**Budgetary Review and Recommendation Report of the Portfolio Committee on Arts and Culture, DATED 15 October 2013**

The Portfolio Committee on Arts and Culture (hereinafter referred to as “the Committee”), having considered the performance and submissions to National Treasury for the medium term period of the Department of Arts and Culture (hereinafter referred to as “the Department”), reports as follows.

**1. Introduction**

**1.1. Mandate of Committee**

The Constitution of the Republic of South Africa empowers the National Assembly, through its committees, to ensure that executive organs of the state in the national sphere of government are accountable to it. It further empowers the National Assembly to maintain oversight of the exercise on national executive authority. In order for the Portfolio Committee on Arts and Culture to provide oversight, the Budget Review and Recommendation Report (BRRR) is an essential tool to assess the Department’s performance and strategic direction. The BRRR also acts as a mechanism to measure service delivery and identify areas that require executive interventions. The BRRR process enables the Committee to understand how the Department expended its appropriated budget.

**1.2. Description of Core Functions of the Department**

The Department derives its mandate from the Constitution of the Republic of South Africa (Act No. 108 of 1996) with specific focus on language and culture, access to information and, to some extent, education. In relation to government’s 12 Outcomes, the Department has to respond to Outcome 12: *An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship*. It is the mandate and the responsibility of the Department to take lead by ensuring that the country achieves Outcome 12.

The Department further seeks to unleash the potential of the arts, culture and heritage sector to contribute to job creation and economic growth (Outcome 4) through the Mzansi Golden Economy (MGE) Strategy. Furthermore, the Department is also responsible for the promotion of the performing arts in South Africa; provision and promotion of official languages and enhancement of linguistic diversity in South Africa; and provision and maintenance of the declared cultural institutions, national archives and library services in South Africa.

**1.3. Purpose of the BRR Report**

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (Act No. 9 of 2009) requires the National Assembly, through its Committees, to produce a Budgetary Review and Recommendation Report (BRRR) which assesses the performance of each national department with reference to the following:

a)     The Medium Term Estimates of Expenditure, Strategic Priorities and Measurable Objectives, as tabled in the National Assembly;

b)    Prevailing Strategic Plans;

c)     The Expenditure Report as published by the National Treasury in terms of section 32 of the Public Finance Management Act (Act No. 1 of 1999);

d)    The Financial Statements and Annual Reports;

e)     The Reports of the Committee of Public Accounts; and

f)     Any other information requested by or presented to a House of Parliament.

**1.4. Method**

In compiling the 2013/14 BRRR the Committee utilised the following documents:

§  2013 State of the Nation Address;

§  The 2012/13 Management Performance Assessment Tool: National Departments Score Cards as issued by the Department of Performance Management and Evaluation;

§  2012 Development Indicator as issued by the Department of Performance Monitoring and Evaluation;

§  Strategic Plan of the Department of Culture;

§  2013/14 Annual Performance Plan of the Department of Arts and Culture;

§  2012/13 Annual Report of the Department of Arts and Culture;

§  2012/13 Reports of the Auditor-General on the outcomes of audit findings;

§  2013/14 first quarter expenditure report; and

§  The National Development Plan: Vision for 2030.

During the 2012 Medium Term Budget Policy Statement (MTBPS) the Minister of Finance announced a consolidated government expenditure framework, a system that extends the monitoring of expenditure to entities and other spheres of government. Furthermore, due to the fact that of the R2.9 billion of the total budget of the Department R2.2 billion is transferred to departmental agencies and entities, the Portfolio Committee decided to involve the following entities in the BRRR process:

§  National Film and Video Foundation;

§  Artscape;

§  Freedom Park;

§  Pan South African Language Board;

§  Iziko Museums of South Africa;

§  KwaZulu-Natal Museum; and

§  South African Heritage Resources Agency

**1.5. Outline of the Contents of the Report**

In the 2012/13 audit report the Auditor-General indicated that the Department of Arts and Culture and its entities have increased performance on financial management and legislative compliance. While the Committee notes other key areas of concern that relate to compliance with supply chain management and information technology, this report encapsulates general improvements in financial management by the Department and entities. In the previous engagements with the Department’s predetermined objectives, the Committee raised serious concerns about the framework of performance indicators and targets. As captured in the 2013/14 Annual Performance Plan the Department has subsequently reviewed its performance indicators and targets to be in line with the strategic plan and the Framework on Framework for Managing Programme Performance Information (FMPPI). The report further outlines the extent to which entities expended their allocated budget and their contribution towards strategic goals of the Department as outlined in the Strategic Plan as well as captured in broader national policies of government and the National Development Plan as adopted in 2012.

**2. Overview of the key relevant policy focus areas**

The post apartheid government inherited polarised race relations and various strategies were implemented to improve racial harmony and build social cohesion. The recently published Development Indicators (2012) have revealed that the percentage of people who see themselves as Africans increased from 18.4% in 2004 to 29.1% in 2012. Also the proportion of people who identify themselves as South Africans has remained more or less constant around 50%. Furthermore, they reveal that national pride was at its highest ebb (90%) during the economic boom year and at its lowest ebb at the heights of the economic crisis (65%).

Since 2009, pride in being South African has significantly increased. Pride in being South African improved under the democratic dispensation when the current government dealt with the economic and social marginalisation of Africans. Departmental programmes, such as the hosting of the 2010 FIFA World Cup™ and other associated programmes that have lifted people out of poverty, have raised the profile of South Africa and the dignity of its people. This therefore indicates that the success of the Government’s policies implemented by the Department in fostering social cohesion depends on various complexities; and the Committee therefore believes that social inclusivity could result in broader development of South Africa.

Social cohesion as both an objective and outcome of the democratic government’s programmes resonates firstly in all the policies of the current government. However, the National Development Plan (NDP) also provides an impetus for the Department as its diagnostic report identified social cohesion as a critical element of Vision 2030. Although social cohesion had been raised before, it had been eclipsed by other priorities of the Department, but remains a key feature of what drives arts and culture programmes. In line with the broader policies of the government, the NDP has elevated social cohesion to the broader developmental goals of the country and also makes it a priority.

During the year under review the Department started the implementation of the MGE to address inequalities arising from high unemployment rates. This strategy shifts the fundamentals of the Arts, Culture and Heritage from being used only to promote social values to include the economic role of the sector. The MGE prepares the sector to respond to the triple challenges of unemployment, poverty and inequality. Subsequent to this, 2013 has been declared the year of the Mzansi Golden Economy. This initiative will enable the Department to focus on the MGE and make improvements on the reported 25 000 job opportunities it created in the previous financial.

It is against this background that the Department released a revised White Paper for consultation. The White Paper aims to realign the sector and empowers it to respond to the challenges facing South Africa during the 21st Century, especially the role of Arts, Culture and Heritage as a vehicle for socio-economic development.

**3. Summary of previous key financial and performance recommendations of Committee**

**3.1. 2012/13 BRRR Recommendations**

During the 2012/13 BRRR the Committee made the following recommendations:

§  Necessary steps be taken to prevent irregular expenditure;

§  Vacant positions at senior management level be fast tracked as failure to fill vacant posts impacts on achieving targets;

§  The Committee is informed of the international agreements and partnerships before the Department publicly announces them. Meetings should be held with the Committee detailing the nature of agreements and partnerships; and

§  The problems within problematic public entities are clearly defined, such as the Pan South African Languages Board and the South African Heritage Resources Agency.

The Committee observed that the Department worked on these recommendations and the following have been achieved:

§  Most vacancies at senior management were filled expeditiously;

§  The Minister of Arts and Culture tabled the 1999 Second Protocol to the 1954 Hague Convention for the Protection of Cultural Property in the event of the Armed Conflict; the 1995 UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects; 2001 UNESCO Convention on the Protection of Underwater Cultural Heritage; and the African Union Charter for African Cultural Renaissance. With the exception of the African Union Charter on African Cultural Renaissance, all the three conventions were processed by the Portfolio Committee, tabled and adopted by the National Assembly. The African Union Charter has been presented to the Portfolio Committee and will be sent to the National Assembly during the course of the fourth term of parliament; and

§  During the year under review the Department worked very closely with distressed institutions and this resulted in the improvement of financial management and compliance by the South African Heritage Resources Agency, resulting in the improvement of the audit opinion.

§  Public entities such as the Pan South African Languages Board and the South African Heritage Resources Agency were stabilised and leadership structures are either in place or Councils are about to be appointed.

**3.2. 2013/14 Committee Budget Report**

The Committee supported the 2013/14 budget of the Department and its Annual Performance Plan. It also supported the financial viability model which makes institutions less dependent on the state subsidy.  In addition, the Committee supports the Department’s stance of not reprioritising funds where the effectiveness of service delivery will be compromised in both the Department and entities. The following recommendations were made during the 2013/14 budget report:

§  The Department to develop a scientific formula for the disbursement of the subsidy to its entities;

§  Additional funding to be considered for the William Humphreys Art Gallery;

§  The Department to prioritise the establishment of flagships in the Free State and KwaZulu-Natal provinces and develop shared services in these provinces;

§  More governance monitoring to be provided to departmental entities;

§  Reviewing the funding model for the previously disadvantaged institutions/entities in order to ensure that they can develop optimally; and

§  The Department to reduce its reliance on consultants.

The Committee observed that the Department achieved the following recommendations:

§  Pending clarity on the fee structure of the William Humphreys Art Gallery, recommendations were made for the Gallery to consider other funding opportunities or partnership with the private sector and local municipalities.

§  When studying the 2013/14 first quarterly report of the Department the Committee observed that there is major reduction on the reliance of consultants by the Department. Consultants were only utilised to fulfil functions that are not the competency of the Department and involved on capital projects and other once-off projects. This scenario was also observed among the entities.

**4. Overview and assessment of financial performance**

The Department has received an unqualified audit opinion for the past five years. Even though the Department has not received a clean audit, the Committee observed that there is improvement in the manner in which financial and predetermined objectives are managed. The Committee has observed that compared to the following year none of the entities received an adverse report during the 2012/13 financial year while 30% of the entities received a clean audit, compared to 26% for the previous financial years.

Figure 1: Illustration of Financial Performance (AG Presentation to the Committee, 9 October 2013)

The Auditor-General commended decisive leadership interventions of the Department and entities’ councils. As a result Artscape, the National Film and Video Foundation, the National Museum, The War Museum of the Boer republics improved from financially unqualified with other findings to clean audit while the Performing Arts Centre of the Free State improved from a qualified opinion to a financially unqualified opinion with other matters and the South African Heritage Resources Agency improved from a disclaimer to qualified audit opinion. The Committee commends the Councils and Accounting Officers of Freedom Park, the KwaZulu-Natal Museum, the Luthuli Museum, and the KwaZulu-Natal Playhouse for consistently obtaining clean audits for the past three years.

The Committee also noted with concerns that 63% of the entities had findings that related to procurement irregularities. The Committee notes that an amount of **R227, 248,545**was spent by the Department and entities without following proper procurement procedures. The Committee is concerned about the Department’s inability to fill the Chief Financial Officer (CFO) position. The Committee therefore suggest the following:

§  The Minister to ensure that the position of the CFO is filled; and

§  The Accounting Officer to ensure that the Department complies with section 38 (1)(i-k) of the Public Finance Management Act.

The Auditor-General also noted that the quality of financial statements is still a concern as 46% of entities submitted financial statements with material errors and/or omissions. The Committee believes that this issue is related to inadequate capacity of finance personnel of entities. The Committee recommends that:

§  The Department develops a peer review/mentorship programme where better achieving entities assist those that are distressed. This is based on an observation that when the Luthuli Museum was under severe circumstances as the then newly established legacy project the finance team of the KwaZulu-Natal Museum assisted in providing a structured mentorship programme for the Luthuli Museum finance team. As a result, the Luthuli Museum has had a clean audit.

The Committee observed that only three entities had no findings relating to IT controls. The Committee sees this as reflection that the institutional memory of the Department’s entities is at risk. As this could have a negative impact on the business continuity of the entities the Committee recommends that:

§  The Department should integrate IT upgrade into its infrastructure upgrade programme; and

§  Entities encouraged to priorities IT upgrade and maintenance.

After considering the Auditor-General’s report and Annual Reports of Iziko Museums of South Africa, South African Heritage Resources Agency; Freedom Park; National Film and Video Foundation; KwaZulu-Natal Museum; and the Pan South African Language Board the Committee commends the Department, Accounting Officers of those institutions and Councils for ensuring that the financial health is stable and institutions’ accounts are making marginal profit.

**4.1. Overview of Vote allocation and spending (2009/10 2014/15)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | |
| **Programme** | **2009/10** | **2010/11** | | **2011/12** | **2012/13** | | | **2013/14** | **2014/15** |
| Audited Actual | | | | Main | Adjusted | Actual | Estimates | Estimates |
| Prog 1 | 162 850 | 190 798 | 210 944 | | 209 687 | 236 065 | 235 390 | 234 017 | 247 409 |
| Prog 2 | 490 781 | 530 799 | 562 647 | | 639 996 | 627 140 | 622 095 | 719 117 | 753 051 |
| Prog 3 | 85 918 | 92 207 | 98 734 | | 111 850 | 108 780 | 108 780 | 123 692 | 132 375 |
| Prog 4 | 119 435 | 138 863 | 121 087 | | 180 410 | 151 485 | 146 574 | 221 896 | 275 202 |
| Prog 5 | 803 252 | 716 406 | 690 554 | | 744 243 | 825 219 | 822 097 | 834 582 | 885 559 |
| Prog 6 | 562 695 | 579 746 | 721 866 | | 799 471 | 723 781 | 721 741 | 781 473 | 1 234 511 |
| **Total** | **2 224 931** | **2 248 819** | **2 405 832** | | **2 685 657** | **2 672 470** | **2 656 471** | **2 914 777** | **3 528 107** |
|  |  |  |  |  |  |  |  |  |  |

**4.2. Financial Performance 2012/13**

The Department spent 98.9% or R2.656 billion of its adjusted budget of R2.672 billion in 2012/13. In the previous financial year, the Department spent 94.8% or R2.405 billion of its adjusted budget of R2.537 billion. The increase expenditure in 2012/13 compared to 2011/12 can be attributed to increased transfers in respect of the conditional grant for community library services; increased spending on capital works of arts institutions and heritage institutions; and the operational transfer to the Pan South African Language Board.

Programme 4 (Cultural Development) had not spent its budget effectively. With the larger portion of the MGE budget being located within this programme the under expenditure patterns could affect the coming of fruition of the MGE. While the programme has under-spent during the previous financial years the Committee is concerned about its continuous pattern to request roll-overs from the National Treasury.

Personnel are a necessary expenditure in any Department as staff drives the programmes of the government. However, there needs to be constant awareness of the need to strike a balance between expenditure on personnel and expenditure associated with core function and other operational costs. The Committee further observed that there are certain entities whose growth in personnel expenditure is disproportionate with indicative subsidy growth. Some of these entities’ personnel expenditure constitutes more than 70% of the total budget. If this scenario is not properly managed it could result into a situation whereby their entire budget is spent on personnel costs and this will have a negative impact on service delivery.

· **Auditor-General Report**

The Committee is concerned about the Auditor-General’s findings that the Department’s irregular expenditure has increased compared to that of the previous year. The Committee notes that some of these irregular expenditure was later condoned by the accounting officer but the Committee is not convinced that some of this expenditure needed to be condoned, i.e. in a certain instance the accounting officer condoned irregular payment to a service provider where there was no service delivered. The Committee therefore recommends the following:

§  The Minister of Arts and Culture to ensure such the rate of irregular expenditure is monitored; and

§  Disciplinary action is taken against personnel involved in such irregularity.

The Committee notes with concerns that the Department spent **R2,762,000**as fruitless and wasteful expenditure. Entities also accrued large amount of fruitless and wasteful expenditure and it is unclear what disciplinary actions were taken. The Committee therefore recommends the following:

§  The Department should ensure that disciplinary actions are taken against staff who was involved in the accumulation of fruitless and wasteful expenditure; and

§  All entities that accrued wasteful expenditure should provide a report to the Department on measures that have been put in place to avoid similar scenario reoccurring in the future.

**4.3. Financial Performance 2013/14**

The expenditure performance could only be based on the first quarterly report while the second quarter is still being generated by the Department. By the end of June 2013 Department spent R182.2 million, or 27.1%, the majority of which has been used on goods and services and payments for capital assets. Seven entities that were studied demonstrate that there is a relative accuracy on their expenditure patterns. It should however be noted that there some entities were unable to meet their target on the predetermined objectives.

**5. Overview and assessment of service delivery performance**

**5.1. Service Delivery Performance for 2012/13**

The 2012/13 was declared a year of heritage by President Zuma in his state of the nation address. During the year under review the Department focused mainly on widening the scope of the legacy projects and delivered the following:

§  Completion of the Steve Biko Centre in Ginsberg which comprises a museum, archive and library resource centre, a commemorative garden, training rooms, conference centre, cultural performance and production spaces, a community media and retail spaces.

§  Opening of the museum component of the Freedom Park, //hapo in Pretoria

§  Building of the road linking Freedom park and the Voortrekker Monument;

§  The completion of the Ncome Musem in KwaZulu-Natal; and

§  The completion of the Matola Monument and Museum in Mozambique.

In keeping with the theme of the Department three presidential buildings were renamed:

§  The King’s House in Durban was renamed Dr. J. L. Dube;

§  The Presidential Guest House in Tshwane was rename S. M. Makgatho  House; and

§  A Diplomatic Guest House in Tshwane was renamed Johnny Makhathini House.

During the year under review the Department partnered with various organisations to host the some of the following events that had a direct impact to the economy:

§  The South African Music Awards (North West);

§  Standard bank Joy of Jazz (Gauteng);

§  National Arts Festival (Eastern Cape);

§  Mapungubwe Arts  Festival (Limpopo); and

§  Mangaung Cultural Festival (Free State).

The Department plays a vital role in the promotion of the African scholarship and literacy. In partnership with the Library and Information Association of South Africa, the Department launched the National Library Week which aims to encourage all South Africans to empower themselves through reading.

The Auditor-General, however, found that of the 185 planned targets, 83 were not achieved during the period under review. This represents 45% of planned targets that were not achieved. The main reasons provided for this deviation from planned targets are:

§  delays in implementation of targets;

§  dependency on other key stakeholders; and

§  reprioritisation of resources

Furthermore, in order to ensure that predetermined objectives are in line with the FMPPI the National Treasury assisted the Department to review all indicators. It is important to point out that although the Department achieved only 55% of its target the actual work on the remaining 45% did take place. In addition, the Department could not finalised tasks as committed in the APP or those indicators included an element that was beyond the control of the Department. An example is the Ncome Museum and Matola Monument and Interpreting Centre projects. Both projects were completed but the target involved launches. These could not happen as the Department awaits a date from the State President. In view of this context the Department has removed performance target it has no control over.

· **Programme Performance**

**Main Appropriation**

**% Main Appropriation per programme**

**Adjusted Appropriation**

**Final Actual Expenditure**

**Final Expenditure as a % of Adjusted Appropriation**

|  |
| --- |
|  |
|  | **R’000** | **%** | **R’000** | **R’000** | **%** |
| **Programme** | | | | | |
| 1. Administration | 209 687 | 7.8 | 212 732 | 235 390 | 110.7 |
| 2. Performing Arts | 639 996 | 23.8 | 641 686 | 622 095 | 96.9 |
| 3. National Language Service | 111 850 | 4.2 | 112 233 | 108 574 | 96.7 |
| 4. Cultural Development | 180 410 | 6.7 | 158 928 | 146 574 | 92.2 |
| 5. Heritage Promotion | 744 243 | 27.7 | 745 215 | 822 097 | 110.3 |
| 6. National Archives and Library Services | 799 471 | 29.8 | 801 676 | 721 741 | 90.0 |
| **TOTAL** | **2 685 657** | **100.0** | **2 672 470** | **2 656 471** | **98.9** |

· **Key reported achievements**

During the period under review, the Department achieved the following:

§  The Department supported 42 events, including 18 flagship events. Through supporting these events, the Department also created job opportunities of about 25 000;

§  The Social Cohesion summit was successfully hosted in Kliptown, Johannesburg and attended by over 2500 delegates;

§  The Steve Biko Centre of Remembrance was unveiled in November 2012;

§  The second phase of the Ncome Museum Project was completed;

§  The Minister approved eight out of 80 applications for geographical name changes;

§  The Use of Official Languages Act (No. 12 of 2012) which regulates and monitors the use of South Africa’s official languages was promulgated;

§  The Department partnered with other organisation to host the SA Literary Awards, the African Century International Writers’ Conference, and the International Publishers’ Association Congress. The book sector is estimated to contribute more R3.5 billion to the South African Growth Domestic Product; and

§  Coordinating structures between DAC and its partners were established and are fully functional. These include the CEOs’ Forum, the Chairpersons’ Forum, the CFOs’ forum and sectoral forums, to improve working relationships and governance.

· **Key Reported Challenges**

The Department hosted and/or supported a significant number of events during the period under review. However, from the performance information provided, it is not clear how the costs incurred compare to the number of job opportunities created. The Department failed to reach employment equity targets specifically for females at the senior management level and persons with disabilities, however, the Department continues to promote employment equity as a tool for transformation. A number of key policy documents were not developed, approved or finalised as planned. The audit report on Community Arts Centres was not completed. Even though coordinating structures have been established, there has been no improvement in the audit outcomes for the entities. There has been regression in supply chain management procedures, quality of performance information and the quality of financial statements for 46% of entities was a cause of concern for the Auditor-General.

**5.2. Service delivery performance for 2013/14**

The Committee’s observations in this section are limited to information of the first quarterly report as published by the National Treasury. The Department’s expenditure during the quarter has grown at a nominal rate of 78.9%, or R80.4 million, when compared to the same period in the previous financial year. Rand value expenditure growth has been greatest in the National Archives and Library Services programme, mainly driven by increase spending on payment for capital assets. The Heritage Promotion and Cultural Development programmes show the next highest growths primarily due to increases in spending on payments for capital assets, and goods and services respectively. Spending under the Performing Arts programme has decreased mainly due to lower spending on goods and services in respect of Mzansi Golden Economy projects.

**5.3. Concluding comments on service delivery performance**

Despite being confronted by various challenges the Department managed to reprioritise its expenditure and spent 99% of its appropriated budget for 2012/13 financial year. It managed to create more than 25 000 job opportunities through the Mzansi Golden Economy and investment in various opportunities that stimulated the economy such as the Cape Town International Jazz Festival; Macufe; National Arts Festival; Cape Town Carnival; etc. The following programmes were hosted by entities:

§  The KwaZulu-Natal Museum trained 30 unemployed youth in rock-art graffiti removal and rock-art tour guidance in the Amazizi and Amangwane area of Bergville in the Drakensburg. This has created job opportunities as they are now tour guides for the areas;

§  The Iziko Museums of South Africa hosted the Oliver Reginald Tambo: The modest revolutionary exhibition at the Iziko Slave Lodge. This exhibition about the African National Congress leader, freedom fighter and politician, Oliver Tambo, depicts Tambo’s career and the key role he played while in exile, mobilising opposition to apartheid on the international stage for more than three decades;

§  In line with the theme, year of the heritage, the South African Resources Agency launched the South African Heritage Information System (SAHRIS). This is the most innovative and world class portal which is web based system for the integrated management of South Africa’s heritage resources. SAHRIS ensures integration and accessibility of heritage resources across the heritage sector nationally and internationally;

§  The National Film and Video Foundation secured over R7 million to be disbursed as bursaries for students pursuing film and television related studies. In addition, the organisation introduced an annual Youth and Female filmmaker project which target mainly previously marginalised film graduates;

§  The Pan South African Language Board launched the Dr. Neville Alexander Scholarship to promote indigenous languages at tertiary level; and

§  Freedom Park launched the //hapo, a museum section of the Park.

The return of the remains of Klaas and Trooi Pienaar from Austria to their original home in Kuruman in the Northern Cape symbolised a significant milestone in the process of restoring dignity to all South Africans and building social cohesion.

**6. Finance and Service delivery performance assessment**

As a custodian of commemorative days in South Africa the Department’s activities touched many ordinary South Africans. Moreover, over 15 million people attended and visited events which the Department is a partner or visited museums, heritage sites, libraries, performing arts centres and theatres that are funded by the Department.

Through the Conditional Grant funding the department facilitated the purchase of 287 443 library materials. These include books, periodicals, children toys, etc. The Department built fourteen (14) new libraries while it upgraded 37 existing libraries. Over 1000 library related jobs were created through this project.

**7. Recommendations**

In the light of key performance issues raised in this report the Committee recommends the following:

a)     Financial Management & Governance

§  The Department review its funding formula with regards to funding of its entities. The Committee observed that there are huge funding historical disparities among institutions whose mandate is similar;

§  The Department to prioritise the legislative review process in order to streamline proper management of entities;

§  The Department to speed up the recruitment of the CFO;

§  The Department to ensure that entities prioritise legislative compliance;

§  The Department develop a system to ensure that provinces do spend Conditional Grants allocated to them;

§  A Share Holder Compact between the Minister and entities should be clear on the expected financial management outcomes;

§  For smaller entities the Committee has observed that it is sometimes difficult to put in place control measures that are required as there could be no sufficient human resource capacity. The Committee recommends that the Department consider establishing shared services while working on the establishment of flagship as recommended in the 2013/14 budget report;

§  The Department should develop a Road Map of Financial Compliance for the sector and seek ways to reward financial compliance;

§  Where lack of skills has been identified consistently, the Department in partnership with affected entities should develop a personal development plan which should result in reskilling concerning personnel; and

§  The Department and entities should develop clear guidelines and consequences of non-compliance.

b)    Performance Information and related

§  The Department to develop transversal performance indicators for its entities in order to enhance its ability to measure value for money throughout the sector. This would enable the Department to ensure that there is accurate standardisation to rate performance of institutions while they can add their own indicator based on their field of specialisation.

**8. Appreciation**

The Committee thanks the support of the Department and entities that worked hard to produce documents in a short period.

Report to be considered.