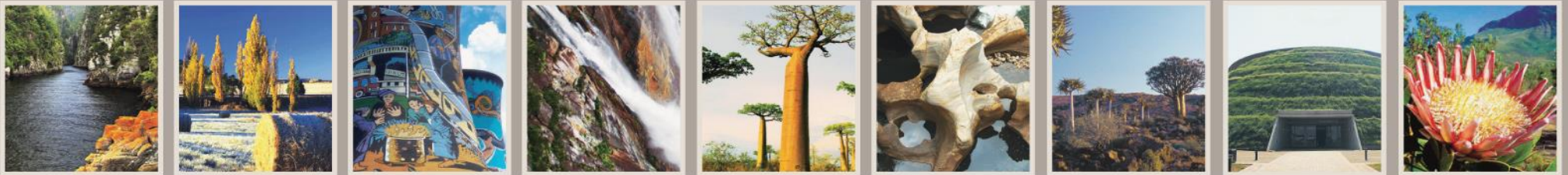


PFMA
2015-16



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Briefing to the Portfolio Committee: Arts and culture

Audit outcomes of the portfolio for the 2015-16 financial year

11 October 2016

1

The AGSA's promise and focus



Reputation promise

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

Role of AGSA in the BRRR process

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role in assessing the performance of the entities taking into consideration the objective of the committee to produce a BRRR.

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Our annual audits examine three areas

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1

FAIR PRESENTATION AND
RELIABILITY OF FINANCIAL
STATEMENTS

2

RELIABLE AND CREDIBLE
PERFORMANCE INFORMATION
FOR PREDETERMINED
OBJECTIVES

3

COMPLIANCE WITH KEY
LEGISLATION ON FINANCIAL
AND PERFORMANCE
MANAGEMENT



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Unqualified opinion with no findings (clean audit)



Auditee:

- produced credible and reliable financial statements that are free of material misstatements
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP)
- observed/complied with key legislation in conducting their day-to-day operations to achieve on their mandate.

Financially unqualified opinion with findings



Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled to:

- align their performance reports to the predetermined objectives they committed to in their APPs
- set clear performance indicators and targets to measure their performance against their predetermined objectives
- report reliably on whether they achieved their performance targets
- ensure compliance with applicable legislation regarding financial matters, financial management and other related matters.

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Qualified opinion



Auditee:

- experienced the same challenges as those that were unqualified with findings, but, in addition, they could not produce credible and reliable financial statements
- had material misstatements in specific areas in their financial statements, which could not be corrected before the financial statements were published.

Adverse opinion



Auditee:

- had same challenges such as those that were qualified, 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.

Disclaimed opinion



Auditee:

- experienced the same challenges as those that were qualified, but, in addition, they
- could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements.



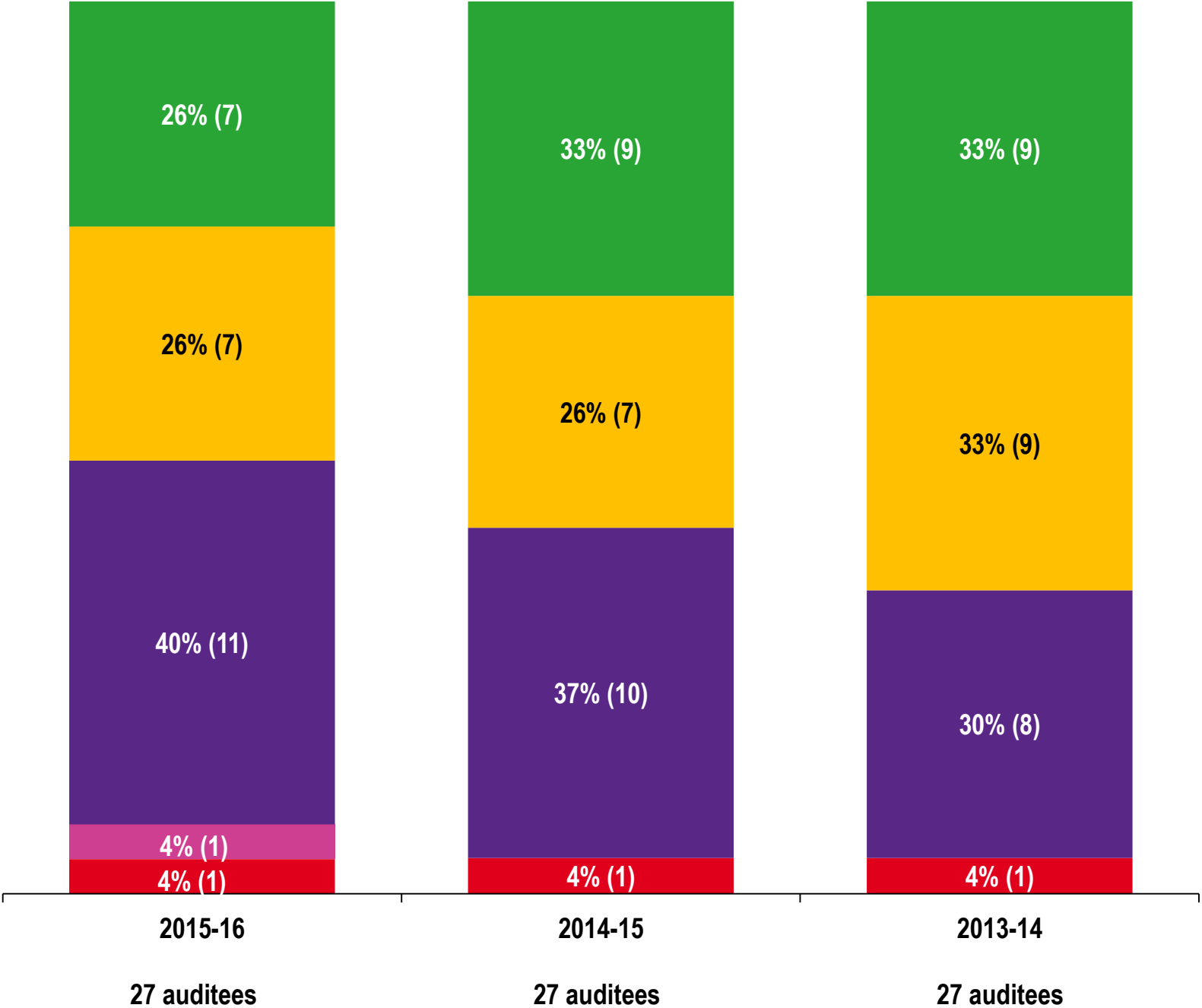
2

The 2015-16 audit outcomes and key messages



Audit outcomes over three years – Arts and Culture Portfolio

2015-16
PFMA



- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Audits outstanding



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Movement

Audit
outcome

3

Improved

18

Unchanged

6

Regressed

Unqualified with no
findings = 7

Luthuli Museum

The Playhouse Company
Artscape
Freedom Park
National Arts Council of South Africa
National Film and Video Foundation
Robben Island Museum

Unqualified with
findings = 7

Windybrow Theatre

Department of Arts and culture
Market Theatre Foundation
National Heritage Council
South African Library for the Blind
South African Heritage Resources Agency

Die Afrikaanstaal Museum

Qualified with findings
= 11

Pan South African
Language Board

National Library of SA (H)
Msunduzi/Voortrekker Museum (H)
KZN Museum (H)
Iziko Museum (H)
William Humphreys Arts Gallery (H)
Nelson Mandela National Museum (H)
National English Literary Museum (H)

Performing Arts of the Free
State
National Museum (H)
War Museum of the Boer
Republics (H)

Disclaimed/Adverse
with findings = 2

State Theatre of South Africa
Ditsong Museum of South
Africa (H)

Regression in the portfolio

- The overall audit outcomes of the Arts and Culture portfolio regressed over the three years from 2013-14 to 2015-16.
- The major contributor to this regression over the period has been the requirements of GRAP 103, *Heritage Assets* coming into effect in 2014-15, which affected 38% of the entities in the portfolio (2014-15: 31 %).



Outcomes per auditee (excluding clean audits)

2015-16
PFMA

Auditee	Annual Financial Statements	Audit of Performance Information	Compliance
Department of Arts and Culture		X	X
Die Afrikaanse Taalmuseum			X
Market Theatre Foundation			X
National Heritage Council		X	
SA Library for Blind			X
SA Resource Heritage Agency			X
Windybrow Theatre			X
Iziko Museum	X		X
KZN Museum	X		X
Msunduzi /Voortrekker Museum	X		X
National Library of SA	X	X	X
National Museum	X		X
Nelson Mandela National Museum	X		X
The South African State Theatre	X	X	X



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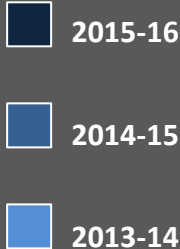
Outcomes per auditee (excluding clean audits)

2015-16
PFMA

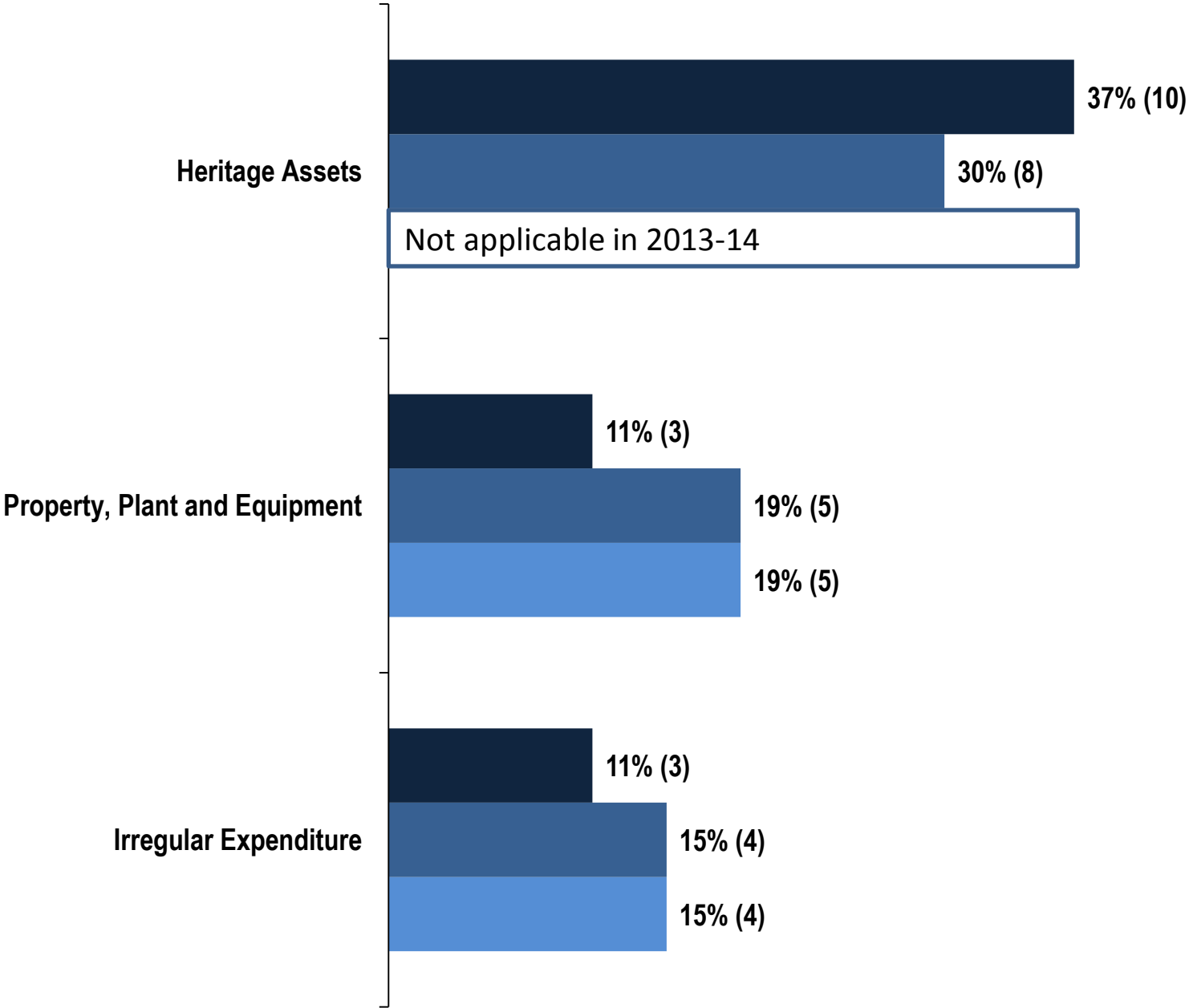
Auditee	Annual Financial Statements	Audit of Performance Information	Compliance
National English Literary Museum	X		X
William Humphreys Art Gallery	X		X
War Museum of the Boer Republics	X		X
Pan South African Language Board	X	X	X
Performing Arts Council of Free State	X	X	X
Ditsong: Museums of South Africa	X	X	X



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Regression over three years in the most common qualification areas



Common qualification areas

2015-16
PFMA

Auditee	Heritage assets	Irregular expenditure	Property plant and equipment
Ditsong Museums of SA	X	X	X
Iziko Museums of Cape Town	X		
Kwa-Zulu Natal Museum	X		
Msunduzi/Voortrekker Museum	X		
National English Literary Museum	X		
National Library of SA	X		
Nelson Mandela National Museum	X		
National Museum	X		
Pan South African Language Board		X	X



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Common qualification areas

2015-16
PFMA

Auditee	Heritage assets	Irregular expenditure	Property plant and equipment
The South African State Theatre		X	X
War Museum of the Boer Republics	X		
William Humphreys Art Gallery	X		
Total	10	3	3



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GRAP 103, Heritage assets

2015-16
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Although exemption was granted by the minister of Finance, it is not achieving fair presentation of the annual financial statements.

As a result, 38% [2014-15: 30%] of auditees were qualified on heritage assets. This has contributed significantly in the overall regression of the portfolio.

Some of the challenges faced by entities:

- Different measurement techniques and experts.
- There was no clear guidance from Accounting Standards Board and the National Treasury.
- Entities were unable to prove impracticability to comply with the measurement criteria.
- Some entities did not have adequate documentation and controls in place to account for all heritage assets.



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3

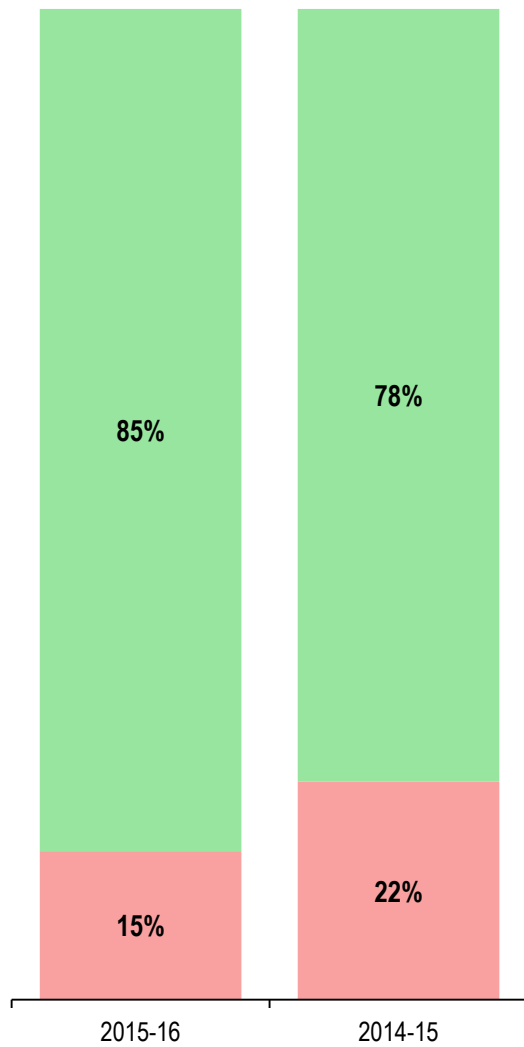
**Performance management linked
to programmes / objectives tested**



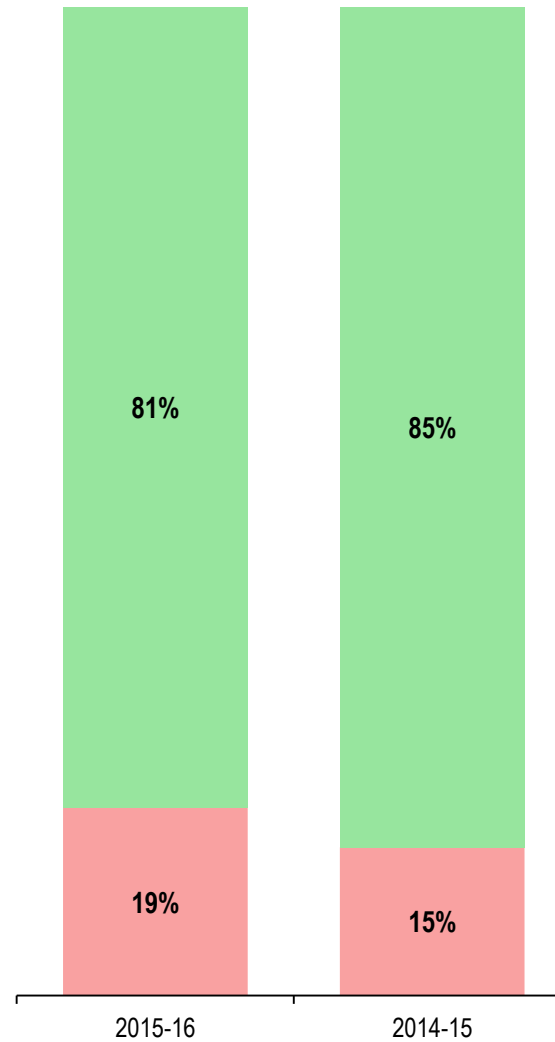
Quality of performance information

2015-16
PFMA

Usefulness of
performance information



Reliability of
performance information



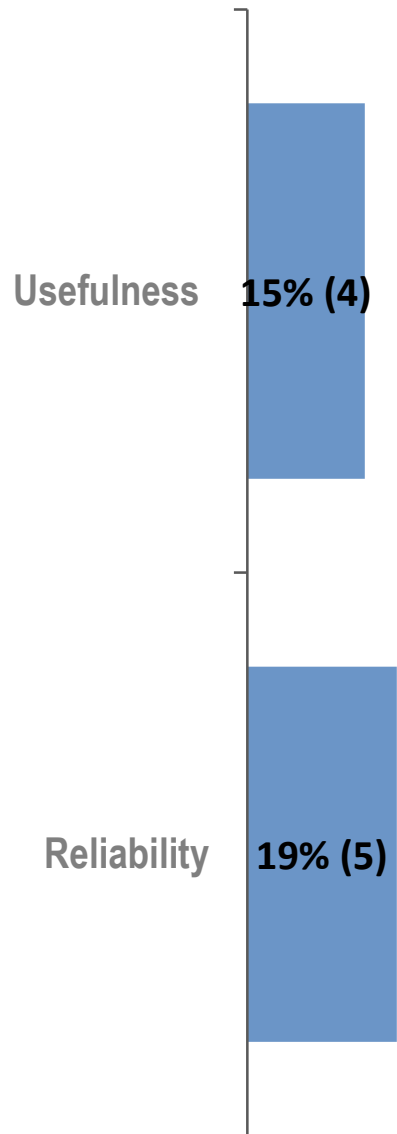
- With no material findings
- With material findings



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Most common material findings on usefulness and reliability

2015-16
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Usefulness

The most common findings on the usefulness of information were the following:

- Indicators/measures not well defined
- Performance targets not measurable
- Reported performance information not consistent with planned objectives, indicators/measures and targets

Reliability

The most common findings on reliability of information were the following:

- Reported information not complete
- Reported information not valid
- Reported information not accurate

Pansalb did not submit any performance information for auditing



Improved



Regressed



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Usefulness and Reliability of Annual Performance Reports

2015-16
PFMA

Auditee	Programmes	Not Useful	Not Reliable
Department of Arts and Culture	Programme 3: Arts, culture and development	N/A	X
	Programme 4: Heritage Preservation and promotion		
Ditsong Museums of SA	Programme 2: Business development	X	X
	Programme 3: Public engagement		
National Heritage Council of South Africa	Programme 2: Heritage promotion	X	N/A
The South African State Theatre	Programme 1: Administration	X	X
National Library of SA	Programme 2: Business Development	N/A	X
Performing Arts Centre of the Free State	Programme 2 : Business development	X	X
	Programme 3: Public engagement		
Pan South African Language Board	The entity did not submit the annual performance plan, annual performance report and the strategic plan.		



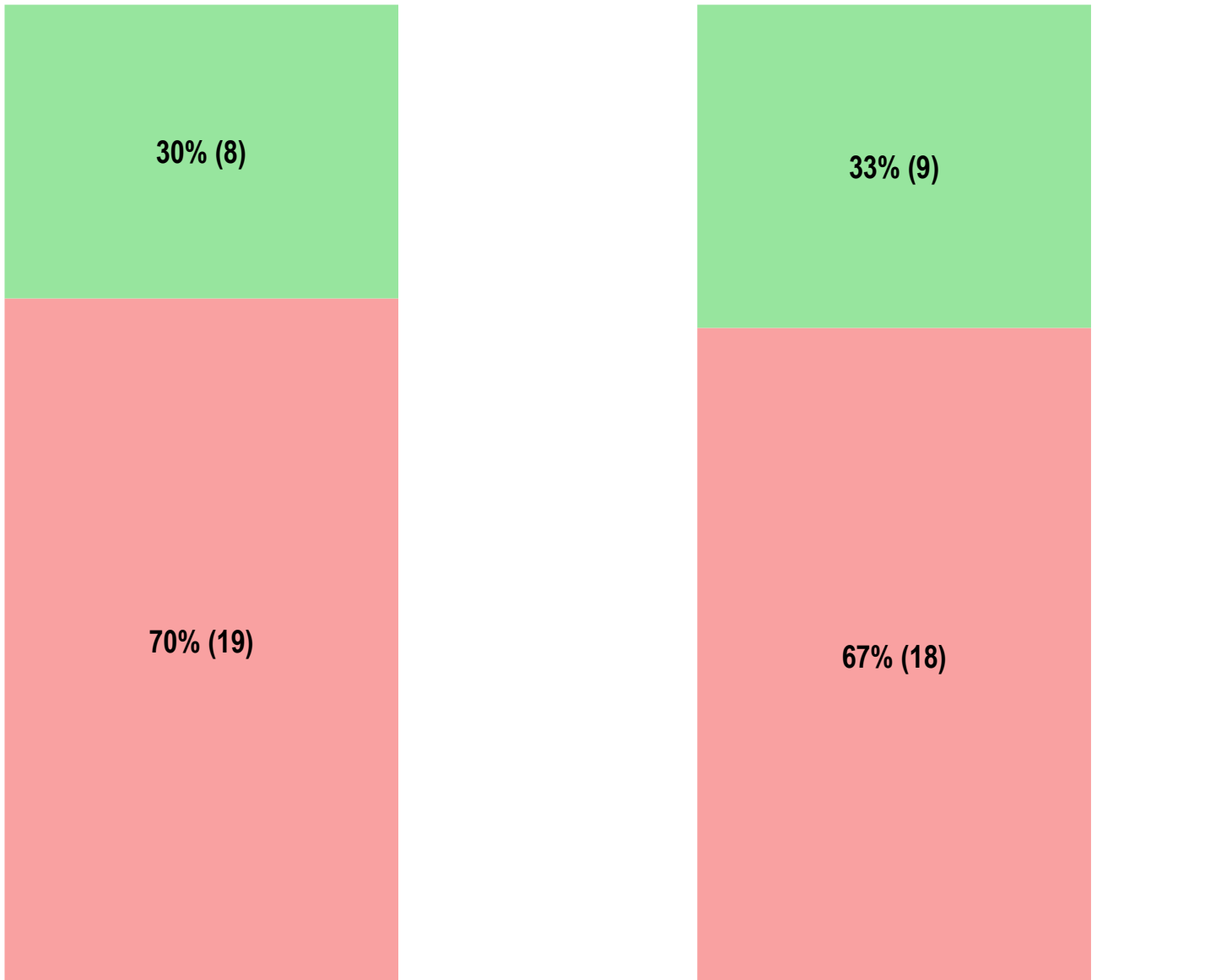
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4 Compliance



Slight regression in compliance with legislation

2015-16
PFMA



-  With no material compliance findings
-  With material compliance findings

2015-16

27 auditees

2014-15

27 auditees



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Regression in compliance with legislation and quality of financial statements

Figure 1: Findings on compliance with key legislation – all auditees

Material misstatements in annual financial statements submitted



Prevention of irregular expenditure



Management of procurement and/or contracts



Consequence management

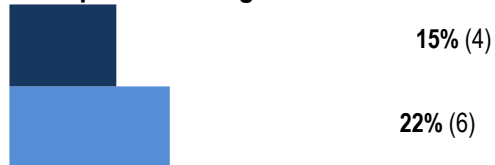
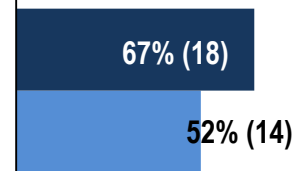
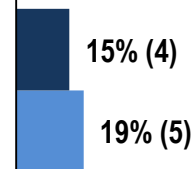


Figure 2: Findings on compliance with key SCM legislation – all auditees

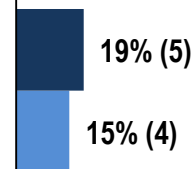
Uncompetitive or unfair procurement processes



Inadequate SCM controls



Inadequate contract management



Limitation in planned scope of audit of awards

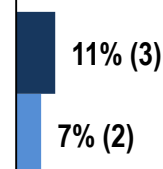
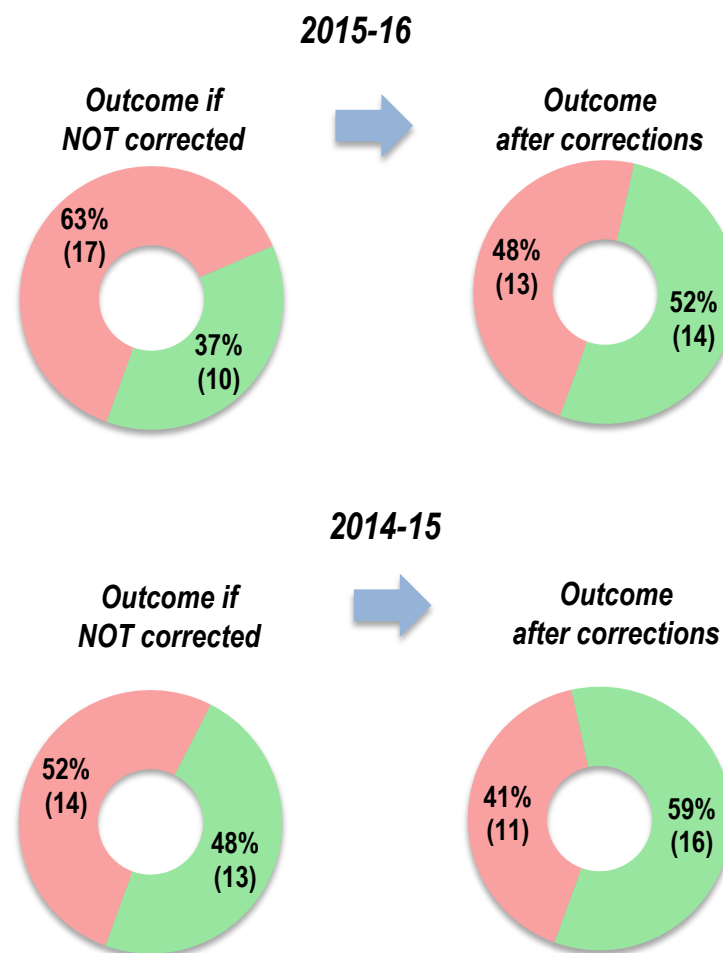


Figure 3: Quality of submitted financial statements

4 auditees (15%) [2014-15: 3 (11%)] avoided qualifications due to the correction of material misstatements during the audit process



With no material misstatements

With material misstatements

Non-compliance areas per auditee

2015-16
PFMA

Auditee	Material misstatements in submitted annual financial statements	Prevention of Irregular expenditure	Procurement and contract management	Consequence management
Department of Arts and Culture	X	X	X	
Die Afrikaanse Taalmuseum	X			
Ditsong Museums of SA	X	X	X	X
Market Theatre Foundation		X		
KZN Museum	X			
Iziko Museums of Cape Town	X			
Pan South African Language Board	X	X	X	
National Library of SA	X	X	X	X
National Museum	X			
Nelson Mandela National Museum	X	X	X	
War Museum of the Boer Republics	X			

 Repeat finding

 New finding



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Non-compliance areas per auditee

2015-16
PFMA

Auditee	Material misstatements in submitted annual financial statements	Prevention of Irregular expenditure	Procurement and contract management	Consequence management
The South African State Theatre	X	X		
National English Literary Museum	X	X		X
Performing Arts Centre of the Free State	X	X	X	X
Msunduzi/Voortrekker Museum	X	X	X	
William Humphreys Art Gallery	X	X	X	
SA Library for the blind	X	X	X	
Windybrow Theatre	X			
South Africa Heritage Resources Agency			X	
	17	12	10	4

 Repeat finding

 New finding



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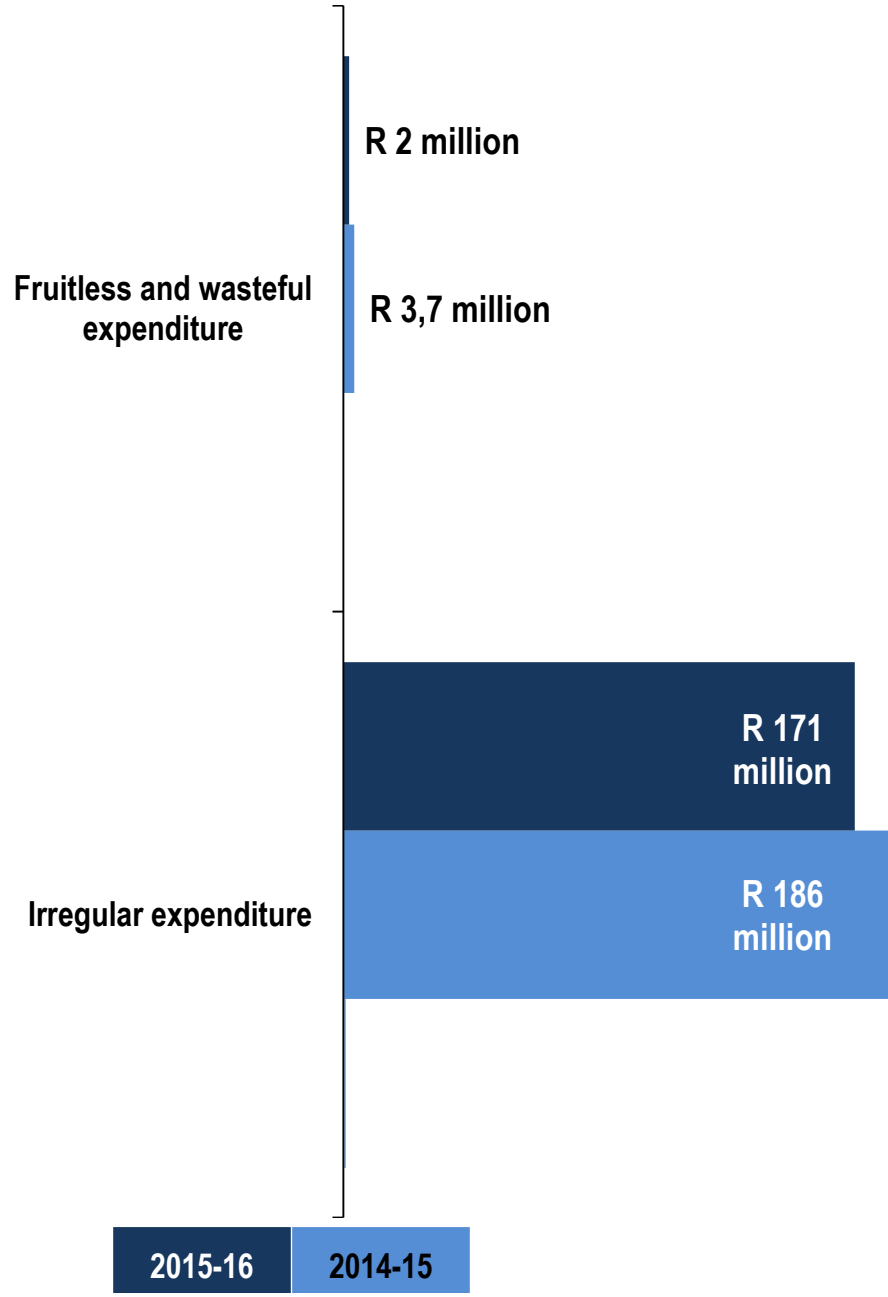
Fruitless and wasteful and irregular expenditure

Definition

Expenditure incurred in vain and could have been avoided if reasonable steps had been taken. No value for money!

Expenditure incurred in contravention of key legislation; goods delivered but prescribed processes not followed

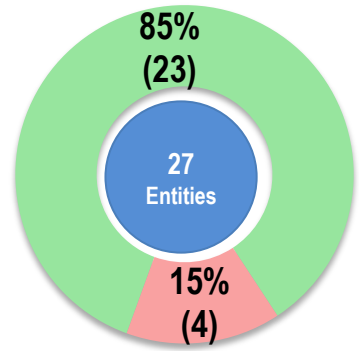
UIF amounts incurred by entities in portfolio



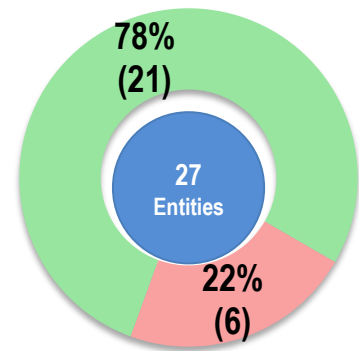
Investigations of U.I.F expenditure

23 auditees (85%) [2014-15: 21 (78%)] lodged investigations to determine root cause and consequences of unauthorised and irregular expenditure incurred

2015-16



2014-15



Investigated (Green) Not investigated (Red)

Irregular expenditure per auditee

2015-16
PFMA

Department/entity		Irregular expenditure		
		Movement	Amount R 2015/16	Amount R 2014/15
1	Artscape	↑	5 709 000	2 383 000
2	Ditsong Museums of South Africa	↑	1 242 000	821 000
3	Freedom park	↓	41 000	399 000
4	Iziko Museums	↑	83 000	0
5	Department of Arts and Culture	↓	111 493 000	120 641 000
6	Market Theatre Foundation	↓	213 000	604 000
7	Msunduzi/Voortrekker Museum	↓	194 000	1 102 000
8	National Film and Video Foundation of South Africa	↑	593 000	0
9	National Heritage Council	↓	4 148 000	6 471 000
10	National Library of South Africa	↓	9 423 000	12 900 000
11	Pan South African Language Board	↓	8 318 000	8 662 000
12	State Theatre	↓	13 344 000	16 139 000
13	Windybrow Theatre	↓	640 000	1 797 000



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Irregular expenditure per auditee

2015-16
PFMA

Department/entity		Irregular expenditure		
		Movement	Amount R 2015/16	Amount R 2014/15
14	National Museum (Bloemfontein)	↓	0	556 000
15	Nelson Mandela Museum (Mthatha)	↑	738 000	309 000
16	The National English Literary Museum (Grahamstown)	↓	0	271 000
17	Performing Arts Centre of the Free State	↑	7 66 000	0
18	National Arts Council of South Africa	↓	0	1 258 000
19	Williams Humphreys Art Gallery (Kimberley)	↑	176 000	0
20	Die Afrikaanse Taalmuseum	↑	121 000	63 000
21	South African Heritage Resources Agency	↓	4 027 000	4 344 000
22	South Africa Library for the Blind	↑	971 000	0
	Total	↓	171 222 000	186 000 000



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Fruitless and wasteful expenditure per auditee

2015-16
PFMA

Department/entity		Fruitless and wasteful expenditure		
		Movement	Amount R 2015/16	Amount R 2014/15
1	Department of Arts and Culture	↓	220 000	330 000
2	Ditsong Museums of South Africa	↑	300 704	207 703
3	National Heritage Council	↓	530 000	954 000
4	National Library of South Africa	↓	7 000	58 331
5	Pan South African Language Board	↓	506 000	698 862
6	State Theatre	↑	52 333	20 024
7	Windybrow Theatre	↓	13 050	0
8	South African Library for the Blind	↑	3 000	0
9	National Museum (Bloemfontein)	↓	0	11 000
10	Nelson Mandela Museum (Mthatha)	↑	325 384	24 342
11	Performing Arts Centre of the Free State	↑	1 509	0
12	Robben Island Museum	↓	12 419	460 241
13	National Arts Council of South Africa	↓	55 221	116 846



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Fruitless and wasteful expenditure per auditee

2015-16
PFMA

Department/entity		Fruitless and wasteful expenditure		
		Movement	Amount R 2015/16	Amount R 2014/15
14	Die Afrikaanse Taalmuseum	↑	12 419	3 099
15	Iziko Museums of South Africa	↑	55 221	4 421
16	South African Heritage Resources Agency	↓	174 884	178 059
17	Freedom Park	↓	80 427	669 061
18	Luthuli Museum	↑	16 000	0
19	Market Theatre Foundation	↑	3 750	0
20	National English Literary Museum	↑	13 000	0
Total		↓	2 056 937	3 735 989



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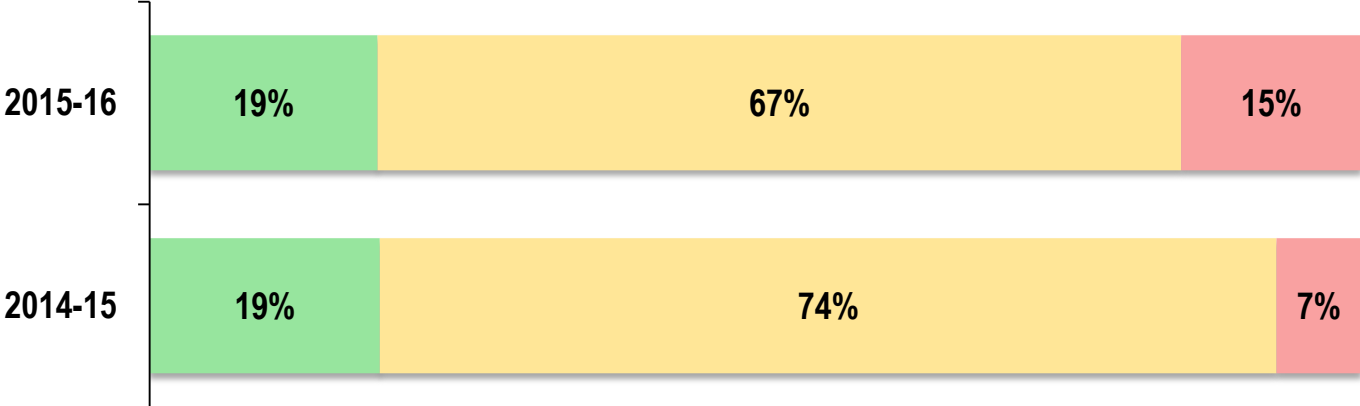
6

**Key controls, assurance providers
and top three root causes and
proposed recommendations**

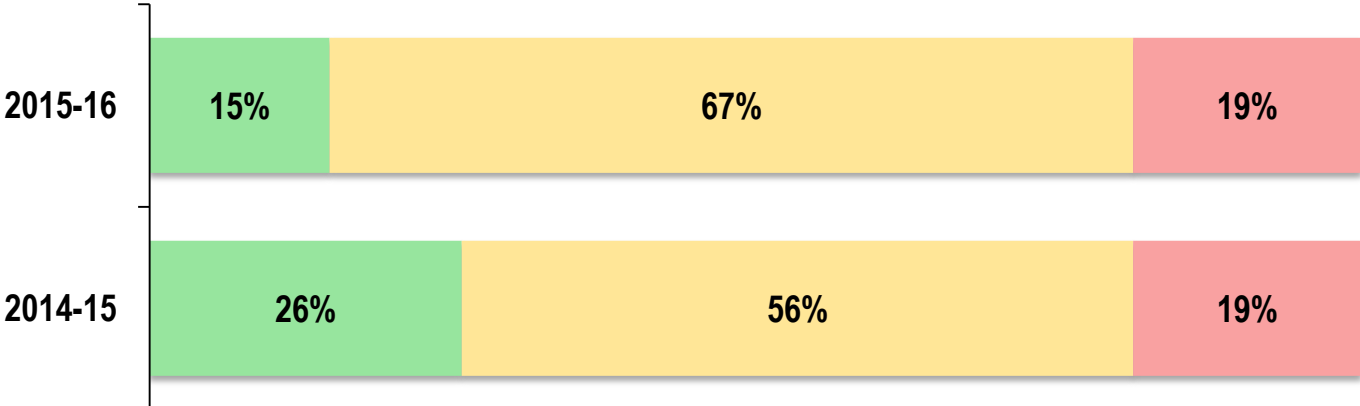



Some improvements in controls

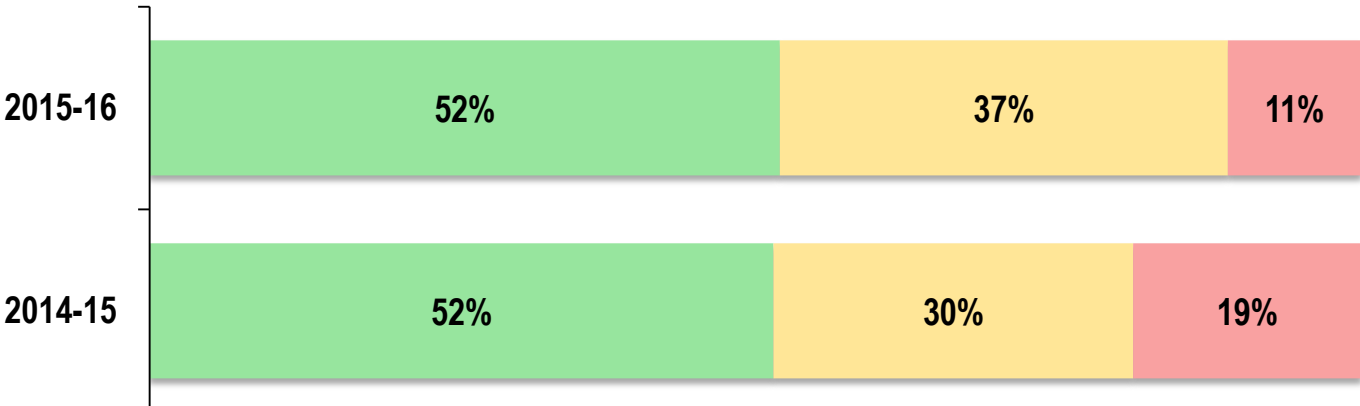

Leadership







Financial and performance management




Governance



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-  Good
-  Concerning
-  Intervention required

-  Improved
-  Stagnant or little progress
-  Regressed



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Drivers of internal controls

Entity	Leadership						Financial and performance					Governance		
	Effective leadership culture	Oversight responsibility	HR Management	Policies & procedures	Action plan	IT Governance	Proper record keeping	Processing and reconciliation	Reporting	Compliance	IT systems controls	Risk management	Internal audit	Audit committee
Arts and Culture	Green	Green	Yellow	Yellow	Green	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Green
Artscape	Green	Yellow	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Die Afrikaanse Taalmuseum	Green	Red	Yellow	Yellow	Red	Green	Green	Red	Red	Red	Green	Red	Red	Yellow
Ditsong: Museums of South Africa	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Red	Red	Red	Red	Yellow	Yellow
Freedom Park	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Green	Yellow	Green	Green	Green
Iziko Museums of Cape Town	Green	Yellow	Green	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green
KwaZulu-Natal Museum	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Yellow	Green	Green	Yellow
Luthuli Museum	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Yellow	Green	Green	Green
Market Theatre Foundation	Green	Yellow	Green	Yellow	Green	Yellow	Green	Yellow	Green	Yellow	Yellow	Green	Green	Green
Msunduzi/Voortrekker Museum	Green	Red	Red	Yellow	Yellow	Green	Green	Green	Red	Red	Yellow	Yellow	Green	Green
National Arts Council of South Africa	Green	Yellow	Green	Green	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Yellow

Drivers of internal controls

Entity	Leadership						Financial and performance					Governance		
	Effective leadership culture	Oversight responsibility	HR Management	Policies & procedures	Action plan	IT Governance	Proper record keeping	Processing and reconciliation	Reporting	Compliance	IT systems controls	Risk management	Internal audit	Audit committee
National Film and Video Foundation of South Africa	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
National Heritage Council of South Africa	Green	Green	Yellow	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green
National Library of South Africa	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Green	Green
National Museum	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green
Nelson Mandela National Museum	Yellow	Red	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Yellow
Pan South African Language Board	Yellow	Red	Yellow	Yellow	Red	Yellow	Red	Red	Red	Red	Yellow	Red	Yellow	Red
Performing Arts Centre of the Free State	Red	Red	Red	Red	Yellow	Red	Yellow	Yellow	Red	Yellow	Red	Red	Red	Red
Robben Island Museum, Cape Town	Green	Green	Yellow	Green	Green	Yellow	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green
South Africa Library for the Blind	Green	Yellow	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Yellow	Green	Green
South Africa Heritage Resources Agency	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
The South African State Theatre	Green	Red	Red	Red	Red	Green	Red	Red	Red	Red	Yellow	Green	Yellow	Yellow
National English Literary Museum	Green	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Yellow	Green	Yellow	Yellow	Yellow	Yellow
The Playhouse Company	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
War Museum of the Boer Republics	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
William Humphreys Art Gallery	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Windybrow Theatre	Green	Green	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Red	Green

Improvement in assurance provided by key role players

2015-16
PFMA

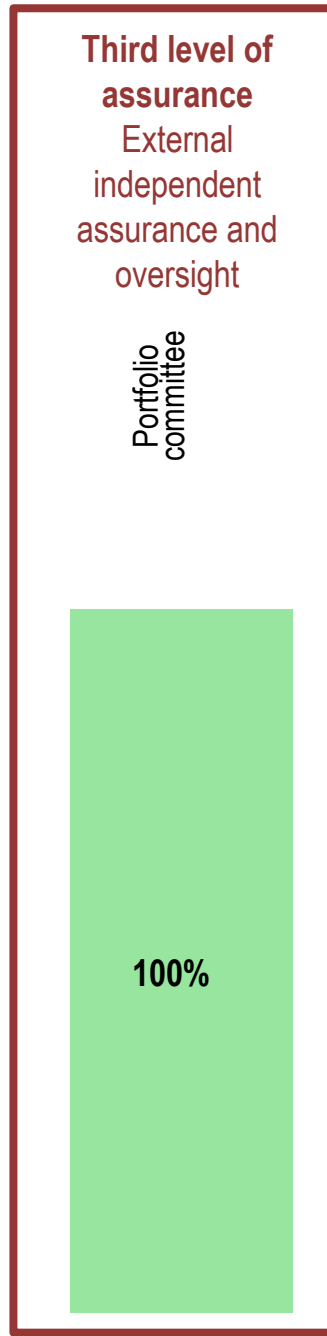
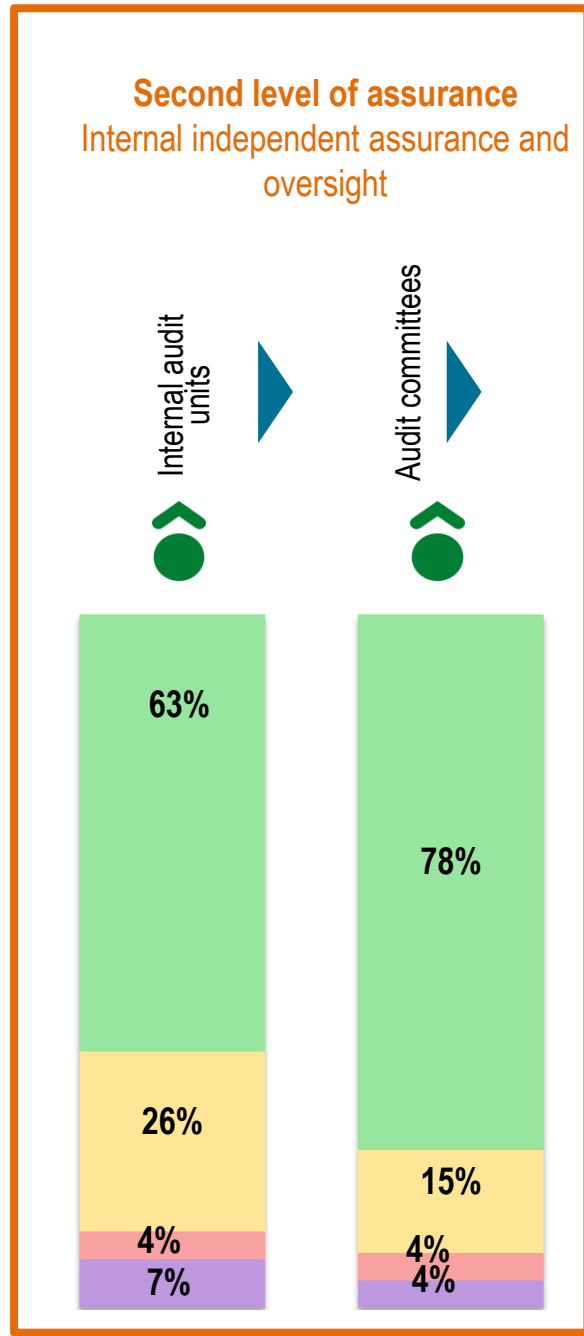
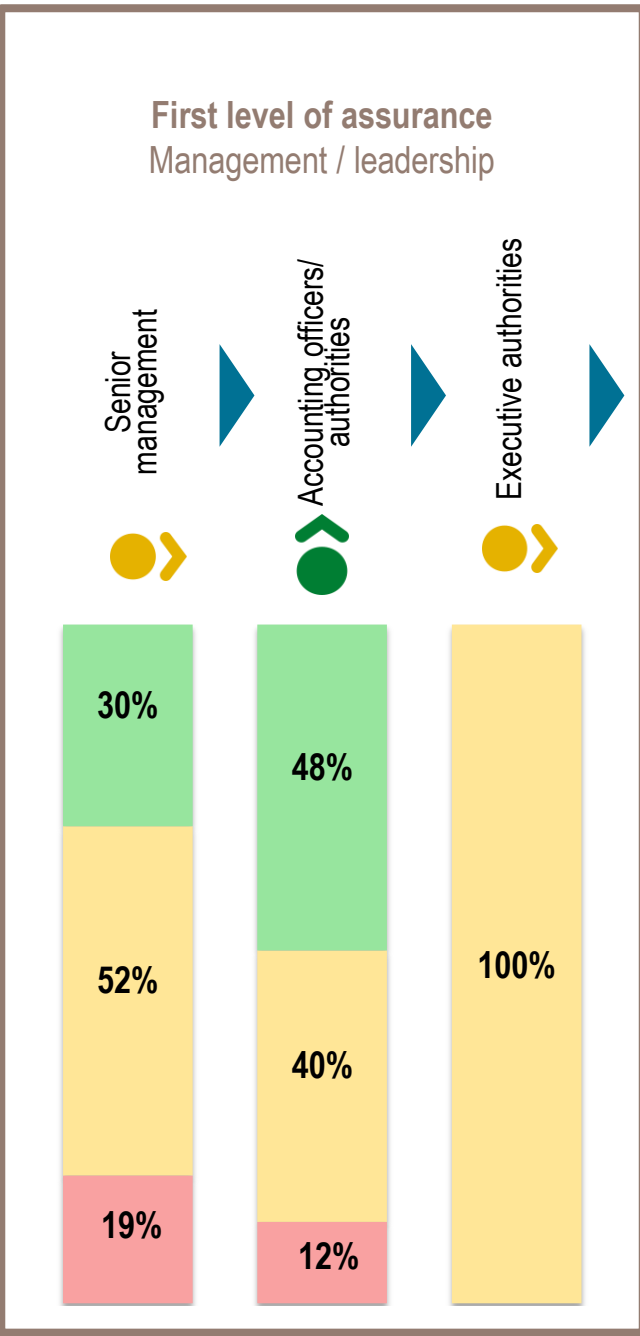


Basis for PC evaluation:

- **Oversight role** its robust budget vote process, review of the annual report including the audit report, quarterly reporting;
- **Follow up** on progress made by the auditees to address poor audit outcomes and key matters in the BRRR report.
- **Recommendations** made in relation to key audit matters;



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Concerns regarding assurance provided by key role players

2015-16
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Department/entity		Internal Audit	
		Not established	Provides limited / no assurance
1	Performing Arts Centre of the Free State	x	
2	Windybrow Theatre	x	
3	Die Afrikaanse Taalmuseum		x

Department/entity		Audit Committee	
		Not established	Provides limited / no assurance
1	Performing Arts Centre of the Free State		x
2	Pan South African Language Board	x	



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Supply chain management policies to be revised. Consequence management will be implemented against officials not complying with regulation.

The review of Annual Financial Statements will be done by two senior officials, the internal Audit firm and the Audit Committee before submitting them to the Auditor General.

Ensure that proper record keeping of supporting documents, easily retrieved and verified for audit.

Appointment of the vacant posts in management.

Ensure that the position of the of the Director General is filled at the Department.

Implemented

In progress

Not Implemented

New



Top root causes

2015-16
PFMA

Slow response in improving key controls and addressing risk areas



2015-16

2014-15

Instability or vacancies in key positions or key officials lacking competencies



Inadequate consequences for poor performance and transgressions



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Key recommendation for improvement

2015-16
PFMA

- Appointment of the DG/CEO's and to ensure that there is leadership stability in the portfolio.
- Auditees that submitted financial statements of poor quality for auditing should strengthen their processes and controls to create and sustain a control environment that supports reliable reporting.
- Management should act on recommendations made by the AGSA in a timely manner and implement action plans for internal controls that are sustainable.
- Accounting officer / authority must successfully implement basic internal controls and accounting disciplines by preparing regular and accurate financial statements and performance reports (interim reports).
- Senior management, leadership and oversight structures should continue to pay close attention to the occurrence of supply chain management transgressions. Investigate the incidents of non-compliance, take appropriate corrective steps, and implement consequence management.
- Accounting authorities and the accounting officer should consult National Treasury and Accounting Standards Board for clear guidance on the application of GRAP 103 Standard for Heritage Assets



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Questions

