

# **THE BUDGETARY REVIEW AND RECOMMENDATION REPORT (2021/22) OF THE PORTFOLIO COMMITTEE ON SPORT, ARTS AND CULTURE ON THE PERFORMANCE OF THE NATIONAL DEPARTMENT AND ITS ENTITIES, DATED, 25 OCTOBER 2022**

The Portfolio Committee on Sport, Arts and Culture ("Committee"), having considered the performance of the Department of Sport, Arts and Culture (DSAC or "Department") for the 2021/22 financial year, report as follows:

## **1. INTRODUCTION**

The Department, is established through merger between the Ministries of Sport and Recreation and of Arts and Culture, effective 01 April 2020. This Department plays a leading role in the implementation of Government's Outcome 14 programme of social cohesion and nation building.

The first financial year of the Department's existence was dominated by the outbreak, control and management of the unprecedented impact of the global COVID-19 pandemic. The pandemic had far-reaching and devastating consequences for the Sport, Arts and Culture (SAC) sector, which is traditionally associated with large gatherings, mass participation and general unrestricted movement in the physical and public spaces in which sector-related activities are performed.

The 2021/22 financial year saw the SAC sector continuing to work in earnest to recover from significant loss and setbacks. As the sector is now able to host events and welcome domestic and international visitors, the entities and sector practitioners are still counting the costs of the negative impacts of the COVID-19 pandemic, which resulted in the loss of the ability to generate income, but also the unfortunate loss of life. The sector, which some may argue, was already in a fragile state before the pandemic started, is making progress in recovering from this unexpected disruption to operations.

That being said, the local situation cannot be looked at in isolation from the global setting. A series of overlapping crises, including the transition from the overwhelming effects of the COVID-19 pandemic, has resulted in a bleak economic outlook worldwide. The International Monetary Fund (IMF) forecasts that global growth to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Despite this state of affairs, the South African Government has put notable measures in place for the establishment of an economic recovery stimulus package that made provision for job creation and retention. As such, Government is shifting its economic focus from a relief approach to one that seeks to set the country on a course of sustainable economic recovery. This is evidenced by the implementation of the Presidential Employment Stimulus Programme (PESP), which was launched in October 2020. The Department is currently implementing the third phase of the PESP. The Department, in partnership with key entities such as the National Arts Council (NAC) and the National Film and Video Foundation (NFVF), is implementing the PESP to support sector practitioners and also to create jobs for others.

As the sector is now able to host events and welcome domestic and international visitors, the entities and sector practitioners are still counting the costs of the negative impacts of the COVID-19 pandemic, which resulted in the loss of the ability to generate income, but also the unfortunate loss of life. The sector, which some may argue was already in a fragile state before the pandemic started, is making progress in recovering from this unexpected disruption to operations. However, there is a need to mitigate the risk of the global economic downturn having a further negative impact on the main revenue streams for role-players in the sector.

### **1.1 Mandate of the Portfolio Committee**

The Committee is mandated by the Constitution and the Rules of Parliament to oversee the activities and performance of the Department and the entities that report to it. Furthermore, the Committee is also required to consider, amend and/or initiate legislation; consider international agreements and provide a platform for the public to participate and present views on issues and/or legislation specific to the sport, arts and culture sectors.

To enhance Parliament's oversight role, the Money Bills Amendment Procedure and Related Matters (Money Bills) Act (No. 9 of 2009) was promulgated to provide Parliament with a procedure to make recommendations to the Minister of Finance to amend the budget of a national department. A key provision of this Act is that Portfolio Committees must annually compile Budgetary Review and Recommendation (BRR) Reports. These BRR Reports provide an assessment of service delivery performance given available resources; evaluates the effective and efficient use of resources; and may make recommendations on the forward use of resources. The BRR Reports also acts as a mechanism to measure service delivery and identify areas that require urgent intervention. The BRR Reports are also source documents for the Committees on Appropriations when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS).

## **1.2 Purpose of and method to develop the 2021 Budgetary Review and Recommendation Report of the Portfolio Committee on Sport, Arts and Culture**

The purpose of the BRR Report is to account, in accordance with the National Assembly (NA) Rules 339 and 340, for work done by the Committee in considering the 2021/22 Annual Reports of the Department and entities, which were tabled in accordance with Section 40(1) of the Public Finance Management Act (PFMA) (No. 1 of 1999) and referred by the Speaker to the Committee for consideration and report.

In preparation for the BRR Report, the Committee considered the Department and entities' prevailing Strategic Plans, the 2021/22 budget allocations and Annual Performance Plans (APPs), the quarterly performance and expenditure trends, and conducted oversight by having briefings on specific initiatives and programmes.

On 11 October 2022, the Committee invited the Auditor-General of South Africa (AG) to explain the 2021/22 audit outcomes of the Department and the entities, and considered the Department's 2021/22 Annual Report on 18 October 2022. The Committee's in-year oversight activities also included the consideration of the annual reports of two entities and one sport and recreation body, namely the Afrikaanse Taalmuseum en –monument (ATM), the William Humphreys Art Gallery (WHAG), and the South African Hockey Association (SAHA).

## **1.3 Relevant policy documents**

Sport, arts and culture are considered fundamental to social cohesion and nation-building. The White Paper on Arts and Culture was introduced in 1996 created an environment conducive to promoting, protecting and realising the full potential of South Africa's Cultural and Creative Industries through transforming the sector, recognising the rights and status of all practitioners, and integrating the sector into all aspects of socio-economic development.

In August 2018, Cabinet approved a new White Paper on Arts, Culture and Heritage which revokes elements of the 1996 White Paper. It is a culmination of the review of the 1996 White Paper, which appreciated the achievements in all the facets of arts, culture and heritage and reflected on areas that remained a challenge in advancing nation-building and social cohesion. The White Paper aims for a dynamic, vibrant and transformed South African arts, culture and heritage sector that will contribute towards nation-building, social cohesion and socio-economic inclusion.

The White Paper on Sport and Recreation for the Republic of South Africa (2011) is the third in a series of official policies on sport and recreation since the establishment of the democratic Government in 1994. Its purpose is to transform the delivery of sport and recreation by ensuring equitable access, development and excellence at all levels of participation and to harness the socio-economic contributions that can create a better life for all South Africans.

Both policy documents recognise the potential economic and social benefits of the sectors. The Department notes in its 2020 – 2025 Strategic Plan that two White Papers will have to be checked to ensure that they do not contradict in any way the extension of the mandate of the Ministry of Sport, Arts and Culture.

#### 1.4 Response to previous financial recommendations of the Portfolio Committee on Sport, Arts and Culture

Along with the recommendations to the Department, the Committee's BRR Report made one recommendation relating to the National Treasury. A summary of these is captured in the following section.

## 2. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

### 2.1 2021 BRR Report recommendations

- 2.1.1 The Department to ensure the implementation of the recommendations of the forensic report into the alleged mismanagement of PESP funds at the NAC.
- 2.1.2 Continued support to the athletes and artists affected by the closure of the sector during the series of lockdowns at the height of the COVID-19 pandemic.
- 2.1.3 The Department should continue to fill all the critical posts to improve service delivery in the sector.
- 2.1.4 The Department and affected entities should implement internal consequence management as per the recommendations of the AG's findings in the 2020/21 report.
- 2.1.5 The Department should strengthen internal controls as per the recommendations of the AGs report.
- 2.1.6 The Department is urged to increase female participation in sport, especially in the underrepresented sporting codes including Boxing.
- 2.1.7 The Department should create a conclusive strategy on the phasing in of school sport as well as continuing with the implementation of MoU with the Department of Basic Education. More needs to be done in terms of the implementation of physical education at all schools.
- 2.1.8 The Municipal Infrastructure Grant (MIG) needs more focus on the township sport infrastructure, which has become dilapidated and white elephants.
- 2.1.9 With the regression in audit opinions of some entities reporting to the Department, the Committee called for the Department to direct its attention to the internal matters which contributed to the regression.
- 2.1.10 As a matter of urgency, the Department should expedite programmes that address the awareness of Gender-Based Violence and Femicide (GBVF).
- 2.1.11 In relation to the ongoing heritage legacy projects, the Committee urged the Department to complete these projects such as the Winnie Mandela House and Sarah Baartman Centre of Remembrance in the 2022/23 financial year.
- 2.1.12 To the Minister of Finance, the Committee recommended the prioritisation of adequate funding and allocation towards the implementation of the White Paper on Arts, Culture and Heritage over the MTSF.

### 2.2 2022/23 Committee Budget Vote 37 Report

The following is a summary of the Committee's recommendations made to the Minister and the responses to these:

**Table 1: Recommendations by the Committee to the Minister with corresponding responses**

RECOMMENDATIONS	RESPONSES RECEIVED FROM THE MINISTER
<b>DSAC</b>	
<b>Language Rights:</b> The Department to ensure that the South African Language Practitioners' Council (SALPC) is established to advance the promotion and protection of language practice in the country.	<p>The budget to establish SALPC should be appropriated by National Treasury. The Department submitted a bid to National Treasury in 2016 to fund the implementation of the SALPC Act (No. 8 of 2014) with no success. Since then, National Treasury has been indicating that there is no budget for new projects. This means that there are no funds to be allocated for the establishment of the Council as this is a new project.</p> <p>To ensure that the Council is established, in 2021 DSAC appointed the SALPC Advisory Committee to advise and</p>

RECOMMENDATIONS	RESPONSES RECEIVED FROM THE MINISTER
	<p>recommend on how the Council can be established under strict budgetary constraints. The Advisory Committee made its recommendations to the Executive Management Team (EMT) of the DSAC to commence with a minimal start-up structure that will consist of at least five staff members in the initial years of the Council. These recommended positions are those of the Chief Executive Officer, Finance Manager, Registrar, Administrator and the Office Administrator.</p> <p>Currently, the cost of the start-up structure is being finalised for the Chief Financial Officer to identify where the funds to support the start-up structure can be sourced within the Department. The Department intends to advertise for the SALPC Board by the end of September 2022 depending on the availability of funds.</p>
<p><b>Digital Content:</b> With the finalisation of the Department of Communication's Digital Economy Master Plan, DSAC and SABC should ensure the issue of content creation is addressed.</p>	<p>The Cultural and Creative Masterplan strategy's main focus is to grow an innovative and sustainable Creative Industry and to set out key interventions in an inclusive manner, so that it effectively contributes to the creation of decent work in the creative economy. The Masterplan is developed in collaboration with other partners including labor, business, and other Government departments, i.e. Small Business Development; Trade, Industry and Competition; and Communications and Digital Technologies. The Masterplan will be presented at Cabinet on 26 July 2022 for approval to implement the Key Action Plan. The Marketing Plan will be finalised after the approval and communicated to stakeholders.</p>
<p><b>Legislative and Policy Review:</b> The Department to submit an overview of how it plans to implement its legislative and policy review, including the National Strategy for Women and Sport South Africa by the end of the second quarter of the 2022/23 financial year.</p>	<p>The Department is leading the process of developing a Women in Sport Policy. This policy is aimed at ensuring redress and promotion of Women in the Sport and Recreation sector across the various spheres of the industry, e.g., participation, administration, coaching, technical services. The Socio-Economic Impact Assessment (SEIAS) on the Draft Policy has been approved by the Department of Performance Monitoring and Evaluation. The above-mentioned policy is currently at final consultation phase and the Department has recently concluded consultations with National Federations. There is one more consultation outstanding with the Sports Media, after which the Policy will be ready to go to Cabinet for approval.</p> <p>In processing the national sport and recreation amendment Bill 2022, the Bill will be submitted to the DG's cluster and will be presented to Cabinet before the end of Quarter 2.</p> <p>To implement the White Paper a task team has been constituted and the terms of reference to appoint the service provider will be finalised by end of August 2022.</p> <p>A road map for the amalgamation of entities will be submitted to the task team in August 2022 where after legal service will commence drafting required pieces of legislation.</p>
<p><b>National Sport and Recreation Amendment Bill 2022</b></p>	<p><b>The Road map towards finalisation of the Bill is as follows:</b></p> <ul style="list-style-type: none"> <li>• Received certified Bill from DPME: Completed 14 March 2022</li> <li>• Received pre-certified Bill from OCSLA: Completed 21 April 2022</li> </ul>

RECOMMENDATIONS	RESPONSES RECEIVED FROM THE MINISTER
	<ul style="list-style-type: none"> <li>• Present the draft Bill to SPCHD: 26 July 2022</li> <li>• Draft Cabinet Memo for Minister's consideration and approval and submission to Cabinet: 29 July 2022</li> <li>• Submit Bill for Tabling at National Assembly: 17 August 2022.</li> </ul>
<b>Court Rulings:</b> The Department to provide further insight into the implications of the court order between the DSAC and the South African Roadies' Association (SARA) by the end of the first quarter of the 2022/23 financial year".	The matters relating to the Court Order between DSAC and SARA were settled at Alternative Dispute Resolution (ADR) meeting held on 09 March 2022. The Public Protector attended the meeting, DSAC and SARA. At this meeting the Public Protector pronounced that by way of the discussions held at the said meeting, the file on the matter was officially closed.
<b>COVID-19 Recovery Plan:</b>	The Department in conjunction with its Stakeholders such as the South African Sport Confederation and Olympic Committee (SASCOC), the National Federations, Provincial Departments and Academies continues to implement programmes aimed at supporting athletes. These includes the Athlete Support Programme, the Provincial Academies Programme and the individual programmes managed by the Federations. Further efforts are contained in the Department's Comprehensive Economic Recovery Plans.
<b>ATHLETICS SOUTH AFRICA</b>	
Athletics South Africa (ASA) needs to continue to support Caster Semenya in all efforts against World Athletics when the case is presented to the European Court for Human Rights.	ASA indicated that the case is still pending, and they are awaiting the dates for the hearing. All submissions are ready when the case resumes. Their legal representatives recently met with their African counterpart from Kenya and Namibia to deliberate and engage further to represent an African position or statement when the case finally resumes soon. ASA indicated they are hopeful that the case will be heard before the World Athletics Track and Field Championships that will be held in Oregon, USA from 15 to 24 July 2022.
ASA needs to ensure that athletes are prepared and supported towards the 2022 Commonwealth Games in Birmingham	ASA fully supports the participation of Athletes to the Commonwealth Games in Birmingham. Approximately 25 Athletes will be representing ASA within Team South Africa which is to be confirmed by SASCOC when the Final team is announced. These athletes have qualified through Events organised by ASA. Furthermore, Athletics South Africa will be participating at World Athletics Track and Field Championships that will be held in Oregon, USA from 15 to 24 July 2022. These championships will further assist our athletes in the preparation for the Commonwealth Games.
ASA needs to ensure that the schools athletics becomes more functional and inclusive of all demographics to achieve transformation.	ASA indicated that School Athletes are the cornerstone of Athletes Development from the primary schools right through up to high School and Elite Athletes. ASA will continue to support our schools through Primary and High school events that takes place on an annual basis. Included in the school category is the Cross-Country School championships which is held together with their Senior Championship.
ASA should ensure that the broadcasting partnership with Super sport benefits the athletes. The federation also needs to continue to reach out to the national broadcaster (SABC) to	ASA indicated that negotiations are continuing with SABC about broadcasting of Athletics on the Public Broadcaster. ASA is hopeful that an agreement will be reached soon, and an announcement will be made. The Department and Parliament will be notified when this agreement is concluded.

RECOMMENDATIONS	RESPONSES RECEIVED FROM THE MINISTER
ensure that it secures rights to reach a wider audience.	
ASA to provide an update on the way forward regarding its Acting CEO's implication in the Special Investigating Unit (SIU) investigation into the National Lotteries Commission (NLC) funds meant to build an athletics stadium in Kimberley by the end of the second quarter of the 2022/23 financial year.	<p>ASA has provided an update on the matter. ASA indicates that as far as they are concerned:</p> <ul style="list-style-type: none"> <li>• There are no longer any issues of concern between the SIU and Mr Magogodela.</li> <li>• The dispute between the SIU and ASA's acting CEO has been successfully resolved.</li> <li>• A settlement agreement has been concluded between them which has resulted in Mr Magogodela no longer participating in the proceedings and no longer being a respondent in the application to preserve the assets of the respondents including that of Mr Magogodela.</li> <li>• They indicate that he has no interest in any of the proceedings that are currently pending, and his position has been acknowledged by the judge of the Special Tribunal.</li> </ul>
ASA should maintain good working relationship with School Athletics South Africa (SASA) to promote school athletics.	ASA indicated that there is a good working relationship with SASA in terms of promotion of school athletics. They confirmed that SASA is a permanent member of the ASA Board and Council.

*Source: DSAC Response to the Committee's report on Budget Vote 37 (ATC number 67-2002)*

### 3. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

#### Mandate of the Department

The mandate and/or function of the DSAC is derived from the Constitution of the Republic of South Africa (the "Constitution"), including the Preamble and Founding Provisions, and in sections 16(1) and 32 which respectively deal with the rights pertaining to freedom of expression and access to information. Further, the Constitution affirms the democratic values of human dignity and equality. In line with these Constitutional imperatives, the national Department has been assigned the powers and functions to develop and implement national policies and programmes relating to sport, arts, culture, heritage and recreation in the country.

#### Strategic objectives

The 2019-2024 Medium-Term Strategic Framework (MTSF) represents the second five-year phase of implementation of the National Development Plan: Vision 2030 (NDP) which commits Government to 14 key outcomes. The Department is responsible for coordination the implementation of Outcome 14 of the NDP, 'a diverse, socially cohesive society with a common national identity'. Accordingly, the Department's ongoing and principal objective is to provide an enabling environment to cultivate an active, creative, winning and socially cohesive nation.

Government has committed to the seven priorities in the NDP five-year implementation plan over the MTSF. These priorities are economic transformation and job creation; education, skills and health; consolidating the social wage through reliable and quality basic services; spatial integration, human settlements and local government; social cohesion and safe communities; a capable, ethical and developmental state; and a better Africa and world.

As such, the Department's Strategic Plan which outlines five outcomes which will see efforts and resources are thus directed toward achieving a transformed, active, creative and winning nation. These outcomes are linked to the priorities of Government as set out below:

**Table 2: Link between Department of Sport, Arts and Culture outcomes and Government priorities**

DSAC Outcomes	Government Priorities
Outcome 1: Increased market share of and job opportunities created in sport, cultural	Economic transformation and job creation



and creative industries	
Outcome 2: A diverse, socially cohesive society with a common national identity	Social cohesion and safe communities
Outcome 3: Transformed, capable and professional SAC Sector	Education, skills and health
Outcome 4: Integrated and accessible SAC infrastructure and information	Spatial integration, human settlements and local government
Outcome 5: Compliant and responsive governance	Building a capable, ethical and developmental State

Source: DSAC Strategic Plan 2020 - 2025

The Department is mandated to develop and implement national policies and programmes relating to SAC in the country. This means that the Department needs to provide leadership to the SAC sector to accelerate its transformation; oversee the development and management of sport, arts and culture in South Africa; legislate on sports participation, sports infrastructure and safety; improve South Africa's international ranking in selected sports through a partnership with the SASCO; preserve, develop, protect and promote the cultural, heritage, and linguistic diversity and legacy of South Africa; lead nation building and social cohesion through social transformation; enhance archives and records management structures and systems; and promote access to information.

The Department is responsible for administering 22 pieces of legislation and overseeing 27 public entities. The Committee oversees both the Department and its entities. The sector focus for the public entities reporting to the Department include Development (Funding) Bodies; Performing Arts Institutions; Museums; Heritage; Libraries; Language; Professional Boxing; and Drug-Free Sport. It should be noted that in May 2021, the Mandela Bay Theatre Complex was declared a cultural institution for performing arts as per the Cultural Institutions Act (No. 119 of 1998, as amended) and as such, it is an entity funded by and reporting to the Department as of 01 April 2022. Thus the number of public entities reporting to the Department in the 2022/23 financial year will increase from 27 to 28.

#### **4. OVERVIEW AND ASSESSMENT OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 01 APRIL 2021 TO 31 MARCH 2022**

This section of the report provides an overview and analysis of funds appropriated, the rate of predetermined objectives achieved, and human resources as at 31 March 2022.

##### **4.1 Financial performance**

The Department's final appropriation for the 2021/22 financial year was R5.6 billion. Actual expenditure for the period under review was R5.64 billion. Expenditure thus represents 98.2%. For the 2020/21 financial year, final appropriation was R5.3 billion with actual expenditure amounting to R5.2 billion, which represents 97.5 per cent of the budget. The Department has thus increased its expenditure against appropriation with unspent funds decreasing from R135.2 million in 2020/21 to R103.6 million in 2021/22.

The Department's budget funds four programmes; namely Programme 1: Administration; Programme 2: Recreational Development and Sport Promotion; Programme 3: Arts and Culture Promotion and Development; and Programme 4: Heritage Promotion and Preservation. The purpose for each programme is tabulated below.

**Table 3: DSAC budget programmes, purpose and final appropriation**

<b>Programme</b>	<b>Purpose</b>	<b>Final Appropriation R'000</b>	<b>% of total allocation</b>
1. Administration	To provide strategic leadership, management and support services to the Department.	497 093	8.6%

2. Recreation Development and Sport Promotion	To support the provision of mass-participation opportunities, the development of elite athletes, and the regulation and maintenance of facilities.	1 372 722	23.9%
3. Arts and Culture Promotion and Development	To develop and promote arts, culture and language, and implement the national cohesion strategy.	1 293 451	22.5%
4. Heritage Promotion and Preservation	To preserve and promote South African heritage, including archival and heraldic heritage; as well as to oversee and transfer funds to libraries.	2 584 007	45%
		<b>5 747 273</b>	<b>100%</b>

Source: DSAC Annual Report 2021/22

**Table 4: Department of Sport, Arts and Culture 2021/22 Expenditure by Programme and Economic Classification**

R'000	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation
<b>Programme</b>				
1. Administration	497 093	459 174	37 919	92.4%
2. Recreation Development and Sport Promotion	1 372 722	1 352 547	20 175	98.5%
3. Arts and Culture Promotion and Development	1 293 451	1 261 895	31 556	97.6%
4. Heritage Promotion and Preservation	2 584 007	2 570 044	13 963	99.5%
<b>TOTAL</b>	<b>5 747 273</b>	<b>5 643 660</b>	<b>103 613</b>	<b>98.2%</b>
<b>Economic classification</b>				
Current payments	<b>891 559</b>	<b>843 770</b>	<b>47 789</b>	<b>94.6%</b>
Transfers and subsidies	<b>4 763 984</b>	<b>4 731 841</b>	<b>32 143</b>	<b>99.3%</b>
Payments for capital assets	<b>79 966</b>	<b>56 285</b>	<b>23 681</b>	<b>70.4%</b>
Payments for financial assets	<b>11 764</b>	<b>11 764</b>	-	<b>100.0%</b>
<b>TOTAL</b>	<b>5 747 273</b>	<b>5 643 660</b>	<b>103 613</b>	<b>98.2%</b>

Source: DSAC Annual Report 2021/22, p.156.

Collectively, Programmes 2 to 4 received 91.4% of the Department's total budget allocation.

In terms of the economic classification, the Department's expenditure comprised of mainly transfers and subsidies (82.9%), current payments (operational expenses) (15.5%), and payments of capital and financial assets (1.6%).

Table 4 above reflects that overall under-expenditure amounts to R103.6 million or 1.8% of the final appropriation. Under-expenditure in 2020/21 amounted to R135.2 million or 2.5% of the final appropriation. Therefore, this indicates a year-on-year improvement in unspent funds.

The Table 5 below provides an outline of the unspent funds per economic classification.



**Table 5: Outline of unspent funds per economic classification**

<b>Economic classification</b>	<b>R'000</b>
<p><i>Compensation of employees (CoE)</i>  The Department recorded a variance of R43.1 million which was caused by vacant positions. Following the SRSA – DAC merger, the Department had to be cautious in filling positions to avoid overloading the organisational structure prior to a review. The review of the structure is under way and once completed, the prioritised posts will be filled within available financial resources.</p>	43 052
<p><i>Goods and services</i>  The variance of R4.7 million was mainly attributed to:</p> <ul style="list-style-type: none"> <li>• Department of Public Works and Infrastructure (DPWI) invoices that could not go through payment processing due to Basic Accounting System (BAS) challenges;</li> <li>• cancellation of departmental events as a result of the lockdown, which had an impact on travel costs;</li> <li>• the advisory note from National Treasury to suspend procurement activities with a value above R30 000 with effect from 16 February 2022 for a period of 12 months also had a negative impact on implementation of departmental events and projects, therefore, affecting expenditure. The advisory note was based on the Constitutional Court judgement in relation to the Preferential Procurement Regulations, 2017.</li> </ul>	4 737
<p><i>Departmental agencies and accounts (Current/Capital)</i>  The variance of R7.6 million was mainly attributed to:</p> <ul style="list-style-type: none"> <li>• PESP funds that were declined by three entities due to late approval of rollover by National Treasury; and</li> <li>• Iziko Museums and South African Library for the Blind invoices not received from the DPWI by 31 March 2022.</li> </ul>	7 567
<p><i>Higher education institutions</i>  The variance of R1.5 million was due to failure by university (Stellenbosch) to submit compliance documents for the Human Language Technology (HLT) project.</p>	1 534
<p><i>Foreign government organisations</i>  The variance of R193 000 was mainly attributed to fluctuation in the rand to pound and dollar exchange rate at the time of processing transfer payments to the Commonwealth Foundation and United Nations Educational, Scientific and Cultural Organization (UNESCO) for annual subscription fees.</p>	193
<p><i>Public corporations (Current/Capital)</i>  The variance of R10.3 million was mainly attributed to:</p> <ul style="list-style-type: none"> <li>• difficulties in obtaining compliance documents from Mzansi Golden Economy (MGE) beneficiaries to complete Memoranda of Agreement (MoAs) as the arts and culture sector is gradually recovering from the detrimental effects of COVID-19 regulations;</li> <li>• capacity from support units, especially with regard to contracting, not being sufficiently matched to the high number of applications that were approved for the 2021/22 MGE open call; and</li> <li>• item creation process taking longer than anticipated, which resulted in a trickling effect on all other subsequent processes that needed to be completed.</li> </ul>	10 263
<p><i>Non-profit institutions (NPIs) (Current/Capital)</i>  The variance of R8.9 million was mainly attributed to:</p> <ul style="list-style-type: none"> <li>• last tranche payment to the MRM which could not be made due to non-submission of audited financial report;</li> <li>• community arts development programmes budgeted for under NPIs, which were later discovered to be classified under departmental agencies and therefore paid as such;</li> <li>• Caiphus K Semanya Foundation project completed in line with the signed MoA; and</li> <li>• various heritage projects which were not completed on time.</li> </ul>	8 932
<i>Households</i>	3 653

<b>Economic classification</b>	<b>R'000</b>
<p>The variance of R3.7 million was attributed to:</p> <ul style="list-style-type: none"> <li>difficulties in obtaining compliance documents from MGE beneficiaries to complete contracts as the arts and culture sector is gradually recovering from the detrimental effects of COVID-19 regulations;</li> <li>capacity from support units, especially with regard to contracting, not being sufficiently matched to the high number of applications that were approved for the 2021/22 MGE open call; and</li> <li>item creation process taking longer than anticipated, which resulted in a trickling effect on all other subsequent processes that needed to be completed.</li> </ul>	
<p><i>Machinery and equipment</i></p> <p>The variance of R16.4 million was due to delays in Supply Chain Management (SCM) processes for the procurement of Information Technology (IT) and security infrastructure for the relocation project.</p>	16 416
<p><i>Heritage assets</i></p> <p>The variance of R7.3 million was mainly attributed to:</p> <ul style="list-style-type: none"> <li>outstanding invoices for the National Archives Heating, Ventilation and Air conditioning (HVAC) project which were not processed due to DPWI not submitting the complete supporting documents; and</li> <li>request to deviate from normal procurement process in procuring a sculpture from Prof. Pitika Ntuli being declined by National Treasury.</li> </ul>	7 265
<b>Total</b>	<b>103 613</b>

Source: DSAC Annual Report 2021/22, pp.13-14; pp.173-174.

For the period under review all programmes, with the exception of Programme 1, which spent 92.4%, spent above 95% of the total appropriation. The Department noted the reason for this material variance is due to filling of vacant posts that were at different stages of the selection process, and delays in SCM processes for the procurement of IT and security infrastructure for the relocation project.

The conditional grants, viz. the Mass Participation and Sport Development Grant and the Community Library Conditional Grants, of R591 million and R1.5 billion, respectively, have both been fully paid to the provinces.

#### **4.1.1 Unauthorised Expenditure, Irregular, and Fruitless and Wasteful incurred in the 2021/22 financial year**

The Public Finance Management Act, 1999 (Act No. 1 of 1999) section 38(1)(c) (ii) states that the accounting officer of a department, trading entity or constitutional institution must take effective and appropriate steps to prevent unauthorised as well as irregular, fruitless and wasteful expenditure resulting from criminal conduct.

The financial statements as presented in the DSAC 2021/22 annual report reflect the following:

- Unauthorised expenditure:* No unauthorised expenditure was incurred in the period under review.
- Irregular expenditure:* The opening balance for irregular expenditure at the beginning of 2021/22 was R389.9 million. A further R59.7 million was incurred in the period under review. The Department notes that the majority of irregular expenditure incurred during the financial year related to Mass Participation Grants transferred to provinces with the amended payment schedule not being approved by National Treasury. Included in the R59.7 million is R19.4 million which was disclosed as under assessment in the 2020/21 financial year and confirmed as irregular expenditure in the 2021/22 financial year. The closing balance for irregular expenditure at the end of the 2021/22 financial year was R449.7 million.
- Fruitless and wasteful expenditure:* The opening balance for fruitless and wasteful expenditure at the beginning of the financial year was R84.8 million. No fruitless and wasteful expenditure was identified during the period under review.

- *Contingent liabilities*: The opening balance at the beginning of the financial year was R90.9 million. Liabilities incurred during the period under review amounts to R32.2 million. An amount of R2.7 million was paid/cancelled/reduced during the year, resulting in a closing balance of R120.5 million at the end of the financial year.
- *Contingent assets*: The statement of contingent assets indicates an opening balance of R11.9 million, with a closing balance of R11.8 million, due to a positive movement of R110 000 which resulted from a breach of contract.

#### **4.1.2 Auditor-General's report on the Department and the portfolio**

##### **4.1.2.1 Department of Sport, Arts and Culture**

The AG raised the following matters:

- *Contingent liabilities*: The AG notes that the Department is the defendant in various claims and lawsuits, which they are opposing. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.
- *Usefulness and reliability of performance information*: The AG evaluated the usefulness and reliability of performance information reported under Programme 3 and did not identify any material findings on the usefulness and reliability of the reported performance information. The other budget programmes were not audited.
- *Financial statements*: The financial statements submitted for auditing were prepared in accordance with the Modified Cash Standard (MCS). This is an improvement from the last financial year when the financial statements were not supported by full and proper records as required by section 40(1)(b) of the PFMA.
- *Expenditure management*: Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R59.7 million as required by section 38(1)(c)(ii) of the PFMA and National Treasury regulation 9.1.1. The majority of the irregular expenditure was caused by non-compliance with the Division of Revenue Act requirements (DORA) due to the Department not preparing the amended payment schedule for approval by the National Treasury after withholding a certain percentage as a penalty.
- *Consequence management*: Investigations were not conducted into the majority of allegations of financial misconduct committed by departmental officials, as required by treasury regulation 4.1.1.
- *Transfer of funds*: Appropriate measures were not maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by National Treasury regulation 8.4.1.
- *Internal control deficiencies*: Leadership did not exercise adequate oversight responsibility over compliance with applicable legislation. Effective and adequate preventative controls were not implemented timeously, this resulted in instances of non-compliance with key legislation.
- *Investigations*: The AG further notes, "internal audit unit referred some matters relating to legacy projects for further investigation by the Directorate for Priority Crime Investigations (Hawks)". These investigations were with the National Prosecuting Authority (NPA) still in progress when the AG's report was concluded.

##### **4.1.2.2 Snapshot of the portfolio**

In its presentation to the Committee, the AG provided a snapshot of the audit across the portfolio. The AG noted that it had completed audits of 28 auditees for the 2021/22 financial year. This includes the Department and its entities.

In the last financial year, the Robben Island Museum (RIM) failed to table their annual report by the deadline of 30 September 2021. It was however tabled later with the entity achieving a clean audit for the 2020/21 financial year, bringing the number of auditees having achieved this to 13.

The Department and its entities met the submission of annual reports deadline for the 2021/22 financial year. The portfolio managed to achieve 10 clean audits (36% of the portfolio). Fifteen auditees (53% of the portfolio) received financially unqualified audit opinions with findings. Three auditees (11% of the portfolio) received financially qualified audit opinions, with the

South African State Theatre (SAST) and the National Library of South Africa (NLSA) having repeat qualifications.

As per the AG's presentation, there was an overall improvement in the outcomes compared to the 2020/21 financial year.

#### *Movement in audit opinion*

- *Unqualified with no findings* (10 out of 28)
  - Seven auditees retained its clean audit, namely William Humphreys Art Gallery; National Museum Bloemfontein; uMsunduzi Museum; South African Institute for Drug-Free Sports (SAIDS); Kwa-Zulu Natal Museum; ArtsCape Theatre; and the Playhouse Company.
  - Two auditees with an unqualified audit opinion with findings and one auditee with a qualified opinion improved to a clean audit in the current year. The former category includes the South African Heritage Resources Agency (SAHRA) and the Pan South African Language Board (PanSALB). The Afrikaanse Taalmuseum en –monument improved its audit opinion from qualified in 2020/21 to clean.
- *Unqualified with findings* (15 out of 28)
  - Nine auditees retained their unqualified with findings audit opinion, including DSAC; Market Theatre Foundation; Freedom Park; the Performing Arts Centre of the Free State (PACOFs), National Arts Council (NAC); Amazwi Museum for Literature; Luthuli Museum; Boxing South Africa (BSA); and the War Museum of the Boer Republics.
  - The National Film and Video Foundation (NFVF) improved its audit opinion from qualified to unqualified with findings.
  - It is concerning that five entities have regressed in their audit outcomes. RIM; National Heritage Council (NHC); Ditsong Museums of South Africa (Ditsong Museums); South African Library for the Blind (SALB); and Nelson Mandela Museum (NMM) regressed from an unqualified with no findings (clean) to an unqualified with findings audit opinion.
- *Qualified* (3 out of 28)
  - Two entities, namely the SAST and NLSA have retained their qualified audit opinions.
  - Iziko Museums regressed from a previously clean audit opinion to a qualified audit opinion.

The AG further reported on the following:

- *Financial statements*: Of the 28 auditees, 25 (or 90%) presented financially unqualified financial statements to the AG. The main qualification areas were Property, Plant and Equipment for (SAST) and Heritage Assets (Iziko Museums and NLSA).
- *Performance reports*: A total of 24 auditees (or 86%) presented performance reports that were free from findings. The four auditees that represented performance reports with findings after adjustments were namely Amazwi Museum; NFVF; Boxing SA; and RIM.
- *Compliance with key legislation*: The AG flagged the downward movement for the portfolio as a matter of concern. The number of auditees that presented with material findings increased from eight in 2020/21 (26%) to 18 (64%) in 2021/22. The most common areas of non-compliance identified include procurement and contract management; quality of financial statements; prevention of irregular, unauthorised, and fruitless and wasteful expenditure; and effecting consequences.

#### *Irregular, fruitless and wasteful expenditure*

The following provides a broad overview of irregular, fruitless and wasteful expenditure incurred during the 2021/22 financial year across the portfolio.

The total amount of irregular expenditure for the portfolio was R105.2 million, of which the Department contributed R59.7 million (56.7%). This is a significant increase from 2020/21 when irregular expenditure amounted to R23.9 million. The top contributors in 2021/22, after the Department, were NAC (R20.9 million); NHC (R4.5 million); PanSALB (R3.7 million) and

Freedom Park (R2.9 million). The irregular expenditure incurred was mainly due to non-compliance with SCM regulations for all other entities, expenditure exceeding budget for the NAC and non-compliance with the Division of Revenue Act (DORA) for the Department.

The AG provided an overview of consequence management in relation to dealing with irregular expenditure and noted that the closing balance continues to increase. In 2018/19 the closing balance for irregular expenditure was R901 million compared to R1.2 billion in 2021/22. The AG cites DSAC (R389 million); SAST (R175 million); RIM (R92 million); PACOFS (R72 million); and NAC (R62 million) as the top five contributors to irregular expenditure not dealt with at the end of 2020/21. Collectively these auditees contributed R790 million (or 72%) of the closing balance of R1.1 billion for 2020/21. The key reasons for the failure to deal with irregular expenditure include:

- ineffective consequence management processes as no investigations were conducted for SAST; RIM; NAC; and PACOFS, and
- R455 million (41%) has been investigated but other processes not finalised, R52 million (5%) for SAHRA is awaiting write off and R20 million is awaiting condonation.

Fruitless and wasteful expenditure amounted to R5.1 million for the 2021/22 financial year. Freedom Park (R689 889); Ditsong Museums (R862 698); SAST (R810 649); and NFVF (R2.1 million) incurred majority of the fruitless and wasteful expenditure. For Freedom Park, it was mainly because of a payment made for services not received while Ditsong Museums incurred penalties on late payments of invoices due to cash flow challenges faced by the entity. The South African State Theatre incurred interest and penalties charged by the City of Tshwane on amounts due. For the NFVF it was because of labour case settlement and legal fees for a former head of department.

#### **4.1.3 DSAC Human Resources overview**

In its 2021/22 annual report, the Department states that it has 670 posts on the approved establishment. The vacancy rate reflects funded and unfunded positions as captured and maintained in the Department's establishment. The vacancy rate was 19.7% cent at the end of the financial year. The Department was not able to maintain a vacancy rate of less than 10%. Fifty-two positions were advertised across all branches of the Department between July 2021 and January 2022. Twenty-eight of these have been filled and the remainder are at different stages of the selection process. The Department, through its recruitment processes, promoted 13 employees but also lost 18 employees due to various types of terminations.

The Department did not achieve the set target of 50% for women appointed at senior management service (SMS level). The representation of women at SMS was 45.3% as at 31 March 2022. This is a regression from the last financial year when the female representation at this level was 48.4%.

The submission rate of performance agreements for the 2021/22 financial year was 90 per cent for salary level 1-12 and 93.5 per cent for the SMS level. This improved to 97.4% and 96%, respectively. Two SMS members did not furnish justifiable reasons for not concluding the performance agreements at the end of May 2021 and were disqualified for the period under review. They thus forfeited all performance incentives due to them for the 2020/21 financial year as well as having disciplinary steps taken against them.

The percentage of people with disabilities as at 31 March 2022 was 2.42%. This statistic has improved from 2.35% in the last financial year.

There was only one case of disciplinary action for the period under review. The disciplinary action instituted was for financial misconduct/irregular expenditure and resulted in a written warning. This is a reduction in the number of incidents compared to the 2020/21 financial year, when 11 incidents were reported.

#### **4.2 Non-financial performance**

The Department planned to implement and achieve 45 performance targets in the 2021/22 financial year. However, 34 out of 45 (76%) of the planned targets were achieved and 11 out of

45 (24%) were not achieved. This is a slight improvement from the 2020/21 financial year when the success rate for the implementation of targets was 74% (29 out of 39).

#### 4.2.1 Overview of overall programme performance

The Department's Programmes, with their related achievement against the performance targets for the 2021/22 financial year, are shown in Table 6.

**Table 6: The Department's programme performance for the 2021/22 financial year**

Programme	APP Targets 2020/21	Achieved	Not Achieved	% Achieved	% Budget Spent
1: Administration	5	4	1	80%	92.4%
2: Recreation Development and Sport Promotion Recreation Development and Sport Promotion	11	7	4	64%	98.5%
3: Arts and Culture Promotion and Development	18	14	4	78%	97.6%
4: Heritage Promotion and Preservation	11	9	2	82%	99.5%
<b>TOTAL</b>	<b>45</b>	<b>34</b>	<b>11</b>	<b>76%</b>	<b>98.2%</b>

#### Programme 1: Administration

Four out of five planned targets were achieved. The following target was not achieved:

- Number of services modernised (processes automated). The Department failed to achieve the target which sought to modernise two services and achieved only 50%. The development of the South African Geographical Names System (SAGNS) was completed.

Noteworthy achievements include:

- All boards/councils were fully constituted during the period under review.
- Nine SAC awareness campaigns conducted to profile the work of the Department, including Freedom Month, Africa Month, National Recreation Day, to name a few.

#### Programme 2: Recreation Development and Sport Promotion Recreation Development and Sport Promotion

Out of the eleven targets planned, seven were achieved. The following were not achieved:

- Number of learners in the National School Sport Championship per year. The lockdown restrictions led to the postponement of the scheduled Winter Championship in June 2021 and the Summer Championship in December 2021. Additionally, the Championships which were scheduled for 18 to 21 March, had to be cancelled due to the NT instruction note placing a moratorium on the procurement of goods and services above R30 000.
- Percentage of national federations meeting 50% or more of all prescribed Transformation Charter targets. In the year under review, the aim was to have 15 of the 19 national federations subscribe to the Transformation Charter targets. From these 15 national federations, only five met the Transformation Charter targets, thus resulting in a deviation of 11 national federations that did not meet the set target.
- Number of community outdoor gyms and children's play parks constructed. Protracted procurement processes resulted in a delay in the completion of all planned community outdoor gyms and children's play parks. A response plan has been developed and the outstanding four constructions will be completed on/or before the second quarter of 2022/23.
- Number of heritage legacy facilities (including the Resistance and Liberation Heritage Route [RLHR] sites) developed and/or maintain to transform the national heritage landscape. None of the three heritage legacy facilities were developed and/or maintained as planned. The eNyokeni Project experienced delays by the DPWI to advertise and appoint a service provider. For the Sarah Baartman Centre of

Remembrance project, the contractor abandoned the site in July 2021 due to a contractual dispute with the DPWI. In relation to the Dr. John L Dube House, there were contractual-related challenges between DSAC and implementing agent resulting in the payment for work done as well as work progress on site being delayed.

Selected achievements for this programme include:

- 342 athletes were supported through the scientific support programme. This was an overachievement against the planned target of 80 as a result of ad-hoc requests requests and support were provided to Team SA;
- 8 859 athletes were supported by sport academies. An additional 5 159 athletes were supported due to increased requests for support, from the athletes to the provincial departments.
- All eight planned sport and recreation promotion campaigns and events were implemented including, among others, Big Walk, Move for Health Day, and the Indigenous Games Festival.

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

Four out of the eighteen planned targets were not achieved. These include:

- Seven out of nine planned provincial community arts development programmes were implemented. Inadequate corroborating evidence to support work executed in the reporting period, resulted in the indicator being declared as not achieved.
- While five planned Moral Regeneration Movement projects were implemented, the indicator was declared as not achieved because of inadequate corroborating evidence to support work executed in the reporting period.
- The social compact for social cohesion and nation-building was not completed due to delays in the consultations.
- Stemming from the incomplete nature of the social compact, the target of two monitoring reports on the implementation of a social compact could not proceed and were thus not achieved.

Some of the programme achievements include:

- 12 local and international market platforms were financially supported;
- 20 community conversations/ dialogues were held to foster social interaction;
- 4 Youth - focused arts development programmes were implemented;
- 325 arts practitioners were placed in schools.
- 68 projects in the creative industry were supported through the MGE programme

### **Programme 4: Heritage Promotion and Preservation**

Two out of the eleven planned targets were not achieved. These include:

- An additional student was supported against the planned target of 65. However, due to incomplete or inadequate evidence to substantiate support to five students, the target was declared as not achieved.
- Only one of the three heritage legacy projects where exhibition content is developed was achieved, i.e. Winnie Mandela (Brandfort) House Memorial. In the other two projects, namely the Sarah Baartman Centre of Remembrance and OR Tambo Garden of Remembrance, there were delays in the implementation and/or inadequate evidence to support the work executed in the financial year.

Selected highlights for this programme include:

- The two draft policies that were planned for development in the 2021/22 financial year were completed. These are the Digitisation of the Arts, Culture and Heritage Sector Policy and the National Legacy Projects Policy
- The planned annual progress report on Resistance and Liberation Heritage Route sites was developed.
- The Department planned to financially support 26 newly built and /or modular libraries. Due to funding sourced from the 2020/21 rollover funds an additional eight projects were supported.



## 5. OVERVIEW AND ASSESSMENT OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL TO 30 JUNE 2022

This section provides a comparison between the DSAC's planned targets in its APP against its performance set out in its first quarter report for the 2022/23 financial year.

### 5.1 Financial performance

The appropriation for the 2022/23 financial year was R6.3 billion. As at the end of 30 June 2022, the Department's spending amounted to R1.02 billion or 16.2 per cent of its available budget. The actual expenditure was lower than projected spending by R414.2 million or 28.9 per cent against projections of R1.43 billion. The lower than projected spending was mainly on Transfers and Subsidies in Programme 2: Recreation Development and Sport Promotion and Programme 3: Arts and Culture Promotion and Development.

**Table 7: 2022/23 First Quarter Expenditure by Programme**

Programme (R'000)	Available budget	Year-to-date			% Budget Available
		Q1 Projected expenditure	Q1 Actual expenditure	% Variance from projected expenditure	
1. Administration	453.2	121.0	139.3	-15.1%	69.3%
2. Recreation Development and Sport Promotion	1 462.8	255.7	62.6	75.5%	95.7%
3. Arts and Culture Promotion and Development	1 749.8	514.8	286.4	44.4%	83.6%
4. Heritage Promotion and Preservation	2 629.3	541.9	530.9	2.0%	79.8%
<b>Total</b>	<b>6 295.1</b>	<b>1 433.4</b>	<b>1 019.2</b>	<b>28.9%</b>	<b>83.8%</b>

Source: National Treasury (2022), Report to the Standing Committee on Appropriations

#### 5.1.1 Expenditure analysis per programme

##### Programme 1: Administration

Expenditure for this programme was higher than projected by R18.3 million or 15.1 per cent mainly on Goods and Services due to quarter 4 invoices from the previous financial which were paid in the current financial year. The invoices are in relation to the Department of Public Works and Infrastructure (DPWI) state-owned property for office accommodation.

##### Programme 2: Recreation Development and Sport Promotion

Expenditure for this programme is lower than projected by R193.1 million or 75.5 per cent mainly on Goods and Services and Transfers and Subsidies. The low spending under Goods and Services on Contractors was due to delays in invoices from service providers in relation to the Move for Health Project. The lower than projected spending under Transfers and Subsidies was due to Quarter 1 transfers of the Mass Participation and Sport Development grant that could not be paid due to late finalisation of business plans by provinces.

##### Programme 3: Arts and Culture Promotion and Development

Expenditure in Quarter 1 for this programme is lower than projected by R228.4 million or 44.4 per cent mainly on Goods and Services and Transfers and Subsidies. The low spending under Goods and Services on contractors was due to late approvals for procurement exemptions from the Office of the Chief Procurement Officer (OCPO), National Treasury. The low spending on Transfers and Subsidies was due to Mzansi Golden Economy (MGE) transfers to entities for the Presidential Employment Initiative Phase 3, which could not be made because of delays by the Department and non-compliance with the conditions set out in the 2022 allocation letter that states; "transfers can only be made to entities once the adjudication and approval process has been finalised." In addition, fewer MGE beneficiaries submitted expenditure reports than the Department anticipated to facilitate the second tranche payments

#### Programme 4: Heritage Promotion and Preservation

Expenditure for this programme is lower than projected by R11.0 million or 2 per cent mainly on Compensation of Employees, Goods and Services and Transfers and Subsidies. The lower than projected spending under Compensation of Employees is mainly due to vacant posts at different levels due to internal promotions. The slow spending under Goods and Services on Contractors is due to the Monumental Flag Project, which was put on hold. Delays experienced in the finalisation of the service level agreement to appoint a service provider to review the International and National Archives Act, also contributed to the slow spending. The low spending in Transfers and Subsidies was due to the delays by the African World Heritage Fund in submitting the audit report to account for the 2021/22 transferred funds and the new 2022 proposal.

##### 5.1.2 Expenditure by economic classification

In terms of economic classification, the largest expenditure item in the first quarter was Transfers and Subsidies followed by Goods and Services and Compensation to Employees.

**Table 8: 2022/23 First Quarter Expenditure by Economic Classification**

Table of 2022/23 First quarter Expenditure by Economic Classification					
(R'000)	Available budget	Year-to-date			% Budget Available
		Q1 Projected expenditure	Q1 Actual expenditure	% Variance from projected expenditure	
Economic Classification					
Current Payments	1 008.7	246.5	221.3	10.2%	78.1%
Compensation of employees	376.4	93.9	85.1	9.4%	77.4%
Goods and Services	632.3	152.6	136.1	10.8%	78.5%
Interest and rent on land	0.0	0.0	0.0	0.0%	0.0%
Transfers and subsidies	5 080.2	1 169.8	797.9	31.8%	84.3%
Payments for capital assets	206.2	17.2	0.1	99.7%	99.9%
Payment of financial assets	0.0	0.0	0.0	0.0%	0.0%
Total	6 295.1	1 433.4	1 019.2	28.9%	83.8%

Source: National Treasury (2022), Report to the Standing Committee on Appropriations

##### 5.1.3 Virements

The Department did not apply for virements.

#### 5.2 Non-financial performance

The Department planned to implement 20 performance targets during the first quarter reporting period. All planned targets were achieved.

**Table 9: 2022/23 First Quarter programme performance**

Programme	APP Targets 2021/22	Achieved	Not Achieved	% Achieved
1: Administration	3	3	0	100%
2: Recreation Development and Sport Promotion Recreation Development and	5	5	0	100%

Sport Promotion				
3: Arts and Culture Promotion and Development	7	7	0	100%
4: Heritage Promotion and Preservation	5	5	0	100%
<b>TOTAL</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>100%</b>

Source: Department of Sport, Arts and Culture (2022). First Quarter Performance Report.

## **6. PUBLIC ENTITIES AND SPORT AND RECREATION BODIES OF THE DEPARTMENT OF SPORT, ARTS AND CULTURE**

### **6.1. South African Hockey Association**

The South African Hockey Association (SAHA) is a national federation responsible for the implementation of sport programmes and projects.

#### **6.1.1 Overview and assessment of SAHA's 2021/22 service delivery performance**

SAHA's achievements for the 2021/22 financial year include:

- Establishment of FIH (International Hockey Federation) endorsed SAHA academy online.
- Continued growth of modified hockey in over 30 districts.
- Hosting of the 2021 Junior World Cup that took place in North West.

South African Hockey participated in a host of international events including the Tokyo Olympic Games in Tokyo, Japan; the Africa Cup in Ghana; and the World Cup in Argentina. In relation to the Eminent Persons Group (EPG) on Transformation in Sport and its objectives, the men's and women's national team demographics continue to grow. For the women's team, the 2019 demographic representation was at 44%. This has progressed to 50%, despite the restrictions put in place during the series of COVID-19 lockdowns. Similarly, for the men's team, the 2019 demographic representation was at 46 % compared to the 2022 target of 50% which is being achieved.

#### **6.1.2 Overview and assessment of SAHA's 2021/22 budget and expenditure**

For the 2021/22 financial year, an amount of R4 million was transferred to SAHA and the full amount was utilised. The support was earmarked for the following priority areas: modified schools' hockey; modified junior clubs; high performance under-21 team; Commonwealth Games preparation; and capacity building. At the time of the presentation to the Committee, SAHA had not yet adopted its annual financial statements and annual report as this is planned for the Annual General Meeting (AGM) in December 2022. The late scheduling of the AGM affects the DSAC transfer as the Department can only transfer funding once all compliance documents have been submitted.

Nonetheless, a draft financial report presented to the Committee indicated that SAHA's total revenue amounted to R14.1 million which, above the Government grants of R4.6 million, includes R2.5 million received through affiliation fees; R2.1 million received through sponsorships; and R2.4 million received via international events. SAHA's operating expenses amounted to R13.7 million in 2021/22, which includes R7.5 million spent on Events and Camps; R1.4 million on Administration and Management Fees; and R1.9 million on Support and Workshops.

### **6.2. Afrikaanse Taalmuseum en -Monument**

The Afrikaanse Taalmuseum en -monument (ATM), also known as the Afrikaans Language Museum and Monument, is a schedule 3A public entity established in terms of the Cultural Institutions Act (No. 25 of 1999) as well as the National Heritage Resources Act (No. 25 of 1999) and receives annual operational transfers from DSAC. The ATM is mandated to:

- maintain the ATM's cultural-historical buildings and heritage sites and the heritage of Afrikaans in such a manner that nation-building and social cohesion will be achieved;
- collect and conserve, conduct research on, and portray, through exhibitions, the origin, development, benefit and expansion of Afrikaans, with a special focus on inclusiveness to address historical imbalances; and
- promote and stimulate Afrikaans nationwide at all levels of society, especially in disadvantaged communities, by means of lectures and publications, educational programmes, guided tours and cultural activities.

### **6.2.1 Overview and assessment of the ATM's 2021/22 service delivery performance**

During the year under review, the ATM had three budget programmes, Administration; Business Ventures; and Public Engagement. The entity achieved 89% against the 2021/22 annual performance plan targets.

#### **Programme 1: Administration**

##### **Selected key achievements**

- The entity exceeded its planned target of attracting 34 000 visitors by 2 586. While this number is not on par with the visitor numbers pre-COVID-19 (64 899 in 2019/20), it is an improvement from the 16 910 visitors to the ATM in 2020/21.
- A range of property management and capital works projects were completed, which relate to the upgrade and general improvement of the sites managed by the ATM.

##### **Targets not achieved**

- The entity planned to provide six training interventions for its staff, but only implemented four due to difficulties experienced in scheduling the training.
- As it shifted its focus to the review of policies, the ATM failed to achieve the target that sought to update one financial management system and procedures.

#### **Programme 2: Business Ventures**

##### **Selected key achievements**

- The ATM was able to host all its skills development course, such as photography and bookbinding, that it had planned for the financial year.
- The ATM offered various public programmes focused on adults and youths during the financial year.
- The ATM is digitising some of its collection, this project will be a long-term one with various phases and over succeeding financial years due to the complexity of digitising some of the rarer items.

##### **Targets not achieved**

The entity planned to have four active research projects during the financial year. However, it achieved three as some activities will only be completed in the current financial year.

#### **Programme 3: Public Engagement**

##### **Selected key achievements**

- The ATM was able to host several temporary exhibitions as well as a new permanent exhibition.
- Staff travelled to schools to present various educational programmes and in the last quarter of the financial year, the ATM was able to host its educational programmes on site.

##### **Targets not achieved**

The ATM through its language projects planned to establish two reading groups in 2021/22 due to challenges experienced in obtaining comparable quotes from suppliers for reading materials.

### **6.2.2 Overview and assessment of the ATM's 2021/22 budget and expenditure**

For the 2021/22 financial year, the entity had a total revenue of R16.5 million, of which R11.5 million was the operational grant transferred by the DSAC to the entity. This operational grant represents 69.7% of the total revenue. The ATM also received a transfer of R5.7 million for capital works for the 2021/22 financial year which for facilities management and the installation of a generator.

Spending on employee-related costs amounted to R6.2 million. The entity's total expenditure amounted to R14.4 million, representing 87.1% of the total revenue. The DSAC grant would thus have been insufficient to sufficiently cover the entity's expenditure had it not managed to raise revenue by other means such as donations, ticket sales and fundraisers. At the end of the financial year, the entity's operating surplus amounted to R2.1 million. The entity's total net assets amounted to R11.4 million.

#### **6.2.3 Irregular and fruitless and wasteful expenditure**

The entity had disclosed a cumulative irregular expenditure amounting to R9.6 million (note 31 of the financial statements), comprised of an opening balance of R9.7 million from the prior year, R8 955 incurred during the 2021/22 financial year and R64 188 related to expenditure overstated expenditure in 2020/21. Irregular expenditure was due to:

- Non-compliance with National Treasury Practice Note 8 of 2007/08 where at least three quotations were not obtained and the reasons for deviation was not justified/approved: R8 955.
- The ATM was unable to obtain three quotations for certain expenditure due to a monopoly in a specific industry - the irregular expenditure is overstated by R64 118.

The entity did not incur any fruitless and wasteful expenditure, but the financial statements reflect an opening balance of R17 954.

#### **6.2.4 2021/22 Audit outcomes**

The ATM's audit opinion remained unchanged at qualified for the 2019/20 and 2020/21 financial years. It improved to an unqualified with no findings (clean) audit opinion for the period under review.

### **6.3. William Humphreys Art Gallery**

The William Humphreys Art Gallery (WHAG), opened in 1952 and situated in Kimberley's Civic Centre, is the only national museum in the Northern Cape. WHAG is a schedule 3A public entity established in terms of the Cultural Institutions Act (No. 11 of 1998) and it reports to DSAC. The WHAG is mandated to "To collect, preserve, conserve and document, research as well as to exhibit works of art which represent the artistic heritage of all South Africans and utilises its assets for the edification, enrichment and enjoyment of the people".

#### **6.3.1 Overview and assessment of the WHAG's 2021/22 service delivery performance**

During the year under review, the WHAG had three budget programmes, Administration; Collection Management; and Public Engagement. The entity achieved 12 out of 13 planned targets (92%) against the 2021/22 annual performance plan targets.

#### **Programme 1: Administration**

##### **Selected key achievements**

- The entity planned to achieve an unqualified audit report for 2021/22. With improved administration the WHAG achieved a clean audit.
- The capacity of the staff was enhanced through the provision of all four planned training interventions.

##### **Targets not achieved**

- None

#### **Programme 2: Collection Management**

##### **Selected key achievements**

- The target to acquire 16 artworks from previously disadvantaged emerging artists was exceeded by seven due to works donated by the Artists for Human Rights Trust. Similarly, the target of acquiring 24 artworks from previously disadvantaged established artists was also exceed. An additional 14 artworks came into the collection through donations from the abovementioned trust and through acquisition from the Dumisani Mabaso estate.
- The number of artworks conserved amounted to 17, which exceeded the planned target of six.

##### **Targets not achieved**

- The entity planned to digitise 24 artworks, however only achieved 21 due to the redirection of funds to the website that will house the digitised works.

#### **Programme 3: Public Engagement**

##### **Selected key achievements**

- The entity presented four temporary loan and six permanent exhibitions.
- The WHAG conducted four outreach and implemented three special community programmes
- The reference library acquired four additional publications to the planned target of 40 due to donations of publications received.

##### **Targets not achieved**

- None

### **6.3.2 Overview and assessment of the WHAG's 2021/22 budget and expenditure**

For the 2021/22 financial year, the entity had a total revenue of R13.9 million, of which R11.7 million was the operational grant transferred by the DSAC to the entity. This operational grant represents 84% of the total revenue. In the annual report, the entity notes that it is dependent on the grant allocation from DSAC as its ability to generate financial resources are limited. The entity received no transfer for capital works in the period under review. However, funds totalling R24.5 million allocated by DSAC for capital works in 2019/2020 financial year were not utilised. The funds were allocated for the upgrade of the Heating, Ventilation, and Air Conditioning (HVAC) system but because of WHAG's human resource constraints, the funds were not utilised.

The entity's total expenditure amounted to R13.7 million, representing 98.7% of the total revenue. The DSAC grant of R11.7 million, in the absence of other revenue sources own, would not have been sufficient to cover the entity's expenses for the period under review. Employee related costs amounted to R6.2 million and general expenses amounted to R6.0 million. At the end of the financial year, the entity's operating surplus amounted to R182 000. The entity's total net assets amounted to R173 330.

### **6.3.3 Irregular and fruitless and wasteful expenditure**

While no irregular expenditure was incurred in the 2021/22 financial year, the entity has a closing balance of R103 000 from a total of R1.1 million that was incurred in the previous reporting period. As per the annual report, this balance is currently under determination for possible referral to Internal Audit for Investigation.

The entity also did not incur any fruitless and wasteful expenditure and the opening balance of R20 000 at the beginning of the 2021/22 was approved and written off by the end of the reporting period, leaving the entity with a zero closing balance.

### **6.3.4 2021/22 Audit outcomes**

WHAG's audit opinion improved from unqualified with findings for the 2019/20 financial year to an unqualified with no findings (clean) audit opinion for following two financial years.

The AG did however note the following:

- Corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements of the entity and for the year ended 31 March 2022.
- An uncertainty relating to the future outcome of exceptional litigation: the litigation involving the former director at the Commission for Conciliation, Mediation and Arbitration (CCMA) has been finalised in favour of the Gallery. The case has been referred to the Labour Court for review. The timing and amount of the contingent liability is uncertain and no reasonable estimate can be made at this point.

## **7. ISSUES RAISED DURING DELIBERATIONS**

The following concerns were raised in relation to the performance of the Department and its entities during the Committee's deliberations:

### **7.1 Leadership instability and vacancies**

The Committee noted with concern that a number of entities are operating with vacant key positions which are occupied by officials that are acting in these positions, e.g. the vacant CEO position at the National Arts Council. Additionally, the contract for the Department's Director-General has recently ended and the position is vacant as at the end of August 2022. The Department reported that the vacancy rate as at the end of the 2021/22 financial year was 19.7% and that it is finding it challenging to reduce this figure due to the impact of COVID-19 on the recruitment process; the changes in employments, and staff who resign as a result of anxiety brought on by a structure that has not yet been finalised.

### **7.2 Irregular expenditure**

Based on the briefing by the Office of the AG, the Committee is perturbed by the marked increase in irregular expenditure between 2020/21 and 2021/22. Additionally, the upward trend in the closing balance of irregular expenditure does not inspire confidence that this matter will be brought under control.

### **7.3 Investigations and consequence management**

The Committee noted that a number of allegations across the entities were investigated and are at varying points of implementation of consequence management. The entities highlighted by the AG's report to the Committee includes the National Heritage Council, Boxing South Africa, the Performing Arts Centre of the Free State, and the National Arts Council. The Committee is concerned about the protracted nature of some of the investigations and the subsequent delays in the implementation consequence management.

### **7.4 Implementation of Cultural Creative Industries Masterplan**

The Committee notes with appreciation and welcomes the work of the Department together with other relevant Government departments in developing this masterplan. The plan, which has been approved by Cabinet and in the process of being implemented, will contribute to the creative industries' recovery after the COVID-19 pandemic through defined goals to be attained by 2040. This is another positive step in the direction of recognising the capacity of the cultural and creative sector to generate economic and social benefits for the country.

### **7.5 Delays in the finalisation of heritage legacy projects**

The Committee have once again expressed their concerns with the delays experienced in the implementation of the planned heritage legacy projects developed and/or maintained to transform the national heritage landscape. In the 2021/22 financial year, three projects, namely the Isibhubhu Cultural Arena (Enyokeni); the Sarah Baartman Centre of Remembrance; and Dr John L Dube House were yet again delayed due to various challenges. The Committee has continuously probed the Department to provide feedback

### **7.6 Transformation in sports**

Transformation in sport requires a multipronged approach that includes the promotion of minority sporting codes in township and rural schools; adequate financial support; and the provision suitable infrastructure. The Committee thus notes the achievements of grassroots level projects such as the Langa Hockey Club. It also expressed its concerns about the unequal distribution of allocations to national federations.

### **7.7 Safeguarding in sports**

The Committee notes the work done by national federations in the protection of athletes, particularly junior athletes. This work is of paramount importance.

### **7.8 Public consultation on major projects**

The Monumental Flag Project raised much consternation in the public. As such the Committee engaged the Department and the AG on the matter. Additionally, the Committee processed a Member's petition that was tabled in Parliament to express the concerns of the costs associated with the implementation of the project. The Committee appreciates the efforts of the Department and Government to heed the public's call to halt the project. The Department has reported that the project has indeed been discontinued. The National Monumental Flag project has highlighted the importance for the Department to embark on processes of public participation before implementing major projects of national significance.

### **7.9 Status of the implementation of the PESP funds**

The Committee welcomes the introduction of the third phase of the PESP funding for arts, culture and heritage. This implementation of this phase is underway and paves the way for the sector to recover from the impact of COVID-19 pandemic. The Committee notes despite delays in the implementation of some projects by the end of the 2021/22 financial year, the Department had achieved in excess of 37 000 jobs and as such over-achieved on the target of 34 984 set by the Presidency.

### **7.10 Capacity within the Department infrastructure**

The Committee appreciates the transparency demonstrated by the Department's internal audit function in flagging some areas for improvement. These include, amongst others, the lack of adequate infrastructure project management in the Department (coordination, monitoring, reporting, delayed implementation, and requisite skills); poor project management and monitoring of Memoranda of Agreements; delays in initiating forensic investigations.



### **7.11 Audit outcomes of the Sport, Arts and Culture portfolio**

The Committee is pleased to see a slight improvement in the overall outcomes in the portfolio for the 2021/22 financial year. However, it is concerning that the audit outcomes for six entities have regressed, especially since all six entities had received clean audits in the prior year.

### **7.12 Underspending on the Department's appropriated budget**

The Committee notes that under-expenditure against the final appropriation has improved from R135.2 million (2.5%) in 2020/21 to R103.5 million (1.8%) in 2021/22. The Department reported that underspending on Compensation of Employees accounted for R43.1 million of the total unspent funds.

## **8. RECOMMENDATIONS**

The Committee, having assessed the Annual Report 2021/22 of the Department and entities, as well as the performance report for the first quarter of 2022/23 makes the following recommendations to the Minister of Sport, Arts and Culture:

### **8.1**

The Department to provide the Committee with a comprehensive overview of vacancies in key leadership positions and the timeframes associated with the filling of these by the end of the fourth quarter of 2022/23.

### **8.2 Irregular expenditure**

The Department should strengthen its oversight function over its entities to ensure that they have adequate measures in place to prevent irregular expenditure. The Committee therefore requests a comprehensive overview of the audit action plans for the portfolio by the end of the fourth quarter of 2022/23. This will assist the Committee in monitoring the progress on the implementation of these plans.

### **8.3 Investigations and consequence management**

The Department to ensure that outstanding investigations are concluded as speedily as possible and that any recommendations emanating from these investigations are implemented. Feedback on this matter is required within six months of the date of this report.

### **8.4 Implementation of Cultural Creative Industries Masterplan**

The Department should brief the Committee on the work done since the process of the implementation of the Masterplan has begun.

### **8.5 Delays in the finalisation of heritage legacy projects**

While the Department has indicated measures it has put in place to fast-track the delivery on these projects, the Committee expects quarterly reports on the projects that have been delayed and thus overdue.

### **8.6 Transformation in sports**

The Department, in cooperation with national federations should continue to work on ensuring that township and rural schools are adequately supported to create conditions that will increase the uptake of minority sporting codes. Additionally, more effort should be placed on securing private sponsorship which will lead to improved transformation in sports. Lastly, successful projects such as the Langa Hockey Club, should be replicated nationally.

### **8.7 Safeguarding in sports**

The Department should ensure that the draft safeguarding policy for SA Hockey Association is adopted at the end of 2022 for implementation in 2023.

### **8.8 Public consultation on major projects**

The Department should safeguard against failing to involve the public in major projects. Further, the Department should ensure that the appropriate administrative procedures it has undertaken to formalise the decision to discontinue the Monumental Flag Project is clearly reflected in its planning.

### **8.9 Status of the implementation of the PESP funds**

The Department, along with the entities responsible for implementing the third phase of the PESp should ensure that the funds are distributed timeously, fairly, and with minimal inconvenience to the beneficiaries.

#### **8.10 Capacity within the Department infrastructure**

By the end of the fourth quarter of 2022/23, the Department should provide the Committee with an update on measures it has implemented to address the areas that require improved as flagged by its internal audit function.

#### **8.11 Audit outcomes of the Sport, Arts and Culture portfolio**

The Department should continue to work alongside the entities that have regressed in the audit opinion to ensure audit action plans are implemented and that there is an improvement in their audit outcomes by the end of the 2022/23 financial year.

#### **8.12 Underspending on the Department's appropriated budget**

Linked to the high vacancy rate, the Department should expedite the review of the structure and fill prioritised posts to ensure that the Department is better able to deliver on its mandate. The Department should provide feedback to the Committee on progress made on reviewing the new structure by the end of the fourth quarter of 2022/23.

### **9. APPRECIATION**

The Chairperson wished to acknowledge the Members of the Portfolio Committee of Sport, Arts and Culture for being resolute in the role they play in conducting oversight of the work of the Department and its entities and sporting federations. The Committee noted and valued the cooperation and contributions by the Department and its entities during this process. The Committee also appreciates the support of staff of the Office of the Auditor-General of South Africa as well as its support staff for their assistance in preparing this report.

Report to be considered.