

Friday, 14 December 2018]

No 102 - 2018] FIFTH SESSION, FIFTH PARLIAMENT

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 14 DECEMBER 2018

ANNOUNCEMENT

The Speaker:

Referral of document to committee in terms of section 54(1) and (2) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act 10 of 2009), as amended:

Parliamentary Oversight Committee

Western Cape Provincial Parliament: Monthly financial statements (In-year Monitoring Report) for the period ended 30 November 2018.

TABLINGS

The Speaker:

- 1. Tabling of document in terms of section 54(1) and (2) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act 10 of 2009), as amended:**

Western Cape Provincial Parliament: Monthly financial statements (In-year Monitoring Report) for the period ended 30 November 2018.

- 2. Minister of Finance**

Further delayed tabling of the annual consolidated financial statements (ACFS) of the provincial departments and entities for the 2017/18 financial year.

COMMITTEE REPORTS

1. **The Public Accounts Committee (PAC), having considered, as part of its oversight role, the 2017/18 annual reports of the 12 departments of the Western Cape Government (WCG), 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 Committee on Public Accounts 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 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 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 Public Accounts Committee

The financial statements included in the annual reports of the following provincial departments for the financial year ending 31 March 2018 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 Public Accounts Committee

The financial statements included in the annual reports of the following public entities for the financial year ending 31 March 2018 were examined –

- 3.1 Western Cape Gambling and Racing Board;
- 3.2 Western Cape Housing Development Fund;
- 3.3 Government Motor Transport (GMT);
- 3.4 Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO);
- 3.5 Western Cape Liquor Authority;

- 3.6 Saldanha Bay Industrial Development Zone Licensing Company (SOC) Ltd;
- 3.7 Heritage Western Cape;
- 3.8 Western Cape Cultural Commission;
- 3.9 CapeNature; and
- 3.10 Western Cape Language Committee.

4. Oversight over the annual reports over which the Committee has not effected oversight

While conducting oversight over the annual reports of the WCG, the PAC has not conducted oversight over the annual reports of Department of Agriculture and CASIDRA for the 2016/17 financial year.

According to ATC 62 of 2017 (21 September 2017), in compliance with section 40 (2) of the Public Finance Management Act, 1999 (Act No.1 of 1999), the Auditor-General of South Africa (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 expenditure as transfer payments or goods and services.

It should be noted that the PAC could not conduct oversight over the annual reports of the Department of Agriculture, and CASIDRA for both the 2016/17 and 2017/18 financial years, due to the fact that the Minister of Economic Opportunities in the Western Cape lodged a dispute at the Western Cape High Court on 22 October 2018 with the aim to request the Court to review and set aside the Auditor-General qualified opinion and the following findings:

- That the Department of Agriculture did not account for payments in accordance with the Modified Cash Standard;
- That the Department incorrectly budgeted for payments as transfers instead of goods and services;
- That the Department irregularly entered into contracts with “implementing agents” without applying the National Treasury Regulations; and
- That the principal-agent relationships were not disclosed.

See WCPP ATC 80-2018, which was published on 30 October 2018, notifying the Province of the aforementioned matter.

5. Transversal departmental resolutions

The Committee has formulated transversal resolutions for the attention of all departments and entities of the WCG. These resolutions originated from the discussions that the Committee had with the departments and entities, while conducting oversight over the annual reports for the 2017/18 financial year. The resolutions does resonate under some of the departmental votes hereunder. However, it should be noted that these resolutions are transversal in nature and requests the attention of the WCG, as follows:

Resolutions	Due date
<p>5.1 The Committee requests that all departments and entities of the WCG follows the outline of the Annual Report of Transport and Public Works for the 2017/18 financial year. The reason for such a request is that the Committee appreciated the format of “extended” reporting (through footnotes, etc.) under most headings and financial notes. This provided much clarity to the Committee and resulted in a more meaningful, constructive and in-depth oversight.</p>	<p>To be implemented by all departments and entities of the WCG, including within the annual reports of the 2018/19 financial year, onwards.</p>
<p>5.2 Departments have provided, under Part C: Governance, a table which provides a list of all the Provincial Forensic Services’ investigation (PFS) cases which remained open on 1 April 2017, new cases which were opened, including those cases that were successfully completed.</p> <p>The Committee requests that all departments and entities of the WCG provide a footnote under this specific table, in all future annual reports, indicating the following:</p> <p>5.2.1 The nature of the cases;</p> <p>5.2.2 Which cases were referred to the South African Police Services for further investigation; and</p> <p>5.2.3 The outcomes of all PFS cases.</p>	<p>To be implemented by all departments and entities of the WCG, including within the annual reports of the 2018/19 financial year, onwards.</p>
<p>5.3 The Committee requests that all departments and entities provide it with a list which highlights the bursaries that were awarded to its respective employees for the 2017/18 financial year. Such a list should include the employment levels of each employee and discipline of study.</p> <p>The Committee derives this resolution from the Appropriation Statement (“Appropriation per classification”) under the line item “Bursaries: Employees”, as reflected under Part E: Financial Information.</p>	<p>31 January 2019.</p>
<p>5.4 The Committee resolved that all departments and entities report on the virements that were made between the Adjustments Appropriation period and end of each respective future financial year, including from which programmes and to which programmes the virements were made. Departments and entities should also report on motivation for such virements.</p> <p>Guidance can be taken from pages 16 to 19 of the Annual Report of the Department of Transport and Public Works for the 2017/18 financial year.</p>	<p>To be implemented by all departments and entities of the WCG, including within the annual reports of the 2018/19 financial year, onwards.</p>
<p>5.5 Where a Department and/ or Entity undertook official international travel for the 2017/18 financial year, the Committee requests a Report on such travel. The Report should include the following information:</p> <p>5.5.1 The motivation for such travel;</p> <p>5.5.2 The expenditure on such travel;</p> <p>5.5.3 Findings of the international travel,</p> <p>5.5.4 An Implementation Plan for the Western Cape based on the outcomes of the travel;</p> <p>5.5.5 Municipal areas where the Implementation Plan have been</p>	<p>31 January 2019.</p>

operationalised; and 5.5.6 Successes, challenges and outcomes of such an Implementation Plan.	
5.6 The Committee resolved that departments and entities of the Western Cape Government, in all future annual reports, provide an indication of the gender responsive budgeting programmes. Gender responsive budgeting refers to the allocation of financial resources in a manner that is equally responsive to the needs and interests of women and men and which ensures that each gender benefits equitably from services delivered through the use of resources. It is a strategy for accelerating institutional transformation to eliminate structural inequality between women and men. Like Gender Mainstreaming, upon which it is rooted, gender budgeting involves targeting mainstream budgeting and resource deployment processes, to ensure that women and men are given a fair share of the budget and related resources. The outcome of responsive gender budgeting is gender balanced distribution of resources and benefits. This presupposes that current budgets are gender biased in favour of men and their circumstances.	To be implemented by all departments and entities of the WCG, including within the annual reports of the 2018/19 financial year, onwards.

6. Matters reported to the standing committees of WCPP

In accordance with Standing Rule and 99(2) of WCPP, the PAC would like to draw the following recommendations to the attention of the Standing Committee on Transport and Public Works:

Resolution	Department
<p>That the Standing Committee on Transport and Public Works arrange a meeting with the Department of Transport and Public Works in order to engage the Department on the mechanism it has developed and implemented, or will develop and implement, in order to address the issue relating to public transport violence and challenges.</p> <p>The matter emanated from a description that was provided by the Department under the key strategic risks that were considered and addressed during the 2017/18 financial year. The specific key strategic risk is highlighted under the heading “Key Strategic Risks Considered and Addressed During The Year” on page 155 of the Annual Report of the Department for the 2017/18 financial year.</p>	Department of Transport and Public Works

7. Matters for the attention of the Audit Committees of the WCG

The Public Accounts Committee notes that the Audit Committees of the WCG met quarterly with departments and entities in respect of the internal audit work which needed to be

completed during the 2017/18 financial year, but more importantly, to identify, monitor and evaluate the major areas for improvement.

The Committee notes the reports from some Audit Committee Chairpersons where major areas of improvements were identified. Some of these major areas worried the Committee in that they have not been implemented during the 2017/18 financial year and could pose a threat to departments and/ or entities. Ms Judy Gunther assured the Committee, at a meeting on 25 October 2018, that the major areas of improvements have been identified, treated and finalised during the 2017/18 financial year. However, the Committee remains concerned and urges the audit committees of the WCG to meet more regularly than the scheduled quarterly engagements, where possible, in order to successfully address the general increase in the major areas of improvements of departments and entities.

8. General Findings

Having considered the reports of the AGSA and 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 (HODs), delegated representatives of the Corporate Services Centre (CSC) located within the Department of the Premier, the Chief Executive Officers and Board Members of the Public Entities and members of the public in attendance at the discussions on the 2017/18 Annual reports of the Departments and Public Entities of the Western Cape Provincial Government, 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 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 Western Cape Government. The improved audit outcomes included those departments and entities that progressed to clean audit outcomes, by addressing control deficiencies in respect of predetermined objectives (PDO's) and/or compliance with laws and regulations and internal control deficiencies which were reported respectively in the 2015/16-, 2016/17- and 2017/18 financial years.

The Committee notes that for the 2017/18 financial year, 11 departments and eight entities achieved a clean audit outcome. The majority of the departments maintained their clean audit outcome status from the 2016/17 financial year.

One Entity, WESGRO, regressed in its audit opinion, while one department, the Department of Health, achieved an unchanged unqualified audit report with findings related to predetermined objectives and internal control deficiencies.

The Committee wishes to advise departments and entities to be cognisant of the transversal risks that were identified by the Audit Committee during the 2017/18 financial year. These include the following:

- Audit interpretation issues related to Transfer Payments versus Goods & Services

- distracts management from core service delivery;
- Inventory Disclosure – increasingly onerous requirements;
- Integrated Financial Management Systems (IFMS) piloting in the Western Cape;
- The move from Clean Audits to Performance Auditing (effective, efficient and economic audits) and service delivery;
- Impact of applying the Modified Cash Standard reporting standards with respect to componentisation of assets and inventory;
- Any impact resulting from the current review of Treasury Regulations;
- Macroeconomic risks: Impact of downgrades on the fiscus;
- Policy and budget execution risk: Unplanned or emergency expenditure requests leading to pressures on the expenditure ceiling;
- Developing inventory management systems as the inventory disclosure note will become a requirement in future;
- Any impact resulting from the current review of Treasury Regulations; and
- Unapproved deviations from National Instruction Notes.

Similarly, the Committee wishes to alert the departments and entities of the WCG of the following new pronouncements on risks that will require continuous monitoring during the 2018/19 financial year:

- National instruction notes: Instruction notes are issued by the National Treasury on a continuous basis in terms of section 76 of the PFMA. The arrangement in the Western Cape is that the Provincial Treasury reviews these instruction notes and re-issue them to the various departments and entities on a selective basis. The risk exists that material non-compliance could arise if certain national instruction notes are not complied with, where the necessary approval from the National Treasury to depart from them was not obtained as required by section 79 of the PFMA.
- Treasury regulations: The treasury regulations are currently being revised, which may introduce a number of new requirements once effective.
- Componentisation of assets: Departments are encouraged to componentise assets in their asset registers as it will become a requirement in future. The effective date to componentise assets has not been determined yet.
- Inventory: Departments are encouraged to develop their inventory management systems as the inventory disclosure note will become a requirement in future. The effective date to disclose inventory is still to be determined by the Accountant-General.
- Local content: The compliance requirements of local content for commodities within designated sectors are applicable for all tenders. The term tender in terms of the Preferential Procurement Regulations of 2017 is attributed to all awards above R30 000.
- B-BBEE certificates: Footnote 3 in Treasury Instruction 4A of 2016-17 noted that the Central Supplier Database (CSD) does not verify B-BBEE status level and set a future date for verification of B-BBEE status (1 October 2016). The office of the chief procurement officer (OCPO) failed to achieve this deadline and up to now the CSD does not verify the B-BBEE status of suppliers. The instruction did not exempt institutions from complying with the PPPF Act requirements for obtaining a valid evidence of B-BBEE level status (e.g. sworn affidavits).
- B-BBEE Act: Paragraph 13G requires all spheres of government, public entities and organs of state to report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports required under the PFMA. Discussions are ongoing between the AGSA and B-BBEE Commission to scope this requirement into the audit for the 2018-19 financial year.
- Central Supplier Database: The OCPO introduced the Central Supplier Database on 1

September 2015, accessible on www.csd.gov.za, which will reduce the administrative burden on both the supplier and the administrator. The system verifies and validates information with the South Africa 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 government and entities at these two spheres of government.

- eTenders Portal: Suppliers who meet all compliance requirements can access opportunities on 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.

The Committee would like to bring to the attention of the entities of the WCG the following emerging risk for noting during the 2018/19 financial year:

- Standards of GRAP: The ASB, on a regular basis, issues new GRAP standards and interpretations. These standards only become effective once an effective date has been gazetted by the Minister of Finance. A number of GRAP standards and interpretations have been issued by the ASB, but the effective dates have not yet been gazetted. Entities are encouraged to familiarise themselves with such standards to ensure that adequate processes are put in place to ensure full compliance once the standards become effective.

The Public Accounts Committee aims to, in the 2018/19 financial year, engage the Auditor-General of South Africa on any performance audits reports on issues, if such reports becomes available. The recommendations of the Public Accounts Committee to the departments and entities of the Western Cape Government are stated below, including any requests for information, as follows:

9. Premier

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 financial year of the Department, having obtained an unqualified audit report with no findings on pre-determined objectives and compliance with key legislation. This audit opinion remains unchanged from the 2016/17 financial year.

9.1 Audit Opinion

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

9.2 Financial Management

The Department of the Premier spent R1,358 billion of an appropriated budget of R1,398 billion, which resulted in an under-expenditure of R39,839 million (2,8% underspending). The under-expenditure of R39,839 million occurred under the following programmes:

- Programme 1: Executive Support (R4,592 million)

The underspending under Executive Support (Administration) was due to the changes in terms of the Water Resilience Plan from a short term approach to a more medium to long term approach.

- Programme 2: Provincial Strategic Management (R4,739 million)

The underspending under Provincial Strategic Management was due to staff exits and slower than anticipated filling of posts.

- Programme 3: People Management (R5,035 million)

The underspending under People Management was due to staff exits and slower than anticipated filling of posts.

- Programme 4: Centre for e-Innovation (R20,059 million)

The underspending under Centre for e-Innovation was due to staff exits and slower than anticipated filling of posts, the delay in the procurement process for the Client Relationship Management System through SITA, a shift from capital expenditure to operating expenditure on the server side to cloud based services and delays in the delivery of network equipment.

The payment with regard to the infotainment monitors for frontline facilities could not be processed in the interest of good governance due to the entity not complying with the prerequisites for transfers.

- Programme 5: Corporate Assurance (R5,414 million).

The underspending under Corporate Assurance was due to staff exits and slower than anticipated filling of posts.

In addition, the total estimated departmental revenue budget of R1,754 million was over-collected by R2, 326 million, which resulted in total departmental receipts of R4,080 million. This 2017/18 collection was more than the departmental receipts that was collected during the 2016/17 financial year, which reflected a collection amount of R3,373 million.

The revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R117 000);
- Interest, dividends and rent on land (R4 000);
- Sale of the Departmental capital assets (R32 000); and
- Financial transactions in assets and liabilities (R2,173 million)

9.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 3-5 of the Briefing of the Audit Committee to the Public Accounts Committee</p> <p>Heading: "3.5: Internal Control"</p> <p>Description: The Committee notes the comments of the Director-General of the Department of the Premier in that there were factual errors within the Audit Committee's briefing</p>	<p>1. That the Department, including the Audit Committee, brief the Public Accounts Committee on the matters that were raised by the Audit Committee under Note 3.5: Internal Control.</p>	<p>To be scheduled by the Public Accounts Committee.</p>

document to the Public Accounts Committee. In addition, the Director-General indicated that all matters that were raised by the Audit Committee have been attended to and resolved by the Department during the 2017/18 financial year.		
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9.4 List of Information Requested

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

- 9.4.1 A copy of the establishment, activities and outcomes of the Enterprise Risk Management Committee, Ethics Committee, Governance Committee, Information Technology Steering Committee and Governance Committee. In addition, the Department is requested to furnish the Public Accounts Committee with the National Treasury Public Sector Risk Management Framework, the Department of the Premier's Enterprise Risk Management Policy Statement for the period 2016/17–2019/20 and the Enterprise Risk Management Strategy and Implementation Plan for 2017/18, as reflected on page 106 of the Annual Report.
- 9.4.2 A copy of the Provincial Anti-Fraud and Corruption Strategy, as well as a copy of the Department's Fraud and Corruption Prevention Plan, as indicated on page 107 of the Annual Report.
- 9.4.3 A report which explains in detail the work that was executed by Shanaaz Majiet Business Consulting, including the schools that were involved, the criteria that was used to identify the specific schools, the number of learners who were involved in the project and the outcomes of the project, as indicated on page 160 of the Annual Report.

10. Provincial Treasury

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 financial year of the Department, having obtained an unqualified audit report with no findings on pre-determined objectives and compliance. This audit opinion remains unchanged from the 2016/17 financial year.

10.1 Audit Opinion

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

10.2 Financial management

For the 2017/18 financial year, Provincial Treasury spent R278, 1 million of a budget of R289,6 million, which resulted in a material underspending of R10,4 million (3,6%). During the 2016/17 financial year, the Department spent R248 million of a budget of R254,5 million, which resulted in a material under-expenditure of R6,547 million (2,6%).

The material under-expenditure of R10,4 million occurred, which is indicated hereunder and which highlights the variances, was incurred within the following programmes:

- Programme 1: Administration (R2,6 million)

The underspending was mainly due to vacant posts that were not filled, fewer graduate trainees, less external bursaries and training that could not be concluded in time.

- Programme 2: Sustainable Resource Management (R3,8 million)

The underspending was mainly due to exits, vacant posts that could not be filled, as well as travel commitments and training that did not take place as planned. In addition, three municipalities no longer required the Financial Management Support Grant and one municipality that only requested a reduced amount due to it being the first year participating in the Financial Management Capacity Grant.

- Programme 3: Asset Management (R2,2 million)

The underspending was mainly due to the late procurement of research and advisory services, less travelling by employees and less utilisation of venue facilities for training.

- Programme 4: Financial Governance (R1,6 million)

The underspending was mainly due to the late procurement of research and advisory services, less catering for training workshops as well as lower audit costs.

In addition, the total estimated departmental revenue budget of R499 million was over-collected by R105 million. This resulted in an actual collected receipt of R604 million.

The revenue over-collection occurred under the following line items:

- Tax receipts (casino and horse race taxes) (R93 million);
- Sale of goods and services (R3,1 million);
- Interest, dividends and rent on land (R3 000);
- Fines, penalties and forfeits (R287 000);
- Sale of the Departmental capital assets (R28 000); and
- Financial transactions in assets and liabilities (R8,6 million).

For the 2017/18 financial year, the Department recorded a financial end-of-year balance of R79 000 for irregular expenditure, which relates to MMA purifiers and printing, as indicated in Note 22.2 on page 193 of the Annual Report of the Department. Provincial Treasury incurred R6 000 for fruitless and wasteful expenditure which related to the cancellation of flight tickets and accommodation. However, this was resolved during the financial year under review.

10.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 4 of the briefing document of the Auditor-General to the PAC</p> <p>Heading: “5.3: Risks that require continuous monitoring (Local Content)”</p> <p>Description: The Committee notes that the compliance requirements of local content for commodities within</p>	<p>1. That the Auditor-General provide the Committee with the list of commodities which falls under the local content category to which the departments and entities of the Western Cape Government should adhere, as prescribed by the Department of Trade and Industry.</p>	<p>To be submitted by 1 April 2019.</p>

<p>designated sectors are applicable to all tenders. The term tender, in terms of the Preferential Procurement Regulations of 2017, is attributed to all awards above R30 000.</p> <p>According to the Department of Trade and Industry, the local content of a product is the tender price less the value of imported content, expressed as a percentage. It is, therefore, necessary to first compute the imported value of a product to determine the local content of a product. The categories of content are indicated hereunder as follows:</p> <ul style="list-style-type: none"> • Imported Content; and • Local Content. <p>Local Content is local value added in South Africa by South African recourses. Where a tender response contains a combination of local and imported goods and/or services, the tender price must be separated into its local and imported components. The bidder will be contractually required to maintain records to certify imported content, for example, invoice of materials, expenditure records and income statements. There is an increase in the drive from National- as well as provincial governments to promote local content. Within the South African context, the purchase of local content is seen as the preferred preference, as it stimulates the growth of the South African economy.</p>	<p>2. That Provincial Treasury supply the Committee with the National and Provincial circular instructions, if different from each other, which relates to local content.</p>	
<p>Page: 97 of the Annual Report</p> <p>Heading: “Note 13: Assurance Engagements”</p> <p>Description: The Committee takes cognisance of the fact that the key control deficiencies which were discovered by Internal Audit during the audit process which affects the Normative Financial Compliance (MFMA).</p>	<p>3. That the Department brief the Committee on the action plans of the normative financial compliance (MFMA) MGRO processes for the 2017/18 financial year.</p>	<p>Briefing date to be determined by the Public Accounts Committee.</p>

<p>The Committee further notes that governance improvements are required at the infrastructure level, which includes reporting and communication, establishing mechanisms such as a MGRO Coordination Team, which is not currently monitoring MFMA Units, and meetings which are not being held and therefore requires further attention.</p>		
<p>Page: 149 of the Annual Report</p> <p>Heading: “Appropriation Statement for the year ended 31 March 2018”</p> <p>Description: The Committee notes the column which highlights the virements which occurred between the programmes of the Department. However, the Committee would like to see a future note which highlights the specific virements which occurred after the Adjustments Appropriation period, and before the commencement of the new financial year.</p>	<p>4. That the Department create a note which highlights each virement that took place between its programmes after the Adjustments Appropriation period.</p>	<p>To be monitored by the Committee in the 2018/19 Annual Report of Provincial Treasury, including annually thereafter.</p>

10.4 List of Information Requested

The Committee requested that Provincial Treasury provide it with the following information:

- 10.4.1 A report which provides an update on the underspending of the Department, with specific reference to the vacant posts that were not filled during the 2017/18 financial year, including an action plan of the filling of the vacant posts, as indicated on page 161 of the Annual Report.
- 10.4.2 A report on the resettlement costs that was spent on departmental officials during the 2017/18 financial year. The report should include, amongst others, for which official/s the resettlement cost was spent on, including from where or to where the official/s were recruited from/to, as indicated under Note 4.7 on page 181 of the Annual Report.
- 10.4.3 That the errors that were detected by the Committee on pages 204 and 205 of the Annual Report be corrected the Department, and that the corrected version of page 204 and 205 be forwarded to the Committee.

11. Community Safety

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 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 2016/17 financial year.

11.1 Audit Opinion

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

11.2 Financial Management

The Department of Community Safety spent R295,4 million of an appropriated of budget of R304,3 million, which resulted in an under-expenditure of R9 million (2,9% underspending).

The under-expenditure of R9 million occurred under the following programmes:

- Programme 1: Administration (R1,197 million)

The underspending was due to the Compensation of Employees. This was due to the high turnover of staff in the Programme.

- Programme 2: Civilian Oversight (R4,934 million)

The underspending related to the Compensation of Employees, as well as Goods and Services. This was due to staff attrition in the Programme, as well as less funds which was required for contractors and research.

- Programme 3: Provincial Policing Functions (R456 000)

The underspending in this Programme related to Compensation of Employees as a result of delays in the filling of posts, including Capital Expenditure as a result of less funds which was required for machinery and equipment.

- Programme 4: Security Risk Management (R2,388 million)

The underspending related to the Compensation of Employees as a result of delays in the filling of posts, including staff attrition during the year.

In addition, the total estimated departmental revenue budget of R30,3 million was over-collected by R6, 272 million, which resulted in a departmental receipt of R36,6 million.

11.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 83 of the Annual Report</p> <p>Heading: “3. Fraud and Corruption”</p> <p>Description: The Committee notes that the Department has an approved Fraud and Corruption Plan, as well as a Fraud Prevention Implementation Plan which supports the Fraud and Corruption Plan.</p>	<p>1. That the Department, in all future annual reports, provide a footnote to indicate which Departmental or Governance Committee approved the plans which impacts on the outcomes of its governance operations. In addition, the footnotes should explain the meetings held and outcomes achieved by each Governance Committee.</p>	<p>To be monitored by the Public Accounts Committee for all future related annual reports.</p>
<p>Page: 194 of the Annual Report</p>	<p>2. That the Department, in all future annual reports,</p>	<p>To be monitored by the Public Accounts</p>

<p>Heading: “5.8: Other operating expenditure”</p> <p>Description: The Committee notes that the Department has incurred “Other” operating expenditure which relates to Honoraria EPWP volunteer workers, as well as printing and publication to the total value of R12,7 million.</p>	<p>create a footnote that will indicate a breakdown of the total expenditure in respect of the Honoraria EPWP volunteer workers.</p>	<p>Committee for all future related annual reports.</p>
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11.4 List of Information Requested

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

- 11.4.1 A copy of the assurance engagements that were approved in the 2017/18 Internal Audit Plan, as reflected on 85 of the Annual Report.
- 11.4.2 A breakdown of the Departmental donations of corporate gifts, as reflected under Annexure 1G, on page 222 of the Annual Report.

12. Education

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2017/18 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2016/17 financial year.

12.1 Audit Opinion

The AGSA raised no findings with the Department on compliance with laws and regulations, predetermined objectives nor the detection of any deficiencies in the scope of internal control.

12.2 Financial Management

The Western Cape Department of Education spent R20,567 billion of a budget of R20,723 billion, which resulted in an overall under-expenditure of R155,857 million (0,08%).

The overall under-spending within the Department occurred under the following programmes:

- Programme 1: Administration (R2,2 million)
The underspending can mainly be attributed to the Compensation of Employees due to the fact that the earmarked funding on MOD centres for graduate tutors was not utilised and paid over to Provincial Treasury. In addition, the underspending was due to cost containment measures under Goods and Services.
- Programme 2: Public Ordinary School Education (R84,8 million)
The underspending was due to the Compensation of employees in that fewer temporary appointment vacancies across educators, public servants vacancies within the department due to slow filling of vacant posts, and savings from allowances that were paid to lower level employees acting in higher vacant posts.

Under Goods and Services, the Department incurred an underspending due to the delivery of furniture and equipment which could not be completed before the financial year end and for which rollovers which have been requested, earmarked funding on the After School game changer project, including the Mass participation; Opportunity and access; Development and Growth Programme (MOD) feeding scheme at MOD centres, which were not fully utilised and were paid over to Provincial Treasury.

- Programme 4: Public Special School Education (R473 000)

The underspending can mainly be attributed to Goods and Services due to the delivery and supply of tool kits, including Learner Training and Support Material (LTSM) to special care centres which could not be completed before financial year end and for which rollovers have been requested.

- Programme 6: Infrastructure Development (R62,7 million)

The underspending can mainly be attributed to Goods and Services due to the delays in the drought implementation as well as invoices for drought projects which could not be completed before financial year end and for which rollovers have been requested.

In addition, another cause for the underspending was due to buildings and other fixed structures, in that there were delays in the procurement of mobile units related to the mobile unit implementation project which could not be completed before financial year end and for which rollovers have been requested.

- Programme 7: Examination and Education Related Services (R5,5 million)

The underspending can mainly be attributed to Compensation of Employees due to the fact that fewer appointments of interns were made.

In addition, another cause of underspending within the Programme was against the line item of Goods and Services, due to the HIV/AIDs Conditional Grant as a result of compliance delays experienced with the supplier which caused the workshop dates to be rescheduled to the new financial year 2018/19.

The Department's estimated revenue budget of R32,180 million was under-collected by R1,466 million, which resulted in a Departmental receipt of R30,714 million.

The revenue under-collection was collected under the following line items:

- Fines, penalties and forfeits;
- Interest, dividends and rent on land; and
- Financial transactions in assets and liabilities.

12.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 169 of the Annual Report Heading: "Appropriation Statement for the year ended 31 March 2018"	1. That the Department provide footnotes in all its future annual reports which indicates between which programmes the virements occurred.	To be monitored by the Committee in the 2018/19 Annual Report of the Western Cape Education Department,

<p>Description: The Committee notes the virements which occurred between programmes, and more specifically, sub-programmes during the 2017/18 financial year. The Committee also takes cognisance of the virements and rollover explanations on page 13 of the Annual Report. However, the Committee would want to see a footnote explaining between/within which programmes the virements occurred.</p>		<p>including annually thereafter.</p>
<p>Page: None</p> <p>Heading: None</p> <p>Description: The Committee notes that the contact details of the district offices of the Department is not contained within its Annual Report.</p>	<p>2. That the Department includes the contact details of its district offices in all future annual reports.</p>	<p>To be monitored by the Committee in the 2018/19 Annual Report of the Western Cape Education Department, including annually thereafter.</p>

12.4 List of Information Requested

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

- 12.4.1 A list of the hotspot areas in which the Department has installed CCTV cameras in certain schools which enable school principals to monitor threatening activities, as indicated under Heading 6 on page 116 of the Annual Report.
- 12.4.2 A report which highlights the action that the Department has taken in order to address the major areas for improvement that were identified by Internal Audit during their investigations, such as the Districts Financial Modelling, the Directive on Public Administration, Quality Marking, Misrepresentation of Learner Numbers for Funding, Early Childhood Development Transfer Payments and the National Schools Nutrition Programme, as reflected on page 121 of the Annual Report.
- 12.4.3 A list of the farm school properties that were leased by the Department in the 2017/18 financial year, as reflected under Note 21 on page 217 of the Annual Report.
- 12.4.4 A list of the district offices of the Department, including the contact details of these offices.

13. Department of Health

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 financial year of the Department, having obtained an unqualified audit report with findings on pre-determined objectives and internal control deficiencies. This audit opinion remains unchanged from the 2016/17 financial year.

13.1 Audit Opinion

The AGSA raised findings with the Department on predetermined objectives and internal control deficiencies as follows:

13.2 Financial Management findings on predetermined objectives

The Committee notes the material findings which the AGSA raised against the audit outcome of the Department in respect of the reliability of the selected programmes, as follows:

- **Programme 2: District health services**
School grade 1 learners screened: The reported achievement of 48 889 learners screened was not supported by sufficient appropriate audit evidence, since screenings which were not described as full screenings (which includes all elements per the service package), were also reported on. The AGSA was unable to confirm the reported achievement by alternative means. Consequently, the AGSA was unable to determine whether any audit adjustments were required to the achievement of 48 889 learners screened as reported in the annual performance report.

School grade 8 learners screened: The reported achievement of 11 401 learners screened was not supported by sufficient appropriate audit evidence, since screenings which were not described as full screenings (which includes all elements per the service package), were also reported on. The AGSA was unable to confirm the reported achievement by alternative means. Consequently, the AGSA was unable to determine whether any audit adjustments were required to the achievement of 11 401 learners screened as reported in the annual performance report.

13.3 Findings on internal control deficiencies

The Committee takes cognisance of the following matters that was raised by the AGSA in respect of the internal control deficiency of the Department, as follows:

- **Performance management**
Facility management did not sufficiently review the information after it was captured and reported by nursing staff. Training provided to nursing staff was not sufficient to facilitate their understanding of how to record activities on the assessment forms completely and accurately.

The current manual process in place does not assist the nursing staff to record information completely and accurately and does not allow for an effective review process to identify errors in capturing timeously.

- **Financial Management**
The Department of Health spent R21,5 billion of an appropriated of budget of R21, 6 billion, which resulted in an under-expenditure of R190,4 million (0,9% underspending). The under-expenditure of R190,4 million occurred under the following programmes:

- **Programme 1: Administration (R23,6 million)**
The under-spending can mainly be attributed to:
Compensation of Employees:
The anticipated outcome of the Management Efficiency and Alignment Project (MEAP) resulted in the delayed filling of posts. The main goal of MEAP is to improve alignment of

functions, streamlining of processes and structures in line with the principles of Healthcare 2030 which impacted severely on Programme 1. Only critical posts were advertised and filled.

Goods and Services:

Implementation of cost containment measures and slow spending against funding earmarked for the IT Vision. The majority of the IT projects have been in start-up mode, hence the low expenditure trends.

Transversal system end-users have been requested to utilise the SITA printing services in moderation and to access more cost-effective Business Intelligence (BI) reports, resulting in savings in the SITA transversal systems contract.

Lower commission that was paid to the debt collectors, primarily as a result of funding challenges with payments at the Road Accident Fund.

- Programme 2: District Health Services (R33,7 million)

Compensation of Employees:

Institutions in the Cape Town area were forced to delay the filling of posts to compensate for a projected deficit within goods and services. A big portion of the deficit can be attributed to agency staff costs, where coverage is required in vacant posts and when staff are on leave. It is furthermore difficult to recruit and retain certain categories of staff such as specialised medical staff fast enough. These requirements were filled with agency staff. Another factor of the underspending within this Programme was due to the higher than normal attrition rate within the Nursing Cadre and the slow filling rate on the HIV/Aids and TB allocation.

Transfers and Subsidies:

The late implementation of the Voluntary Medical Male Circumcision programme (HIV/ Aids and TB allocation). Activities with the Co-Determined Prevention Programme (Global Fund) were pushed back due to Service Level Agreements (SLA) only being finalised and signed with Non Profit Organisations (NPO's) in November 2017 and January 2018 respectively, resulting in project implementation delays and the slow implementation of the Young Women and Girls Programme.

Payments for Capital Assets:

Reprioritisation of equipment needs occurred during the reporting period due to unforeseen equipment failure. This reprioritisation process caused delays in the procurement process, which was compounded by the need for more specialised and expensive equipment that required a more robust procurement process.

- Programme 3: Emergency Medical Services (R31,7 million)

The under-spending can mainly be attributed to:

Compensation of Employees:

- The delayed appointment of staff due to long recruitment processes. Remedial steps are being put in place by People Management to minimise the delay in the filling of vacancies.

Goods and Services:

The Computer Aided Despatch (CAD) contract was due to expire in March 2018. Due to the need to negotiate more favourable terms and pricing as it was decided that the contract be extended for a further 5 years. A planned hardware refresh was not undertaken in 2017/18.

Payments for Capital Assets:

The delivery of stretchers and incubator transporters was delayed as the supplier was unable to deliver the equipment timeously.

- Programme 4: Provincial Hospital Services (R23,6 million)

The under-spending can mainly be attributed to:

Compensation of Employees:

At the time the budget was allocated, most posts were filled at the upper to top range of the relevant salary scales. With staff attrition during the financial year the higher grade posts were filled at entry level grades, resulting in savings in Compensation of Employees.

Refunds emanating from claims to the University of the Western Cape (UWC) for staff paid as part of the Joint agreement between the Department of Health and UWC were paid. Payment was not anticipated.

Goods and Services:

Projects to address future MTEF budget constraints implemented in previous financial years on various Goods and Services, such as the implementation of Neotel/VoIP contributed towards savings.

Transfers and Subsidies:

Less employee benefits, than the anticipated budget provided, were paid as the number of employees planning to exit the service was unknown at the time the budget was allocated.

- Programme 6: Health Sciences And Training (R22,6 million)

The under-spending can mainly be attributed to:

Compensation of Employees:

A concerted effort to only fill critically required vacant posts was implemented to retain service delivery standards.

Outstanding claims to the Cape Peninsula University of Technology (CPUT), outstanding for a number of years, were unexpectedly refunded in 2017/18.

Goods and Services:

Refunds for operational and accommodation costs of training CPUT registered students, outstanding for several years, were paid by CPUT.

Transfers and Subsidies:

Reduced bursaries payments due to the unexpectedly high student failure rate.

Payments for Capital Assets:

Reduced expenditure on the lease of GG vehicles.

- Programme 7: Health Care Support Services (R2 million)

The under-spending can mainly be attributed to:

Goods and Services:

The Metro East Maintenance Hub has not being fully functional as yet as well as savings on items purchased from the Cape Medical Depot due to strict cost containment measures implemented, contributed to the under-expenditure.

Transfers and Subsidies:

Less employee benefits paid than the anticipated budget provided for as the numbers of employees planning to exit the service was unknown at the time the budget was allocated.

- Programme 8: Health Facilities Management (R53 million)

The under-spending can mainly be attributed to:

Compensation of Employees:

Occupation Specific Dispensation (OSD) posts not filled, due to the specialised nature of the posts, as well as the Director Engineering and Technical Support post not being filled.

Goods and Services:

Scheduled Maintenance as a result of quality of the facility condition assessments, delays in the finalisation of project scope, delays in project procurement and lengthy implementation periods.

Transfers and Subsidies:

Technical process issues were encountered and therefore the transfer to Groote Schuur Hospital Neonatal Maternity could not proceed within this financial year.

In addition, the total estimated departmental revenue budget of R522,2 million was over-collected by R49,3 million, which resulted in a departmental receipt of R571,5 million.

The revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R460,2 million);
- Interest, dividends and rent on land (R4,7 million);
- Sale of capital assets (R2 000);
- Financial transactions in assets and liabilities (R22 million); and
- Transfers received (R84,4 million).

Moreover, it should be noted that, as disclosed in Note 22.3 to the financial statements, the accrued departmental revenue was significantly impaired. The impairment allowance amounted to R241 million. The impairment was the projected irrecoverable amount in respect of hospital fees debt.

In terms of monies owed to the department, R241 million was deemed irrecoverable and account for the bulk of the impairment, as per the following categories and reasons:

- The Road Accident Fund;
- R153,5 million due to the rules for shared accountability;
- Medical Aid Debt;
- R2 million due to depleted benefits;
- Debt owed by individuals; and
- R64,4 million due to affordability and prevailing economic climate.

The Committee notes that although the residual rating for this risk was high, the Department is cognisant of this risk and is attending to the overall treatment of this risk, in ensuring the overall safety of its staff, as indicated on page 142 of the Annual Report.

13.4 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 143 of the Annual Report Heading: "Fraud and Corruption"	1. That the Department, in all future annual reports, provide a footnote in order to give a detailed	To be monitored by Public Account Committee for all future related annual reports.

<p>Description: The Committee notes that during the 2017/18 financial year, 22 cases were investigated by the Provincial Forensic Service. At the end of the 2017/18 financial year, 14 of the 22 cases were closed, while 8 remained open.</p>	<p>breakdown of all the cases, the nature of these cases, which cases were referred to the South African Police Services, including the outcome of each case.</p>	
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13.5 List of Information Requested

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

- 13.5.1 A report on the material misstatements that were corrected by the Department, as highlighted under Note 25 on page 207 of the Annual Report.
- 13.5.2 A report which provides in-depth details of all the incidences which relate to the incurrance of irregular expenditure, as reflected under Note 23.2 on page 274 of the Annual Report.
- 13.5.3 A report that highlights the inter-entity advances that was paid to Cederberg Matzikama Aids network, including the stakeholders who partook in the project and the outcomes thereof, as reflected under Annexure 6A on page 308 of the Annual Report.

14. Social Development

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 financial year of the Department, having obtained an unqualified audit report with findings on pre-determined objectives. This audit opinion remains unchanged from the 2016/17 financial year.

14.1 Audit Opinion

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

14.2 Financial Management

During the 2017/18 financial year, the Department of Social Development spent R2,104 billion of a budget of R2,110 billion, resulting in an overall under-expenditure of R6,4 million (0,30%).

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

- Programme 1: Administration (R2,652 million)

The underspending of Compensation of Employees was due to internal promotions, not finding suitable candidates, staff exits and Social worker graduates not contracted for the entire financial year.

- Programme 2: Social Welfare Services (R658 000)
The underspending of Compensation of Employees was due to internal promotions, not finding suitable candidates and staff exits.
- Programme 3: Children and Services (R1,152 million)
The underspending of Compensation of Employees was due to internal promotions, not finding suitable candidates and staff exits. The underspending on Transfers and Subsidies was as a result of non-compliant NGOs and under the ECD Conditional Grant due to the Quantity Surveyor not being contracted for the entire financial year.
- Programme 4: Restorative Services (R1,3 million)
The underspending of Compensation of Employees was due to internal promotions, not finding suitable candidates and staff exits.
- Programme 5: Development and Research (R641 000)
The underspending of Compensation of Employees was due to internal promotions, not finding suitable candidates and staff exits.

The Committee further notes that the Department collected R2,5 million, from an estimated collection target of R1 million, which resulted in an over-collection of R1,5 million. Similarly, for the 2016/17 financial year, the revenue budget of the Department of R963 000 was exceeded by R1,15 million, which resulted in a departmental collection receipt of R2,078 million.

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

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

For the 2017/18 financial year, the Department has incurred irregular expenditure of R4,6 million, of which R3,3 million is awaiting condonation. The irregular expenditure was due to non-compliance within the Supply Chain Management procedures/guidelines.

The Committee notes that the Department did not incur any fruitless and wasteful expenditure for the 2017/18 financial year.

14.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 3 – 6 of the Audit Committee briefing document to the PAC</p> <p>Heading: “3.5: Internal Controls”</p> <p>The Committee takes cognisance of the fact that the Audit Committee noted major areas for</p>	<p>1. That the Department brief the Committee on the risks and major areas for improvement, as identified by the Audit Committee, during the 2017/18 financial year, including the mechanisms that were developed and introduced to address these challenges.</p>	<p>To be scheduled by the PAC.</p>

<p>improvement for the Department, during the performance of its work during the 2017/18 financial year.</p> <p>Description: The major areas included the following:</p> <ul style="list-style-type: none"> • Crime Prevention and Support – Metro South; • Crime Prevention and Support – Cape Winelands; and • Early Childhood Development. 		
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14.4 List of Information Requested

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

- 14.4.1 The list of all the Early Childhood Development centres in the Western Cape. In addition, the list should categorise the various district areas and include the centres which have been registered as compliant and non-compliant by the Department.
- 14.4.2 The ratio of social workers to clients per district, as well the districts in which they are allocated.
- 14.4.3 A copy of the resettlement policy, including a breakdown of the R130 000 that was incurred under the operating expenditure, as reflected on page 194 of the Annual Report.
- 14.4.4 A report which highlight the irregular expenditure of R2 306 000, as reflected on page 205 of the Annual Report.
- 14.4.5 The 12 names of the senior managers who received performance rewards, as reflected on page 138 of the Annual Report.

15. Department of Human Settlements

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2017/18 financial year, having obtained a clean audit report with no findings. This audit opinion represents an improvement from the audit outcome of the 2016/17 financial year, where the Department obtained findings on its predetermined objectives, as well as deficiencies in its internal control system.

15.1 Audit opinion

The Auditor-General of South Africa raised no findings with the Department on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

15.2 Financial management

The Department of Human Settlements spent R2,682 billion of a budget of R2,693 billion, resulting in an overall under-expenditure of R10,5 million (0,4%).

In addition, the total estimated departmental revenue budget of R60 million was over-collected by R32 million, which resulted in a departmental receipt of R92 million. The revenue over-collection occurred under the following line items:

- Interest, dividends and rent on land (R33,7 million); and
- Sale of the Departmental capital assets (R10 000);

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

- Programme 1: Administration (R2,6 million):

The under-expenditure on Compensation of Employees due to a decrease in the percentage for performance bonuses and the non-filling of vacant posts (R1,8 million), under-expenditure on Machinery and equipment due to the non-materialisation of the modernisation of offices (R693 000), as well as under-expenditure on Transfers and subsidies: social benefits due to a reduction in commitments for post-retirement benefits (R30 000).

- Programme 2: Housing Needs, Research and Planning (R69 000):

There was a saving on training and development (R40 000) and venues and facilities (R29 000) due to cost containment measures.

- Programme 3: Housing Development (R7,8 million):

The under-expenditure on Compensation of Employees due to the resignation of certain senior managers and the non-filling of vacant senior management posts (R1,7 million), as well as an under-expenditure on the Provincial Grant for drought relief (R6,1 million) due to uncertainty of funding in the outer years.

15.3 List of Information Requested

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

15.3.1 The names of the staff in the Internal Control Unit within the Department; and

15.3.2 The names of the 12 local municipalities that were visited to ascertain if the allocated funds were utilised for the building of low cost houses within the Western Cape, as reflected on page 67 of the Annual Report.

16. Environmental Affairs and Development Planning

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2017/18 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2016/17 financial year.

16.1 Audit opinion

The Auditor-General of South Africa raised no findings with the Department on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

16.2 Financial management

The Department of Environmental Affairs and Development Planning spent R546 million of a budget of R555,7 million, resulting in an overall under-expenditure of R9,6 million (1,7 %

underspending).

In addition, the total estimated departmental revenue budget of R3,8 million was under-collected by R148 000, which resulted in a departmental receipt of R3,7 million. Although the Department over-collected on most line items, it under-collected on the line item of fines, penalties and forfeits by R318 000.

It should be noted that the revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R124 000);
- Interest, dividends and rent on land (R2 000);
- Sale of the Departmental capital assets (R4 000); and
- Financial transactions in assets and liabilities (R40 000).

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

- Programme 2: Environmental Policy, Planning and Coordination (R1,2 million)
The underspending mainly relates to Green Economy Projects and the Biodiversity Bill that were not finalised during the financial year. Arrangements were made with Provincial Treasury to consider the underspending on the Green Economy projects as “forced savings” for re-appropriation in the 2018/19 financial year. Unexpected delays in finding suitable candidates resulted in underspending on Compensation of employees.

- Programme 4: Environmental Quality Management (R3,6 million)
The underspending relates predominantly to the Berg River Improvement Plan and the Water for Sustainable Growth and Development projects due to a late start of the implementation of the various projects.

- Programme 6: Environmental Empowerment Services (R52 000)
Proposals for a Green Economy project were less than initially budgeted which resulted in a saving within the Programme

Furthermore, the under-spending occurred under the following economic classifications:

- Goods and services (R7,6 million)
The underspending is mainly project related, i.e. Green Economy, Berg River Improvement Plan and Water for Sustainable Growth and Development.

- Machinery and equipment (R756 000)
Due to the delay in the reconstruction of the Property Centre building, the procurement of the modernisation furniture could not be initiated in the 2017/18 financial year.

16.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 201 of the Annual Report Heading: “22.2: Details of irregular expenditure”	1. That the AGSA brief the Committee on how it reached its opinion on the matter, including how a future recurrence	To be scheduled by the Public Accounts Committee.

<p>Description: The Committee notes that the Department incurred irregular expenditure of R9,1 million. The matter relates to the opinion of the AGSA in relation to the Public Audit Act, 2004 (Act No. 25 of 2004) and Public Financial Management Act, 1999 (Act No. 1 of 1999). Although the Department made use of a contractor to render services, the AGSA opines that the Department did not follow the prescripts of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000), including that of the Public Financial Management Act, 1999.</p>	<p>should be avoided by the Department whereby it does not incur irregular expenditure in a similar scenario.</p>	
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16.4 List of Information Requested

The Committee requested that the Department of Environmental Affairs and Development Planning provides it with a breakdown of the assets, which amounted to R283 000, that were written off by the Department, including providing an indication of the assets which could not be found, as reflected under Note 27.5 on page 210 of the Annual Report.

17. Department of Transport and Public Works

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2017/18 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2016/17 financial year.

17.1 Audit opinion

The Auditor-General of South Africa raised no findings with the Department on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

17.2 Financial management

The Department of Transport and Public Works spent R7,5 billion of a budget of R7,5 billion, resulting in an overall under-expenditure of R44,9 million (0,6%).

The Committee noted that the overall under-spending within the Department occurred under the following programmes due to the Cost of Employment, Goods and Services, Transfers and Subsidies and Payments for Capital Assets, as follows:

- Programme 1: Administration (R2,2 million)

The underspending on COE was mainly due to vacancies not being filled within the planned timeframe, as well as natural attrition of the staff complement, the cost of which also impacted on related goods and services items. Over and above the underspending on COE and related goods and services items, which affected all the programmes, further reasons for variances in expenditure are indicated per programme below.

- Programme 2: Public Works Infrastructure (R24,2 million)

The underspending on property rates is mainly due to outstanding invoices for rates on roads as well as the time-consuming process of validating and reconciling accounts.

- Programme 3: Transport Infrastructure (R9,5 million)

Certain municipalities did not claim their subsidies for the construction and maintenance of transport infrastructure during the 2017/18 financial year. This resulted in marginal underspending on the programme for transfer payments as municipalities were unable to execute infrastructure projects as planned.

- Programme 5: Transport Regulation (R7,4 million)

The underspending on COE was mainly due to vacancies not being filled within the planned timeframe, as well as natural attrition of the staff complement, the cost of which also impacted on related goods and services items. Over and above the underspending on COE and related goods and services items, which affected all the programmes.

- Programme 6: Community Based Programmes (R937 000)

The underspending on COE was mainly due to vacancies not being filled within the planned timeframe, as well as natural attrition of the staff complement, the cost of which also impacted on related goods and services items. Over and above the underspending on COE and related goods and services items, which affected all the programmes.

In addition, the total departmental revenue budget of R1,4 billion was over-collected by R229 million, which resulted in a departmental receipt of R1,7 billion.

The revenue over-collection occurred under the following line items:

- Motor vehicle licences (R173 million);
- Sale of goods and services (R35 million);
- Transfer funds that were received (R3 million);
- Interest, dividends and rent on land (R984 000);
- Fines, penalties and forfeits (R1,3 million);
- Sale of the Departmental capital assets (R475 000); and
- Financial transactions in assets and liabilities (R15 million).

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

- Current payments (R18 million);
- Transfers and subsidies (R19 million);
- Payments for capital assets (R7 million); and
- Payments for financial assets (R208 000).

17.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 155 of the Annual Report	1. That the Department brief the Standing Committee on Transport and Public Works	To be scheduled by the Standing Committee on

<p>Heading: “Key strategic risks considered and addressed during the year”</p> <p>Description: The Committee notes the key strategic risks for the Department that was considered and addressed during the 2017/18 financial year and which specifically related to further public transport violence and criminal acts. The Committee would want to ascertain what mechanisms the Department has put in place to avoid a future recurrence of such actions which could pose a future risk for it.</p>	<p>on the mechanisms that were developed and implemented to avoid a future recurrence of further public transport violence and criminal acts within the Western Cape.</p> <p>The Standing Committee must, after being briefed by the Department of Transport and Public Works, inform the Public Accounts Committee of the scheduled meeting that was held.</p>	<p>Transport and Public Works.</p>
<p>Page: 240 of the Annual Report</p> <p>Heading: “Appropriation per economic classification”</p> <p>Description: The Committee notes that the Department has included, more specifically, the final appropriation, as well as the actual expenditures for the 2016/17 financial year. This makes the evaluation of the differences between the appropriations to expenditures easier to evaluate when compared to the 2017/18 financial year. In addition, the Committee appreciates the manner in which the Department reported on its governance and financial matters. The Department expounded in great depth on its governance and financial matters through the usage of extra footnotes and paragraphs to provide clarity on matters that were reported.</p>	<p>2. That the Department share its template on parts “C” (Governance) and “E” (Financial Information) with all departments and entities of the Western Cape Government in order to assist that the departments and entities comply with reporting in the same manner (expounding by providing detailed information) when reporting in all future financial years.</p>	<p>To be monitored by the Public Accounts Committee</p>

17.4 List of Information Requested

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

- 17.4.1 A copy of the work that was performed (“Work performed”) by the Financial Governance Directorate, as indicated on pages 174-176 of the Annual Report.
- 17.4.2 A report which highlights the names of the consultants, as well as the infrastructure contractors (including their respective contractual awards) that were contracted by the

- Department, as reflected on pages 218 to 230 of the Annual Report of the Department.
- 17.4.3 A report highlighting the projects that were undertaken by consultants and contracts which positively impacted on the transfer of skills during the 2017/18 financial year, as indicated on pages 218-230 of the Annual Report of the Department.
- 17.4.4 The Court Order that was awarded which relates to the Passenger Rail Agency of SA when it approached the High Court in order to have the suspension of its safety permit by the Rail Safety Regulator revoked during October 2018.

18. Economic Development and Tourism

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2017/18 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2016/17 financial year.

18.1. Audit Opinion

The Auditor-General of South Africa raised no findings with the Department on compliance with laws and regulations, predetermined objectives nor internal control deficiencies.

18.2 Financial Management

The Department of Economic Development and Tourism spent R399,3 million of a budget of R405,3 million, resulting in an overall under-expenditure of R6 million (1,5%), as reflected on page 183 of the Department's Annual Report.

The following departmental programmes were affected by the under-expenditure, as follows:

- Programme 1: Administration (R474 000)
The underspending mainly occurred within the vote with specific reference to Goods and Services.
- Programme 2: Integrated Economic Development Services (R1,1 million)
The underspending on Programme 2: Integrated Economic Development Services relates primarily to delays in filling of posts as well as an economic re-classification of the Red Tape Costing Tool project from Capital Software and Intangible Assets to Goods and Services.
- Programme 3: Trade and Sector Development (R1,8 million)
The primary driver of the under-spending for Programme 3: Trade and Sector Development relates to underspending of Compensation of Employees due to persons leaving the employ of the Department and the delays in the filling of vacancies.
- Programme 4: Business Regulation and Governance (R469 000)
The primary driver for the underspending within the Programme relates to Compensation of Employees due to persons leaving the Programme as well as lower than anticipated travel and subsistence costs.
- Programme 5: Economic Planning (R223 000)
The underspending relates primarily to Cost of Employment, as well as Goods and Services.

- Programme 6: Tourism, Arts and Entertainment (R633 000)

The primary drivers of the underspending of the Programme is due to the expenditure against Compensation of Employees, Goods and Services; including a general underspending within the sub-programme: Tourism Sector Transformation.

- Programme 7: Skills Development and Innovation (R1,2 million)

The primary driver for the underspending relates primarily to the projected stipend payments made learners who dropped off the occupational and entry skills programme as well as an economic re-classification of costs related to the Data Management project from Capital Software and Intangible Assets to Goods and Services.

The Committee notes that the Department's departmental receipts was exceeded by R4,1 million, by collecting R4,4 million from an estimation or revenue of R298 000 for the financial year under review.

The over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R438 000);
- Interest, dividends and rent on land (R39 000);
- Sale of capital assets (R22 000); and
- Financial transactions in assets and liabilities (R3,9 million).

18.3 Resolutions

None.

18.4 List of Information Requested

The Committee requested that the Department of Economic Development and Tourism provides it with copies of the scenarios that were developed through the strategic conversation that took place regarding the outlook of the Western Cape by Senior Futurist, Doris Viljoen, of the Institute of Future Research at the University of Stellenbosch, as highlighted on page 132 of the Annual Report.

19. Cultural Affairs and Sport

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2017/18 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2016/17 financial year.

19.1 Audit Opinion

The Auditor-General of South Africa raised no findings with the Department on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

19.2 Financial Management

The Department of Cultural Affairs and Sport spent R721 million of a budget of R727 million, resulting in an overall under-expenditure of R6,3 million (0,09%). The under-expenditure occurred under the following programmes:

- Programme 1: Administration (R124 000)

The underspending within this Programme is related to Cost of Employment, due to the

limitations placed on the Cost of Employment budget, the saving could not be utilised in other areas.

- Programme 2: Cultural Affairs (R1,2 million)

The underspending within this Programme is related to Cost of Employment, due to the limitations placed on the Cost of Employment budget, the saving could not be utilised in other areas.

- Programme 3: Library and Archive Services (R4,2 million)

The variance is related to CoE and Goods and Services. Due to the limitations placed on the Cost of Employment budget, the saving could not be utilised in other areas. The under expenditure in Goods and Services relates to the ECM project (R1,9 million) and the Broadband - Rural Library Connectivity Project (R834 000) for which a roll over was requested.

- Programme 4: Sport and Recreation (R681 000)

The underspending within this Programme is related to Cost of Employment, due to the limitations placed on the Cost of Employment budget, the saving could not be utilised in other areas.

In addition, the total projected departmental receipts of R3 million was over-collected by R894 000, which resulted in a departmental receipt of R3,9 million. The revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R847 000);
- Transfers received from other Government Units (R1 000);
- Interest, dividends and rent on land (R8 000); and
- Financial transactions and assets and liabilities (R160 000).

19.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 248 of the Annual Report</p> <p>Heading: Note 22.2: Irregular Expenditure</p> <p>Description: The notes that the Department incurred irregular expenditure during the 2017/18 financial year which amounted to R2,232 million. The expenditure occurred due to the non-compliance to the respective procurement policies. However, the Department has forwarded the matter to its Human Resources component for disciplinary action.</p>	<p>1. That the Department brief the Committee on the challenges that were experienced by the Department by incurring such an irregular expenditure, including the mechanism which the Department will develop and implement to avoid such a recurrence.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

19.4 List of Information Requested

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

- 19.4.1 A compact disc that will contain the information which is reflective of all the transfers that were made to the organisations, as indicated under Programme 2, pages 95-106 of the Annual Report.
- 19.4.2 A report which highlights and provide an in-depth explanation of the total goods and services, per programme, of the payables that were not recognised, including where payments exceeded 30 days, as reflected on page 245 of the Annual Report.
- 19.4.3 A report which highlights the municipalities who did not request a roll-over of conditional grants in respect of Programme 4: Sport and Recreation from Provincial Treasury for the 2017/18 financial year, as reflected on page 258 of the Annual Report.
- 19.4.4 A report which highlights the funds that were spent on Drosdy Museum for the 2017/18 financial year.
- 19.4.5 A report which highlights the support that the Department has provided to the maintenance of the Nqabela Sports Stadium in Langeberg.
- 19.4.6 A report which indicated the reasons why the Chairpersons of the respective Entities could not attend the 2017/18 Annual Report hearing with the Public Accounts Committee.

20. Local Government

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 financial year of the Department, having obtained an unqualified audit report with findings on pre-determined objectives. This audit opinion remains unchanged from the 2016/17 financial year.

20.1 Audit Opinion

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

20.2 Financial Management

The Department of Local Government spent R343,8 million of a budget of R359,7 million, which resulted in an under-expenditure of R15,9 million (4,4%). The material under-expenditure of R15,9 million occurred under the following programmes:

- Programme 1: Administration (R1,2 million)

The underspending on Compensation of Employees was due to delays in the filling of vacant posts, resignations and promotions of officials as well as earmarked funds allocated for drought capacity.

- Programme 2: Local Governance (R3,8 million)

The underspending on Compensation of Employees was due to delays in the filling of vacant posts, resignations and promotions of officials. The underspending on Goods and Services was due to the appointment of a service provider to conduct research work and develop an assessment framework for the Provincial Interventions undertaken in municipalities in the

Western Cape. Furthermore, the underspending on Goods and services related to unspent earmarked funds.

- Programme 3: Development and Planning (R10,7 million)

The underspending on Compensation of Employees was due to delays in the filling of vacant posts, resignations and promotions of officials as well as earmarked funds allocated for drought capacity. The underspending on Goods and Services was mainly due to the earmarked funds allocated to assist with the Knysna fires. Due to the unpredictable nature of the fire season and the prolonged drought, additional funds were allocated to this project.

In addition, the total departmental revenue budget of R53 000 was over-collected by R1 million, which resulted in a departmental receipt of R1 million. This 2017/18 collection was more than the departmental receipts that was collected during the 2016/17 financial year, which reflected a collection amount of R227 000.

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

- Sale of goods and services (R49 000);
- Sale of the Departmental capital assets (R32 000); and
- Financial transactions in assets and liabilities (R926 000).

20.3 Resolutions

None.

20.4 List of Information Requested

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

- 20.4.1 A report of all procurement which occurred for the 2017/18 financial year, where local content was a requirement for suppliers, including a breakdown of how much was spent on local and international content in terms of the Preferential Procurement Regulations of 2017 for all awards above R30 000.
- 20.4.2 A report on the status of the 14 remaining risks that were excluded from the Annual Audit Plan for the 2017/18 financial year, due to the risks being inherently medium or low, outside tolerance levels and risks with outstanding action plans, as indicated on page 4 of the Report of the Audit Committee.
- 20.4.3 The 2015/16 asset register that was not provided to the Department of Public Service and Administration, including 2016/17 asset register that was incomplete, as indicated on Page 4 of the Report of the Audit Committee.
- 20.4.4 A report which highlights the one case that was opened and closed during the 2017/18 financial year, including providing an indication of the nature of the case, who all were implicated in the case, and what consequence management mechanism was instituted based on the outcome of the case, as reflected on page 85 of the Annual Report.
- 20.4.5 A report that relates to the Managers Mentoring and Coaching Programme highlighting the location of the trainees, how much was spent on the Programme, including who the mentors and mentees were, as indicated on page 142 of the Annual Report.
- 20.4.6 10 copies of the civic education video that was created through the Department's identification of the need to conduct civic education on public participation, as indicated on page 143 of the Annual Report.

- 20.4.7 A report which highlights the virements that were made after the Adjustments Appropriation period for the 2017/18 financial year and prior to the start of the 2018/19 financial year. The report should include the programme from which each respective virement was made, including to which programme it was appropriated. A justification for each virement should also be included, as requested from page 149 of the Annual Report.
- 20.4.8 A list of groupings of the types of work that was done by the respective contractors, as reflected from page 132-136 of the Annual Report.
- 20.4.9 A report on the function of Lifesaving WC, as reflected on page 212 of the Annual Report.
- 20.4.10 A report on the water losses which are being experienced in the Beaufort West Municipality, including an indication of the mechanism that is in place to avoid a future loss of water in the Municipality, including a list of the consultants which are involved in the process. Furthermore, the Committee request a quarter-on-quarter indication (statistics) on the loss that was experienced by the Municipality from the 2015/16 financial year to date.
- 20.4.11 A copy of the circular notes which were distributed to the municipalities of the Western Cape that assist in providing instructions on the successful financial and performance management outcomes year-on-year.

Part B: Findings which relates to Entities

21. 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 2017/18 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2016/17 financial year.

21.1 Audit opinion

The AGSA raised no findings with the Entity on its compliance with laws and regulations, predetermined objectives neither the identification of any deficiencies within the scope of its internal controls.

21.2 Financial management

As disclosed on page 63 of the Annual Report, the Western Cape Gambling and Racing Board (WCGRB) spent R50,9 million of a budget of R52,7 million. This resulted in an overall under-expenditure of R1,81 million (3,4%).

The total revenue budget of R54,3 million was exceeded by R3 million (5,5%).

The Committee notes the following emphasis of matters, which was raised by the AGSA as follows:

21.3 Material underspending of the budget

As disclosed in the Statement of Comparison of Budget and Actual Amounts as at 31 March 2018, the Entity has materially underspent the overall operating expenditure budget with R1,988,681 (3,7%). The saving is mostly due to cost containment measures and relates to

savings of communication, travel and subsistence, ICT software upgrade fees, maintenance, cleaning costs, legal fees, audit fees and non-professional services.

Contingent liability

The Western Cape Gambling and Racing Act (Act 4 of 1996) imposed a LPM Operator Fee on LPM Licensed Route Operators. The Operator Fees are leviable for ten years which expired in 2014. The Board inadvertently continued to levy the fee which the Route Operators willingly paid. Accordingly, the fee was paid for three years after the expiry of the ten year period. This overpayment is the subject of the contingent liability which amounts to R17,6 million. Legislative processes are underway to address the contingency and amendments to the Act for this purpose has been advertised in the Draft Western Cape 19th Gambling and Racing Amendment Bill.

In addition, the Entity over-collected by R1,3 million, which resulted in a departmental receipt of R55,6 million, from an estimated departmental collection of R54,2 million as reflected on page 28 of the Annual Report.

The over-collection occurred under the following line items:

- Application fees (R402 295);
- Investigation fees Temp (R1 080);
- Interest (R77 738);
- Inspector charge outs (R1,1 million);
- Profit on disposal of assets (R45 785); and
- Miscellaneous (R180 568).

21.4 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 3 of the briefing document of the Audit Committee Chairperson to the PAC, as prepared by Maseng Viljoen Inc. (MVI).</p> <p>Heading: "2. Overview"</p> <p>Description: The Committee notes that the WCGRB appointed MVI as its internal audit service provider from 1 August 2016, for a period of three years. MVI successfully executed the planned internal audit reviews that were based on the pre-approved internal audit plan for the 2017/18 financial year.</p> <p>The internal auditors also attended the quarterly Audit and Risk</p>	<p>1. That the Entity, or the Department of the Premier, provide the Committee with the scope of the audit function when contracting external auditors as internal auditors by any Entity of the Western Cape Government. Furthermore, it is requested that the Entity, or Department of the Premier, provide it with the payment schedule against which the external auditing companies are invoiced and, ultimately, paid.</p>	<p>By 1 April 2019</p>

<p>Committee meetings where they, after proper consultation with the management of the WCGRB, reported on the result of the internal audit interventions in the form of the findings which were raised.</p>		
<p>Page: 38 of the Annual Report.</p> <p>Heading: “Board Remuneration Arrangements ”</p> <p>Description: The Committee extensively engaged the Board on the remunerations which were appropriated to board- and committee meetings during the 2017/18 financial year. The Committee wanted to determine the most excessive cost that was remunerated to any Board member for the 2017/18 financial year, including whether the board- and committee meetings took place at the offices of the Entity.</p>	<p>2. That the Entity briefs the Committee on the Board Remuneration Agreements, including the payment of board members’ salaries which is expected to be in alignment to the prescription of the Department of Public Service and Administration (DPSA).</p> <p>3. That the Entity provides, in all future annual reports, a financial breakdown which should be associated to the number of meetings which are attended by the board and committee members of the Entity.</p>	<p>Briefing date to be determined by the Public Accounts Committee.</p> <p>To be included in all future annual reports of the Entity.</p>
<p>Page: 53-93 of the Annual Report.</p> <p>Heading: “Part E: Financial Information ”</p> <p>Description: The Committee notes the financial layout and information that was provided in Part E of the Annual Report of the Entity. However, for future reference, the Committee requests to see a more detailed layout in order to conduct effective, efficient and economical oversight over the Entity.</p>	<p>4. That the Entity studies and follows the layout of the Annual Report of the Department of Transport and Public Works for the 2016/17 financial year when reporting on its financial information.</p>	<p>To be monitored by the Committee in the 2018/19 Annual Report of Provincial Treasury, including annually thereafter.</p>
<p>Page: 45 of the Annual Report.</p> <p>Heading: “15. Social Responsibility”</p> <p>Description: The Committee notes that while the Board itself did not have any social responsibility programmes for the year, the Board did impose certain conditions on licence holders to ensure that they do allocate</p>	<p>5. That the Entity develops and implements a mechanism which would ensure that the Board, at its level, consider initiating various CSI programmes.</p>	<p>By 1 April 2019</p>

resources to assist poor communities.		
The Board also established the Western Cape Responsible Gambling Forum to address the potential ills of gambling.		

21.5 List of Information Requested

The Committee requested that the Western Cape Gambling and Racing Board provide it with the following information:

- 21.5.1 A Report which highlights the succession plan of the Board, in relation to the Chief Executive Officer. Furthermore the Committee requests the appropriate Human Resources policy which relates to such a succession plan, as indicated under Note 13 of page 42 of the Annual Report.
- 21.5.2 A financial breakdown of the costs that were spent on each Board and Committee Member, as indicated on pages 32-38 of the Annual Report.
- 21.5.3 A Report which highlights the Corporate Social Investment projects that were conducted by the various recipients of WCGRB licences for the 2017/18 financial year, as indicated under Note 15 on page 42 of the Annual Report.
- 21.5.4 A Report which highlights the alignment of the 2017/18 Annual Performance Plan of the Entity to the five provincial strategic goals of the Western Cape Provincial Strategic Plan, as indicated on pages 42-43 of the Annual Report.

22. Western Cape Liquor Authority

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2017/18 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 2016/17 financial year.

22.1 Audit Opinion

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

22.2 Financial Management

The Western Cape Liquor Authority (WCLA) spent R42,4 million of a budget of R43,4 million, resulting in an under-expenditure of R961 174 (2,2% underspend).

In addition, the total departmental revenue budget of R29,8 million was over-collected by R5,7 million, which resulted in a departmental receipt of R35,5 million. The over-collection on revenue occurred under the following line items:

- Auto renewal (R7,6 million); and
- Transfer of licensee (R149 000).

22.3 Resolutions

None.

22.4 List of Information Requested

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

- 22.4.1 A report which highlights the breakdown of “other application fees”, as reflected under Note 14 on page 93 of the Annual Report.
- 22.4.2 A copy of the contract which governs the agreement between the Entity and the Department of Community Safety through the Principal-Agent relationship, as reflected under Note 9 on page 89 of the Annual Report.

23. Government Motor Transport

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2017/18 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2016/17 financial year.

23.1 Audit opinion

The Auditor-General of South Africa raised no findings with the Entity on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

23.2 Financial management

Government Motor Transport spent R599,9 million of a budget of R624,1 million, which resulted in an overall under-expenditure of R24,1 million (3, 9%). The under-expenditure occurred under the following line items:

- Administrative expenses (R1,3 million);
- Employee costs (R10,3 million);
- Operating expenditure (R6,4 million);
- Depreciation (R1,2 million);
- Amortisation (R1,5 million);
- Accidents and Impairment losses (R945 000); and
- Operating leases (R2,2 million).

In addition, the total revenue budget of the Government Motor Transport of R682 million was over-collected by R38 million, which resulted in a departmental receipt of R720,7 million. The collection of revenue occurred under the following categories of revenue:

- Government grants and other subsidies received (funding received from clients for additional vehicles) (R14,3 million);
- Services in-kind (R2,7 million); and
- Interest earned– accounts receivables, and cash and cash equivalents (R33,2 million).

23.3 Resolutions

None.

23.4 List of Information Requested

The Committee requested that the Government Motor Transport provide it with the unspent conditional grants, as highlighted under Note 5 on pages 112 and 125 of the Annual Report.

24. The Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO)

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2017/18 financial year, having obtained an unqualified audit report with findings. This audit opinion represents a regression from the 2016/17 financial year where the Entity received a clean audit opinion.

24.1 Audit Opinion

The Auditor-General of South Africa raised findings with the Department on compliance with laws and regulations and internal control deficiencies.

24.1.1 Findings on Compliance with laws and regulations:

- Procurement and contract management:
Competitive bids: Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids and a deviation was approved by the accounting authority, but it was practical to invite competitive bids, as required by treasury regulations 16A6.1 and 16A6.4. This non-compliance was identified in the procurement processes for two new servers.

- Material misstatements to financial statements:
The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements relating to the classification of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

24.1.2 Finding on internal control deficiencies:

- Financial and performance management:
Internal control deficiencies were identified relating to the regular, accurate and complete financial and performance reports, resulting in various misstatements in the financial statements submitted for auditing that were subsequently corrected. A lack of compliance monitoring and proper planning by management resulted in an emergency procurement process being followed when a competitive bidding process should have taken place. This resulted in material non-compliance with the supply chain management regulations and the incurrence of irregular expenditure.

24.2 Financial Management

WESGRO spent R95,9 million of a budget of R99,6 million, which resulted in an underspending of R3,7 million (3,7 %), as disclosed on page 94 of the Entity's Annual Report.

Furthermore, as disclosed on page 94, read with note 29 on page 119 of the Entity's Annual Report, WESGRO spent R2,5 million of a capital budget of R1,2 million, resulting in an overall

overspending of R1,3 million or 114,9% (2016/17: 25,5% underspending). The remaining R3,7 million of the total capital expenditure of R6,2 million as disclosed on pages 94 and 119 relates to project capital expenditure.

As disclosed on page 94 of the Entity's Annual Report, the agency's finally adjusted revenue budget of R99,9 million was exceeded by R3,4 million or 3,39% (2016/17: 11, 0% over-collected).

In addition, the total Entity's projected receipts of R99,9 million was over-collected by R2,1 million, which resulted in a departmental receipt of R102,1 million. The revenue over-collection occurred under the following line items:

- City of Cape Town (R57 000);
- Other Income (R1,4 million); and
- Interest (R777 000).

24.3 Significant emphasis of matters

Investments (Put option): As disclosed in note 8 to the financial statements on pages 107 to 108 of the Entity's Annual Report, a fair value gain of R2,535 million (2017: R8,7 million loss) was realised during the year on the Entity's investment through its shares held in Cape Town Film Studios (Pty) Ltd, bringing the value of the investment to R23,1 million (2017: R20,6 million) at 31 March 2018.

Deferred income: As disclosed in note 12 to the financial statements on page 109 of the Entity's Annual Report, the deferred income as at 31 March 2018 amounted to R37,9 million (2017: R35,5 million), representing the balance of the funding of the various sponsored projects as administered by the entity.

24.4 Resolutions

None.

24.5 List of Information Requested

None.

25. Saldanha Bay Industrial Development Zone (SOC) Ltd (SBIDZ)

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2017/18 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2016/17 financial year.

25.1 Audit Opinion

The Auditor-General of South Africa raised no findings with the Entity on compliance with laws and regulations, predetermined objectives nor internal control deficiencies.

Significant emphasis of matters

- Early application of IGRAP 18:

Interpretation of the Standard of GRAP on the Recognition and Derecognition of Land: With reference to note 2 to the financial statements on page 94 of the Entity's Annual Report, the Entity has adopted IGRAP18, Interpretation of the Standard of GRAP on the Recognition and Derecognition of Land early, which resulted in the recognition of investment property of R87 119 197 as set out in note 3 on page 96 of the Entity's Annual Report. The relevant property is the north precinct of Saldanha Bay IDZ land where the access complex and security fence will be located.

- **Assets transferred to the Saldanha Bay Municipality:**

As disclosed in notes 4 and 18 to the financial statements on pages 97 to 99 and 108, respectively, of the Entity's Annual Report, assets of R75 million were transferred to the Saldanha Bay Municipality during the year, which included upgrades to the waste water treatment works and the construction of the Besaansklip Reservoir.

- **Unspent conditional grants and receipts:**

As disclosed in note 13 to the financial statements on page 102 of the Entity's Annual Report, the unspent conditional grants and receipts as at 31 March 2018 amounted to R559, 4 million (2017: R662, 4 million), representing the funding previously received from government grants that would be utilised in future against the respective projects, as detailed in note 16 on pages 104 to 106 of the Entity's Annual Report.

25.2 Financial Management

As disclosed on page 77 of the Entity's Annual Report, the SBIDZ LiCo spent R49million of its operating expenditure budget of R64,1 million, resulting in an underspending of R15,1 million or 23,6% (2016/ 17: 6,2% underspending).

Furthermore, as disclosed on page 79 of the Entity's Annual Report, the capital expenditure budget of R170,8 million was underspent by R108,7 million or 63,7% (2016-17: 0, 4% overspending).

As disclosed on page 77 of the Entity's Annual Report, the Entity's revenue budget of R91, 6 million was under- collected by R3,7 million or 4,1% (2016/ 17: 6, 5% under-collected).

The explanations for the main budget variances are set out in notes 31 and 32 to the financial statements on pages 116 of the Entity's Annual Report.

25.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 116 of the Annual Report Heading: "Notes 31 and 32" Description: The Committee notes that under notes 31 and 32, the Department explained the actual operating expenditure versus budgeted operating expenditure and the actual capital expenditure versus the budgeted capital expenditure.	That the Department, in all future annual reports, provides a footnote in order to give a detailed breakdown of actual operating expenditure versus budgeted operating expenditure and the actual capital expenditure versus the budgeted capital expenditure.	To be monitored by the Public Accounts Committee for all future related annual reports.

The Committee wishes to see an in-depth explanation between the different types of expenditures in all future annual reports.		
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25.4 List of Information Requested

The Committee requested that the Saldanha Bay IDZ provide it with a schedule of contractors, who were contracted to the Entity for the 2017/18 financial year, including their local content compliance certificates, as indirectly discussed under Risk Management on page 51 of the Annual Report. This should be read in relation to Note 5.3: Risks that require continuous monitoring on page 5 of the SCOPA Briefing Note of the Auditor- General of South Africa.

26. Heritage Western Cape

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2017/18 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 2016/17 financial year.

26.1 Audit Opinion

The Auditor-General of South Africa raised no findings with the Entity on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

26.2 Financial Management

Heritage Western Cape spent R3,7 million of a budget of R3,2 million, resulting in an over-expenditure of R532 000.

The over expenditure relates to the GRAP 23 adjustments made for salaries (employee cost: R546 000) of the financial management staff of the department as services in-kind received.

In addition, the total departmental revenue budget of R2,9 million was over- collected by R1,8 million, which resulted in a departmental receipt of R4,8 million. The revenue over-collection occurred under the following line items:

- Transfers and Subsidies (R1,2 million); and
- Other operating costs (R634 000).

26.3 Resolutions

None.

26.4 List of Information Requested

The Committee requested that Heritage Western Cape provide it with the following:

- 26.4.1 A report which provides details on the reasons why, under Case number 33/12/2015, the Prosecutor declined to prosecute, including providing an explanation why the matter is being pursued at a higher level, as reflected on page 24 of the Annual Report.

26.4.2 A list which details the names of the members of the Heritage Western Cape Council, as reflected on page 31 of the Annual Report.

27. Western Cape Cultural Commission

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2017/18 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 2016/17 financial year.

27.1 Audit Opinion

The Auditor-General of South Africa raised no findings with the Entity on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

27.2 Financial Management

The Western Cape Cultural Commission spent R4,7 million of a budget of R4,1 million, resulting in an over-expenditure of R527 000. The over expenditure relates to the GRAP 23 adjustments made for salaries (employee cost: R545 791) of the financial management staff of the Entity.

The revenue collection budget of the Entity of R4, 186 million was under-collected by R356 000, which resulted in an end-of financial year departmental receipt of R3,8 million.

27.3 Resolutions

None.

27.4 List of Information Requested

None.

28. Western Cape Language Committee

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2017/18 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 2016/17 financial year.

28.1 Audit Opinion

The Auditor-General of South Africa raised no findings with the Entity on compliance with laws and regulations, predetermined objectives nor deficiencies in its internal controls.

28.2 Financial Management

The Western Cape Language Committee spent R819 000 of a budget of R274 000, resulting in an over-expenditure of R546 000. The over expenditure relates to the GRAP 23 adjustments made for salaries (employee cost: R545 791) of the financial management staff of the Entity.

In addition, the total estimated departmental revenue budget of R274 000 was over- collected by R511 000, which resulted in a departmental receipt of R785 000. The over collection relates to GRAP 23: Services in Kind adjustment made for salaries of R545 791 related to the financial management staff of the Public Entity. Further detail is explained in the Annual Financial Statements of the Entity, Note 9.

28.3 Resolutions

None.

28.4 List of Information Requested

The Committee requested that the Western Cape Language Committee provide it with a report which highlights who the determining stakeholders are, including the determining factors, when calculating the “other allowances” of the committee members of the Western Cape Language Committee, as reflected on page 21 of the Annual Report, including providing a definition of the term “other allowances”.

29. Conclusion

The Committee thanked the Premier, Ministers, Director-General and Heads of Department, the Auditor-General of South Africa, 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 proactively engaged the departments and entities on the content of the annual reports for the 2017/18 financial year.

The Committee also acknowledged the important role that the administrative staff embarked on for this Committee to have achieved its set goal, during this season of annual reporting.

Report to be considered.

2. Report of the Standing Committee on Community Safety on the discussion on the Western Cape Police Ombudsman's 2017/18 Annual Report and the Cape Town Metropolitan Police Department's Annual Police Plan 2018/19.

The Standing Committee on Community Safety, having considered the 2017/18 Annual Report of the Western Cape Police Ombudsman (WCPO) and the Cape Town Metropolitan Police Department's (CTMPD) 2018/19 Annual Police Plan, reports as follows:

1. Introduction

The Committee, in accordance with provisions of Section 13(3) of the Western Cape Community Safety Act (Act 13 of 2013) (WCCSA), engaged with the WCPO on its tabled 2017/18 Annual Report on 14 November 2018. In accordance with the Act, the Committee was also briefed by the CTMPD on its 2018/19 Annual Police Plan on the same day. Section 21(4) provides for the executive head of municipal police services to brief the Committee.

2. Western Cape Police Ombudsman: 2017/18 Annual Report

Mr J Brand, the newly appointed Ombudsman, with the assistance of Ms D Foster, Deputy Director: Communications, responded to questions posed on the WCPO's 2017/18 Annual Report and the Foreword contained in the report which was written by the previous Ombudsman, Adv V Pikoli.

- 2.1 The WCPO has received approval to appoint two level 8 investigators to address a backlog of cases pending investigation since 2016/17. These appointments will be contract positions.
- 2.2 Expected overtime has been approved to allow investigators to deal with the backlog of cases.
- 2.3 The WCPO has appointed a legal intern; the appointment of a second legal intern has already been approved.
- 2.4 Significant enhancement to the WCPO's personnel capacity is subject to the outcomes of the Modernisation Process undertaken by the Department of Community Safety.
- 2.5 The WCPO used the findings of the report on its performance environment conducted by the Africa Criminal Justice Reform, based at the University of the Western Cape, to better plan for the current financial year. The interventions include implementing improved communication and marketing strategies, especially via radio stations, to better inform the public, especially in far reaching areas in the province, about the WCPO's functions and purpose.
- 2.6 The WCPO's investigating officers also attend post mortem examinations. Based on the investigators' observations at these examinations, the WCPO recommended to the South African Police Service (SAPS) to resume its responsibility of taking deceased persons' fingerprints rather than to task the Provincial Department of Health with this process.
- 2.7 During the 2017/18 financial year the office of the WCPO issued directives in terms of section 18 of the WCCSA of 2013, for police officers to appear before him and/or provide specific documents relevant to investigations by the WCPO.
- 2.8 The WCPO recommended that the SAPS and the Provincial Department of Social Development enter into an agreement to ensure better representation of isiXhosa speaking social workers to assist with domestic violence cases.

- 2.9 The WCPO reported marked over expenditure for pay outs due to resignations. These resignations are largely attributed to the lack of career growth options within the office of the WCPO.
- 2.10 The WCPO submitted a total of 52 recommendations to the Provincial Police Commissioner in the Western Cape.
- 2.11 The WCPO mediated 105 substantiated complaints and reported that the SAPS initiated disciplinary action against its members for 71 of the substantiated complaints submitted to Provincial Police Commissioner's office.

3. Cape Town Metropolitan Police Department: 2018/19 Annual Police Plan

Cape Town Metropolitan Police Department (CTMPD) Chief, W Le Roux, presented the Annual Police Plan for 2018/19.

- 3.1 The CTMPD's objectives for the year reflect the focus of the Service Delivery Budget Implementation Plan (SDBIP) as well as that of the SAPS' policing priorities, specifically that of combatting illegal liquor, drug and firearm trade and usage. The Provincial Police Commissioner approved the CTMPD's Annual Police Plan for 2018/19.
- 3.2 The CTMPD's K9 Unit is currently training four trail dogs to assist with missing persons cases.
- 3.3 The CTMPD launched a Safety Project in Delft and are planning to roll out this pilot project to other areas.
- 3.4 The *ShotSpotter* Technology is expected to be rolled out to other areas in Cape Town. However, the estimated cost will be dependent on the demographic details specific to the areas selected for the implementation.
- 3.5 The CTMPD is looking to (further) establish partnerships with the SAPS, Provincial Traffic, the Department of Home Affairs and neighbouring municipalities.
- 3.6 In respect of CCTV cameras the CTMPD reported that ward councilors allocate funds from their respective budgets for the installation of CCTV cameras within their designated wards.
- 3.7 The Camera Response Unit responds crime threats detected via the City's CCTV cameras, and proactively patrols hotspot areas.
- 3.8 Although the CTMPD does not have investigation/crime detection services, it has an oversight committee in place to monitor arrests and convictions that are subsequent of the CTMPD's policing actions/interventions.

4. Requests

The Committee requested that the Cape Town Metropolitan Police Department provides the Committee with:-

- 4.1 A timeline for the implementation of the *ShotSpotter* technology to other areas in the City of Cape Town.
- 4.2 The expenditure of the *ShotSpotter* Technology for the 2016/17 and e 2017/18 financial years.
- 4.3 A list of the number of arrests as a result of the *ShotSpotter* detection since its implementation.
- 4.4 An updated list of CCTV Cameras installed from ward allocations.

The Committee requested that the Department of Community Safety provides the Committee with:-

- 4.5 The Department of Community Safety provides the Committee with a timeline of its Modernisation Process.