



**PFMA  
2021-22**

# Budgetary review and recommendations report (BRRR) **Portfolio Committee on Sport, Arts and Culture**

11 October 2022



AUDITOR-GENERAL  
SOUTH AFRICA

## MISSION



The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution 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.

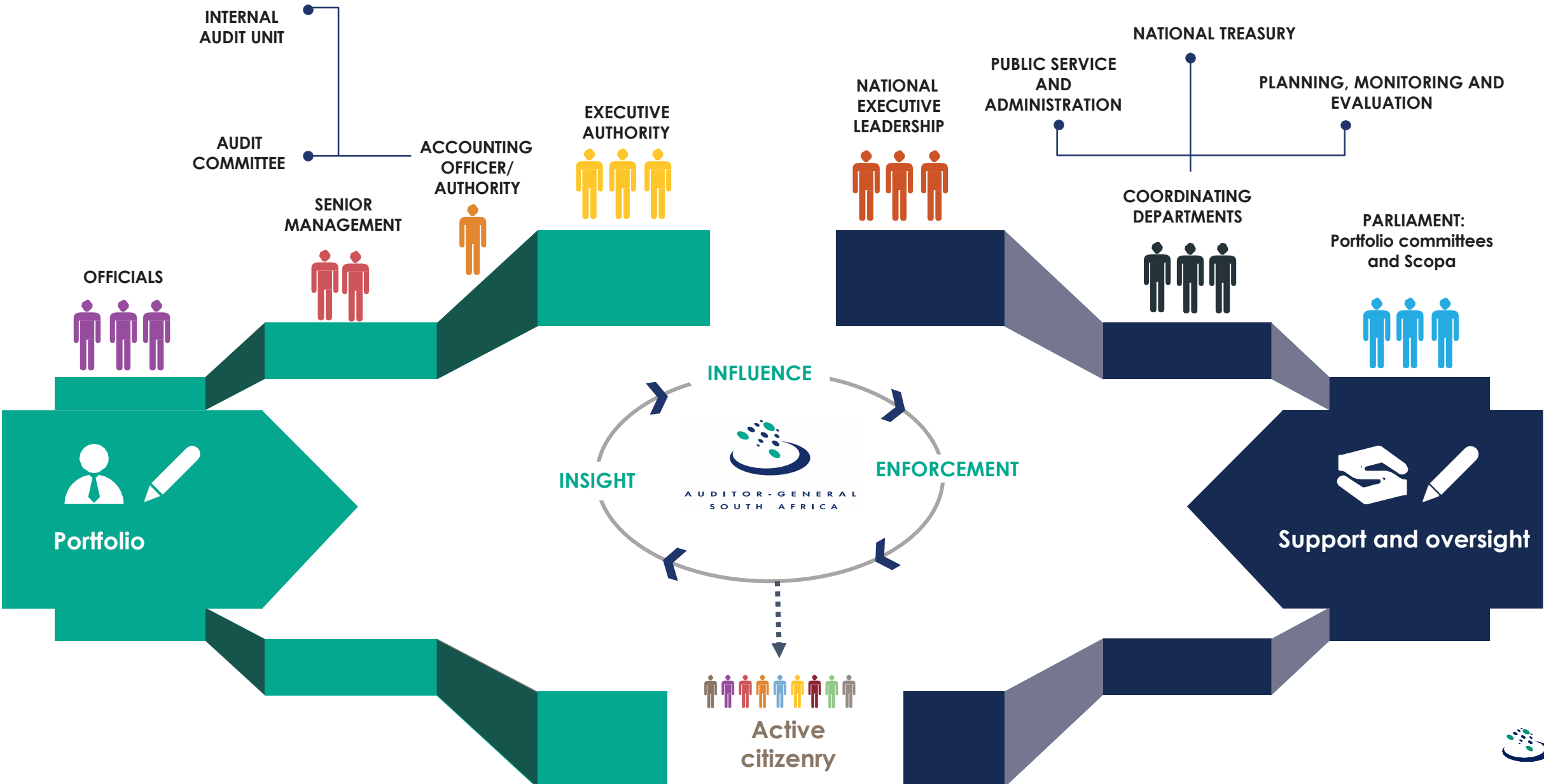
## VISION



To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.



# All have role to play in national government accountability ecosystem



# Slight improvement over the current administration term

4



MOVEMENTS FROM PREVIOUS YEAR:

4 ↑ 18 → 6 ↓

FROM FIRST YEAR OF ADMINISTRATION:

5 ↑ 18 → 6 ↓

Two previous portfolios - Sport and Recreation and Arts and Culture - were merged to form the Sport, Arts and Culture portfolio, effectively from April 2020, hence the number of auditees also decreased from 29 to 28 during 2020/21 financial year.



# Movement from previous year

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<div>Movement</div> <div>Audit outcome</div>	Improved	Unchanged	Regressed	New auditee	+ Outstanding audits
Unqualified with no findings = 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 with findings = 3		1. South African State Theatre (SAST) 2. National Library of South Africa (NLSA)	1. Iziko Museum		
Adverse with findings = 0					
Disclaimed with findings = 0					

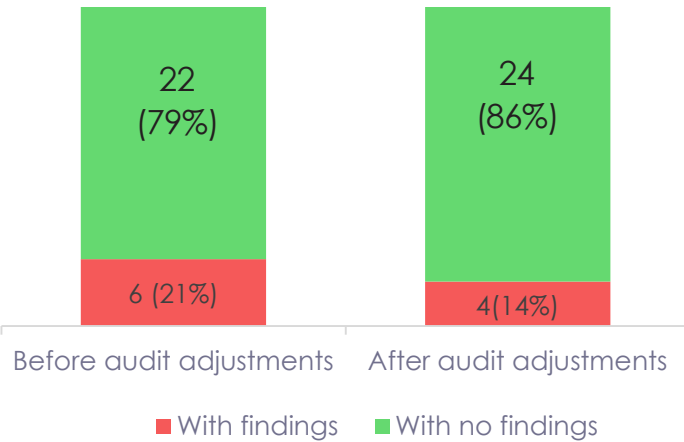




# Portfolio performance



## Quality of performance reports before and after audit



### Findings: Planning for service delivery

- Amazwi: 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.

### Findings: Reporting

- NFVF & boxing: The planned indicator and targets as per the approved initial annual performance plan and the performance against these planned targets, were not reported in the annual performance report.
- Robben Island: 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.
- Amazwi: Reported achievement did not agree with the supporting documents provided for the daily conditions recorded during the year.

### Impact

- The findings on planning for service delivery have a negative impact on the nature and level of performance reported by Amazwi Museum as the measurement processes are not clearly defined.
- NFVF and Boxing SA: 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 resulting in negative impact on service delivery.
- The findings on achievements reported by Robben Island and Amazwi indicate that there are challenges with the 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.



# Performance against targets

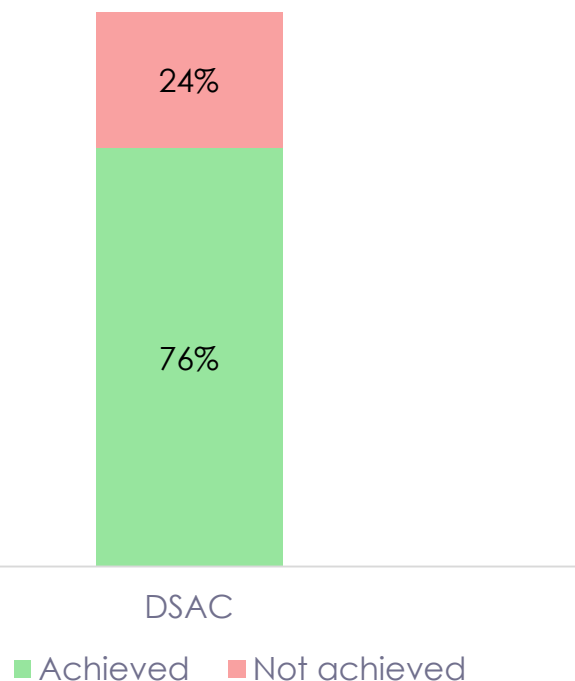
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## Key targets in medium-term strategic framework for the department

### PRIORITY 6: SOCIAL COHESION AND SAFE COMMUNITIES

- Number of provincial community arts development programmes implemented per year (45 by end of March 2024 ).
- Number of moral regeneration projects supported by government (5 moral regeneration projects supported by Government per annum).
- Number of gender-based and femicide programmes financially supported (100% implementation of national strategic plan (NSP) by 2024).
- Number of projects in the creative industry supported through the Mzansi Golden Economy (MGE) programme (283 by end of March 2024).

## Achievement of annual targets as reported in annual performance report (all indicators) – 2021-22



### Key targets not achieved include:

Number of provincial community arts development programmes implemented per year  
Number of moral regeneration projects supported by government

### Impact of targets not achieved

- The key indicator that is significantly under achieved since the beginning of the MTSF period is "Moral regeneration projects supported by government". This target has never been achieved during the years it was included in planning documents and may therefore negatively impact the response in addressing its objectives which include gender-based violence, safety in communities and building a nation with good morals.
- The under-achievement of provincial community arts development programmes could result in the department not being able to provide adequate access to cultural/community arts centres to enhance participation in arts and culture, and promotion of heritage initiatives.



# Achieving key performance targets – summarised information from performance report

## DSAC: 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.



# Key observation on the implementation of PESP

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## Sports, Arts and Culture - Presidential Employment Stimulus Package (PESP)

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 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 R678 million of the monies were allocated and paid over as transfer payments. During the audit we evaluated the achievement against planned targets for DSAC. The project will be completed when all the funds have been spent.

## Job creation in the Sport, Arts and Culture sector.

### Impact

Despite the challenges noted on PESP implementation, the jobs created by the portfolio exceeded the target set by the Presidency.

### Cause

The main reason for the over-performance is due to NAC having over-committed funding for PESP. Nine projects were planned for phase 1 of which 8 were completed and 1 rolled over with planned completion date being 30 September 2022.

### Recommendations to accounting officer

Monitor the implementation of the rolled-over funds to ensure that the project is successfully completed and impact is made in the sector.

### Poor administration of PESP by National Arts Council (NAC)

National Arts Council was allocated R300 million during 2020/21. There were some challenges experienced mainly with the implementation of PESP by the NAC, whereby irregularities were raised regarding the inappropriate administration of the project by the council and management. This resulted in a forensic investigation being commissioned by the Minister which was concluded during September 2021. Due to the challenges relating to the administration of the project, the NAC over-committed on amounts to be allocated. As a result, they had to reprioritise funds from other projects. Thus far R307 million was paid out and R1.9 million is yet to be paid. As at 31 March 2022, the NAC had created 21 871 jobs against a target of 17 000.

### Under-achievement of targets set for National Film and Video Foundation (NFVF)

The NFVF was allocated R140 million against a target of 8 714 jobs. As at 31 March 2022, the NFVF had created 7 033 number of jobs and spent R138 million. The underachievement was due to several requests from grant recipients to amend their projects schedules for various reasons.

### Delays experienced in implementing other projects

There were delays on the implementation of other projects. However, per the information provided by management as at 31 March 2022, the department had achieved 38 686 jobs, the target set of 34 984 was thus over-achieved.





# Material irregularities



# Implementation of material irregularity (MI) process

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## MI process implemented in 2021-22 at:

- Department of Sport, Arts and Culture, Freedom Park, Ditsong and Pan South African Language Board

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 Public Audit Act 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**



# Identified MIs – next steps and responsibilities

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1

## AO/AA is dealing with MI

**AO/AA**... implements the committed actions to address the MI and improves controls to prevent recurrence

**AGSA**... follows up in the next audit if actions were implemented and if outcomes were reasonable. If not, can include recommendations in audit report on how the MI should be addressed by a specific date

2

## MI is referred to a public body

**AO/AA**... cooperates with public body and implements any remedial actions / recommendations made. Improves controls to prevent recurrence

**AGSA**... provides information on MI to public body, monitors progress with investigation and follows up in audits on implementation of any remedial actions/ recommendations

3

## Recommendation included in audit report

**AO/AA**... implements the recommendations by the date stipulated in the audit report and improves controls to prevent recurrence

**AGSA**... follows up by stipulated date if recommendations were implemented and if outcomes were reasonable. If not, issues remedial action to AO/AA that must be implemented by a specific date

4

## Remedial action issued

**AO/AA**... implements the remedial action by the date stipulated in the audit report and improves controls to prevent recurrence

**AGSA** ... follows up whether the remedial actions have been implemented. If not, issues a notice of intention to issue a certificate of debt (CoD) to the AO/AA. Request a written submission on reasons not to issue CoD within 20 working days



### Executive and oversight

**Executive**... monitors progress and supports AO/AA in addressing the MI and improving controls

**Oversight**... monitors progress and calls AO/AA to account for actions taken and outcomes



### Executive and oversight

**Executive**... supports public body investigation and the AO/AA in improving controls. If responsible for public body, monitors progress with investigation

**Oversight**... monitors progress with investigation and calls public body to account for undue delays in Investigation.



### Executive and oversight

**Executive**... monitors progress and supports AO/AA in implementing recommendations and improving controls

**Oversight**... request action plan or implementation, monitors progress and calls AO/AA to account for actions taken and outcomes



### Executive and oversight

**Executive**... monitors progress and supports AO/AA in implementing remedial action and improving controls

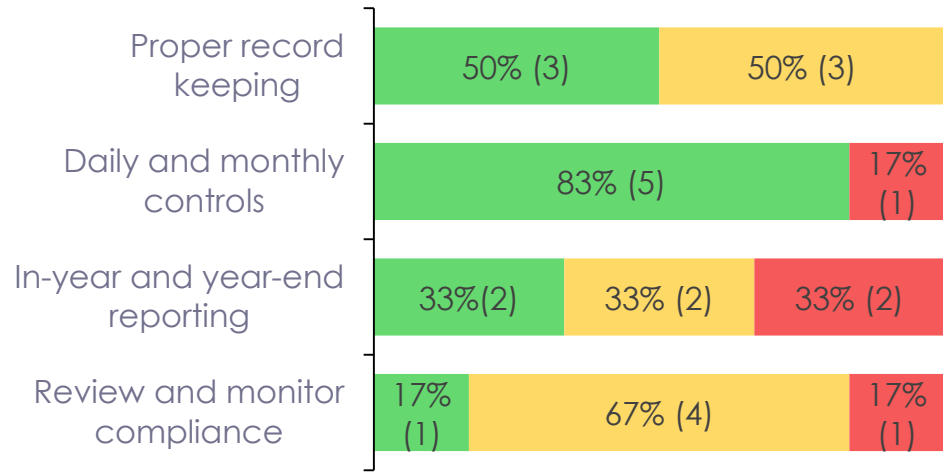
**Oversight**... monitors progress and calls AO/AA to account for actions taken and outcomes



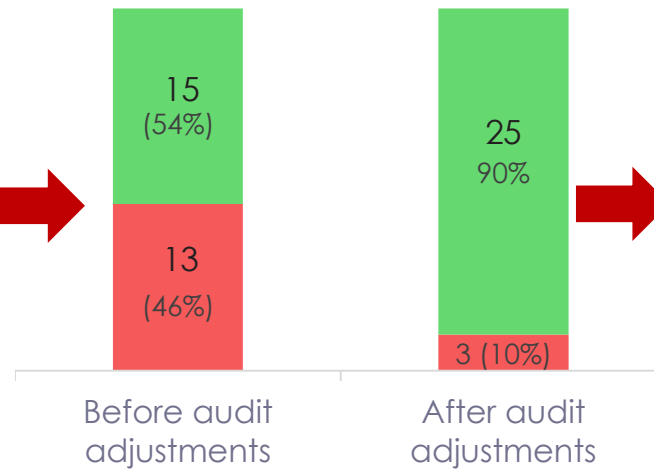
# Financial management and compliance



## Financial management controls



## Impact on quality of financial statements submitted for auditing



## Main qualification areas

- Property, plant and equipment (South African State Theatre)
- Heritage assets (Iziko Museum and National Library of SA)

## Impact

- The weak control environment such as lack of proper record keeping and inadequate in-year and year-end reporting processes (e.g. lack of adequate review of financial statements and supporting schedules) have impacted the quality of the financial statements submitted for audit. This can be noted above as 10 auditees that attained unmodified opinions were only able to do so after processing material adjustments to the financial statements submitted for audit, this represents 36% of the portfolio auditees.
- Qualified entities: Inadequate controls and quality assurance processes around financial reporting resulted in unresolved material misstatements in the financial statements. Financial reports are therefore not reliable and credible to support decisions

Qualified entity	Repeat qualification	Basis for qualification
South African State Theatre	Yes	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	No	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	Yes	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.





## Revenue



## Expenditure



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

Average debt-collection period = **82.8 days**

**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 Museum 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.

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

# Compliance with key legislation

18



2021-22

10 (14 in  
2020-21)

18, (8 in  
2020-21)



No material findings



Material findings

MOVEMENTS FROM  
PREVIOUS YEAR:

4 ↑ 6 ↓ 18 →

## Auditees

### Most common areas of non-compliance

Procurement and contract management

Boxing SA, Freedom Park, Luthuli Museum, Market Theatre, State Theatre, NFVF and NAC

Quality of financial statements

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

Prevention of irregular, unauthorised,  
and fruitless and wasteful expenditure

DSAC, Boxing SA, Freedom Park, Market Theatre, Luthuli Museum, PACOFS, NHC, NFVF and NAC

Effecting consequences

DSAC, PACOFS, Robben Island Museum, Freedom Park, NAC, NHC, NFVF and State Theatre

✓ Previous year's finding addressed

✗ New finding identified in 2021-22

✗ Repeat finding



## Status of compliance with legislation on procurement and contract management



2021-22

21(21 in 2020-21)

7(7 in 2020-21)

MOVEMENTS FROM  
PREVIOUS YEAR:

28



With no findings



With findings

### Details of procurement findings

Boxing SA

Freedom  
Park

Luthuli  
Museum

Market  
Theatre

State Theatre

Uncompetitive and unfair procurement processes

X

X

X

X

X



## Status of compliance with legislation on procurement and contract management



2021-22

21(21 in 2020-21)

7(7 in 2020-21)

MOVEMENTS FROM  
PREVIOUS YEAR:

28 ➡



With no findings



With findings

### Details of procurement findings

NFVF

NAC

SAHRA

Uncompetitive and unfair procurement processes

X

X

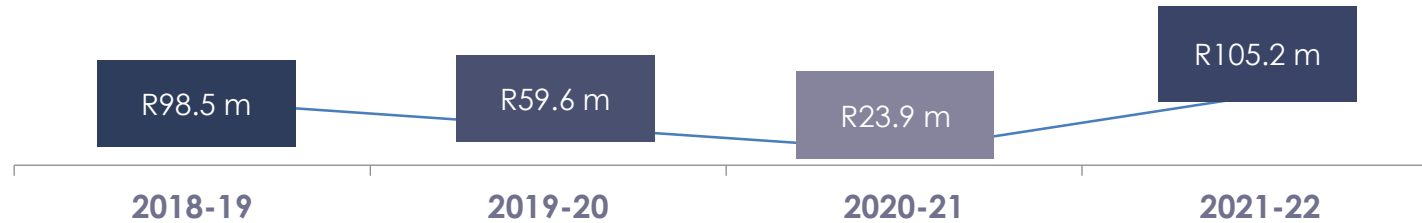
X



# Irregular expenditure

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## Annual irregular expenditure



### Irregular expenditure is not complete

Still investigating to determine full amount = Iziko Museum

## Top contributors

R59.7 m	DSAC
R20 m	NAC
R4.5 m	NHC
R3.6 m	PanSalb
R2.8 m	Freedom Park

## Impact of irregular expenditure incurred

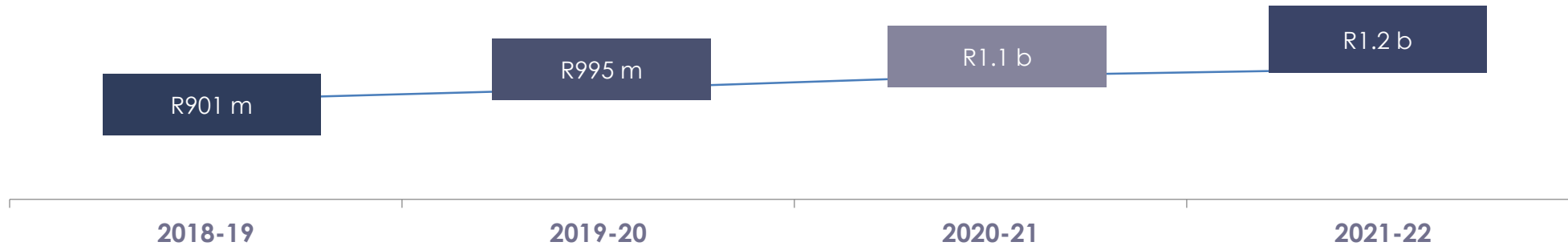
**The analysis of the non-compliance indicated that for irregular expenditure of R32 m, the entities had breached one or more of five pillars of procurement – equitable, fair, cost effective, transparent and competitive:**

DSAC, NAC, Ditsong, Boxing, Luthuli Museum, Freedom Park, Market Theatre, PACOFS, NHC, Amazwi, PanSALB, Iziko, SAIDS, SAST, NFVF, NLSA, Die Afrikaanse Taal.

**Other impact:** DSAC: R57 m (Amended payment schedule not submitted to NT for approval in line with DORA), and NAC: R16 m expenditure exceeding budget



Closing balance of irregular expenditure continues to increase



**Top 5 contributors (R790 m) to irregular expenditure not dealt with constitute 72% of R1.1 billion**

R389 m	DSAC
R175 m	SAST
R92 m	Robben Island
R72 m	PACOFs
R62 m	NAC

How have auditees dealt with irregular expenditure

	Money recovered or in process of recovery	R146 k ( 0.01%)
	Condoned	R19 m (1.7%)
	Written off	R3.6 m (0.3%)
	Not dealt with	R1.077 b (97.9%)

**Reasons for IE not dealt with:**

- Ineffective consequence management processes as no investigations were conducted on IE for the following entities: SAST, Robben Island, NAC and PACOFs.
- R455 m (41%) has been investigated but other processes not finalised, R52 m (5%) for SAHRA is awaiting write off and R20 m is awaiting condonation.





# Conclusions and recommendations



## Overall root causes of significant findings

- Slow response in implementing adequate and effective preventative controls
- Lack of consequence management
- Instability and/or vacancies

## Key recommendations to, and commitments by, accounting officers and authorities

- Ensuring sufficient monitoring controls over compliance with supply chain management legislation and implementing effective consequence management.
- Monitor the implementation of action plans to address findings and address the root causes.

**Commitments by accounting officer:** Monitor the implementation of audit action plans and consequence management.





## In 2020-21, we recommended the following:

Monitor and regularly follow up with the executive authority and accounting officer/ authority on:

- Implementation of action plans and preventative controls
- Implementation of consequence management in relation to irregular, fruitless and wasteful expenditure and all other allegations under investigation.

The culture of consequence management should be enforced in the portfolio.



## Overall reflections on implementation of recommendations:

- The committee had several interactions whereby it monitored and called on the executive authority and accounting officer/ authorities to account on the implementation of action plans and consequence management.

## Key messages going forward:

- 1 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
- 2 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.
- 3 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.
- 4 Utilisation of the preventative control guides as developed by the AGSA to assist other oversight functions to ask relevant questions during their oversight.



# THANK YOU



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