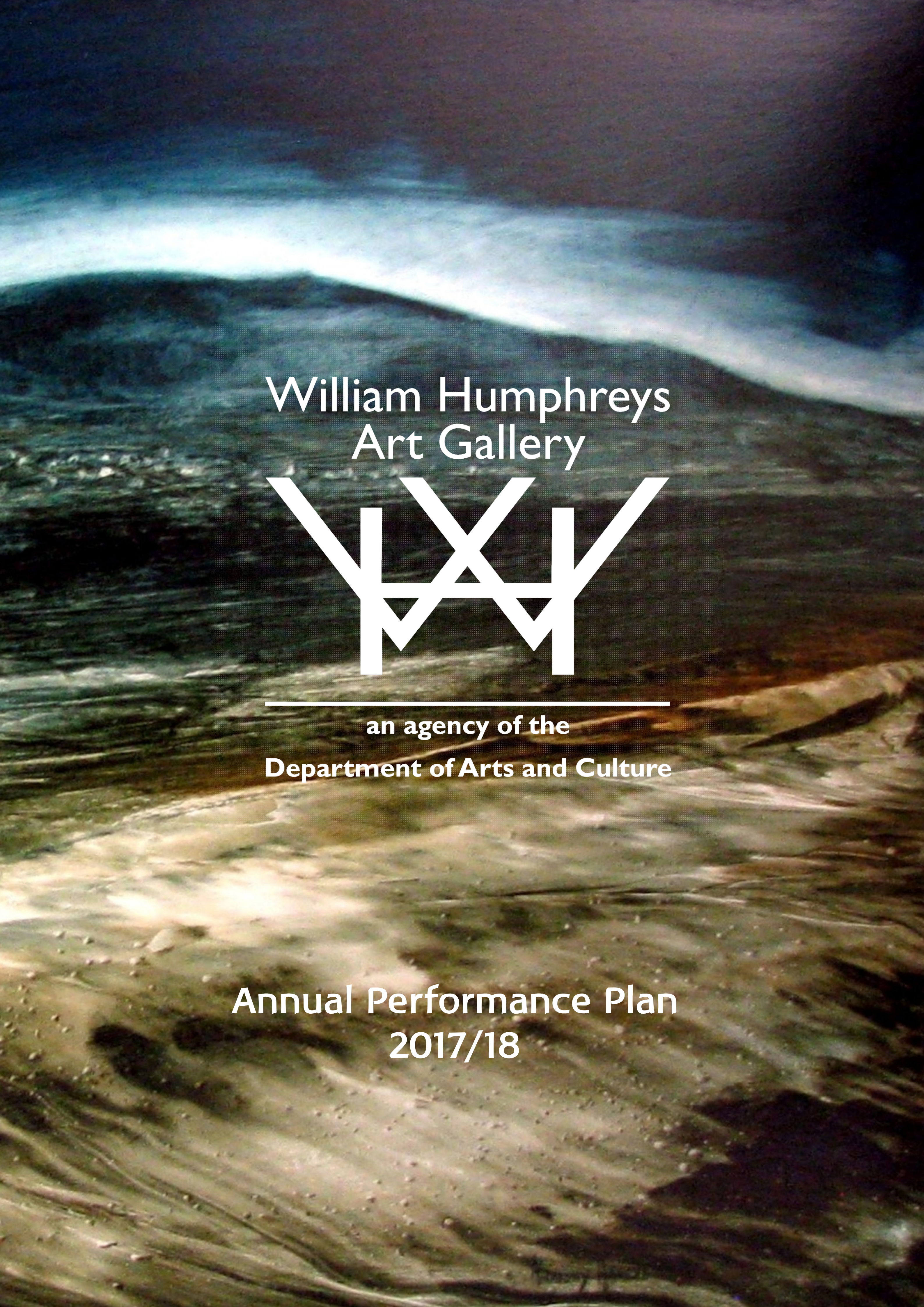


William Humphreys Art Gallery

an agency of the

Department of Arts and Culture

Annual Performance Plan 2017/18

A Public entity of the Department of Arts and Culture

CONTENTS

PART A: GENERAL INFORMATION

1. WILLIAM HUMPHREYS ART GALLERY GENERAL INFORMATION

REGISTERED NAME:	William Humphreys Art Gallery
PHYSICAL ADDRESS:	Cullinan Crescent Civic Centre Kimberley
POSTAL ADDRESS:	P O Box 885
TELEPHONE NUMBER/S:	027 53 8311724/5
FAX NUMBER:	027 53 8322221
EMAIL ADDRESS:	whag@eject.co.za
WEBSITE ADDRESS:	www.whag.co.za
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	Nedbank

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
CFO	Chief Financial Officer
PFMA	Public Finance Management Act
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
SCM	Supply Chain Management
WHAG	William Humphreys Art Gallery
SPU	Sol Plaatje University

3. STRATEGIC OVERVIEW

3.1. Vision

The vision of the institution is to be a centre of excellence in Kimberley, the Northern Cape and South Africa.

3.2. Mission

The William Humphreys Art Gallery provides for the aesthetic and cultural needs of the local community it serves as well as of the people of South Africa. To this end it collects, preserves, documents, researches and exhibits works of art which represent the artistic heritage of all South Africans and utilises its assets for the edification, enrichment and enjoyment of the people. This it does by pursuing the highest standards of excellence and without regard to race, class, creed or gender.

3.3. Values

The values that the institution and staff subscribe to are documented in the South African Museums Association Code of Conduct and the International Community of Museums Code of Ethics for Museums.

3.4. Strategic outcome orientated goals

- **Corporate Governance**

Prior to the adoption of the accounting standard GRAP 103 the William Humphreys Art Gallery had a proud record of unqualified and clear audit reports. WHAG has now had four qualified audit opinions as a result of full compliance with GRAP 103 not being achieved. This issue had been under discussion since 2008 and these qualifications were inevitable, given the fact that the Accounting Standards Board and the National Treasury wiped the concerns of the heritage institutions off the table. Furthermore, unqualified and clear audit reports are becoming increasingly difficult to achieve, not because the management of the institution is regressing, but because the legislation, regulations and accounting standards are becoming more complex and sophisticated and the capacity of the institution has not been concurrently increased so that full compliance is achievable. The cost of compliance with the ever increasing legislative and bureaucratic burden in terms of financial and human resource capacity has clearly not been calculated, and a disproportionate amount of the entity's allocation and resources are budgeted towards this facet of operations, diverting resources from the core function.

Effectively the entire administrative burden is carried by the Director and Chief Financial Officer. As the legislation and administrative burden grows, the ability of two people to perform all these tasks is increasingly strained. Our Executive Authority, the Department of Arts and Culture, remains steadfast in its refusal to reconsider this institution's annual allocation and as a result we are unable to correct the structural weaknesses in the administrative and governance components of the establishment. In the previous period Council embarked on a process to design an appropriate organisational structure and to calculate the cost of an adequate establishment, and the result of this was that only the staff component of an improved establishment would amount to 130% of the current annual allocation. These concerns were addressed to the department but there has been no answer or resolution forthcoming. Council continues to engage the department regarding this weakness which is highlighted by the Internal Audit year after year, and although there are mitigating procedures in place and functioning, the institution will eventually be unable to cope or to comply with the ever increasing administrative burden. The capacity of the institution is stretched in every facet of its operations and an appropriate allocation would see further growth and development of the only national heritage institution in the marginalised Northern Cape Province. This situation is exacerbated by the fact that the Chief Financial Officer will soon leave the employment of WHAG and will have to be replaced. This is easier said than done as the job description is overwhelming, the salary scale is way below the appropriate remuneration for the significance of the work, and the entity is located in Kimberley, which is geographically and culturally isolated.

Similarly, the Director is approaching retirement and the same conditions apply with respect to replacing her. Council considered it advisable to have an overlap between the outgoing top structure and the incoming staff in order that knowledge of the special circumstances of the entity management could be transferred in order to ensure a smooth transition. This too would require support from the department in terms of financial constraints.

In spite of the numerous challenges listed above it is with a huge degree of satisfaction that we have an unqualified audit opinion for the year under review. This has been no easy task.

- **Human Resource Management and Skills Development**

The establishment of the institution is stable and normally there is little or no movement in terms of resignations, retirements or terminations of employment. This negligible movement of staff impacts significantly on the institution's ability to improve the percentage of people employed from designated target groups or people with disabilities.

For the past two decades at least, there have been no notch improvements or promotions. The staff has only received inflation related improvements in conditions of service, and generally this has been lower than what their counterparts in the civil service receive. It is only as a result of their loyalty and dedication to the institution that we have not faced a serious predicament as a result of no career path improvements. This staffing challenge manifests itself especially in cases where the recognition of prior learning remains a hollow promise. The sombre reality is that in real money terms there is no redress for those members of staff who have exceptional skills and are of huge value to the institution. Reward in terms of take-home pay remains firmly linked to tertiary qualification and there is no way in which we can address this problem if DAC does nothing to improve our allocation.

In order to uphold excellent museum standards, ongoing, specialised, in-service staff training is made available to empower staff to fulfil the institution's strategic objectives.
The WHAG Study Policy, with appropriate terms and conditions, permits staff members to apply for financial assistance for tertiary studies if applicable to their job description and the institution's strategic objectives. This enables staff to broaden their skills base, not only for their own benefit, but for that of the institution.

- **Generation of Funds**

The museum has marketed itself as a stylish conference and seminar venue. This not only generates a small amount towards the operational budget, but also attracts new and different working class people to the museum, who might not normally visit the institution. Unfortunately, as a result of the economic downturn and the National Treasury cost containment measures, rentals in this regard have decreased as departments cut their use of outside venues for seminars, conferences and meetings.

From time to time art exhibitions are presented at the gallery which allows the public to purchase excellent works of art. There is no reputable commercial gallery in Kimberley or the Northern Cape and therefore our audience has no opportunity to buy good art. This service to our audience generates a small amount of funding from commission earned, which offsets day-to-day operational expenses.

Interest on investments has added a reasonable amount to the operational budget; however, certain of the investments are ring fenced capital works funds for specific projects and the interest on these funds is capitalised in those accounts.

- **Collections**

Since its inception the mandate of the William Humphreys Art Gallery has been to collect, conserve and hold in trust for posterity, the nation's artistic heritage as part of the national estate. This core function receives constant attention and therefore considerable funding has been budgeted towards transforming the collections so the imbalances that existed as a result of our history have largely shrunk as gaps in representivity have closed. This is ample evidence that the past years' purchasing policy has paid dividends. Historic and contemporary works of excellence by important black artists have been added to the collection. This transformation process, however, is not a quick fix situation and depends on the availability of suitable heritage items on the market as well as funding for their purchase. The ethic of transformation, furthermore, continues on a daily basis at WHAG. It is not a goal that can be fully achieved and crossed off the list but will continue to inform all actions at WHAG. Artworks by other contemporary artists must also be collected in order not to create a new void in the representivity of the collections. The upgrading of exhibitions will occur concurrently with the continued development and improvement in the representivity of the collections.

As the gallery's collections are highly regarded we are frequently requested to loan works to significant exhibitions. The logistics of such an exercise are enormously complex but the benefits and acknowledgement on all levels are beneficial to the institution. WHAG also receives regular enquiries from national and international researchers regarding specific artworks in the collection.

Many larger institutions in the metropolitan areas would be proud to boast such an outstanding collection.

The WHAG Preservation Management Policy ensures that the care and conservation of the collection is an ongoing primary task. All staff members are involved in one way or another, on a daily basis, with this core function. Documentation of the collection on the digital database continues. We have recently purchased a new programme which is used by the majority of South African museums and the information on the previous programme has been imported into an improved database. These activities routinely occupy a substantial amount of daily staff time. All heritage assets are recorded in the manual registers, card system and are captured on the digital database. In a small percentage of cases it is only the photographic documentation that is outstanding on the digital database.

Security of the institution and heritage assets remains a serious concern. The security systems and practices currently in place were the best that could be afforded given the capacity constraints the gallery faces. A looming crisis concerning the aged and almost obsolete security system is a reality, and substantial funding will have to be made available to replace the equipment. Spares for repair to the system are often not readily available and a countrywide search is undertaken to find parts to prop up a system that is legally out of maintenance. We have voiced our concern since 2008, that the disclosure of monetary value of the collections in a public document, as prescribed by GRAP 103, will adversely affect the security of the heritage assets and staff.

The overall condition of the collections is good as a result of the gallery's Preservation Management Plan. Our restorers, Mr Johann Maree (works of art on paper), Mrs Grace Welsh (easel paintings) and Mr Tizzie Mangiagalli (furniture, wood and metals) in the Western Cape, are constantly engaged with the collections. Their excellent professional services, staff training and ongoing involvement in the core function of the institution ensures that best museum practice is adhered to. The institution's dedicated and loyal staff's enthusiasm and high skills level has ensured that the excellent standards that the institution has gained its reputation for have not been compromised. The new young staff members have been receiving special in-house training from these restorers in the different fields of conservation.

Members of staff from the McGregor Museum in Kimberley were sponsored by WHAG to attend all the conservation workshops that were presented for the WHAG staff.

The fact that we have suffered no losses of collection items due to damage or theft during this year is testimony to the success of our preservation management practices and the dedication of the staff.

- **Exhibitions**

There are currently 15 exhibition wings at the gallery. The British and European Old Masters that form part of the Humphreys Bequest and the Humphreys Collection on loan from De Beers are on permanent display in 4 of these wings. The other 11 exhibition wings are used mainly for South African works and rotate regularly so there is constantly something new and exciting for visitors to see and enjoy. Effectively 73.3% of the available exhibition space is devoted to promoting South African art.

Collections and exhibitions are the life blood of an art museum. A balanced, vibrant and lively schedule of exhibitions is planned for each year which includes work from community forums, correctional centres, emerging artists and established artists.

- o Temporary loan exhibitions

  The objective in terms of loan or temporary travelling exhibitions was a minimum of six for the year. Often, as opportunities present themselves, exhibitions are added to the schedule for the benefit of our audience. This depends on the availability of sponsorship, funding and other resources. This year, as in previous years, we have over achieved in this regard.

- Permanent collection exhibitions
  Exhibitions from the WHAG permanent collection of South African art works are usually rotated either side of the temporary travelling exhibitions. A minimum of 10 exhibitions from the WHAG permanent collection are shown during the year.

- Outreach Exhibitions
  Exhibitions of South African graphics from the WHAG permanent collection are taken into the deprived rural areas of the Northern Cape once a school quarter. These exhibitions, coupled with art-making activities and film screenings, are a major component of the outreach programme.

  Because of the vastness of the Northern Cape Province – 30% of South Africa's total area, with a very low population density of 2% - deprivation in every facet of everyday life is a harsh reality. This is particularly pronounced in terms of cultural opportunities. In order to contribute towards the learners' experience in the Northern Cape Province, a programme of outreach exhibitions has been functional since 2002 and as a result of its success has continued to grow. The museum staff takes an exhibition of original South African graphics from the WHAG permanent collection to schools in the deprived rural areas of the Northern Cape once a school quarter. The exhibition is arranged around a theme from the school arts and culture curriculum and worksheets are devised for learners to actively participate in the exhibition. Normally the staff and exhibition remain at the school for a week in order to include as many learners as possible in the activities. Another facet of the outreach event is the inclusion of South African film and literature set work film in the learners' experience. The WHAG Project Leaders are engaged with the teachers in these far flung places who need assistance with the art and culture curricula at schools and in the community. The teachers are not always equipped to deal with art and craft instruction and this outreach action attempts to contribute to their empowerment as teachers, for the benefit of the learners.

  Service delivery in the isolated towns of the Northern Cape is expensive and logistically difficult to achieve. The MTN Foundation sponsored the outreach programme for the year under review, and their generosity in this regard was appreciated. It is also affirming that a preferred Corporate such as MTN has bought into the programme.

  During the year there were four outreach events at Blaawskop Primary School, Kanon Eiland; Aggeneys Primary School, Aggeneys; Colesberg Combined School, Colesberg and Grobblershoop Primary School in Grobblershoop. A total distance of 3720 kms was travelled to these outlying towns in the Northern Cape Province where deprivation on a daily basis is a harsh reality.

- Historic exhibitions

  There are 4 static historic exhibitions from the WHAG permanent collection during the year. These exhibitions showcase the collection that originally belonged to William Humphreys, the gallery's principal benefactor. They include works by 16th and 17th Century Dutch and Flemish Old Masters, British, French and Italian paintings, furniture and other objects d'art. Because of the vulnerability of these artworks they are purposefully not handled frequently, so that the risk of mechanical damage is reduced. Although these precious artworks are not moved in and out of storage, the historic exhibitions still require staff time and effort in terms of maintenance, routine cleaning, conservation, tour groups and security. These artworks, together with the displays of rock engravings and indigenous artefacts, inform contemporary South African art and the visitor is therefore able to visually read and follow the progression through the centuries.

- **Special community projects - Alignment with national imperatives**

Three special community initiatives were maintained to put action to the national imperatives such as skills transfer and development; job creation and poverty alleviation; moral regeneration and social cohesion and building of a national identity.

- **Keadumela – Early Childhood Development**

  The pre-school children from the desperately poor settlements in and around Kimberley are at a huge disadvantage when they begin their formal school careers. This project aims to equip them for a successful school career by stimulating their skills development through art and craft related activities and educational worksheets. It has long been understood and is well documented, that all learning takes place through the senses and there is no better way to encourage and stimulate learning than through art related activity. This project has been running very successfully for more than two decades and will continue for as long as the need exists. This project attempts to lessen the disadvantage that these children from poorer communities suffer when starting their formal schooling. It also attempts to guide the care givers at the day care centres on how to involve the children in constructive, educational activities. Training the trainers, who are often ill equipped to teach these youngsters, also affords the pre-school children a better chance to develop their skills. One hundred and eighteen classes were presented during the year.

- **WHAG Ubuntu Arts and Crafts Workshops – Youth and Women Development**

  This project teaches traditional women's skills to unemployed women from the disadvantaged areas. Instruction in embroidery, beading, fabric painting and mosaic art are offered to groups and community forums. Art and craft workshops for youths from all walks of life take place at the gallery from time to time. Much enjoyment is experienced by these people who don't normally have the opportunity of taking part in art-making activities.

  Mentally handicapped adults residing at Yonder, a Kimberley institution that cares for these special people, have been attending art and craft workshops on a weekly basis for a number of years. They do not have the opportunity of participating in any art making or creative activities and so they thoroughly enjoy what is offered to them at the gallery. On occasion they are treated to a film screening which is also greatly appreciated. There were twenty classes during the year.

  WHAG Ubuntu Prison Project – Art Against Crime - Female Offenders

  For the purpose of easier reporting the project at the correctional facility has been included with other women development initiatives.

  The project presenting craft workshops for female offenders at the Kimberley Prison has been running since 2003 with many offenders reaping the benefits of the project. The primary purpose of the project is to teach the offenders skills with which they can earn a living in the informal sector once they are released from the correctional system. However, it is significant to note that one of the most encouraging spin-offs of the project has been the rebuilding of self-esteem and human dignity of the offenders which reinforces the notion that this project can contribute to moral regeneration and therefore successful rehabilitation of the offenders into society once they have served their sentences.

The Project Leader assists the offenders with the sale of their craft products and this earns them a small amount of funds with which to purchase basic necessities while in the correctional system. Generally the Project Leader visits the group in the Kimberley prison once a week when she takes materials to them and assists with any queries they might have. Product design and development is critical to the success of marketing their craft and contributions in this regard are made by most of the WHAG female staff members. There were thirty seven visits to the Kimberley Correctional Centre during the year.

- **Education and Reference Library**

The library remains a valuable resource for school learners and students taking art as a subject. We continue to improve this facility by acquiring new publications, pamphlets and various monthly and quarterly journals as they become available, within the limits and constraints of the budget. In the library there is internet access available for free for school learners and university students, with three dedicated computers, a printer and scanner for this purpose
The Librarian assists Kimberley school learners in the reference library to research subjects for their assignments. Students from Technicon's and Universities also research information in the library from time to time.

A mobile library of children's leisure reading books is an excellent addition to the outreach programme for Primary School learners. This combination of visual art and books makes powerful educational and developmental sense. Recent statistics reveal a bleak picture. Of the country's more than 25 000 schools, only 11 percent have functional libraries. Of the country's 15 million households, around half have not a single book in them. This means that many millions of children and young people are growing up without access to books which could supplement their basic education and expand their lives. Acquisitions of books for this children's library have come from many donors as well as second hand publications from charity shops. It is difficult to source books in the three official languages in the province that also have the appropriate content. New publications are very expensive and it is small wonder that many families can no longer afford to buy books or even aspire to a small home library. We will be actively trying to attract sponsors and donors in the publishing industry to partner us in this new initiative.

The Visual Culture Studies teacher from the Kimberley Art Centre brings their learners to the gallery so that not only can they study the subject from original artworks on display, but they have many of the reference books on hand in the gallery library from which the lessons are presented and from which they can research their projects. A total number of two hundred and one learners attended twenty two classes during the year.

Special viewings of specific artworks are regularly requested by the teachers from the Kimberley Art Centre. Groups of learners are shown artworks by artists included in the school syllabus that might not necessarily be on display at that time.

Guided school tours are requested throughout the year. There were twenty nine such tours during the year.

Training the Trainers
The Project Leaders will continue to be engaged with a number of teachers that need assistance with the art and culture curricula at schools and in the community. The teachers are not always equipped to deal with art and craft instruction and this project attempts to contribute to their empowerment as teachers for the benefit of the learners. The outreach exhibitions and art making activities that are taken to rural learners in the Northern Cape also assist the teachers who are not qualified to teach art as a subject.

When art workshops are presented at WHAG, art teachers are very often sponsored to attend as this improves the quality of tuition for the benefit of the learners.

- WHAG Film

It is now universally accepted that film is an important visual arts medium. Because of its connection with literature, and theatre in particular, it is also an extremely important medium for the establishment of a South African national identity at a time when national identities are in danger of being overwhelmed by mass produced Hollywood fare. It is also important to note that film is essentially an international medium that can provide an important window onto world issues and do much to counteract the tendency in southern Africa to isolation.

It is for all these reasons that WHAGFILM has been established at WHAG. The institution boasts high-quality equipment for the viewing of all the major film formats. This capability opens significant possibilities for the promotion of South African and African films, and has given rise to a regular film programme that includes screenings of local and/or international films (art movies not available on the commercial circuit) for the general public, as well as English literature 'set work' films for school groups on request. Documentary films on the fine arts and artists are also being shown. School holiday screenings are also presented for youths generally from places of safety, to alleviate boredom and keep them off the streets and out of trouble. WHAGFILM's Resource Centre will continue to be developed so that film students have access to films, books and other related film materials.

As a result of the success of this venture, South African and literature set work films are included in the quarterly Outreach Exhibitions that are taken to schools in the deprived rural areas of the Northern Cape. This adds value to the learners' experience.

We endeavour to screen at least one film per month from any of the genres at the gallery. Additionally, we screen one music DVD or documentary film from any genre per month. A total of 52 screeniings was achieved during the year.

Seventy new DVD's were added to the film library during the year.

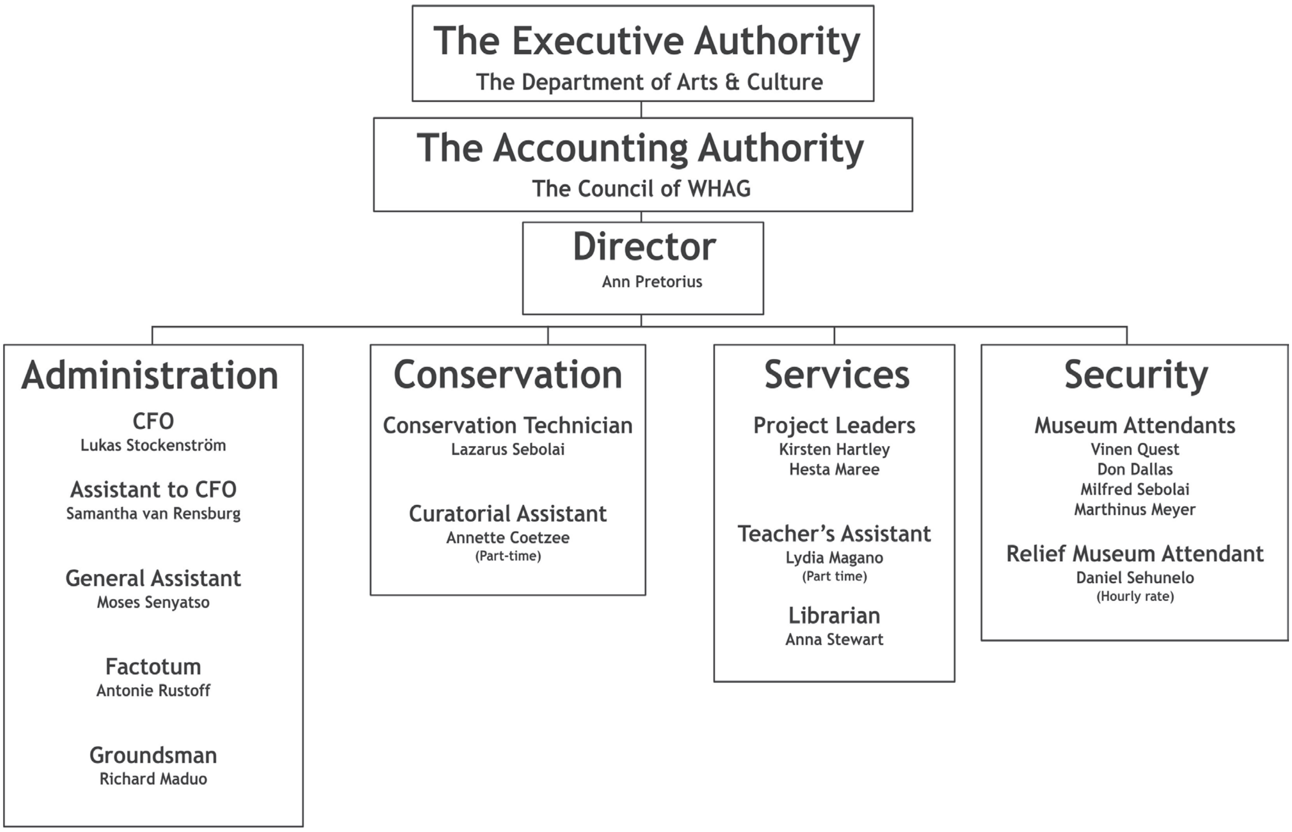
4. LEGISLATIVE AND OTHER MANDATES

In terms of the PFMA the WHAG is a Schedule 3a Public Entity
Since its inception the mandate of the William Humphreys Art Gallery has been to collect, conserve and hold in trust for posterity, the nation's artistic heritage as part of the national estate. Furthermore, the assets and resources within the institution are utilised for the enjoyment, education, enrichment and empowerment of all the people of South Africa. In order to use these assets and resources to contribute towards the rebuilding of the nation, the museum's associated activities are aligned with the national imperatives such as skills transfer, job creation, poverty alleviation, moral regeneration, social cohesion and the establishment of a shared national identity. The institution's activities are multi-disciplinary in nature and the strategic objectives woven through all. It is our belief that the concept of nationhood can be advanced through a shared understanding and use of our national estate, much of which is held in trust in heritage institutions such as the William Humphreys Art Gallery.

The most important strategic objective is to fulfil the institutional mandate which is to collect and conserve South African works of art of excellence and hold these in trust for the nation.

The William Humphreys Art Gallery was declared by the State-aided Institutions Act, No 23 of 1931, on 1 October 1957. While all the laws of the country have reference, as a national heritage institution it is specifically required to comply with the prescriptions of the Cultural Institutions Act, No 119 of 1998 and the Public Finance Management Act, No 1 of 1999.

5. ORGANISATIONAL STRUCTURE



Post Level	African		Coloured		Indian		White	
	M	F	M	F	M	F	M	F
Management								1
Middle management and high level specialists							1	
Supervisor and high level skilled/clerical								4
Lower level skilled/clerical	3		2	1			2	
Very low skilled	1	1						
	4	**1**	**2**	**1**			**3**	**5**
TOTAL	5		3		0		8	

It is clear from the organogram and table above, that there is a void in the middle structure of the establishment. As a result of the constraints of the budget there is no manner in which we can correct this flaw which manifests itself in many ways. A recurring comment raised during the internal and external audits is that there is an inherent weakness in the systems of internal control as adequate segregation of duties cannot be maintained due to the limited number of staff. This risk is an inevitable consequence of the small staff. Pressure is increasing on staff to perform additional tasks as the prescriptions in terms of the Public Finance Management Act create a bigger workload. These additional tasks are added to job descriptions after negotiation, but it is becoming evident that the staff members are over extended. We also run the risk of exploiting this corps of dedicated workers as we continually increase their work load. They have received no additional remuneration or performance bonuses other than the annual inflation related improvements, as the institution has been granted no real improvement in the allocation for the last two decades at least.

6. FOREWORD BY THE CHAIRPERSON

CHAIRPERSON'S OVERVIEW: WHAG ANNUAL REPORT: 2017/2018

In the absence of the Chairperson, Mr T Mufamadi, the Deputy Chairperson has been required to lead Council in the discharging of its duties. Therefore, this foreword is presented by Ms T Mngomezulu.

Two significant developments are detailed in this 2017-2018 annual report. The first is that both the director Ann Pretorius and Chief Financial Officer Lukas Stockenström will be retiring before the end of 2018. This dual departure of the Gallery's senior executive marks the end of an era. For just a few years short of two decades, the gallery has excelled – particularly on two fronts. The deliberate building of one of the finest collections of works by black artists in the country; and the equally deliberate determination to make art and the arts in general more accessible through regular outreach into the marginalised Northern Cape hinterland and through audience development programmes in Kimberley itself. Thanks to a rigorous internal overhaul of the Gallery's finances, substantial amounts from the modest DAC allocation were released to support these endeavours.

Faced with the loss of both the director and the CFO more or less simultaneously, the Council is now challenged to make provisions for their replacement. The situation is exacerbated by the job descriptions of both positions which have become overburdened by steadily increasing bureaucratic demands accompanied by relatively low salary packages which have not kept pace with these snowballing responsibilities. Council has established that a full overhaul of the staff complement, based on conditions and salaries prevailing at other DAC entities, would cost 130 percent more than the Gallery's current allocation.

The second development to come out of this report concerns the problems experienced after the DAC adoption of the GRAP103 accounting standard. It has taken four years and four qualified audits – and an immense amount of entity-level hard work – for the gallery to comply. But this has now been achieved, and must rank as a significant achievement for the outgoing management and the Council during the period under review.

But one regime is inevitably followed by another. And the gallery's Council is determined to solve the problems of succession without sacrificing too many strategic goals, and to recover the proud unqualified audit record that the gallery enjoyed before the intervention of GRAP103.

Thoko Mngomezulu

DEPUTY CHAIRPERSON
WILLIAM HUMPHREYS ART GALLERY

7. DIRECTOR'S OVERVIEW

The Annual Report for the William Humphreys Art Gallery for the year ended 31 March 2018 is submitted in terms of the Public Finance Management Act, No 1 of 1999, to the Minister for the Department of Arts and Culture, the Hon Mr Mthethwa.

INTRODUCTION

As the mandate and associated activities of the William Humphreys Art Gallery are so specific, the activities do not diverge to a great extent in terms of character or content. This results in reporting remaining similar from one cycle to the next. As in the past, the consistency with which the entity has performed well, often under pressured and trying circumstances, is an achievement one can justifiably be proud of. The success of this institution and the accomplishment of the strategic objectives is the result of dedicated and loyal staff members who continually give their best.

COUNCIL

In terms of the Public Finance Management Act the Department of Arts and Culture is the Executive Authority and the Council of the William Humphreys Art Gallery is the Accounting Authority. The members of Council are appointed by the Minister for Arts and Culture. In terms of an agreement with the Minister we are also permitted to have representatives from the Sol Plaatje Municipality, the Friends of the WHAG and De Beers Consolidated Mines Limited.

The outgoing Council was appointed from 1 December 2014 and their term of office ran until November 2017.

Mr DC Robbins	Chairperson
Ms NTC Mngomezulu	Deputy Chairperson
Prof E Marais	Chairperson Acquisitions Committee
Mr EF Neluvhalani	Chairperson Financial Committee
Mrs M Bossenger	De Beers Representative
Prof NV Makunga	
Mrs BG Khubeka	
Mr TA Mufamadi	

New Council from 1 December 2017

Mr T Mufamadi	Chairperson
Ms N Mngomezulu	Deputy Chairperson
Prof E Marais	Chairperson Acquisitions Committee
Mr E Neluvhalani	Chairperson Finance Committee
Mrs M Bossenger	De Beers Representative
Mrs B Kubheka	
Ms T Mngadi	
Dr R Peach	
Prof P Burger	
Mr P Masilo	

RACE AND GENDER REPRESENTIVITY OF COUNCIL

African		Coloured		Indian		White	
M	F	M	F	M	F	M	F
3	3					2	2

Council met on 23 May 2017, 15 August 2017, 23 November 2017 and 1 March 2018.

Financial Committee met on 15 August 2017.

Acquisitions Committee met on 23 May 2017, 11 August 2017, 23 November 2017 and 1 March 2018.

The Audit Committee met on 22 May 2017, 8 Aug 2017, 28 May 2018 and 20 July 2018.

The new Council attended an Induction Workshop presented by the DAC in Pretoria on 27 January 2018.

The new Council attended an Induction Workshop on 10 and 11 April in Kimberley at WHAG.

GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

The institution's financial statements reflect that the institution is a going concern and that there were no losses, fruitless or wasteful expenditure.

The Auditor-General's report for the previous financial year was qualified as a result of full compliance with GRAP 103 not having been achieved. Compliance with this accounting standard was not achieved because the institution did not have funds with which to perform the last remaining component of the accounting standard in respect of the valuation of those heritage assets which were reflected at nil as a result of the fact that they were donated during the 64 years of the gallery's existence. The entity also elected to use the value at historic first entry into the collection, which is more complicated than using the current market value. Valuing the donated items retrospectively has been slow in terms of finding the required expertise and willingness to perform the task. While this has been a complex issue the entity will not have to repeat the exercise while those entities that used the current market values will have to repeat the process every three years, depending on the Auditor-General's definition of 'regular intervals'. This will also not be a percentage calculation but the same laborious item for item procedure. The cost in terms of finance and human resources will be the same as the initial evaluation process.

Other than this difficult and technically complex issue, a fine record of the well-being of the institution is reflected in the table of audit opinions since 2001 which, in spite of the GRAP 103 qualifications, can only be considered as evidence of the clean administration of the institution. The previous qualifications were not within our scope of control.

2001	Unqualified	1 Emphasis of Matter	Attended to
2002	Unqualified	1 Emphasis of Matter	Attended to
2003	Unqualified	2 Emphasis of Matter	Council accepts small staff is a risk Attended to
2004	Unqualified	Clear	
2005	Unqualified	1 Emphasis of Matter	Attended to
2006	Unqualified	1 Emphasis of Matter	Attended to
2007	Unqualified	Clear	
2008	Unqualified	Clear	
2009	Unqualified	Clear	
2010	Unqualified	Clear	
2011	Unqualified	Clear	

2012	Unqualified	1 Emphasis of Matter	Attended to
2013	Qualified	Grap 17: Property, Plant and Equipment	This issue is technical of nature and was attended to
2014	Unqualified	Emphasis of matter	Attended to
2015	Qualified	Full compliance: GRAP 103: Valuations of Heritage Assets	Ongoing
2016	Qualified	Full compliance: GRAP 103: Valuations of Heritage Assets	Ongoing
2017	Qualified	Full compliance: GRAP 103: Valuations of Heritage Assets	Ongoing
2018	Unqualified	Emphasis of matter	Attended to

The institution takes pride in its long history of unqualified audit reports but has stated on a number of occasions that the requirements as per the Auditor-General's audit plan simply do not fit such a small institution with its limited allocation and capacity constraints. This one-size-fits-all attitude is even more inappropriate given the current economic environment and the fact that the Executive Authority and the National Treasury have stated emphatically that additional funds will not be forthcoming.

With the state grant at its current level, the WHAG can only be considered a small to medium entity. Due to the PFMA and the auditing standards making no allowance for small to medium entities we consider the cost of auditing excessive. The Public Audit Act 25 of 2004 permits an institution with limited finances to pay 1% of its total expenditure plus VAT, for the audit fee but the balance of the audit fee is becoming ever more difficult to resolve as the Auditor-General continues to send the gallery letters of demand. Note should be taken that the Trade and Receivables from non-exchange transactions indicates more than ninety days outstanding (refer Note 17 to the AFS). This amount represents the balance of audit fees claimed from the National Treasury by the Auditor-General and is directly linked to the Trade and Other Payables which includes the Auditor-General account payable (refer Note 20 to the AFS). The cost of the Auditor-General's audit plan is spiralling upwards at an alarming rate and urgent attention should be given to designing an audit package for small institutions such as WHAG. Furthermore, a small staff such as this, is overburdened with regulations and processes which detracts tremendously from the core function of the entity.

The Audit Committee recommended that Council approve the Annual Financial Statements at their meeting of 28 May 2018.

The Audit Committee met with the Auditor-General and his officials on 20 July 2018 to discuss the Final Draft Audit Report.

The Internal Audit for the year under review was performed and the status of records review was performed up to 31 March 2018. The books and records were found to be written up to date and that all key reconciliations were well and timeously prepared. A recurring comment is that there is an inherent weakness in the systems of internal control as adequate segregation of duties cannot always be maintained due to the limited number of staff members. This risk is an inevitable consequence of a small establishment and the Audit Committee and Council put additional review procedures in place after the weakness was identified in 2003, in order to address the issue. The Audit Committee recommended that Council accept the Internal Audit Report at their meeting of 28 May 2018. Council accepted this report at their meeting of 8 August 2018.

The institution received monthly transfers from the Department of Arts and Culture totalling R8 967 000.00 and the spending trends at the institution remained within the constraints of this annual allocation and the budget.

The institution was able to generate 5.8% of its total income from rentals, sales of goods and services, interest on investments, admission fees and subscriptions.

The institution is obliged to comply with the prescriptions of the National Treasury for the preparation of the Annual Financial Statements and they are therefore reflected in a specific format. For the non-financial reader of the report we have calculated the core function operating expenses in percentages against the allocation as follows:

Staff Expenditure	50.16%
Art Purchases	16.12%
Insurance	3.19%

The Gallery is open Mondays to Fridays from 08:00 – 16:45; Saturdays 9:00 – 16:45 and Sundays and Public Holidays 09:00 – 12:00. The Gallery is closed on 25 December, 26 December, 1 January and Good Friday. The admission tariffs are set by Council. Access is never denied to people who cannot afford entry. This admissions policy enables people from all walks of life easy access to the institution.

Gallery Admission Fees	
Adults	R5.00
Scholars	R2.00
Students	Free entry on presentation of student card
School Groups	Free for schools from disadvantaged areas Donation from schools in privileged areas

Complimentary tickets and invitations are hand delivered to schools and other institutions as part of a pro-active outreach action to market the monthly exhibitions as well as other events.

The institution is marketed as a stylish conference and seminar venue and the rental generated from this venture supplements our annual allocation. Rental for use of the venue is agreed on by Council as follows:

Gallery Admission Fees	
Adults	R5.00
Scholars	R2.00
Students	Free entry on presentation of student card
School Groups	Free for schools from disadvantaged areas Donation from schools in privileged areas

Additional costs are payable for the use of special equipment and overtime payment for Museum Attendants after hours.

STRATEGIC PLAN

The institution has achieved the strategic objectives as defined in the Strategic Plan and Annual Performance Plan for the period under review. In some instances we have surpassed the goals set and this is entirely as a result of the dedication and enthusiasm of the small staff at the institution. The performance information reflects that the staff has performed well against the institution's predetermined objectives.

COLLECTIONS

Without doubt, the most exciting highlight for the period has been the acquisition of new artworks for the permanent collection. The collection is the life blood of this museum and the transformation of this collection is ongoing. There are no quick, easy victories in this regard as this is dependent on the availability of appropriate art works on the market, as well as the market price for heritage items. It is also necessary to keep abreast of new developments which need to be collected so as not to create new gaps or imbalances in the collection. The budget for purchasing is not what it should be as a result of our annual allocation. The table below indicates what has been spent by Council over the past few years.

Financial Year	Funds spent on acquisitions of artwork	Percentage of allocation
2004/5	R588 000.00	17%
2005/6	R776 966.00	26 %
2006/7	R407 089.00	12%
2007/8	R834 000.00	22.6%
2008/9	R925 762.99	22.8%
2009/10	R729 158.56	16.5%
2010/11	R971 197.20	20.4%
2011/12	R1 278 448.00	26%
2012/13	R594 349.50	11.3%
2013/14	R1 624 346.00	28.93%
2014/15	R1 058 801.00	17.77%
2015/16	R1 169 818.00	18.77%
2016/17	R1 246 000.00	19.00%
2017/18	R1 445 713.60	16.12%

The WHAG permanent collection is highly respected and requests for loans for major exhibitions, both international and local, continue to be received. Many art museums in the metropolitan areas would be proud to boast a collection as representative as this collection, housed in a largely underfunded and marginalised museum. International researchers as well as South African researchers frequently request information pertaining to the WHAG permanent collection. From time to time artworks from the collection appear in international and national publications about art and artists.

The overall condition of the collections is good as a result of the museum's Preservation Management Plan. We are grateful to our restorers, Mr Johann Maree, Mrs Grace Welsh and Mr Tizzie Mangiagalli for their excellent service and their constant attention to our needs in respect of works of art on paper, easel paintings, furniture, other wooden items, metals, glass and ceramics. During the year there were 4 visits by the restorers to do routine inspections, on site treatments and staff training. This concentration of attention on all components of the permanent collection involved almost every member of staff during the year under review and is evidence of the seriousness with which we view the preservation of this priceless collection.

We have spent as much on security of the collections as our budget will allow. The building is well covered with intruder detection systems which are armed and monitored during closing times. There is an armed reaction service in place. There are closed circuit TV cameras inside the building as well as outside around the full extent of the premises. There are security beams on the perimeter of the property. During opening times we have museum attendants on duty who accompany visitors through the exhibitions. There is a fire detection system in place and fire fighting system in the storage area. This system is linked to the Sol Plaatje Municipality Emergency Department and the security company. The insurance of the collections is as good as the market can offer and the financials reflect that we have not stinted on the premium for top quality cover. In spite of all of these precautions it is currently a matter of concern that African heritage is under threat and our informed opinion is that GRAP 103 will exacerbate vulnerability of our collections as well as posing a risk to the staff who work in these entities.

It is also important to note that the security system currently in place is old and out of maintenance. It will be necessary to replace the complete system in due course with new technology that can be maintained. This will be an expensive exercise.

COMMUNITY PARTICIPATION

All the museum activities are multi-disciplinary in nature and achieve the mandate of the entity as well as involving the institutional resources and expertise to contribute to nation building. One of the highlights in this regard was the outreach to the Resthaven Old Age Home in Ashburnham on Mandela Day. The participants in the prison project knitted scarves for the residents at the old age home. The participants in the prison project also made teddy bears out of old socks and donated them to Thusong Children's Centre, Sinothando and Bophelo Children's Homes.

The WHAG also hosted a boot sale in the museum gardens. This gave the community a chance to sell items that varied from arts and crafts, second-hand items and non-perishable foods.

We have hosted many music concerts in the gallery venue. Certain of the examinations, South African and International, for local music school learners, are conducted in the gallery on our own Steinway Baby Grand Piano.

Our scholar in residence, peace activist, multidisciplinary & international artist, Mr Théog▯ne Niwenshuti, has use the gallery venue to present a series of dance workshops called "Celebrating Africa, Celebrating Humanity: African Dance Exchange Month". These workshops focussed on African dance traditions inspired by history, memory, people, philosophy, science, culture and life in Africa.

WHAG continues to be involved with the Sol Plaatje University in a number of ways. We have hosted a number of public lectures in our auditorium organised by the university. WHAG will become a primary resource for these students in many ways as we develop our association and add value to the heritage studies faculty. We have also been involved with the SPU students who study B.Ed and have devised and presented the life skills module for intermediate phase teaching students at WHAG. This will be an annual collaboration and we look forward to becoming an indispensable partner of this long awaited university.

PARTNERSHIPS AND LINKAGES

As a result of limited resources and capacity constraints, external funding, partnerships and linkages are sought to offset the expense of our special community projects as well as to enhance our staff capacity. Outside expertise offsets the limitations and constraints of a very small staff and to this end a network of experts and professionals has been forged to assist in WHAG activities and objectives at no cost to the institution. It has also been of great assistance to have experts and academics in the metropolitan areas and national tertiary institutions participate in an advisory capacity at the museum. Through the informed opinions and advice of this body of friends we have been able to keep abreast of developments in our field in spite of our isolation.

The annual Gariep Kunstefees has taken place in the museum precinct in the Civic Centre since 2001. Since that time the festival utilised many of the museum exhibition wings and other facilities for cabarets, live music, drama and discussions that are normally part of the festival. Special visual art exhibitions were arranged for the festival by WHAG as well as the normal exhibitions from the WHAG permanent collection. This event has been one of the most significant outreach and audience development opportunities annually, as hundreds of people who would not normally visit the museum take part in the festival.

WHAG is excited to be the platform for an intern who is sponsored by VANSA (Visual Arts Network of South Africa), to commence her career in the arts industry. Working as an intern at

WHAG provides a broad experience of the gallery / museum environment which would assist a young person to decide what career paths are available in this field. An internship develops people skills, which are critical in any career path, as well as broadening their expertise by applying the knowledge learned at tertiary level in a practical way in the working environment. Not only will an internship at WHAG provide experience and lay the foundation for future career avenues but WHAG will also greatly benefit by having additional help in its daily operations.

Volunteers are also used from time to time and linkages to other departments and institutions are also forged in order to maximise the benefits of various projects which have synergies with our own strategic objectives, to the community.

It is also necessary for the institution not only to have partners but to be a partner in the heritage sector and our community. The WHAG has become a partner to many outside corporate, public and private institutions that require expertise and assistance with their numerous and varied projects. This concept of the institution being a partner to other organisations emphasises the notion of serving the community by being an accessible centre of excellence.

WHAG works well with provincial counterparts and colleagues, both at departmental level as well as at their various entities in Kimberley and the Northern Cape. This spirit of co-operation between different levels within the heritage sector adds value to any event that has a common purpose.

CHALLENGES AND CONSTRAINTS

The building that houses the William Humphreys Art Gallery belongs to the State but Council is responsible for all routine, day-to-day maintenance and repair work up to R100 000.00 per item. It is becoming impossible to maintain the building, which essentially is a state asset, in tip top condition with our available funding. Previously we were able to record our appreciation for the manner in which the Regional Office of the Public Works Department maintained the specialised services, such as fire detection and environment control systems, in our building. This, however, is no longer the case and we are constantly frustrated by the simplest routine requests which are thwarted in one way or another. Service delivery in this regard has ground to a standstill. The Regional Office has failed to maintain or repair the climate control systems that are vital for the well-being of the collection. They have neglected to attend to this basic duty and we are now confronted with climate control systems that are entirely dysfunctional. The sophisticated technology has been trashed by incompetent service suppliers appointed by the PWD and we have had no climate control for at least two years. Similarly, they are responsible for the fire detection and fire fighting systems. They have also neglected this area of their responsibility to the extent that our building is no longer compliant in this regard. The well-being of the building that houses the collection is the first line defence of the Preservation Management Plan and the fine state of the collections is reliant on the understanding and service of the Public Works Department. Even more importantly, the safety of the staff and tourists has been compromised by their lack of service delivery.

In the reports for the prior years we have documented the fact that every facet of the institution has grown enormously and we are now constrained in a number of ways – financial, human resource, exhibition, storage and working space. Not only does this impact on our ability to develop the core functions and projects of the institution, but also on the strategic objectives in terms of service delivery. An institution of this calibre should have, as an essential part of its establishment, a Deputy Director, Human Resource Officer, Curator, Collections Manager and Exhibitions Officer in order to successfully achieve all aspects of its core function and strategic objectives. The Director and Chief Financial Officer have to fulfil all the functions of these positions which is becoming increasingly difficult as the institution continues to grow and the administrative burden grows concurrently. These positions are not vacant as they have never been created due to the fact that the annual allocation makes no provision for growth of this nature. These constraints impact negatively in the following ways, the first being as reported in the paragraph dealing with the Internal Audit and the lack of adequate segregation of duties, and secondly, it is nigh impossible to introduce an acceptable staff evaluation system as there are too few members of staff to reasonably administer such a system. Because there are no performance bonuses paid to members of staff, or salary notch improvements, this absence of an evaluation system has had no serious ramifications as yet. The Department of Arts and Culture, as well as the National Treasury, have indicated that there will be no additional funding forthcoming for new posts or improvements in conditions of service other than the normal inflation related increase. However, Council has discussed the fact that such a system should be in place to ensure good human resource management, but with such a small establishment it is not an attainable objective at this time. In the absence of a staff evaluation system the performance management information reflects that the staff has performed well against the stated objectives as noted in the strategic plan.

HIGHLIGHTS

In spite of constraints and challenges it has been a good year in which we were able to achieve our goals and in which there were many highlights.

The most exciting and rewarding facet of our operations is, without doubt, the successful acquisition of excellent South African works of art. We have continued to add artists who were not previously represented and witness the collection transformed from one that was rightly criticised for being too Eurocentric, to one that can truly boast being representative of all South Africans. We will continue to assert that the WHAG permanent collection, as part of the National Estate, can effectively play a part in mediating our history and thereby assist in establishing a shared national identity and forge a new direction to the future. We have articulated a concept for a permanent exhibition which illustrates the long winding account of the struggle against colonisation, through apartheid and the oppression of Black Africans into Democracy. This exhibition could become an integral chapter of the Heritage Liberation Route in the Northern Cape. To this end we have mounted an exhibition entitled Contested Spaces which is a precursor to a much larger exhibition. It is a very powerful visual statement about the struggle and we trust that our Executive Authority will buy into our vision and allocate funds for the construction of a large dedicated exhibition wing for this purpose.
The MTN Foundation's Art Collection Partnership Programme, has since 2015, searched for strategic partnerships with institutional museums and galleries. Therefore, by recognising the impact of the WHAG's educational outreach programme, the MTN Foundation was pleased to once again join forces with WHAG as a trusted partner of over 14 years to further support and fund the outreach initiative.

Service delivery in the Northern Cape is logistically difficult and very expensive given the vastness of the province and the deprivation that exists in every facet of our community's experience. This year the WHAG Mobile library was added to the outreach programme. The aim of this programme is to promote the love of leisure reading in younger learners. With funding reprioritised especially for the Mobile Library, WHAG was able to buy a new vehicle which will be used to travel to the outreach destinations.

As a result of cost containment measures we scaled down on expensive travelling loan exhibitions and made greater use of the permanent collection. A number of very fine exhibitions were curated around different themes and they were very well received by our audience. We envisage continuing in this manner without compromising the quality or variety of our annual exhibition schedule.

This year our scholar and artist in residence, Mr Théogène Niwenshuti presented several dance workshops and lectures and facilitated difficult conversations and dialogues with the SPU Anthropology and Heritage Studies students and to other participating members of the community.

Théogène Niwenshuti was born and grew up in Rwanda, in the Great Lakes and East-Central African Region. He survived genocide and other crimes against humanity that took place in the 90's. He has since then dedicated himself to peace and human rights activism, conflict resolution and genocide awareness, education, research and prevention. He completed his MA degree (cum laude) from Wits School of Arts in Johannesburg. He is an international and multidisciplinary facilitator, artist, scholar, speaker, educator, coach and consultant. Currently he is researching for his PhD on the exhibition entitled Contested Spaces at WHAG. It is an enriching experience to have him resident at WHAG as a valuable member of the WHAG family.

We have a special relationship with a group of mentally handicapped adults from an institution called Yonder and when one witnesses the enjoyment these people experience and derive from art activities, the healing and therapeutic benefits of art become very apparent. A total of twenty two art workshops were presented and we will continue to involve this institution in the WHAG programmes.

APPRECIATION

Again, I must record our appreciation of the institution's dedicated and loyal staff whose enthusiasm has ensured that the excellent standards that the institution has gained its reputation for have not been compromised.

It is also necessary to thank the council members whose interest, expertise and involvement have added value to an institution with a proud history of museum best practice and sound financial management. Not only this, but also an excellent record of producing exceptional results.

Ann Pretorius
DIRECTOR
WILLIAM HUMPHREYS ART GALLERY

Part B: PERFORMANCE INFORMATION

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2018

The Director is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Director is responsible for establishing, and implementing, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indictors and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2018.

The William Humphreys Art Gallery performance information for the year ended 31 March 2018 has been examined by the external auditors and their report is presented on page 36.

The performance information of the entity set out on page 24 to page 26 was approved by the Council.

Mrs A Pretorius
DIRECTOR
WILLIAM HUMPHREYS ART GALLERY
29 July 2018

2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 36 of the Report of the Auditors Report, published as Part E: Financial Information.

3. OVERVIEW OF WILLIAM HUMPHREYS ART GALLERY'S PERFORMANCE

3.1. Service Delivery and Organisational Environment

Notwithstanding the fact that the gallery has a very small establishment, the strategic goals have been pursued by a dedicated team and the performance management information presented in this report will bear testimony to this fact.

Apart from these human resource constraints, the gallery has a small annual allocation and its ability to generate even a small contribution to its financial resources, is limited. In spite of the constraints of the allocation and the budget, the gallery has been able to meet the obligations of its mandate and service delivery to the public.

The institutional environment is excellent as a result of the motivation and dedication of the staff. There has been very little staff turnover and no staff disciplinary actions or unrest. However, it is necessary to place on record that as a result of the staff component being so small, pressure is increasing on staff to perform additional tasks as the prescriptions in terms of the Public Finance Management Act create a bigger workload. These additional tasks are added to job descriptions after negotiation, but it is becoming evident that the staff members are over extended. We also run the risk of exploiting this corps of dedicated workers as we continually increase their work load. They have received no additional remuneration or performance bonuses other than the annual inflation related improvements, as the institution has been granted no real improvement in the allocation for the last two decades at least. The Department of Arts and Culture, as well as the National Treasury, have indicated that there will be no additional funding forthcoming for new posts or improvements in conditions of service other than the normal inflation related increase.

It is also significant to note that there is a void in the staff establishment due to the fact that there is no middle management structure. The total administrative burden is carried by the Director and Chief Financial Officer. Institutions of this size and stature should have, as an integral part of its establishment, a Deputy Director, a Human Resources Officer, a Procurement Officer, a Curator, a Collections Manager and an Exhibitions Officer. The Director and Chief Financial Officer have to perform all these functions with the balance of the tasks being delegated to other staff members with different line functions. These posts are not vacant as the institution has never had the funds with which to create the posts and we are constantly informed that there will be no additional funding forthcoming.

A significant implication of the fact that there are limited top and middle managerial resources is that it is nigh impossible to implement a staff performance appraisal and incentive system. The Director and Chief Financial Officer would be incapable of achieving this task alone to the satisfaction of the staff and unions. It is also a fact that the limited financial resources preclude the payment of incentives to staff who achieve good results. However, in the absence of a staff evaluation system the performance management information reflects that the staff has performed well against the stated strategic objectives as noted in the strategic plan.

The Auditor-General's report is evidence of the fact that the financial management of the institution's limited resources is excellent in spite of the qualifications received as a result of GRAP 103, which is beyond our scope of control.

We have attended to our core function with diligence and have also utilised our assets to contribute towards the national imperatives through the development of our special community projects. We believe that within the constraints of our human resource and financial capacity we have complied with the spirit and intent of the Strategic Plan. We believe we have achieved excellent results with the allocation and fulfilled the gallery's strategic objectives for the period under review.

3.2 Key policy developments and legislative changes

There have been no significant mandatory, policy or legislative changes to the WHAG in the year under review.The mandate, core functions and associated programmes do not change in essence from one year to another and therefore the planning and reporting remains similar from one cycle to the next. The gallery is working at full capacity and in the absence of an improved allocation the gallery will have to be content to maintain the current outputs. In fact, as inflation eats into the limited funding we receive, and as the National Treasury cost containment instructions are announced, we are in very real danger of having to curtail our operations. Growth and development can only be achieved with improved financial and human resources. In order to expand our activities and outputs it would be necessary for our Executive Authority, namely the Department of Arts and Culture, to share our vision and re-evaluate our subsidy to fund further growth and development.

3.3 Strategic Outcome Oriented Goals

Our single most important strategic objective is to fulfil the terms of our mandate which is to collect, conserve and hold in trust for perpetuity, the artistic heritage of the people of South Africa as part of the National Estate. The Strategic Plan was underpinned by an unambiguous transformation ethic and towards this end we directed our associated activities at a specific target group which included unemployed black women from the informal settlements in and around Kimberley, female offenders from the Kimberley Correctional Centre and mentally and physically disabled youths and adults from various institutions and places of safety in our community. The performance information below is evidence of the fact that we have achieved the goals as reflected in the Strategic Plan.

4. PERFORMANCE INFORMATION

PROGRAMME:	Administration				
WHAG Strategic Goal	**Programme Strategic Objective**	**Programme Measureable Objective (SMART Output)**	**Programme Performance Indicator (Unit of Measurement)**	**Annual Target 2017/18**	**Actual Performance Results 2017/18**
Administration and Governance	To improve compliance with government prescripts coordinate and align entity with executive authority	To develop and submit the plans, reports and MTEF database in compliance with the PFMA	Number of Quarterly Reports submitted	4 Quarterly Reports will be submitted	4 Quarterly Reports were submitted Achieved
	To submit Annual Report to Executive Authority and Parliament timeously	Annual Report	Approved Annual Report	Annual Report will be submitted	1 Annual Report was submitted Achieved
	To submit Strategic Plan and Annual Performance Plan timeously	Strategic Plan and Annual Performance Plan	Approved Strategic/Annual Performance Plan	Annual Performance Plan will be submitted	Annual Performance Plan were submitted Achieved
	To submit ENE and MTEF database timeously	ENE and MTEF database	Final MTEF database submitted	MTEF database will be submitted	MTEF database was submitted Achieved
	To ensure effective and efficient use of State funds	Keeping expenditure trends in line with budget allocations	Rand value of allocation	R8 967 000	R 8 774 809 Achieved
	Full compliance with PFMA and Accounting Standards	Clean audit report	Unqualified audit report	Unqualified Audit Report	Achieved
		Generation of funds within gallery	Rand value of total income	R342 000	R520 000 Achieved
	To enhance capacity to deliver on mandate towards realisation of the vision	Implement programmes geared towards increasing capacity within gallery	Number of training interventions implemented	4 Training interventions will be implemented	6 Training interventions were implemented Achieved
PROGRAMME:	**Business Development**				
WHAG Strategic Goal	**Programme Strategic Objective**	**Programme Measureable Objective (SMART Output)**	**Programme Performance Indicator (Unit of Measurement)**	**Annual Target 2017/18**	**Actual Performance Results 2017/18**

Transformation and development of the WHAG permanent collection	To improve quality of collection	To purchase artwork for the WHAG permanent collection in order to redress imbalance and representivity	Rand value of the allocation spent on purchasing artwork	R1 200 020.00	R1 445 713.69 Achieved
Preservation of collections	Preservation management	To maintain an optimum environment for preservation of art collection	No losses	No Losses	No losses Achieved
Preservation of collections	Preservation management	Regular inspections by restorers	Number of visits by restorers	4 Visits will be made	4 Visits were made Achieved
PROGRAMME:	**Public Engagement**				
WHAG Strategic Goal	**Programme Strategic Objective**	**Programme Measureable Objective** **(SMART Output)**	**Programme Performance Indicator** **(Unit of Measurement)**	**Annual Target 2017/18**	**Actual Performance Results 2017/18**
Increased awareness of South African cultural identity	Showcasing the heritage assets for enrichment and edification of domestic and international audience	Presentation of temporary loan exhibitions	Number of temporary loan exhibitions presented	6 Exhibitions will be presented	13 Exhibitions were presented Achieved
	Showcasing the heritage assets for enrichment and edification of domestic and international audience	Rotating exhibitions from WHAG permanent collection	Number of exhibitions from permanent collection	10 Exhibitions will be presented	11 Exhibitions were presented Achieved
	Showcasing the heritage assets for enrichment and edification of domestic and international audience	Outreach programmes presented to school learners in Northern Cape	Number of outreach programmes presented	4 Outreach programmes will be presented	4 Outreach programmes were presented Achieved
Increased awareness of Western influence on South African art	Showcasing historic background of development of contemporary South African art	Maintenance of historic exhibitions from WHAG permanent collection	Number of historic exhibitions	4 Exhibitions will be maintained	4 exhibitions were maintained Achieved
Mainstream the role of arts, culture and heritage	Contribute to skills development, job creation, poverty alleviation, moral regeneration and social cohesion	Implementation of special community projects	Number of special community projects implemented	3Projects will be presented	3 Projects were presented Achieved
Access and audience development	Film as a powerful tool to contribute to enhancing national identity and education	Film, music and literature set work screenings to add value to visitor experience	Number of screenings	30 Screenings	52 Screenings Achieved

Development of a specialist reference library	Benefit of staff, school learners, tertiary students and researchers	Access and audience development	Number of publications acquired	40 Publications will be acquired	70 Publications were acquired 151 Publications for the children's library were acquired Achieved

5. SUMMARY OF FINANCIAL INFORMATION

Programme Expenditure

These programmes, budgets and actual expenditure costs are as per the template for the National Treasury MTEF period. Capitalised items are not included. Art purchases are reported in the Director's overview. The balance of the external audit fees exceeding 1% of total expenditure, plus VAT, is also not included in this table. This balance is reflected purely as a book entry.

	2016/2017			2017/2018		
Programme Name	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	3937	3873	-64	4313	4245	-68
Business Development	1528	1573	45	1654	1623	-31
Public Engagement	1246	1246	0	1502	1461	-41
Total	6636	6617	-19	7469	7329	-140

PART C: GOVERNANCE

1. INTRODUCTION

Essentially all operations at the institution are governed by the Cultural Institutions Act and Public Finance Management Act. To this end Council, the Accounting Authority, appointed by the Minister of Arts and Culture, oversees the processes and systems of the institution. They are responsible for the policies and strategic objectives as defined in the Strategic Plan and the Annual Performance Plan and they are required to hold the staff to account in terms of the achievement of those objectives. The prescriptions of the PFMA are far reaching and govern every aspect of the administration of the institution.

2. THE PORTFOLIO COMMITTEES

Council elected certain of their members with specific qualifications and expertise to serve on the various portfolio committees.

Executive Committee

Mr D Robbins	(Chairperson of Council)
Prof E Marais	(Chairperson Acquisitions Committee)
Mrs A Pretorius	(Director)
Mr L Stockenström	(Chief Financial Officer)
Mr E Neluvhalani	

Financial Committee

Mr E Neluvhalani	(Chairperson)
Mrs A Pretorius	(Director)
Mr L Stockenström	(Chief Financial Officer)
Mrs M Bossenger	

Acquisitions Committee

Prof Marais	(Chairperson)
Mrs A Pretorius	(Director)
Mr T Mngomezulu	

Audit Committee

Mr I Scheepers	(Chairperson)
Mr L Stockenström	(Chief Financial Officer)
Mr D Preece	
Mr T Mufamadi	
Mr Gates	
Mrs E Brand	

3. THE EXECUTIVE AUTHORITY

Annual Reports, Strategic Plans, Annual Performance Plans and other returns are forwarded to the Department of Arts and Culture within the deadlines. Hard and soft copies of the Quarterly Reports were submitted to the department timeously. Every attempt is made to comply with legislation, regulations and prescripts and we believe that the institution has shown steady and careful progress in this regard. However, it should be understood that a small entity such as this has to comply with the same legislative requirements as those receiving very generous allocations from the Executive Authority and it is becoming increasingly difficult to do so given the human resource and financial capacity constraints that we experience.

4. THE ACCOUNTING AUTHORITY / COUNCIL

The role and function of the Council is defined in the Cultural Institutions Act 119 of 1998. They have attended to their responsibilities with diligence and dedication. The members have had subsistence and travel costs paid for from the operational budget of the institution and these details are disclosed in the notes to the annual financial statements.

5. RISK MANAGEMENT

The single biggest risk is to fail to achieve the objectives as per the mandate of the institution.

Risk and the possibility of fraud have been dealt with at Managerial, Internal Audit, Audit Committee, Financial Committee and Council level and the extra internal controls and procedures that have been put in place are constantly revisited and upgraded.

The Sol Plaatje Municipal Emergency Services check systems from time to time in order to ascertain whether the institution is compliant with regard to health and safety issues.

Security systems receive ongoing attention so that the institution's insurers are assured that risk is kept to an acceptable level.

Disaster planning and emergency preparedness are issues that receive ongoing attention. Electronic and hard copies of the collections database and other key records are housed off-site at a heritage institution in Kimberley to minimize the risk of losing information in the event of a disaster.

There are a number of Council approved policies and procedures in place which govern management of the institution. These include:

- Council Charter
- Audit Committee Terms of Reference
- Internal Audit Charter
- Medical Aid Policy
- Aids Policy
- Disclosure of Value Policy
- Preservation Management Policy
- Supply Chain Management
- Accounting Policy
- Investment Policy
- Acquisition Procedures
- Written Delegations of Authority
- Materiality and Significance Framework
- Risk Management Policy
- Risk Assessment and Register
- Codes of Ethics

These governance structures are regularly revisited by Council and when necessary, updated and revised. They have proved to be effective in the day-to-day management and control of the institution.

6. INTERNAL AUDIT AND AUDIT COMMITTEE

The Internal Audit is outsourced as a result of the small establishment. Quotations are obtained from firms willing to perform the audit and Council makes an appointment based on affordability and reputation.

The Audit Committee is appointed by Council and comprises the Chairperson of the Council Financial Committee, the Internal Auditor and members of the community who have the required expertise. The Chief Financial Offer serves on this committee by right of office.

The key activities and objectives of the internal audit and audit committee were as per the audit charter. Attendance of audit committee meetings by audit committee members has been exemplary and we record our appreciation of this service performed at no remuneration but from an obligation of national duty.

7. COMPLIANCE WITH LAWS AND REGULATIONS

The table reflecting the years of unqualified audit reports will bear testimony to the fact that every attempt is made to comply with laws and regulations. However, non-compliance with one component of the accounting standard GRAP 103 in respect of heritage assets has caused this institution to receive four qualified audit opinions in recent years. Huge effort has been put into the valuation of the donated assets which were disclosed at nil in the AFS and we have an unqualified opinion from the Auditor-General for the year under review. It should be noted that in a small entity such as this, which is administered by two officials, it is becoming increasingly difficult to comply with the surfeit of sophisticated and technical accounting standards and there is a very real risk of bureaucracy overpowering the mandate and core function.

8. FRAUD AND CORRUPTION

The Audit Committee is in place and functioning and has been effective in managing risks and the possibility of fraud and corruption by controlling the financial management of the institution. The Council appointed Internal Auditors have performed the internal audit function and reported that the systems of internal control are in place and functional; staff members are aware of the control procedures and the need for systems of control; no material deviations from the laid down systems of internal control have been noted. Since 2002 the Internal Audit has noted that there is an inherent weakness in the systems of control as adequate segregation of duties cannot always be maintained due to the limited number of staff members. To offset this weakness Council has put a number of additional checks and balances in place. This includes a regular reconciliation of every transaction by the Director against a bank generated statement and also by a Financial Committee member against an internally generated statement.

There are no cases of fraud or any other irregularity to report.

9. MINIMISING CONFLICT OF INTEREST

The Central Supplier Database of registered suppliers is used when procuring goods and services. Furthermore, all procurement procedures and thresholds as per the PFMA are followed. Council has delegated authority to the Director to condone deviations in the procurement procedures where competitive bids are impractical, subject to a written motivation in a register and disclosure at Council meetings. This is as per the National Treasury Practice Note No 4, 2008. All such deviations are recorded.

10. CODE OF CONDUCT

As the WHAG is an institutional member of the South African Museums Association the staff is bound by the SAMA Code of Ethics. Staff conduct is also guided by the ICOM Code of Professional Ethics.

11. AUDIT COMMITTEE REPORT

The Audit Committee has adopted appropriate formal terms of reference, which have been confirmed by the Council and has performed its responsibilities as set out in the terms of reference and the Treasury Regulations.

In performing its responsibilities the Audit Committee has reviewed the following:

- The effectiveness of the internal control systems
- The effectiveness of the internal audit function
- The risk areas of the entity's operations to be covered in the scope of internal and external audits
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information
- The accounting or auditing concerns identified as a result of the internal or external audits
- The entity's compliance with legal and regulatory provisions
- The activities of the internal audit function, including its annual work programme and the reports of significant investigations and the responses of management to specific recommendations
- The independence and objectivity of external auditors
- The scope and results of the external audit function, its cost effectiveness, as well as independence and objectivity of the external auditors

The Audit Committee is also responsible for:

- Reporting to the Council and the Auditor-General where a report implicates any member(s) of the accounting authority in fraud, corruption or gross negligence
- Communicating any concerns it deems necessary to the Council and the Auditor-General
- Confirming the internal audit plan
- Conducting investigations within its terms of reference
- Concurring with the appointment and dismissal of the internal auditor
- Approving the internal audit work plan
- Deciding whether or not an interim report should be subjected for review by the external auditors
- Setting the principles for recommending use of the external auditors for non-audit services

The Audit Committee is satisfied that internal controls and systems have been put in place and that these controls have functioned effectively during the period under review. The Audit Committee considers the internal controls and systems appropriate in all material respects to:

- Reduce the entity's risks to an acceptable level
- Ensure the entity's assets are adequately safeguarded
- Ensure the transactions undertaken are recorded in the entity's records

The Audit Committee has evaluated the Annual Financial Statements for the William Humphreys Art Gallery for the year ended 31 March 2018 and concluded that they comply, in all material respects, with the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999), as amended, and the Treasury Regulations.

The Audit Committee agrees that the adoption of the going concern premise is appropriate in preparing the annual financial statements. The Audit Committee has therefore recommended the adoption of the annual Internal Report on 28 May 2018 and the final draft of the Auditor-General's Report on 20 July 2018.

Mr I Scheepers
CHAIRPERSON

Audit Committee members:	**Meetings:**
Mr I Scheepers (Chairperson)	22 May 2017
Mr L Stockenström (Chief Financial Officer)	8 August 2017
Mr D Preece	28 May 2018
Mr T Mufamadi	20 July 2018
Mr F Gates	
Mrs E Brand	

12. CONTINGENT LIABILITY

During the course of the audit the Director was informed by the Engagement Manager from the Auditor-General's Office that the Auditor-General had decided to proceed with legal action against the entity in respect of outstanding audit fees. This, in spite of constant communication with relevant stakeholders over the past years in order to try and resolve the matter of the outstanding audit fees above 1% as per the Public Audit Act. Documentation is on file which states that the balance above 1% should be performed pro-bono but this appears to have been ignored.

The entity will defend the action vigorously. Litigation promises to be expensive and could be regarded as wasteful.

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

In the reports for the prior years we have documented the fact that every facet of the institution has grown enormously and we are now constrained in a number of ways – financial, human resource, exhibition, storage and working space. Not only does this impact on our ability to develop the core functions and projects of the institution, but also on our strategic objectives in terms of service delivery. An institution of this calibre should have, as an essential part of its establishment, a Deputy Director, Human Resource Officer, Procurement Officer, Curator, Collections Manager and Exhibitions Officer in order to successfully achieve all aspects of its core function and strategic objectives. The Director and Chief Financial Officer have to fulfil all the functions of these positions which is becoming increasingly difficult as the institution continues to grow and the administrative burden grows concurrently. These positions are not vacant as they have never been created due to the fact that the annual allocation makes no provision for growth of this nature.

These constraints impact negatively in the following ways, the first being as reported in the section dealing with the Internal Audit and the lack of adequate segregation of duties, and secondly, it is nigh impossible to introduce an acceptable staff evaluation system as there are too few members of staff to reasonably administer such a system. Because there are no performance bonuses paid to members of staff, or salary notch improvements, this absence of an evaluation system has had no serious ramifications as yet. The Department of Arts and Culture, as well as the National Treasury, have indicated that there will be no additional funding forthcoming for new posts or improvements in conditions of service other than the normal inflation related increase. Council has discussed the fact that such a system should be in place to ensure good human resource management, but with such a small establishment it is not an attainable objective at this time. In the absence of a staff evaluation system and in spite of there being no performance related salary improvements, the performance management information reflects that the staff has performed well against the stated objectives as noted in the strategic plan.

It has been consistently disclosed in the Quarterly Reports that for at least two decades there have been no salary notch improvements and as a result no career pathing.

There are currently no vacancies and there have been no disciplinary cases during the year under review.

HUMAN RESOURCE MANAGEMENT AND OVERSIGHT STATISTICS

Although the employees of this institution are not civil servants, Council realigned the institution with the Regulations for the Public Service and Administration in 2001, as these regulations govern almost every eventuality that might arise, and are negotiated between Labour and the State annually.

Council has also developed a number of policies and practices that regulate staff benefits such as medical aid, pension funds, housing subsidies, formal tertiary study and telephone usage.

Only some employees are members of unions, however I am pleased to report that the establishment is stable and successful in terms of the manner in which staff deal with each other, management, Council and the public. There have been no disciplinary hearings conducted in the year under review.

Job Descriptions are constantly reviewed and revised. As the institution's schedule of activities is broadened, additional tasks are negotiated with staff members.

Training and skills development remains pivotal to the empowerment of our staff and a number of opportunities were offered in the year under review.

The WHAG Study Policy makes provision for financial assistance with formal tertiary education if the study direction is related to the applicant's job description as well as to the institution's core function and strategic objectives. Successful applicants are required to sign a service contract with the institution.

As the William Humphreys Art Gallery is an institutional member of the South African Museums Association the staff is bound by the SAMA Code of Ethics. Staff conduct is also guided by the ICOM Code of Ethics for Museums.

Staff expenses are 50.16% of the allocation calculated inclusive of social benefits and non-pensionable allowances. This percentage allows us a reasonable operational budget with which to achieve our core function as a national museum of art as well as the costs of our administration and associated special community projects. Overtime payments are kept to a minimum and are primarily as a result of exhibition openings after normal working hours and the fact that the museum is open on Public Holidays.

The Director's salary forms part of the normal staff expenses. There have been no additional payments such as fees for services, bonuses or performance payments, expense allowances, commissions, gains or profit-sharing or share options, other than the normal expenses payable to employees of this institution.

The Chief Financial Officer's salary forms part of the normal staff expenses. There have been no additional payments such as fees for services, bonuses or performance payments, expense allowances, commissions, gains or profit-sharing or share options, other than the normal expenses payable to employees of this institution.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The establishment organogram and race and gender representivity table appears in Part A: General Information: Organisational Structure.

Personnel cost by salary band

Level	Peronnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	854 442	19.34%	1	854 442
Senior Management	733 462	16.6%	1	733 462
Professional qualified	984 789	22.30%	4	246 197
Skilled	877 467	19.87%	4	219 366
Semi-skilled	896 921	20.33%	5	179 384
Unskilled	68 540	1.56%	1	68 540
TOTAL	**4 415 621**	**100%**	**16**	**275 976**

Performance Rewards

There have been no personnel performance rewards as a result of the fact that the staff is too small to initiate a credible performance evaluation system as well as the fact that we have no available funds to pay incentives or performance rewards

Employment and vacancies

There are no vacancies.

Employment changes

There have been no changes in the establishment.

Labour Relations: Misconduct and disciplinary action

There has been no disciplinary action during the period under review.

PART E: FINANCIAL INFORMATION

1. STATEMENT OF RESPONSIBILITY

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2018

The Accounting Authority is responsible for the preparation of the public entity's Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

In my opinion, the Annual Financial Statements fairly reflect the operations of the public entity for the financial year ended 31 March 2018.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the public entity.

The William Humphreys Art Gallery Annual Financial Statements for the year ended 31 March 2018 have been audited by the external auditors and their report is presented on page 36.

The Annual Financial Statements of the public entity set out on page 43 to page 88 have been approved.

Mrs A Pretorius
DIRECTOR
WILLIAM HUMPHREYS ART GALLERY
29 July 2018

DEPUTY CHAIRPERSON
WILLIAM HUMPHREYS ART GALLERY
29 July 2018

2. REPORT OF THE EXTERNAL AUDITOR

This is the audit report as issued by the external auditor.

Report of the auditor-general to Parliament on William Humphrey's Art Gallery

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of William Humphrey's Art Gallery set out on pages 43 to 88 which comprise the statement of financial position as at 31 March 2018, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of William Humphrey's Art Gallery as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters

Irregular expenditure

7. As disclosed in note 30 to the financial statements, the public entity incurred irregular expenditure of R576 242 as it did not follow a proper supply chain management processes.

Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2017 have been restated as a result of an error in the financial statements of the William Humphrey's Art Gallery at, and for the year ended, 31 March 2018.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

10. The supplementary information set out on page 37 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting authority

11. Members of council, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting authority is responsible for assessing William Humphrey's Art Gallery's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Business Development	**24-25**
Programme 3 – Public Engagement	**25-26**

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 2 – Business Development

Indicator: Rand value of the allocation spent on purchasing artwork

20. The target approved in the annual performance plan was R1 220 000. However, the target was changed to R1 200 020 without the necessary approval.

21. The reason for the variance between the planned target of R1 220 000 and the reported achievement of R1 445 713.69 was not reported in the annual performance report

Various indicators

Programme 3 – Public Engagement

22. The reasons for the variance between the planned targets and the reported achievements were not explained in the annual performance report for the indicators listed below:

- Number of Temporary loan exhibitions presented
- Number of exhibitions from permanent collections
- Number of outreach programmes presented
- Number of historic exhibitions
- Number of special community projects implemented
- Number of screenings
- Number of publications acquired

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

24. Refer to the annual performance report on pages **24 - 26** for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 19 of this report.

Report on the audit of compliance with legislation

Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. The material findings on compliance with specific matters in key legislations are as follows:

Annual Financial Statements, Performance and Annual Report

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA. Material misstatements of current assets and revenue identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion

Procurement and Contract Management

28. Goods and services of a transaction value above R500 000 were procured without inviting competitive as required by treasury regulations 16A6.1.

Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

32. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

34. The accounting authority did not exercise adequate oversight responsibility over performance reporting, compliance with laws and regulations, as well as internal control.

35. Information to be included in the annual performance report was not sufficiently reviewed and this resulted in material findings. Pertinent information was not captured in a time frame to support performance reporting.

36. The public entity did not adequately review and monitor compliance with applicable laws and regulations.

37. The public entity did not adequately review the financial statements before submitting them for audit, material misstatements were identified by the auditors which were subsequently corrected.

Auditor General

Kimberley

31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes accounting authority
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concerns basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Northern Cape Economic Development, Trade and Investment Promotion Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

3. ANNUAL FINANCIAL STATEMENTS

WILLIAM HUMPHREYS ART GALLERY
FINANCIAL STATEMENTS
for the year ended 31 March 2018

The reports and statements set out below comprise the financial statements presented to the parliament:

GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

State-aided Institution in terms of the State-aided Institutions Act, No 23 of 1931. As a national heritage institution the entity is required to comply with the prescriptions of the Cultural Institutions Act, No 119 of 1998 and the PFMA. The entity is a non-profit entity and is focused on service delivery in the Northern Cape.

Board Members

Mr T Mufamadi (Chairperson)
Ms N T C Mngomezulu
Mr E F Neluvhalani
Ms TC Mngadi
Mrs B Kubheka
Mr PA Sakoane
Prof E Marais
Dr R Peach
Prof P Burger
Mrs M Bossenger

Registered office

Cullinan Cresent
Civic Centre
Kimberley
8301

Business address

Cullinan Cresent
Civic Centre
Kimberley
8301

Executive Authority

Department of Arts and Culture
(Minister: N Mthethwa)

Bankers

Nedbank

External Auditors

Auditor-General of South Africa

Director

Mrs AF Pretorius

Chief Financial Officer

Mr LC Stockenstrom

Reporting Framework

South African Standards on General Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board

Relevant Legislation

State-aided Institutions Act, No. 23 of 1931
Public Finance Management Act, No. 1 of 1999
Cultural Institutions Act, No. 119 of 1998
Employment Equity Act, No. 9 of 1999
Unemployment Insurance Act, No. 30 of 1966
Basic Conditions of Employment Act, No. 75 of 1997

WILLIAM HUMPHREYS ART GALLERY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2018

	Notes	2018 Actual R	2018 Final Budget R	Variance R	Reference	2017 Actual R
REVENUE						
Exchange revenue		520,029.10	342,000.00	178,029.10		495,424.21
Commission earned	2	14,157.91	80,000.00	(65,842.09)	33.1	16,845.33
Rendering of services	3	189,322.55	77,000.00	112,322.55	33.2	208,628.27
Interest income	4	299,167.64	85,000.00	214,167.64	33.3	187,783.52
Rental income	5	17,381.00	100,000.00	(82,619.00)		82,167.09
Non-exchange revenue		10,768,162.01	9,987,000.00	(265,927.99)		9,012,918.07
Transfer and subsidies received	6	8,967,000.00	9,967,000.00	(1,000,000.00)	33.4	7,712,690.44
Rental value received	7	1,047,090.00				1,047,090.00
Other non-exchange revenues	8	754,072.01	20,000.00	734,072.01	33.5	253,137.63
Total revenue		11,288,191.11	10,329,000.00	(87,898.89)		9,508,342.28
EXPENDITURE						
Administrative expenses	9	1,297,894.23	384,000.00	913,894.23	33.6	1,574,183.43
Employee benefit cost	10	4,498,032.39	4,242,000.00	256,032.39		4,156,158.65
Rental expense value	7	1,047,090.00				1,047,090.00
Audit fees	11	328,821.03	117,750.00	211,071.03	33.7	537,604.62
Depreciation and amortisation	13	123,497.81	75,000.00	48,497.81	33.8	105,829.00
Impairment of property, plant and equipment	12	0.00		0.00		0.00
Loss on scrapping of property, plant and equipment	13	3,928.35		3,928.35		2,337.00
Maintenance property and buildings		65,296.94	15,500.00	49,796.94	33.9	27,734.46
Maintenance vehicles, machinery and equipment		78,979.14	15,500.00	63,479.14	33.9	41,097.76
Other operating expenses	12	933,781.68	5,479,250.00	(4,545,468.32)	33.10	853,034.55
Total expenditure		8,377,321.57	10,329,000.00	(2,998,768.43)		8,345,069.47
Net surplus for the year		2,910,869.54	0.00	2,910,869.54		1,163,272.81

WILLIAM HUMPHREYS ART GALLERY
STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2018

	Notes	2018 Actual R	2018 Final Budget R	Variance R	Reference	2017 Actual R
ASSETS						
Non-current assets		21,004,820.33	15,300,000.00	5,704,820.33		18,940,938.01
Property, plant and equipment	13	2,599,889.86	1,410,000.00	1,189,889.86	33.11	1,981,721.14
Heritage assets	14	18,404,930.47	13,890,000.00	4,514,930.47		16,959,216.87
Current assets		6,712,415.13	1,529,000.00	5,109,687.71		4,192,934.83
Trade and other receivables from exchange transaction	16	19,622.72	231,000.00	(211,377.28)	33.12	10,951.08
Prepayments	17	73,727.42				58,617.11
Cash and cash equivalents	18	6,619,064.99	1,298,000.00	5,321,064.99	33.13	4,123,366.64
Total assets		27,717,235.46	16,829,000.00	10,814,508.04		23,133,872.84
LIABILITIES						
Non-current liabilities						
Long term retirement benefit obligation	19	475,000.00	787,000.00	(312,000.00)	33.14	434,000.00
Total non-current liabilities		475,000.00	787,000.00	(312,000.00)		434,000.00
Current liabilities		4,920,323.41	482,000.00	1,131,218.64		3,288,830.33
Trade and other payables from exchange transactions	21	1,376,455.22	220,000.00	1,156,455.22	33.16	997,389.80
Deferred Income	22	3,307,104.77			33.15	1,958,191.83
Short term portion of retirement benefit obligation	19	18,000.00		18,000.00	33.14	33,000.00
Short term accruals	23	218,763.42	262,000.00	(43,236.58)	33.17	300,248.70
Total current liabilities		4,920,323.41	482,000.00	1,131,218.64		3,288,830.33
Total liabilities		5,395,323.41	1,269,000.00	819,218.64		3,722,830.33
Net Assets		22,321,912.05	15,560,000.00	9,995,289.40		19,411,042.51
NET ASSETS						
Accumulated surpluses		22,321,912.05	15,560,000.00	6,761,912.05		19,411,042.51
Total net assets		22,321,912.05	15,560,000.00	6,761,912.05		19,411,042.51

WILLIAM HUMPHREYS ART GALLERY
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2018

	Notes	2018 R	2017 R
Accumulated surpluses			
Balance at 1 April as originally stated		19,411,042.51	14,760,948.21
Correction of error	34	0.00	3,486,821.49
Balance at 1 April		19,411,042.51	18,247,769.70
Net surplus for the year		2,910,869.54	1,163,272.81
Balance at 31 March		22,321,912.05	19,411,042.51

WILLIAM HUMPHREYS ART GALLERY
STATEMENT OF CASH FLOW
for the year ended 31 March 2018

	Notes	2018 Actual R	2018 Final Budget R	Variance R	Reference	2017 Actual R
Cash flows from operating activities						
Cash receipts from customers		9,918,151.52	11,244,000.00	(1,325,848.48)	33.1 - 33.5	8,262,194.55
Cash paid to suppliers & employees		(5,530,312.33)	(9,832,000.00)	4,301,687.67	34.6 - 34.10	(5,752,816.88)
Cash generated from operations	24	4,387,839.19	1,412,000.00	2,975,839.19		2,509,377.67
Interest received		299,167.64	85,000.00	214,167.64		187,783.52
Net cash inflows from operating activities		4,687,006.83	1,497,000.00	3,190,006.83		2,697,161.19
Cash flows from investing activities						
Purchase of property, plant and equipment	26	(745,594.88)	(85,000.00)	(660,594.88)	33.11	(288,797.21)
Purchase of heritage assets	26	(1,445,713.60)	(1,220,000.00)	(225,713.60)		(1,245,899.35)
Net cash outflows from investing activities		(2,191,308.48)	(1,305,000.00)	(886,308.48)		(1,534,696.56)
Net increase/(decrease) in cash and cash equivalents		2,495,698.35	192,000.00	2,303,698.35		1,162,464.63
Cash and cash equivalents at the beginning of the year		4,123,366.64	1,106,000.00	3,017,366.64		2,960,902.01
Cash and cash equivalents at end of the year		6,619,064.99	1,298,000.00	5,321,064.99	33.13	4,123,366.64

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act (Act 1 of 1999).

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historic cost convention as the basis of measurement, except as otherwise indicated.

These accounting policies are consistent with the previous period.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

The following GRAP Standards have been issued and are effective:

GRAP 1 Presentation of financial statements
GRAP 2 Cash flow statements
GRAP 3 Accounting policies, changes in accounting estimates and errors
GRAP 4 The effect of changes in foreign exchange rates
GRAP 5 Borrowing cost
GRAP 6 Consolidated and separate financial statements
GRAP 7 Investments in associates
GRAP 8 Interest in joint ventures
GRAP 9 Revenue from exchange transactions
GRAP 10 Financial reporting in hyperinflationary economies
GRAP 11 Construction contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after reporting date
GRAP 16 Investment property
GRAP 17 Property, plant and equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, contingent liabilities and assets
GRAP 21 Impairment of non-cash-generating assets
GRAP 23 Revenue from non-exchange transactions (Taxes and transfers)
GRAP 24 Presentation of budget information in the financial statements
GRAP 25 Employee benefits
GRAP 26 Impairment of cash-generating assets
GRAP 27 Agriculture
GRAP 31 Intangible assets
GRAP 100 Discontinued operations
GRAP 103 Heritage assets
GRAP 104 Financial instruments
GRAP 105 Transfer of functions between Entities under common control
GRAP 106 Transfer of functions between Entities not under common control
GRAP 107 Mergers
IPSAS 20 Related parties
IFRS 3 Business combinations

IFRS 4 Insurance contracts
IFRS 6 Exploration for and evaluation of mineral resources
IAS 12 Taxes
SIC 20 Income taxes – recovery of revaluated non–depreciated assets
SIC 25 Income Taxes – changes in the tax status of an entity or its shareholders
SIC 29 Service concession arrangements - Disclosures
IFRIC 2 Members shares in co–operative entities and similar instruments
IFRIC 4 Determining whether an arrangement contains a lease
IFRIC 9 Reassessment of embedded derivatives
IFRIC 12 Service concession arrangements
IFRIC 13 Customer loyalty programmes
IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15 Agreement for the construction of real estate
IFRIC 16 Hedges in net investments in a foreign operation
IFRIC 20 Stripping costs in the production phase of a surface mine
IFRIC 21 Levies

1.1.1 Critical judgements, estimations and assumptions

In the application of the entity's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the entity's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1.1.2 Revenue recognition

Accounting policy note 1.2 describes the conditions under which revenue will be recorded by the management of the entity.

Management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions; Revenue as far as revenue from non-exchange transactions is concerned management considered the detailed criteria of GRAP 23 for the recognition of revenue. In particular, whether the entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the entity is satisfied that recognition of the revenue in the current year is appropriate.

1.1.3 Useful lives of property, plant and equipment

As detailed in accounting policy note 1.7 depreciation is charged over the estimated useful lives of the assets.

Depreciation is charged so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.1.4 Impairment of property, plant and equipment and intangible assets

Accounting policy note 1.8 describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the entity. Significant estimates and judgements are made relating to property, plant and equipment impairment testing.

The measurement of loans receivable is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors with similar risk profiles so that the effect of any impairment on a group of receivables or loans would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance, the estimates are made about the probability of recovery of the debtors/loans based on their past payment history and risk profile.

1.1.5 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes when applicable. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.1.6 Presentation currency

The Annual Financial Statements are presented in South African Rand, which is the entity's functional currency. No rounding has been applied in the Annual Financial Statements.

1.1.7 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1.8 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the entity:
GRAP 20 Related party disclosure - issued June 2011;
GRAP 32 Service concession arrangements: Grantor - issued August 2013.
GRAP 34 Separate Financial Statements - issued March 2017
GRAP 35 Consolidated Financial Statements - Issued March 2017
GRAP 36 Investments in Associates and Joint Ventures - issued March 2017
GRAP 37 Joint Arrangements - issued March 2017
GRAP 38 Disclosure of Interest in Other Entities - issued March 2017
GRAP 108 Statutory receivables - issued September 2013
GRAP 109 Accounting by principles and agents - issued July 2015
GRAP 110 Living and Non-Living Resources - issued March 2017

All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

Nature of impending changes in accounting policy:
GRAP 109 Accounting by principles and agents GRAP 32 Service concessions arrangements: Granter and GRAP 108 statutory receivables.
The effectiveness of these standards and interpretation will not have an effect on the Annual Financial statements/accounting policies of the entity, as the entity does not have related transactions or activities that fall within the scope of these standards.

GRAP 20, Related party disclosure: Accounting policy will be developed in terms of this standard and GRAP 3, Accounting policies, Change in accounting estimates and errors applied.

Impact on the entity's financial statements once implemented:

GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interest in Other Entities
GRAP 109 Accounting by principles and agents
GRAP 110 Living and Non-Living Resources

The effectiveness of these standards will not have an impact on the annual financial statements of the entity as the entity does not have any related transactions or activities that fall within the scope of these standards.

There will be no material impact on the recognition, measurement and disclosure in the annual financial statements with the adoption of GRAP 20, Related party disclosure, the adoption will however result in a change in accounting policy and the relevant disclosure will be made in terms of GRAP 3, Accounting policy, changes in accounting estimates and errors.

1.1.9 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.1.10 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis as there is no intention to liquidate the entity or to cease operations. Management has assessed whether any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern exist and have found none.

1.2 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Government grants are recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The grant is recognised to the extent that there are no future obligations arising from receipt of the grant.

Interest income is allocated to the specific applicable fund related to the investment and therefore directly capitalised against funds and reserves.

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities, interest and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the entity's activities. Revenue is shown net of returns, rebates and discounts. The entity recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from exchange transactions
Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered or goods sold, the value of which approximates the fair value of consideration received or receivable. At the time of initial recognition, the full amount of revenue is recognised.

Finance income
Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions have been met:
- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Services rendered
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

When goods or services are exchanged or swapped for goods or services that are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measure reliably, the revenue is measured at fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.3 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.
Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition
An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement
Revenue from a non-exchange transaction is measured at the amount of the increase in net asset recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers
Apart from services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in kind
Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.4 Retirement benefit cost

The entity contributes to a defined contribution and a defined benefit plan for pension fund purposes which is administered by a third party. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

1.5 Post-retirement medical benefit cost

The entity is liable for the post-retirement medical benefit cost of employees that retire from its service and employees still in service to the amount of two thirds of the contributions to the medical aid fund. This amount is capped as per the bargaining council agreement.
This liability is determined by taking into account the life expectancy of the retired employees as well as projected future medical aid contributions discounted back to the current value.

1.6 Commission earned

The entity earns commission from artists that hold exhibitions of their artworks at the art gallery and thereafter offer their artworks for sale to the general public. The gallery earns a commission in respect of these sales.

1.7 Heritage assets

Initial recognition
Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
The cost of a heritage asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts, discounts and rebates are deducted in arriving at the cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at date of acquisition.

Subsequent measurement-cost model
Subsequent to initial recognition heritage assets are measured at cost less any impairment losses.

Impairment
Heritage assets shall not be depreciated but the entity will assess at each reporting date whether there is an indication that a heritage asset may be impaired. If such indication exists, the entity shall estimate the recoverable amount or recoverable service amount of the asset.

Transfers
Transfers from heritage assets shall be made when, and only when, the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage asset shall be made when, and only when, the asset meets the definition of a heritage asset.

Derecognition
The carrying amount of a heritage asset shall be derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage assets. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Property, plant and equipment

Initial recognition
Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up. Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement-cost model
Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or the future economic benefits associated with the asset.

Depreciation is charged so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual values of the assets are based on industry knowledge and are set out below:

Office equipment	20 years
Equipment	25 years
Computers	20 years
Fittings	25 years
Vehicles/trailers	10 years
Leasehold improvements-building	10 - 25 years
Leasehold improvements-equipment	5 years
Library	25 years

Depreciation only commences when the asset is available for use, unless stated otherwise. Depreciation is recognised in surplus or deficit on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The residual value, useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in Statement of Financial Performance.

The gains or losses arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Repairs and maintenance costs are expensed through the Statement of Financial Performance, except where the value of the asset or its expected useful life has been increased, then it is capitalised.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Impairment of non-current assets

At each statement of financial position date, the carrying amount of tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If the fair value less cost to sell of any asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less cost to sell. An impairment loss is recognised immediately in the statement of financial performance.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its fair value less costs to sell, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance

1.10 General and specific funds

The general fund relates to the accumulated surplus of income over expenditure.

1.11 Provisions

A provision is a liability where the timing or amount of the outflow of resources embodying economic benefits or service potential is uncertain.

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditure expected to be required to settle the present obligation. The discount rate shall reflect current market assessments of the time value of money risks specific to the liability.

1.12 Comparative figures

Current-year comparatives

Budgeted amounts have, in accordance with GRAP 1, been included in the financial statements and form part of the audited Annual Financial Statements.

Prior-year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.13 Employee Benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The gallery treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a payable in the Statement of Financial Position. The gallery recognises the expected cost of bonuses only when the gallery has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The gallery provides retirement benefits for its employees in terms of defined benefit plans.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement health care benefits
The gallery has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the gallery is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the gallery is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs.
The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.
Actuarial gains or losses are recognised in full in the period in which they occur. Actuarial gains and losses are recognised in the Statement of Financial Performance in the period in which they occur.
Past services are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

1.14 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Chief Executive Officer, Chief Financial Officer and all other managers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

1.15 Assumptions made by management

No material assumptions were made by management that could have a significant effect on the amounts recognised in the financial statements.

1.16 Financial instruments

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial recognition and measurement
When a financial instrument is recognised, the entity measures it initially as its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement
Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value
- Derivatives.
- Compound instruments that are designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract.
- Instruments held for trading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- An investment in a residual interest for which fair value can be measured reliably.
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost
Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those that the entity designates at fair value at initial recognition or are held for trading.

c) Financial instruments at cost
Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Derecognition
A financial asset is derecognised at trade date when the cash flows from the asset expire, are settled or waived, i.e.:
a) Significant risks and rewards are transferred to another party; or
b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses
A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired through the amortisation process.

Offsetting
The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments
All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:
The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

For financial assets held at cost:
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Investments at amortised cost
Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Cash and cash equivalents are subsequently measured at fair value.

Trade and other receivables
Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current.

Trade and other receivables are subsequently measured at amortised cost.

Trade and other payables
Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables are subsequently measured at amortised cost.

1.17 Risk management of financial assets and liabilities

It is the policy of the entity to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed on the reporting date.

The entity has exposure to the following risks from its use of financial instruments:
a) market risk;
b) credit risk;
c) liquidity risk.

Risks and exposure are disclosed as follows:

Market risk

a) Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
b) The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
c) Sensitivity analysis for each of the market risks.

Credit risk

a) Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fail to meet its contractual obligations, and arises principally from the receivables from customers and investment securities.
b) Each class of financial instrument is disclosed separately.
c) Maximum exposure to credit risk not covered by collateral is specified.
d) Financial instruments covered by collateral are specified.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.
a) A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
b) Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

1.18 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No 1 of 1999), The National Treasury Regulations on Supply Chain Management and National Treasury Practise Note 8 of 2007/08, Preferential Procurement Regulations and Preferential Procurement Policy Framework Act. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance.

1.22 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The financial statements and the budget are prepared using the same basis of accounting, therefore an additional column approach has been followed.

The final budget reflected in the financial statements covers the period 1 April 2017 to 31 March 2018.

Comparative information is not required.

1.23 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the entity commits itself to future transactions that will normally result in the outflow of resources

1.24 Contingent assets and liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period specific effects or the cumulative effect of the change in policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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		2018	2017
		R	R
2	**Commission earned**		
	Sales of artwork and other items	127,619.41	90,021.13
	Less: Display/Exhibition costs	(113,461.50)	(73,175.80)
	Total	14,157.91	16,845.33
3	**Rendering of services**		
	Other	189,322.55	208,628.27
	Total	189,322.55	208,628.27
4	**Interest income**		
	Cash and bank deposits	299,167.64	187,783.52
	Total	299,167.64	187,783.52
	Interest is earned from deposits held at a recognised financial institution, Nedbank Limited and interest earned is at rates varing from 4.9% to 7% per annum.		
5	**Rental income**		
	Rental: facilities	17,381.00	82,167.09
	Total	17,381.00	82,167.09
6	**Transfers and subsidies received**		
	National Departments	6,892,000.00	6,564,000.00
	Department Arts and Culture - Municipal charges	2,075,000.00	1,148,690.44
	Total	8,967,000.00	7,712,690.44
7	**Rental**		
	Value of benefit received in respect of use of buiding received for no value	1,047,090.00	1,047,090.00
	Value of rental expenses in respect of use of building for no value	1,047,090.00	1,047,090.00
	Refer to note 34.3		
8	**Other non-exchange revenue**		
	Gifts, donations and sponsorships received	124,530.95	60,934.00
	Income - Library Capital Works Grant	576,241.50	192,203.63
	Income - Hvac Airconditioner Capital Works Grant	53,299.56	0.00
	Total	754,072.01	253,137.63
9	**Administrative expenses**		
	General and administrative expenses	65,066.78	64,437.92
	Fees for services	13,629.02	39,079.10
	Travel and subsistence	89,511.19	56,498.49
	Other admin expenses	1,129,687.24	1,414,167.92
	Total	1,297,894.23	1,574,183.43

		2018 R	2017 R
10	**Employee benefit cost**		
	Wages and salaries		
	Basic salaries	2,971,635.84	2,690,412.82
	Periodic payments	419,684.57	307,057.01
	Other non-pensionable allowance	172,800.00	171,900.00
	Leave payments	63,227.74	88,387.33
	Overtime pay	74,990.51	59,830.23
	Social contributions (employer's contributions)		
	Medical	143,220.03	136,121.84
	UIF	26,900.53	25,347.38
	Defined pension benefit plan expense	599,573.17	575,102.04
	Other long-term employee benefits including long-service leave, profit sharing, deferred compensation	26,000.00	102,000.00
	Total	4,498,032.39	4,156,158.65
11	**Audit fees**		
	Statutory audit	309,726.03	520,048.62
	Internal audit	19,095.00	17,556.00
	Total	328,821.03	537,604.62
12	**Other operating expenses**		
	Staff training and development	16,722.00	12,000.00
	Consultants, contractors and special services	141,223.32	166,200.60
	Equipment items expensed as per entity policy		
	Running costs		
	- Property and buildings	11,454.52	60,334.53
	- Machinery and equipment	94,108.01	10,317.32
	- Other operating expenses	670,273.83	604,182.10
	Total	933,781.68	853,034.55
13	**Property, plant and equipment**		
	Plant and equipment		
	Cost		
	Opening balance	724,859.03	708,777.17
	Additions	1,736.92	22,061.86
	Disposal	(1,473.16)	(5,980.00)
	Closing balance 31 March	725,122.79	724,859.03
	Accumulated depreciation and impairment		
	Opening balance	(269,463.56)	(244,882.36)
	Annual depreciation	(28,933.00)	(28,400.00)
	Disposal	836.44	3,818.80
	Impairment	0.00	0.00
	Closing balance 31 March	(297,560.12)	(269,463.56)
	Net carrying amount		
	Opening balance	455,395.47	463,894.81
	Closing balance 31 March	427,562.67	455,395.47

	2018 R	2017 R
Vehicles		
Cost		
Opening balance	260,202.26	260,202.26
Additions	589,541.50	0.00
Disposal	0.00	0.00
Closing balance 31 March	849,743.76	260,202.26
Accumulated depreciation and impairment		
Opening balance	(206,202.26)	(206,202.26)
Annual depreciation	(11,531.04)	0.00
Disposal	0.00	0.00
Impairment	0.00	0.00
Closing balance 31 March	(217,733.30)	(206,202.26)
Net carrying amount		
Opening balance	54,000.00	54,000.00
Closing balance 31 March	632,010.46	54,000.00
Computer equipment and peripherals		
Cost		
Opening balance	231,465.83	192,134.77
Additions	13,980.00	39,381.06
Disposal	(6,839.20)	(50.00)
Closing balance 31 March	238,606.63	231,465.83
Accumulated depreciation and impairment		
Opening balance	(61,380.24)	(50,822.24)
Annual depreciation	(11,574.00)	(10,579.00)
Disposal	3,883.57	21.00
Impairment	0.00	0.00
Closing balance 31 March	(69,070.67)	(61,380.24)
Net carrying amount		
Opening balance	170,085.59	141,312.53
Closing balance 31 March	169,535.96	170,085.59
Office furniture and fittings		
Cost		
Opening balance	472,297.15	416,038.13
Additions	99,799.56	56,454.02
Disposal	(1,800.00)	(195.00)
Closing balance 31 March	570,296.71	472,297.15

	2018 R	2017 R
Accumulated depreciation and impairment		
Opening balance	(168,293.07)	(150,668.27)
Annual depreciation	(19,469.00)	(17,673.00)
Disposal	1,464.00	48.20
Impairment	0.00	0.00
Closing balance 31 March	(186,298.07)	(168,293.07)
Net carrying amount		
Opening balance	304,004.08	265,369.86
Closing balance 31 March	383,998.64	304,004.08
Leasehold improvements		
Cost		
Opening balance	377,906.09	248,245.57
Additions	0.00	129,660.52
Disposal	0.00	0.00
Closing balance 31 March	377,906.09	377,906.09
Accumulated depreciation and impairment		
Opening balance	(117,018.50)	(102,857.50)
Annual depreciation	(15,424.77)	(14,161.00)
Disposal	0.00	0.00
Impairment	0.00	0.00
Closing balance 31 March	(132,443.27)	(117,018.50)
Net carrying amount		
Opening balance	260,887.59	145,388.07
Closing balance 31 March	245,462.82	260,887.59
Library		
Cost		
Opening balance	898,460.42	857,220.67
Additions	40,536.90	41,239.75
Disposal	0.00	0.00
Closing balance 31 March	938,997.32	898,460.42

	2018 R	2017 R
Accumulated depreciation and impairment		
Opening balance	(161,112.00)	(126,096.00)
Annual depreciation	(36,566.00)	(35,016.00)
Disposal	0.00	0.00
Impairment	0.00	0.00
Closing balance 31 March	(197,678.00)	(161,112.00)
Net carrying amount		
Opening balance	737,348.42	731,124.67
Closing balance 31 March	741,319.32	737,348.42
Total property, plant and equipment		
Cost		
Opening balance	2,965,190.77	2,682,618.56
Additions	745,594.88	288,797.21
Disposal/Scrapping	(10,112.36)	(6,225.00)
Closing balance 31 March	3,700,673.29	2,965,190.77
Accumulated depreciation and impairment		
Opening balance	(983,469.63)	(881,528.63)
Annual depreciation	(123,497.81)	(105,829.00)
Disposal/scrapping	6,184.01	3,888.00
Impairment	0.00	0.00
Closing balance 31 March	(1,100,783.43)	(983,469.63)
Net carrying amount		
Opening balance	1,981,721.14	1,801,089.93
Closing balance 31 March	2,599,889.86	1,981,721.14
Depreciation charge		
Plant and equipment	28,933.00	28,400.00
Vehicles	11,531.04	0.00
Computer equipment and peripherals	11,574.00	10,579.00
Office furniture and fittings	19,469.00	17,673.00
Leasehold improvements	15,424.77	14,161.00
Library	36,566.00	35,016.00
Total	123,497.81	105,829.00

	2018 R	2017 R
Impairment charge		
Plant and equipment	0.00	0.00
Vehicles	0.00	0.00
Computer equipment and peripherals	0.00	0.00
Office furniture and fittings	0.00	0.00
Total	0.00	0.00

Pledged as security
No assets have been pledged as security

14 Heritage assets

	2018 R	2017 R
Works of art		
Cost		
Opening balance as previously stated	16,959,216.87	11,850,294.83
Correction as result of GRAP 103 (refer note 34)		3,863,022.69
Opening balance restated	16,959,216.87	15,713,317.52
Additions	1,445,713.60	1,245,899.35
Disposal/scrapping		
Closing balance 31 March	18,404,930.47	16,959,216.87
Accumulated depreciation and impairment		
Opening balance	0.00	0.00
Annual depreciation	0.00	0.00
Disposal	0.00	0.00
Impairment	0.00	0.00
Closing balance 31 March	0.00	0.00
Net carrying amount		
Opening balance	16,959,216.87	15,713,317.52
Closing balance 31 March	18,404,930.47	16,959,216.87

The William Humphrey's Art Gallery has elected to use the historical purchase price or value at entry into the collection as the value in respect of GRAP 103. During the transitional period WHAG has updated manual and electronic registers and has performed a total stock take of all heritage assets. Values for donations, previously recorded as R nil, have been researched in the WHAG archives and historical files. One million rand was received during the 2017/2018 year in order to perform the required valuations of these items The identified items have been valued by professional specialist valuators. The value of these items have now been disclosed in the Annual Financial Statements refer to note 34 in respect of the prior year adjustment.

Pledged as security
No heritage assets have been pledged as security or encumbered in any way.

	2018 R	2017 R

15 **Financial assets by category**

The accounting policies for financial instruments have been applied to the items below:

	2018 R	2017 R
Amortised cost		
Trade and other receivables from exchange transactions	19,622.72	10,951.08
Trade and other receivables from Non-exchange transactions	0.00	881,779.19
	19,622.72	892,730.27
Fair Value		
Cash and cash equivalents	6,619,064.99	4,123,366.64

16 **Trade and other receivables from exchange transactions**

	2018 R	2017 R
Trade receivables	19,622.72	10,951.08
Total	19,622.72	10,951.08

The age analysis of trade receivable is as follows:

	2018 R	2017 R
Of which: neither impaired nor past due on the reporting date	18,784.02	9,776.48
Of which: not impaired as of the reporting date and past due in the following periods:		
- between 30 and 60 days	0.00	0.00
- between 60 and 90 days	0.00	0.00
- more than 90 days	838.70	1,174.60
	19,622.72	10,951.08

Trade receivables that are less than 30 days outstanding are not considered past due. Trade receivables that are more than 120 days outstanding are not considered impaired unless specific circumstances exist that indicate the recoverability of a specific account balance.

In the 2018 financial period, the total amount recognised as net impairment losses on receivables was RNil (2017: RNil).

The entity does not consider the effect of amortisation of the effective interest rate to be material and as such no adjustment has been made to this effect.

17 **Prepayments**

	2018 R	2017 R
Expenses paid in advance	73,727.42	58,617.11

Prepayments are made up of payments made before year end for services to be rendered in the next financial period.

		2018 R	2017 R
18	**Cash and cash equivalents**		
	Cash at bank	60,675.02	94,517.64
	Cash on hand	2,927.35	4,300.00
	Short term investments/instruments	6,555,462.62	4,024,549.00
	Total	6,619,064.99	4,123,366.64

19 **Retirement benefit obligations**

Post-retirement health care benefits liability

	2018 R	2017 R
Balance at beginning of the year	467,000.00	365,000.00
Interest and service cost	53,000.00	44,000.00
Actuarial (gain)/loss	6,000.00	85,000.00
Expected employer benefit payments	(33,000.00)	(27,000.00)
Total post-retirement health care benefits liability	493,000.00	467,000.00

An unexpected gain of R6,000 arose as a result of an increase in the real discount rate and a change in membership assumption. The difference between the discount rate and the subsidy cap inflation assumption, from 9.70% per annum to 9.75% per annum. An unexpected gain of R6,000 arose for the year as a result of difference between actual and expected membership changes.

The gallery provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the gallery. According to the rules of the medical aid funds, with which the gallery is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the gallery is liable for a certain portion of the medical aid membership fee. The gallery operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations plan assets and the present value of the defined benefit obligation were carried out at 31 March 2018 by Niel Fourie, FASSA in employ of ZAQEN Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Funding Method.

The members of the post-employment health care benefit plan are made is as follows:

	2018	2017
In-service (employee) members	9	9
Continuation (employee) members	2	2
	11	11

	2018 R	2017 R
The liability in respect of past services has been estimated as follows:		
In-service (employee) members	325,000.00	298,000.00
Continuation (employee) members	168,000.00	169,000.00
Total liability	493,000.00	467,000.00

Retirement benefit obligations (continued)

	2018 R	2017 R
Analysis for financial reporting purposes:		
Non-current liabilities (recoverable after 12 months)	475,000.00	434,000.00
Current liabilities (recoverable within 12 months)	18,000.00	33,000.00
	493,000.00	467,000.00

The gallery makes monthly contributions for health care arrangements to the following medical aid schemes:
- BestMed
- Bonitas
- Discovery Health
- Momentum Health

The principle assumptions used for purposes of the actuarial valuations were as follows:

	2018	2017
Discount rate	Yield curve	9.70%
Medical Aid Inflation rates	Inflation + 1%	

The nominal and real zero curves as at 31 March 208 supplied by the JSE were used to determine the discount rates and CPI assumptions at each revelant time period.

		2018	2017
		R	R

20 Financial liabilities by category

The accounting policies for financial instruments have been applied to the items below:

	2018	2017
Amortised cost		
Trade and other payables from exchange transactions	1,376,455.22	997,389.80

21 Trade and other payables from exchange transactions

	2018	2017
Trade creditors	1,261,776.09	892,521.95
Staff related creditors	114,679.13	104,867.85
	1,376,455.22	997,389.80

22 Deferred Income

	2018	2017
Deferred Income	3,307,104.77	1,958,191.83
Deferred income - Library construction	381,950.33	958,191.83
Deferred income - Hvac Airconditioning System	1,946,700.44	1,000,000.00
Deferred income - GRAP 103 Implementation	978,454.00	
	3,307,104.77	1,958,191.83

Deferred income is made up as follows :

Library Construction

An amount of R 1 200 000 was received on the 31 March 2015 from the Department Arts and Culture in respect of Capital Works. The deferred income represents the unspent portion of the funds received at 31 March 2015. During the year approval was granted for the purchase of a multi-purpose vehicle to serve as a mobile library.An amount of R 576 41.50 was spent during the year on the purchase of this vehicle.

Hvac Airconditioning System

Two amount of R 1 000 000 each were received on the 6 March 2017 and 2 March 2018 respectively from the Department Arts and Culture in respect of Capital Works. An amount of R 53 299.56 was spent during the year.

GRAP 103 Implementation

R 83 333 was received monthly totalling R 1 000 000 from the Department Arts and Culture in respect of GRAP 103 implementation. An amount of R 31 546.00 was spent during the year.

		2018	2017
		R	R
23	**Short term accruals**		
	Salary and related expense accrual		
	Opening balance	300,248.70	292,713.55
	Accrual made/(released) during the year	(81,485.28)	7,535.15
	Closing balance	218,763.42	300,248.70

The accrual above relates to a leave pay accrual in which the amount can be reliably estimated but the timing of the payment thereof is uncertain.

24 Reconciliation of profit/(loss) before taxation to cash generated from /(utilised in) operations

	2018	2017
Net income before taxation	2,910,869.54	1,163,272.81
Adjusted for:		
- Depreciation on property, plant and equipment	123,497.81	105,829.00
- Impairment on property, plant and equipment	0.00	0.00
- Interest received	(299,167.64)	(187,783.52)
- Loss on disposal of assets	3,928.35	2,337.00
- Loss on disposal of works of art	0.00	0.00
- Increase/(decrease) in provisions for retirement benefit obligations	26,000.00	102,000.00
- Increase/(decrease) in accrual for leave pay	(81,485.28)	7,535.15
Operating cash flows before working capital changes	2,683,642.78	1,193,190.44
Working capital changes		
- Decrease/(increase) in receivables	(8,671.64)	(511,245.71)
- Decrease/(increase) in prepayments	(15,110.31)	(5,606.49)
- Decrease/(increase) in income received in advance	1,348,912.94	807,796.37
- (Decrease)/Increase in payables	379,065.42	519,665.07
Cash generated from operations	4,387,839.19	2,003,799.68

25 Revenue

Revenue from non-exchange transactions

	2018	2017
National Departments	8,967,000.00	7,712,690.44
Gifts, donations and sponsorships received	754,072.01	253,137.63
	9,721,072.01	7,965,828.07

Revenue from exchange transactions

	2018	2017
Interest income	299,167.64	187,783.52
Commission earned	14,157.91	16,845.33
Rendering of services	189,322.55	208,628.27
Rental income	17,381.00	82,167.09
	520,029.10	495,424.21

		2018 R	2017 R
26	**Cash flows from investing activities**		
	Purchase of property, plant and equipment	(745,594.88)	(288,797.21)
	Purchase of heritage assets	(1,445,713.60)	(1,245,899.35)
		(2,191,308.48)	(1,534,696.56)

27 **Financial instruments**

Credit risk
The entity does not consider there to be any significant concentration of credit risk, which has not been adequately provided for. Trade and other receivables are presented net of allowance for impairment.

Liquidity risk
The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted budget/cash flows. The council has adequate reserves to operate effectively.

Fair values
The entity's financial instruments consist mainly of cash and cash equivalents, receivables, and payables.

No financial asset was carried at an amount in excess of its fair value and fair value could reliably be measured for all financial assets that are held at amortised cost.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents
The carrying amount of cash and cash equivalents approximate fair value due to the relatively short maturity of the financial assets and financial liabilities.

Receivables and short-term loans
The carrying amount of receivables and short-term loans, net of provision for impairment, approximates fair value due to the relatively short-term maturity of this financial asset. As such the receivables have not been recalculated at amortised cost as the effect of the time value of money is considered to be negligible.

Trade payables
The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability. As such the trade payables have not been recalculated at amortised cost as the effect of the time value of money is considered to be negligible.

The fair values of financial assets and liabilities at balance sheet date are as follows:

Classification of Financial Instruments

Year ended 31/03/2018	**Fair value**	**Carrying Amount**
Financial assets		
Cash and bank balance - at fair value	6,619,064.99	6,619,064.99
Trade and other receivables - at amortisation cost	19,622.72	19,622.72
Total financial assets	6,638,687.71	6,638,687.71
Financial liabilities		
Payables - at amortisation cost	1,376,455.22	1,376,455.22
Total financial liabilities	1,376,455.22	1,376,455.22
	5,262,232.49	5,262,232.49

Year ended 31/03/2017	**Fair value**	**Carrying Amount**
Financial assets		
Cash and bank balance - at fair value	4,123,366.64	4,123,366.64
Trade and other receivables - at amortisation cost	10,951.08	10,951.08
Total financial assets	4,134,317.72	4,134,317.72
Financial liabilities		
Payables - at amortisation cost	997,389.80	997,389.80
Total financial liabilities	997,389.80	997,389.80
	3,136,927.92	3,136,927.92

28 Related party transactions

Relationships

Council members with significant influence
Mr T Mufamadi (Chairperson)
Mrs N Thoko
Mr F Edgar
Ms TC Mngadi
Mrs B Kubheka
Mr PA Sakoane
Prof E Marais
Dr R Peach
Prof P Burger
Mrs M Bossenger

Key management personnel
A Pretoruis (Director)
L Stockenstrom (CFO)

Controlling department with significant control
National Department of Arts and Culture

Building Owner
Department of Public Works

	2018 R	2017 R
Close family member of key management		
A Pretorius (Daughter of director)		
Remuneration paid to key management		
Director		
Basic salary	626,400.00	576,825.00
Pension	134,755.00	124,091.37
Medical aid	19,198.08	19,198.08
Housing subsidy	10,800.00	10,800.00
Bonuses	63,289.00	52,433.00
	854,442.08	783,347.45
Chief Financial Officer		
Basic salary	531,017.00	443,055.00
Pension	22,464.00	107,994.63
Leave paid out	106,082.00	
Medical Aid	12,168.00	7,098.00
Housing subsidy	10,800.00	10,800.00
Bonuses	50,931.00	41,085.00
	733,462.00	610,032.63

The Director's and Chief Financial Officer's salary forms part of the normal staff expenditure. There have been no additional payments such as fees for services, bonuses and performance payments, expense allowances, commissions, gains or profit sharing or share options, other than the normal expenses payable to employees of this institution.

Key management subsistence and travel expenses

	2018	2017
Director	13,042.17	26,828.96

Council members with significant control remuneration, subsistence and travel expenses

	2018	2017
Prof E Marais	22,785.98	29,489.55
Mr D Robbins	4,535.00	4,246.00
Mr FE Neluvhalani	4,102.02	7,129.80
Mrs T Khubeka	13,643.37	9,422.78
Prof N Makunga	1,485.20	3,183.30
Ms T Mngomezulu	9,045.13	7,110.10
Ms TC Mngadi	5,633.36	0.00
Prof P Burger	3,637.50	0.00
Mr AS Masilo	1,164.00	0.00
Dr R Peach	1,164.00	0.00
Mr T Mufamadi	1,451.00	0.00

	2018 R	2017 R
Grant received from controlling department with significant control		
National Department of Arts and Culture	6,892,000.00	6,564,000.00
National Department of Arts and Culture - Municipal Charges	2,075,000.00	1,148,690.44
National Department of Arts and Culture - Grap 103	1,000,000.00	0.00
National Department of Arts and Culture - Capital Works	1,000,000.00	1,000,000.00
Items acquired and transactions with council members or council member related businesses		
Prof E Marais	10,000.00	242,000.00
Porcupine Press related to Councillor D Robbins	0.00	0.00
Ms T Mngomezulu	25,000.00	0.00
Items acquired and transactions with close family members of key management		
A Pretorius (Daughter of director)	0.00	3,750.00

29 Financial risk management

The gallery's financial instruments consist mainly of cash and cash equivalents, trade and other receivables and trade and other payables.

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Principles of risk management

The gallery is exposed in particular to risks from movement in interest rates that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

The fundamentals of the gallery's financial policy are established by the council. Implementing the finance policy and ongoing risk management rests with the council. Certain transactions require the prior approval of the council which is also regularly briefed on the extent and the amount of the current risk exposure.

Interest rate risk

The gallery is exposed to interest rate risk in South Africa. The gallery does not make use of interest rate derivatives and therefore 100% of the interest-bearing financial assets and liabilities had a variable interest rate.

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analysis. These show the effect of changes in the market interest rate on interest payments, interest income and expenses, other income components and, if appropriate, equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rates affect the interest income or expenses of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

A one percentage movement in the effective interest rate would have the following effect on the net income for the year:

	+1%	-1%
Cash and cash equivalents	66,190.65	(66,190.65)

Other price risk
No other price rate risk with respect to investments exists.

Foreign currency risk
No foreign currency exchange rate risk with respect to investments or loans exists.

Credit risk
Financial assets which potentially subject the gallery to concentrations of credit risk consist of cash and cash equivalents and receivables. The gallery's cash is placed with high quality financial institutions. Trade receivables are disclosed net of provision for impairment.

Liquidity risk
Liquidity risk is the risk that the gallery will not be able to meet its financial obligations as they fall due. The gallery's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the gallery's reputation.

The gallery monitors their cash flow requirements on an ongoing basis which takes into account the servicing of financial obligations, but excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Net fair values

The estimated values of the gallery's financial instruments are:

	31 March 2018	
	Carrying value	Fair value
Financial assets		
Cash and cash equivalents	6,619,064.99	6,619,064.99

	31 March 2017	
	Carrying value	Carrying value
Financial assets		
Cash and cash equivalents	4,123,366.64	4,123,366.64

30 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	0.00	175,955.80
Irregular expenditure - current year	576,241.50	0.00
Irregular expenditure - approved and written off	0.00	(175,955.80)
Irregular expenditure awaiting approval	576,241.50	0.00

The irregular expenditure has been reffered to council for condonement.

31 Contingencies

WHAG does not have any contingent assets or liabilities on 31 March 2018, that will require disclosure in terms of GRAP 19, Provisions, Contingent Liabilities and Contingent Assets.

32 Post balance sheet events

There were no adjusting or non-adjusting events identified after 31 March 2018

33 Budget differences

Material differences between budget and actual amounts.

An excess of actual over final budget of 15% is regarded as being a material deviation from the final budget.

Explanations for material line item differences are as follows:

Revenue

33.1 Commission income recorded below budget due to a decline in sales of exhibited artworks.

33.2 Rendering of services recorded above budget due an unbudgeted money being received for outreach projects. Specifically funds received from MTN.

33.3 Interest income was higher that budget due to more funds on hand and a higher that budgeted for interest rate. Additional funds were invested as a result of funds being received from the Department of Sports Arts an culture for the upgrade of the air conditioner system, Implementation of GRAP 103 and the library contrution project.

33.4 The transfers and subisies reflect lower than budget for as a result of ringfenced funds received for the implementation of GRAP 103 being allocated to the statement of financial position refer note 22.

33.5 Other non exchange revenues recorded above budget due to the release of income from the deferred income account relating to the library project and upgrade of the air conditioner system.

Expenditure

33.6 Administration expenses reflect above budget due to municipal charges amounting to R 793 240 previously paid by DAC were not budgeted for.

33.7 Audit fees were in excess of budget. It should be noted that the Gallery is a '1%' institution in terms of the Public Audit Act and the balance of the audit fee in excess of 1% of total expenditure is referred to National Treasury for payment.

33.8 Depreciation was over budget due to the increased depreciation charged as a result of assets brought into account in prior years.

33.9 Repairs and manitenace reflects above budget due to repairs being in excess of the budgeted amount.

33.10 Other Operating costs were under budget due to effective cost saving measures and as a result of items being budgeted for that were capitalised as property plant and equipment.

Statement of Financial Position

33.11 Property, plant and equipment recorded above budget. This is as a result of the capitalisation of assets identified in prior years specifically relating to the library (books and DVDs) as well as the acquisition of a new vehicle (mobile library) from funds received for the library project.

33.12 Trade and other receivables from exchange transactions are less than budget as a result of the the timing of receipts from debtors at year end.

33.13 Cash and cash equivalents reflect more than budget as a result of a capital works allocations received from the Department of Sports Arts and Culture in respect of the library project, upgrade of the air conditioner system and the implementation of GRAP 103.

33.14 Long term provisions reflects underbudget due to a reduction in the post retirement healthcare benefits due to a change in the proportion of past and present staff enjoying these benefits.

33.15 Deferred income reflects more than budget as a result of a capital works allocations received from the Department of Sports Arts and Culture in respect of the library project, upgrade of the air conditioner system and the implementation of GRAP 103.

33.16 Trade and other payables from exchange transactions reflects over budget as a result of the outstanding amount relating to the audit fee payable to the Auditor General.

33.17 Short term provisions reflect over budget as a result of more leave being due to staff than budgeted for.

34 Prior year adjustments

34.1 Works of Art (GRAP 103)

An adjustment in the prior year financial statements was necessary as a result of a correction necessary in order to comply with GRAP 103
The William Humphrey's Art Gallery has elected to use the histroric purchase price or value at entry into the collection as the value in respect of GRAP 103.
Values for donations, previously recorded as R nil, were researched in the WHAG archives and historical files.
One million rand was received during the 2017/2018 in order to perform the required valuations
The identified items have been valued by professional specialist valuators. The value of these items have now been disclosed in the Annual Financial Statements. Refer to note 13.

This resulted in Heritage assets as stated on the statement of financial position being understated.

An adjustment was made against the opening balance of equity at the beginning of 2017 with the comparative figures being restated accordingly.

The effect of the correction on the statement of financial performance is as follows :

Net profit for the year ended 31 March 2017	0.00
Net profit for the year ended 31 March 2018	0.00

The effect of the correction on the statement of financial position is as follows:

Works of art - cost	
Opening balance as previously stated at 1 April 2017	11,850,294.83
Correction as result of GRAP 103	3,863,022.69
Opening balance as restated at 1 April 2017	15,713,317.52

34.2 Receivable National Treasury Excess Audit Fees

An adjustment of an error in the prior year financial statements was necessary as a result of the correction of the disclosure of National Treasury as a receivable is respect of Audit fees in excess of "1% of expenditure". It should be noted that the Gallery is a '1%' institution in terms of the Public Audit Act and the balance of the audit fee in excess of 1% of total expenditure is referred to National Treasury for payment.
The receivable raised and reflected previously has been reversed as the recoverability of the amount can not be confirmed. Note should be taken that historically the excess has been settled by National treasury. The Gallery will in future reflect the amount in the accounting records once the amount has been settled by National treasury.

This resulted in receivables as stated on the statement of financial position as well as transfers and subsidies as stated on the statement of financial performance being overstated

An adjustment was made against the opening balance of equity at the beginning of 2017 with the comparative figures being restated accordingly.

The effect of the correction on the statement of financial performance is as follows :

Net profit for the year ended 31 March 2017	505,577.99
Net profit for the year ended 31 March 2018	317,473.01

The effect of the correction on the statement of financial position is as follows:

Receivables	
Opening balance as previously stated at 1 April 2017	376,201.20
Correction	(376,201.20)
Opening balance as restated at 1 April 2017	0.00

34.3 Use of Building for no value (GRAP23)

An adjustment of an error in the prior year financial statements was necessary as a result of the correction of the disclosure of the use of the building. The building is owned by the Department of Public Works who have a service level agreement with the Department of Art and Culture
The Gallery has use of the building for which they pay no rental. The director of the gallery has researched the value of this benefit with relevant property professionals.
The value of this property usage has been corrected and is now reflected in the statement of Financial performance as income from non exchange transactions with a corresponding expense being reflected as an expense.

This resulted in income as stated on the statement of financial position as well as expenditure as stated on the statement of financial performance been understated

No adjustment was necessary against the opening balance of equity at the beginning of 2017. comparative figures have been restated accordingly.

The effect of the correction on the statement of financial performance is as follows :

Net profit for the year ended 31 March 2017	0.00
Net profit for the year ended 31 March 2018	0.00

SUMMARY

34.1 Works of art	3,863,022.69
34.2 Receivable National Treasury	(376,201.20)
34.3 Use of Buiding for no value	0.00
	3,486,821.49

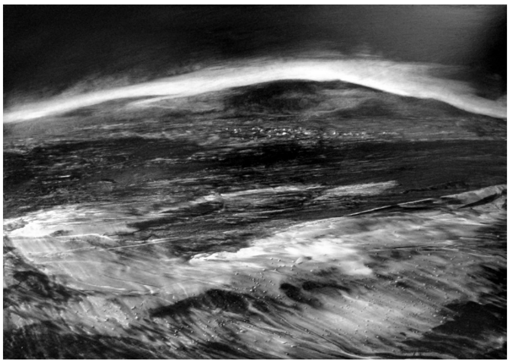
35 Going Concern

We draw your attention to the fact that the gallery at 31 March 2018 has accumulated reserves amounting to R 22 322 892.05 and cash reserves amounting to R 6 619 064.99.

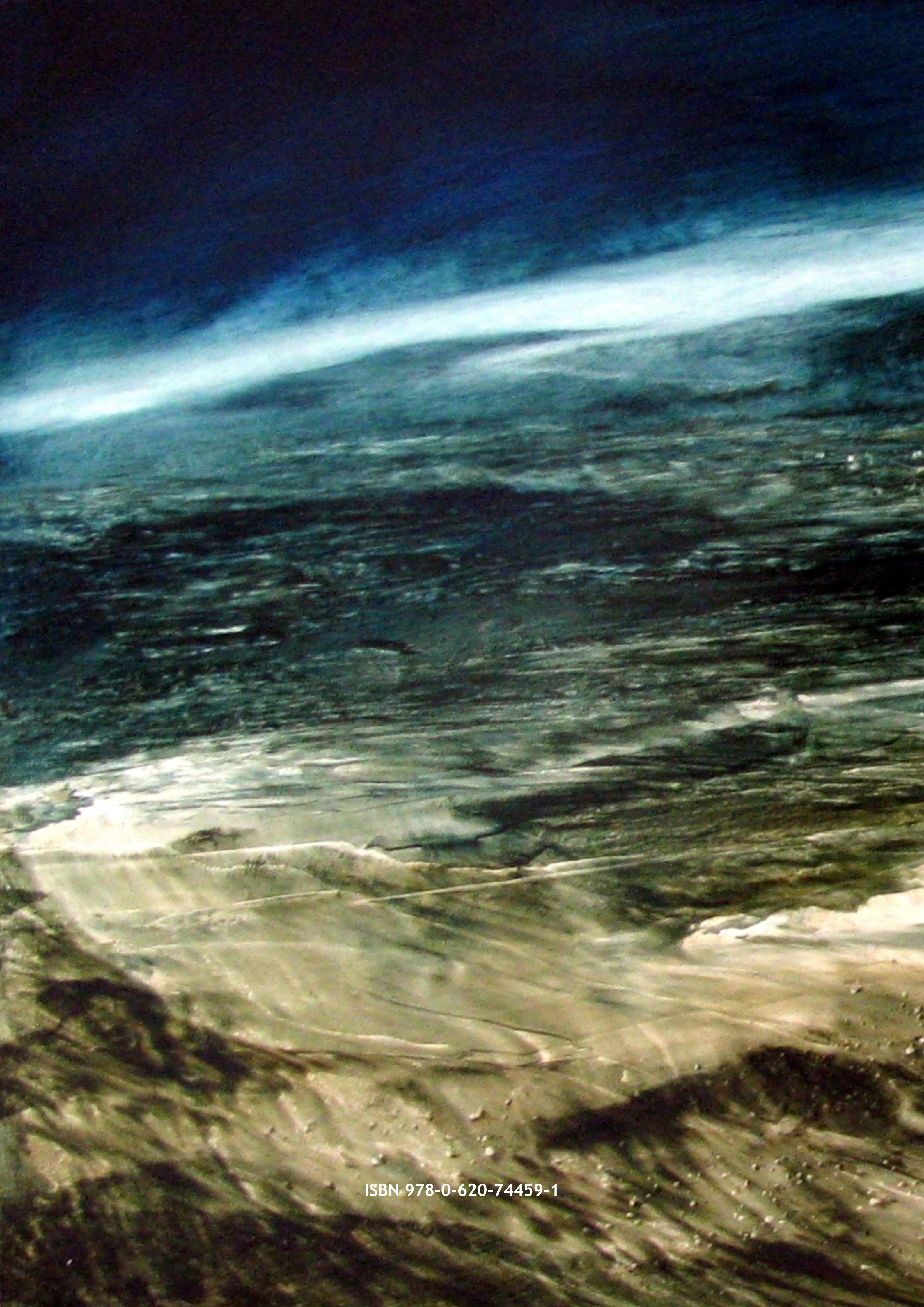
The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

WILLIAM HUMPHREYS ART GALLERY
RECONCILIATION OF RESULTS
for the year ended 31 March 2018

	2018 R	2017 R
Total revenue	**11,288,191.11**	**9,508,342.28**
Total expenditure excluding depreciation and impairment	**8,249,895.41**	**8,236,903.47**
Total expenditure	8,377,321.57	8,345,069.47
Adjusted for :		
Depreciation and amortisation	(123,497.81)	(105,829.00)
Loss on scrapping of property, plant and equipment	(3,928.35)	(2,337.00)
Impairment of property, plant and equipment	0.00	0.00
Net surplus before capital expenditure	**3,038,295.70**	**1,271,438.81**
Capital expenditure	**2,191,308.48**	**1,534,696.56**
Heritage Assets	1,445,713.60	1,245,899.35
Plant and equipment	1,736.92	22,061.86
Vehicles	589,541.50	0.00
Computer equipment and peripherals	13,980.00	39,381.06
Office furniture and fittings	99,799.56	56,454.02
Library	40,536.90	41,239.75
Leasehold improvements	0.00	129,660.52
Net Surplus (Deficit)	**846,987.22**	**(263,257.75)**



Cover picture: Deep Time: Dorp (Oil on Board)
by Anthony Harris (1952 -)



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