

# PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

## ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 6 APRIL 2023

### ANNOUNCEMENTS

The Speaker:

#### 1. Assent of bill by the Premier

The Western Cape Additional Adjustments Appropriation Act (2022/23 Financial Year), 2023 (Act 1 of 2023), was assented to and signed by the Premier on 31 March 2023.

#### 2. Provincial Notice 40 of 2023

Publication of the Western Cape Additional Adjustments Appropriation Act (2022/23 Financial Year), 2023 (Act 1 of 2023), in the *Provincial Gazette Extraordinary* 8741, dated 4 April 2023.

Copies attached.

### TABLINGS

The Speaker:

#### 1. Tabling of documents in terms of section 132(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003):

##### (a) Overstrand Municipality

- (i) Annual Report 2021/22.
- (ii) Oversight Report on the Annual Report 2021/22.

##### (b) Overberg Municipality

- (i) Annual Report 2021/22.

- (ii) Oversight Report on the Annual Report 2021/22.

**(c) Stellenbosch Municipality**

- (i) Annual Report 2021/22.
- (ii) Oversight Report on the Annual Report 2021/22.

Copies attached.

## **COMMITTEE REPORT**

The Public Accounts Committee (PAC), having considered, as part of its oversight role, the 2021/22 annual reports of the 13 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 99–102 of the Western Cape Provincial Parliament (WCPP)):

- 1.1 The Committee on Public Accounts must examine:
  - 1.1.1 The financial statements of provincial departments and provincial public entities;
  - 1.1.2 Any audit reports issued on the statements;
  - 1.1.3 Any reports issued by the Auditor-General on the affairs of any provincial department or provincial public entity; and
  - 1.1.4 Any other financial statements or reports referred to it by the House.
- 1.2 may report on any of those financial statements or reports to the House;
- 1.3 may initiate any investigation in its area of competence as stated in paragraph 1.1.1; and
- 1.4 must perform any other functions assigned to it by legislation, the Standing Rules of WCPP or resolutions of 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 for the financial year ending 31 March 2022 of the following provincial departments were examined:

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

2.13 Department of Local Government.

### 3. Entities that reported to the Public Accounts Committee

The financial statements included in the annual reports for the financial year ending 31 March 2022 of the following public entities were examined:

- Western Cape Gambling and Racing Board;
- 3.2 Government Motor Transport (GMT);
- 3.3 Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO);
- 3.4 Atlantis Special Economic Zone Company SOC Ltd;
- 3.5 Western Cape Liquor Authority;
- 3.6 Saldanha Bay Industrial Development Zone Licensing Company (SOC) Ltd;
- 3.7 Casidra;
- 3.8 CapeNature;
- 3.9 Heritage Western Cape;
- 3.10 Western Cape Cultural Commission; and
- 3.11 Western Cape Language Committee.

### 4. Transversal Departmental resolutions

The Committee has formulated transversal resolutions for the attention of all departments and entities of the WCG. These resolutions originate from the discussions the Committee had with the departments and entities, while conducting oversight over the annual reports for the financial year under review. It should be noted that these resolutions are transversal in nature and requests the attention of the entire WCG, which includes all departments and entities, as follows:

Matter	Resolution	Due date
<p><b>Broad-Based Black Economic Empowerment (BBBEE)</b></p> <p>While engaging the departments and entities on the status of their BBBEE compliance rate, the Committee became aware that there is a challenge with the certification of the departments and entities, who are of the opinion that they do prescribe to the BBBEE prescripts, but that the annual certification costs are too much just to indicate that they are compliant to the prescript.</p>	<p>That the Public Accounts Committee engages the relevant stakeholders to determine the most effective way forward in this manner.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p><b>Compliance Audits versus Performance Audits</b></p> <p>The Committee recognises the constant year-on-year clean audit outcomes of most of the departments and entities of the WCG. The Committee is of the opinion that there should be a move towards performance auditing in</p>	<p>That the Public Accounts Committee engages with the AGSA, Audit Committee and Provincial Treasury to ascertain whether the WCG is at a state of readiness to conduct performance audits.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

order to audit the value for money appropriated to departments and entities in relation to their service delivery mandates.		
<p><b>Transfers of funds from departments to municipalities in the Western Cape</b></p> <p>The Committee engaged the departments on the annual financial statements of departments and entities. The Committee is interested to engage departments on the value for money that were derived from the transfers that were made to the municipalities. The Committee has a keen interest on the transfers that were made to Beaufort West and Cederberg municipalities with the aim to assist these municipalities in rendering a quality service to the residents of the jurisdictions.</p>	That the Public Accounts Committee engages with the respective departments and entities and engage them on funds that were transferred to municipalities.	Briefing to be scheduled by the Public Accounts Committee.
<p><b>Componentisation of assets</b></p> <p>The Committee noted the repeated briefings of the Auditor-General of South Africa regarding the componentisation of assets and that 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.</p>	That the Public Accounts Committee engages with the Provincial Treasury on the readiness of the departments and entities of the WCG on this matter.	Briefing to be scheduled by the Public Accounts Committee.

## 5. General findings

Having considered the reports of the Auditor-General of South Africa (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)), the Chief Executive Officers and Board members of the public entities and members of the public in attendance at the discussions on the 2021/22 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 ensured that the departments and entities strive towards an improved audit outcome.

The Committee congratulates the Western Cape Department of Health for achieving and sustaining a clean audit outcome. The Committee further notes the unchanged audit outcomes

of the following auditees, where unqualified audit outcomes were recorded by the AGSA, with findings on some matters. These auditees include the Western Cape Education Department, Department of Human Settlements and CASIDRA. Furthermore, the Committee notes the regressed audit outcome of WESGRO from an unqualified audit outcome with findings in the 2020/21 financial year, to a qualified audit outcome with findings in the 2021/22 financial year. The Committee will engage these departments and entities with the view to support them in improving their audit outcomes for the 2022/23 financial year.

The Public Accounts Committee aims to, in the 2022/23 financial year, engage the AGSA on any performance audits reports on issues, if such reports become 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.

## **Part A: Findings which relates to departments**

### **6.1 Department of the Premier**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2021/22 financial year of the Department, having obtained a clean audit outcome. This audit opinion remains unchanged from the 2020/21 financial year.

### **6.2 Audit opinion**

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

### **6.3 Financial management**

For the financial year under review, the Department of the Premier spent R1,702 billion from an appropriated budget of R1,745 billion, which resulted in an under-expenditure of R42,509 million (97,5% budget spend). However, for the 2020/21 financial year, the Department spend R1,610 billion of an appropriated budget of R1,616 billion, which resulted in an under-expenditure of R6,593 million (99,6% spend). The under-expenditure of R42,509 million occurred under the following programmes:

- Programme 1: Executive Support (R1,845 million)
- Programme 2: Provincial Strategic Management (R7,352 million)
- Programme 3: People Management (R7,878 million)
- Programme 4: Centre for e-Innovation (R18,182 million)
- Programme 5: Corporate Assurance (R6,615 million), and
- Programme 6: Legal Services (R664 000).

The underspending within the programmes were mainly due to:

- staff exits and on Goods and Services,
- the impact of the COVID-19 pandemic on the roll out of the Commissioner for Children projects;
- the COVID-19 fourth wave not being as severe as initially anticipated and directives from the national Department of Health, received late in Quarter 4 to focus on youth in the vaccine campaign.
- the postponement of the VPI@schools project;
- efficiency saving on recruitment contracts;

- a delay in finding a suitable service provider for the Employee Engagement Tool;
- delays in the procurement of TeamMate upgrade due to problems with SITA's procurement processes; and
- underspending under machinery and equipment which was due to challenges with SITA's procurement processes.

In addition, the total estimated Departmental revenue budget of R1,602 million was over-collected by R2,857 million, which resulted in a total departmental receipt of R4,459 million. The revenue over-collection occurred under the following line items:

- Interest, dividends and rent on land (R14 000);
- Sale of capital assets (R5 000); and
- Financial transactions in assets and liabilities (R3,424 million).

The revenue under-collection occurred under the line item *sale of goods and services other than capital assets* (-R586 000).

#### 6.4 Resolution/s

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 5 of the Auditor-General Briefing Report.</p> <p>Description: The Committee notes the concern expressed by the Auditor-General in terms of the fact that the Department has oversight over the human resources function of the Western Cape Government (WCG) through the Corporate Service Centre. There seems to be an increase in the erroneous overpayments to employees of the WCG which could risk being classified as future fruitless and wasteful expenditure.</p>	<p>That the Department develops and implements a mechanism to address the concern raised by the AGSA; including the measures in place to mitigate this risk.</p> <p>That the Department briefs the Committee on the overpayments of staff of the WCG over the 2019/20, 2020/21 and 2021/22 financial years.</p>	<p>To be scheduled by the PAC.</p>
<p>Pages: 172 of the Annual Report.</p> <p>Description: The Committee notes that the Department experienced underspending due to various reasons as aforementioned.</p>	<p>That the Department briefs+- the Public Accounts Committee on the impact of the under expenditures on the operations of the Department, including the action plans developed and implemented to avoid a similar future recurrence.</p>	<p>To be scheduled by the PAC.</p>
<p>Pages: 172 of the Annual Report.</p> <p>Description: The Committee notes that the Department experienced an underspending due to delays in the procurement of the TeamMate licence renewal due</p>	<p>That the Department briefs the Public Accounts Committee on how the matter was, or will be, resolved; including how a recurrence of a similar nature can be avoided.</p>	<p>To be scheduled by the PAC.</p>

to problems with SITA's procurement processes.		
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## 6.5 List of information requested

None.

## 7.1 Provincial Treasury

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2021/22 financial year, having obtained a clean audit report with no findings. This audit opinion remains the same as the audit outcome for the 2020/21 financial year, where the Department obtained a clean outcome with no findings.

## 7.2 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.

## 7.3 Financial management

During the financial year under review, the Department spent R289,998 million of an appropriated budget of R307,602 million, which resulted in an underspending of R17,604 million (94% budget spend). For the 2020/21 financial year, the Department spent R277,393 million of an appropriated budget of R289,505 million, which resulted in an under-expenditure of R12,112 million (95% budget spend).

In addition, the total estimated departmental receipts budget of R76 000 was over-collected by R7,545 million, which resulted in a departmental receipt of R7,621 million.

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

- Sale of goods and services other than capital assets (R20 000);
- Interest, dividends and rent on land (R19 000); and
- Transactions in financial assets and liabilities (R7,507 million).

## 7.4 Resolution/s

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 147 of the Annual Report.</p> <p>Heading: "Appropriation per programme"</p> <p><u>Description:</u></p> <p>The Committee notes the overall underspending of R17,604 million that was incurred by the Department during the financial year under review. The Committee is concerned that the underspending might have</p>	<p>That the Department briefs the Committee on the underspending and how it impacted on its mandate and predetermined objectives for the 2021/22 financial year.</p>	<p>To be scheduled by the PAC.</p>

negatively impacted on the mandate of the Department.		
Page: 182 of the Annual Report. Heading: “Irregular expenditure” <u>Description:</u> The Committee notes the minimal irregular expenditure, which was incurred by the Department, including the irregular expenditure which was condoned.	That the Department briefs the Committee on the process on how it deals with irregular expenditures; including the condonation process and requirements of irregular expenditure when such is requested by the departments of the Western Cape Government.	To be scheduled by the PAC.

## 7.5 List of information requested

7.5.1 The Committee requested that the Department furnish it with the legislation or guidelines which govern the irregular expenditure condonation process.

## 8. Department of Community Safety

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2021/22 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 2020/21 financial year.

### 8.1 Audit opinion

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

### 8.2 Financial management

During the financial year under review, the Department spent R550,671 million of an appropriated budget of R559,307 million, which resulted in an underspending of R8,636 million (98% budget spend). For the 2020/21 financial year, the Department spent R773,295 million of an appropriated budget of R784,458 million (98% budget spend).

The Department had no projected or actual departmental receipts which it could report on during the 2021/22 financial year.

### 8.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 92 of the Annual Report. Heading: “Possible discontinuing of the Law Enforcement Advancement Plan (LEAP)” <u>Description:</u>	That the Department briefs the Committee on the success and challenges of the LEAP Project since its inception, including the value for money that was derived from the programme.	To be scheduled by the PAC.



The Committee notes that the LEAP project may be discontinued due to funding commitments due to it being raised as an unfunded mandate.		
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#### **8.4 List of information requested**

None.

### **9. Western Cape Education Department**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2021/22 financial year, having obtained an unqualified audit report with findings on compliance with key legislation relating to strategic planning and performance management; including findings on predetermined objectives and internal control deficiencies. This audit opinion remains unchanged from the 2020/21 financial year, where the Department achieved an unqualified audit outcome with findings on compliance with key legislation which relates to financial statements, performance and annual reports; including findings on its predetermined objectives and internal control deficiencies.

#### **9.1 Audit opinion**

The AGSA raised findings with the Department on compliance with key legislation relating to strategic planning and performance management, including findings on predetermined objectives and internal control deficiencies.

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

#### **Programme 2: Public Ordinary School Education**

##### **POI 202: Percentage of learners retained in the school system from Grades 1–9**

The source information for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of AGSA’s work and therefore AGSA was unable to audit the reliability of the achievement of 82.2% reported against the target of 68% in the annual performance report.

##### **POI 208: Percentage of learner with textbooks in every subject in every grade**

The department reported the indicator as “not applicable” for its achievement against a target of 40% in the annual performance report. However, the supporting evidence provided materially differed from this reported achievement.

#### **Other matters relating to predetermined objectives**

**Achievement of planned targets:** Refer to the annual performance report on pages 66 to 69 for information on the achievement of planned targets for the year and management’s explanations provided for the under-/overachievement of targets.

**Adjustment of material misstatements:** There were material misstatements in the annual performance report which was submitted for auditing. These material misstatements were in the reported performance information of programme 2: public ordinary school education. As management subsequently corrected some of the misstatements, AGSA raised material findings on the reliability of the reported performance information. Those that were not corrected are reported.

### **Internal control deficiencies**

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

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

Leadership did not exercise oversight responsibility regarding performance reporting, compliance and related internal controls as the implemented action plan was not adequate. This, together with the review processes for the performance report was not effective and adequate which resulted in misstatements identified. The actual achievement reported was not supported by documented evidence.

### **Financial management**

During the financial year under review, the Department spent R25,335 billion of an allocated budget of R25,388 billion, which resulted in an under-expenditure of R32,347 million (99,9% budget spend). Compared to the 2020/21 financial year, the Western Cape Education Department spent R24,008 billion of an appropriated budget of R24,564 billion, which resulted in an under- expenditure of R556,321 million (97,7% budget spend).

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

- Programme 1: Administration (R3,410 million);
- Programme 2: Public Ordinary School Education (R8,872 million);
- Programme 4: Public Special School Education (R7,441 million); and
- Programme 7: Examination and Education Related Services (R12,624 million).

The reasons for the underspending per programme is referred to on page 13 of the Annual Report of the Department.

During the financial year under review, the Department's departmental receipt estimated revenue budget of R25,171 million was over-collected by R1,590 million, which resulted in a departmental receipt of R26,761 million. In addition, for the 2021/22 financial year, the Department's departmental receipt estimated revenue budget of R24,710 million was over-collected by R4,382 million, which resulted in a departmental receipt collection of R20,328 million.

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

- Sale of goods and services other than capital assets (R854 000 under-collection);
- Fines, penalties and forfeits (R164 000);
- Interest, dividends and rent on land (R1,370 million under-collection); and
- Financial transactions in assets and liabilities (R3,650 million).

### 9.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: No page.</p> <p>Description: The Committee notes the comments from the Audit Committee Chairperson while engaging him on the audit outcome and internal controls challenges in the Western Cape Education Department during the 2021/22 financial year.</p>	<p>That the Audit Committee briefs and further engages the Public Accounts Committee on how the Department can move towards, and obtain, a clean audit outcome.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 55 of the Annual Report.</p> <p>Headings: “Reporting on the Institutional Response to the COVID-19 Pandemic”</p> <p>Description: The Committee notes the Department implemented specific posters and advocacy campaigns in order to reduce the impact of the pandemic on learner attrition by providing nutritional meals to learners within the parameters of the National School Nutritional Programme (NSNP) conditional grant.</p>	<p>That the Department and AGSA brief the Committee on the spend and impact of the NSNP, including how the other provinces in South Africa spent and reported on the impact of this programme.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 145 of the Annual Report.</p> <p>Headings: “Finding on compliance with key legislation relating to performance”</p> <p>Description: The Committee notes the audit findings of the Department by the Auditor-General of South Africa under Programme 2 – Public Ordinary School Education. PPM 208: Percentage of learners with English first additional language (EFAL) and Mathematics textbooks in Grades 3, 6, 9 and 12. An achievement of 87,4% was reported against a target of 60%</p>	<p>That the Department and AGSA brief the Public Accounts Committee on how it and the Auditor-General of South Africa will deal with the audit findings in order to mitigate a future recurrence. The Committee also requests that the AGSA present on any similar audit findings from the Departments of Education in the eight provinces in South Africa.</p>	<p>To be scheduled by the PAC.</p>

in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement.		
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#### **9.4 List of information requested**

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

- 9.4.1 A Report on the nine cases of fraud and irregularities, including the two cases with no adverse findings with recommendations, as indicated on pages 143 and 144 of the Annual Report.
- 9.4.2 A Report on the Transfer Payment: COVID19 Response in light of the implementation of the recommendations of the Special Investigation Unit, as referenced on page 151 of the Annual Report.
- 9.4.3 A Report which provides reasons for the overpayments of salaries of staff as indicated on page 234 of the Annual Report.
- 9.4.4 A Report on which schools have IT connectivity and accessibility in the Western Cape and which schools do not; including presenting a plan which will assist all schools to be accessible to the internet.
- 9.4.5 A report on the costs appropriated by the Department to stabilise Heathfield High School in light of the public saga of the removal of the principal.

### **10. Department of Health**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2021/22 financial year of the Department, having obtained an unqualified audit report with no findings on pre-determined objectives, key legislation nor internal control deficiencies. This audit outcome remains unchanged from the 2020/21 financial year, where the Department obtained an unqualified audit report with no findings on pre-determined objectives and internal control deficiencies.

#### **10.1 Audit opinion**

The Department received a clean audit outcome for the 2021/22 financial year.

The Committee recognises and commends the Department for its continued clean audit outcome.

#### **10.2 Financial management**

During the financial year under review, the Department spent R27,916 billion of an appropriated budget of R28,190 billion (99% budget spend). For the 2020/21 financial year, the Department spent R26,963 billion of an appropriated budget of R27,213 billion, which resulted in an under-expenditure of R250,013 million (99% budget spend).

For the 2021/22 financial year, the Department's receipts collected amounted to R426,444 million from an estimated R396,817 million. This was an over-collection of R29,627 million.

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

- Sale of goods and services other than capital assets (R15,345 million);
- Interest, dividends and rent on land (R873 000);

- Sale of capital assets (R5 000);
- Financial transactions in assets and liabilities (R84 000); and
- Transfer received (R147 000).

### **10.3 Resolution**

None.

### **10.4 List of information requested**

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

- 10.4.1 A report which indicates staff members whose employment contracts were not renewed due to the strategic risk of staff burn-out; including a further detailed explanation of the 11 strategic risks as highlighted on page 126 of the Annual Report. The Committee further requests that the Department furnish it with a report that indicates how many health officials were affected by the COVID-19 pandemic, including how many affected officials received compensation.
- 10.4.2 A report on the irregular expenditures condoned and still under assessment of the Department, as indicated under Note 23, as reflected on page 258 of the Annual Report.

## **11. Department of Social Development**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2021/22 financial year of the Department, having obtained clean audit opinion with no findings on pre-determined objectives, internal control deficiencies nor compliance with key legislation. This audit opinion remains unchanged from the 2020/21 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**

For the financial year under review, the Department spent R2,705 billion of an appropriated budget of R2,726 billion, which resulted in an under-expenditure of R20,388 million (99% budget spend). During the 2020/21 financial year, the Department spent R2,678 billion from an appropriated budget of R2,692 billion, which resulted in an under-expenditure of R13,491 million (99% budget spend).

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

- Programme 2: Social Welfare Services (R7,839 million); and
- Programme 3: Children and Families (R12,549 million).

During the 2020/21 financial year, the Department collected R1,965 million in departmental receipts from an estimated collection of R1,192 million, which resulted in an over-collection of R773 000.

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

- Sale of goods and services other than capital assets (R1 000); and
- Financial transactions in assets and liabilities (R773 000).

### 11.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 4–6 and of the Audit Committee Report Briefing document.</p> <p>Heading: “Emerging Risks”</p> <p><u>Description:</u> The Committee notes the emerging risks which were highlighted and discussed with the Audit Committee when it briefed it prior to engaging with the Department on the contents of its Annual Report.</p>	<p>That the Audit Committee briefs the Public Accounts Committee on how it managed-, including the status of the emerging risks for the 2021/22 financial year.</p> <p>That the Audit Committee briefs the Committee on the 15 risks which were not covered and that constitutes an assurance gap of 50%</p>	<p>To be scheduled by the PAC.</p>

### 11.4 List of information requested

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

- 11.4.1 A copy of the Disability Court Case as mentioned by the Head of Department in the meeting, and indicated on page 80 of the Annual Report.
- 11.4.2 A progress report on the organisational design processed which are highlighted under bullet nr. 4 of the key risks considered and addressed during the year on page 89 of the Annual Report.
- 11.4.3 A report which provides a detailed breakdown and further explanation of the contingent assets as highlighted under note 16.2 on page 195 of the Annual Report.
- 11.4.4 A copy of the Department’s funding policy which applies to all non-governmental organisations who make application to the Department for funding.

## 12. Department of Human Settlements

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2021/22 financial year, having obtained an unqualified audit report with findings on compliance to key legislation in respect of expenditure management and the utilisation of conditional grants; as well as findings on predetermined objectives and internal control deficiencies. This audit opinion remains unchanged from the audit outcome for the 2020/21 financial year, where the Department obtained an unqualified audit report with findings on compliance to key legislation, material misstatements in the submitted financial statements, procurement and contract management; including deficiencies in the internal controls of the Department.

### 12.1 Audit opinion

The Auditor-General of South Africa raised findings with the Department on compliance to key legislation with respect to expenditure management and the utilisation of conditional grants; including findings on predetermined objectives and deficiencies in the internal controls.

contract management; including deficiencies in the internal controls.

## **12.2 Financial management**

During the period under review, the Department spent R2,361 billion of an appropriated budget of R2,410 billion, which resulted in an under expenditure of R48,330 million (98% budget spend). For the 2020/21 financial year, the Department spent R2,380 billion of an appropriated budget of R2,426 billion, which resulted in an under-expenditure of R46,180 million (98% budget spend).

In addition, the total estimated departmental receipts budget of R70,521 million was over-collected by R8,280 million, which resulted in a departmental receipt of R78,801 million. The revenue over- and under collections occurred under the following line items:

- Sale of goods and services other than capital assets (R34 000 under-collection);
- Interest, dividends and rent on land (R9,174 million over-collection);
- Sale of the Departmental capital assets (R1 000 over-collection); and
- Transactions in financial assets liabilities (R861 000 under-collection).

Findings on compliance to key legislation:

The following material compliance findings were reported in the audit report:

### *Utilisation of conditional grants*

A portion of the funds received from the Informal Settlements Upgrading Partnership Grant (ISUPG) were transferred to Bitou Municipality, based on an agreed payment schedule without notification of and approval of the transfer, by National Treasury, as required by section 16(3) and 16(3)(a)(ii)(bb) of the Division of Revenue Act No 9 of 2021.

### *Expenditure management*

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R718 897, as disclosed in note 24 to the annual financial statements, as required by section 38(1)(c)(ii) of the Public Finance Management Act 1 of 1999 (PFMA) and treasury regulation (TR) 9.1.1. The irregular expenditure was caused due to the supplier not being tax compliant on the date of award.

### *Finding on material irregularity*

The material irregularities were identified as follows:

Finance linked individual subsidies (FLISP), which are funded by the Human Settlements Development Grant (HSDG), were incorrectly calculated and paid to beneficiaries in terms of the National Housing Code of 2009, which resulted in a material financial loss of R22 million. However, it was reported that the AGSA satisfied itself that appropriate action has been taken to resolve the material irregularity.

### *Finding on internal control deficiencies*

The matters which related to the findings on the internal control deficiencies within the Department were contained within Programme 3: Housing development and Programme 4: Housing and asset management. The report of the AGSA which highlights these findings can be read under notes 38 to 41 on page 124 of the Annual Report.

### 12.3 Resolution/s

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 6 of the Audit Committee Report Briefing document.</p> <p>Heading: “Emerging Risks”</p> <p><u>Description:</u> The Committee notes the emerging risks which were highlighted and discussed with the Audit Committee when it briefed it prior to engaging with the Department on the contents of its Annual Report. The Committee acknowledges the emerging risk which has been raised as the move from a clean audit to performance auditing and service delivery.</p>	<p>That the Audit Committee briefs the Public Accounts Committee on the audit outcome of the Department of Human Settlements; including the value of the quarterly Audit Committee meetings in assisting the Department in achieving a clean audit outcome in future.</p>	<p>To be scheduled by the PAC.</p>
<p>Pages: 121–125 of the Annual Report of the Department</p> <p><u>Description:</u> The Committee notes the audit findings of the AGSA in relation to the Department which resulted in an unqualified audit with findings on certain matters.</p>	<p>That the Department briefs the Committee on how it plans to prevent a future recurrence of the same findings; including at which employee levels and departmental units the challenges were identified which contributed to the audit finding of the Department.</p>	<p>To be scheduled by the PAC.</p>

### 12.4 List of information requested

12.4.1 The Committee requested that the Department furnish it with a report on the rental unit contracts which were in place and active for the 2021/22 financial year.

### 13. Department of 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 2021/22 financial year, having obtained a clean audit report with no findings on compliance with key legislation, predetermined objectives nor internal control deficiencies. This audit opinion remains unchanged from the 2020/21 financial year.

#### 13.1 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.

#### 13.2 Financial management



During the financial year under review, the Department spent R561,667 million of an appropriated budget of R565,417 million; which resulted in an under-expenditure of R3,750 million (99% budget spend). For the 2020/21 financial year, the Department spent R583,751 million of an appropriated budget of R588,532 million which resulted in an under-expenditure of R4,781 million (99% budget spend).

In addition, the Department collected R5,484 million of an estimated departmental receipt of R2,783 million, which resulted in an over-collection of R2,701 million. The revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R3 000);
- Fines, penalties and forfeits (R2,620 million);
- Sale of the Departmental capital assets (R7 000); and
- Financial transactions in assets and liabilities (R71 000).

### 13.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 185 of the Annual Report.</p> <p>Heading: “Appropriation per programme”</p> <p><u>Description:</u> The Committee notes with concern the decreased 2021/22 appropriation of R565,417 million and how it decreased from the 2020/21 appropriated allocation of R588,532 million. The Committee is concerned that the future annual appropriations will negatively impact on the service delivery mandates of the Department and its Entity.</p>	<p>That the Committee engage with the Department, Provincial Treasury and the Financial &amp; Fiscal Commission to ascertain how the annual appropriation of the Department and its Entity can be increased to meet their expanding service delivery mandates.</p>	<p>To be scheduled by the PAC.</p>

### 13.4 List of information requested

None.

## 14. 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 2021/22 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2020/21 financial year.

### 14.1 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.

### 14.2 Financial management

During the financial year under review, the Department spent R9,057 billion of an appropriated budget of R9,169 billion, which resulted in an underspending of R111,691 million (99% budget spend). For the 2020/21 financial year, the Department spent R8,443 billion of an appropriated budget of R8,575 billion, which resulted in an under-expenditure of R131,937 million (98,5% spend).

In addition, the total estimated departmental revenue budget of R1,8979 billion was over-collected by R97,263 million, which resulted in a departmental receipt of R2,076 billion.

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

- Motor vehicle licences (R35,194 million);
- Sale of goods and services other than capital assets (R32,258 million);
- Interest, dividends and rent on land (R1,859 million);
- Fines, penalties and forfeits (R2,739 million);
- Sale of the Departmental capital assets (R10,604 million); and
- Financial transactions in assets and liabilities (R14,609 million).

### **14.3 Resolution/s**

None.

### **14.4 List of information requested**

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

- 14.4.1 A report which highlights the breakdowns of the transfers and subsidies to municipalities, as reflected on page 226 of the Annual Report of the Department.
- 14.4.2 A report which highlights the principal-agent arrangements between the Department and Beaufort West Municipality; including the reasons for the under-collection of fees from the Municipality as reflected on page 265 of the Annual Report of the Department.

## **15. Department of Agriculture**

The Committee noted the audit opinion of the Auditor-General regarding the annual financial statements of the Department for the 2021/22 financial year, having obtained an unqualified audit opinion with no findings on key legislation, predetermined objectives and internal control deficiencies. This audit opinion remains unchanged from the 2020/21 financial year.

### **15.1 Audit opinion**

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

### **15.2 Financial management**

During 2021/22 financial year, the Department spent R892,70 million of an appropriated expenditure of R910,8 million which in an under-expenditure of R18.1 million (98% budget spend). For the 2020/21 financial year, the Department spent R917,856 million of an appropriated expenditure of R928,803 million which resulted in an under-expenditure of R10,947 million (98% budget spend).

In addition, the Department's departmental receipt estimated revenue budget of R34,948 million was over-collected by R10,143 million, which resulted in a Departmental receipt of R45,091 million.

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

- Sale of goods and services other than capital assets (R7 089 million);
- Transfer received (R30 000);
- Interest, dividends and rent on land (R1 379 million);
- Sale of capital assets (R317 000); and
- Financial transactions in assets and liabilities (R1,328 million).

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

- Programme 1: Administration (R2, 287million),
- Programme 2: Sustainable Resource Management (R2,268 million),
- Programme 3: Farmer Support and Development (R1,365 million),
- Programme 4: Veterinary Services (R2,577 million),
- Programme 5: Research and Technology Development (R688 000),
- Programme 6: Agriculture Economics Services (R1,759 million),
- Programme 7: Structured Agricultural Education and Training (R5,655 million); and
- Programme 8: Rural Development (R1,503 million).

### **15.3 Resolution/s**

None.

### **15.4 List of information requested**

None.

## **16. Department of Economic Development and Tourism**

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2021/22 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2020/21 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 internal control deficiencies.

### **16.2 Financial management**

During the financial year under review, the Department spent R493,396 million of an appropriated budget of R499,899 million, which resulted in an under-expenditure of R6,503 million (98,7% budget spend). For the 2020/21 financial year, the Department spent R530,711 million of an appropriated budget of R534,886 million, resulting in an under-expenditure of R4,175 million (99,2% spend).

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

- Programme 1: Administration (R964 000);

- Programme 2: Integrated Economic Development Services (R472 000);
- Programme 3: Trade and Sector Development (R14 000);
- Programme 4: Business Regulation and Governance (R188 000);
- Programme 5: Economic Planning (R3,065 million);
- Programme 6: Tourism, Arts and Entertainment (R436 000); and
- Programme 7: Skills Development and Innovation (R1,364 million).

For the 2021/22 financial year, the Department collected R21,565 million, from an estimated receipt collection of R371 000, which resulted in an over-collection of R21,194 million.

The over-collection under the following line items:

- Sale of goods and services other than capital assets (R773 000);
- Transfers received (R694 000);
- Interest, dividends and rent on land (R19 000);
- Sale of capital assets (R54 000).

### 16.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Pages: 96–99 of the Annual Report of Wesgro  <u>Description:</u> The Committee notes the audit findings of Wesgro in terms of obtaining a qualified audit opinion for the 2021/22 financial year.	That the Department briefs the Public Accounts Committee on its oversight function over the Entity, as well as the support that was rendered to Wesgro during the 2021/22 financial year, which resulted in the Entity receiving a qualified audit opinion.	To be scheduled by the Public Accounts Committee.

### 16.4 List of information requested

16.4.1 The Committee requested that the Department furnish it, through Provincial Treasury, with the/or a framework for conducting oversight over state-owned entities.

## 17. Cultural Affairs and Sport

The Committee noted the audit opinion of the Auditor-General regarding the annual financial statements of the Department for the 2020/21 financial year, having obtained unqualified audit opinion with no findings on predetermined objectives and compliance with applicable laws and regulations. This audit opinion remains unchanged from the 2019/20 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 significant deficiencies in its internal controls.

### 17.2 Financial management

During the period under review, the Department spent R889,178 million of an appropriated budget of R900,109 million, which resulted in an under-expenditure of R10,932 million (99% budget spend). For the 2020/21 financial year, the Department of Cultural Affairs and Sport spent R735,454 million of a budget of R745,805 million, which resulted in an under-expenditure of R10,351 million (98,6% expenditure).

In addition, the total projected departmental receipts of R1,935 million was over-collected by R1,330 million, which resulted in a departmental receipt of R3,266 million. The revenue over- and under collections occurred under the following line items:

- Interest, dividends and rent on land (R8 000 over- collection);
- Financial transactions and assets and liabilities (R1,435 over- collection);
- Sale of goods and services other than capital assets (R238 000 under- collection); and
- Fines, penalties and forfeits (R125 000 over- collection).

### **17.3 Resolutions**

None.

### **17.4 List of information requested**

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

17.4.1. A list which indicates the funds that were allocated to sports federations, non-profit organisations; including the mass participation; opportunity and access; development and growth (MOD) centres.

17.4.2. A report on any gifts and donations that were given by the Department to stakeholders.

## **18. Local Government**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2021/22 financial year of the Department, having obtained a clean audit report. This audit opinion remains unchanged from the 2020/21 financial year.

### **18.1 Audit opinion**

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

### **18.2 Financial management**

For the financial year under review, the Department spent R330,471 million of an appropriated budget of R342,646 million (96% budget spend). During the 2020/21 financial year, the Department spent R279,141 million of an appropriated budget of R283,679 million, resulting in an under-expenditure of R4,538 million (98,4% budget spend).

For the 2021/22 financial year, the estimated departmental receipt of R109 000 was over-collected by R6,704 million, which resulted in a collected amount of R6,813 million.

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

- Sale of goods and services other than capital assets (R16 000); and
- Financial transactions in assets and liabilities (R6,688 million).

### **18.3 Resolution/s**

None.

## **18.4 List of information requested**

The Committee requested that the Department furnish it with the following information:

- 18.4.1 A report that highlights the requirement and benefits for municipalities to participate in the community development workers (CDW) programme in the Western Cape, as reflected on page 151 of the Annual Report.
- 18.4.2 A report on how the under-expenditure of R12,175 million impacted on service delivery and the mandate of the Department, as indicated on page 146 of the Annual Report.
- 18.4.3 A report which provides a detailed breakdown and explanation of the other non-pensionable allowances which amounted to R30,858 million, as indicated on page 172 of the Annual Report.
- 18.4.4 A report explaining why Swellendam Municipality, including the 5 district municipalities, did not participate in the CDW programme as indicated on pages 193-194 of the Annual Report.

## **Part B: Findings which relates to entities**

### **19. 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 2021/22 financial year, having obtained a clean audit outcome. This presents an improvement from the 2020/21 financial year, where the Entity obtained an unqualified audit outcome with matters relating to findings on compliance with key legislation and deficiencies in internal control.

#### **19.1 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.

#### **19.2 Financial management**

For the financial year under review, the Entity spent R59,800 million of an appropriated budget of R69,802 million, which resulted in an underspending of R10 million (86% budget spend). During the 2020/21 financial year, the Western Cape Gambling and Racing Board (WCGRB) spent R53,161 million of an appropriated budget of R69,970 million. This resulted in an overall under-expenditure of R16,808 million (76% budget spend).

As indicated on page 45, the WCGRB's revenue collection for the 2021/22 financial year estimate of R69,802 million was exceeded by R9,893 million, which resulted in an end of year revenue yield of R79,696 million.

#### **19.3 Resolution/s**

None.

#### **19.4 List of information requested**

The Committee requested that the Entity furnish it with the following:

- 19.4.1 A list of expenditures against its Corporate Social Investments for the financial year under review.

## **20. Western Cape Liquor Authority**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2021/22 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 2020/21 financial year.

### **20.1 Audit opinion**

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

### **20.2 Financial management**

For the financial year under review, the Entity spent R66,322 million of an appropriated budget of R85,972 million, which resulted in an underspending of R19,649 million (77% budget spend). During the 2020/21 financial year, the Entity spent R46,159 million from a final budget of R65,879 million which resulted in an under-expenditure of R19,719 million (70% budget spend).

In addition, as disclosed on page 77 of the Entity's Annual Report, the total revenue budget of R80,972 million was under-collected by R15,247 million, which resulted in a receipt of R70,724 million.

### **20.3 Resolution/s**

None.

### **20.4 List of information requested**

The Committee requested that the Entity furnish it with the following:

A report that highlights any inputs that were received from the liquor traders/operators for the financial year under review, including the compliance rate of liquor traders to the legislation and license requirements of the Entity; as well as the impact of the liquor traders on crime reduction efforts.

20.4.2 A report on the under-collection of revenue by the Entity and how this under-collection impacted on its service delivery.

20.4.3 A copy of the policy which governs/guides the debt-collection processes of the Entity.

## **21. CapeNature**

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2021/22 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2020/21 financial year.

### **21.1 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.

### **21.2 Financial management**

During the financial year under review, CapeNature spent R373,135 million of a budget of R375,287 million, resulting in an overall under-expenditure of R2,151 million (99% budget spend). For the 2020/21 financial year, the Entity spent R345,428 million of an appropriated budget of R366,574 million, which resulted in an under-expenditure of R21,145 million (94,2% budget spend).

For the 2021/22 financial year, the Entity's revenue estimation of R375,287 million was under-collected by R12,538 million, which resulted in a revenue collection of R362,748 million.

The total estimated revenue budget of CapeNature of R371,287 million was under-collected by R9,274 million, which resulted in a departmental receipt of R362,013 million. The under-expenditure occurred under the line-item Government Grant, Own Revenue and Special Projects.

### **21.3 Resolution/s**

None.

### **21.4 List of information requested**

21.4.1 The Committee requested that the Entity furnish it with a report which indicates how it has prepared for, and/or implemented a mechanism to be compliant to GRAP 17 in terms of the assessment of the useful life of its assets.

## **22. Government Motor Transport**

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2021/22 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2020/21 financial year.

### **22.1 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.

### **22.2 Financial management**

As disclosed on page 25 of the Entity's Annual Report, GMT's revenue increased by 11% to R845 million during the year under review (2020-21 R758,1 million). This revenue includes R697,2 million earned from the rental of the vehicle fleet, being R340,7 million (2020/21: R277,1 million) from kilometre charges, and R356,5 million (2020/21: R322,9 million) from interest earned on finance leases.

During the financial year under review, GMT spent R718,448 million of an appropriated budget of R771,134 million, which resulted in an underspending of R52,689 million (93% budget spend). For the 2020/21 financial year, the Entity spent R598,706 million of a final budget of R649,009 million, which resulted in an underspending of R50,302 million (92% budget spend).

The carrying value of non-current assets increased by 25% year-on-year, mainly because of an increase of R218,6 million in the intangible assets and R91,3 million of vehicle additions included under property, plant and equipment.



In addition, the total estimated revenue budget of the Government Motor Transport of R804,984 million was over-collected by R39,975 million, which resulted in a departmental receipt of R844,959 million. The over- and under collection of revenue occurred under the following categories of revenue:

- Daily-, kilometre tariffs and interest earned on finance lease receivables (R24,696 million over-collection);
- Other income (R2,454 million over-collected);
- Government grants and other subsidies received (funding received from clients for additional vehicles) (R5,268 million under-collected);
- Services in-kind (R3 000 under-collected); and
- Interest earned – accounts receivables, and cash and cash equivalents (R18,095 million over-collected).

### **22.3 Resolution/s**

None.

### **22.4 List of information requested**

22.4.1. The Committee requested that the Government Motor Transport provide it with a Report which indicates the Policy which guides on the close family members of personnel who are employed at the GMT; including how nepotism is avoided, as indicated under note 35.2.4 on page 189 of the Annual Report of the Entity.

## **23. Cape Agency for Sustainable Integrated Development in Rural Areas (Casidra)**

The Committee noted the audit opinion of the Auditor-General regarding the annual financial statements of the Entity for the 2021/22 financial year, having obtained an unqualified audit opinion with findings on predetermined objectives and internal control deficiencies. This

### **23.1 Audit opinion**

The Auditor-General of South Africa raised findings with the Entity which relates to predetermined objectives and deficiencies in its internal controls.

### **23.2 Financial management**

As disclosed on page 53 of the Entity’s Annual Report, Casidra SOC Ltd. spent R222,667 million during the financial year under review. For the 2020/21 financial year, the Entity spent R279,025 million. In addition, the Entity collected an amount of R216,491 million during the 2021/22 financial year.

### **23.3 Resolution**

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 1–2 of the Briefing of the AGSA to the Public Accounts Committee  Headings: “Finding on pre-determined objectives”	That the Auditor-General of South Africa and Casidra brief the Committee on assurances and monitor the pre-determined objectives every quarter.	To be scheduled by the Public Accounts Committee.

<p><u>Description:</u> The AGSA raised findings with the Entity which relates to predetermined objectives and deficiencies in its internal controls.</p>		
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#### **23.4 List of information requested**

None.

#### **24. 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 2021/22 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2020/21 financial year.

##### **24.1 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.

##### **24.2 Financial management**

As disclosed on page 93 of the Annual Report, the Entity spent R84,7 million of its finally adjusted operating budget of R103,7 million, resulting in an underspending of R19 million for the financial year under review. For the 2020/21 financial year, the SBIDZ spent R87,976 million of its operating expenditure budget of R87,898 million, resulting in an underspending of R78,020 million.

The Entity's revenue budget of R2,621 million was over- collected by R30 049, which resulted in an overall collection of R2,651million.

##### **24.3 Resolution/s**

None.

##### **24.4 List of Information Requested**

None.

#### **25. The Western Cape Tourism, Trade and Investment Promotion Entity (Wesgro)**

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2021/22 financial year, having obtained a qualified audit opinion, with findings on key legislation, predetermined objectives and deficiencies in its internal control. During the 2020/21 financial year, Wesgro received an unqualified audit outcome with findings on predetermined objectives, as well as internal control deficiencies. This audit opinion regression from the 2020/21 audit outcome.

##### **25.1 Audit opinion**

The Auditor-General of South Africa raised some findings on key legislation, predetermined objectives and deficiencies in its internal control.

## *Findings by the AGSA:*

### *Annual financial statements and annual report*

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

### *Asset management*

The Entity did not determine if any other state institution involved in education and/or training required computer equipment before disposal of such equipment, as required by Treasury Regulation 16A.7.7.

### *Expenditure management*

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1,793 million as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by non-compliance with supply chain management regulations.

### *Consequence management*

I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

### *Procurement and contract management*

Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the public entity, as required by Treasury Regulation 16A6.2 (a) and (b). Some of the contracts were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulation 16A9.1(d). In addition, some of the contracts and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, as required by the 2017 Preferential Procurement Regulation 5(1) and (3).

### *Internal control deficiencies*

Action plans were not implemented timeously to address the prior year audit findings which resulted in sufficient and adequate reviews not being performed on the correction of the prior period errors, estimates of useful lives of assets and year end reports. Management did not implement adequate preventative controls to address prior year procurement and contract management findings. A misalignment between the supply chain management policy and financial policies tailored for operations resulted in management not adequately monitoring compliance with laws and regulations relating to supply chain management and expenditure management.

The instability at leadership level during the financial year affected the various levels of oversight displayed and the action to address the irregular expenditure identified in accordance with the legislative requirements, thereby resulting in consequences not being implemented by year-end.

The annual performance plan was not adequately reviewed to ensure that the technical indicator description provided enough information about the measurement of the target, thus ensuring that

the indicator description is well defined. Management did not have sufficient and adequate documented and signed standard operating procedures defining what supported means and how the estimated economic value relates to the indicator. This resulted in an ambiguous understanding of the indicator when planned.

## 25.2 Financial management

During the financial year under review, the Entity spent R138,112 million of an appropriated budget of R134,783 million; which resulted in an over-expenditure of R3,329 million (102% budget spend). For the 2020/21 financial year, Wesgro spent R90,517 million of a budget of R100,895 million, which resulted in an underspending of R10,379 million (89,7% budget spend).

In addition, the total Entity's projected receipts of R146,908 million was over-collected by R904 000, which resulted in a departmental receipt of R147,562 million. The revenue over- and under collection occurred under the following line items:

- Interest (R275 000 under-collection);
- Other incomes (R929 000 over-collection); and
- Nett gain on disposal of assets (R250 000 over-collection).

## 25.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 96–99 of the Annual Report of Wesgro</p> <p><u>Description:</u> The Committee notes the audit findings of Wesgro in terms of obtaining a qualified audit opinion for the 2021/22 financial year.</p>	<p>That the Entity briefs the Committee on its action and assurance plans on how it will mitigate a future recurrence of a qualified audit outcome.</p>	<p>To be scheduled by the Public Accounts Committee.</p>

## 25.4 List of information requested

None.

## 26. Atlantis Special Economic Zone Company SOC Ltd

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2021/22 financial year, having obtained a clean audit. This is the first time that the Committee met on the audit outcome of the Entity, as it was newly established and registered as a public entity in December 2021.

### 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 internal control deficiencies.

### 26.2 Financial management

The Committee noted that as at 31 March 2022, the Entity had an accumulated surplus of R6 062 434 and that the entity's total assets exceeded its liabilities by R62,562,534. As disclosed on page 47 of the entity's Annual Report, the Atlantis Special Economic Zones Company SOC Ltd spent R33,904 million of a budget/ appropriation of R38,948 million, which resulted in an overall under-expenditure of R5,044 million.

### 26.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 49 of the Annual Report.</p> <p><u>Description:</u> The Committee notes the composition of the Accounting Authority of the Board in relation to community stakeholder network.</p>	<p>That the Entity briefs the Committee on the engagement and status of the community stakeholder network and how it impacts on its service delivery goals, including the value for money in terms of the expenditure on this line item of R301,458.</p>	<p>To be scheduled by the Public Accounts Committee.</p>

### 26.4 List of information requested

None.

## 27. Heritage Western Cape

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2021/23 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives and compliance with applicable laws and regulations. This audit opinion remains unchanged from the 2020/21 financial year.

### 27.1 Audit opinion

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

### 27.2 Financial management

For the year under review, Heritage Western Cape spent R1,945 million of an appropriated budget of R2,121 million, which resulted in an under-expenditure of R176 000. During the 2020/21 financial year, the Entity spent R1,895 million of a budget of R1,990 million, which resulted in an under- expenditure of R95 000.

As indicated on page 27 of the Entity's Annual Report, the estimated revenue budget of R2,121 million was under-collected by R135 000, which resulted in a departmental receipt of R1,986 million. The revenue over- and under collections occurred under the following line items:

- Other operating income (R136 000 under-collection); and
- Interest income (R1 000 over-collection)

### 27.3 Resolution/s

None.

#### **27.4 List of information requested**

None.

#### **28. Western Cape Cultural Commission**

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2021/22 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives and compliance with applicable laws and regulations. This audit opinion remains unchanged from the 2020/21 financial year.

##### **28.1 Audit opinion**

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

##### **28.2 Financial management**

During the financial year under review, the Entity spent R1,624 million of an appropriated budget of R2,100 million, which resulted in an under-expenditure of R476 000 (77% budget spend). However, for the 2020/21 financial year, the Western Cape Cultural Commission spent R1,844 million of an appropriated budget of R1,809 million, which resulted in an over-expenditure of R35 000 (102% budget spend).

As indicated on page 21 of the Annual Report, the estimated revenue collection budget of the Entity of R2,1 million was under-collected by R6 000 which resulted in an end-of-financial year departmental receipt of R2,094 million. The revenue over- and under collections occurred under the following line items:

- Other operating income (R516 000 under-collection);
- Transfer payment (R500 000 over-collection); and
- Interest income (R10 000 over-collection).

##### **28.3 Resolution/s**

None.

#### **28.4 List of information requested**

None.

#### **29. Western Cape Language Committee**

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2021/22 financial year of the Entity, having obtained an unqualified audit report with no findings on pre-determined objectives and compliance with applicable laws and regulations. This audit opinion remains unchanged from the 2020/21 financial year.

##### **29.1 Audit opinion**

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

## **29.2 Financial management**

During the year under review, the Entity spent R184 000 of an appropriated budget of R294 000, which resulted in an under-expenditure of R110 000. For the 2020/21 financial year, the Western Cape Language Committee spent R164 000 of a budget of R179 000, which resulted in an over-expenditure of R15 000.

As highlighted on page 17 of the English version of the Entity's Annual Report, the total estimated departmental revenue budget of R294 000 was under-collected by R3 000, which resulted in a departmental receipt of R291 000. The under-collection relates to interest income of R3 000.

## **29.3 Resolution/s**

None.

## **29.4 List of information requested**

None.

## **30. 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.

It should be noted that the public was invited to participate in the 2021/22 financial year annual reports process through placing adverts in various newspapers in the Western Cape. No inputs were received from the members of the public in the meetings of the Public Accounts Committees with the Departments and entities on their annual reports. 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.

The Committee also acknowledges 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.**

Copy attached.