

*Wednesday, 14 February 2024]*

No 16 - 2024] SIXTH SESSION, SIXTH PARLIAMENT

# PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

## ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

WEDNESDAY, 14 FEBRUARY 2024

### COMMITTEE REPORT

**The Public Accounts Committee (PAC), having considered, as part of its oversight role, the 2022/2023 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 2023 of the following provincial departments were examined –

- 2.1 Department of the Premier;
- 2.2 Provincial Treasury;
- 2.3 Department of Community Safety;<sup>1</sup>
- 2.4 Western Cape Education Department;
- 2.5 Department of Health;<sup>2</sup>
- 2.6 Department of Social Development;
- 2.7 Department of Human Settlements;<sup>3</sup>
- 2.8 Department of Environmental Affairs and Development Planning;
- 2.9 Department of Transport and Public Works;<sup>4</sup>
- 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 2023 of the following public entities were examined –

- 3.1 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. 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

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<sup>1</sup> From the start of the 2023/24 financial year, the Department of Community Safety was renamed to the Department of Police Oversight and Community Safety. However, the Annual Report of the Department for the 2022/23 financial year was for the Department of Community Safety. Please see ATC 34-2023, dated 31 March 2023; including *Government Gazette* No 48103, dated 23 February 2023.

<sup>2</sup> From the start of the 2023/24 financial year, the Department of Health was renamed to the Department of Health and Wellness. However, the Annual Report of the Department for the 2022/23 financial year was for the Department of Health. Please see ATC 34-2023, dated 31 March 2023; including *Government Gazette* No 48103, dated 23 February 2023.

<sup>3</sup> From the start of the 2023/24 financial year, the Department of Human Settlements was renamed to the Department of Infrastructure. However, the Annual Report of the Department for the 2022/23 financial year was for the Department of Human Settlements. Please see ATC 34-2023, dated 31 March 2023; including *Government Gazette* No 48103, dated 23 February 2023.

<sup>4</sup> From the start of the 2023/24 financial year, the Department of Transport and Public Works was renamed to the Department of Mobility. However, the Annual Report of the Department for the 2022/23 financial year was for the Department of Transport and Public Works. Please see ATC 34-2023, dated 31 March 2023; including *Government Gazette* No 48103, dated 23 February 2023.

Chief Executive Officers and Board members of the public entities and members of the public in attendance at the discussions on the 2022/23 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 improved audit outcome of WESGRO from a qualified audit outcome with findings during the 2021/22 financial year, to an unqualified audit outcome with findings in the 2022/23 financial year. The Committee will engage the Entity with the view to support it in improving its audit outcome for the 2023/24 financial year.

The Committee will also engage the AGSA on the increased annual audit fees which are charged to the departments and entities of the WCG.

## **5. Recommendations**

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 of the WCG**

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

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2022/23 financial year of the Department, having obtained a clean audit outcome. This audit opinion remains unchanged from the 2021/22 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 R1,784 billion from an appropriated budget of R1,805 billion, which resulted in an under-expenditure of R21,180 million (98,8% budget spend). However, for the 2021/22 financial year, the Department 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).

The under-expenditure of R21,180 million occurred under the following programme

Programme 1: Executive Governance and Integration (R290 000);  
 Programme 2: Provincial Strategic Management (R3,190 million);  
 Programme 3: People Management (R3,088 million);  
 Programme 4: Centre for e-Innovation (R13,392 million)  
 Programme 5: Corporate Assurance (R1,053 million), and  
 Programme 6: Legal Services (R167 000).

The underspending within the programmes were mainly due to:

- staff exits and lower than projected spending on external audit (AGSA);
- staff exits and the slower than anticipated filling of posts;
- no bid response received in respect of a train-the-trainer initiative for the Behavioural Insights project that commenced during quarter 4 as planned and adjustment of the Digital Innovation Portal refresh timelines due to the Branch: e-Innovation (BEI) platform upgrade process. resulting in funds having to be rolled over to the next financial year;
- delays in the roll-out of the Wi-Fi service as the service provider was running behind schedule with the upgrading of the broadband connections to the required minimum network speed of 100mbps;
- problems linked to SITA's procurement processes resulted in procurement delays with subsequent negative impact on capital expenditure;
- problems linked to SITA's procurement processes resulted in procurement delays in respect of TeamMate licence renewal;
- lower than projected spending on Audit Committee;
- outstanding stakeholder approvals/feedback resulted in deferred completion of projects:
- WCG Brand roll-out of Culture Toolkits booklets, Wall of Remembrance (COVID-19 related), and the Digital Design Toolkit.

In addition, the total estimated Departmental revenue budget of R1,712 million was over-collected by R874 000, which resulted in a total departmental receipt of R2,586 million. The revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R663 000 under-collection);
- Interest, dividends and rent on land (R11 000 under-collection);
- Sale of capital assets (R1 000 over-collection); and
- Financial transactions in assets and liabilities (R1,547 million over-collection).

The Department reported one case of fruitless and wasteful expenditure amounting to R1,334.00; while it also reported one case of irregular expenditure amounting to R17,269.19 during the 2022/23 financial year.

#### 6.4 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 182 of the Annual Report of the Department Description: The Committee notes the challenges that are linked to SITA's procurement process which resulted in 1) procurement delays with subsequent negative impact on capital expenditure, and 2) procurement delays in respect of the TeamMate licence renewal.	6.4.1 That the Department brief the Committee on the delay in the procurement of the SITAs and what are the alternate steps taken to remediate the situation.	To be scheduled by the PAC.

#### 6.4 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 2022/23 financial year, having obtained a clean audit report with no findings. This audit opinion remains the same as the audit outcome for the 2021/22 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 R317,050 million of an appropriated budget of R318,820 million, which resulted in an underspending of R1,770 million (99,4% budget spend). For the 2021/22 financial year, the Department spent R289,998 million of an appropriated budget of R307,602 million, which resulted in an underspending of R17,604 million (94,3% budget spend).

The main reasons for the under-expenditure of the department as follows:

- the later than anticipated commencement of projects related to improving value for money in Supply Chain Management and to improve Infrastructure Asset Management at twelve municipalities, including;
- the actual cost of support to the Beaufort West Municipality for the implementation of a mandatory financial recovery plan that was less than the estimated cost.

## 7.4 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
The Committee met and engaged with the AGSA and AC on the irregular expenditure of the departments and entities of the WCG from 10-31 October 2023.	7.4.1 That the Department briefs the Committee on the relevant legislation/s and processes used in condoning the irregular expenditures of departments and entities of the WCG.	To be determined and scheduled by the PAC.

## 7.5 List of Information Requested

None

## 8. Department of Community Safety

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2022/23 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 2021/22 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 R767,395 million of an appropriated budget of R775,821 million, which resulted in an underspending of R8,426 million (98,9% budget spend). For the 2021/22 financial year, the Department spent R550,671 million of an appropriated budget of R559,307 million, which resulted in an underspending of R8,636 million (98,5% budget spend).

The underspending in the Department was largely due to the compensation of employees and goods and services which includes; slow filling of posts, internal promotions, staff attrition, lower spend of Extended Public Works Programme funds and the delay in the delivery of consumables and equipment.

The Department had no projected or actual departmental receipts which it could report on during the 2022/23 financial year.

## **8.3 Resolution/s**

None

## **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 2022/23 financial year, having obtained an unqualified audit report with findings on compliance to performance reporting and internal control deficiencies. This audit opinion remains unchanged from the 2021/22 financial year, where the Department achieved an unqualified audit outcome with findings on compliance with key legislation relating to strategic planning and performance management; including findings on predetermined objectives and internal control deficiencies.

### **9.1 Audit Opinion**

The AGSA raised findings with the Department on compliance with performance reporting.

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

***SOI 203: Percentage of Funza Lushaka bursary holder placed in schools within six months upon completion of studies or upon confirmation that the bursar has completed studies.***

An achievement of 58,6% was reported against a target of 60%. However, the audit evidence did not support this achievement. The AGSA could not determine the actual achievement but could only estimate the achievement to be materially misstated.

The root cause of this finding emanated from the fact that the department did not perform adequate confirmation of the evidence to support the reported performance achievements. The review processes for the performance information reported were not effective and adequate to prevent or detect and correct material misstatements such that achievements reported are in line with the technical indicator description.

### Internal Control Deficiencies

The department did not perform adequate confirmation of the evidence to support the reported performance achievements. The review processes for the performance information reported were not effective and adequate to prevent or detect and correct material misstatements such that achievements reported are in line with the technical indicator description.

## 9.2 Financial Management

During the financial year under review, the Department spent R28,128 billion of an allocated budget of R28,165 billion, which resulted in an under-expenditure of R36,985 million (99,9% budget spend). Compared to the 2021/22 financial year, the Western Cape Education 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).

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

- Programme 1: Administration (R7,523 million);
- Programme 2: Public Ordinary School Education (R11,439 million);
- Programme 4: Public Special School Education (R4,033 million); and
- Programme 7: Examination and Education Related Services (R13,990 million).

During the financial year under review, the Department's departmental receipt estimated revenue budget of R25,693 million was over-collected by R140 000, which resulted in a departmental receipt of R25,833 million.

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

- Sale of goods and services other than capital assets (R423 000 under-collection);
- Fines, penalties and forfeits (R105 000 over-collection);
- Interest, dividends and rent on land (R1,244 million under-collection); and
- Financial transactions in assets and liabilities (R1,702 million over-collection).

## 9.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 211 of the Annual Report of the Department</p> <p>Description: The Committee notes the comment of the AGSA that an achievement of 58,6% was reported against a target of 60% in terms of the percentage of Funza Lushaka bursary holder.</p>	<p>9.3.1 That the Department brief the Committee on this finding of the AGSA; including the mechanism introduced to avoid a recurrence of this matter.</p>	<p>28 February 2024</p>

<p>However, the audit evidence did not support this achievement. In addition, the AGSA could not determine the actual achievement, but could only estimate the achievement to be materially misstated.</p>		
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#### **9.4 List of Information Requested**

None

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

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2022/23 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 2021/22 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 2022/23 financial year.

The Committee recognise and commends the Department that it continued to maintain its clean audit outcome.

#### **10.2 Financial Management**

During the financial year under review, the Department spent R28,915 billion of an appropriated budget of R29,095 billion (99,4% budget spend). For the 2021/22 financial year, the Department spent R27,916 billion of an appropriated budget of R28,190 billion (99% budget spend).

For the 2022/23 financial year, the Department's receipts collected amounted to R568,131 million from an estimated R397,253 million. This was an over-collection of R170,878 million.

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

- Sale of goods and services other than capital assets (R35,658 million over-collection);
- Transfer received (R124 000 over-collection);
- Interest, dividends and rent on land (R296 000 under-collection); and
- Financial transactions in assets and liabilities (R135,392 million over-collection).

#### **10.3 Resolution**

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 223-224 of the Department of Health</p> <p>Description: The Committee notes the discrepancies between the planned targets of the Department and the reported achievements by the Auditor-General of South Africa</p>	10.3.1. That the Committee joined with the Budget Committee engages the Department of the Premier, Provincial Treasury, Audit Committees and AGSA to ascertain the processes on how the annual budget and expenditure of the departments correlates to its annual target setting.	28 February 2024.

#### 10.4 List of Information Requested

None

### 11. Department of Social Development

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2022/23 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 2021/22 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 R2,356 billion of an appropriated budget of R2,365 billion, which resulted in an under-expenditure of R8,578 million (99,6% budget spend). During the 2021/22 financial year, the Department spent R2,705 billion of an appropriated budget of R2,726 billion, which resulted in an under-expenditure of R20,388 million (99,3% budget spend).

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

- Programme 1: Administration (R3,198 million);
- Programme 2: Social Welfare Services (R1,206 million);
- Programme 3: Children and Families (R1,835 million);
- Programme 4: Restorative Justice (R2,060 million); and
- Programme 5: Development and Research (R279 000).

During the 2022/23 financial year, the Department collected R1,984 million in departmental receipts from an estimation of R1,258 million, which resulted in an over-collection of R726 000.

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

- Interest, dividends and rent on land (R232 000); and
- Financial transactions in assets and liabilities (R491 000).

### **11.3 Resolution/s**

None

### **11.4 List of Information Requested**

None

## **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 2022/23 financial year, having obtained an unqualified audit report with findings on performance reporting. This audit opinion remains unchanged from the audit outcome for the 2021/22 financial year, where the Department 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 within the Department.

### **12.1 Audit opinion**

The Auditor-General of South Africa raised findings with the Department on performance reporting, which related to the following:

#### **Programme 4: Housing and asset management**

Various indicators

Based on audit evidence, the actual achievements for four (4) indicators did not agree to what was reported. The AGSA could not determine the actual achievements but estimated the achievements to be materially more. Consequently, according to the AGSA, it is likely that the achievement against the target was better than reported.

#### **Significant internal control deficiencies identified.**

The controls implemented by management to prepare and review listings were not sufficient to identify whether the listings and associated evidence for the indicators agree to the reported achievement as disclosed in the annual performance report.

Management did not complete accurate performance reports that are supported and evidenced by reliable information, which resulted in material misstatements in Programme 4.

### **12.2 Financial management**

During the period under review, the Department spent R2,254 billion of an appropriated budget of R2,447 billion, which resulted in an under expenditure of R223,156 million (91% budget spend). For the 2020/21 financial year, 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).

In addition, the total estimated departmental receipts budget of R10,407 million was over-collected by R251,563 million, which resulted in a departmental receipt of R261,970 million. The revenue over- and under collections occurred under the following line items:

- Sale of goods and services other than capital assets (R72,136 million over-collection);
- Transfers received (R5,391 million over-collection);
- Interest, dividends and rent on land (R3,105 million under-collection);
- Sale of the Departmental capital assets (R5 000 under-collection); and
- Transactions in financial assets liabilities (R177,146 million over-collection).

### **12.3 Resolution/s**

None

### **12.4 List of Information Requested**

None

## **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 2022/23 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 2021/22 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 R570,667 million of an appropriated budget of R575,592 million; which resulted in an under-expenditure of R4,925 million (99,1% budget spend). For the 2021/22 financial year, the Department spent R561,667 million of an appropriated budget of R565,417 million; which resulted in an under-expenditure of R3,750 million (99,3% budget spend).

In addition, the Department collected R5,820 million of an estimated departmental receipt of R2,917 million, which resulted in an over-collection of R2,903 million. The revenue over- and under- collections occurred under the following line items:

- Sale of goods and services other than capital assets (R134 000 under-collection);
- Fines, penalties and forfeits (R89 000 under-collection);
- Interest, dividends and rent on land (R3 000 over-collection); and
- Financial transactions in assets and liabilities (R3,123 million over-collection).

### **13.3 Resolution/s**

None

### **13.4 List of Information Requested**

13.4.1 The Committee requested that the Department submit a Report on how the Department is planning for climate change in the Western Cape, including the impact on the budget and the planning around the Medium-Term Expenditure Framework (MTEF) fiscus in terms of water security, floodings, fire outbreaks, etc.

## **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 2022/23 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2021/22 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 R9,408 billion of an appropriated budget of R9,430 billion, which resulted in an underspending of R22,736 million (99,8% budget spend). For the 2021/22 financial year, the Department spent R9,057 billion of an appropriated budget of R9,169 billion, which resulted in an underspending of R111,691 million (98,8% budget spend).

In addition, the total estimated departmental revenue budget of R2,085 billion was over-collected by R120,301 million, which resulted in a departmental receipt of R2,205 billion.

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

- Sale of capital assets (R4,088 million);
- Fines, penalties and forfeits (R1,841 million); and
- Financial transactions in assets and liabilities (R6,170 million).

### **14.3 Resolution/s**

None

### **14.4 List of Information Requested**

None

## **15. Department of Agriculture**

The Committee noted the audit opinion of the Auditor-General regarding the annual financial statements of the Department for the 2022/23 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 2021/22 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 2022/23 financial year, the Department spent R978,689 million of an appropriated expenditure of R992,695 million which in an under-expenditure of R14,006 million (98,6% budget spend). For the 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).

In addition, the Department's departmental receipt estimated revenue budget of R34,738 million was over-collected by R8,463 million, which resulted in a Departmental receipt of R43,201 million.

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

- Sale of goods and services other than capital assets (R6,187 million);
- Interest, dividends and rent on land (R1,625 million);
- Sale of capital assets (R440 000); and
- Financial transactions in assets and liabilities (R211 000).

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

- Programme 1: Administration (R2,882 million);
- Programme 2: Sustainable Resource Use and Management (R6,845 million);
- Programme 4: Veterinary Services (R2,401 million);
- Programme 6: Agriculture Economics Services (R801 000), and
- Programme 7: Agricultural Education and Training (R1,077 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 2022/23 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2021/22 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 R502,883 million of an appropriated budget of R510,030 million, which resulted in an under-expenditure of R7,147 million (99% budget spend). For the 2020/21 financial year, 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).

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

- Programme 1: Administration (R633 000);
- Programme 2: Integrated Economic Development Services (R680 000);
- Programme 3: Trade and Sector Development (R386 000);
- Programme 4: Business Regulation and Governance (R205 000);
- Programme 5: Economic Planning (R5,100 million);
- Programme 6: Tourism, Arts and Entertainment (R35 000); and
- Programme 7: Skills Development and Innovation (R108 000).

For the 2022/23 financial year, the Department collected R47,691 million, from an estimated receipt collection of R388 000, which resulted in an over-collection of R47,303 million.

The over-collection under the following line items:

- Non-Tax Receipts (R47,303 million over-collection);
- Sale of goods and services other than capital assets (R40 000 under-collection);
- Transfers received (R687 000 over-collection);
- Interest, dividends and rent on land (R37 000 over-collection);
- Sale of capital assets (R31 000 over-collection); and
- Financial transactions in assets and liabilities (R46,588 million over-collection).

## 16.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
Page: 237  Description: The Committee notes the explanation on the Pick n Pay' and Township Revitalisation Programme as being categorised as a receivable to the Department.	16.3.1 That the Department engages the Committee on the history, progress, challenges, and status of the Township Revitalisation Programme.	To be determined and scheduled by the PAC.

## 16.4 List of Information Requested

None

## 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 2022/23 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 2021/22 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 R916,787 million of an appropriated budget of R983,467 million, which resulted in an under-expenditure of R21,680 million (97,7% budget spend). For the 2021/22 financial year, the Department of Cultural Affairs and Sport spent R889,178 million of an appropriated budget of R900,109 million, which resulted in an under-expenditure of R10,932 million (98,8% budget spend).

In addition, the total projected departmental receipts of R1,235 million was over-collected by R3,462 million, which resulted in a departmental receipt of R4,697 million. The revenue over- and under collections occurred under the following line items:

- Interest, dividends and rent on land (R3 000 over- collection);
- Sale on capital assets (R149 000 over-collection);
- Financial transactions in assets and liabilities (R3,159 million over- collection);
- Sale of goods and services other than capital assets (R167 000 over- collection); and
- Fines, penalties and forfeits (R16 000 under- collection).

## **17.3 Resolutions**

None

## **17.4 List of Information Requested**

None

## **18. Local Government**

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2022/23 financial year of the Department, having obtained a clean audit report. This audit opinion remains unchanged from the 2021/22 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 R376,001 million of an appropriated budget of R388,912 million (97% budget spend). During the 2021/22 financial year, the Department spent R330,471 million of an appropriated budget of R342,646 million (96% budget spend).

For the 2022/23 financial year, the estimated departmental receipt of R109 000 was over-collected by R5,469 million, which resulted in a collected amount of R5,578 million.

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

- Sale of goods and services other than capital assets (R18 000);
- Sale of capital assets (R42 000); and
- Financial transactions in assets and liabilities (R5,409 million).

### **18.3 Resolution/s**

None

### **18.4 List of Information Requested**

18.4.1 The Committee requests that the Department furnish it with the following information by 31 January 2024:

18.4.1.1 The reason why the R478 000 was not spent against the sub-programme Traditional Institutional Administration, as reflected on page 143 of the Annual Report of the Department.

18.4.1.2 A Report on the actual expenditure by the municipalities who were the recipients of the R119,031 million; as indicated on page 145 of the Annual Report of the Department.

## **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 2022/23 financial year, having obtained a clean audit outcome. This presents an improvement from the 2021/22 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 R68,695 million of an appropriated budget of R71,527 million, which resulted in an underspending of R2,832 million (96% budget spend). During the 2021/22 financial year, the Western Cape Gambling and Racing Board (WCGRB) spent R59,800 million of an appropriated budget of R69,802 million, which resulted in an underspending of R10 million (86% budget spend).

The WCGRB's revenue collection for the 2022/23 financial year estimate of R71,527 million was exceeded by R15,378 million, which resulted in an end of year revenue yield of R86,906 million.

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

None

#### **19.4 List of Information Requested**

That the WGRB provides a Report to the Committee on the receivables from non-exchange transactions, including an indication who the recipients were from whom the receivables were recovered, as indicated on page 98 of the Annual Report of the Entity.

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

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2022/23 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 2021/22 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 2021/22 financial year, the spent R66,322 million of an appropriated budget of R85,972 million, which resulted in an underspending of R19,649 million (77% budget spend).

In addition, as disclosed on page 44 of the Entity's Annual Report, the total revenue budget of R53,837 million was over-collected by R2,442 million which resulted in a receipt of R56,279 million.

#### **20.3 Resolution/s**

None

#### **20.4 List of Information Requested**

None

### **21. CapeNature**

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2022/23 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2021/22 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 R378,148 million of a budget of R383,577 million, resulting in an overall under-expenditure of R5,428 million (99% budget spend). For the 2021/22 financial year, the Entity R373,135 million of a budget of R375,287 million, resulting in an overall under-expenditure of R2,151 million (99% budget spend).

The total estimated revenue budget of CapeNature of R383,577 million was under-collected by R2,846 million, which resulted in a departmental receipt of R380,731 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**

None

## **22. Government Motor Transport**

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2022/23 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2021/22 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**

During the financial year under review, GMT spent R607,933 million of an appropriated budget of R693,114 million, which resulted in an underspending of R85,181 million (87,7% budget spend). For the 2021/22 financial year, the Entity spent R718,448 million of an appropriated budget of R771,134 million, which resulted in an underspending of R52,689 million (93% budget spend).

In addition, the total estimated revenue budget of the Government Motor Transport of R876,258 million was over-collected by R117,704 million, which resulted in a departmental receipt of R876,258 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 (R94,325 million over-collection);
- Other income (R5,755 million under-collected);
- Government grants and other subsidies received (funding received from clients for additional vehicles) (R7,408 million over-collected);
- Services in-kind (R1,987 under-collected); and
- Interest earned – accounts receivables, and cash and cash equivalents (R23,713 million over-collected).

**22.3 Resolution/s**

None

**22.4 List of Information Requested**

None

**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 2022/23 financial year, having obtained an unqualified audit opinion with no findings. This audit opinion is an improvement from the audit opinion of the 2021/22 financial year.

**23.1 Audit opinion**

The Auditor-General of South Africa raised no findings with the Entity.

**23.2 Financial management**

As disclosed on page 60 of the Entity's Annual Report, Casidra SOC Ltd. spent R239,459 million during the financial year under review, while collecting a total revenue of R239,200 million. For the 2021/22 financial year, the Entity spent R222,667 million of a collected revenue of R216,491 million.

**23.3 Resolution/s**

None

**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 2022/23 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2021/22 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 R68,987 million of its finally adjusted operating budget of R72,869 million, resulting in an underspending of R3,882 million for the financial year under review. For the 2021/22 financial year, the SBIDZ 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 .

The Entity's revenue budget of R2,150 million was under- collected by R186,966 which resulted in an overall collection of R1,963 million.

### **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 2022/23 financial year, having obtained an unqualified audit opinion, with findings on procurement and contract management; including expenditure management. During the 2021/22 financial year, Wesgro received qualified audit opinion, with findings on key legislation, predetermined objectives and deficiencies in its internal control. This audit opinion is an improvement from the 2021/22 audit outcome.

### **25.1 Audit Opinion**

The Auditor-General of South Africa raised some findings on procurement and contract management; including expenditure management.

#### **Findings by the AGSA:**

Procurement and contract management

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).

#### **Expenditure management**

Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 28 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with regulation 16A6.2(b) and (c) of the National Treasury regulations, regulation 3 of the PPPFA 2017 and PPPFA 2022 regulations and regulation 16(A)3.1(a) of the National Treasury regulations.

#### **Root causes of the findings of the AGSA**

An incorrect understanding of the National Treasury requirements resulted in an incorrect application of the supply chain management policy specifically relating to the BAC quorum requirements. Furthermore, the monitoring and review controls at the time were not adequate to prevent the non – compliance and irregular expenditure from reoccurring during the current year.

### **25.2 Financial Management**

During the financial year under review, the Entity spent R161,845 million of an appropriated budget of R166,788 million; which resulted in an under-expenditure of R4,943 million (97%

budget spend). For the 2021/22 financial year, Wesgro 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).

In addition, the total Entity's projected receipts of R162,144 million was under-collected by R3,486 million, which resulted in a departmental receipt of R158,658 million. The revenue over- and under collections occurred under the following line items:

- City of Cape Town (R4,956 million under-collection);
- Interest (R1,554 million over-collection);
- Other incomes (R357 000 under-collection); and
- Nett gain on disposal of assets (R273 000 over-collection).

### **25.3 Resolution/s**

None

### **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 2022/23 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2021/22 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 internal control deficiencies.

### **26.2 Financial Management**

For the financial year under review, the Entity spent R36,042 million of its budget of R38,862 million, resulting in an underspending of R12,820 million for the financial year under review. For the 2021/22 financial year, the SBIDZ spent R84,7 million of its finally adjusted operating budget of R103,7 million, resulting in an underspending of R19 million.

### **26.3 Resolutions**

None

### **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 2022/23 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 2021/2022 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 R1,585 million of an appropriated budget of R2,648 million, which resulted in an under-expenditure of R1,063. During the 2021/22 financial year, the Entity spent R1,945 million of an appropriated budget of R2,121 million, which resulted in an under-expenditure of R176 000.

As indicated on page 29 of the Entity's Annual Report, the estimated revenue budget of R2,648 million was over-collected by R1,167 million, which resulted in a departmental receipt of R3,815 million.

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

- Other operating income (R1,041 million over-collection);
- Interest income (R101 000 over-collection); and
- Other non-tax revenue (R25 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 2022/23 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 2021/22 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 R2,548 million of an appropriated budget of R2,730 million, which resulted in an under-expenditure of R182 000 (93% budget spend). However, for the 2021/22 financial year, the Western Cape Cultural Commission spent R1,624 million of an appropriated budget of R2,100 million, which resulted in an under-expenditure of R476 000 (77% budget spend).

As indicated on page 20 of the Annual Report, the estimated revenue collection budget of the Entity of R2,730 million was over-collected by R655 000 which resulted in an end-of-financial year departmental receipt of R3,385 million. The revenue over- and under collections occurred under the following line items:

- Other operating income (R496 000 over-collection);
- Interest income (R159 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 2022/23 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 2021/22 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 R427 000 of an appropriated budget of R454 000, which resulted in an under-expenditure of R27 000. For the 2021/22 financial year, the Western Cape Language Committee spent R164 000 of an appropriated budget of R179 000, which resulted in an under-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 R454 000 was over-collected by R13 000, which resulted in a departmental receipt of R467 000. The over- collection relates to interest income of R13 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 2022/23 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.