting an Accounting Manual to distinguish between “goods and services” and “transfer payments”. This can potentially influence the future audit opinion outcome for departments and entities. The Department has successfully incorporated the distinguishment between “goods and services”, as well as “transfer payments” in its annual financial statements.</p>	<p>1. That the Department assists all other departments and entities of the WCG in order to ensure that they correctly distinguish between “goods and services” and “transfer payments”. This will avoid potential future negative audit opinion outcomes for all departments and entities of the WCG.</p>	<p>To be actioned by the Department and reported on in its 2017/18 annual reporting period.</p>

### 19.2 List of Information Requested

None

## 20. Vote 13: Cultural Affairs and Sport

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Department, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

### Audit Opinion

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### Financial Management

The Department of Cultural Affairs and Sport spent R679 373 million of a budget of R686 472 million, resulting in an overall under-expenditure of R7 099 million (1,03%).

The under-expenditure occurred under the following programmes:

- Programme 1: Administration;
- Programme 2: Cultural Affairs;
- Programme 3: Library and Archive Services; and
- Programme 4: Sport and Recreation

In addition, the total departmental revenue budget of R47 006 million was over-collected by R115 000, which resulted in a departmental receipt of R47 121 million. The over-collection was R4 511 million more than the R42 610 million that was collected during the 2015/16 financial year.

The revenue over-collection was due to the following factors:

- Sale of goods and services other than capital assets; and
- Transactions in financial assets and liabilities.

The Committee wishes to bring to the attention of the Department the new pronouncements, which are considered as emerging risks which requires continuous monitoring, as follows:

- Componentisation of assets; and
- Inventory.

For the 2016/17 financial year, the Department recorded a financial year- end balance of R1 204 million for irregular expenditure, including an amount of R102 000 for invoices that were paid over 30 days.

## 20.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 7 of the Briefing of the Audit Committee to the PAC</p> <p>Heading: “Internal Audit Function”</p> <p>Description: The Audit Committee briefed the Committee on the systems of internal control within the Department of Cultural Affairs and Sport. Furthermore, the Committee noted that 23 risks were not covered for the 2016/17 financial year, and that this constituted an assurance gap for the financial year under review.</p>	<p>1. That the Audit Committee briefs the Committee on the 23 risks that constituted assurance gaps for the 2016/17 financial year under review.</p>	<p>To be scheduled by the PAC.</p>
<p>Pages: 104-119 of the Annual Report</p>	<p>2. That the Department briefs the Committee on the value which was derived from the transfers</p>	<p>To be scheduled by the PAC.</p>

<p>Heading: “Transfer payments to all organisations other than Public Entities”</p> <p>Description: The Committee notes that payments were made to various after school game changers, academies and sporting organisations within the Western Cape, as reflected under Programme 4. The transfers were made with the aim to advance sport within the Province.</p>	<p>of funds to the various sporting stakeholders. In addition, the Committee noted that the Department made, at times, more than one transfer to the same stakeholder during the 2016/17 financial year.</p>	
<p>Page: 241 of the Annual Report</p> <p>Heading: “Note 17: Commitments”</p> <p>Description: The Committee takes cognisance of the fact that the Department reported a commitment from 31/03/2016 to 31/03/2019 for the operation of Philippi Stadium by Chippa Training Academy. It is further noted that items are classified as commitments where the Department commits itself to future transactions that will normally result in the outflow of resources. With tenders, a commitment exists when the award has been formally communicated to the service provider that won the tender since a legitimate expectation of appointment has been created at the end of the financial year.</p>	<p>3. That the Department briefs the Committee on the 3 year financial commitment that was undertaken between itself and Chippa Training Academy. In addition, the Department should brief the Committee on the value that is derived from this commitment for the community of Philippi, including the Department.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 244 of the Annual Report</p> <p>Heading: “Future finance lease commitments- GG vehicles”</p> <p>Description: The Committee notes that, as determined by the National Accountant General, the Department entered into an</p>	<p>4. That GMT, including the Department, brief the Committee on the lease arrangement, as determined by the National Accountant General, as well as the lease payments to GMT within 1 year, between 2 to 5 years and more than 5 years.</p>	<p>To be scheduled by the PAC.</p>

<p>agreement with the GMT through finance leases. Through these leases, the Department leased 131 vehicles from GMT as at 31 March 2017. The Committee further notes that daily tariffs are payable on a monthly basis, which covers the operational costs, capital costs of the replacement of the vehicles, as well as all implicit costs which relates to maintain the lease arrangement.</p>		
<p>Pages: 244 (Note 21.2) and 250 (Note 25.4) of the Annual Report</p> <p>Heading: “Accrued department revenue written off” and “Minor Capital Assets under investigation”</p> <p>Description: The Committee notes that on 31 March 2017 a total of 58,836 library books to the value of R4,219 million were under investigation for possible losses. The Committee is concerned to what extent, if any, the delivery of services to library users were adversely affected by the loss of the library books during the 2016/17 financial year.</p>	<p>5. That the Department briefs the Committee on the mechanism, through its internal audit processes, that is in place to mitigate a future occurrence of such a loss of minor capital assets by the Department in future financial years.</p>	<p>To be scheduled by the Public Accounts Committee.</p>

## 20.2 List of Information Requested

The Committee requested that the Department of Cultural Affairs and Sport provides it with the following:

- 20.2.1 The case number of the case which is reflected on the case movement certificate of the Provincial Forensic Certificate for the 2016/17 financial year, as reflected on page 129 of the Annual Report.
- 20.2.2 A list of bursaries that were awarded to the employees of the Department, including the salary/job levels, as reflected on page 187 of the Annual Report.
- 20.2.3 A report which provides a breakdown of all the Aid Assistance that were appropriated by the Department for the 2016/17 financial year, as reflected on pages 186, 216, 232 and 266 of the Annual Report.
- 20.2.4 A report which provides a breakdown of the Aid Assistance, in respect of transfers to Non-Profit Institutions that were appropriated by the Department during the 2016/17 financial year; as reflected on pages 189, 236 and 262 of the Annual Report.
- 20.2.5 A report which explains the under-expenditure which impacts on human resources to the Mass participation; Opportunity and access; Development and growth (MOD)

Programme; including how such an under-expenditure impacted on service delivery within the Province, during the 2016/17 financial year, as reflected on pages 197, 199, 201, 202, 207 and 215 of the Annual Report of the Department.

20.2.6 A report on the detail and nature of contingent asset, LT/181/2006: MD Jacobs vs. Department of Cultural Affairs and Sport, which occurred during the 2016/17 financial year, as reflected on page 240 of the Annual Report.

## **21. Vote 14: Local Government**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Department, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2015/16 financial year.

### **Audit opinion**

The AGSA raised no findings with the Department on compliance with laws and regulations, nor predetermined objectives.

### **Financial management**

The Department of Local Government spent R234 934 million of a budget of R238 747 million, which resulted in an under-expenditure of R3 813 million (1,6%). The under-expenditure of R3 813 million occurred under the following programmes:

- Programme 1: Administration;
- Programme 2: Local Governance; and
- Programme 3: Development and Planning.

In addition, the total departmental revenue budget of R50 000 was over-collected by R177 000, which resulted in a departmental receipt of R227 000. This was R209 000 less than the R436 000 that was collected during the 2015/16 financial year.

The revenue over-collection was due to the following factors:

- Sale of goods and services;
- Sale of the Departmental capital assets; and
- Financial transactions in assets and liabilities.

The Committee wishes to bring to the attention of the Department the new pronouncements, which are considered as emerging risks which requires continuous monitoring, as follows:

- Componentisation of assets; and
- Inventory.

For the 2016/17 financial year, the Department recorded a financial year- end balance of R63 000 for irregular expenditure from prior years (awaiting condonation), and paid all invoices within 30 days.

### **21.1 Resolutions**

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 114-115 of the Annual Report</p> <p>Heading: “Enhancing the Integrated Development Plans as instruments of service delivery”</p> <p>Description:</p> <p>The Committee notes that the municipalities developed 5 year Integrated Developments Plans (IDPs) for the improvement of Local Economic Development within each respective municipality in the Western Cape. The Community Development Workers (CDWs) play a critical role in ensuring that the services offered by municipalities reach the intended recipients within each municipality.</p> <p>In 2009, former Minister Roy Padayachie, indicated that the establishment of the CDWs programme was conceived from the idea of ensuring that citizens access government services and information, through the coordination between the 3 spheres of government; namely national, provincial and local government. Furthermore, the CDW programme was motivated amongst others, by the Poverty Inequality Report (1997) and the Participatory Poverty Assessment (1998) into poverty levels in South Africa which showed that 70% of the poorest members of the population were unable to access programmes and other government services. The CDW programme seeks to improve the dissemination of information to the poor about benefits and services to which all citizens are entitled; assist the poor to access and benefit from the services that could materially improve their lives; and provide an interface, or bridge, between municipalities and communities to enhance the existing local government structures so as to</p>	<p>1. That the Department of Local Government briefs the Committee on the following matters which relates to CDWs:</p> <ul style="list-style-type: none"> <li>• The roles and responsibilities of CDWs;</li> <li>• The facilitation of the community development work done to assist communities with economic opportunities within the municipalities; including the social and economic impact of these developmental work;</li> <li>• The level of training and the cost involved to capacitate CDWs ;</li> <li>• The partnership programmes that are facilitated by different departments of the WCG to enhance the functioning of the CDWs;</li> <li>• A breakdown of the funding received for the CDW’s programme for the 2016/17 financial year; and</li> <li>• An indication in which municipal areas the CDWs are operational, including an indication where they are not.</li> </ul>	<p>To be scheduled by the PAC.</p>

improve the level of participation between communities and the Integrated Development Plans, Urban Renewal Projects and Integrated Sustainable Rural Development Programmes.		
<p>Page: 124 of the Annual Report</p> <p>Heading: "Office of the MEC"</p> <p>Description: The Committee notes that the expenditure of the Office of the Minister is not reflected in the 2016/17 Annual Report of Local Government. However, the Committee notes that Mr A Bredell is the MEC of two departments. The budget of the MEC reflects in the annual report of the Department of Environmental Affairs and Development Planning.</p>	<p>2. That the Department provides a footnote, in all future annual reports, to indicate where the budget and expenditure of the MEC reflects for each financial year.</p>	<p>To be included in the 2017/18 Annual Report and all future annual reports of the Department.</p>

## 21.2 List of Information Requested

The Committee requested that the Department of Local Government provides it with the following:

- 21.2.1 A list of bursaries that were awarded to the employees of the Department, including the salary/job levels of the incumbents, as reflected on page 122 of the Annual Report.
- 21.2.2 A report on the R111 502, 13 cost that was incurred on the vehicle that was involved in an accident after year end (13 April 2017) as reflected on page 181 of the Annual Report.

## **Part B: Findings relating to entities**

### 22. Vote 3: Western Cape Gambling and Racing Board

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Entity for the 2016/17 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2015/16 financial year.

#### **Audit opinion**

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

#### **Financial management**

The Western Cape Gambling and Racing Board (WCGRB) spent R45 014 million of a budget of 50 363 million, which resulted in an overall under-expenditure of R5 348 million (10,6%).

The under-expenditure occurred due to the following factors:

- Increase in operators fees;
- Personnel expenditure; and
- General expenses.

In addition, the total revenue budget of the Entity of R46 785 million was over-collected by R4 050 million, which resulted in a departmental receipt of R50 835 million, as reflected on page 32 of the Annual Report of the Entity.

The over-collection occurred due to the following factors:

- Application fees;
- Investigation fees;
- Investigation fees (temp);
- Operator's fees;
- Interest;
- Inspector charge outs;
- Profit on disposal of assets; and
- Miscellaneous.

The Committee notes that the revenue budget of the Entity of R36 877 million was exceeded by R4 204 million (11,4%), which resulted in an over-expenditure totalling R41 081 million.

## 22.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 40 of the Annual Report</p> <p>Heading: "Board member remuneration"</p> <p>Description: The Committee notes that the members of the WCGRB were remunerated an amount of R831 184, 02 for meetings that were scheduled and conducted during the 2016/17 financial year. The Committee, however, requested that it would want to meet with the Board to establish the value for money that was derived from all the meetings that were held during the financial year under review.</p>	<p>1. That the Entity briefs the Committee on its meetings that were held during the 2016/17 financial year, including the value derived from these meetings and the outcomes therefrom.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 43 of the Annual Report</p> <p>Heading: "Social Responsibility"</p> <p>Description:</p>	<p>2. That the Entity briefs the Committee on the resources that were allocated to license holder to assist poorer communities, including the</p>	<p>To be scheduled by the PAC.</p>

<p>The Committee takes cognisance that while the Board itself did not have any social responsibility programmes for the year, the Board imposed certain conditions on licence holders to ensure that they allocate resources to assist poor communities. In addition, the Board also established the Western Cape Responsible Gambling Forum to address the potential ills of gambling.</p>	<p>communities that were recipients of these resources.</p> <p>3. That the Entity briefs the Committee on the establishment of the Western Cape Responsible Gambling Forum, including its challenges and achievements during the 2016/17 financial year.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 60 of the Annual Report</p> <p>Heading: "Expenditure"</p> <p>Description: The Committee notes that the Entity spent R50 120 on activities to assist in the elimination of illegal gambling operations within the Western Cape.</p>	<p>4. That the Entity briefs the Committee on the loss of funds that the Western Cape experienced due to illegal gambling, during the 2016/17 financial year.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 87 of the Annual Report</p> <p>Heading: "Taxes and levies collected during the year"</p> <p>Description: The Committee takes cognisance of the fact that R18 679 118 was distributed to Kenilworth racing for the 2016/17 financial year.</p>	<p>5. That the Entity briefs the Committee on the business plan model that was used to motivate for the allocation of R18 679 118 for the financial year under review.</p>	<p>To be scheduled by the PAC.</p>

## 22.2 List of Information Requested

None

## 23. Vote 4: Western Cape Liquor Authority

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives. This is an improvement from the 2015/16 financial year, where the Entity received an unqualified audit with findings on compliance with laws and regulations.

### Audit Opinion

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

## Financial Management

The Western Cape Liquor Authority (WCLA) spent R38 874 million of a budget of R39 251 million, resulting in an under-expenditure of R 377 000.

In addition, the total departmental revenue budget of R25 850 million was over-collected by R2 052 million, which resulted in a departmental receipt of R27 902 million.

The over-collection on revenue is linked to the following resources:

- Licence issuing fee;
- Auto renewal;
- Transfer of licence; and
- Application fee temp and special.

For the 2016/17 financial year, the Entity recorded a financial year- end balance of R781 199 for irregular expenditure, of which R776 625 is awaiting condonation. The Entity reported no fruitless and wasteful expenditure for the financial year under review.

### 23.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 96 and 97 of the Annual Report</p> <p>Heading: “Operating Lease Liabilities”</p> <p>Description: The Committee takes cognisance of the fact that the Entity had operating leases which related to five vehicles with remaining lease terms anticipated for 23 to 37 months as at 31 March 2017. The Entity does not have an option to purchase the leased assets at the expiry of the leased period. These rentals are classified as contingent rentals, due to uncertain lease periods and fluctuating tariff increases. The operating lease payments are therefore not subject to straight-lining. It is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.</p> <p>In addition, the Committee is aware that a related party</p>	<p>1. That the Entity and GMT brief the Committee on the operating leases which relates to vehicles with anticipated remaining lease terms between 23 to 37 months as at 31 March 2017. In addition, the Committee should be briefed on why it is impracticable to disclose the future minimum lease payments expected to be received, as required by GRAP 13.</p>	<p>To be scheduled by the PAC.</p>

<p>relationship exist between the Entity and GMT with regard to the management of government motor vehicles of the Entity. The relationship is based on an arms-length transaction in terms of tariffs approved by the Provincial Treasury. Transactions with GMT are included in the following sections:</p> <ul style="list-style-type: none"> <li>• Capital redemption of finance lease liability- Note 11;</li> <li>• Interest paid on finance lease liability included under Finance Charges - Note 23;</li> <li>• Grants and Subsidies paid - Note 24;</li> <li>• Kilometre tariff included under General Expenses.</li> <li>• Travel and Subsistence - Note 25; and</li> <li>• Operating Leases – Vehicles.</li> </ul>		
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### **23.2 List of Information Requested**

The Committee requested that the WCLA provides it with the following:

- 23.2.1 A list of bursaries that were awarded to the employees of the Entity (referring to the salary/ job levels), including the Bursary Policy of the Entity, as reflected on page 103 of the Annual Report.
- 23.2.2 A detailed report which explains the deviations from the SCM regulations which relates to the investigation into irregular expenditure, as well as the consultation on the green paper, as reflected on page 106 of the Annual Report.

### **24. Vote 8: Western Cape Housing Development Fund**

The Entity reports on its activities under Programme 4: Housing Asset Management Property Management, therefore this statutory body did not receive a separate budget allocation.

The Committee noted the AGSA's audit opinion regarding the Western Cape Housing Development Fund (WCHDF) annual financial statements for the 2016/17 financial year, having obtained a clean audit opinion.

This audit opinion is an improvement for the Entity from the audit outcome for the 2015/16 financial year, where it received an unqualified audit opinion with findings on compliance with laws and regulations, as it relates to material misstatements in the submitted financial statements that were corrected.

### **Audit opinion**

The AGSA did not raise material findings with respect to the annual financial statements of the Entity, and no material findings were raised on compliance with laws and regulations.

### **Financial Management**

The Committee notes the following comments which related to the WCHDF:

- The WCHDF is an unlisted Public Entity in terms of Section 47 (2) of the PFMA;
- Although the Western Cape Housing Development Amendment Act (Act 2 of 2005) provides for the abolition of the Western Cape Housing Development Board, the WCHDF continued to exist as an unlisted public Entity being administered by the WCG's Department of Human Settlements;
- The WCHDF prepared its financial statements for the 2016/17 financial year in accordance with the GRAP reporting framework;
- The WCHDF's accounting system was maintained on a cash basis of accounting, using the Basic Accounting System (BAS), of the Department of Human Settlements, while the financial statements were prepared on an accrual basis of accounting;
- The WCHDF's annual financial statements have been prepared based on the expectation that the Entity will continue to operate as a going concern for at least the next 12 months. Although a national decision was made to de-establish the Provincial Housing Funds, the legislative changes to the National Housing Act (Act no. 107 of 1997) have not been enacted to allow for the de-establishment of the Fund;
- Restatement of corresponding figures: as disclosed in note 5 to the financial statements, page 29 of the Fund's Annual Report, the corresponding figures for 31 March 2016, have been restated as a result of errors discovered during the 2016/17 financial year in the financial statements of the WCHDF at, and for the year ended, 31 March 2016;
- Prior period errors: after a technical consultation with the AGSA and Provincial Treasury it was concluded that the Assets and Liabilities and the related income and expenditure associated of the WCHDF was not appropriately accounted for.

These immovable assets and liabilities should not have been accounted for in the manner it has been as it was always under the control of the Department of Human Settlements. The income of these assets is currently recorded in the financial statements of the Department of Human Settlements which results in there being a mismatch with the income and related assets; and

Property, Plant and Equipment were restated because these economic classifications did not satisfy the definition of GRAP 17, where it states that assets need to be under the control of the Entity in order for the assets to be recognised, as a result the assets have been derecognised and the prior period restated. The immovable assets were wholly restated and are now disclosed in the books of the Department of Human Settlements.

#### **24.1 Resolutions**

None

#### **24.2 List of Information Requested**

None

### **25. Vote 9: Western Cape Nature Conservation Board T/A CapeNature**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Entity for the 2016/17 financial year, having obtained a clean audit. This audit opinion is an improvement from the 2015/16 financial year, where the Entity received an unqualified audit opinion with a finding on predetermined objectives, Programme 4: Marketing and Eco-Tourism.

### **Audit opinion**

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

### **Financial management**

Cape Nature spent R 303 million of a budget of R333 million, which resulted in an overall material under-expenditure of R30 million (9,1%) for the 2016/17 financial year.

The under-expenditure occurred due to the following factors:

- Sale of goods and services;
- Interest, dividends and rent on land;
- Use of goods and services; and
- Payments for capital assets.

In addition, the Entity spent R327 414 888 of a revenue budget of R333 221 318, which resulted in an under- expenditure of R5 806 430 (1,7%), as reflected on page 114 of the Annual Report of the Entity.

The Committee noted the significant emphasis of matters that were raised by the AGSA, as follows:

- Restatement of corresponding figures

As disclosed in note 27 to the annual financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors discovered during the 2016/17 financial year in the financial statements of the Entity at, and for the year ended, 31 March 2016.

### **Significant uncertainties**

With reference to note 24 to the financial statements, the Entity is the defendant in fire damage claims. The ultimate outcome of the matters cannot be presently determined and no provision for any liability that may result has been made in the financial statements.

The Committee wishes to bring to the attention of the Entity the new pronouncements, which are considered as emerging risks which requires continuous monitoring, as follows:

### **Standards of GRAP**

- GRAP 20 – Related party disclosures
- GRAP 32 – Service concession arrangements
- GRAP 108 – Statutory receivables
- GRAP 109 – Accounting by principles and agents
- IGRAP 17 – Service concession arrangements where a grantor controls a significant residual interest.

- Directive 12 - The selection of an appropriate reporting framework by public entities

In addition, the revenue budget of R333,221 million was over-collected by R5,224 million, which resulted in a receipt of R327,997 million. The revenue over-collection was due to the following factors:

- Government grants;
- Own revenue; and
- Special Projects.

The Committee recognises that the budget of the Entity was prepared on the cash basis of accounting, while the expenditure was prepared on the accrual basis of accounting.

For the 2016/17 financial year, the Entity recorded a financial end-of-year balance of R4 517 which related to fruitless and wasteful expenditure.

## 25.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 64-78 of the Annual Report</p> <p>Heading: "The Accounting Authority/ Board"</p> <p>Description: The Committee takes cognisance of the composition of the Western Cape Nature Conservation Board. The Committee further notes that two members of the Board, namely Messers Slack and Burton, are also members of the Audit Committee of the Entity. The Committee wishes to engage the Entity on the requirements which accommodates the membership of Messers Slack and Burton to both the Western Cape Nature Conservation Board and the Audit Committee; including all legislative prescripts which authorises such an arrangement.</p>	<p>1. That the Entity briefs the Committee on the legislative prescripts (acts, charters, etc.) which enables Audit Committee members to be part of the Western Cape Nature Conservation Board simultaneously.</p>	<p>To be scheduled by the PAC.</p>

## 25.2 List of Information Requested

None

## **26. Vote 10: Government Motor Transport**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Entity for the 2016/17 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2015/16 financial year.

### **Audit opinion:**

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

### **Financial management:**

GMT spent R412,398 million of a budget of R467,203 million, which resulted in an overall under-expenditure of R58,805 million (11,7%), as reflected on page 15 of the Annual Report.

The under-expenditure occurred due to the following factors:

- Administrative expenses;
- Employee costs;
- Operating expenditure;
- Depreciation;
- Amortisation;
- Accidents and Impairment losses; and
- Operating leases.

In addition, the total revenue budget of the GMT of R690,682 million was under-collected by R11, 570 million, which resulted in a departmental receipt of R679,112 million, as reflected on page 13 of the Annual Report.

The under-expenditure occurred due to the following factors:

- Daily kilometre tariffs and interest earned on finance lease receivables;
- Other income; and
- Interest earned on accounts receivables, cash and cash equivalents.

### **26.1 Resolutions**

None

### **26.2 List of Information Requested**

None

## **27. Vote 12: The Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO)**

The Committee noted the Report of the AGSA regarding the Entity's annual financial statements for the 2016/17 financial year, having obtained a clean audit outcome. This audit opinion remains unchanged from the previous financial year.

### **Audit Opinion**

The AGSA issued an unqualified audit opinion on the annual financial statements of the Entity and did not raise any findings on compliance with laws and regulations, nor on its predetermined objectives.

### **Financial Management**

WESGRO spent R74,5 million of an operating budget of R70,1 million, which resulted in an overspending of R4,3 million (8,8 %), as disclosed on page 92 of the Annual Report of the Entity.

Furthermore, WESGRO spent R743 000 of a capital budget of R998 000, which resulted in an overall underspending of R255 000 (25,5 %), as disclosed on page 92 of the Annual Report of the Entity.

The Entity over-collected R7,9 million (11%) on a revenue budget of R71,1 million, as disclosed on page 92 of the Annual Report of the Entity.

The explanations for the main budget variances are set out in note 32 to the annual financial statements, which is reflected on page 119 of the Annual Report of the Entity.

### **27.1 Resolutions**

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 108 of the Annual Report</p> <p>Heading: "Note 12: Deferred income"</p> <p>Description: The Committee noted the deferred income of the Entity that was further highlighted on pages 121 to 129 of the Annual Report.</p>	<p>1. That the Entity provides more detailed explanations for each deferred income line item, in Annexure 1, for inclusion in all future annual reports.</p>	<p>To be included in the 2017/18 Annual Report, and future reports thereafter, of the Entity.</p>
<p>Page: N/A</p> <p>Heading: Audit Committee briefing report to the PAC</p> <p>Description: The Committee was briefed by the Audit Committee Chairperson, Mr I Bartes, on the Audit Committees' responsibility towards the Entity, the effectiveness of internal control,</p>	<p>2. That the Audit Committee presents its audit outcomes in the correct format, for all future financial years.</p>	<p>For reporting by the Audit Committee when it appears before the PAC for the 2017/18 Annual Report of the Entity.</p>

<p>in-year management and the monthly and quarterly reports of WESGRO, as well as the Audit Committee's role in the evaluation of the financial statements. The report, however, did not contain the standard reporting outlines as per the reports of the audit committees of the WCG.</p>		
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## 27.2 List of Information Requested

None

## 28. Vote 12: Saldanha Bay Industrial Development Zone (SOC) Ltd (SBIDZ)

The Committee noted the Report of the AGSA of the Entity for the 2016/17 financial year, having obtained a clean audit outcome. This audit opinion remains unchanged from the previous financial year.

### Audit Opinion

The AGSA issued an unqualified audit opinion on the annual financial statements of the Entity and did not raise any findings on compliance with laws and regulations, nor predetermined objectives.

### Financial Management

As disclosed on page 62 of the Annual Report of the Entity, it spent R42, 4 million of its operating expenditure budget of R45,2 million, which resulted in an underspending of R2,8 million or (6,2 %).

Furthermore, the capital expenditure budget of R134,9 million of the Entity was overspent by R5, 4 million (4%), as disclosed on page 64 of the Annual Report of the Entity. The approved revenue budget of R587,4 million of the Entity was under-collected by R37,9 million (6,5 %).

The explanations for the main budget variances are set out in notes 32 and 33 to the financial statements, on pages 96 to 97 of the Annual Report of the Entity.

## 28.1 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 91 of the Annual Report            Heading: "Note 18: General expenses"            Description:            The Committee notes the total spending on training of R338 004</p>	<p>1. That the Entity provides more detail on the upskilling and the number of direct versus indirect jobs facilitated within the Western Cape Province in its 2017/18 Annual Report, as well</p>	<p>To be included in the 2017/18 Annual Report, and future reports thereafter, of the Entity.</p>

<p>and R6 040 600 and the 367 jobs facilitated within the Western Cape Province during 2016/17. As further highlighted in the performance information on page 32 of the Annual Report, the objective statements is to provides 6 020 direct and indirect jobs as a result of the SBIDZ by the end of the 2019/20 financial year.</p>	<p>as the annual spending in this regard.</p>	
<p>Page: 41 of the Annual Report Heading: “Risk management”.</p> <p>The Committee noted the risk of a possible negative impact regarding the ongoing drought in the West Coast, including the operations of the SBIDZ.</p>	<p>2. That the Board, including the Internal and Audit Risk Committee, manage the risk of the ongoing drought on the operations of the SBIDZ.</p>	<p>That the entity specifically reports in its 2017/18 Annual Report on how plans to manage the risk of the ongoing drought on the operations of the SBIDZ.</p>

## 28.2 List of Information Requested

None

## 29. Vote 13: Heritage Western Cape

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives. The Committee notes this improvement, which is an improvement from the 2015/16 financial year, whereby the Entity obtained an unqualified audit with findings on compliance with laws and regulations.

### Audit Opinion

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

### Financial Management

Heritage Western Cape spent R3,582 million of a budget of R2, 966million, resulting in an over-expenditure of R 616 000.

The over expenditure relates to the GRAP 23 adjustments that were made for the salaries (employee cost: R526 000) of the financial management staff of the department providing financial services to Heritage Western Cape as services in-kind received.

In addition, the total revenue budget of the Entity of R 2,606 million was over-collected by R699 000, which resulted in a departmental receipt of R 3,305 million. .

The revenue over-collection was due to receipts collected for goods and services.

The Committee further notes that as disclosed in Note 20 to the annual financial statements, the Entity is the defendant in a legal claim as a result of a decision taken to decline an application for the development of a declared provincial heritage site. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

### **29.1 Resolutions**

None

### **29.2 List of Information Requested**

None

## **30. Vote 13: Western Cape Cultural Commission**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

### **Audit Opinion**

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

### **Financial Management**

Western Cape Cultural Commission spent R4,032 million of a budget of R3,534 million, resulting in an over-expenditure of R498 000.

The over expenditure relates to the GRAP 23 adjustments made for salaries (employee cost: R526 000) of the financial management staff of the department providing financial services to the Western Cape Cultural Commission as services in-kind received.

In addition, the total departmental revenue budget of R3,534 million was under-collected by R848 000, which resulted in a departmental receipt of R2,686 million.

The revenue under collection was due to a decrease in the utilisation of cultural facilities for the period under review.

The Entity incurred irregular expenditure to the value of R242 000. However, the expenditure was condoned by the Accounting Authority.

### **30.1 Resolutions**

None

### **30.2 List of Information Requested**

None

### **31. Vote 13: Western Cape Language Committee**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2016/17 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2015/16 financial year.

#### **Audit Opinion**

The AGSA raised no findings with the Entity on compliance with laws and regulations, nor predetermined objectives.

#### **Financial Management**

Western Cape Language Committee spent R734 000 of a budget of R255 000, resulting in an over-expenditure of R479 000.

The over expenditure relates to the GRAP 23 adjustments made for salaries (employee cost: R526 000) of the financial management staff of the department providing financial services to the Western Cape Language Committee as services in-kind received.

In addition, the total departmental revenue budget of R255 000 was over-collected by R533 000, which resulted in a departmental receipt of R788 000.

The over- collection relates to GRAP 23: Services in Kind adjustment made for salaries of R526 000 related to the financial management staff of the Public Entity. Further detail is explained in the annual financial statements of the Entity, under Note 9.

#### **31.1 Resolutions**

None

#### **31.2 List of Information Requested**

None

### **32. Conclusion**

The Committee thanked the Premier, ministers, Director-General, Heads of Department, AGSA, the audit committees and all other role players for the information provided towards ensuring efficient and productive oversight outcomes in terms of this process.

The Committee is of the view that in order to increase public interest, knowledge and participation in this important oversight process, that more community organisations and members of the public should be invited to engage in this important process.

Hereto the Committee thanks the community organisations and members of the public who made the effort to attend the Annual Reporting process, and who proactively engaged the departments and entities on the content of their annual reports for the 2016/17 financial year.

The Committee also acknowledges the important role that the administrative staff played during this period, in order to have achieve the set goal of finalising this Report in a timeous manner.

Report to be considered by the House.