



AUDITOR - GENERAL  
SOUTH AFRICA

## BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on  
Sport, Arts and Culture

*10 October 2023*

*Briefing document on the  
audit outcomes for the  
Sport, Arts and Culture  
portfolio:  
2022-23*

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## 1. Introduction

### 1.1 Reputation promise of the Auditor-General of South Africa

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

### 1.2 Role of the AGSA

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

### 1.3 Role of the portfolio committee

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

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

## 1.4 Purpose of this document

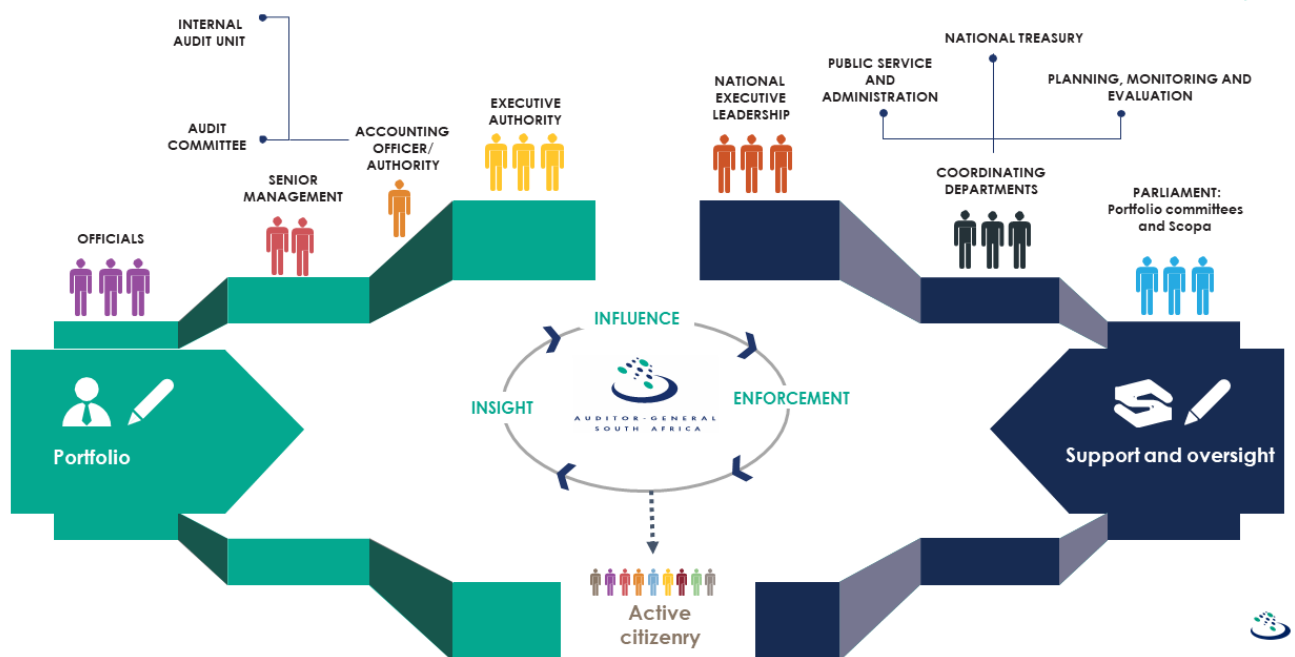
The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

## 1.5 Shifting the public sector culture through the accountability ecosystem

### Slides 3

#### All have role to play in national government accountability ecosystem






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- *The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.*
- *A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.*

- *Shifting the public sector culture towards one that is characterised by performance, accountability, transparency, and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.*
- *Given the nature of the AGSA’s mandate, by the time that we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.*
- *Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.*

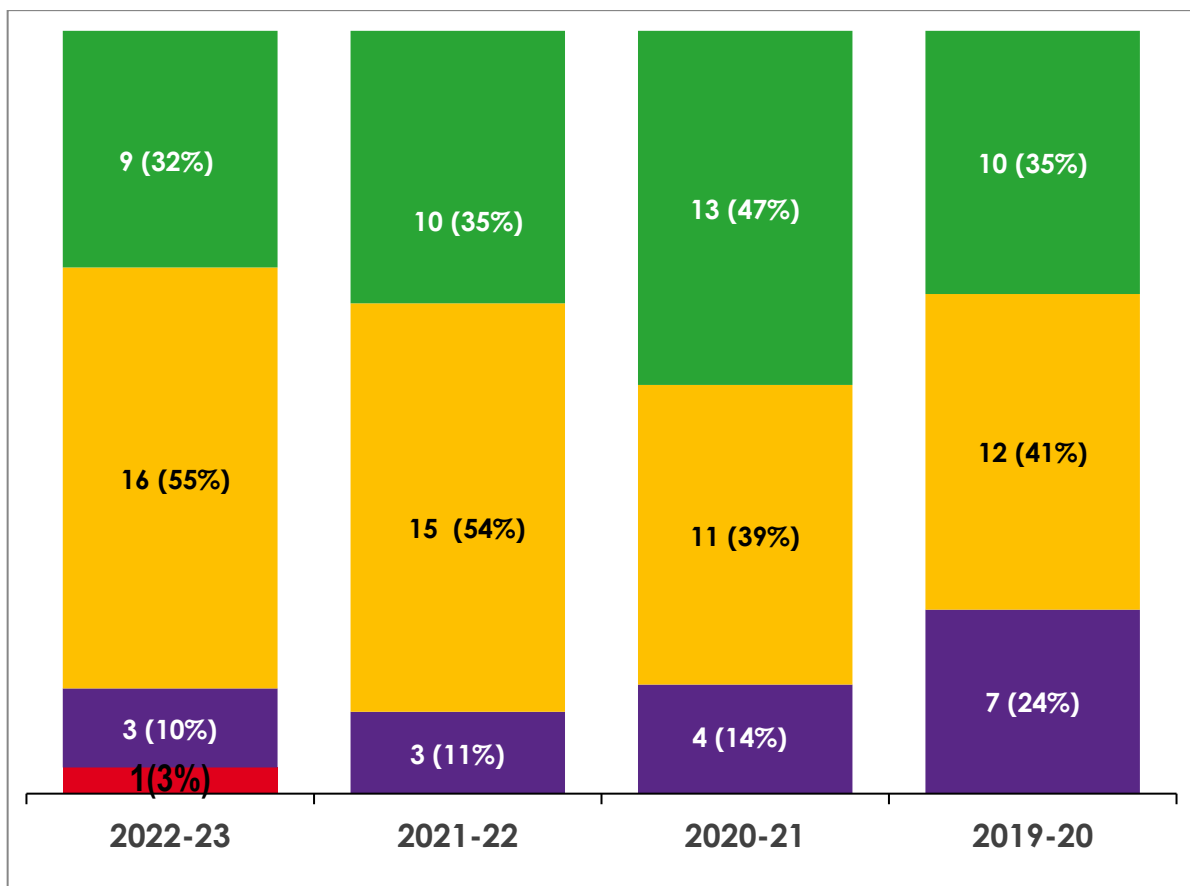
## 1.6 Audit outcomes explained

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

## 2. Slight regression in audit outcomes over current administration term

**Slides 5 & 6**

*Four-year audit outcomes*



## 2.1 Overview

Overall, there has been a slight regression in the portfolio audit outcomes over the administration term. The movement in audit outcomes between the current and prior year is summarised in the table below:

Movements and analysis				
Audit outcome	2 Improved	22 Unchanged	4 Regressed	1 New audit
Unqualified with no findings (clean) =9	<ol style="list-style-type: none"> <li>1. South African State Theatre (SAST)</li> <li>2. War Museum of the Boers Republics</li> </ol>	<ol style="list-style-type: none"> <li>1. William Humphreys Arts gallery</li> <li>2. National Museum</li> <li>3. Die Afrikaanse Taal Museum</li> <li>4. SA Institute for Drug-Free Sport (SAIDS)</li> <li>5. KwaZulu-Natal Museum</li> <li>6. South African Heritage Resources Agency (SAHRA)</li> <li>7. The Playhouse Company</li> </ol>		
Unqualified with findings = 16		<ol style="list-style-type: none"> <li>1. Department of Sport, Arts and Culture (DSAC)</li> <li>2. Market Theatre Foundation</li> <li>3. National Film and Video Foundation (NFVF)</li> <li>4. Performing Arts Centre of the FS (PACOFs)</li> <li>5. National Arts Council (NAC)</li> <li>6. Amazwi SA Museum for Literature</li> <li>7. Luthuli Museum</li> <li>8. Boxing SA</li> <li>9. Nelson Mandela National Museum</li> <li>10. Robben Island Museum</li> <li>11. National Heritage Council (NHC)</li> <li>12. SA Library for the Blind (SALB)</li> <li>13. Ditsong Museum</li> </ol>	<ol style="list-style-type: none"> <li>1. ArtsCape</li> <li>2. Pan SA Language Board (PanSALB)</li> <li>3. Msunduzi Museum</li> </ol>	
Qualified = 3		<ol style="list-style-type: none"> <li>1. National Library of South Africa (NLSA)</li> <li>2. Iziko Museum</li> </ol>	<ol style="list-style-type: none"> <li>3. Freedom Park</li> </ol>	
Disclaimer= 1				Mandela Bay Theatre Complex

## Summary

- **Nine** auditees achieved an unqualified audit opinion with no findings for the 2022-23 financial period (two improved, seven maintained the clean audit outcome).
- **Sixteen** auditees obtained unqualified audit opinion with findings for the 2022-23 financial period (Three regressed from a clean audit outcome, thirteen remained unchanged).
- Freedom Park regressed to a qualified opinion with findings while the Iziko Museum and National Library of South Africa obtained repeat qualified opinions.
- The Mandela Bay Theatre Complex submitted the annual financial statements (AFS) for audit late due to the audit committee not recommending the AFS for the approval following their review. The audit process was only concluded on 22 September 2023 for two (2) financial years since this is the first time the entity is being audited by the AGSA. Various misstatements were identified on assets, liabilities, revenue, expenses, disclosure items and corresponding figures. The misstatements were mainly because of limitations due to lack of appropriate internal control systems and inadequate records management. This resulted in the disclaimer audit outcome.



## 2.2 Detail on outcomes

There are four entities with findings on audit of performance information (DSAC, Nelson Mandela Museum, Freedom Park, and National Arts Council).

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

#### Slides 8-11

Auditee	Material findings on Planning	Impact
Nelson Mandela Museum	<p><b>Programme 1: Business Development</b></p> <p><b>Indicator: Number of Comprehensive digitization project implemented</b> - Usefulness - Performance indicators not well defined and targets not specific</p> <p><b>Indicator: Number of schools visited</b> - Usefulness - Performance indicators not well defined and targets not clear unambiguous</p>	The entities may not track all key indicators linked to their respective mandates resulting in negative impact on service delivery.
National Arts Council	<p><b>Outcome: Promoted the appreciation, understanding and enjoyment of, and fostered the expression of national identity by the means of the arts.</b></p> <p><b>Indicator: Percentage increase in the number of approved grants –</b> The indicator was included in the approved annual performance plan but then not clearly defined during planning processes, as the output indicator referred to a percentage and the planned annual target and actual achievement was expressed in a number. Consequently, the information might be less useful for measuring performance.</p>	
Department of Sport, Arts and Culture	<p><b>Programme 2: Recreation Development and Sport Promotion</b></p> <p><b>RDSP 2.3: Percentage of national federations (NF's) meeting 50% or more of all prescribed charter transformation targets</b> The method of measurement of the target linked to the indicator is not defined in a manner that allows for the indicator to have a clear meaning, easy to understand and to use. It is not clear what the required level of performance is based on (Specific).</p>	The required performance achievement was difficult to measure thus having an impact on the planned outcome linked to this indicator

Auditee	Material findings on Reporting	Impact
Nelson Mandela Museum	<p><b>Programme 1: Business Development</b>  <b>Indicator: Number of identified and implemented collection`s conservation projects based on internationally acceptable standards -</b>            Usefulness – Presentation: Reasons for variances between planned and actual performance not disclosed</p> <p><b>Indicator: Number of internal and external stakeholders used and accessed the library and archives materials and information -</b>            Usefulness – Consistency: Reported indicator not consistent when compared to planned indicators</p> <p><b>Indicator: Number of Museum records archived and preserved -</b>            Usefulness – Consistency: Reported indicator not consistent when compared to planned            Indicators</p>	The entities may not track all key indicators linked to their respective mandates resulting in negative impact on service delivery.
Freedom Park	<p><b>Programme 2: Business Development</b>  <b>Indictor: Number of books acquired</b> – The achievement of books acquired was materially misstated</p>	Challenges with the credibility of performance information reported in the annual report may impact future decisions which are made based on these results.

## 2.2.2 Performance against targets

### DSAC

A total of 40 targets out of 46 planned targets were achieved by the department for 2022-23, which represents an 87% achievement based on the annual performance report.

Key performance indicators not achieved were as follows:

Key Performance indicator	Target	Actual performance	Reason for non-achievement
Percentage (%) of National Federations meeting 50% or more of all prescribed Charter transformation targets	89.5%	0	<p>The transformation status could not be assessed due to late or non-submission of datasheets by the National Federations.</p> <p>Of the 19 federations due for submission, only 16 had submitted their data sheets and three, namely: Chess SA, Basketball SA, and South African Football Association (SAFA), were outstanding at the end of the financial year. Of the 16 that had submitted, five had been captured and were in the process of being analysed and verified.</p>
Number of heritage legacy facilities (including the Resistance and Liberation Heritage Route [RLHR] sites) developed and/or maintained to transform national heritage landscape.	3	1	<p><b>Enyokeni Project:</b></p> <p>Environmental Impact Assessment (EIA) has not yet been approved. It turned out on following up the approval that further engagements are required with the traditional leadership in KwaZulu-Natal.</p> <p><b>The Sarah Baartman Centre of Remembrance:</b></p> <p>The contractor terminated a contract and vacated site in July 2021 due to contractual disputes with DPWI (Implementing Agent). At the time of reporting, a formal acceptance of the project by the DBSA as the new implementing agent was awaited from DPWI</p>
Number of Gender-Based Violence and Femicide initiatives financially supported	3	2	<p>The third initiative, named Silapha, was regarded as not achieved, because of insufficient evidence.</p>

Number of monitoring reports on the implementation of a social compact for social cohesion and nation building	2	0	The implementation is dependent on the existence of the Social Compact for social cohesion and nation-building, itself, a project that has not been finalised (signed off) because of dependency on other stakeholders
Number of projects through which target groups are supported.	8	0	Because of departmental processes and decisions such as the change of funding model mid-year, the implementation of projects was delayed resulting in commencement of implementation mid-March 2023. Consequently, the eight appointed NPOs were unable to complete the projects and report.

### 2.2.3 Key insights: community projects at DSAC

#### Slide 12

#### Conditional grant: Community library and service grant

- The provincial departments underspent grants by R149,3 million (9%) of the R1,6 billion funds transferred. North-West and Limpopo had the highest percentage of underspending at 20%, respectively, and Gauteng underspent by 18%.

#### Impact

- Previously disadvantaged communities that are primarily targeted by the grant were unable to gain access to knowledge and updated information that will improve their socio-economic status.
- Missed opportunities to contribute to eradicating unemployment because the appointment of staff was delayed.

#### Root causes

- Delays in procurement process, staff appointment by the provinces.
- Disputes between communities and contractors.

#### Recommendation

- The department should encourage the provincial departments to expedite appointment of service providers, fill vacancies and engage communities on awareness of the benefits of having a library to promote social cohesion.

### Infrastructure projects

- In the previous year, we reported on the delays in infrastructure projects. In the current year, we followed up on JL Dube and Enyokeni heritage site projects.
- The Enyokeni project was still on hold while the JL Dube project commenced, but continued delays were hindering its completion.

### Impact

- The project was therefore not yet available and accessible to the local community and thus could not yield social-economic benefits to the community of Inanda. It could also not boost local tourism and provide further employment, training, and economic opportunities for the people of the area, including the youth.
- The delays also resulted in the department being unable to achieve its set target as per the APP.
- Structures start to deteriorate while the projects are on hold and thus require additional funds for restoration once the project resumes.

### Root causes

- Poor planning and budget management on infrastructure projects.
- Lack of project management and delays in completing infrastructure projects, resulting in variations

### Recommendation

- Close monitoring and active project management on infrastructure projects
- Ensure that the IA/suppliers are paid on time and for the value provided to avoid losses later when the quality needs to be reworked.

## 2.2.4 Key insights: Mzansi National Philharmonic Orchestra (MNPO)

### Slide 13

During 2021, the Department of Sport, arts, and culture established the MNPO. The process of establishing this entity which is registered as a non-profit organisation started in 2019 when an advisory board was appointed to conduct a feasibility study that was to pave way for the establishment of the national orchestra. During November 2021, the department concluded a memorandum of understanding with the National Arts Council (NAC). The main purpose of the MOU was to facilitate the transfer of ring-fenced funds from the NAC to the newly established Mzansi orchestra.

## Key observations

### Oversight not implemented by the department

The department did not provide adequate oversight over the usage of funds transferred to the MNPO, resulting in non-compliance with Treasury regulations 8.4.1. This was because the department did not obtain comprehensive quarterly reports to support the spending by the MNPO as provided for in the MOU with the NAC. The department also allowed the NAC to disburse a higher tranche payment that was not aligned with the MOU. This resulted in a limitation regarding sufficient evidence to adequately substantiate that funds were spent as intended.

### Potential conflict of interest

The chief executive and artistic director of the MNPO (which allocates funding to orchestras including Johannesburg and KZN Orchestras), holds similar positions in these orchestras. The only safeguard is the declaration of interest and recusal.

### Expenditure report on spending by the advisory board not supported

The expenditure report provided did not include a breakdown of the nature of expenditure nor were invoices provided. As a result, we were unable to confirm what the amount was used for.

## 2.2.5 Material irregularities

### Slide 15

**Definition:** A material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft, or a breach of a fiduciary duty identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

MI process implementation by 2022-23:

- The MI process was implemented at the DSAC, Freedom Park, Ditsong, PanSALB, SAST, Boxing SA, NLSA, Iziko, NAC, SAHRA, Market Theatre Foundations, NFVF, Robben Island and the NHC. We will implement the MI process to all other entities under the department during the 2023/24 audit cycle.
- There was one MI identified during the audit at DSAC, the details of which are described in the table below:

MI description	Status description	
	Appropriate actions are being taken by the accounting officer	Actions planned / in progress
<p>The department made transfer payments amounting to R7,5 million to a beneficiary for implementing a project in broadcasting. The department did not implement timely and appropriate procedures to monitor the usage of funds by the beneficiary. No evidence could be provided to confirm that the funds were used for the project as agreed between the department and the beneficiary.</p> <p><b>Irregularity:</b> Appropriate measures were not maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.</p> <p><b>Impact:</b> Material financial loss of R7 500 000</p>	<ul style="list-style-type: none"> <li>• Forensic investigation into the matters has been conducted and concluded.</li> <li>• A reporting template has been introduced guiding Project Managers and beneficiaries on how to manage and deal with expenditure reporting.</li> <li>• Reported a criminal case to SAPS against the beneficiary for theft; fraud &amp; misrepresentation</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue civil recovery against the beneficiary.</li> <li>• Take appropriate disciplinary action against the responsible official.</li> </ul>

### Recommendations to portfolio committee on the MI

- Provide oversight and closely monitor the implementation of recommendations of the forensic report by executive authority and accounting officer.

## 2.2.6 Findings on the audit of financial statements

### Slides 18

#### Entities with qualified audit opinion

Auditee	Details on qualification areas
Freedom Park	<p><b>Statement of comparison of budget and actual amounts</b></p> <p>The public entity did not accurately disclose the budget and the actual amounts, as required by the relevant financial reporting standard (GRAP 24). As a result, the actual and budgeted expenditure as presented in the statement of comparison of budget and actual amounts were materially misstated.</p> <p><b>Cash flow statement</b></p> <p>Net cash flows from operating activities were not correctly prepared and disclosed as required by the relevant financial reporting standard (GRAP 2). This was due to multiple errors identified in relation to cash flows from operating activities.</p> <p><b>Property, plant, and equipment</b></p> <p>Depreciation was incorrectly calculated as the public entity did not establish adequate internal controls to calculate it. This resulted in asset (property, plant, and equipment) amounts being overstated in the financial statements.</p>
Iziko Museum	<p><b>Heritage assets</b></p> <p>We were to obtain sufficient appropriate audit evidence that heritage assets had been properly accounted for as required by the relevant accounting standard. The matter relates to heritage assets acquired before 1 April 2012 which were not recognised in the financial statements. This was due to the public entity not maintaining adequate records of the heritage assets. This is a repeat finding.</p>
National Library of SA	<p><b>Heritage assets</b></p> <p>We were unable to obtain sufficient 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 population and the heritage assets register not being complete. This is a repeat finding.</p>



### National Library of South Africa and Iziko Museum challenges

There was little to no movement on the heritage assets qualification of both auditees. The NLSA has a GRAP 103 project plan but requires funding from DSAC for implementation, they were still awaiting feedback on the request. The department should provide oversight and intervention to monitor progress being made by the accounting authorities to implement the action plan to address the heritage assets matters.

### Entities with unqualified audit opinions with findings on material adjustments

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

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

- DSAC, Market Theatre Foundation, Robben Island Museum, Nelson Mandela Museum, Artscape, Msunduzi Museum, National Heritage Council

### 2.2.7 Financial health risk

#### Slides 19

##### Revenue management:

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

Average debt-collection period = 72 days

##### Expenditure management:

R1.5 million of expenditure was fruitless and wasteful (11 auditees)

Creditor-payment period > 30 days at 5 auditees (Ditsong, PanSALB, Freedom Park, Robben Island, Iziko Museum)

Average creditor-payment period = 78 days

##### Impact:

The following auditees ended year in deficit (expenditure more than revenue)

- Ditsong Museums of South Africa
- Freedom Park
- PanSALB

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

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

## 2.2.8 Findings on compliance with legislation

### Slides 20

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

Auditee	Description	Root cause
Amazwi, PanSALB, PACOFS, Boxing SA, Luthuli Museum, Nelson Mandela Museum, National Arts Council, SA Library for the Blind	The auditors identified material misstatements in the submitted financial statements, resulting in non-compliance with section 55(1) (b) of the PFMA.	Lack of proper review of financial statements
Amazwi, Market Theatre Foundation, Luthuli Museum, Robben Island Museum, Nelson Mandela Museum, Artscape, Msunduzi Museum, SA Library for the Blind	Non-compliance with procurement and contract management legislation where goods and services were procured without following relevant prescripts.	Lack of monitoring of compliance with legislations
Market Theatre Foundation, Luthuli Museum, National Heritage Council, National Arts Council	Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA	Lack of monitoring of compliance with legislations and lack of effective implementation of consequence management
Boxing SA	Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA	Lack of monitoring of compliance with legislations
DSAC	Appropriate measures were not maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.	Lack of processes to monitor that agencies/beneficiaries comply with the requirements of the MOA before transferring additional funding
NAC	Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.	Lack of monitoring of compliance with legislations

Auditee	Description	Root cause
NAC	The strategic plan for 2022-23 was not submitted for approval by the executive authority, as required by treasury regulation 30.1.1.	Lack of monitoring of compliance with legislations

## 2.2.9 PFMA Compliance and Reporting Framework

### Slide 22

#### National Treasury Instruction No. 4 compliance reporting framework matter.

1. National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework (Instruction) which came into effect on 03 January 2023, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA.
2. The objective of the Instruction note is to prescribe the principles and compliance reporting requirements for departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999 regarding unauthorised, irregular and fruitless and wasteful expenditure (UIF&WE).

#### Background on the key changes to irregular and fruitless and wasteful expenditure disclosure requirements as a result of the National Treasury Instruction no.4: PFMA compliance and reporting framework.

3. The new framework brought significant changes in relation to the disclosure of irregular, and fruitless and wasteful expenditure (IFWE). These changes are as follows:
  - a) The movements in the disclosure note of IFWE such as condoned, recoverable, removed, written off, under assessment, under determination and under investigation have been moved from Annual Financial Statements and now will be disclosed in the Annual Report.
  - b) PFMA institutions will only disclose IFWE incurred in the current year, with a one-year comparative analysis in the Annual Financial Statements notes disclosure.
  - c) The historical balances (i.e. opening balances) have been completely removed from the annual financial statements (AFS).

#### Message to oversight on the AGSA's position on the audit of IFWE that should be disclosed in the annual report.

4. The purpose of disclosing irregular, fruitless and wasteful expenditure in the financial statements is to enable the oversight and monitoring structures of South Africa (e.g., Parliament) to perform their role to ensure that funds are spent in line with s217 of the Constitution and to hold officials and the executive accountable.
5. The fact that the disclosure of IFWE (historical balances and movements) is no longer required on the annual financial statements and no audit assurance is provided thereon, the oversight structures would need to engage directly with the information disclosed in the annual report or request the information on historical balances directly from the relevant institution where not disclosed in the annual report to exercise their oversight responsibility.
6. From an audit perspective, transparency and accountability is further limited by the fact that currently no audit assurance will be provided on the additional disclosures that have been moved from the AFS.
7. As a response to this, the AGSA refined their audit approach to uphold transparency and accountability through our audits notwithstanding the implementation of the framework. We therefore through our audits continued to audit the IFWE registers of historical balances as well as any IFWE disclosure included in the annual report.
8. Have clear messaging in the audit reports whereby we identified material misstatements to what was disclosed in the annual reports and the audit evidence gathered through the audit of these registers.
9. While we were not in a position to modify audit opinions due to inadequate systems to detect, record and appropriately disclose historical IFWE in the AFS, the objective was to ensure that we could still be in a position to report to the users of the AFS in cases where these registers of historical balances of IFWE are not completely and accurately maintained. This had no impact on the audit opinion of the financial statements.

## 2.2.10 Irregular expenditure analysis

### Slide 23

During the year under review, auditees incurred irregular expenditure amounting to R72 million, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure reduced by 32% compared to the prior year. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
Robben Island Museum	Non-compliance with supply chain management (SCM) regulations	R30 486 546	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective,

Auditee	Description	Amount (R)	Root cause	Impact
			thus committing irregular expenditure	transparent, and competitive
Ditsong Museum of South Africa	Non-compliance with supply chain management (SCM) regulations	R 12 781 967	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Boxing South Africa	Non-compliance with SCM regulations	R 1 508 047	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Luthuli Museum	Non-compliance with SCM regulations	R2 211 001	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Freedom Park	Non-compliance with SCM regulations	R48 173	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive

Auditee	Description	Amount (R)	Root cause	Impact
The Market Theatre Foundation	Non-compliance with SCM regulations	R 88 824	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Nelson Mandela Museum	Non-compliance with SCM regulations	R 37 565	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
National Heritage Council	Non-compliance with SCM regulations	R4 609 000	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Artscape	Non-compliance with SCM regulations  -Relates to a supply chain deviation for Security monitoring services at Epping. Corrective and disciplinary action has been taken against the appropriate officials.	R3 734	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive

Auditee	Description	Amount (R)	Root cause	Impact
National Arts Council	-Non-compliance to SCM regulations  -Non-Compliance to the budget framework	R 3 742 471	Lack of effective implementation of SCM regulations and inadequate budget monitoring.	- SCM related (R127 500) and resulted in breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive.  - Spending in excess of approved budget (R3 614 971)
Pan South African Language Board	Non-compliance with SCM regulations	R2 091 000	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Iziko Museum	Non-compliance with SCM regulations	R 10 819	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
Die Afrikaanse Taal Museum	Non-compliance with SCM regulations	R4 119	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective,



Auditee	Description	Amount (R)	Root cause	Impact
			thus committing irregular expenditure	transparent, and competitive
South African Institute for Drug-Free Sport	Non-compliance with SCM regulations	R 6 013 000	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
South African State Theatre	Non-compliance with SCM regulations	R 6 186 861	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
National Film and Video Foundation	Non-compliance with SCM regulations	R 869 861	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
National Library of South Africa	Non-compliance with SCM regulations	R288 719	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive

Auditee	Description	Amount (R)	Root cause	Impact
South African Heritage Resource Agency	Non-compliance with SCM regulations	R796 548	Lack of effective implementation of consequence management to officials who do not comply with SCM regulations and thus committing irregular expenditure	Breach of one or more of the five pillars of procurement – equitable, fair, cost effective, transparent, and competitive
<b>Total IE disclosed</b>		<b>R71 678 675</b>		

### 2.2.11 Consequence management

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

Auditee	Description	Root cause
Boxing SA, DSAC, National Arts Council	Disciplinary steps were not taken against officials who had incurred irregular expenditure	Ineffective consequence management system
PACOFs, Boxing SA	Disciplinary steps were not taken against the officials who permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA	Ineffective consequence management system
NAC	Disciplinary hearings not held or appropriate action not taken in all cases where financial misconduct was confirmed.	Ineffective consequence management system

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

#### Slides 26

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

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

Root cause	Recommendations
Slow response in implementing adequate and effective preventative controls	Monitor the implementation of action plans to address findings and address the root causes.
Lack of consequence management	Implement sufficient monitoring controls over compliance with legislation and apply effective consequence management.

**Commitments by the accounting officer and executive authority**

Root cause	Recommendation	Commitment by AO	Commitment by EA
Slow response in implementing adequate and effective preventative controls	Implement sufficient monitoring controls over compliance with legislation and implementation of effective consequence management	Management committed to finalise and monitor implementation of action plans to prevent recurring findings in the next audit cycle and to allow implementation of controls before year end.	Encourage, monitor and track timeous implementation of actions plans by leadership within the portfolio.
Lack of timeous implementation of consequence management	Monitor implementation of action plans to address findings and address root causes	Management committed to expedite the implementation of consequence management.	Provide oversight regarding processes taken by the AO and AAs in implementing consequence management

## 4. Portfolio committee message

### Slides 28

Commitment	Date of commitment
Obtain and actively track commitments made, specifically in relation to the AO/AA implementing action plans and other corrective measures to ensure improvement in the portfolio audit outcomes	
The portfolio committee should continue to actively engage with all role players within the accountability ecosystem to ensure that appropriate measures are taken to implement consequence management.	
Portfolio committee should continue to assess the strategic and annual performance plans of the department and public entities to ensure full alignment with their respective mandates and conduct oversight visits to monitor attainment of service delivery.	