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PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 23 APRIL 2021

COMMITTEE REPORT

The Public Accounts Committee (PAC), having considered, as part of its oversight role, the 2019/2020 Annual Reports of the 12 departments of the Western Cape Government (WCG), including their entities, wishes to report as follows:

1. Introduction

The core functions of the PAC comprises of the following mandate (according to Standing Rules 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 2019 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 Social Development;
- 2.6 Department of Human Settlements;
- 2.7 Department of Environmental Affairs and Development Planning;
- 2.8 Department of Transport and Public Works;
- 2.9 Department of Economic Development and Tourism;
- 2.10 Department of Cultural Affairs and Sport;
- 2.11 Department of Agriculture; and
- 2.12 Department of Local Government.

3. Entities that reported to the Public Accounts Committee

The financial statements included in the Annual Reports of the following public entities for the financial year ending 31 March 2020 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 Western Cape Liquor Authority;
- 3.5 Saldanha Bay Industrial Development Zone Licensing Company (SOC) Ltd;
- 3.6 Casidra
- 3.7 CapeNature
- 3.8 Heritage Western Cape;
- 3.9 Western Cape Cultural Commission; and
- 3.10 Western Cape Language Committee.

4. Transversal departmental resolution

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 2019/20 financial year. The resolutions do resonate under some of the departmental votes hereunder. However, it should be noted that this resolution is transversal in nature and requests the attention of the entire WCG, which includes all departments and entities, as follows:

Matter	Resolution	Due date
<p>4.1 Broad-based Black Economic Empowerment:</p> <p>Paragraph 13G of the Broad- Based Black Economic Empowerment Act, 2013, (BBBEE) requires all spheres of government, public entities and organs of state to report</p>	<p>Some departments and entities, including the Auditor-General of South Africa (AGSA), will be requested to brief the Committee on the status of the BBBEE compliance of Western Cape Government during the 2019/20 and 2020/21 financial years.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

<p>on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports required under the Public Finance Management Act, 2009. This requirement was audited for the 2018/19 financial year and a non-compliance finding was raised in the management report. Progress in meeting the requirements of the B-BBEE Act must be monitored as it may be escalated to material non-compliance in the audit report in future.</p>		
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5. General Findings

Having considered the reports of the AGSA and the Audit Committees, and having heard evidence from the Executive Members (the Premier and Ministers), the Heads of Department (Director-General and Heads of Department (HODs)), the Chief Executive Officers and Board members of the Public Entities and members of the public in attendance at the discussions on the 2019/20 annual reports of the departments and public entities of the WCG, the Committee wishes to report as follows:

The Committee acknowledges the assurances that were provided by the first level (departmental management and leadership), second level (internal independent assurance and oversight) and the third level (standing committees) providers. These three levels of assurances were instrumental in ensuring that risks were mitigated and that the departments and entities strive towards an improved audit outcome.

During the financial year under review, the movement in audit outcomes of the different departments and entities have resulted in an overall regression in the audit outcomes of the Western Cape Government. The regressed audit outcomes included those departments and entities that regressed from clean audit outcomes to unqualified audit outcomes with findings on either compliance with key legislation, predetermined objectives, or internal control deficiencies.

One Entity, WESGRO, regressed in its audit outcome during the 2019/20 financial year from a clean audit to an unqualified audit with findings on compliance to legislation, including its internal control deficiencies. Furthermore, the 2019/20 financial year audit outcomes of the Western Cape Education Department, CASIDRA, including the Western Cape Gambling and Racing Board remained unchanged from the 2018/19 financial year, where these auditees received an unqualified audit outcome with findings on either compliance to legislation, predetermined objectives or internal control deficiencies.

The Committee did not meet with the Department of Health on its 2019/20 Annual Report. This is due to the delayed sign off of the AGSA on the audit report of the Department, which is anticipated to be finalised by 31 January 2021. The reasons provided by the AGSA for the delay in the sign off can be read on ATC 80-2020 (5 October 2020) Report of the Western

Cape Provincial Parliament. The response from the Department of Health to the reasons provided by the AGSA can be read on ATC 108-2020 (1 December 2020) Report of the Western Cape Provincial Parliament.

The Public Accounts Committee aims to, in the 2021/22 financial year, engage the Auditor-General of South Africa on any performance audits reports on issues, if such reports becomes available.

The recommendations of the Public Accounts Committee to the departments and entities of the WCG are stated below, including any requests for information, as follows:

Part B: Findings which relates to Departments

6. Premier

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2019/20 financial year of the Department, having obtained a clean audit outcome. This audit opinion remains unchanged from the 2018/19 financial year.

6.1 Audit Opinion

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

6.2 Financial Management

The Department of the Premier spent R1,561 billion of an appropriated budget of R1,582 billion, which resulted in an under-expenditure of R21,757 million (98,6% budget spend). At the end of the 2018/19 financial year, the Department of the Premier spent R1,450 billion of an appropriated budget of R1,496 billion, which resulted in an under-expenditure of R46, 599 million (96,8% budget spend).

The under-expenditure of R21,757 million occurred under the following programmes:

- Programme 1: Executive Governance and Integration (Administration) (R2,453 million)
- Programme 2: Provincial Strategic Management (R4,406 million)
- Programme 3: People Management (R6,455 million)
- Programme 4: Centre for e-Innovation (R6,171 million) and
- Programme 5: Corporate Assurance (R2,272 million).

In addition, the total estimated departmental receipts budget of R1,899 million was over-collected by R1,674 million, which resulted in total departmental receipts of R3,573 million. The 2019/20 financial year collection was more than the departmental receipts that was collected during the 2018/19 financial year, which reflected a total collection of R1,955 million from an estimated R1,798 million where the Department over- collected by R157 000.

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

- Sale of goods and services other than capital assets (R113 000)
- Interest, dividends and rent on land (R58 000)
- Sale of the Departmental capital assets (R92 000); and
- Financial transactions in assets and liabilities (R1,411 million).

The Department incurred irregular expenditure; as well as fruitless and wasteful expenditure during the 2019/20 financial year. Details of the expenditure can be found on pages 18, 233, 234 and 235 of the Annual Report of the Department.

6.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 126 of the Annual Report.</p> <p>Heading: “Broad-Based Black Economic Empowerment (B-BBEE) Compliance Performance Information”</p> <p><u>Description:</u> The Committee notes that the Cabinet approved the development and implementation of an Economic Procurement Policy (EPP), in partnership with the Departments of Economic Development and Tourism and the Department of the Premier, that is aligned to Provincial Strategic Goal 1 (which covers job creation and infrastructure development) and is aligned to the Medium-Term Budget Policy Statement. The EPP has been drafted and finalised for implementation.</p>	<p>6.31 That the Department brief the Public Accounts Committee, as well as the Standing Committee on Finance, Economic Opportunities and Tourism and the Standing Committee on Premier and Constitutional Matters, on the Economic Procurement Policy. The briefing should contain the impact thus far of this Policy in the Western Cape.</p>	<p>To be scheduled by the PAC.</p>

6.4 List of Information Requested

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

- 6.41 A report which provides a breakdown and explanation of the consumables (Note 4.5) and other operating expenditure (Note 4.8), including an explanation whether it is best value to lease versus purchasing outright in terms of printing equipment; as indicated on pages 221 and 222 of the Annual Report.
- 6.4.2 A report on the expenditure incurred by the Legal Services Directorate; as indicated on page 219 of the Annual Report.
- 6.4.3 A report which highlights the reasons for the expenditure incurred in terms of audit costs; as indicated under Note 4.3 on page 220 of the Annual Report.
- 6.4.4 A report that highlights the impact made and value that was derived from the expenditure on the Library Business Corners; as indicated on pages 225 and 250 of the Annual Report.
- 6.4.5 A report on the expenses which were incurred by the Department to the Cape Higher Education Consortium. The report should include when the last meeting took place between the Department and the Entity, whether the total projected funds were spent, including a breakdown of the total expenditure and the impact derived therefrom. The request emanates from information indicated on page 250 of the Annual Report.

7. Provincial Treasury

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2019/20 financial year, having obtained a clean audit report with no findings. This audit opinion remains the same as the audit outcome for the 2018/19 financial year, where the Department obtained a clean outcome with no findings.

7.1 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.

7.2 Financial management

During the 2019/20 financial year, Provincial Treasury spent R328,765 million of a budget of R338,009 million, resulted in an under-expenditure of R9,244 million (97,2 % budget spend). Compared to the 2018/19 financial year, the Department spent R303,106 million of a budget of R306,833 million, which resulted in an overall under-expenditure of R3,727 million (98,7% budget spend).

In addition, the total estimated departmental receipts budget of R69 000 was over-collected by R6,002 million, which resulted in a departmental receipt of R6,071 million.

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

- Sale of goods and services other than capital assets (R26 000);
- Interest, dividends and rent on land (R3 000);
- Sale of the Departmental capital assets (R85 000); and
- Transactions in financial assets and liabilities (R5,889 million).

According to Notes 22.1 and 22.2 on page 231, the Department incurred irregular expenditure of R1,879 million during the year under review.

7.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 77 of the Annual Report</p> <p>Heading: “2.4 Key policy developments and legislative changes”</p> <p>Description: The Committee notes that the current SCM legislative framework by National Treasury aims to create a single regulatory framework for public procurement to eliminate fragmented procurement prescripts, as well as to advance economic opportunities for all previously disadvantaged people and women, the youth and people with</p>	<p>7.3 That the Department briefs the Committee on the Implementation Preferential Procurement Policy Framework Regulations as they relate to local content implementation.</p>	<p>To be scheduled by the Public Accounts Committee.</p>

<p>disabilities; Small Businesses; and to Promote local production.</p> <p>The Committee further notes the challenge which is experienced by the Provincial Treasury wherein cost containment and transversal contract requirements continued to place pressure on an already austere environment.</p>		
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7.4 List of Information Requested

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

- 7.4.1 A copy of the court judgement relating to the Preferential Procurement Regulations; and
- 7.4.2 A copy of the Preferential Procurement Policy Framework.

8. Community Safety

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2019/20 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 2018/19 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 2019/20 financial year, the Department spent R464,924 million of an appropriated budget of R471,332 million. Thus resulted in an under-expenditure of R6,4 million (98,6% spend). During the 2018/19 financial year, the Department of Community Safety spent R335,836 million of an appropriated budget of R343,424 million, which resulted in an under-expenditure of R7,588 million (97,8% spend). The under-expenditure of R7,588 million occurred under the following programmes:

- Programme 1: Administration (R942 000)
 - The underspending is was due to Compensation of Employees in terms of the late filling of posts and staff attrition.
- Programme 2: Civilian Oversight (R2,961 million)
 - The underspending was due to the Compensation of Employees (late filling of posts and staff attrition) and Goods and Services (due to the Wi-Fi project procurement of data devices for Neighbourhood Watch structures that could not be finalized before year end).
- Programme 3: Provincial Policing Functions (R627 000)
 - The underspending is due to Compensation of Employees (staff attrition) and Non-Profit Organisations (less funds required for the Youth Religious Safety Programme).

- Programme 4: Security Risk Management (R1,878 million)
 - The underspending is due to Compensation of Employees (late filling of posts and staff attrition).

The Department had no projected or actual departmental receipts which it could report on during the 2019/20 financial year.

In addition, the Department incurred no Fruitless and Wasteful expenditure. The Department did, however, incur irregular expenditure totalling R1,369 million. The reasons for the expenditure can be read under Note 21.2 on page 199 of the Annual Report.

8.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTION	ACTION DATE
<p>Pages: 85, 180 and 212 of the Annual Report.</p> <p>Headings: “Effectiveness of Internal Control”, “Annual Appropriation” & “Statement of Conditional Grants and other transfers paid to Municipalities”.</p> <p><u>Description:</u> The Committee notes that the Department received funding in the adjustment budget of the 2019/20 financial year of R130 million to fund the Law Enforcement Advancement Plan (LEAP) project in partnership with the City of Cape Town. The Municipality spent R32,828 million of the transferred amount due to the late transfer of funds from the Department to the City of Cape Town.</p>	<p>8.3.1 That the Department brief the Public Accounts Committee on the success and challenges of the PSP VIP 1 focus area from which the LEAP project originates. In addition, the Department should highlight the impact of the Programme vis-à-vis the funds spend to operationalise the programme.</p>	<p>To be scheduled by the PAC.</p>

8.4 List of Information Requested

None.

9. Education

The Committee noted the audit opinion of the AGSA regarding the annual financial statements of the Department for the 2019/20 financial year, having obtained an unqualified audit report with findings on pre-determined objectives and internal control deficiencies. This audit opinion remains unchanged from the 2018/19 financial year, where the Department achieved an unqualified audit outcome with findings on its predetermined objectives and internal control deficiencies.

9.1 Audit Opinion

The AGSA raised findings with the Department on pre-determined objectives and internal control deficiencies.

9.2 Governance

The Committee encourages the Department, Internal Audit Directorate and the Audit Committee to monitor the major areas for improvement in terms of internal control under the following control areas:

- Early Childhood Development;
- Management of School Safety;
- Transfer payments- Hostel Operations; and
- Conditional Grant: Maths, Science and Technology.

Finding on pre-determined objectives

The findings which relates to the pre-determined objectives of the Department relates to the following:

Programme 2 – Public ordinary school education

PPM 216: Percentage of learners provided with required textbooks in all grades and in all subjects per annum.

The planned target of 99,8% for this indicator was not specific in clearly identifying the nature and required level of performance.

PPM 213: percentage of Funza Lushaka bursary holders placed in school within six months upon completion of their studies or upon confirmation that the bursar has completed studies.

The AGSA was unable to obtain sufficient appropriate audit evidence for the achievement of 8,49% as reported against the target of 65% in the annual performance report, due to the lack of accurate and complete records. The AGSA was unable to confirm the reported achievement by alternative means. Consequently, the AGSA was also unable to determine whether any adjustments were required to the reported achievement.

PPM 108: Teacher absenteeism not reliable

Under Note 24 on page 191 of the Annual Report of the Department, the performance indicator, previously included in Programme 2: Public Ordinary School Education, was included under Programme 1: Administration for the year under review, which was not selected for audit in the 2019/ 20 financial year.

The performance reported against the planned target in the previous year materially differed from the supporting evidence as all the leave taken by teachers during the previous financial year was not recorded or included as part of the reported achievement in the performance report. Due to the relevance and importance of this indicator to the education sector, the 2019/20 financial year audit also included a confirmation of whether the processes had improved to address the weaknesses previously identified. These matters were, however, not addressed and as a result the reported achievement of 3, 95% as included on page 50 in the annual performance report is not reliable.

Finding on internal control deficiencies

The findings which relates to the internal control deficiencies of the Department relates to the following:

- Management did not have appropriate record-keeping processes in place to ensure that reported performance information was supported by credible supporting evidence.
- The method of calculation for PPM 216, which measures the percentage of learners receiving the required textbooks, was amended in the current year by the relevant authorities without adequately considering the performance management and reporting framework prescripts relating to predetermined objectives, which resulted in the indicator not being well defined.
- The implementation of the action plan to address repeat findings on predetermined objectives was not adequate to prevent material misstatements in the performance report.

9.3 Financial Management

The Western Cape Education Department spent R23,446 billion of a budget of R23,650 billion, which resulted in an overall under-expenditure of R203,634 million (99,1% budget expenditure). Compared to the 2018/19 financial years, the Department spent R22, 112 billion of a budget of R22,149 billion, which resulted in an overall under-expenditure of R37,346 million (99,8% budget expenditure).

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

- Programme 1: Administration (R4,021 million);
- Programme 2: Public Ordinary School Education (R187,748 million);
- Programme 4: Public Special School Education (R2,931 million);
- Programme 6: Infrastructure Development (R6,905 million); and
- Programme 7: Examination and Education Related Services (R2,029 million).

The reasons for the underspending per programme can be referenced on page 14 of the Annual Report of the Department.

In addition, the Department's departmental receipt estimated revenue budget of R28,401 million was over- collected by R3,527 million, which resulted in a Departmental receipt of R31,928 million.

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

- Sale of goods and services other than capital assets (R811 000);
- Fines, penalties and forfeits (R502 000); and
- Financial transactions in assets and liabilities (R3,352 million).

In addition, the Department reported an under-collection against the departmental receipt *Interest, dividends and rent on land* of R1,137 million.

9.4 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 190 of the Annual Report.</p> <p>Headings: “Various Indicators”</p> <p><u>Description:</u> The Committee notes that some reported indicators of the Department differed from the evidence that was submitted to the AGSA for auditing.</p>	<p>9.4.1 That the Department brief the Public Accounts Committee, as well as the Standing Committee on Education, on the process where indicators are set annually by the National Department of Education and the Western Cape Education Department. The briefing should contain a strong element of the mechanisms implemented by the WCED when predetermining, implementing, monitoring and reporting on its various performance indicators.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 195 of the Annual Report.</p> <p>Headings: “Appropriation Statement”</p> <p><u>Description:</u> The Committee notes that the various programmes of the Department had various degrees of Expenditure as percentages of final appropriation.</p>	<p>9.4.2 That the Department brief the Committee on the maximum allowable percentage deviations per programme to the Department in accordance with applicable legislation and Treasury regulations.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 239 of the Annual Report.</p> <p>Headings: “Note 13: Departmental revenue and PRF Receipts to be surrendered to the Revenue Fund”</p> <p><u>Description:</u> The Committee notes that the Department surrendered funds to the Revenue Fund.</p>	<p>9.4.3 That the Department brief the Public Accounts Committee, as well as the Budget Committee, on the process which entails surrendering funds to the Revenue Fund.</p>	<p>To be scheduled by the PAC.</p>

9.5 List of Information Requested

- 9.5.1 The Committee requested that the Western Cape Education Department provides it with a report which highlights the funds that were surrendered to the Revenue Fund from the Department from the 2013/14 to 2017/18 financial years, as referenced under Note 13 on page 239 of the Annual Report.

10. Social Development

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2019/20 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 2018/19 financial year.

10.1 Audit Opinion

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

10.2 Financial Management

The Department spent R2,431 billion of an appropriated budget of R2,461 billion, which resulted in an under-expenditure of R29,448 million (98,8% budget spend). During the 2018/19 financial year, the Department of Social Development spent R2,231 billion of a budget of R2,246 billion, resulting in an overall under-expenditure of R15,312 million (99,3% budget spend).

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

- Programme 1: Administration (R7,816 million);
- Programme 2: Social Welfare Services (R17,315 million);
- Programme 3: Children and Families (R1,017 million);
- Programme 4: Restorative Services (R3,043 million); and
- Programme 5: Development and Research (R257 000).

The Committee further notes that the Department collected R1,443 million, from an estimated collection target of R1,130 million, which resulted in an over-collection of R313 000.

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

- Interest, dividends and rent on land (R12 000); and
- Financial transactions in assets and liabilities (R366 000).

An under-collection occurred under the line item *Sale of goods and services other than capital assets* of R65 000.

10.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 205 of the Annual Report</p> <p>Heading: "Contingent liabilities and contingent assets"</p> <p>The Committee takes cognisance that the Department has reported claims against it by various stakeholders, including inter-</p>	<p>10.3.1 That the Department brief the Public Accounts Committee on the mechanism which is in place to monitor and manage the contingent liabilities recorded for the financial year under review.</p>	<p>To be scheduled by the PAC.</p>

governmental payables which are due.		
<p>Pages: 209-210 of the Annual Report</p> <p>Heading: “Irregular expenditure”</p> <p>The Committee takes cognisance that the Department incurred irregular expenditure during the financial year under review.</p>	<p>10.3.2 That the Department develop and implement a mechanism to avoid future recurrence of irregular expenditure in the Department and brief the Public Accounts Committee on the implementation of such a mechanism; including the various instances of irregular expenditure during the 2019/20 financial year.</p>	<p>To be scheduled by the PAC.</p>
<p>Page: 213 of the Annual Report</p> <p>Heading: “Non-adjusting events after reporting date”</p> <p>The Committee notes that the Department distributed food parcels in response to COVID-19 after financial year end for which payment was transacted in the latter part of March 2020. The monetary value of the parcels were reported as amounting to R10 million.</p>	<p>10.3.3 That the Department brief the Committee on the societal impact of the disbursement of the food parcels and value for money that was achieved from the distribution.</p>	<p>To be scheduled by the PAC.</p>

10.4 List of Information Requested

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

- 10.4.1 A Report on the societal impact and financial implication of the collaboration and establishment of a youth café at a Thusong Centre, as reflected on page 110 of the Annual Report.
- 10.4.2 A Report of Provincial Forensic Services investigations into Bosasa, as referenced against Provincial Forensic Services on page 16 of the Annual Report.
- 10.4.3 A Report which explains the material misstatements that were identified by the AGSA and corrected by the Department, reflected under Note 21 on page 158 of the Annual Report.
- 10.4.4 A Report on the implementation of the BBBEE requirements in terms of consultant/contractor utilisation, as referenced from Note 3.15 Utilisation on Consultants on pages 153-154 of the Annual Report.
- 10.4.5 A Report which provides a detailed explanation of the claims against the Department, as reflected on page 230 of the Annual Report.

11. Department of Human Settlements

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2019/20 financial year, having obtained a clean audit report with no findings. This audit opinion remains the same as the audit outcome for the 2018/19 financial year, where the Department obtained a clean outcome with no findings.

11.1 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.

11.2 Financial management

The Department of Human Settlements spent R2,683 billion of a budget of R2,684 billion, resulting in an under-expenditure of R349 000 (99,9 % budget spend). Compared to the 2018/19 financial years, the Department spent R2,352 billion of a budget of R2,441 billion, which resulted in an overall under-expenditure of R88,950 million (96,3 % budget spend).

In addition, the total estimated departmental receipts budget of R63,360 million was over-collected by R67, 044 million, which resulted in a departmental receipt of R130,404 million.

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

- Sale of goods and services other than capital assets (R3 000);
- Sale of the Departmental capital assets (R8 000); and
- Transactions in financial assets liabilities (R67,673 million).

In addition, the Department incurred an under-collection under the line item *Interest, dividends and rent on land* (R640 000).

11.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 85 of the Annual Report.</p> <p>Heading: "Internal Control Unit"</p> <p><u>Description:</u> The Committee notes the Internal Control unit conducted formal inspections at eleven (11) local municipalities within the Western Cape, to ascertain if the allocated funds were utilised for the intended purpose during the 2019/20 financial year.</p>	<p>11.3.1 That the Department brief the Public Accounts Committee on the inspections that were conducted at the 11 municipalities, including the findings thereof. Moreover, the Department is requested to brief the Committee on the mechanisms in place to recover funds from municipalities who wholly or partially defaulted on the funds that were transferred from the Department to the municipalities which were meant for the implementation of projects.</p>	<p>To be scheduled by the PAC.</p>

<p>Pages: 4 and 6 of the Audit Committee Report.</p> <p>Headings: “Internal Audit Function” & “Emerging Risks”</p> <p>Description: The Committee notes that out of 38 Internal Audit sub-processes, the following were covered:</p> <ul style="list-style-type: none"> • 5 were covered in the financial year under question, • 11 were covered via the Combined Assurance principles by other Assurance providers, and • 5 sub-processes were not covered and constitutes an Assurance Gap of 24%. <p>In addition, the Committee notes the emerging risks within the Department to which attention will be paid to by the Audit Committee through the monitoring of the Internal Audit Plan.</p>	<p>11.3.2 That the Audit Committee brief the Public Accounts Committee on the Internal Audit sub-processes which were covered and which are still outstanding; including the emerging risks which are documented in the Internal Audit Plan of the Department.</p>	<p>To be scheduled by the PAC.</p>
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11.4 List of Information Requested

None

12. 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 2019/20 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 2018/18 financial year.

12.1 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.

12.2 Financial management

At the 2019/20 financial year-end, the Department of Environmental Affairs and Development Planning spent R624,869 million of an appropriated budget of R634,759 million which resulted in an under-expenditure of R9,890 million (98% budget spend). At the 2018/19 financial year-end, the Department spent R575, 512 million of a budget of R585,536 million, resulting in an overall under-expenditure of R10,024 million (98% budget spend).

In addition, the total estimated departmental revenue budget of R2,104 million was over collected by R1,024 million to yield an actual departmental receipt of R3,128 million. The revenue over-collection occurred under the following line items:

- Fines, penalties and forfeits (R873 000);
- Interest, dividends and rent on land (R18 000);
- Sale of the Departmental capital assets (R65 000); and
- Financial transactions in assets and liabilities (R71 000).

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

Programme 2: Environmental Policy, Planning and Coordination (R919 000);

The underspending reflected against this Programme mainly relates to the 2050 Emissions Pathway Project. The bid was cancelled due to all proposals received being over budget. The scope of work was subsequently revised with appointment only to be made in the 2020/21 financial year. Furthermore, a delay occurred in delivering a large format printer (plotter) from abroad. The international supplier was faced with a challenge as a result of international borders being closed due to the COVID-19 pandemic.

Programme 4: Environmental Quality Management (R 3,899 million)

The underspending relates to Compensation of Employees due to delays in filling of vacant posts and resignations. A further underspending was realised on the Berg River Improvement Plan: Development and Application of a benchmarking tool and implementation strategy for the transition towards a Water Sensitive City for the City of Cape Town. The process of appointment together with the Service Level Agreement took longer than anticipated, hence limited time was available to complete the required work before the end of the financial year. In furtherance, delivery of water quality instruments did not materialise since the international borders were closed due to the COVID-19 pandemic

Programme 6: Environmental Empowerment Services (R557 000)

The underspending on this Programme mainly relates to the Wastepreneurs project due to the delay in the finalisation of the Business case and Terms of Reference which impacted on the procurement process.

12.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p><u>Page:</u> 208 of the Annual Report</p> <p><u>Heading:</u> “Non-Adjusting events after Reporting Date”</p> <p><u>Description:</u> The Committee is cognisant that waste management is a critical service in the interventions to prevent and slow the spread of COVID-19 infections to citizens, including the reduction of impacts of waste to human health and the</p>	<p>12.3.1 That the Department briefs the Public Accounts Committee, as well as the SC on Agriculture, Environmental Affairs and Development on the Departments strategic plan on the implementation and management of the waste management plan in terms of land invasions which occurs within the Western Cape. The briefing should</p>	<p>To be scheduled by Public Accounts Committee.</p>

environment in general.	include the financial implication which relates to the waste management plan, including the challenges and successes of the plan.	
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12.4 List of Information Requested

None

13. 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 2019/20 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2018/19 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

At the end of the 2019/20 financial year, the Department reported that it spent R8,547 billion of an appropriated budget of R8,557 billion, which resulted in an under-expenditure of R10,469 million (99,8% budget spend). During the 2018/19 financial year, the Department of Transport and Public Works spent R7,854 billion of a budget of R7,869 billion, resulting in an overall under-expenditure of R14,713 million (99,8% budget spend).

In addition, the total estimated departmental revenue budget of R1,727 billion was over-collected by R240,683 million, which resulted in a departmental receipt of R1,968 billion.

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

- Motor vehicle licences (R186 million);
- Sale of goods and services other than capital assets (R42,6 million);
- Transfer funds that were received (R7 million);
- Interest, dividends and rent on land (R281 000);
- Fines, penalties and forfeits (R3,537 million);
- Sale of the Departmental capital assets (R29 000); and
- Financial transactions in assets and liabilities (R7,266 million).

The Department incurred irregular expenditure of R117 881,84 due to Non-adherence to regulation 8(5) of the Preferential Procurement Regulations (PPR), 2017 in terms of Local Content. The Department issued and distributed a supply chain management instruction to its employees to prevent a future recurrence of a similar incident. The Department did not incur any unauthorised, fruitless and wasteful expenditure during the 2019/20 financial year.

13.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Pages: 313 of the Annual Report</p> <p>Heading: “Contingent liabilities and contingent assets”</p> <p>The Committee takes cognisance that the Department has reported claims against it by various stakeholders, including inter-governmental payables which are due.</p>	<p>13.3.1 That the Department brief the Public Accounts Committee on the mechanism which is in place to monitor and manage the contingent liabilities recorded for the financial year under review, including the nature of the claims against it.</p>	<p>To be scheduled by the PAC.</p>

13.4 List of Information Requested

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

- 13.4.1 A report which highlights manner in which the Department will attract new and retain existing critical skill employees, referenced against Note 3 on page 303 of the Annual Report.
- 13.4.2 A report on the total number of active and written-off debts of the Department, as referenced against Note 6 on page 306 of the Annual Report.

14 Department of Agriculture

The Committee noted the audit opinion of the Auditor-General regarding the annual financial statements of the Department for the 2019/20 financial year, having obtained a qualified audit opinion with findings on key legislation and internal control deficiencies. This audit opinion remains unchanged from the 2018/19 financial year.

14.1 Audit opinion

The Auditor-General of South Africa raised findings with the Department on key legislation as well as deficiencies in its internal controls.

Qualified opinion

Transfers and subsidies:

The Department did not account for payments made to implementing agents in accordance with the requirements of the Modified Cash Standard (MCS) prescribed by the National Treasury. The Department budgeted and accounted for these payments as transfers and subsidies, instead of either expenditure for capital assets or goods and services, as required by the MCS. Consequently, transfers and subsidies was overstated by R475,602 million (2017/18: R259, 1 million), as indicated on page 298 of the Annual Report, and the following components of the financial statements are understated, or not disclosed:

- Expenditure for capital assets or goods and services classified according to the nature of the expense incurred.
- Capital assets that belong to the Department acquired or created under these arrangements.
- Prepayments representing advance payments provided to implementing agents that were unspent as at year-end.
- Appropriate adjustments to the appropriation statement to reflect the correct classification of transactions as required by the MCS.
- Principal-agent relationships were not disclosed.

Irregular expenditure:

The Department entered into contracts with implementing agents without applying Treasury Regulations. When implementing agents are contracted by the Department, this does not release the Department from ensuring that funds spent on its behalf by the agents comply with the requirement for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective. Supply chain management (SCM) practices utilised by these implementers were not consistent with the principles of the PFMA and the Treasury Regulations. The Department did not identify and disclose any irregular expenditure resulting from non-compliance with applicable SCM prescripts by implementing agents as required by section 40(3)(b)(ii) of the PFMA. Consequently, irregular expenditure is understated. The AGSA was not able to determine the full extent of the understatement as it was impracticable to do so. These and the prior year misstatements, remained unresolved.

Internal control deficiencies

The modified audit outcome is as a result of a difference in interpretation of the Modified Cash Standard by the Department, which consequently resulted in a misclassification of the funds transferred by the department to the entities.

High Court litigation

The Minister of Economic Opportunities in the Western Cape lodged a dispute at the Western Cape High Court on 22 October 2018, with the aim to request the Court to review and set aside the Auditor-General qualified opinion and the following findings:

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

The matter was heard in the Western Cape High Court on 10 March 2020 and on 8 June 2020 the judgement was in favour of the Department of Agriculture. However, the AGSA appealed the judgement on 30 June 2020.

14.2 Financial management

For the 2019/20 financial year, the Department spent R928,920 million of an appropriated budget of R947,929 million which resulted in an under-expenditure of R19 million (97,9 % budget spend). During the 2018/19 financial year, the Department of Agriculture spent R1, 108 billion of a budget of R1,120 billion, resulting in an overall under-expenditure of R12,103 million (98,9 % budget spend).

In addition, the Department's departmental receipt estimated revenue budget of 30,576 million was over- collected by R20,643 million, which resulted in a Departmental receipt of R51,219 million.

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

- Sale of goods and services other than capital assets (R9,758 million);
- Interest, dividends and rent on land (R9,776 million);
- Sale of capital assets (R208 000); and
- Financial transactions in assets and liabilities (R933 000).

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

- Programme 1: Administration (R4,771 million),
- Programme 2: Sustainable Resource Management (R3,143 million);
- Programme 3: Farmer Support and Development (R2,719 million);
- Programme 4: Veterinary Services (R6,456 million);
- Programme 6: Agriculture Economics Services (R333 000);
- Programme 7: Structured Agricultural Education and Training (R24 000); and
- Programme 8: Rural Development (R1,563 million).

The Department incurred 11 cases of fruitless and wasteful expenditure, which amounted to R18 000. Of the 11 cases, 5 cases were resolved with a recovery of R3 000. Two cases, which amounted to R9 000 were resolved as not fruitless. Seven cases which amounts to R9 000 were still under investigation at the end of the 2019/20 financial year.

14.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 35 of the Annual Report.</p> <p>Headings: “Events after the reporting date”</p> <p><u>Description:</u> The Auditor-General of South Africa has submitted this department’s Audit Report for the 2016/17 financial year on 31 May 2018. This was despite the department’s disagreement on their assessment of the department’s accounting treatment of transfer payments and their view on the principal-agent principle. The Auditor-General has decided to qualify their opinion of the department’s Annual Financial Statements for 2016/17 on these two principles. After various failed attempts to solve this dispute, the department has decided to seek the intervention of a competent court of law for relief regarding this impasse.</p> <p>The Auditor-General has repeated his opinion for the 2017/18 and 2018/19 periods and now also, 2019/20. The case was heard in the Western Cape High Court on 10 March 2020. The judgement was in favour of the Department’s plea on 8 June 2020. However, the Auditor-General has applied for leave to appeal on 30 June 2020.</p>	<p>14.3.1 That the Auditor-General of South Africa, the Department of Agriculture and CASIDRA brief the Committee on the matter which is before the Court, without compromising the sub-judice rule on the matter.</p>	<p>To be scheduled by the Public Accounts Committee.</p>
<p>Page: 176 of the Annual Report.</p> <p>Headings: “B-BBEE COMPLIANCE PERFORMANCE INFORMATION”</p> <p><u>Description:</u> The Committee notes that even though the Department provided explanations to the measures which have been taken to comply, the Department has not applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following criteria:</p>	<p>14.3.2 That the Department briefs the Public Accounts Committee, as well as the SC on Agriculture, Environmental Affairs and Development Planning, on the political difference of opinion of the Democratic Alliance and African National Congress on the issue of BBEE.</p>	<p>To be scheduled by the PAC.</p>

<ul style="list-style-type: none"> • Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law; and • Developing and implementing a preferential procurement policy. <p>The Minister of Agriculture indicated that there is a difference of political ideology between Democratic Alliance and the African National Congress on the issue of BBBEE compliancy.</p>		
<p>Page: 308 of the Annual Report.</p> <p>Headings: “Non-adjusting events after reporting date”</p> <p>Description: The Committee notes that the Ilima Letsema funds which was surrendered by the Department at the end of the 2019/20 financial year, will have a direct impact on the number of food gardens to be done.</p>	<p>14.3.3 That the Department briefs the Committee on the societal impact and financial implications of the implementation of the food gardens in the Province.</p>	<p>To be scheduled by the PAC.</p>

14.4 List of Information Requested

None

15. Economic Development and Tourism

The Committee noted the Auditor-General’s audit opinion regarding the Department’s Annual Financial Statements for the 2019/20 financial year, having obtained an unqualified audit report with no findings on pre-determined objectives. This audit opinion remains unchanged from the 2018/19 financial year.

15.1 Audit Opinion

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

15.2 Financial Management

At the end of the 2019/20 financial year, the Department spent R498,783 million of an appropriated budget of R511,363 million, which resulted in an under-spending of R12,480 million (97,5% budget spend). During the 2018/19 financial year the Department spent R424,396 million of a budget of R428 942 million, resulting in an overall under-expenditure of R4,546 million (98,9% budget spend).

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

- Programme 1: Administration (R2,563 million);
- Programme 2: Integrated Economic Development Services (R769 000);
- Programme 3: Trade and Sector Development (R 2,188 million);
- Programme 4: Business Regulation and Governance (R165 000);
- Programme 5: Economic Planning (R3,689 million);
- Programme 6: Tourism, Arts and Entertainment (R1,887 million); and
- Programme 7: Skills Development and Innovation (R1,219 million).

The Committee notes that the Department's departmental receipts was exceeded by R1,693 million, by collecting R2,026 million from an estimated revenue of R333 000 for the financial year under review. The over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R77 000);
- Non-Tax receipts (R1,693 million);
- Sale of capital assets (R32 000); and
- Financial transactions in assets and liabilities (R1,584 million).

15.3 Resolutions

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 242 of the Annual Report of the Department</p> <p>Heading: "Note 1.1 Annual Appropriation"</p> <p>Description: The Committee notes that Programme 2: Integrated Economic Development Services received an increased budget allocation to implement interventions aligned to the SMME Booster Fund that provides financial assistance to qualifying beneficiaries.</p>	<p>15.3.1 That the Department briefs the Public Accounts Committee in detail on the societal impact, financial value for money and the total number of beneficiaries who benefited from the SMME Booster Fund.</p>	<p>To be scheduled by the Public Accounts Committee.</p>
<p>Page: N/A</p> <p>Heading: "N/A"</p> <p>Description: The Committee notes that the post of the Head of Department, Mr Solly Fourie, will expire in due course and that the Department will invite applications for the post of the Head of Department.</p>	<p>15.3.2 That the Minister informs the Public Accounts Committee on the succession plan in place to ensure a smooth operational transition from the current Head of Department to the new Head of Department who will be appointed in the Department of Economic Development and Tourism.</p>	<p>To inform the Committee within two weeks of the ATC of this Report.</p>

15.4 List of Information Requested

None

16. Cultural Affairs and Sport

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Department for the 2019/20 financial year, having obtained a clean audit report with no findings. This audit opinion remains unchanged from the 2018/19 financial year.

16.1 Audit Opinion

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

16.2 Financial Management

At the 2019/20 financial year-end, the Department spent R784 571 million of an appropriated budget of R794 450 million, which resulted in an under-expenditure of R9,879 million (98,7% budget spend). Similarly, during the 2018/19 financial year, the Department of Cultural Affairs and Sport spent R732,338 million of a budget of R739,202 million, resulting in an overall under-expenditure of R6,864 million (99,0% budget spend).

The under-expenditure occurred under the following programmes:

- Programme 1: Administration (R1,142 million);
- Programme 2: Cultural Affairs (R1,448 million);
- Programme 3: Library and Archive Services (R2,100 million); and
- Programme 4: Sport and Recreation (R5,189 million).

In addition, the total projected departmental receipts of R3,517 million was over-collected by R5,786 million, which resulted in a departmental receipt of R9,303 million. The revenue over-collection occurred under the following line items:

- Sale of goods and services other than capital assets (R382 000);
- Transfers received other Government Units (R221 000);
- Interest, dividends and rent on land (R29 000);
- Financial transactions in assets and liabilities (R5,432 million).

The Department did not incur any fruitless and wasteful expenditure during the current financial year under review. The Department did, however, incur irregular expenditure which amounted to R64 000 during the financial year and which related to non-compliance with procurement prescripts. The irregular expenditure cases are under investigation by the Department for a determination on the matter.

16.3 Resolution

None

16.4 List of Information Requested

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

- 16.4.1 A Report which highlights the fund transfers that were spent and unspent by Laingsburg Municipality for the 2019/20 financial year, as reflected on page 260 of the Annual Report.
- 16.4.2 A list of the Liberation Heroes who are featured in the libraries of the Western Cape, including the Library Archive.

17. Local Government

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2019/20 financial year of the Department, having obtained a clean audit report. This audit opinion remains unchanged from the 2018/19 financial year.

17.1 Audit Opinion

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

17.2 Financial Management

At the end of the 2019/20 financial year, the Department of Local Government spent R313,749 million of an appropriated budget of R319,295 million, which resulted in an under-expenditure of R5,546 million (98,2% budget spend). During the 2018/19 financial year, the Department spent R278,361 million of a budget of R279,842 million, which resulted in an under-expenditure of R1,481 million (99,4% budget spend).

The under-expenditure of R5,546 million occurred under the following programmes:

- Programme 1: Administration (R1,230 million);
- Programme 2: Local Governance (R1,128 million);
- Programme 3: Development and Planning (R3,187 million); and
- Programme 4: Traditional Institutional Management (R1 000).

In addition, the total departmental revenue budget of R103 000 was over-collected by R4,202 million which resulted in a departmental receipt of R4,305 million.

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

- Sale of goods and services other than capital assets (R23 000); and
- Financial transactions in assets and liabilities (R4,179 million).

The Department incurred no fruitless and wasteful expenditure during the financial year under review and recovered a R9 000 fruitless and wasteful expenditure occurrence. This was due to charges incurred of amendments made by departmental officials to their flight ticket reservations.

17.3 Resolutions

None

17.4 List of Information Requested

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

- 17.4.1 A Report which highlights the municipalities that were involved in unsolicited bids; including illegal and fraudulent activities; as referenced from the content of paragraph four on page 24 of the Annual Report.
- 17.4.2 A Report on the Municipal Interventions Grant that was transferred to Kannaland Municipality, the appointment of the Administrator at the Municipality and the court proceedings which relates to the Municipality, as reflected on page 144 of the Annual Report.
- 17.4.3 A list of municipalities who applied for Independent Power Producer services.
- 17.4.4 A list of municipalities who are under financial and governance distress, including the reasons for becoming distressed.

Part B: Findings which relates to Entities

18. 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 2019/20 financial year, having an unqualified audit outcome with matters relating to findings on compliance with key legislation and deficiencies in internal control. This audit opinion remains unchanged from the 2018/19 financial year.

18.1 Audit opinion

The AGSA raised findings with the Entity on its compliance with procurement and contract management, including deficiencies within the scope of its internal controls.

Compliance with legislation

- *Procurement and contract management*

Some goods and services with a transaction value above R500 000 were procured without inviting competitive bids, as deviations were approved by the accounting authority although it was practical to invite competitive bids, as required by treasury regulations 16A6.1 and 16A6.4.

Internal control deficiencies

The control and review processes designed to ensure compliance with relevant supply chain management prescripts were not effectively implemented.

18.2 Financial management

The Western Cape Gambling and Racing Board (WCGRB) spent R66,9 million of a budget of R77,7 million. This resulted in an overall under-expenditure of R10,8 million (86,1% budget spend).

The WCGRB's revenue collection 2019/20 estimate of R77,729 million was exceeded by R6,958 million, which resulted in an end of year revenue yield of R84,688 million.

The over-collection occurred under the following line items:

- Application fees (R1,239 million);
- Investigation fees (R2,404 million);
- (Loss) or gain on actuarial valuations (R531 771);
- Interest (R668 836);
- Services in-kind (R4,355 million); and
- Miscellaneous (R195 900).

18.3 Resolution

None

18.4 List of Information Requested

None

19. Western Cape Liquor Authority

The Committee noted the audit opinion of the AGSA regarding the annual financial statements for the 2019/20 financial year of the Entity, having obtained a clean audit outcome with no findings on findings on compliance with key legislation, predetermined objectives nor internal control deficiencies. This represent an improvement from the 2018/19 financial year where the Entity obtained an unqualified audit report with findings on compliance with key legislation as well as internal control deficiencies.

19.1 Audit Opinion

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

19.2 Financial Management

The Entity spent R55 558 million from an appropriated budget of R53,830 million for its operating budget, which indicates an over-expenditure of R1,728 million. During the 2018/19 financial year, the Entity spent R49,2 million of an operating budget of R49, 3 million, resulting in an overall under-expenditure of R94 037.

The Entity spent R15,587 million of its appropriated capital budget of R19,695 million, which resulted in an under-expenditure of R4,107 million. During the 2018/19 financial year, the Entity spent R2,797 million of an appropriated capital budget of R4,289 million which resulted in an underspending of R1,491 million.

The Entity under-collected its revenue budget of R57,865 million by R1,498 million which resulted in a total revenue budget of R56,366 million. During the 2018/19 financial year, the entity's total revenue budget of R53,649 million was under-collected by R338 133 which resulted in a total revenue budget of R53,310 million.

In addition, as disclosed on page 44 of the entity's annual report, the total estimated revenue budget of R45,084 million was over-collected by R1,267 million, which resulted in an entity receipt of R46,351 million. The over-collection on revenue occurred under the following line items:

- License issuing fee (R843 000);
- License fee temp and special (R293 000);
- Transfer of licensee (R200 000); and
- Application fee temp and special (R84 000).

19.3 Resolution

None

19.4 List of Information Requested

None

20. CapeNature

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2019/20 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2018/19 financial year.

20.1 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.

20.2 Financial management

At the end of the 2019/20 financial year, CapeNature spent R390,366 million of an appropriated budget of R396,679 million, which resulted in an under-expenditure of R6,12 million (99,9 budget spend). During the 2018/19 financial year, CapeNature spent R371, 887 million of a budget of R384, 479 million, resulting in an overall under expenditure of R12, 592 million or (96,7% budget spend).

The Entity's revenue budget of R396,679 million was over-collected by R641 055 to yield a year-end total of R397,320 million. The over-collection was attributed by entity revenue other than sales.

In addition, the Entity occurred over- expenditure under the following programmes:

- Programme 1: Administration and Governance (R4, 827 million);
- Programme 2: Biodiversity Support (R1, 423 million); and
- Programme 3: Conservation Management (R14, 583 million);

However, the Entity underspent on Programme 4: Marketing and Eco-Tourism by R7, 748 million. The source of the underspending occurred within the Tourism Marketing and Communication, as well as the Special Projects: Marketing and Eco-tourism line items.

In addition, the total estimated revenue budget of the CapeNature of R396, 679 million was under-collected by R40 000, which resulted in a departmental receipt of R396, 639 million. The under-expenditure occurred under the line item Government Grant, Own Revenue and Special projects.

20.3 Resolution

None

20.4 List of Information Requested

None

21. Government Motor Transport

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements of the Entity for the 2019/20 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2018/20 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 2019/20 financial year, the Entity spent R601,357 million of an appropriated budget of R651,832 million, which resulted in an under-expenditure of R50,475 million (92,2% budget spend). However, during the 2018/19 financial year, the Government Motor Transport spent R594,472 million of a budget of R660,550 million, which resulted in an overall under-expenditure of R66,078 million (89,9% budget spend).

The under-expenditure occurred under the following line items:

- Administrative expenses (R2,180 million);
- Employee costs (R11,266 million);
- Operating expenditure (R932,449 million);
- Depreciation (R1,091 million);
- Amortisation (R779 000);
- Accidents and Impairment losses (R77 000); and
- Operating leases (R2,634 million).

In addition, the total estimated revenue budget of the Government Motor Transport of R735,6 million was over-collected by R97,4 million, which resulted in a departmental receipt of R833 million. The collection of revenue occurred under the following categories of revenue:

- Daily-, kilometre tariffs and interest earned on finance lease receivables (R76,7 million);
- Government grants and other subsidies received (funding received from clients for additional vehicles) (R8,9 million);
- Services in-kind (R2,9 million); and
- Interest earned – accounts receivables, and cash and cash equivalents (R23,8 million).

21.3 Resolution

None

21.4 List of Information Requested

21.4.1 The Committee requested that the Government Motor Transport provides it with a Report which indicates the outstanding debts per client older than 3 months, including the mechanism in place to recoup the debts, as referenced from Table 3 on page 15 and Note 3 on page 152 of the Annual Report.

22. Cape Agency for Sustainable Integrated Development in Rural Areas (CASIDRA)

The Committee notes the audit opinion of the Auditor-General regarding the annual financial statements of the Entity for the 2019/20 financial year, having obtained an unqualified audit opinion with findings on compliance with key legislation, predetermined objectives and internal control deficiencies. This opinion remains unchanged from the 2018/19 financial year.

22.1 Audit opinion

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

22.2 Financial management

CASIDRA spent R43,059 million against its operating budget. The total revenue of the Entity amounted to R40,263 million.

22.3 Resolution

BACKGROUND/ CONCERNS	RESOLUTIONS	ACTION DATE
<p>Page: 57 of the Annual Report of the Entity.</p> <p>Heading: “Internal control deficiencies ”</p> <p>Description: The Committee noted report of the AGSA which highlights the internal control deficiencies, which included that the misstatements contained in the annual performance reports of the Entity that was not corrected, including that some of the quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the PPPFA and its regulations. In some instances, this resulted in the incorrect supplier being selected.</p>	<p>22.3.1 That the Entity briefs the Committee on the internal control deficiencies which were highlighted by the AGSA, including the measures formulated and implemented by the Entity to avoid a future recurrence of the internal control deficiencies.</p>	<p>To be scheduled by the PAC.</p>

22.4 List of Information Requested

22.4.1 The Committee requested that CASIDRA provides it with a Report which highlights the reconciliation of transfers from the Department, including receipts from entities, during the 2019/20 financial year; as reported under the Statement of Financial Performance on page 61 of the Annual Report.

23. 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 2019/20 financial year, having obtained an unqualified audit report with findings on compliance with key legislation and internal control deficiencies. This audit opinion represent a regression from the 2018/19 financial year, where the Entity received a clean audit opinion with no findings relating to compliance with key legislation, internal control deficiencies nor findings on predetermined objectives.

23.1 Audit Opinion

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

Compliance with Legislation

Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.

Internal Control Deficiencies

Management did not exercise responsibility regarding compliance related controls as the entity awarded contracts to foreign suppliers without confirming whether all declarations of interest were submitted. Management processes implemented for the review and monitoring of compliance with supply chain management laws and policy were inadequately implemented as non-compliance was not prevented.

23.2 Financial Management

WESGRO spent R79,180 million of its adjusted appropriated operating budget of R79,631 million, which resulted in an underspending of R451 000 (99,4% budget spend).

Furthermore, the Entity spent R1,747 million of an adjusted appropriated capital budget of R1,407 million, resulting in an overall overspending of R340 000 (124% budget spend).

The agency's final adjusted revenue budget of R81,632 million was under-collected by R1,035 million, which resulted in a total end-of year revenue of R80,596 million.

In addition, the total Entity's projected receipts of R183,163 million was under-collected by R336 000, which resulted in a departmental receipt of R182,827 million.

223

23.3 Resolutions

None

23.4 List of Information Requested

23.4.1 The Committee requested that the Entity provides it with a Report which highlights the Local Government projects, including the impacts thereof; as reflected on page 128 of the Annual Report.

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 2019/20 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2018/19 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.

Significant emphasis of matters

Work-in-progress: As disclosed in Note 4 to the financial statements, the Entity has work-in-progress for new buildings and infrastructure assets under construction of R148,8 million (2019: R145,1 million). The work-in-progress relates to the Access complex and Eastern Link Road, which is still under construction.

Unspent conditional grants and receipts: As disclosed in Note 15 to the financial statements, the unspent conditional grants and receipts as at 31 March 2020 amounted to R379,6 million (2019: R460,3 million), representing the funding previously received from a government grant that will be used in the future against the respective projects as detailed in Note 21.

24.2 Financial Management

The SBIDZ LiCo spent R79,389 million of its operating expenditure budget of R84,929 million, resulting in an underspending of R5,539 million (93,4% budget spend).

Furthermore, the Entity's capital expenditure budget of R267,220 million was underspent by R7,433 million, which resulted in an actual expenditure of R259,786 million.

The Entity's revenue budget of R285,483 million was under- collected by R824 564, which resulted in an under-collection of R284,659 million.

24.3 Resolution

None

24.4 List of Information Requested

24.4.1 The Committee requested that the Entity provides it with a Report which provides a detailed narrative on the compliance of the Entity and its service providers on the compliance to the BBBEE requirements, as referenced against the heading "B-BBEE Compliance Performance Information" on page 61 of the Annual Report.

25. Heritage Western Cape

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2019/20 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 2018/19 financial year.

25.1 Audit Opinion

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

25.2 Financial Management

During the 2019/20 financial year, the Entity spent R4,119 million of a appropriated budget of R3,561 million which resulted in an over-expenditure of R558 000. During the 2018/19 financial year, Heritage Western Cape spent R4,647 million of a budget of R4,079 million, resulting in an over-expenditure of R568 000.

The over expenditure relates to the GRAP 23 adjustments made for salaries, “Employee cost of R586 000, of the financial management staff of the department as services in-kind received.

In addition, the estimated departmental revenue budget of R3,561 million was over-collected by R245 000, which resulted in a departmental receipt of R3,806 million. The revenue over-collection occurred under the Other operating costs (R245 000) line item.

25.3 Resolution

None

25.4.1 List of Information Requested

25.4.1 The Committee requested that the Heritage Western Cape provides it with a Report on how it managed the heritage assets during the 2019/20 financial year.

26. Western Cape Cultural Commission

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2019/20 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 2018/19 financial year.

26.1 Audit Opinion

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

26.2 Financial Management

During the 2019/20 financial year, the Entity spent R3,507 million of an appropriated budget of R3,072 million, which resulted in an over-expenditure of R435 000. The over-expenditure relates to the GRAP 23 adjustments made for salaries, Employee cost of R586 000, of the financial management staff of the Entity. Similarly, during the 2018/19 financial year, the

Western Cape Cultural Commission spent R4,803 million of a budget of R4,265 million, resulting in an over-expenditure of R538 000.

The revenue collection budget of the Entity of R3,072 million was over-collected by R532 000, which resulted in an end-of-financial year departmental receipt of R3,604 million. The revenue over-collection occurred under the *other* operating income (R532 000) line item.

26.3 Resolution

None

26.4 List of Information Requested

None

27 Western Cape Language Committee

The Committee noted the audit opinion of the Auditor-General regarding the Annual Financial Statements for the 2019/20 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 2018/19 financial year.

27.1 Audit Opinion

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

27.2 Financial Management

During the 2019/20 financial year, the Entity spent R915 000 of an appropriated budget of R335 000, which resulted in an over-expenditure of R580 000. The over expenditure relates to the GRAP 23 adjustments made for salaries, Employee cost of R586 000, of the financial management staff of the Entity. However, during the 2018/19 financial year, the Western Cape Language Committee spent R848 000 of a budget of R267 000, resulting in an over-expenditure of R581 000.

In addition, the total estimated departmental revenue budget of R335 000 was over-collected by R523 000, which resulted in a departmental receipt of R858 000. The over-collection occurred under the line item other income (R586 000).

27.3 Resolution

None

27.4 List of Information Requested

None

28 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 2019/20 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.