**NATIONAL ASSEMBLY**

**QUESTION NO. 1063-2021**

**FOR WRITTEN REPLY**

**INTERNAL QUESTION PAPER NO: 12-2021, DATE OF PUBLICATION 07-05- 2021:**

**“Ms V van Dyk (DA) to ask the Minister of Arts and Culture”**

(a) How has he found the Auditor-General (AG) to have invoked the Public Audit Amendment Act, Act 5 of 2018, which gives the AG power to crack down on irregular and fraudulent expenditure, when auditing the entities which report to him, (b) what more than recommendations did the AG propose, who mentioned various times in his reports that consequence management does not take place in the entities and (c) if consequence management does not take place, (i) what is the next step and (ii) how is it enforced? **NW1250E**

**REPLY:**

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| **ENTITY** | **AG ADDITIONAL RECOMMENDATIONS** | **CONSEQUENCE MANAGEMENT APPLIED** | **IF IT DID NOT TAKE PLACE, HOW IS IT ENFORCED** |
| **AFRIKAANSE TAALMUSEUM** | The AG identified irregular expenditure during the audit as well as requested proof that an investigation was done regarding the previous irregular expenditure. | Although the AG has been asking for reports, letters and minutes relating to how the ATM handled identified irregular expenditure, in its recommendations, the AG did not mention any corrective steps it will be considering from their side against the Council or Management. This may be due to the nature of the irregular expenditure and the fact that it was due to administrative matters. Value for money was still achieved by the ATM.  Corrective steps have been taken against officials. |  |
| **NATIONAL MUSEUM** | No findings applicable | N/A | N/A |
| **WAR MUSEUM** | no irregular or fraudulent expenditure incurred | N/A | N/A |
| **UMSUNDUZI** | Supply Chain Management | The UMsunduzi and Ncome Museum in order to remedy and to prevent the recurrent of this finding has appointed a Supply Chain Management Officer. With this appointment, the office of the CFO will be capacitated to deal with supply chain issues. To avoid further irregular payments and consequence management will be enforced. |  |
| **FREEDOM PARK** |  | Freedom Park has since constituted the Loss control committee to address the Irregular, fruitless and wasteful expenditure identified. The committee refer the investigated matters to Human Resources department for disciplinary process. Freedom Park has also concluded the forensic investigations to closure the raised irregular expenditures | Freedom Park has committed to continuously trained all the officials in SCM department and those officials who are responsible for the processing payments in Finance department. The SCM manager also conduct SCM policies and procures awareness on quarterly basis. Those who are charge with the responsibility of implementing consequence management will be accountable to the Executive Authority. |
| **NELSON MANDELA MUSEUM** | Nelson Mandela Museum has had no adverse findings with regards to its SCM processes and continues strengthening controls and processes to mitigate the risk flouting the PPPFA regulations. | N/A | N/A |
| **PLAYHOUSE COMPANY** | The Playhouse Company did not incur any irregular and fraudulent expenditure and the auditor general did not raise any findings in this regard. As such, no consequence management has been recommended. | N/A | N/A |
| **SOUTH AFRICAN LIBRARY FOR THE BLIND** | Please note that there has been no irregular expenditure or fraud at the SALB. Internal policies are aligned to National Treasury guidelines around this aspect and consequence management will be applied if these come to light. | N/A | N/A |
| **ROBBEN ISLAND MUSEUM** | The invocation of the Public Audit Amendment Act by the Auditor General, has not impacted Robben Island Museum on any issues currently. | N/A | N/A |
| **SOUTH AFRICAN STATE THEATRE** | Fraud was discovered in the prior years | Management immediately reported the matter to the relevant authorities, Council, the Minister of Arts and Culture, the SAPS (Directorate of Priority Crimes Investigation), and the South African Revenue Services. The SAST instituted a forensic investigation, which was undertaken by an external and independent company, and the Auditor General was also informed. The AG supported the action taken and management will report back in the next audit to ensure that the consequence management taken is reflected in the audit report. The two employees that were involved in the fraud are no longer working at the SAST, one resigned while the other one was dismissed. Their provident fund payments have been attached and further criminal and civil proceedings are underway. |  |
| **MARKET THEATRE FOUNDATION** | History of irregular expenditure at MTF:  2019: R2,1 mil  2020: R35 887  2021: R201 775  Written warnings | Written warnings were issued for all incidences of irregular expenditure  incurred in 2019 and 2020. The expenditure incurred in 2021 was approved  by the Council of the MTF.  Consequence management did take place iro all irregular expenditure in  the past 3 years. No staff member has had repeat transgressions.  Fruitless and wasteful expenditure of R16 370 was incurred in 2020 and the  full amount was recovered from the staff members responsible.  No fraudulent expenditure was incurred in the 3 years. |  |
| **IZIKO MUSEUMS OF SOUTH AFRICA** | The recommendations of the AG, as contained in the Management Report, are followed. However, no recommendations have been made with respect to consequence management of material irregularities | N/A | N/A |
| **NATIONAL FILM AND VIDEO FOUNDATION** | The audit report has given management clear recommendation on implementing consequence management and also requested management to have timelines that must be followed. It further advise management to implement internal controls that will prevent non-compliance that lead to irregular expenditure or fruadlent one, though they clearly state in the report that their audit approach is not meant to detect fraud. | A forensic investigation was done in the past, in 2018/ 2019, when the irregular expenditure was incurred and also when there was suspicion of fraud and that resulted in the a number of executive leaving the NFVF. The NFVF continues to monitor irregular expenditure and investigate the SCM noncompliance that leads to irregular expenditure. If there is suspicion of fraud, the Council does take action to verify if indeed the fraud has taken place. | N/A |
| **PAN SOUTH AFRICAN LANGUAGE BOARD** | The AG has recommended that an investigation related to the identified irregular expenditure should be conducted and based on the result of the investigations, disciplinary steps to be taken against anyone to have the irregular expenditure or fail to comply with Treasury regulations.  The AG further stated that in terms of section 225 of the IESBA code, they have a responsibility to consider reporting identified and suspected non-compliance with laws and regulations to an appropriate authority and they have escalated the matter to the Board for them to ensure that appropriate steps are taken to address the non-compliance. |  | The AG proposed that Accounting Officer should urgently develop, review and approve policies. Implement controls to avoid Irregular, Fruitless and Wasteful Expenditure; The appointment of a permanent committee to deal with all the irregular, fruitless, Wasteful and unauthorized expenditure will assist the AO to enforce the consequence management with recommendations**.** |
| **BOXING SOUTH AFRICA** | The AG has not suggested or provided guidance other than the recommendation as stated in the Management Report. | BSA has in the past not adequately addressed matters of consequence management | The entity report to the Board and sub-committee of the Board including the Audit & Risk Management Committee any non-compliant matters that may lead to or constitute Irregular Expenditure on a quarterly basis.  2. The Internal Auditor report quarterly the outcome of any investigations to the Audit and Risk Management Committee .  3. The recommendations of the investigations shall be implemented and reported by Management to the Board and the Audit and Risk Management Committee on a quarterly basis.  4. All officials implicated by the outcome of the investigation shall be subjected to BSA internal disciplinary process , whilst monies owed to BSA will be recovered in terms of the Debtors Policy |
| **PERFORMING ARTS CENTRE OF THE FREE STATE** | |  | | --- | | Nothing more than recommendations was proposed | | N/A | N/A |
| **NATIONAL ARTS COUNCIL** | The AG advised that officials should be kept abreast and informed of SCM and other relevant regulations to mitigate the risk irregular and fraudulent expenditure.  b) In prior years consequence management was not possible due to implicated officials leaving the employ of the NAC. | The NAC is taking a proactive approach in ensuring officials are trained on SCM and other relevant legislation. This will ensure due-diligence and compliance in relation to SCM, funding approvals and other relevant regulations. | i) Ensuring consequence management in cases of non-compliance will is added to the performance contract of Unit Heads.  ii) It is enforced through following procedures outlined in the NACs internal disciplinary policy. |
| **SAIDS** | The AGSA has recommended that Irregular expenditure be investigated to identify the root  cause and the necessary steps to remedy the root causes be taken or measure be put in  place to prevent similar incidents from taking occurring again. | The irregular expenditure was investigated, and it was found that there was no fraudulent and criminal conduct relating to the Irregular expenditure. The entity did NOT incur any financial losses as a result thereof. Training will be provided to the employees of the entity to improve their understanding and application of the PFMA and Treasury Regulations in relation to Supply Chain Management and Procurement. | N/A |
| **DITSONG MUSEUMS OF SOUTH AFRICA** | DMSA has a Financial Misconduct Disciplinary Committee which deals with all incidences of  irregular and fruitless and wasteful expenditure and the recommendations are tabled at both Audit  and Risk Committee (ARIC) and Council. However, this Committee was established before the  revisions to the PAA came into effect. | Consequence management does take place and the actions taken are reported at both the Audit and Risk Committee, Council and a report is included in the Annual Financial Statements.  (i) Action is taken against any staff member who has transgressed the PFMA and Treasury Regulations regarding irregular expenditure and fruitless and wasteful expenditure.  (ii) Through verbal or written warnings and recovery of funds lost. | N/A |
| **ARTSCAPE** | The AG has identified cases of irregular expenditure and one case of fraud. This was brought to the attention of management and Council. It was recommended that the entity must attend to these cases through the Irregular Expenditure Framework. Artscape has disclosed such cases in the Annual Financial Statements and has submitted request for condonation to the National Treasury. | In one case where fraud was identified, the incumbent was charged, found guilty and was dismissed. Financial loss was also recovered from the said employee. | N/A |