

The following report replaces the Report of the Portfolio Committee on Arts and Culture, which was published in the Announcements, Tablings and Committee Reports date 22 October 2014 on page 1459.

1. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON ARTS AND CULTURE, ON THE PERFORMANCE OF THE DEPARTMENT OF ARTS AND CULTURE FOR THE 2013/14 FINANCIAL YEAR, DATED 21 OCTOBER 2014

The Portfolio Committee on Arts and Culture (hereinafter referred to as “the Committee”), having considered the performance of the Department of Arts and Culture (hereinafter referred to as “the Department”), reports as follows:

1. INTRODUCTION

1.1. Mandate of Committee

The Constitution of the Republic of South Africa (Act No. 108 of 1996) empowers the National Assembly, through its committees, to ensure that executive organs of the state in the national sphere of government are accountable to it. It further empowers the National Assembly to maintain oversight of the exercise on national executive. In order for the Committee to provide oversight, the Budget Review and Recommendation Report (BRRR) is an essential tool to assess the Department’s performance and strategic direction. The BRRR also acts as a mechanism to measure service delivery and identify areas that require urgent interventions. The BRRR process enables the Committee to understand how the Department has expended its appropriated budget.

1.2. Description of Core Functions of the Department

The Department derives its mandate from the Constitution with specific focus on language and culture, access to information and, to some extent, education. In relation to government’s 2014-2019 Medium Term Strategic Framework, the Department has to respond to Outcome 14: *Nation Building and Social Cohesion*.

The Department further seeks to unleash the potential of the arts, culture and heritage sector to contribute to job creation and economic growth through the Mzansi Golden Economy (MGE) strategy. Furthermore, the Department is also responsible for the promotion of the performing arts in South Africa; provision and promotion of official languages and enhancement of linguistic diversity in South Africa; and provision and maintenance of the declared cultural institutions, national archives and library services in South Africa.

1.3. Purpose of the BRR Report

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (Act No. 9 of 2009) requires the National Assembly, through its Committees, to produce a Budgetary Review and Recommendation Report which assesses the performance of each national department with reference to the following:



- a) The Medium Term Estimates of Expenditure, Strategic Priorities and Measurable Objectives, as tabled in the National Assembly;
- b) Prevailing Strategic Plans;
- c) The Expenditure Report as published by the National Treasury in terms of section 32 of the Public Finance Management Act (Act No. 1 of 1999);
- d) The Financial Statements and Annual Reports;
- e) The Reports of the Committee of Public Accounts; and
- f) Any other information requested by or presented to a House of Parliament.

1.4. **Method**

In compiling the 2014/15 BRRR the Committee utilised the following documents:

- 2014 February State of the Nation Address;
- 2014 June State of the Nation Address;
- The 2013 Management Performance Assessment Tool: National Departments Score Cards as issued by the Department of Performance Management and Evaluation;
- 2009-2014 Strategic Plan of the Department of Art and Culture;
- 2014/15 Annual Performance Plan of the Department of Arts and Culture;
- 2013/14 Annual Report of the Department of Arts and Culture;
- 2013/14 Reports of the Auditor-General on the outcomes of audit findings of the Department of Arts and Culture;
- 2013/14 Budget Review and Recommendation Report of the Portfolio Committee on Arts and Culture;
- 2014/15 first quarter expenditure report of the Department of Arts and Culture; and
- The National Development Plan: Vision for 2030.

During the 2012 Medium Term Budget Policy Statement (MTBPS), the Minister of Finance announced a consolidated government expenditure framework, a system that extends the monitoring of expenditure to entities and other spheres of government. Furthermore, due to the fact that 80% of the Department's budget is transferred to departmental entities, the Committee requested them to provide information that relate to their expenditure on personnel as well as goods and services. Furthermore, entities were also requested to provide performance information from 1 April - 30 September 2014 and its vacancy profile. Information was requested from the following entities:

- Pan South African Language Board;
- South African Heritage Resources Agency;
- National Film and Video Foundation;
- The South African State Theatre;
- Windybrow Theatre;
- The National Arts Council;
- National Heritage Council;
- The Freedom Park;
- Msunduzi Museum;
- Luthuli Museum;
- Business and Arts South Africa;



- Iziko Museums of South Africa; and
- Robben Island Museum.

1.5. Portfolio Committee's Oversight Environment

The year 2014 marks the twentieth anniversary of freedom and democracy. This has been characterised by various commemorations as the country hosted the fifth general elections. During the February State of the Nation Address, the President emphasised the need to prioritise healing, nation building and continue to build understanding, tolerance and reconciliation as part of the 20th commemoration of freedom and democracy. The President emphasised that during the 2014-2019 government term of office sport and culture will play a major role as unifying factors. In addition, the President pointed out that government will continue to promote inclusive heritage through building monuments and other symbols that honour the heroes of the struggle that delivered the freed and democracy.

Since the beginning of the fifth parliament, the Committee has been actively involved on oversight functions that seek to ensure that the delivery of arts, culture and heritage services is accelerated and South Africans enjoy the value of their diverse heritage. The Committee has challenged entities of the Department to align themselves with strategic priorities of government. These include alignment with the National Development Plan (NDP): Vision 2030 and contribution to job creation. The Committee has robustly engaged the Pan South African Language Board (PanSALB) in an attempt to assist the Department to ensure that PanSALB fulfils its Constitutional mandate.

The Committee acknowledges that the Department has a pivotal role to play in realising the vision of the NDP. The Committee believes that the amplification of the current programmes of the Department could enhance the delivery of services and a delivery of a dream of a 'better life for all'.

The President has set the target to increase the number of foreign visitor arrival to be more than 15 million annually by 2017 while setting the economic growth target at 5% by 2019. These targets require all sectors of society to embark on various measures and interventions to create a demand to visit South Africa and to jump-start the economy. This requires museums to develop new attractive exhibitions and artistic products by performing and visual arts institutions. The MGE strategy positions the sector to be a catalyst in economic growth.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

The following policy developments characterised the sector during the 2013/14 financial year:

2.1. South African Language Practitioners' Council Act

During the 2013/14 financial year the President enacted the South Africa Language Practitioners' Council Act (Act No. 8 of 2014). This legislation establishes a national public entity that will be responsible for the promotion of language practice in South Africa and be a professional body responsible for the accreditation of language practitioners and development of the code of conduct for language practitioners.



2.2. Review of the 1996 Arts, Culture and Heritage White Paper

In accordance with the policy review report, the Department initiated the review of the 1996 White Paper. The process has culminated in a number of public consultations with stakeholders in the sector. It is envisaged that a revised White Paper on Arts, Culture and Heritage will realign the sector taking into consideration current needs of shared services, scarce skills, compliance and excessive audit costs as well as demands of the 21st century.

2.3. Draft National Museum Policy

Since the establishment of the Department of Arts, Culture, Science and Technology in 1994 the issue of what constitutes a 'national museum' has been unclear. The draft national museum policy seeks to provide a framework for the management of national museums in South Africa within the broader context of heritage management and key government priorities. The policy has been circulated for public consultation and the Department hosted a consultative seminar.

2.4. International Agreements

In 2013 the National Assembly adopted the United Nations Educational, Scientific and Cultural Organization (UNESCO) Convention on the protection of underwater cultural heritage; the International Institute for the Unification of Private Law (UNIDROIT) Convention on the stolen or illegally exported cultural objects; and the 1999 second protocol to the 1954 Hague Convention for the protection of cultural property in the event of armed conflict. These conventions do not necessitate any legislative amendments. However, the 1999 second protocol to the 1954 Hague Convention for the protection of cultural property in the event of armed conflict requires that sites of cultural property should not be used for military operations. In the South African context the Castle of Good Hope in Cape Town hosts a cultural property and a military operation. The Departments of Arts and Culture and Defence should resolve this issue as it presents a potential threat to cultural property in the event of armed conflict.

2.5. Impact of the National Development Plan, vision 2030

The NDP asserts that South Africans have made significant progress in uniting the country since 1994. The end of apartheid restored the dignity of all South Africans. It identifies shared history as the basis of fundamental relationships that define us as South Africans. The NDP presents this shared identity within the Constitutional framework as a social compact that carefully defines our togetherness and accords rights and exacts obligations to each of us. The work of the Department is central to the implementation of Chapter 15, *Transforming Society and Uniting the Country*, of the NDP. The Department's programmes of nation building and social cohesion are directly aligned to the NDP. It has also streamlined itself to respond to critical goals of the NDP. However, some entities of the Department are still to align their strategic operations with the goals of the NDP.





2.6. Medium Term Strategic Framework, 2014 - 2019

The Medium Term Strategic Framework (MTSF) defines the strategic objectives and targets of government for the next five years. The 2014-2019 MTSF is based on the diagnostic report of the Planning Commission and therefore grounded on the vision of the NDP. The Department has been assigned with Outcome 14: Nation Building and Social Cohesion.

3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE

3.1. 2013/14 BRRR Recommendations

During the 2013/4 BRRR the Committee made the following recommendations:

a) Financial Management & Governance

- The Committee observed that there are huge funding disparities among institutions whose mandate is similar. The Department should review its funding formula with regards to funding of its entities;
- The Department to prioritise the legislative review process in order to streamline proper management of entities;
- The Department to speed up the recruitment of the Chief Financial Officer (CFO);
- The Department to ensure that entities prioritise legislative compliance;
- The Department to develop a system to ensure that provinces spend Conditional Grants allocated to them;
- A Shareholder Compact between the Minister and entities should be clear on the expected financial management outcomes;
- For smaller entities the Committee has observed that it is sometimes difficult to develop control measures that are required as there are sometimes insufficient human resource capacity. The Committee recommends that the Department consider establishing shared services while working on the establishment of the flagships as recommended in the 2013/14 budget report (Central Flagship and KwaZulu-Natal Flagship);
- The Department should develop a Road Map of Financial Compliance for the sector and seek ways to reward financial compliance;
- Where lack of skills has been identified consistently, the Department in partnership with affected entities should develop a Personal Development Plan which should result in reskilling concerned personnel; and
- The Department and entities should develop clear guidelines and consequences of non-compliance.

b) Performance Information and other related

- The Department to develop transversal performance indicators for its entities in order to enhance its ability to measure value for money throughout the sector. This would enable the Department to ensure that there is accurate standardisation to rate performance of institutions while they can add their own indicator based on their field of specialisation.



The Committee observes that the Department took some of these recommendations seriously as the following has been achieved:

- Both the draft review of the White Paper on Arts, Culture and Heritage and the draft National Museum Policy seek to enforce the notion of shared services within the sector;
- The Department increased oversight visits to institutions that had serious non-compliance challenges;
- A Project Support Office was established to assist provinces like Limpopo and Eastern Cape to fast-track the expenditure on the conditional grant;
- The Department worked closely with the National Treasury to intervene where there were transgressions and instituted forensic investigations; and
- The Shareholder Compact includes expectations of financial compliance and both the accounting authority and accounting officer make commitments.

However, the Committee notes that the following key recommendations were not implemented:

- The position of the CFO has been vacant for over four years and has still not been filled;
- The Road Map for Financial Compliance for the sector and the rewarding of financial compliance has not been developed; and
- The Department has not been able to develop specific skills development plans for entities that have staff in key positions and they are unable to achieve their outcomes, e.g. the issue of skills deficit was identified by the Auditor General as a key cause of non-compliance among some entities.

3.2. **2014/15 Committee Budget Report**

The Committee supported the 2014/15 budget of the Department and its Annual Performance Plan (APP). It also supported the strategic alignment of the Department's programmes with the NDP. The following recommendations were made during the 2014/15 budget report:

- The Department must spend 100% of its 2014/15 budget allocation;
- The Department should prioritise the appointment of the CFO and the National Archivist;
- More governance monitoring to be provided to departmental entities, particularly with regard to the development of the Annual Performance Plans and Strategic Plans;
- The Department should consider developing customised national indicators for entities in order to ensure that the work of entities is in line with government's priorities such as the National Development Plan;
- In light of scarce resources it is crucial that the Department develops a shared service model in provinces such as Free State, Northern Cape and KwaZulu-Natal;
- The Department to invest in the Business Development Approach of entities so that they are able to raise more funds on their own rather than to depend entirely on the state's subsidy; and
- The Department should reconsider budget cuts in respect of Non Profit Institutions, i.e. Blind South Africa and National Library for the Blind. These budget cuts should be possibly absorbed elsewhere in the budget other than institutions that target people with disabilities.



The Committee observes the following based on its 2014/15 budget report recommendations:

- The Department has committed itself that it will adjust its expenditure indicator and envisages to spend 100% of its 2014/15 appropriated funds; and
- A revised 2014/15 APP to be tabled after the introduction of the Adjustments Appropriation Bill.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

Over the past years the Department has received an unqualified audit opinion with matters of emphasis. It should be noted that despite the audit opinion being unqualified, the amount of irregular, fruitless and wasteful expenditure has been growing steadily. During the 2013/14 audit the Department received a qualified audit opinion. The Committee observes that with the exception of Robben Island Museum and Iziko Museums of South Africa which received clean audits, there is a general regression in the audit outcomes as more auditees received qualified opinions compared to the previous financial year.

Audit opinion	2009/10	2010/11	2011/12	2012/13	2013/14
Clean	6	6	6	8	9
Unqualified	16	17	15	14	9
Qualified	4	2	4	4	7
Adverse	0	1	0	0	0
Disclaimer	0	0	1	0	1

Figure 1: Audit history of the vote¹

The Committee observes that the National Film and Video Foundation, War Museum of the Boer Republic, Artscape, KwaZulu-Natal Playhouse, Luthuli Museum, KwaZulu-Natal Museum and Freedom Park have consistently received clean audits. The Committee observes that five entities improved their audit findings (Robben Island Museum and Iziko Museums of South Africa improved from unqualified with finding to unqualified with no findings. William Humphreys Art Gallery, South African State Theatre and South African Heritage Resources Agency improved from being qualified to unqualified with findings). The Committee remains concerned about the future of the Pan South African Language Board (PanSALB). As indicated in Figure 1 above the entity received a disclaimer from the Auditor General. During the recent oversight visit of the Committee it discovered that the entity has not budgeted for the position of the Chief Executive Officer (CEO) thus it cannot fill the post until the 2015/16 financial. This contravenes section 36 (1) of the Public Finance Management Act (Act No.1 of 1999, as amended) which requires that every department and constitutional institution

¹Presentation by the Auditor General of South Africa to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, Cape Town, 14 October 2014.



must have an accounting officer. The Committee is also concerned about the oversight function of the Department since it approved the draft budget of PanSALB which unfunded the CEO's position. The Committee also observed that PanSALB is in a serious paralysis phase that requires urgent consideration by the both Parliament and the Department.

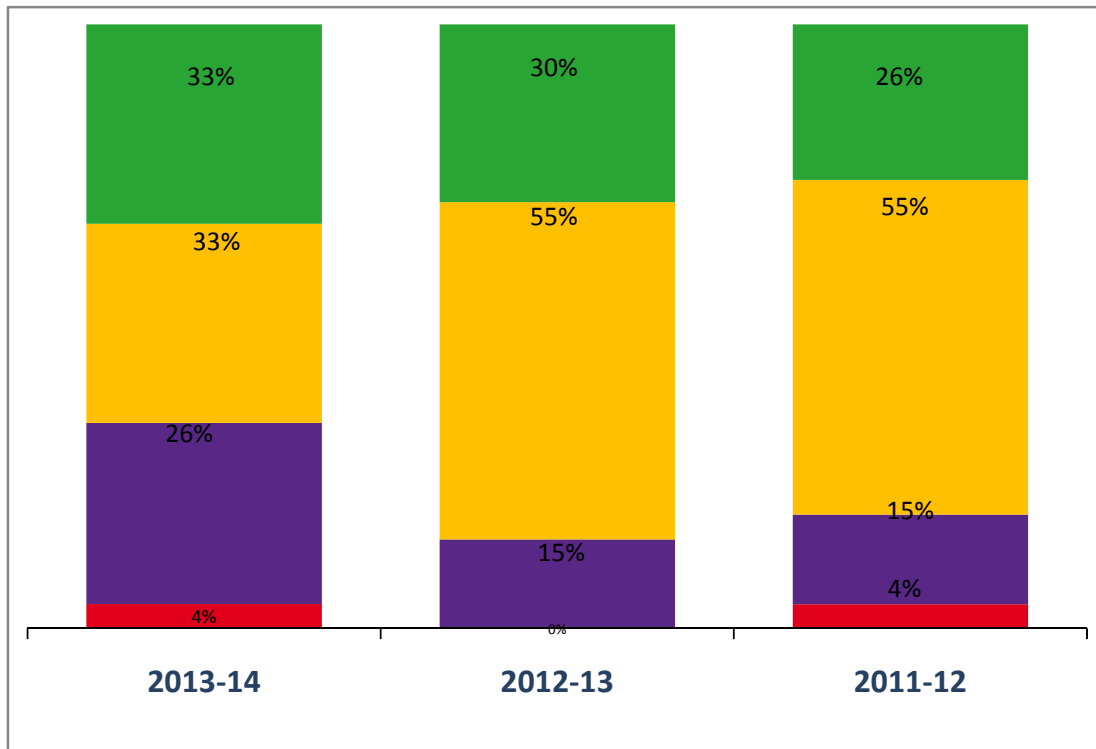


Figure 2: Audit outcomes in percentage

Irregular Expenditure

The Committee is concerned about the exponential growth of irregular expenditure within the Department and its entities. Out of the R2.9 billion appropriated budget of the vote, R225.6 million was incurred as irregular expenditure. While the Committee cannot conclude that this funding was spent on fraudulent activities, it is concerned by the Department's and entities' failure to comply with the supply chain management procedures as this could lead to potential fraud and corrupt activities. The Committee views perpetual irregular expenditure with displeasure as it has a pernicious impact on the public trust of the Department and its entities.

The Committee is concerned about the lack of internal control mechanisms to disclose irregular expenditure and the ability by the Department and its entities to disclose it accurately. Financial Statements of the Department and its entities disclosed only R119.1 million as irregular expenditure while the Auditor General discovered an additional R106.4 million which the Department and its entities has failed to disclose.



affected comprise of the nine provincial departments as well as t

2013-14
2012-13
2011-12

**R7,4
billion**

**R8,1
billion**

Figure 3: History of Irregular expenditure within the vote²

Fruitless and Wasteful expenditure

The Committee notes the extent to which the Department's and its entities' fruitless and wasteful expenditure has grown over the past three financial years. While the vote had incurred R4.7 million in fruitless and wasteful expenditure in 2011/12, by 2013/14 this amount had grown to R9.3 million. The Committee is concerned that some of this money was paid for among other things, services that were never rendered, Value Added Tax (VAT) paid to non-VAT vendors and payment of traffic fines that should be paid by perpetrators. In addition, the Committee is concerned about the Department's and its entities' failure to disclose fruitless and wasteful expenditure accurately. While the Department and its entities disclosed R3.7 million as its fruitless and wasteful expenditure the Auditor General discovered an additional R5.5 million.

² Presentation by the Auditor General of South Africa to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, Cape Town, 14 October 2014.

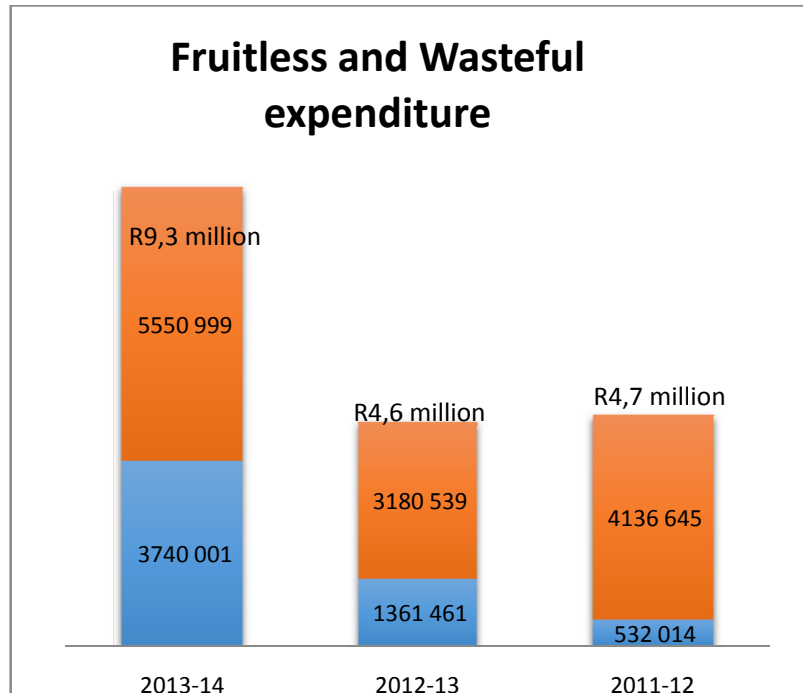


Figure 4: History of Fruitless and wasteful expenditure by the vote³

Non Compliance

The Auditor General has raised serious concerns with regards to the quality of financial statements that are generated by the Department and its entities. The AG postulates that had it not given auditees an opportunity to correct financial statements, that fifteen auditees would have been qualified instead of nine.

The Committee is concerned by the report of the AG that the quality of annual performance reports has regressed if compared with the previous financial year. While during the 2012/13 financial year only eight auditees were identified not to have complied, during the 2013/14 financial year the figure has increased to twelve. The root cause of non-compliance could be appropriated to lack of skills within the sector, inability of the accounting authority to exercise its oversight function, lack of peer collaboration with the sector and non-appointment of the CFO of the Department.

Vacancy Profile

The Committee notes that the Department and its entities have unfilled funded vacancies that are critical in delivery of services. Four entities do not have CEOs while one entity has had its CEO suspended and it has not been able to finalise the disciplinary process within sixty days. While these posts are currently occupied by acting CEOs, with the exception of PanSALB where there is no acting CEO, there is a risk that appointed acting CEOs cannot function efficiently in these positions since they still have to perform on positions they were originally contracted to.

Some entities take more than a year to fill a critical position. The Luthuli Museum, for example, has taken more than two years to fill a researcher's position and more than a year to fill a curator's

³Presentation by the Auditor General of South Africa to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, 14 October 2014.



position. This has affected service delivery as performance targets for research, exhibitions and education programmes were not achieved.

4.1. Overview of 2013/14 Vote allocation and spending

	Final Appropriation	Actual Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
Administration	258,068	258,068	-	100%
Performing Arts	602,085	572,195	29,890	95%
National Language Service	134,616	134,616	-	100%
Cultural Development	255,195	254,129	1,066	99.6%
Heritage Promotion	829,170	731,922	97,248	88.3%
National Archives and Library Services	835,643	804,290	31,353	96.3%
Grand Total	2,914,777	2,755,220	159,557	94.5%

Figure 5: Expenditure patterns with the vote⁴

4.2. Financial Performance 2013/14

The Committee notes that the Department spent 94.5% or R2.7 billion of its appropriation. The Department reported an underexpenditure of R159.5 million compared to R15.9 million in the 2012/13 financial year. The major cause of under expenditure was mainly underperformance of capital works within the Heritage Promotion programme. The Committee recognises the sterling work of the Department with regards to the delivery of the library services through the conditional grant. However, the Committee is concerned that despite these strides Limpopo, Free State, Northern Cape, and North West provinces report an excessive amount of under expenditure.

The Committee notes with concerns expenditure delays in the Mzansi Golden Economy (MGE) projects. MGE is a job creation catalyst, therefore any delays compromises the ability of government to create a required number of employment opportunities. The Department's virement of R223.5 million (for MGE projects) is also concerning as this questions the planning ability of the Department.

Personnel are a necessary expenditure in any Department as staff drives the programmes of the government. However, there needs to be constant awareness of the need to strike a balance between

⁴ Presentation by the Acting Director General of the Department of Arts and Culture to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, Cape Town, 14 October 2014.



expenditure on personnel and expenditure associated with core function and other operational costs. The Committee further observed that there are certain entities whose growth in personnel expenditure is disproportionate with indicative subsidy growth. Some of these entities' personnel expenditure constitutes more than 80% of the total budget. If this scenario is not properly managed it could result into a situation whereby their entire budget is spent on personnel costs and this will have a negative impact on service delivery.

4.3. Financial Performance 2014/15

The Department has a 2014/15 available appropriation of R3.5 billion which represents a nominal increase of R610 million, or 20 per cent, from 2013/14. Transfers and Subsidies account for R2.8 billion of the available budget.

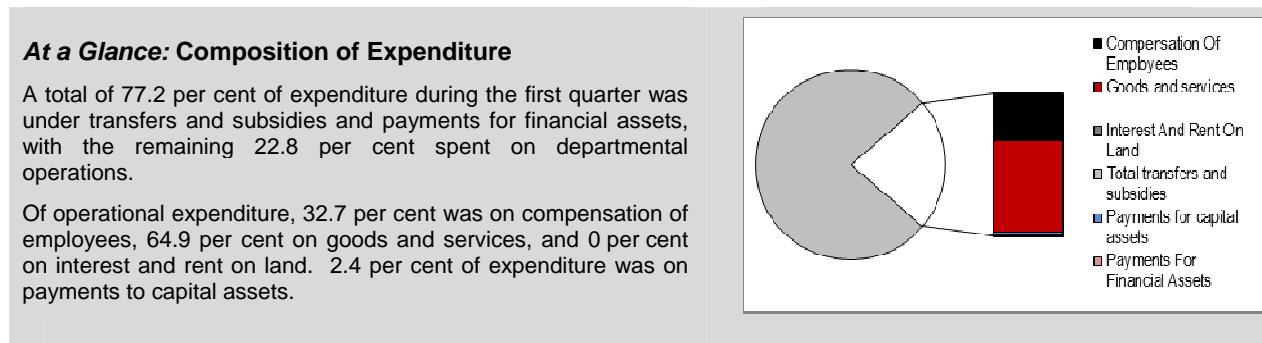


Figure 6: Budget expenditure during the 1st quarter of 2014/16⁵

By the end of August 2014 the Department had expended R1.4 billion, 40%, of its appropriated budget. This expenditure trend does not convince the Committee that the Department will spend 100% of its budget given that the Department has a history of underspending on capital works.

Thirteen entities that were studied demonstrate that there is a relatively stable expenditure pattern which leans towards growth on personnel costs. Freedom Park has spent over 22% of its total budget on personnel costs. Robben Island Museum's scenario is concerning. Its personnel costs are more than the subsidy it receives from the Department. The Museum plans generate R74.5 million. While the Committee applauds such a business sustainability model it is concerned about the risk level associated with it. What would happen if the Museum is unable to generate its expected revenue? The Committee is concerned with the expenditure patterns at the South African Heritage Resources Agency. By 30 September 2014 the entity had spent R31.6 million on personnel costs against the budget of R46.4 million, excluding R20 million of the conditional grant.

⁵ Standing Committee on Appropriation, 1st Quarterly Expenditure Report-2014/15 Financial Year (2014, p. 62).



5. OVERVIEW OF SERVICE DELIVERY ENVIRONMENT AND FINANCIAL PERFORMANCE, 2013/14 & 2014/15

5.1. Service Delivery Performance for 2013/14

The 2013/14 was characterised by the centenary commemoration of the 1913 Native Land Act. Many entities hosted programmes that were aligned to the 1913 Native Land Act. The Department further achieved the following:

- The first ever provincial summit on social cohesion and moral regeneration was held in Mahikeng, North West Province in July 2013.
- The Department facilitated a number of measures to develop, protect, preserve and promote arts, culture and heritage including:
 - Celebrating the centenary of the Union Buildings and the unveiling of the Nelson Mandela statue;
 - The implementation of the second phase of the JL Dube project at the Ohlange Institute, Inanda Township, Durban;
 - Commemoration of national days such as Human Rights Day, Youth Day, Heritage Day;
 - Supporting a number of cultural events and festivals; and
 - Acknowledging excellence in the sector through hosting the South African Music Awards and the South African Literary Awards.
- In collaboration with the Department of Basic Education (DBE), the Department has placed over 200 artists in schools across eight provinces.
- A modern film studio, installed in the City of Johannesburg-owned community centre, was handed over to the community of Diepsloot to assist with the training of local artists and in the production of local films.
- The Department signed an agreement with *L'institut national de l'audiovisuel* in France to digitise the recordings from the Rivonia Trial.
- Through the Community Library Conditional Grant, just over R1 billion was used to build 16 new libraries and upgrade 55 libraries.

5.2. Service Delivery Performance for 2014/15

The Department has streamlined its microstructure and this resulted in a subsequent reduction of its programme from six to four programmes. The Committee holds a strong view that the Department and its entities have a vital role to play in the transformation of the South African society. While the Department and its entities find it difficult to achieve performance targets it is mindful that more targets were achieved between April to June 2014 compared to the same period during the 2013/14 financial year. The Committee is concerned that job creation targets are not reported quarterly and this hinders effective oversight by the Committee. This also has a potential to prohibit the government from conducting mid-term monitoring on this performance target.



6. RECOMMENDATIONS

In the light of the key performance issues raised in this report, the Committee recommends the following:

- a) The Department must spend 100% of its appropriated budget;
- b) The Department should ensure that the CFO and National Archivist positions are filled by not later than 31 March 2015;
- c) The Department to report quarterly to Parliament on its job creation target;
- d) The Department to consider tapping into the Expanded Public Works Programme - Environment and Culture sector, to create additional job opportunities in the sector;
- e) The Department to develop customised national indicators for entities to ensure that government strategic goals are met;
- f) The Department to consider a Cultural Season with African countries in light of South Africa being signatory to African Charter on Cultural Renaissance;
- g) The Department should consider repositioning the National Archives in a manner that makes it more effective, efficient, visible and accountable;
- h) The Department to forge intergovernmental relations that enables entities to work with provincial departments that are responsible for cultural affairs;
- i) The Department to reprioritise its Medium Term Expenditure Framework to ensure that entities that serve the needs of disable citizens are properly maintained;
- j) The Department to initiate inter-departmental peer assistance programmes to enable experienced and well-resourced institutions to assist fledgling entities;
- k) The Department should assist the Board of PanSALB to appoint a CEO and a CFO and resolve the institutional paralysis at PanSALB with immediate effect; and
- l) The Department must continue to strengthen internal controls and work towards eliminating irregular, fruitless and wasteful expenditure incurred within the Department and its entities.

7. APPRECIATION

The Committee thanks the support of the Department and entities that worked hard to produce documents that were required to generate this report.

Report to be considered.





BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON ARTS AND CULTURE, ON THE PERFORMANCE OF THE DEPARTMENT OF ARTS AND CULTURE FOR THE 2013/14 FINANCIAL YEAR, DATED 21 OCTOBER 2014

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- Robben Island Museum.



8.5. Portfolio Committee's Oversight Environment

The year 2014 marks the twentieth anniversary of freedom and democracy. This has been characterised by various commemorations as the country hosted the fifth general elections. During the February State of the Nation Address, the President emphasised the need to prioritise healing, nation building and continue to build understanding, tolerance and reconciliation as part of the 20th commemoration of freedom and democracy. The President emphasised that during the 2014-2019 government term of office sport and culture will play a major role as unifying factors. In addition, the President pointed out that government will continue to promote inclusive heritage through building monuments and other symbols that honour the heroes of the struggle that delivered the freed and democracy.

Since the beginning of the fifth parliament, the Committee has been actively involved on oversight functions that seek to ensure that the delivery of arts, culture and heritage services is accelerated and South Africans enjoy the value of their diverse heritage. The Committee has challenged entities of the Department to align themselves with strategic priorities of government. These include alignment with the National Development Plan (NDP): Vision 2030 and contribution to job creation. The Committee has robustly engaged the Pan South African Language Board (PanSALB) in an attempt to assist the Department to ensure that PanSALB fulfils its Constitutional mandate.

The Committee acknowledges that the Department has a pivotal role to play in realising the vision of the NDP. The Committee believes that the amplification of the current programmes of the Department could enhance the delivery of services and a delivery of a dream of a 'better life for all'.

The President has set the target to increase the number of foreign visitor arrival to be more than 15 million annually by 2017 while setting the economic growth target at 5% by 2019. These targets require all sectors of society to embark on various measures and interventions to create a demand to visit South Africa and to jump-start the economy. This requires museums to develop new attractive exhibitions and artistic products by performing and visual arts institutions. The MGE strategy positions the sector to be a catalyst in economic growth.

9. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

The following policy developments characterised the sector during the 2013/14 financial year:

9.1. South African Language Practitioners' Council Act

During the 2013/14 financial year the President enacted the South Africa Language Practitioners' Council Act (Act No. 8 of 2014). This legislation establishes a national public entity that will be responsible for the promotion of language practice in South Africa and be a professional body responsible for the accreditation of language practitioners and development of the code of conduct for language practitioners.

9.2. Review of the 1996 Arts, Culture and Heritage White Paper



In accordance with the policy review report, the Department initiated the review of the 1996 White Paper. The process has culminated in a number of public consultations with stakeholders in the sector. It is envisaged that a revised White Paper on Arts, Culture and Heritage will realign the sector taking into consideration current needs of shared services, scarce skills, compliance and excessive audit costs as well as demands of the 21st century.

9.3. Draft National Museum Policy

Since the establishment of the Department of Arts, Culture, Science and Technology in 1994 the issue of what constitutes a 'national museum' has been unclear. The draft national museum policy seeks to provide a framework for the management of national museums in South Africa within the broader context of heritage management and key government priorities. The policy has been circulated for public consultation and the Department hosted a consultative seminar.

9.4. International Agreements

In 2013 the National Assembly adopted the United Nations Educational, Scientific and Cultural Organization (UNESCO) Convention on the protection of underwater cultural heritage; the International Institute for the Unification of Private Law (UNIDROIT) Convention on the stolen or illegally exported cultural objects; and the 1999 second protocol to the 1954 Hague Convention for the protection of cultural property in the event of armed conflict. These conventions do not necessitate any legislative amendments. However, the 1999 second protocol to the 1954 Hague Convention for the protection of cultural property in the event of armed conflict requires that sites of cultural property should not be used for military operations. In the South African context the Castle of Good Hope in Cape Town hosts a cultural property and a military operation. The Departments of Arts and Culture and Defence should resolve this issue as it presents a potential threat to cultural property in the event of armed conflict.

9.5. Impact of the National Development Plan, vision 2030

The NDP asserts that South Africans have made significant progress in uniting the country since 1994. The end of apartheid restored the dignity of all South Africans. It identifies shared history as the basis of fundamental relationships that define us as South Africans. The NDP presents this shared identity within the Constitutional framework as a social compact that carefully defines our togetherness and accords rights and exacts obligations to each of us. The work of the Department is central to the implementation of Chapter 15, *Transforming Society and Uniting the Country*, of the NDP. The Department's programmes of nation building and social cohesion are directly aligned to the NDP. It has also streamlined itself to respond to critical goals of the NDP. However, some entities of the Department are still to align their strategic operations with the goals of the NDP.



9.6. Medium Term Strategic Framework, 2014 - 2019

The Medium Term Strategic Framework (MTSF) defines the strategic objectives and targets of government for the next five years. The 2014-2019 MTSF is based on the diagnostic report of the Planning Commission and therefore grounded on the vision of the NDP. The Department has been assigned with Outcome 14: Nation Building and Social Cohesion.

10. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE

10.1. 2013/14 BRRR Recommendations

During the 2013/4 BRRR the Committee made the following recommendations:

c) Financial Management & Governance

- The Committee observed that there are huge funding disparities among institutions whose mandate is similar. The Department should review its funding formula with regards to funding of its entities;
- The Department to prioritise the legislative review process in order to streamline proper management of entities;
- The Department to speed up the recruitment of the Chief Financial Officer (CFO);
- The Department to ensure that entities prioritise legislative compliance;
- The Department to develop a system to ensure that provinces spend Conditional Grants allocated to them;
- A Shareholder Compact between the Minister and entities should be clear on the expected financial management outcomes;
- For smaller entities the Committee has observed that it is sometimes difficult to develop control measures that are required as there are sometimes insufficient human resource capacity. The Committee recommends that the Department consider establishing shared services while working on the establishment of the flagships as recommended in the 2013/14 budget report (Central Flagship and KwaZulu-Natal Flagship);
- The Department should develop a Road Map of Financial Compliance for the sector and seek ways to reward financial compliance;
- Where lack of skills has been identified consistently, the Department in partnership with affected entities should develop a Personal Development Plan which should result in reskilling concerned personnel; and
- The Department and entities should develop clear guidelines and consequences of non-compliance.

d) Performance Information and other related

- The Department to develop transversal performance indicators for its entities in order to enhance its ability to measure value for money throughout the sector. This would enable the Department to ensure that there is accurate standardisation to rate performance of institutions while they can add their own indicator based on their field of specialisation.



The Committee observes that the Department took some of these recommendations seriously as the following has been achieved:

- Both the draft review of the White Paper on Arts, Culture and Heritage and the draft National Museum Policy seek to enforce the notion of shared services within the sector;
- The Department increased oversight visits to institutions that had serious non-compliance challenges;
- A Project Support Office was established to assist provinces like Limpopo and Eastern Cape to fast-track the expenditure on the conditional grant;
- The Department worked closely with the National Treasury to intervene where there were transgressions and instituted forensic investigations; and
- The Shareholder Compact includes expectations of financial compliance and both the accounting authority and accounting officer make commitments.

However, the Committee notes that the following key recommendations were not implemented:

- The position of the CFO has been vacant for over four years and has still not been filled;
- The Road Map for Financial Compliance for the sector and the rewarding of financial compliance has not been developed; and
- The Department has not been able to develop specific skills development plans for entities that have staff in key positions and they are unable to achieve their outcomes, e.g. the issue of skills deficit was identified by the Auditor General as a key cause of non-compliance among some entities.

10.2. 2014/15 Committee Budget Report

The Committee supported the 2014/15 budget of the Department and its Annual Performance Plan (APP). It also supported the strategic alignment of the Department's programmes with the NDP. The following recommendations were made during the 2014/15 budget report:

- The Department must spend 100% of its 2014/15 budget allocation;
- The Department should prioritise the appointment of the CFO and the National Archivist;
- More governance monitoring to be provided to departmental entities, particularly with regard to the development of the Annual Performance Plans and Strategic Plans;
- The Department should consider developing customised national indicators for entities in order to ensure that the work of entities is in line with government's priorities such as the National Development Plan;
- In light of scarce resources it is crucial that the Department develops a shared service model in provinces such as Free State, Northern Cape and KwaZulu-Natal;
- The Department to invest in the Business Development Approach of entities so that they are able to raise more funds on their own rather than to depend entirely on the state's subsidy; and
- The Department should reconsider budget cuts in respect of Non Profit Institutions, i.e. Blind South Africa and National Library for the Blind. These budget cuts should be possibly absorbed elsewhere in the budget other than institutions that target people with disabilities.



The Committee observes the following based on its 2014/15 budget report recommendations:

- The Department has committed itself that it will adjust its expenditure indicator and envisages to spend 100% of its 2014/15 appropriated funds; and
- A revised 2014/15 APP to be tabled after the introduction of the Adjustments Appropriation Bill.

11. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

Over the past years the Department has received an unqualified audit opinion with matters of emphasis. It should be noted that despite the audit opinion being unqualified, the amount of irregular, fruitless and wasteful expenditure has been growing steadily. During the 2013/14 audit the Department received a qualified audit opinion. The Committee observes that with the exception of Robben Island Museum and Iziko Museums of South Africa which received clean audits, there is a general regression in the audit outcomes as more auditees received qualified opinions compared to the previous financial year.

Audit opinion	2009/10	2010/11	2011/12	2012/13	2013/14
Clean	6	6	6	8	9
Unqualified	16	17	15	14	9
Qualified	4	2	4	4	7
Adverse	0	1	0	0	0
Disclaimer	0	0	1	0	1

Figure 7: Audit history of the vote⁶

The Committee observes that the National Film and Video Foundation, War Museum of the Boer Republic, Artscape, KwaZulu-Natal Playhouse, Luthuli Museum, KwaZulu-Natal Museum and Freedom Park have consistently received clean audits. The Committee observes that five entities improved their audit findings (Robben Island Museum and Iziko Museums of South Africa improved from unqualified with finding to unqualified with no findings. William Humphreys Art Gallery, South African State Theatre and South African Heritage Resources Agency improved from being qualified to unqualified with findings). The Committee remains concerned about the future of the Pan South African Language Board (PanSALB). As indicated in Figure 1 above the entity received a disclaimer from the Auditor General. During the recent oversight visit of the Committee it discovered that the entity has not budgeted for the position of the Chief Executive Officer (CEO) thus it cannot fill the post until the 2015/16 financial. This contravenes section 36 (1) of the Public Finance Management Act (Act No.1 of 1999, as amended) which requires that every department and constitutional institution

⁶Presentation by the Auditor General of South Africa to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, Cape Town, 14 October 2014.



must have an accounting officer. The Committee is also concerned about the oversight function of the Department since it approved the draft budget of PanSALB which unfunded the CEO's position. The Committee also observed that PanSALB is in a serious paralysis phase that requires urgent consideration by the both Parliament and the Department.

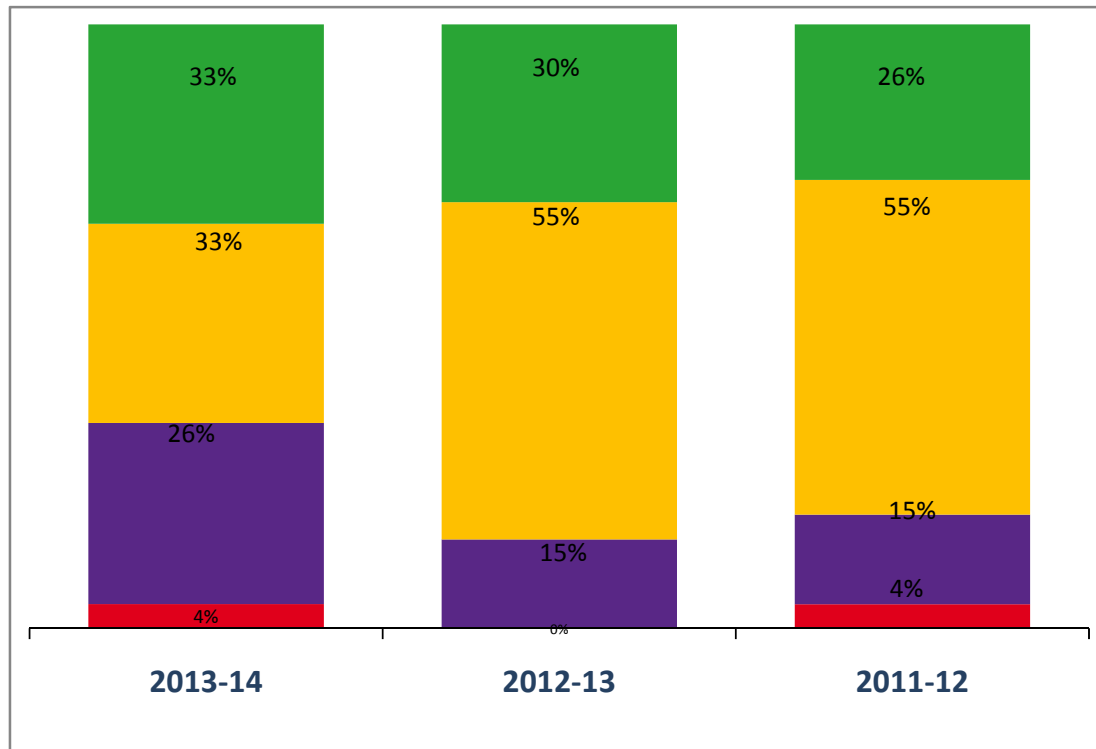


Figure 8: Audit outcomes in percentage

Irregular Expenditure

The Committee is concerned about the exponential growth of irregular expenditure within the Department and its entities. Out of the R2.9 billion appropriated budget of the vote, R225.6 million was incurred as irregular expenditure. While the Committee cannot conclude that this funding was spent on fraudulent activities, it is concerned by the Department's and entities' failure to comply with the supply chain management procedures as this could lead to potential fraud and corrupt activities. The Committee views perpetual irregular expenditure with displeasure as it has a pernicious impact on the public trust of the Department and its entities.

The Committee is concerned about the lack of internal control mechanisms to disclose irregular expenditure and the ability by the Department and its entities to disclose it accurately. Financial Statements of the Department and its entities disclosed only R119.1 million as irregular expenditure while the Auditor General discovered an additional R106.4 million which the Department and its entities has failed to disclose.



affected comprise of the nine provincial departments as well as t

2013-14
2012-13
2011-12

**R7,4
billion**

**R8,1
billion**

Figure 9: History of Irregular expenditure within the vote⁷

Fruitless and Wasteful expenditure

The Committee notes the extent to which the Department's and its entities' fruitless and wasteful expenditure has grown over the past three financial years. While the vote had incurred R4.7 million in fruitless and wasteful expenditure in 2011/12, by 2013/14 this amount had grown to R9.3 million. The Committee is concerned that some of this money was paid for among other things, services that were never rendered, Value Added Tax (VAT) paid to non-VAT vendors and payment of traffic fines that should be paid by perpetrators. In addition, the Committee is concerned about the Department's and its entities' failure to disclose fruitless and wasteful expenditure accurately. While the Department and its entities disclosed R3.7 million as its fruitless and wasteful expenditure the Auditor General discovered an additional R5.5 million.

⁷ Presentation by the Auditor General of South Africa to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, Cape Town, 14 October 2014.

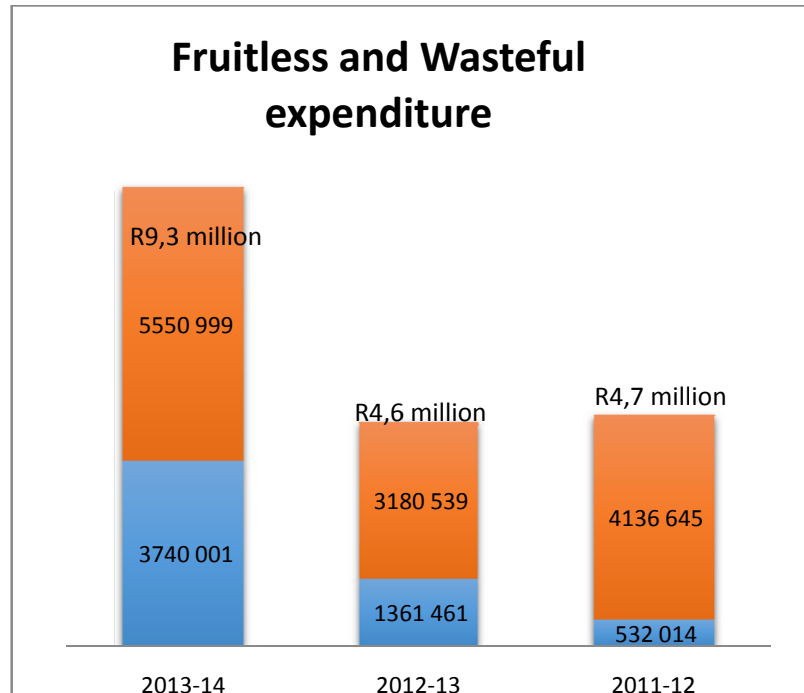


Figure 10: History of Fruitless and wasteful expenditure by the vote⁸

Non Compliance

The Auditor General has raised serious concerns with regards to the quality of financial statements that are generated by the Department and its entities. The AG postulates that had it not given auditees an opportunity to correct financial statements, that fifteen auditees would have been qualified instead of nine.

The Committee is concerned by the report of the AG that the quality of annual performance reports has regressed if compared with the previous financial year. While during the 2012/13 financial year only eight auditees were identified not to have complied, during the 2013/14 financial year the figure has increased to twelve. The root cause of non-compliance could be appropriated to lack of skills within the sector, inability of the accounting authority to exercise its oversight function, lack of peer collaboration with the sector and non-appointment of the CFO of the Department.

Vacancy Profile

The Committee notes that the Department and its entities have unfilled funded vacancies that are critical in delivery of services. Four entities do not have CEOs while one entity has had its CEO suspended and it has not been able to finalise the disciplinary process within sixty days. While these posts are currently occupied by acting CEOs, with the exception of PanSALB where there is no acting CEO, there is a risk that appointed acting CEOs cannot function efficiently in these positions since they still have to perform on positions they were originally contracted to.

Some entities take more than a year to fill a critical position. The Luthuli Museum, for example, has taken more than two years to fill a researcher's position and more than a year to fill a curator's

⁸Presentation by the Auditor General of South Africa to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, 14 October 2014.



position. This has affected service delivery as performance targets for research, exhibitions and education programmes were not achieved.

11.1. Overview of 2013/14 Vote allocation and spending

	Final Appropriation	Actual Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
Administration	258,068	258,068	-	100%
Performing Arts	602,085	572,195	29,890	95%
National Language Service	134,616	134,616	-	100%
Cultural Development	255,195	254,129	1,066	99.6%
Heritage Promotion	829,170	731,922	97,248	88.3%
National Archives and Library Services	835,643	804,290	31,353	96.3%
Grand Total	2,914,777	2,755,220	159,557	94.5%

Figure 11: Expenditure patterns with the vote⁹

11.2. Financial Performance 2013/14

The Committee notes that the Department spent 94.5% or R2.7 billion of its appropriation. The Department reported an underexpenditure of R159.5 million compared to R15.9 million in the 2012/13 financial year. The major cause of under expenditure was mainly underperformance of capital works within the Heritage Promotion programme. The Committee recognises the sterling work of the Department with regards to the delivery of the library services through the conditional grant. However, the Committee is concerned that despite these strides Limpopo, Free State, Northern Cape, and North West provinces report an excessive amount of under expenditure.

The Committee notes with concerns expenditure delays in the Mzansi Golden Economy (MGE) projects. MGE is a job creation catalyst, therefore any delays compromises the ability of government to create a required number of employment opportunities. The Department's virement of R223.5 million (for MGE projects) is also concerning as this questions the planning ability of the Department.

Personnel are a necessary expenditure in any Department as staff drives the programmes of the government. However, there needs to be constant awareness of the need to strike a balance between

⁹ Presentation by the Acting Director General of the Department of Arts and Culture to the Portfolio Committee on Arts and Culture, Parliament of the Republic of South Africa, Cape Town, 14 October 2014.



expenditure on personnel and expenditure associated with core function and other operational costs. The Committee further observed that there are certain entities whose growth in personnel expenditure is disproportionate with indicative subsidy growth. Some of these entities' personnel expenditure constitutes more than 80% of the total budget. If this scenario is not properly managed it could result into a situation whereby their entire budget is spent on personnel costs and this will have a negative impact on service delivery.

11.3. Financial Performance 2014/15

The Department has a 2014/15 available appropriation of R3.5 billion which represents a nominal increase of R610 million, or 20 per cent, from 2013/14. Transfers and Subsidies account for R2.8 billion of the available budget.

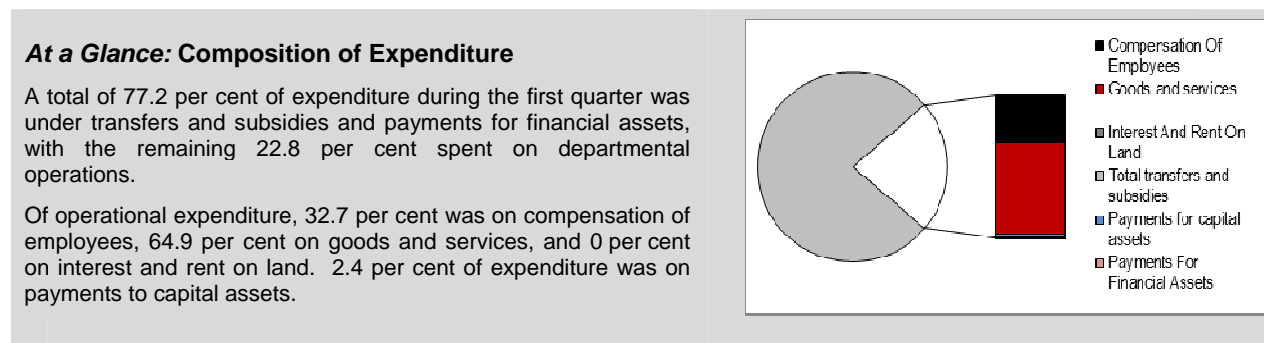


Figure 12: Budget expenditure during the 1st quarter of 2014/16¹⁰

By the end of August 2014 the Department had expended R1.4 billion, 40%, of its appropriated budget. This expenditure trend does not convince the Committee that the Department will spend 100% of its budget given that the Department has a history of underspending on capital works.

Thirteen entities that were studied demonstrate that there is a relatively stable expenditure pattern which leans towards growth on personnel costs. Freedom Park has spent over 22% of its total budget on personnel costs. Robben Island Museum's scenario is concerning. Its personnel costs are more than the subsidy it receives from the Department. The Museum plans generate R74.5 million. While the Committee applauds such a business sustainability model it is concerned about the risk level associated with it. What would happen if the Museum is unable to generate its expected revenue? The Committee is concerned with the expenditure patterns at the South African Heritage Resources Agency. By 30 September 2014 the entity had spent R31.6 million on personnel costs against the budget of R46.4 million, excluding R20 million of the conditional grant.

¹⁰ Standing Committee on Appropriation, 1st Quarterly Expenditure Report-2014/15 Financial Year (2014, p. 62).



12. OVERVIEW OF SERVICE DELIVERY ENVIRONMENT AND FINANCIAL PERFORMANCE, 2013/14 & 2014/15

12.1. Service Delivery Performance for 2013/14

The 2013/14 was characterised by the centenary commemoration of the 1913 Native Land Act. Many entities hosted programmes that were aligned to the 1913 Native Land Act. The Department further achieved the following:

- The first ever provincial summit on social cohesion and moral regeneration was held in Mahikeng, North West Province in July 2013.
- The Department facilitated a number of measures to develop, protect, preserve and promote arts, culture and heritage including:
 - Celebrating the centenary of the Union Buildings and the unveiling of the Nelson Mandela statue;
 - The implementation of the second phase of the JL Dube project at the Ohlange Institute, Inanda Township, Durban;
 - Commemoration of national days such as Human Rights Day, Youth Day, Heritage Day;
 - Supporting a number of cultural events and festivals; and
 - Acknowledging excellence in the sector through hosting the South African Music Awards and the South African Literary Awards.
- In collaboration with the Department of Basic Education (DBE), the Department has placed over 200 artists in schools across eight provinces.
- A modern film studio, installed in the City of Johannesburg-owned community centre, was handed over to the community of Diepsloot to assist with the training of local artists and in the production of local films.
- The Department signed an agreement with *L'institut national de l'audiovisuel* in France to digitise the recordings from the Rivonia Trial.
- Through the Community Library Conditional Grant, just over R1 billion was used to build 16 new libraries and upgrade 55 libraries.

12.2. Service Delivery Performance for 2014/15

The Department has streamlined its microstructure and this resulted in a subsequent reduction of its programme from six to four programmes. The Committee holds a strong view that the Department and its entities have a vital role to play in the transformation of the South African society. While the Department and its entities find it difficult to achieve performance targets it is mindful that more targets were achieved between April to June 2014 compared to the same period during the 2013/14 financial year. The Committee is concerned that job creation targets are not reported quarterly and this hinders effective oversight by the Committee. This also has a potential to prohibit the government from conducting mid-term monitoring on this performance target.



13. RECOMMENDATIONS

In the light of the key performance issues raised in this report, the Committee recommends the following:

- m) The Department must spend 100% of its appropriated budget;
- n) The Department should ensure that the CFO and National Archivist positions are filled by not later than 31 March 2015;
- o) The Department to report quarterly to Parliament on its job creation target;
- p) The Department to consider tapping into the Expanded Public Works Programme - Environment and Culture sector, to create additional job opportunities in the sector;
- q) The Department to develop customised national indicators for entities to ensure that government strategic goals are met;
- r) The Department to consider a Cultural Season with African countries in light of South Africa being signatory to African Charter on Cultural Renaissance;
- s) The Department should consider repositioning the National Archives in a manner that makes it more effective, efficient, visible and accountable;
- t) The Department to forge intergovernmental relations that enables entities to work with provincial departments that are responsible for cultural affairs;
- u) The Department to reprioritise its Medium Term Expenditure Framework to ensure that entities that serve the needs of disable citizens are properly maintained;
- v) The Department to initiate inter-departmental peer assistance programmes to enable experienced and well-resourced institutions to assist fledgling entities;
- w) The Department should assist the Board of PanSALB to appoint a CEO and a CFO and resolve the institutional paralysis at PanSALB with immediate effect; and
- x) The Department must continue to strengthen internal controls and work towards eliminating irregular, fruitless and wasteful expenditure incurred within the Department and its entities.

14. APPRECIATION

The Committee thanks the support of the Department and entities that worked hard to produce documents that were required to generate this report.

Report to be considered.