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PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

WEDNESDAY, 25 NOVEMBER 2015

COMMITTEE REPORT

The Public Accounts Committee (PAC), having considered, as part of its oversight role, the 2014/2015 Annual Reports of the 13 departments of the Western Cape, including their entities, wishes to report as follows:

1. Introduction

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

- 1.1 The Committee on Public Accounts must examine:
- 1.2 The financial statements of all executive organs of the province and other provincial organs of state;
- 1.3 Any audit reports issued on statements;
- 1.4 Any reports issued by the Auditor-General on the affairs of any provincial organs; and
- 1.5 Any other financial statements or reports referred to the Committee by the House.

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

2. Departments that reported to the Public Accounts Committee

The financial statements included in the Annual Reports for the financial year ending 31 March 2015 of the following provincial departments were examined -

- 2.1 Department of the Premier;
- 2.2 Provincial Treasury;

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

3. Entities that reported to the Public Accounts Committee

The financial statements included in the Annual Reports for the financial year ending 31 March 2015 of the following public entities were examined -

- 3.1 Western Cape Gambling and Racing Board;
- 3.2 Western Cape Housing Development Fund;
- 3.3 CapeNature;
- 3.4 Government Motor Transport (GMT);
- 3.5 Cape Agency for Sustainable Integrated Development in Rural Areas (CASIDRA);
- 3.6 Western Cape Tourism, Trade and Investment Promotion agency (WESGRO);
- 3.7 Western Cape Liquor Authority;
- 3.8 Saldanha Bay Industrial Development Zone Licensing Company (SOC) LTD (residing within Vote 8);
- 3.9 Heritage Western Cape;
- 3.10 Western Cape Cultural Commission; and
- 3.11 Western Cape Language Committee.

4. Significant changes in the 2014/15 financial year

The Committee wishes to note that it did not conduct oversight over the Western Cape Provincial Parliament (WCPP) due to the fact that the Provincial Parliament now spends its appropriations in terms of the Financial Management of Parliament and Provincial Legislatures Act (Act 10 of 2009) and that the Parliamentary Oversight Committee (POC) performs oversight over WCPP. The Act was introduced and implemented in the Western Cape Provincial Parliament during the financial year under review. In terms of the Act, the PAC is no longer required to conduct oversight over the financial affairs of the WCPP. The POC was thus specifically created to conduct oversight over WCPP.

In addition, the Committee conducted oversight over the governance and financial affairs of the Saldanha Bay Industrial Development Zone Licensing Company (SOC) Ltd. This Entity was operating under Programme eight of WESGRO during the 2013/14 financial year and although it started operating independently with effect from 1 April 2014, its annual performance plan was still included under this program for the 2014/15 financial year. However, the Entity produced its own Annual Report to the WCPP to conduct oversight over it. It should be noted that the Entity has not been legislated as an Entity that can operate independently. The Entity continues to operate under Programme eight of WESGRO, until such a time where legislation is passed that will ensure that it operates independently.

5. General Findings

Having considered the reports of the Auditor-General of South Africa (AGSA) and the Audit Committees, and having heard evidence from the Executive Members (the Premier and Ministers), the Heads of Department (Director-General and Heads of Department (HODs), delegated representatives of the Corporate Services Centre (CSC) located within the Department of the Premier, the Chief Executive Officers and Board Members of the Public Entities and members of the public in attendance at the discussions on the 2014/15 Annual Reports of the Departments and Public Entities of the Western Cape Provincial Government, the Committee wishes to report as follows:

During the financial year under review, the movement in audit outcomes of the different departments and entities have resulted in an overall improvement in the audit outcomes of the Western Cape Provincial Government. The improved audit outcomes included those departments and entities that progressed to clean audit outcomes by addressing control deficiencies in respect of Predetermined Objectives (PDO's) and/or compliance with laws and regulations which were reported respectively in the 2012/13 and 2013/14 financial years.

Two departments (Environmental Affairs and Development Planning and the Western Cape Education Department), and one entity (Western Cape Liquor Authority) improved their audit opinions, while one department (Health) achieved an unchanged unqualified audit report.

The Committee noted its concern regarding two entities, WESGRO regressed from a clean audit opinion for the 2013/14 financial year, to an unqualified audit with findings for the 2014/15 financial year. The other entity, Western Cape Housing Development Fund, regressed from an unqualified audit opinion with findings, to a qualified audit opinion with findings. The Committee hereby encourages these two entities to improve their areas of internal controls in order to work towards improving its audit opinion outcomes.

During the 2014/15 financial year, 11 departments and eight entities achieved a clean audit outcome. Of this, seven departments and seven entities sustained their clean audit outcomes from the 2013/14 financial year. More public entities migrated to clean audit outcomes, bringing the total to eight.

The improvement in the audit outcomes for the 2014/15 financial year, were mainly due to the following interventions:

- A commitment to and ownership of the Corporate Governance and Review Outlook (CGRO) process by all provincial stakeholders (departments and entities).
- Provincial Treasury's involvement through budgetary control, monitoring of monthly reports and enforcing principles of financial management through the issue of Provincial Instruction Notes (PTIs).
- Increased attention from the relevant leadership by institutionalising key daily and monthly duties of processing, monitoring and reporting.
- The transversal support by Provincial Treasury to all departments and entities within the province by means of training and the issuance of good practice guidance documents in response to audit findings.

The Committee notes that there has been an overall improvement in the risk areas of departments and entities, which includes:

- The quality of submitted financial statements;
- The quality of submitted performance reports; and

- Information Technology.

The leadership of the departments and entities should continue to collaborate with Provincial Treasury and the Department of the Premier to address past audit findings and identify risks through the provincial governance and review outlook process.

The Committee noted the Audit Committee's internal audit coverage, as it relates to all departments and entities, and encourage internal audit to broaden its coverage.

The Committee echoes the sentiments of its strategic partners, the Auditor-General of South Africa and the Audit Committees, in noting the following as a way forward for the 2015/16 financial year:

- The approach of the Auditor-General of South Africa in assisting and seeking solutions to stakeholder challenges, is commendable and should be strengthened;
- Departments and entities will have to differentiate between the different types of under- spending in their 2015/16 Annual Reports since some are due to saving measures whilst others due to a lack of timely planning;
- The audit outcomes of the departments and entities will need to be maintained (for those with clean audit opinions), while those with unqualified and qualified audit opinions will have to be assisted by Provincial Treasury and the Department of the Premier in reaching the status of clean audit opinions;
- Departments and entities should prepare for the shift from a cash basis of accounting to an accrual basis of accounting; and that
- The PAC will continue to engage the Auditor-General of South Africa and Audit Committees with the aim of executing effective and efficient oversight of the departments and entities.

The Public Accounts Committee aims, in the 2015/16 financial year, to engage the AGSA on any performance audits reports it issues, if such reports are available.

The Committee herewith further requests that all departments and entities publishes the PAC table of resolutions, including the list of information requested in its Annual Report, Part C, for the 2015/16 financial year.

6. Findings relating to Departments

6.1 Vote 1: Premier

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has been positively maintained from the 2013/14 financial year where the Department obtained a clean audit opinion.

The Department of the Premier spent R1042,9 million of a budget of R1 348,4 million during the 2014/15 financial year. This resulted in an overall under-expenditure of R305,5 million (22,7%), as reflected on pages 182 to 183 of the Annual Report of the Department.

The Committee noted that, as disclosed in note 10 of the appropriation statement on page 197 of the Annual Report, the Department has materially underspent its overall budget by

R305, 521 million (22,7%). The budget of Programme three was underspent by R19,092 million (10,9%). The budget of Programme four was underspent by R269,042 million

(29,1%), however, the Committee is cognisant that the under-spending for Programme three was mainly due to the decommissioning of the pilot project on the Integrated Financial Management System (IFMS) by National Treasury. In addition, the Committee notes that the under-spending for Programme four was due to the delay in awarding the broadband tender and the time taken to negotiate the contract.

6.1.1 Recommendations

None.

6.1.2 List of Information Requested

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

- 6.1.2.1 A detailed report which explains the incident of irregular expenditure condoned wherein authorisation was provided for the expenditure of R96 000 using an incorrect level of delegation, as indicated on page 202 of the Annual Report.
- 6.1.2.2 A comprehensive report which details how the closure of the Western Cape Youth Commission was finalised, as indicated on page 202 of the Annual Report.
- 6.1.2.3 A report on the donations and sponsorships to Non-profit institutions, as indicated on page 211 of the Annual Report.

6.2 Vote 3: Provincial Treasury

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit. This audit opinion remains unchanged from the 2013/14 financial year.

Provincial Treasury spent R232,15 million of a budget of R239,17 million during the 2014/15 financial year resulting in an overall under-expenditure of R7,02 million (2.9%), as reflected on page 118 of the Annual Report. The under spending of R7,02 million occurred under three programmes, as set out under paragraph 4.1, on page 130 of the Annual Report.

6.2.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p><u>Page:</u> 65 of the Annual Report</p> <p><u>Heading:</u> "Risk Management"</p> <p><u>Description:</u> The Committee notes that Risks were prioritised based on its likelihood and impact (inherently and residually) and additional mitigations were agreed upon to reduce risks to acceptable levels. New/emerging risks were identified during the quarterly review processes.</p> <p>In addition, the Enterprise Risk Management Committee (ERMCO) ratified the strategic and programme/operational risk registers and recommended further action where relevant, and approval by the Accounting Officer of the strategic risk register and programme/operational risk register by the Programme Managers on a quarterly basis during the Financial Year.</p>	<p>1. That the Department briefs the Committee on the emerging risk that relates to the central supplier database.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

6.2.2 List of Information Requested

None

6.3 Vote 4: Community Safety

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year where the Department obtained a clean audit opinion.

The Department of Community Safety spent R213,7 million of a budget of R213,9 million, resulting in an overall under-expenditure of R298 000 (0,1%), as reflected on page 148 of the Annual Report.

The Committee notes that the under-expenditure incurred by the Department were due to delays relating expenditure to its capital assets and the timing of the filling of posts in the office of the Western Cape Police Ombudsman. The under-expenditure related to capital assets was delayed due to a fire that occurred during the financial year under review and the management of the capital assets expenditure by the Department of Transport and Public Works.

6.3.1 Recommendations

None.

6.3.2 List of Information Required

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

- 6.3.2.1 A report that details the loss control management mechanism implemented by the Internal Control Unit during the 2014/15 financial year, as reflected on pages 85 and 86 of the Annual Report
- 6.3.2.2 A detailed report explaining the reason for increasing transfers and subsidies to Non-Profit Institutions, as indicated on pages 173 and 194 of the Annual Report.
- 6.3.2.3 A breakdown of the expenditure incurred for goods and services, specifically the payments for consultants, legal services, contractors and property payments, as indicated on page 190 of the Annual Report.
- 6.3.2.4 A report on the donations made in kind, as indicated on page 129 of the Annual Report of the Department, specifically on the donation of trailers and the cost of each trailer.

6.4 Vote 5: Western Cape Education Department

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion is an improvement from the 2013/14 financial year where the Department obtained an unqualified audit opinion with findings on laws and regulations, a material misstatement in financial statements submitted and service delivery matters.

The Western Cape Education Department spent R17,001 billion of a budget of R17,026 billion, resulting in an overall under-expenditure of R25,059 million (0,15%), as reflected on page 168 of the Annual Report. As disclosed in note 24.3 to the financial statements, fruitless and wasteful expenditure amounting to R1,575 million was identified during the 2014/15 financial year.

The Department also had departmental receipts of R34,689 million which consists of revenue generated from the following sources:

- Sales of goods and services, other than capital assets;
- Fines, penalties and forfeits;
- Interest, dividends and rent on land; and
- Transactions in financial assets and liabilities.

Regarding control areas of improvement, the Committee encourages the Department to concentrate on the major areas of improvement that was identified, such as:

- The Safe Schools Project;
- Early Childhood Development (ECD) Transfer Payments;
- Supply Chain Management (SCM) Operations: Contract Development and Management; and
- SCM Operations: Procurement under R30 000.

The Committee encourages the Department to concentrate on addressing the aforementioned major areas of improvement. If not, the Department might regress to an unqualified audit opinion with findings on predetermined objectives.

The Committee congratulates the Department for improving its debt collection period from 55,4 days to 2 days.

6.4.1 Recommendations

None.

6.4.2 List of Information Requested

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

- 6.4.2.1 The legal opinion responding to the Learner Transport Scheme matter, including the investigation report on the same matter, as indicated on page 123 of the Annual Report.
- 6.4.2.2 All action plans relating to the assurance engagements that were approved in the 2014/15 Internal Audit Plan, which includes Safe Schools, Early Childhood Development transfer programmes and Supply Chain Management Operations, as indicated on page 123 of the Annual Report.
- 6.4.2.3 A list of all consultants appointed via the SCM process, as indicated on page 208 of the Annual Report.

6.5 Vote 6: Department of Health

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained an unqualified audit opinion with findings on compliance with laws and regulations, expenditure management and predetermined objectives. This audit opinion remains unchanged from the 2013/14 financial year.

The Western Cape Department of Health spent R17, 3 billion of a budget of R17, 4 billion, resulting in an overall under-expenditure of R124 million (0,71%), as reflected on page 229 of the Annual Report.

The Committee noted the concerns of the Auditor-General of South Africa that three significantly important indicators in Programme two (District Health Services) were not reliable. Furthermore, the Auditor-General of South Africa was unable to obtain sufficient appropriate audit evidence for these indicators.

The reported performance information was not always valid, accurate and complete when compared to the source information or evidence provided. This was due to learning screening forms not being provided in support of the totals reported, as well as a lack of recording and monitoring performance, monitoring the completeness of source documentation in support of actual achievements, and frequently reviewing the validity of reported achievements against source documentation.

In addition, the Committee encourages the Department to concentrate on the following major areas for improvements noted by Internal Audit during the performance of their work:

- Institutionalisation of root cause analysis at facility level to enforce accountability (Performance Information Finance Compliance Monitoring Instrument);
- The absence of detailed Standard Operating Procedures (SOPs) for Information Management processes (Performance Information Finance Compliance Monitoring Instrument);
- Monitoring, reporting and oversight on Implementation of the Fraud Prevention Plan;
- Monitoring, reporting and oversight on Implementation of obligations outlined in the service schedules relating to ICT services (Centre for E-Innovation) in the Networks and Computer Systems Audit; and
- Limitation of scope reported in the Networks and Computer Systems Audit, which resulted in certain control activities not being evaluated.

6.5.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p>Page: 169 of the Annual Report</p> <p>Heading: “Progress with management of risk”</p> <p>Description: The Committee notes that there has been significant progress with the management of risks during the 2014/15 financial year. During the year under review, 14 departmental risks were identified through a rigorous process of engagement. However, of the 14 departmental risks that were identified only eight of the risks were covered.</p>	<p>1. That the Internal Audit Unit and the Department briefs the Committee on the audit coverage within the Department of Health.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

<p><u>Page:</u> 229 of the Annual Report</p> <p><u>Heading:</u> “Programme 2: District Health Services”</p> <p><u>Description:</u> The Committee notes the concerns of the Auditor-General of South Africa that three significantly important indicators in Programme two (District Health Services) were not reliable. Furthermore, the Auditor-General of South Africa was unable to obtain sufficient appropriate audit evidence for these indicators.</p>	<p>2. That the Department briefs the Committee on the mechanism that has been implemented to ensure that the performance indicators presented for auditing are reliable, and the plan of action of the Department to prevent such an occurrence.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p><u>Page:</u> 229 of the Annual Report</p> <p><u>Heading:</u> “Leadership”</p> <p><u>Description:</u> The Committee notes that during the 2014/15 financial year, the Department’s leadership did not exercise its oversight responsibility by ensuring that systems were developed to enable the Department to report on new targets. Although standard operating procedures were designed and implemented for new indicators, these were not sufficient to ensure reliable reporting. This resulted in inadequate data collection to report reliably on the predetermined objectives of Programme two.</p>	<p>3. That the Department briefs the Committee on its standard operating systems that were developed to enable the Department to report on new targets, including the reasons why these were not sufficient to ensure reliable reporting.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p><u>Page:</u> 252 of the Annual Report</p> <p><u>Heading:</u> “Programme 6 per Economic classification”</p> <p><u>Description:</u> The Committee notes that the Department spent R1 047 billion on consultants when funds were appropriated for the amount of R403 million in the 2014/15 financial year. The spending resulted in the Department overspending on consultants as a line item by 260%.</p>	<p>4. That the Department develops and implements a mechanism that will ensure that it does not overspend on the use of consultants.</p>	<p>To be monitored by the Public Accounts Committee.</p>

<p>Page: 300 of the Annual Report</p> <p>Heading: “Accrued departmental revenue”</p> <p>Description: The Committee notes that, as disclosed in note 23.2 to the financial statements, material losses of R258 million (2014: R189 million) were incurred as a result of the write-off of irrecoverable accrued departmental revenue. In addition, the Committee notes that in note 23.3 to the financial statements, a material allowance for impairments of R226 million (2014: R183 million) was provided for by the Department. The Department also had a contingent liability of R221 million (2014: R180 million). This included an amount of R218 million (R179 million) that related to claims against the Department, of which the majority were claims for medical negligence.</p>	<p>5. That the Department develops and implement a mechanism that ensures that it addresses and minimises the cases of contingent liabilities against the Department.</p>	<p>To be monitored by the Public Accounts Committee.</p>
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6.5.2 List of Information Required

None.

6.6 Vote 7: Social Development

The Committee noted the Auditor-General’s audit opinion regarding the Department’s Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has been positively maintained from the 2013/14 financial year where the Department obtained a clean audit opinion.

The Department of Social Development spent R1, 734 billion of a budget of R1,758 billion, resulting in an overall under-expenditure of R23, 826 million, as reflected on page 147 of the Annual Report. The under expenditure related to Programme One: Administration to the amount of R17, 925 million, of which R15, 870 million resulted from capital under spending.

Although the Department has corrected its material misstatements in the annual performance report, that was submitted for auditing on the reported performance information of Programme three: Children and Families, the Committee encourages the Department to ensure that it verifies its information when submitting its report to the Auditor-General of South Africa for auditing purposes.

It is noted that the Department has improved its drivers of internal control, which relates to the oversight responsibility and policies and procedures which is a function of leadership, proper record keeping, processing and reconciling controls, as highlighted by the Committee during its 2013/14 Annual Report period deliberations.

6.6.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p>Page: 99 of the Annual Report</p> <p>Heading: “Internal Audit”</p> <p>Description: The Committee notes that the Audit Committee is concerned about the adequacy of the internal audit resources that were allocated to the Department of Social Development.</p>	<p>1. That the Internal Audit briefs the Committee on the audit coverage within the Department of Social Development.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p>Pages: 83 and 146 of the Annual Report</p> <p>Headings: “Fraud and Corruption” and “Investigations”</p> <p>Description: The Committee notes that during the financial year, nine investigations were completed by the Provincial Forensic Services. It is reported that at the end of the financial year, four matters remained in the case- list of the Department. It is further noted that at 31 March 2015, the Provincial Forensic Services was in the process of investigating one case that relates to alleged procurement irregularities.</p>	<p>2. That the Provincial Forensic Services briefs the Committee on the nine investigations that were done during the 2013/14 financial year, including the time- line and guidelines from when a complaint is received until a case is finalised.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p>Pages: 147 to 160 of the Annual Report</p> <p>Heading: “Appropriation Statements”</p> <p>Description: The Committee also noted that the Department has withheld funds from Non-Profit Organisations who were non-compliant to the</p>	<p>3. That the Department implements a mechanism whereby it can assist Non-profit organisations who are non-compliant to the requirements that were agreed on to become compliant, including an update of the Non-profit organisations which the Department assisted to become compliant and the process that was followed in this regard.</p>	<p>Date to be determined by when the mechanism should be implemented.</p>

requirements that were agreed on, which are reflected in the Service Level Agreement between the Non-Profit Organisations and the Department. The Committee is concerned whether such a practice will negatively affect service delivery within the communities of the Western Cape.		
<p>Page: 179 of the Annual Report</p> <p>Heading: “5.2 Debts Written off”</p> <p>Description: The Committee notes that the Department wrote off debts totalling R1, 071 million. This was due to ex-employees’ debt and fruitless and wasteful expenditure.</p>	4. That the Department briefs the Committee on the debts that were written off during the 2014/15 financial year, and all the avenues explored to recover the debts.	Briefing to be scheduled by the Public Accounts Committee.

6.6.2 List of Information Requested

The Committee requested that the Department of Social Development provides it with a report on all studies that were undertaken to highlight whether value for money was derived from the Non-profit Organisations who were recipients of departmental funds, including a list of all the municipal areas that were affected.

6.7 Vote 8: Human Settlements

The Committee noted the Auditor-General’s audit opinion regarding the Department’s Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has improved from the 2013/14 financial year, where the Department obtained an unqualified audit opinion with matters relating to findings on compliance with laws and regulations and predetermined objectives.

The Department of Human Settlements spent R2, 154 billion of a budget of R2, 181 billion, representing 99,99% of the total budget, resulting in an overall under-expenditure of R3 000 (0,01%), as reflected on page 144 of the Annual Report.

The Committee further notes that the Department was a defendant in a land-claim lawsuit of R87,2 million during this financial year, which the Department was disputing. The Committee is cognisant that the outcome of this matter cannot be determined and that the Department has made no provision for any liability that might result thereof.

6.7.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p>Page: 145 of the Annual Report</p> <p>Heading: “Appropriation per economic classification”</p> <p>Description: The Committee notes that the Department did not include in its Annual Report all the consultants that it contracted for the 2014/15 financial year.</p>	<p>1. That the Department includes in its future Annual Reports, all the consultants that it contracted during the financial year.</p>	<p>Implementation to be monitored by the Public Accounts Committee.</p>

6.7.2 List of Information Requested

The Committee requested that the Department of Human Settlements provides it with a complete list of all consultants contracted for the 2014/15 financial year, as indicated on pages 117 to 119 of its Annual Report.

6.8 Vote 9: Environmental Affairs and Development Planning

The Committee noted the Auditor-General’s audit opinion regarding the Department’s Annual Financial Statements for the 2014/15 financial years, having obtained a clean audit opinion. This audit opinion is an improvement from the 2013/14 financial year, where the Department obtained an unqualified audit opinion with findings on compliance with laws and regulations as well as findings on predetermined objectives.

The Department of Environmental Affairs and Development Planning spent R457,2 million of a budget of R482,2 million, resulting in an overall under-expenditure of R24,9 million (5.2%), as reflected on page 119 of the Annual Report.

The Department had a departmental revenue budget of R5,5 million and collected R9,8 million which is R4,3 million above budget, as reflected in the Accounting Officer’s report on page 11 of the Annual Report. This is mainly attributed to an improved collection of section 24G fines imposed in terms of the National Environmental Act (Act of 107 of 1998) (NEMA), which deals with environmental transgressions.

6.8.1 Recommendations

None.

6.8.2 List of Information Requested

The Committee requested that the Department of Environmental Affairs and Development Planning provides it with the following:

- 6.8.2.1 A list of all consultants, contractual commencement dates, deadlines and status of contracts that were entered into between the Department and consultants, as indicated on pages 109 to 111 of the Annual Report.
- 6.8.2.2 An expenditure analysis report of funds that were spent on consultants during the 2013/14 and 2014/15 financial years, as indicated on pages 109 to 111 of the Annual Report.
- 6.8.2.3 A breakdown of all legal expenses, including the names of the legal counsel utilised, as indicated on page 117 of the Annual Report.

6.9 Vote 10: Transport and Public Works

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has been positively maintained from the 2013/14 financial year, where the Department obtained a clean audit opinion.

As indicated on page 16 of the Annual Report, the Department of Transport and Public Works spent R5,8 billion of a budget of R5,9 billion, resulting in an overall under-expenditure of R178,9 million (3%) compared to the 2013/14 figure of an under expenditure of 1,7%.

The Committee further notes that the Department's revenue budget of R1,2 billion was exceeded by R342,2 million or 28,4% compared to the over collection of 13% for the 2013/14 financial year.

An amount of R1,6 billion was collected during the 2014/15 financial year, of which R1,2 billion was from motor vehicle license fees.

6.9.1 Recommendations

None.

6.9.2 List of Information Requested

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

- 6.9.2.1 A report which details the 31 cases of accidents of GMT vehicles, as indicated on page 294 of the Annual Report.
- 6.9.2.2 A report which details the 12 cases of damages and losses to Road Construction and the Maintenance Plant, as indicated on page 294 of the Annual Report.
- 6.9.2.3 A detailed report explaining the property and road claims that have been lodged against the Department, as indicated on page 332 of the Annual Report.
- 6.9.2.4 A list which highlights the 445 land parcels identified by the Department, as indicated on page 337 under the immovable assets additional disclosure 201/15 heading of the Annual Report.

6.10 Vote 11: Agriculture

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year, where the Department obtained a clean audit opinion.

The Department of Agriculture spent R855, 4 million of a budget of R862,7 million, resulting in an overall under-expenditure of R7,3 million (0,8%).

The Department's revenue budget of R26 million was exceeded by R8, 8 million or 33,9%. An amount of R34,8 million was collected during the 2014/15 financial year, of which R31,2 million was from the sale of goods and services other than capital assets.

6.10.1 Recommendations

None.

6.10.2 List of Information Requested

The Committee requested that the Department should provide the Committee with the following:

- 6.10.2.1 A report that highlights the specific cases that were investigated by the Provincial Forensic Services, as indicated on page 137 of the Annual Report.
- 6.10.2.2 A report indicating how many departmental officials applied for Remunerative Work Outside the Public Service (RWOPS), including the nature of the work, as indicated on page 138 of the Annual Report.
- 6.10.2.3 A report detailing the mechanisms put in place as an intervention to avoid the recurrence of damages to GMT vehicles, as indicated on page 248 of the Annual Report.

6.11 Vote 12: Economic Development and Tourism

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year, where the Department obtained a clean audit opinion.

The Department of Economic Development and Tourism spent R509,01 million of a budget of R510, 30 million, resulting in an overall under-expenditure of R1,29 million (0,3 %), as reflected on page 205 of the Annual Report.

The Department had a revenue budget of R31,01 million and collected R37,72 million, which is R6, 64 million above budget.

6.11.1 Recommendations

None.

6.11.2 List of Information Required

None.

6.12 Vote 13: Cultural Affairs and Sport

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year, where the Department also obtained a clean audit opinion.

The Department of Cultural Affairs and Sport spent R 612 490 million of a budget of R617 581 million, resulting in an overall under-expenditure of R4 525 million, as reflected on page 171 of the Annual Report.

The overall under-spending of R4, 525 million at the Department of Cultural Affairs and Sport, is attributed to the savings experienced on specific projects, which will be rolled over to the 2015/16 financial year for completion, as reflected on page 13 of the Annual Report. This saving did not negatively impact service delivery, as the Department achieved 106 of the 108 planned targets for the 2014/15 financial year.

6.12.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p>Page: 227 of the Annual Report</p> <p>Heading: "22. Irregular Expenditure"</p> <p>Description: The Committee notes that the Department incurred irregular expenditure during the 2014/15 financial year of R1 189 million. From this amount, R307 000 was condoned by the Accounting Officer.</p>	<p>1. That the Department briefs the Committee on the irregular expenditure that it incurred during the 2014/15 financial year.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

6.12.2 List of Information Requested

The Committee requested that the Department of Cultural Affairs and Sport provides it with a report on the immovable capital assets that had to be valued, including a list of all the immovable capital assets that were valued at R1-00, as indicated on page 206 of the Annual Report of the Department.

6.13 Vote 14: Department of Local Government

The Committee noted the Auditor-General's audit opinion regarding the Department's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has been positively maintained from the 2013/14 financial year, where the Department obtained a clean audit opinion.

The Department of Local Government spent R197.5 million of a budget of R199.1 million resulting in an overall under-expenditure of R1.6 million (0.8%), as reflected on page 116 of the Annual Report.

The Committee supports the Audit Committee in noting that the Department has to improve the control measures regarding municipalities which received support from the Department. Municipalities should co-operate with the Department to ensure that the Department's objectives are achieved.

The Committee further notes that the Department underspent their budget by R1.6 million, as indicated on page 131 of the Annual Report, that was largely owing to outstanding invoices for assets and updating of communication and security systems due to the relocation of the Department from Wale Street to the Waldorf building. The under-spending on goods and services and transfer to provinces and municipalities was due to invoices of consultants that were lower than anticipated and delays in the filling of vacant posts.

6.13.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p>Page: 57 of the Annual Report</p> <p>Heading: "Internal Audit and Audit Committees"</p> <p>Description: The Committee notes that the following assurance engagements were approved in the 2014/15 Internal Audit Plan:</p> <ul style="list-style-type: none"> • Interim Financial Statements; • Public Participation – Ward Committees; and • Transfer Payments. 	<p>1. That the Department briefs the Committee on the Ward Committees, of the respective municipalities in the Western Cape, that were not budgeted for to award funding for the 2014/15 financial year.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p>Description: During its discussion with the Audit Committee, the Public Accounts Committee indicated that Municipalities should co-operate with the Department to ensure that the Department's objectives are achieved.</p>	<p>2. That the Department should improve the control measures regarding municipalities who receive support from the Departments.</p>	<p>Implementation to be monitored by the Public Accounts Committee.</p>

6.13.2 List of Information Requested

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

6.13.2.1 A report detailing the support rendered to Hessequa municipality, as reflected on page 52 of the Annual Report.

6.13.2.2 A report detailing the value, circumstances and status of the assets stolen at the ISM Building at 27 Wale Street, as reflected on page 108 of the Annual Report.

6.13.2.3 The attendance list of the Ward Committee Summit that was hosted by the Department, as reflected on page 110 of the Annual Report.

Findings related to Entities

7.1 Vote 3: Western Cape Gambling and Racing Board

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year.

The Western Cape Gambling and Racing Board spent R42,580 million of a budget of R54,062 million resulting in an under-expenditure of R11,481 million.

7.1.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p><u>Pages:</u> 64 to 66 of the Annual Report</p> <p><u>Heading:</u> "Board Member Travel Abroad"</p> <p><u>Description:</u> The Committee notes that the costs that were associated to the international travel of the board members were exorbitant. The explanation from the Board was that due to the Supply Chain Management policies that were in place it could not purchase airline tickets in a cheaper manner. This was due to the fact that the entity had to procure tickets from service providers.</p>	<p>1. That the Western Cape Gambling and Racing Board should meet with the appointed service providers to ensure that the service charges charged against airline tickets are reduced.</p>	<p>To be monitored by the Public Accounts Committee.</p>

7.1.2 List of Information Requested

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

7.2.2.1 The Board Charter, as indicated on page 56 of the Annual Report.

7.2.2.2 A breakdown of all staff that travelled during the financial year under review and submit the breakdown as per the table provided on page 64 of the Annual Report.

7.2.2.3 A breakdown of the beneficiaries of the Broad Awareness Programme, including the amount of programmes initiated; as indicated on page 87 of the Annual Report.

7.2 Vote 8: Western Cape Housing Development Fund

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a qualified audit opinion with matters which relates to findings on compliance to laws and regulations, property, plant and equipment. This audit opinion represents a regression from the 2013/14 financial year where the Entity obtained an unqualified audit opinion with matters relating findings on compliance to laws and regulations.

The Western Cape Housing Development Fund spent R 652,199 million of a budget of R 97,920 million, resulting in an overall over-expenditure of R 554,279 million, as reflected on page 29 of the Annual Report.

Although the Committee did not pass a resolution, it noted that material losses amounting to R38,8 million were reported by the Western Cape Housing Development Fund as a result of a write-off of irrecoverable debt. In addition, as disclosed in notes 4 and 5 to the financial statements, material impairments of R78,4 million were incurred as a result of provision for doubtful debts.

7.2.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p>Page: 64 of the Annual Report</p> <p>Heading: "Bad debts written off"</p> <p>Description: The Committee noted that material losses to the amount of R38,8 million were reported by the Western Cape Housing Development Fund as a result of a write-off of irrecoverable debt.</p>	<p>1. That the Entity briefs the Committee on the mechanism implemented to ensure that debts are followed up before classifying it as bad debt.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>
<p>Page: 70 of the Annual Report</p> <p>Heading: "22.5 Property, Plant and Equipment"</p> <p>Description: The Committee notes that the Entity made a correction to property, plant and equipment, due to a reclassification of the line item properties that resulted in a decrease of the revaluation amount.</p>	<p>2. That the Entity briefs the Committee on the mechanisms that were put in place to ensure that a decrease in the revaluation of properties does not recur in the following financial year.</p>	<p>Briefing to be scheduled by the Public Accounts Committee.</p>

7.2.2 List of Information Requested

None.

7.3 Vote 9: CapeNature

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has been positively maintained from the 2013/14 financial year, where the entity obtained a clean audit opinion.

CapeNature spent R279, 8 million of the operating budget of R293 million, resulting in an overall saving of R13,2 million (5%), as reflected on page 102 of the Annual Report.

The Entity had a total revenue budget of R319,1 million, but collected R303,5 million, which is R15,6 million below budget, as reflected on page 102 of the Annual Report. This is mainly attributed to fewer grants, donations and project funding received, as further explained in note 32 on page 134 of the Annual Report on variance analysis.

7.3.1 Recommendations

None.

7.3.2 List of Information Requested

None.

7.4 Vote 10: Government Motor Transport (GMT)

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion has thus been positively maintained from the 2013/14 financial year where the Entity obtained a clean audit opinion.

As disclosed on page 12 of the Entity's Annual Report, the Government Motor Transport spent R384, 8 million of an operating budget of R390, 2 million, resulting in an overall under-expenditure of R5, 4 million (1,4%).

The Entity under-collected on its revenue budget of R827,3 million by R215,5 million or 26,1%, as indicated on page 9 of the Annual Report. In comparison to the 2013/14 financial year, the Entity over collected on its revenue by 4,6%.

7.4.1 Recommendations

None.

7.4.2 List of Information Requested

The Committee requested that the GMT entity provides it with the following:

- 7.4.2.1 A copy of the draft policy on the Conflict of Interest, as indicated on page 40 of the Annual Report.
- 7.4.2.2 Copies of the standard operating procedures and policies to enhance financial governance, as indicated on pages 43 and 44 of the Annual Report.

7.5 Vote 11: Cape Agency for Sustainable Integrated Development in Rural Areas (CASIDRA)

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. The audit opinion is thus an improvement from the 2013/14 financial year, where the Entity obtained an unqualified audit opinion with findings on predetermined objectives.

As disclosed in the detailed financial statements on page 56 of the Annual Report of the Entity, CASIDRA spent R26, 7 million on operating expenditure. This excludes project expenditure and salaries of R200, 3 million.

The Committee notes that the Entity's projected income was estimated to be R207,1 million. However, the total income for the year amounted to R196,4 million. The table of transfers on pages 116 to 121 of the Annual Report, reflects transfers payments made by the Western Cape Department of Agriculture of R341,6 million to CASIDRA during the 2014/15 financial year, all of which had not yet been spent during the 2014/15 financial year.

7.5.1 Recommendations

None.

7.5.2 List of Information Required

None.

7.6 Vote 12: The Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO)

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained an unqualified audit opinion with findings on compliance with laws and regulations. The audit opinion is thus a regression from the 2013/14 financial year where the Entity obtained a clean audit opinion.

WESGRO spent R55,3 million of a finally approved operating budget of R48,7 million, resulting in an overspending of R6,6 million (13.6 %).

Furthermore, WESGRO spent R545 000 of a capital budget of R359 000, resulting in an overall over-expenditure of R186 000 (52%).

The Committee notes that the Entity was a defendant in a lawsuit that originated in June 2009, when a claim of R2, 7 million for defamation of character of the former chief operating officer of Cape Town Routes Unlimited was instituted. Subsequent to year-end the Entity paid the defendant R100 000 in full and final settlement of the pending proceedings.

7.6.1 Recommendations

None.

7.6.2 List of Information Required

None.

7.7 Vote 12: The Western Cape Liquor Authority

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. The audit opinion is an improvement from the 2013/14 financial year, where the Entity obtained an unqualified audit opinion with findings on compliance with laws and regulations and findings on predetermined objectives.

The Western Cape Liquor Authority spent R38,75 million of a budget of R40,95 million, resulting in an overall under-expenditure of R2,19 million (5.3%).

The Entity had a revenue budget of R40,95 million but collected R32,79 million which is R8,15 million less than budgeted amount.

7.7.1 Recommendations

None.

7.7.2 List of Information Required

The Committee requested that the Western Cape Liquor Authority provides it with a list detailing the application fees, which relates to granting fees, as indicated on page 102 of the Annual Report.

7.8 Vote 12: Saldanha Bay Industrial Development Zone Licensing Company (SOC) Ltd (residing within Vote 8)

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. The Entity does not have previous audit opinions that relates to it as an entity, since it reported its expenditure under Programme eight of the Western Cape Tourism, Trade and Investment Promotion Agency (WESGRO) Annual Report.

The Saldanha Bay Industrial Development Zone Licensing Company (SOC) Ltd spent R17.4 million of its operating budget of R35.8 million, resulting in an under-expenditure of R18.4 million (51.4%).

The capital budget of the Entity amounts to R213.8 million and was underspent by R196 million (92%). The Entity had a revenue budget of R8.2 million and collected R12.7 million, which is R4.5 million (54.8%) more than the budget.

7.8.1 Recommendations

BACKGROUND/ CONCERNS	RECOMMENDATIONS	ACTION DATE
<p><u>Pages:</u> None</p> <p><u>Heading:</u> None</p> <p><u>Description:</u> The Committee noted that it was the first time that the Entity produced an Annual Report for it to consider. However, the Committee does not have any historical knowledge from where it can exercise oversight over the Entity.</p>	<p>1. That the Entity briefs the Committee on its organisational and financial management structure.</p>	<p>To be scheduled by the Public Accounts Committee.</p>

7.8.2 List of Information Requested

None.

7.9 Vote 13: Heritage Western Cape

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year, where the Department also obtained a clean audit opinion.

Heritage Western Cape spent R2,104 million of a budget of R4,847million, resulting in an overall over-expenditure of R2 743, as reflected on page 57 of the Annual Report.

7.9.1 Recommendations

None.

7.9.2 List of Information Required

None.

7.10 Vote 13: Western Cape Cultural Commission

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year, where the Department also obtained a clean audit opinion.

The Western Cape Cultural Commission spent R 2,619 million of a budget of R2,499 million, resulting in an overall over-expenditure of R120 000, as reflected on page 44 of the Annual Report.

7.10.1 Recommendations

None.

7.10.2 List of Information Requested

The Committee requested that the Western Cape Cultural Commission provides it with a report on the total number of meetings Members of the commission attended during the 2014/15 financial year, as indicated on pages 24 to 26 of the Annual Report.

7.11 Vote 13: Western Cape Language Committee

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2014/15 financial year, having obtained a clean audit opinion. This audit opinion remains unchanged from the 2013/14 financial year, where the Department also obtained a clean audit opinion.

The Western Cape Language Committee spent R238 000 of a budget of R233 000, resulting in an overall over-expenditure of R5 000, as reflected on page 34 of the Annual Report.

7.11.1 Recommendations

None.

7.11.2 List of Information Required

None.

8. Conclusion

The Committee thanked the Premier, Ministers, Director-General and Heads of Department, the Auditor-General, the Audit Committees and all other role players, for the information provided towards ensuring efficient and productive oversight outcomes in terms of this process.

The Committee is of the view that in order to increase public interest, knowledge and participation in this important oversight process, that more community organisations and members of the public should be invited to engage in this important process. The Committee thank the community organisations and members of the public who made the effort to attend the Annual Reporting process and proactively engaged the departments and entities on the content of their Annual Reports for the 2014/15 financial year.

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.