



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on
Sport, Arts and Culture

11 October 2022

*Briefing document on the
audit outcomes for the
Sport, Arts and Culture
portfolio:
2021-22*

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

1.2 Role of the AGSA

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a budgetary review and recommendations report (BRRR).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance given available resources
- An assessment on the effectiveness and efficiency of entities' use and forward allocation of available resource
- Recommendations on the forward use of resources

1.4 Mandate of the AGSA and the portfolio committee

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AGSA mandate	Portfolio committee mandate
<p>Section 188 of the Constitution</p> <p>The AGSA must audit and report on the accounts, financial statements and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> The AGSA must prepare an audit report containing an opinion/conclusion on the: <ul style="list-style-type: none"> fair presentation of the financial statements compliance with applicable legislation reported performance against predetermined objectives. Discretionary audits (including special audits, investigations and performance audits) <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> issue a material irregularity include recommendations in the audit report take an appropriate remedial action issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<p>National Assembly Rule 227</p> <p>Portfolio committees may, amongst other things, perform the following functions:</p> <ul style="list-style-type: none"> Deal with bills and other matters falling within their portfolio, as referred to them in terms of the Constitution, legislation or rules, or by resolution of the assembly Maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within its portfolio, any constitutional institution falling within its portfolio, and any other body or institution in respect of which oversight was assigned to it Consult and liaise with any executive organ of state or constitutional institution Monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution Consult and liaise with any executive organ of state or constitutional institution Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, these rules, the Joint Rules or resolutions of the Assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions.

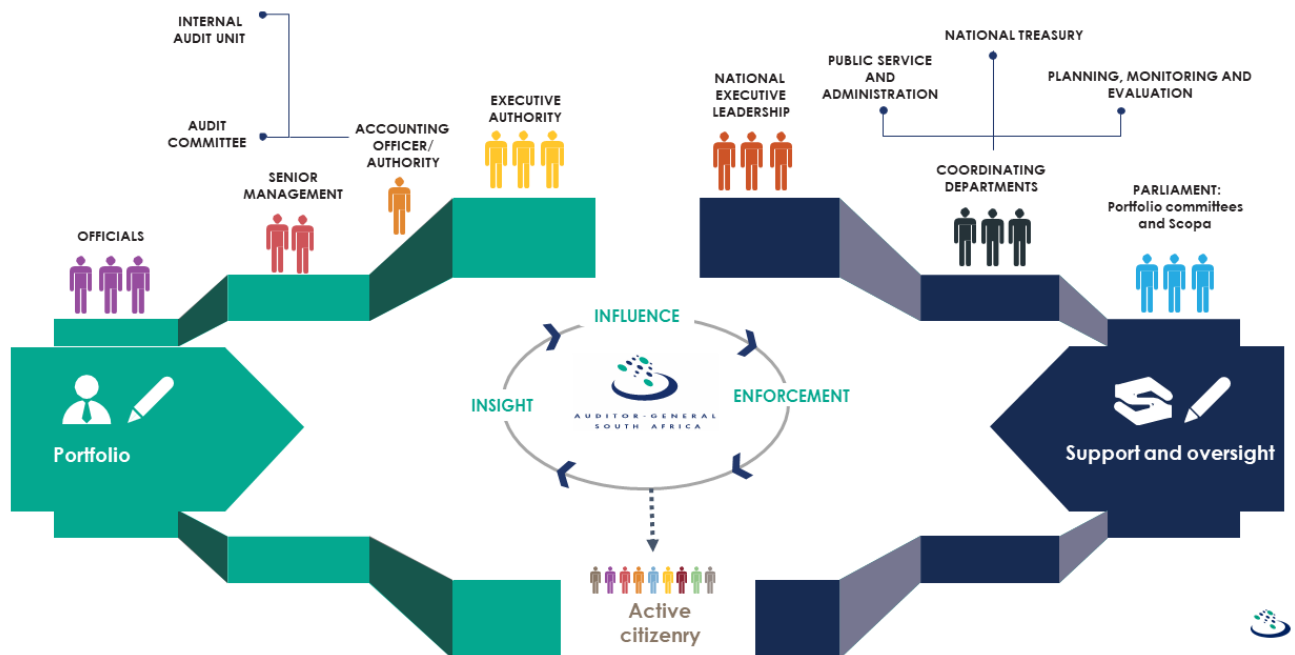
1.5 Purpose of this document

The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

1.6 Shifting the public sector culture through the accountability ecosystem

All have role to play in national government accountability ecosystem






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- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.

- *Given the nature of the AGSA's mandate, by the time that we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.*
- *Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.*

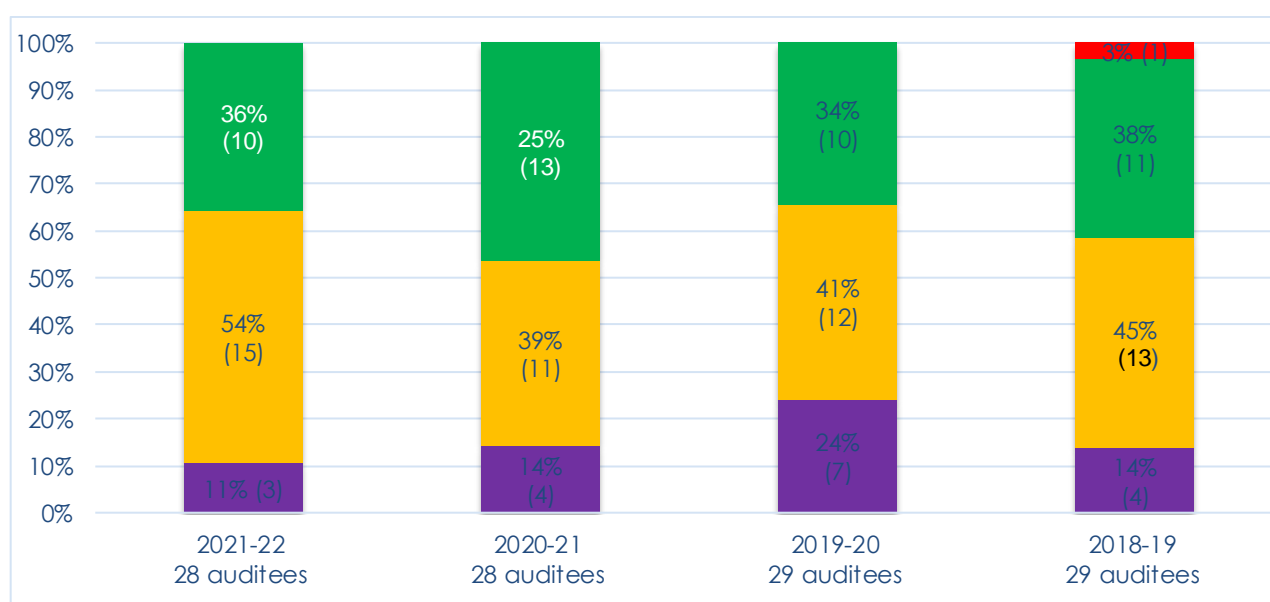
1.7 Audit outcomes explained

Unqualified opinion with no findings (clean audit)	Financially unqualified opinion with findings	Qualified opinion	Adverse opinion	Disclaimed opinion
 <p>Auditee:</p> <ul style="list-style-type: none"> produced credible and reliable financial statements that are free of material misstatements reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP) complied with key legislation in conducting their day-to-day operations to achieve their mandate 	 <p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> align performance reports to the predetermined objectives they committed to in APPs set clear performance indicators and targets to measure their performance against their predetermined objectives report reliably on whether they achieved their performance targets determine the legislation that they should comply with and implement the required policies, procedures and controls to ensure compliance 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published. 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

2. Slight improvement in audit outcomes over the administration term

Slides 4 & 5

Four-year audit outcomes



2.1 Overview

Overall there has been a slight improvement in the portfolio audit outcomes over the last four years.

The movement between current and prior year is as follows:

Movements and analysis				
Audit outcome	4 Improved	18 Unchanged	6 Regressed	0 Outstanding audits
Unqualified with no findings (clean) = 10	1. South African Heritage Resources Agency (SAHRA) 2. Pan SA Language Board (PanSALB) 3. Die Afrikaanse Taal Museum	1. William Humphreys Arts gallery 2. National Museum 3. Msunduzi Museum 4. SA Institute for Drug-Free Sport (SAIDS) 5. KwaZulu-Natal Museum 6. ArtsCape 7. The Playhouse Company		
Unqualified with findings = 15	1. National Film and Video Foundation (NFVF)	1. Department of Sport, Arts and Culture (DSAC) 2. Market Theatre Foundation 3. Freedom Park 4. Performing Arts Centre of the FS (PACOFs) 5. National Arts Council (NAC) 6. Amazwi SA Museum for Literature 7. Luthuli Museum 8. Boxing SA 9. War Museum for the Boers	1. Robben Island Museum 2. National Heritage Council (NHC) 3. Ditsong Museum 4. SA Library for the Blind (SALB) 5. Nelson Mandela National Museum	
Qualified = 3		1. South African State Theatre (SAST) 2. National Library of South Africa (NLSA)	1. Iziko Museum	
Outstanding audits with no final opinion as yet = 0				

Summary

- Ten auditees achieved an unqualified audit opinion with no findings for the 2021-22 financial period (three improved, seven maintained the clean audit outcome).
- Fifteen auditees obtained unqualified audit opinion with findings for the 2021-22 financial period (Five regressed from a clean audit outcome, nine remained unchanged and one improved from qualified).
- Iziko Museum regressed to a qualified opinion with findings while the South African State Theatre and National Library of South Africa obtained repeat qualified opinions.

2.2 Detail on outcomes

There are four entities with findings on audit of performance information (NFVF, Boxing SA, Robben Island and Amazwi SA Museum for Literature).

2.2.1 Findings on the audit of the annual performance report and achievement of targets

Slides 7 – 9

Auditee	Material findings	Impact of targets not achieved
NFVF	<p>Programme 1: content development – The planned indicator of fund projects in development and projects in production that address historical imbalances and transformation, as per the approved initial annual performance plan and the performance against the following planned targets, were not reported in the annual performance report.</p> <ul style="list-style-type: none"> Fund third-year female filmmaker project Fund third-year first time/youth filmmaker project Fund the second year of the fiction slates 	<ul style="list-style-type: none"> For NFVF & Boxing - The reported performance per the annual report is not consistent with the approved annual performance plans and is therefore incomplete. The entities may not track all key indicators linked to their respective mandates with resulting in negative impact on service delivery.
Boxing	<p>Programme 2: boxing development - The planned indicator of draft document with proposed sub regulations identified for amendments, as per the approved annual performance plan and the actual performance against the planned target was not reported in the annual performance report.</p>	
Amazwi	<p>Programme 2: curatorial division – Planned target for the indicators was not specific in clearly identifying the nature and required level of performance, was not measurable and did not specify the period or deadline for delivery.</p>	
Amazwi	<p>Programme 2: curatorial division – Reported achievement did not agree to the supporting documents provided for the daily conditions recorded during the year.</p>	<ul style="list-style-type: none"> The findings on reporting indicate that there are challenges with the

Auditee	Material findings	Impact of targets not achieved
Robben Island Museum	Programme 1: business development - Sufficient and appropriate evidence for the reported achievement of 3 076 items loaded onto the Atom system against a target of 2 000 was not obtained	credibility of performance information reported in the annual reports of the two entities which may impact future decisions which are made based on these results.

2.2.2 Performance against targets

A total of 34 targets out of 45 planned targets were achieved by the department for 2021-22, which represents a 76% achievement based on the annual performance report.

Programme 3: Arts and culture promotion and development

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of provincial community arts development programmes implemented per year	9	7	Inadequate corroborating evidence to support work executed in the reporting period, the indicator was declared as not achieved.
Number of moral regeneration projects supported by government	5	0	Inadequate corroborating evidence to support work executed in the reporting period, the indicator was declared as not achieved.

2.2.3 Key observation on the implementation of PESP

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The department participated in the implementation of Presidential Employment Stimulus Package (PESP) as part of the key employment initiatives in response to the impact of the covid-19 pandemic on the economy, livelihood and jobs. The department received an allocation of R665 million through the Medium Term Budget Statement in October 2020 for the implementation of PESP initiatives in the sport, arts and culture sector. The Presidency, as the coordinating department for this initiative determined the target of 34 984 jobs that had to be created against the allocated funding. The R665 million was allocated

for PESP phase 1 and later on R15 million was allocated for PESP phase 2, therefore the total allocation for this initiative was R680 million.

The department decided to implement the initiative through some of the entities reporting to the department and therefore allocated part of the R678 million to the following entities:

a) National Arts Council

The NAC was allocated an amount of R300 million during 2020/21 and 5% of this amount was for administration of the project. The number of jobs that should have been created by the NAC amounted to 17 000. There were some challenges experienced mainly with the implementation of PESP by the NAC, whereby the council and management raised irregularities regarding the inappropriate administration of the project. This resulted in an investigation being commissioned; the forensic report into this matter was concluded during September 2021. Although no money was lost, there were administrative non-compliances and misconduct committed by exco in over-committing funds and being involved in the evaluation processes. As part of the implementation of recommendations the CFO was suspended and later dismissed, the CEO had a mutual separation agreement with the council. Because the NAC over-committed on amounts to be allocated, they had to reprioritise funds from other projects. As at 31 March 2022, the NAC paid out R307 million and R1.9 million is yet to be paid, they had created 21 871 jobs against a target of 17 000.

b) National Film and Video Foundation (NFVF)

The NFVF was allocated R140 million against a targeted number of 8714 jobs. As at 31 March 2022, the NFVF had created 7033 number of jobs and spent R138 million. The underachievement was due to the NFVF receiving several requests from grant recipients to amend their projects schedules for various reasons. This resulted in some projects not meeting their completion deadlines.

The remaining funds were allocated to other entities in the Sport, arts and culture portfolio and were in various phases of implementation. There were delays on the implementation of other projects however, as at 31 March 2022, the department had achieved in excess of 38 808 jobs and has thus over-achieved the target set by the Presidency.

2.2.4 Material irregularities

Slides 11 & 12

Definition: A material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA that

resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

Auditees in the portfolio scoped in

	2021-22	2022-23
Auditees	Department of Sport, Arts and Culture, Freedom Park, Ditsong and PanSALB	All other entities in the portfolio

There were no material irregularities identified during the year.

2.2.5 Findings on the audit of financial statements

Slides 15 & 16

Entities with qualified audit opinion

Auditee	Details on qualification areas
South African State Theatre	The public entity did not adequately conduct an impairment assessment into property, plant and equipment, as required by the standards. In addition, assets were not fully accounted for in the asset register and financial statements. This was due to inadequate internal controls for proper asset management.
Iziko Museum	Lack of sufficient and appropriate audit evidence that heritage assets for the current and previous year had been properly accounted for. This was due to duplications identified in the asset population and the heritage assets register not being complete.
National Library of SA	Lack of sufficient and appropriate audit evidence that heritage assets had been properly accounted for as required by the accounting reporting standards. Heritage assets acquired before 1 April 2012 were not recognised in the financial statements and this was due to the public entity not maintaining adequate records of the heritage assets.

Entities with unqualified audit opinions with findings on material adjustments

Auditees	Quality of financial statements submitted for auditing
Luthuli Museums, Boxing SA, Ditsong Museum, Freedom Park, PACOFS, Market Theatre, NHC, Amazwi, War Museum of the Boers, NFVF and Nelson Mandela Museum	<p>The auditors identified material misstatements in the submitted financial statements of the eleven entities, resulting in non-compliance with section 55(1)(b) of the Public Finance Management Act of 1999 (PFMA).</p> <p>Because these entities subsequently corrected the material misstatements it resulted in them attaining an unqualified audit opinion on the financial statements. The internal control environment is not strong enough to prevent and detect misstatements prior to submission for audit.</p>

Entities with unqualified audit opinions with findings on compliance with legislation other than material misstatements in the submitted annual financial statements

- DSAC, NAC, SA Library for the blind and Robben Island Museum

2.2.6 Financial health risk**Slides 17****Revenue management:**

Debt-collection period > 90 days at 2 (Freedom Park & Iziko Museum)

Average debt-collection period = 82.8 days

Expenditure management:

R5.1 million of expenditure was fruitless and wasteful (11 auditees)

Creditor-payment period > 30 days at 6 auditees

Creditors greater than available cash at year-end at 1 auditee (Ditsong Museum of South Africa)

Average creditor-payment period = 154 days

Impact:

The following auditees ended year in deficit (expenditure more than revenue) Ditsong Museums of South Africa

- Freedom Park
- Robben Island Museum

The entities might not be able to deliver on their respective mandates which could affect achievement of targets planned for the year.

Note: Assessment on financial health is based on six (6) auditees not classified as small auditees per AGSA's methodology (DSAC, Iziko Museum, Ditsong Museum, Freedom Park, PanSALB and Robben Island Museum)

2.2.7 Irregular expenditure analysis

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During the year under review, auditees incurred irregular expenditure amounting to R105.2 million, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure increased by 77% compared to the prior year. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
Department of Sport, Arts and Culture	Mainly non-compliance with the Division of Revenue act (Dora)	R59 722 000	Management did not always review and monitor compliance with treasury legislations, to ensure that they implement controls to prevent irregular expenditure from re-occurring.	Other- (transfers were made prior to obtaining an approved amended payment schedule from the National Treasury as required by Dora). No losses were incurred.
Ditsong Museum of South Africa	Non-compliance with supply chain management (SCM) regulations	R2 105 460	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
Boxing South Africa	Non-compliance with SCM regulations	R 813 108	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive

Auditee	Description	Amount (R)	Root cause	Impact
Luthuli Museum	Non-compliance with SCM regulations	R1 668 154	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
Freedom Park	Non-compliance with SCM regulations	R 2 890 194	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
The Market Theatre Foundation	Non-compliance with SCM regulations	R89 763	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
Performing Arts Centre of the FS	Non-compliance with SCM regulations	R2 154 740	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
National Heritage Council	Non-compliance with SCM regulations	R4 534 000	Lack of effective implementation of consequence management to officials who do not comply with	Breach of one or more of the five pillars of procurement – equitable, fair, cost

Auditee	Description	Amount (R)	Root cause	Impact
			SCM regulations and thus committing irregular expenditure	effective, transparent and competitive
Amazwi	Non-compliance with SCM regulations	R1 638 865	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
National Arts Council	Expenditure exceeding budget	R20 918 779	Lack of effective implementation of SCM regulations and inadequate budget monitoring.	<ul style="list-style-type: none"> - Other (R16 million) - exceeding of the approved budget - Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
Pan South African Language Board	Non-compliance with SCM regulations	R3 665 000	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
Iziko Museum	Non-compliance with SCM regulations	R492 139	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive

Auditee	Description	Amount (R)	Root cause	Impact
			thus committing irregular expenditure	
Die Afrikaanse Taal Museum	Non-compliance with SCM regulations	R8 955	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
South African Institute for Drug-Free Sport	Non-compliance with SCM regulations	R1 255 000	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
South African State Theatre	Non-compliance with SCM regulations	R533 216	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
National Film and Video Foundation	Non-compliance with SCM regulations	R1 497 425	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive

Auditee	Description	Amount (R)	Root cause	Impact
National Library of South Africa	Non-compliance with SCM regulations	R1 256 472	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent and competitive
Total IE disclosed		R105 243 270		

2.2.8 Fruitless and wasteful expenditure analysis

During the year under review, the auditees incurred fruitless and wasteful expenditure amounting to R5.1 million, which was disclosed in the financial statements. The analysis of fruitless and wasteful expenditure shows an increase of 88% when compared to the prior year. Majority of fruitless and wasteful expenditure was incurred by the following five entities:

Auditee	Description	Amount (R)	Root cause	Impact
Ditsong Museum of South Africa	Penalties charged on late payments of invoices	R862 698	Cash flow challenges faced by the entity	No value for money was received resulting in a loss for the entity
Freedom Park	Payment made for work that was not delivered	R689 889	Lack of controls to prevent fruitless and wasteful expenditure from occurring	
National Arts Council	Interest paid to SARS	R429 952	Lack of controls to prevent fruitless and wasteful expenditure from occurring	
South African State Theatre	Interest and penalties by City of Tshwane on amounts due	R810 649	Lack of controls to prevent fruitless and wasteful expenditure from occurring	

Auditee	Description	Amount (R)	Root cause	Impact
National Film and Video Foundation	Labour case settlement and legal fees for ex-HoD	R2 073 662	Lack of controls to prevent fruitless and wasteful expenditure from occurring	
Total FWE disclosed		R4 866 850		

2.2.9 Findings on compliance with legislation

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The following material non-compliance issues were identified and reported:

Auditee	Description	Root cause
Luthuli Museums, Boxing SA, Ditsong Museum, Freedom Park, PACOFS, Iziko, Market Theatre, State Theatre, NHC, Amazwi, War Museum of the Boers, NFVF and Nelson Mandela Museum	The auditors identified material misstatements in the submitted financial statements, resulting in non-compliance with section 55(1)(b) of the PFMA.	Lack of proper review of financial statements
Boxing SA, Freedom Park, Luthuli Museum, Market Theatre, State Theatre, NFVF and NAC	Non-compliance with procurement and contract management legislation where goods and services were procured without following relevant prescripts.	Lack of monitoring of compliance with legislations
DSAC, Boxing SA, Freedom Park, Market Theatre, Luthuli Museum, PACOFS, NHC, NFVF and NAC	Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA	Lack of monitoring of compliance with legislations and lack of effective implementation of consequence management
Boxing SA	Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA	Lack of monitoring of compliance with legislations

Auditee	Description	Root cause
DSAC	Appropriate measures were not maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.	Not ensuring that department agencies/beneficiaries comply with the requirements of the MOA before transferring additional funding

2.2.10 Consequence management

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The following material non-compliance issues relating to consequence management were identified and reported:

Auditee	Description	Root cause
PACOFs, Robben Island Museum, Freedom Park, NAC, NHC, NFVF and State Theatre	Disciplinary steps were not taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA	Ineffective consequence management system and resource issues at some entities
PACOFs	Disciplinary steps were not taken against the officials who permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA	Ineffective consequence management system
DSAC	Investigations were not conducted into all allegations of financial misconduct committed by department officials, as required by treasury regulation 4.1.	Slow implementation of consequence management processes
NAC	Disciplinary hearings not held or appropriate action not taken in all cases where financial misconduct was confirmed.	Ineffective consequence management system

2.2.11 Other important matters

Investigations

National Heritage Council

During the prior year, there were allegations of financial misconduct by the former chief executive officer (CEO) that were reported through a whistleblowing mechanism. A company was then appointed to perform a forensic investigation into the allegations. The investigation was finalised and the report was issued. However, the NHC decided to perform a further investigation before holding those implicated accountable.

Boxing South Africa

An independent consultant investigated allegations of irregularities on the Peter "Terror" Mathebula Tribute Tournament Tender at the public entity at the request of Boxing South Africa. The investigation was concluded on 13 January 2022 and resulted in the suspension and resignation of the senior officials and written warnings for the SCM officials. The implementation of some of the recommendations was in progress at the date of this auditor's report.

Performing Arts Centre of the Free State

The department initiated a phase 2 investigation into the capital assets matter. As at the date of the auditor's report, the investigation was still ongoing, this status has not changed for the last two years.

National Arts Council

Disciplinary case against the CEO

As per inspection of the Mazars forensic report, there were numerous allegations that required corrective action as these allegations resulted in the entity incurring irregular expenditure and attracting various litigations and claims. Therefore, the accounting authority had grounds and responsibility to confirm whether the former CEO was guilty of an offence of gross negligence or not and then to also take appropriate action as guided by the code of ethics and the entity's disciplinary procedure policy.

However, we noted that the accounting authority decided to reach a mutual separation agreement with the former CEO without finalising the disciplinary process. This is contrary to its policy and the PFMA since there was clear indication that there is a possible gross negligence committed by the former CEO. The former CEO also received the amount of R924 061.92 as part of the mutual separation agreement.

The accounting authority for a public entity has therefore not taken effective and appropriate disciplinary steps against the employee of the public entity who contravened the PFMA.

Disciplinary case against the CFO

The disciplinary case regarding the CFO was finalised after year-end and the CFO was dismissed.

2.2.12 Internal controls

The common significant deficiencies in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Leadership	Financial and performance management
Leadership did not exercise adequate oversight responsibility over compliance with legislation.	Management did not implement adequate internal controls to ensure that financial statements and performance reporting are evidenced by reliable information. Management did not review and monitor compliance with applicable legislation.

3. Main root causes, recommendations and commitments for the portfolio

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All role players should continue to work together to strengthen the capacity, processes and controls of entities in the portfolio, which will enable credible financial and performance reporting, compliance with key legislation, sound financial management and improved service delivery.

Overall root causes of significant findings in Sport, Arts and Culture portfolio

Root cause	Recommendations
Slow response in implementing adequate and effective preventative controls	Monitor the implementation of action plans to address findings and address the root causes.
Lack of consequence management	Implement sufficient monitoring controls over compliance with supply chain management legislation and apply effective consequence management.
Instability and/or vacancies	Fill vacancies and ensure adequate and skilled resources

Commitments by the accounting officer

Root cause	Recommendation and commitment
Slow response in implementing adequate and effective preventative controls	Will ensure that action plans are finalized and implemented by 30 September 2022 to ensure that there are no repeat/recurring findings in the next audit cycle and to also allow implementation of controls before year end.
Lack of consequence management	Consequence management has been initiated for the repeat finding on DORA that resulted in irregular expenditure and a letter issued to a person who effected payment. Other remaining cases will also be finalised.
Instability and/or vacancies	

4. Portfolio committee message

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Commitment	Date of commitment
Obtain and actively track commitments made, specifically in relation to the AO/AA implementing action plans and other corrective measures to ensure improvement in the portfolio audit outcomes	
The portfolio committee should continue to actively engage with all role players within the accountability ecosystem to ensure that appropriate measures are taken to implement consequence management.	
The portfolio committee should assess the department and public entities' strategic and annual performance plans to ensure that auditees plan and deliver in line with their respective mandates.	
Utilisation of the preventative control guides as developed by the AGSA to assist other oversight functions to ask relevant questions during their oversight.	