

23 February 2023

Honourable Beauty Dlulane
Chairperson: Portfolio Committee on Sport, Arts and Culture
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CC Acting Director-General: Vusithemban@dsac.gov.za

CC AGSA: MbaliT@agsa.co.za

Dear Honourable Chairperson,

MISREPRESENTATION OF FACTS BY THE AUDITOR-GENERAL REGARDING THE NAC'S ANNUAL AUDIT RELATED TO THE MZANSI NATIONAL PHILHARMONIC ORCHESTRA AUDIT MATTER

The National Arts Council (NAC) wishes to place it on record that facts were misrepresented during the Parliamentary Portfolio Committee briefing on the Mzansi National Philharmonic Orchestra (Mzansi NPO) on 21 February 2023.

It has been brought to our attention by the Department of Sport, Arts & Culture (DSAC) that the Auditor-General reported at the briefing that Management of the NAC disclosed the amount transferred to the Mzansi NPO (hereafter referred to as the matter) as irregular expenditure under investigation. The NAC is disputing what the Auditor-General South Africa (AGSA) reported at the Portfolio Committee briefing on the Mzansi NPO in this regard.

1. BACKGROUND

During the 2021/22 financial year-end audit, the AGSA issued a finding on the orchestras. The AGSA raised that orchestras were funded **without following the proper processes** of funding projects as required by the Grant Manual policy, NAC Act and Regulations of assessing against applicable criteria.

NAC management explained that the **process** of the orchestra funding is not the same as required for NAC normal funding calls, as these were classified under “Ring-Fenced” funds. It is important to underscore that ring-fenced orchestral funding has been implemented by the NAC for more than 15 years. The only difference in the last two years is that other than Department of Sport, Arts and Culture (DSAC) instructing the NAC to fund the three regional orchestras of Johannesburg, Durban and Cape Town, DSAC instructed that these funds be transferred to the Mzansi NPO. The rationale for this was that the national orchestra will broaden orchestral experience of the whole country. **This funding is not adjudicated by the NAC, the NAC simply plays an administrative/monitoring role.**

The case study for the establishment of a national orchestra was shared with the AGSA on the background and situational analysis of National Philharmonic Orchestra. It is also stated in the revised White Paper on Arts, Culture and Heritage of 2018 (which Parliament adopted in 2019), including the declaration by the Minister of Finance in his budget speech on the creation of a national orchestra company during 20 February 2018. It is important to note that Paragraph 4.1.3(xiii) of the White Paper provides for the establishment of a National African Music Orchestra.

From the perspective of the NAC, all due diligence was followed to ensure that a Memorandum of Understanding between NAC and DSAC was in place. Council also approved the processes of engaging DSAC through a Memorandum of Understanding as well as setting of a Memorandum of Agreement with the Mzansi National Philharmonic Orchestra.

2. DISPUTE IN TERMS OF MISREPRESENTATION OF FACTS BY THE AUDITOR-GENERAL

According to the AGSA, they could not conclude on the matter as a result of the NAC management not providing key outstanding information. We find this representation to be false and misrepresented:

- All documentation relating to the above was submitted to the AGSA as part of the audit process.
- Various meetings were held with AGSA and all relevant supporting documentation requested was submitted. There was no list of outstanding information pending at the conclusion of the audit process.
- The AG presented on this matter when presenting to the NAC's Audit and Risk Committee on the audit and its conclusions. In this meeting, there was no communication that there was any information outstanding from management.
- The NAC achieved an unqualified audit for the 2021/22 financial year, there was no limitation of scope in relation to any information not provided by management. One would have expected that there would have been a limitation of scope if there had been information still outstanding on orchestras when the 2021/22 financial year-end audit was signed off.

3. CONCLUSIONS REACHED WITH THE AGSA

A common understanding and agreement was then arrived at with the AGSA that a note would be placed in the NAC Annual Financial Statements to the effect that further investigations would be completed on this matter of the orchestras.

It was further communicated by the AGSA that they would conduct further investigations/engagement with DSAC. It should also be noted that **DSAC has received no finding from AGSA on the funds transferred to NAC to expedite by the AGSA's audit team auditing DSAC.** Therefore, the NAC does not understand the rationale for these funds being considered as Irregular in the records of the NAC.

Given all the above, it is therefore incorrect for the AGSA to represent that a conclusion on orchestras could not be reached because there was key information outstanding from the NAC's management. It is the NAC's considered view that the misrepresentation around this as reported at the Portfolio Committee briefing is prejudicial to the entity.

Regards,



HRH Princess Celenhle Dlamini
Council Chairperson