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## VOTE 37: DEPARTMENT OF ARTS AND CULTURE

### TABLE OF CONTENTS

<b>1. INTRODUCTION.....</b>	<b>1</b>
<b>2. OVERVIEW OF THE 2015/16 FINANCIAL YEAR.....</b>	<b>2</b>
<b>3. POLICY PRIORITIES FOR 2016/17 .....</b>	<b>4</b>
<b>4. BUDGET ANALYSIS .....</b>	<b>6</b>
4.1. Programme analysis .....	7
4.1.1. Programme 1: Administration .....	7
4.1.2. Programme 2: Institutional Governance.....	8
4.1.3. Programme 3: Arts and Culture Promotion and Development.....	9
4.1.4. Programme 4: Heritage Promotion and Preservation.....	11
<b>5. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT .....</b>	<b>12</b>
<b>6. REFERENCES.....</b>	<b>13</b>

### 1. INTRODUCTION

The delivery of the annual Budget Speech to Parliament by the Minister of Finance serves as a means to inform Parliament and the country of the position of the economy, public finances as well as progress on government's objectives.<sup>1</sup> The event also sees the Minister of Finance tabling the National Budget, Appropriation Bill, Division of Revenue Bill, Estimates of National Expenditure (ENE) and related budget information in Parliament.

This brief will provide the Portfolio Committee on Arts and Culture (the "Committee") with an overview and analysis of the budget with special focus on the ENE and Budget Review for the 2016/17 financial year. The summary and analysis of the budget aims to support Members of the Committee to fulfil their monitoring and oversight functions effectively for the current financial year. This brief further aims to provide a general outline of the impact of the work of the Department of Arts and Culture (the "Department").

The purpose of Vote 37 is "to contribute to sustainable economic development and enhance job creation by preserving, protecting and developing South African arts, culture and heritage to sustain a socially cohesive and democratic nation".<sup>2</sup> In relation to the work of the Department, President Zuma, during his 2016 State of the Nation Address (SONA) called for

<sup>1</sup> Public Education Office (n.d.)

<sup>2</sup> National Treasury (2016).



a long-term programme of building a non-racial society and also highlighted the participation of performing arts legends in nation building activities through the Living Legends programme.

In addition, and perhaps more importantly, the President also appealed for the intensification of efforts to ensure faster economic growth which would facilitate job creation and reduce poverty and inequality. With regard to the Department, this speaks directly to its Mzansi Golden Economy (MGE) Strategy - an initiative designed by the Department in 2011/12 - which is a plan to address the contribution of the arts, culture and heritage sector to the economy and job creation in the sector.

## 2. OVERVIEW OF THE 2015/16 FINANCIAL YEAR

In order to fully assess financial and service delivery performance in the 2015/16 financial year it is important to look at DAC's mandate.

The mandate of the DAC is derived from the Constitution of the Republic of South Africa and a number of Acts which provide the primary legislative framework. This legislative framework, and thus the Department's mandate, has remained unchanged. The National Development Plan (NDP) remains central to the government's strategic policy, and therefore forms part of the Department's focus and planning over the medium-term.

To reiterate the Department's function in the implementation and realisation of the goals set out in the NDP, the following objectives are of particular relevance and importance:

- The importance of arts and culture activities in nation building and social cohesion;
- The revitalisation of arts and culture in schools through educator support and the placement of arts practitioners at schools; and
- The potential of the creative arts sector as a stimulus of economic growth and job creation.

Annual reports for national departments have not yet been tabled. The information related to performance over the last financial year is extracted from in-year quarterly expenditure and financial reports. The review of progress on the 2015/16 budget will thus only focus on the first three quarters.

In order to evaluate service delivery, it is essential to look at expenditure per programme. The summary of the budget versus expenditure is tabulated below.

**Table 1: DAC expenditure as at the end of the third quarter of the 2015/16 financial year**

Programme	Adjusted Appropriation 2015/16	Expenditure as at 31 December 2015	Percentage spent
<b>R million</b>			
<b>Operational Expenditure</b>			
1. Administration	367.8	224.4	61.0%



2. Institutional Governance	138.6	38.4	27.7%
3. Arts and Culture Promotion and Development	218.9	110.7	50.6%
4. Heritage Promotion and Preservation	139.5	93.5	67.0%
<b>Sub Total</b>	<b>864.7</b>	<b>467.1</b>	<b>54.0%</b>
<b>Transfers and subsidies</b>			
Provinces and Municipalities	1274.3	1006.8	79.0%
Departmental Agencies and Accounts	1331.9	914.4	68.7%
Higher Education Institutions	-	-	-
Foreign Governments and International Organisations	4.2	2.3	54.7%
Public Corporations and Private Enterprises	140.8	68.8	48.8%
Non-Profit Institutions	181.6	119.2	65.6%
Households	28.6	20.8	72.8%
<b>Sub Total</b>	<b>2961.4</b>	<b>2132.3</b>	<b>72.0%</b>
<b>Payments for financial assets</b>	<b>-</b>	<b>0.1</b>	<b>-</b>
<b>Total</b>	<b>3826.0</b>	<b>2599.4</b>	<b>67.9%</b>
<b>Economic Classification</b>			
<b>Current payments</b>	<b>734.0</b>	<b>459.9</b>	<b>62.6%</b>
Compensation of Employees	221.3	159.6	72.1%
Goods and Services	512.8	300.0	58.5%
Interest and Rent on Land	-	0.2	-
<b>Transfers and subsidies</b>	<b>2961.4</b>	<b>2132.3</b>	<b>72.0%</b>
<b>Payments for capital assets</b>	<b>156.6</b>	<b>7.2</b>	<b>4.6%</b>
<b>Payments for financial assets</b>	<b>-</b>	<b>0.1</b>	<b>-</b>
Awaiting classification		0.0	
<b>Total</b>	<b>3852.0</b>	<b>2599.4</b>	<b>67.5%</b>

Source: Standing Committee on Appropriations (2016).

As per the report issued by the Standing Committee on Appropriations, as at the end of the third quarter, i.e. 31 December 2015, the Department had spent 68 per cent, or R2.6 billion, of its total adjusted appropriation. This means that the Department had 32 per cent, or R1.2 billion, of its adjusted appropriation available to spend during the fourth quarter. The slow spending up to the end of the third quarter was once again highlights the persistent challenges in the capital works programme regarding planning, budgeting and implementation of various projects.<sup>3</sup>

The following observations are extracted from the third quarter expenditure report compiled by the Standing Committee on Appropriations:<sup>4</sup>

“Programme 1: Administration - 61 per cent of operational expenditure from April to December was on Administration, representing R224.4 million, mainly for goods and services and compensation of employees. Expenditure under this programme has increased by R51.9 million, or 30.1 per cent, when compared with the same period last year primarily

<sup>3</sup> Standing Committee on Appropriations (2016).

<sup>4</sup> Ibid.



due to a bulk of invoices from the 2014/15 financial year for Operating leases and Municipal recovery charges processed in the current financial year. The increased spending is also caused by the high volume of travel linked to Ministerial travel for support at any given event (Office of the Minister and Deputy Minister).

Programme 2: Institutional Governance – Operational expenditure to the end of quarter 3 was R38.4 million or 27.7 per cent [of the total operational expenditure as at the end of December 2015], the majority of which was spent on compensation of employees and goods and services mainly for travel and subsistence related to social cohesion and nation building projects such as hosting public platforms for social cohesion advocates. This programme mainly incurred slow spending in the Capital Works subprogramme when compared to projected expenditure in December by R16.6 million. Virement approval was granted by Treasury to shift funding to relevant projects and relevant programmes are preparing payments for processing.

Programme 3: Arts and Culture Promotion and Development – Operational expenditure to the end of quarter 3 was R110.7 million or 50.6 per cent [of the total operational expenditure as at the end of December 2015], the majority of which was spent on compensation of employees as well as goods and services (mainly on contractors, and travel and subsistence) for the appointment of service providers to conduct MGE projects and flagship cultural events such as the Macufe Mangaung African Cultural Festival. This programme experienced slow spending in the third quarter primarily due to delays in spending by the Performing Arts Institutions and the Cultural and Creative Industries Development subprogrammes as a result of a capital works reprioritisation exercise which resulted in virement requests for Treasury approval.

Programme 4: Heritage Promotion and Preservation – Operational expenditure to the end of quarter 3 was R93.5 million or 67 per cent [of the total operational expenditure as at the end of December 2015]. Expenditure under this programme has decreased by R33.4 million, or 26.3 per cent, when compared with the same period last year mainly due to delays in payments as a result of the verification of suppliers' details that managed the Day of Reconciliation public holiday event. Underspending is also due to the department having to request virement approvals as they shift funds between projects for Heritage institutions. Virement approval has been granted by Treasury and payments will be processed and will have an impact on spending in the fourth quarter."

### 3. POLICY PRIORITIES FOR 2016/17

During the 2014-2019 term of government, the Medium-term Strategic Framework (MTSF) is linked to the National Development Plan (NDP). The Department plays a dual role in relation to the MTSF:

- To lead and coordinate the delivery of the outputs of Outcome 14: A diverse, socially cohesive society with a common national identity. The Department is delegated to coordinate the implementation of Outcome 14; and
- To ensure alignment with and support for other outcomes of the MTSF through programmes and interventions by the sector.



The Department's strategic plan and annual performance plan (APP) is thus linked to the overarching national strategic direction. The Department has identified five policy priorities, which have remained unchanged for the 2016/17 financial year:<sup>5</sup>

Priority	Description
<ul style="list-style-type: none"> <li>An enabling policy, legislative and regulatory environment</li> </ul>	Coherent policies that guide directional planning towards the transformation of the arts, culture and heritage (ACH) sector, resulting in sustainable livelihoods and social cohesion.
<ul style="list-style-type: none"> <li>Inclusive economic development</li> </ul>	An ACH sector that is dynamic and efficient, and fosters inclusive growth.
<ul style="list-style-type: none"> <li>Nation building and social cohesion programme</li> </ul>	The implementation of programmes that promote nation building and social cohesion.
<ul style="list-style-type: none"> <li>Radical economic transformation</li> </ul>	The alignment of policies and programmes with transformative outcomes.
<ul style="list-style-type: none"> <li>Effective governance and implementation institutions</li> </ul>	The alignment of structures, authorities and systems with goals and objectives towards the implementation of the Department's mandate.

The Department's prevailing strategic plan is in line with the following priorities set out by the electoral mandate:

- Radical economic transformation, rapid economic growth and job creation;
- Social cohesion and nation building; and to some degree
- Quality education and rural development (through building ACH infrastructure and placing artists in schools).

When examining the budget vote against these priorities, the following is observed:

- When adjusted to the inflation rate, the budget allocation for the Social Cohesion and Nation Building subprogramme (located in Programme 2: Institutional Governance) has decreased by 2.2 per cent, i.e. from R48.8 million in 2015/16 to R50.9 million in 2016/17. However, the allocation for the Heritage Institutions subprogramme (located in Programme 4: Heritage Promotion and Preservation), which also has a role to play in nation building and social cohesion, saw an increase of 17.5 per cent adjusted for inflation, i.e. from R462.9 million in 2015/16 to R579.7 million in 2016/17.
- The budget allocation for the Cultural and Creative Industries Development subprogramme (located in Programme 3: Arts and Culture Promotion and Development) which implements the majority of projects for the MGE strategy has decreased by 2.5 per cent adjusted for inflation, i.e. from R343.2 million in 2015/16 to R356.9 million.
- There has been a slight decrease in the Public Library Services subprogramme (located in Programme 4: Heritage Promotion and Preservation). This subprogramme

<sup>5</sup> Department of Arts and Culture (2015).



transfers the conditional grant to provincial departments for community library services. Compared to the 2015/16 financial year, there has been a 0.4 per cent decrease adjusted for inflation, i.e. from R1.3 billion in 2015/16 to R1.4 billion in 2016/17.

#### 4. BUDGET ANALYSIS

Since implementing changes to the budget programme structure in 2014/15, it has remained unchanged for the subsequent financial years. The Department has four expenditure programmes:

- Programme 1: Administration
- Programme 2: Institutional Governance
- Programme 3: Arts and Culture Promotion and Development
- Programme 4: Heritage Promotion and Preservation

For the 2016/17 financial year, the total budget allocation is R4.1 billion. During the 2015/16 financial year the adjusted budget was R3.8 billion. While there has been a nominal increase of 6.4 per cent, or R244.9 million, compared to 2015/16, when considering the inflation rate, there has in fact been a slight year-on-year decrease of 0.2 per cent, or R7.1 million.

Variations in the budget allocation over the medium-term are illustrated in the graph below:

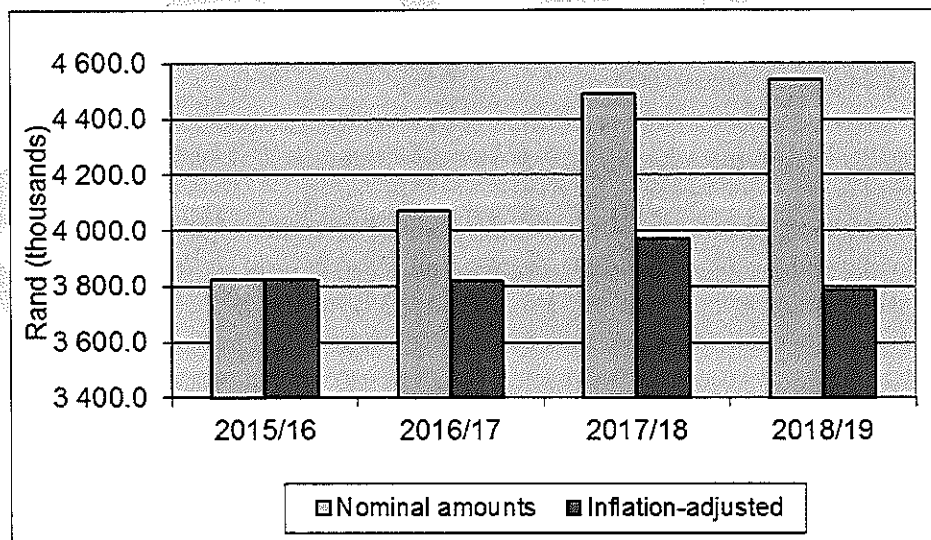


Figure 1: Comparison of budget allocations over the medium-term

While it may appear as though there is an increase in the budget allocation (nominal amounts) over the financial years following 2015/16, the inflation adjusted figures paint a different picture.



#### 4.1. Programme analysis

This section will explore budget allocations per programme for the 2016/17 financial year. The following graph breaks down the budget allocation per programme for 2016/17 compared to allocations per programme in 2015/16:

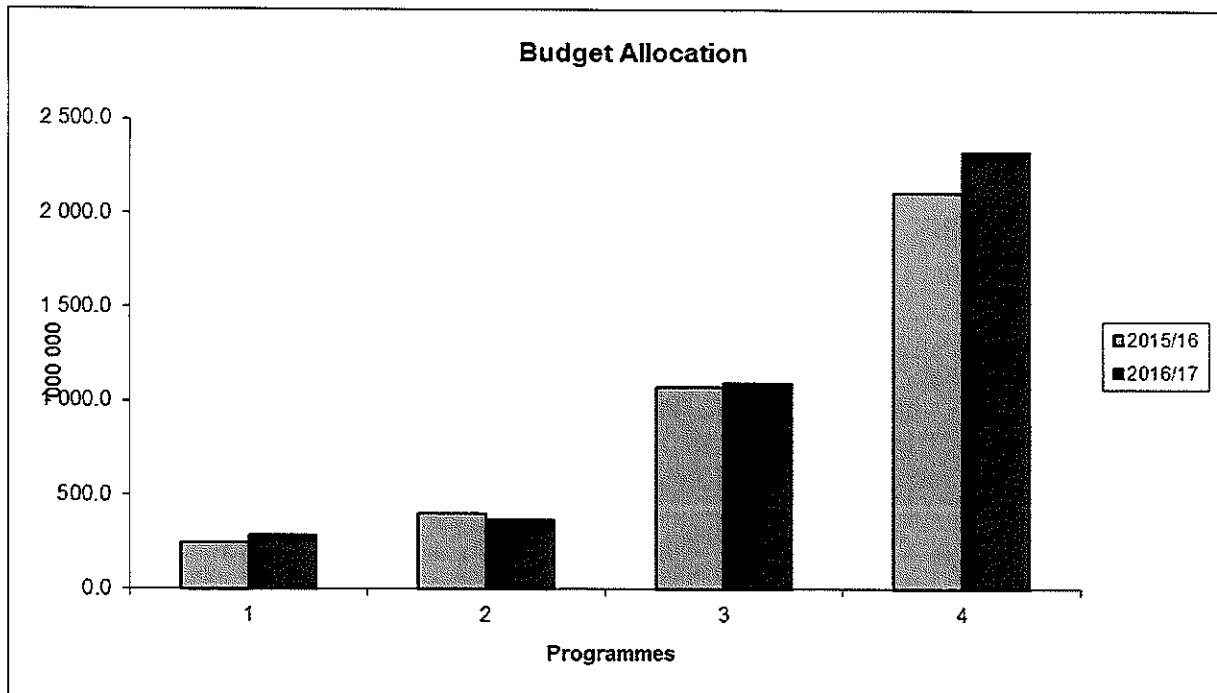


Figure 2: Comparison of budget allocations per programme for 2015/16 and 2016/17 (not inflation-adjusted)

##### 4.1.1. Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department.

For the 2016/17 financial year, the budget allocation for this programme is R281.1 million. During the previous financial year the budget was R242.4 million. Taking inflation into consideration, the budget for this programme has increased by 8.8 per cent, or R21.3 million.

The subprogramme that enjoys the biggest budget increase is Office Accommodation. The budget for this subprogramme has increased by 22.9 per cent adjusted for inflation, i.e. from R88.9 million in 2015/16 to R116.5 million in 2016/17. As reflected in Table 2 below, 41.4 per cent of the budget for Programme 1 is allocated to office accommodation.

Budget allocations for all subprogrammes are tabulated below:



**Table 2: Programme 1: Administration**

Sub-programme	Budget 2016/17	Percentage of total programme budget
R million		
1: Ministry	4.6	1.6%
2: Management	50.2	17.9%
3: Corporate Services	83.2	29.6%
4: Office of the CFO	26.6	9.5%
5: Office Accommodation	116.5	41.4%
<b>TOTAL</b>	<b>281.1</b>	<b>100.0%</b>

Table 3 below reflects how budget allocations per subprogramme has changed between financial years 2015/16 and 2016/17.

**Table 3: Change to allocations per subprogramme for Programme 1**

Sub-programme	Budget 2015/16	Budget 2016/2017	Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17
R million				
1: Ministry	4.1	4.6	0.5	0.2
2: Management	42.8	50.2	7.4	4.3
3: Corporate Services	81.5	83.2	1.7	-3.5
4: Office of the CFO	25.1	26.6	1.5	-0.1
5: Office Accommodation	88.9	116.5	27.6	20.4
<b>TOTAL</b>	<b>242.4</b>	<b>281.1</b>	<b>38.7</b>	<b>21.3</b>

#### **4.1.2. Programme 2: Institutional Governance**

This programme will coordinate and manage all cross-cutting functions of the department and its public entities and provide support and oversight to these public entities.

In the 2016/17 financial year, this programme has seen a decrease in budget allocation; from R397.6 million in 2015/16 to R364.4 million in 2016/17. This represents a decrease of 14 per cent when inflation is taken into consideration.

It is of interest to note that the budget allocation for the Social Cohesion and Nation Building subprogramme has decreased as stated earlier. This slight decrease amounting to R1.1 million in real terms needs to be interrogated since Programme 2 is responsible for the coordination of Outcome 14 of the MTSF.

Subprogramme 3: Coordination, Monitoring, Evaluation and Good Governance shows an increase from R16.9 million in 2015/16 to R19.0 million in 2016/17, representing an inflation-adjusted increase of 5.5 per cent.

The budget allocation for this programme is divided amongst its subprogrammes as follows:





**Table 4: Programme 2: Institutional Governance**

Sub-programme	Budget 2016/17	Percentage of total programme budget
R million		
1: International Co-operation	37.8	10.4%
2: Social Cohesion and Nation Building	50.9	14.0%
3: Coordination, Monitoring, Evaluation and Good Governance	19.0	5.2%
4: Capital Works	256.8	70.5%
<b>TOTAL</b>	<b>364.4</b>	<b>100.0%</b>

The bulk of this programme comprises the Capital Works subprogramme. This subprogramme is responsible for transferring its total budget either to institutions or paid to the Department of Public Works for the construction and maintenance of heritage infrastructure, structures built under national legacy projects, etc.

Table 5 below reflects how budget allocations per subprogramme has changed between financial years 2015/16 and 2016/17.

**Table 5: Change to allocations per subprogramme for Programme 2**

Sub-programme	Budget 2015/16	Budget 2016/2017	Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17
R million				
1: International Co-operation	38.2	37.8	-0.4	-2.7
2: Social Cohesion and Nation Building	48.8	50.9	2.1	-1.1
3: Coordination, Monitoring, Evaluation and Good Governance	16.9	19.0	2.1	0.9
4: Capital Works	293.7	256.8	-36.9	-52.8
<b>TOTAL</b>	<b>397.6</b>	<b>364.4</b>	<b>-33.2</b>	<b>-55.8</b>

The Capital Works subprogramme has seen the biggest budget reduction. According to National Treasury, this subprogramme finds and administers capital allocations for the construction and maintenance of heritage infrastructure, new commemorative structures under national legacy projects, and grants for maintenance and other capital projects. Funds are awarded annually based on entity business plans.<sup>6</sup>

#### **4.1.3. Programme 3: Arts and Culture Promotion and Development**

The purpose of Programme 3 is to promote and develop arts, culture and languages. Figure 2 above illustrates that this programme receives the second largest allocation of the total budget, i.e. 26.9 per cent or R1.1 billion. In terms of percentage change compared to the last

<sup>6</sup> National Treasury (2016).



financial year, Programme 3 has experienced a decrease of 4.6 per cent or R49.3 million, adjusted for inflation.

Programme 3 will, inter alia, invest in programmes that support and enable local content and development; support flagship cultural events; create job opportunities across the MGE work streams; implementing programmes at community arts centres; and implementing the Use of Official Languages Act (No. 12 of 2012).

The budget allocation for this programme is divided amongst its sub-programmes as follows:

**Table 6: Programme 3: Arts and Culture Development**

Sub-programme	Budget 2015/2016	Percentage of total programme budget
R million		
1: National Language Services	48.5	4.4%
2: Pan South African Language Board	92.0	8.4%
3: Cultural and Creative Industries Development	356.9	32.6%
4: Performing Arts Institutions	326.7	29.8%
5: National Film and Video Foundation	122.9	11.2%
6: National Arts Council	101.2	9.2%
7: Capital Works of Performing Arts Institutions	46.5	4.3%
<b>TOTAL</b>	<b>1094.7</b>	<b>100.0%</b>

Table 7 below reflects how budget allocations per subprogramme has changed between financial years 2015/16 and 2016/17.

**Table 7: Change to allocations per subprogramme for Programme 3**

Sub-programme	Budget 2015/16	Budget 2016/2017	Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17
R million				
1: National Language Services	45.9	48.5	2.6	-0.4
2: Pan South African Language Board	87.3	92.0	4.7	-1.0
3: Cultural and Creative Industries Development	343.2	356.9	13.7	-8.4
4: Performing Arts Institutions	329.3	326.7	-2.6	-22.8
5: National Film and Video Foundation	116.7	122.9	6.2	-1.4
6: National Arts Council	96.1	101.2	5.1	-1.2
7: Capital Works of Performing Arts Institutions	57.7	46.5	-11.2	-14.1
<b>TOTAL</b>	<b>1076.2</b>	<b>1094.7</b>	<b>18.5</b>	<b>-49.3</b>

When taking inflation into consideration, the budget allocations across all programmes have been reduced.



#### 4.1.4. Programme 4: Heritage Promotion and Preservation

The purpose of Programme 4 is to “preserve and promote South African heritage, archival and heraldic heritage, and fund of libraries”<sup>7</sup>.

As in 2015/16 the bulk of the total budget allocation will be spent through Programme 4. The budget for this programme amounts to R2.3 billion in 2016/17. In comparison to the budget allocation of R2.1 billion in 2015/16, this represents an increase of 3.6 per cent, or R76.4 million, adjusted for inflation.

Along with Programme 3, this programme includes the work of, inter alia, heritage institution development; policy, research and development; national archives; and library services.

Table 8 below provides an overview of the budget allocation per subprogramme.

**Table 8: Programme 4: Heritage Promotion and Preservation**

Sub-programme	Budget 2016/17	Percentage of total programme budget
R million		
1: Heritage Promotion	87.3	3.8%
2: National Archive Services	40.3	1.7%
3: Heritage Institutions	579.7	24.9%
4: National Library Services	123.4	5.3%
5: Public Library Services	1382.7	59.3%
6: Capital Works	-*	-*
7: South African Heritage Resources Agency	51.1	2.2%
8: South African Geographical Names Council	4.4	0.2%
9: National Heritage Council	61.6	2.6%
<b>TOTAL</b>	<b>2330.6</b>	<b>100.0%</b>

\* The total budget for capital works was transferred to the Infrastructure Development Unit.

As in 2015/16, subprogramme 5: Public Library Services has been allocated the bulk of the budget for this programme, i.e. 59.3 per cent. The budget for this subprogramme amounts to R1.4 billion in 2016/17. For 2015/16 the budget was R1.3 billion, however the allocation for 2016/17 has decreased by 0.4 per cent, adjusted for inflation. It should be noted that the Department has developed norms and standards for community libraries to ensure equitable access to library services in communities. A Bill related to this will be submitted to Cabinet in 2016/17.

Table 9 below reflects how budget allocations per subprogramme has changed between financial years 2015/16 and 2016/17.

<sup>7</sup> National Treasury (2016).



**Table 9: Change to allocations per subprogramme for Programme 4**

Sub-programme	Budget 2015/16	Budget 2016/2017	Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17
R million				
1: Heritage Promotion	87.0	87.3	0.3	-5.1
2: National Archive Services	40.2	40.3	0.1	-2.4
3: Heritage Institutions	462.9	579.7	116.8	80.9
4: National Library Services	105.7	123.4	17.7	10.1
5: Public Library Services	1302.5	1382.7	80.2	-5.4
6: Capital Works	-	-	-	-
7: South African Heritage Resources Agency	48.6	51.1	2.5	-0.7
8: South African Geographical Names Council	4.5	4.4	-0.1	-0.4
9: National Heritage Council	58.5	61.6	3.1	-0.7
<b>TOTAL</b>	<b>2109.9</b>	<b>2330.6</b>	<b>220.7</b>	<b>76.4</b>

It should be noted that the subprogramme 3: Heritage Institutions and subprogramme 4: National Library Services are the only two subprogrammes that reflect a real increase in budget allocation.

## 5. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT

- There has been an increase in the allocation to heritage institutions. In the 2014/15 financial year, eight museums received qualified audit opinions on the basis of not complying with the Generally Recognised Accounting Practise (GRAP) 103 for accounting for heritage assets due to lack of resources to implement this accounting standard. Cabinet has thus approved the amount of R160 million to be allocated to museums in 2017/18 to address the issue of compliance. Similarly, Cabinet has approved a once-off budget allocation of R32 million in 2017/18 for the National Library of South Africa to comply with GRAP 103. Cabinet has also approved a once-off allocation of R4 million in 2018/18 to the Performing Arts Centre of the Free State for the implementation of GRAP 103.<sup>8</sup> The Committee should consider looking into the plans that these institutions have put in place to spend this allocation in order to comply with GRAP 103.
- According to National Treasury, PanSALB will be implementing a turnaround strategy to improve financial management, including addressing the irregular, fruitless and wasteful expenditure and governance issues which resulted in disclaimers for the 2013/14 and 2014/15 financial year. The Committee should not that at the time of submitting this brief, PanSALB has still not tabled its 2015/16 to 2019/20 strategic plan although it has tabled annual performance plans (APPs) for the last and current financial years.

<sup>8</sup> National Treasury (2016).



- The Committee's Budgetary Review and Recommendations and Report (BRRR) of 2015 recommended that the Department reposition the National Archives Services in a manner that would make it more effective, efficient, visible and accountable.<sup>9</sup> The National Archives Services remains a subprogramme of Programme 4. The Committee should be briefed on the Department's long-term plans for the National Archives Services.
- The Department projects that the MGE strategy will create an estimated 53 000 work opportunities over the medium-term. Has the Department, as per the Committee's recommendations<sup>10</sup> explored tapping into the Expanded Public Works Programme - Environment and Culture sector, to create additional job opportunities in the sector?
- In its APP, the Department states that it has allocated an estimated R3.9 million for promoting corporate governance in all its public entities.<sup>11</sup> How will these funds be spent and does it take on board the Committee's recommendation to conduct an audit of all entities' audit committees and ensure that they adhere to the following:
  - External members are a majority;
  - They have members who possess relevant skills and knowledge; and
  - They are chaired by an external member.

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<sup>9</sup> Portfolio Committee on Arts and Culture (2015).

<sup>10</sup> Ibid.

<sup>11</sup> Department of Arts and Culture (2016), p. 47.

