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OVERVIEW AND ANALYSIS OF THE 2011/2012 ANNUAL REPORT OF THE WILLIAM HUMPHREYS ART GALLERY

1. INTRODUCTION

The William Humphreys Art Gallery (WHAG), opened in 1952 and situated in Kimberley's Civic Centre, is the only national museum in the Northern Cape. The institution is a public entity of the Department of Arts and Culture (DAC) and thus, in terms of the Cultural Institutions Act (Act No. 119 of 1998) reports to DAC.

The Museum is named after its principal benefactor, William Benbow Humphreys who, in 1948, donated a considerable portion of his personal collection to the city of Kimberley. This gift together with South African works of art, brought together by members of the Art Section of the Kimberley Athenaeum and the Max Greenberg Bequest, formed the core of the collection. The Humphreys Loan Collection and the Timlin Collection, on indefinite loan from De Beers Consolidated Mines Limited, add further value to the original collection. Currently WHAG concentrates on collecting South African artwork. In addition to serving as a museum of art, WHAG functions as a community educational and cultural centre.¹

The mission of WHAG is to provide 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"*.²

For the financial year 2010/2011 the Auditor-General (AG) awarded WHAG with a financially unqualified audit opinion **with no** findings. In the period under review, there had been a regression to a financially unqualified audit opinion **with** findings.

This paper will provide an overview and analysis of the WHAG 2011/2012 annual report with reference to the findings of the AG.

2. OVERVIEW OF THE REPORT

The report is generally well written. The table of contents could be set out more clearly. The section of the report that deals with performance information is not laid out in a reader-

¹ Visual Arts Network of South Africa. (n.d.) *William Humphreys Art Gallery*.

² William Humphreys Art Gallery. (2012)



friendly manner – it is difficult to compare targets with results, for instance. It appears that WHAG does not divide its activities into programmes but instead reports on progress made in relation to the institution's strategic goals.

For ease of reference, the section dealing with the annual financial statements should be clearly separated from the general information. Page numbering is incorrect in at least one place.

A useful inclusion in the report is the overview of audit opinions since 2001 (see page 4 of the annual report).

3. HUMAN RESOURCES OVERVIEW

The William Humphreys Art Gallery has a small staff component. At present a total of 17 employees work towards achieving the institutions strategic objectives. The Director's report (pages 3 to 25) details the impact of operating with such a small staff component. The institution is lacking the following key positions, thereby limiting its functions and potential:

- Deputy Director
- Human Resource Officer
- Curator
- Collections Manager, and
- Exhibitions Officer.

These are not vacant posts, but are positions that have never been created because the annual allocation makes no provision for this. It should be noted that this part of the Director's report that deals with the issue of capacity constraints appears, almost verbatim, in the annual report for 2010/2011.³

The Human Resource (HR) Management report indicates the following:

- Policies and practices that regulate staff benefits such as medical aid, pension funds, housing subsidies, formal tertiary study and telephone usage have been developed by Council.
- The institution retained all staff during the period under review.
- There are no vacant posts.
- No disciplinary hearings were conducted during 2011/2012.

The HR report does not report on:

³ William Humphreys Art Gallery. (2011)



- Utilisation of sick leave;
- Injuries, illnesses and death resulting from official duty and the work environment; and
- Health and wellness programmes.

KEY ISSUES OR QUESTIONS FOR CONSIDERATION:

- On page 7 WHAG reports that it does not have a staff evaluation system in place. How is performance measured since bonuses are awarded? When will WHAG implement a performance management system?
- The WHAG reports a lack in capacity to carry out some of its core functions. What are WHAG and its Council doing to raise funds in order to reduce this problem, i.e. are they proactive in becoming more self-reliant?
- According to the organogram on page 6 of the annual report, WHAG employs one teacher's assistant on a part-time basis. How does WHAG manage to continue to carry out its public programmes with such limited human resources?

4. NON-FINANCIAL PERFORMANCE

Some of the institutions **key achievements** are highlighted below:

Strategic Goal: Collections

- The projected target of spending R1.2million on acquiring art was achieved. The actual expenditure on acquisitions amounted to R1 278 448.30.

Strategic Goal: Preservation Management

- Through working in accordance with the institution's Preventative Management Plan, the collections are stable and the institution suffered no losses.

Strategic Goal: Exhibitions

- A total of 21 temporary exhibitions were hosted. The planned minimum target was ten for the period under review.
- Permanent collections of South African works were displayed in 15 exhibitions. The planned target for the year was ten.
- The institution hosted four exhibitions that showcased historic Dutch, Flemish, French, Italian and British collections from the permanent collection.

Strategic Goal: Outreach Exhibitions

- As planned, exhibitions were taken to schools in Northern Cape towns – Danielskuil, Prieska, Richmond and Kakamas.

Strategic Goal: Reference Library



- The reference library acquired 36 publications and 47 pamphlets. The facility registered a total of 235 library users and 16 Visual Culture Studies classes were presented using WHAG library publications and collections.

Strategic Goal: WHAG Film: The Art of African Cinema

- WHAG hosted 13 special film screenings in its efforts to encourage school learners to visit the gallery.
- The WHAG Film team hosted 45 South African and/or art film screenings.
- A total of 81 new titles were added to the film library.

Strategic Goal: Sguzu WHAG Press

- In its goal to mentor emerging local artists in the art of printmaking, WHAG hosted two linocut workshops and collaborated with three emerging artists.
- WHAG collaborated with one established artist in order for artists to “cross-pollinate creative endeavours”.

Strategic Goal: Annual Gariep Kunstefees

- During the Annual Gariep Kunstefees (Arts Festival), 15 shows were presented in the gallery venues, one flower arranging workshop as well as five visual arts exhibitions were hosted. According to the annual report, the latter was included in the report on exhibitions.

Strategic Goal: Alignment with National Imperatives

- WHAG presented a range of workshops and classes through its involvement in special community projects at the gallery and other venues.

Strategic Goal: Partnerships and Linkages

- Through its efforts to attract outside funding and donations, WHAG raised an amount of R16 488 to offset the expense of projects.

Strategic Goal: Generation of Funds

- The rental of gallery facilities for conferences and seminars generated an addition funds amounting to R69 480. This exceeded the planned target of R45 000.

Strategic Goal: Human Resources Management and Skills Development

- With regards to staff empowerment, two staff members are undergoing formal tertiary studies and four training opportunities were offered in-house by a specialist paper conservator.

The following could be regarded as some of the institutions **key challenges**:

- While WHAG has spent R1 278 448.30 on acquiring artworks, only 13 per cent or R165 212.00 of this amount was spent on acquiring works produced by black artists.



- Within the strategic goal 'Sguzu WHAG Press' two out of three targets are not specified, but performance was reported on.
- With regards to the strategic goal 'Partnerships and Linkages', three out of the six targets set were not reported on. These targets are:
 - *"A network of experts and professionals assist in WHAG activities and objectives at no cost to the institution."*
 - *"Many small private donations have been received towards the special projects."*
 - *"No additional expense for institution for professional assistance or expert opinion."*



KEY ISSUES OR QUESTIONS FOR CONSIDERATION:

- The WHAG Film team hosted 45 South African and/or art film screenings. Who attended these screenings? Do these screenings attract diverse audiences and do the attendees return to visit the museum?
- A total of 81 new titles were added to the film library. How were these acquired? Why was there no target set for this output?
- WHAG hosted two linocut⁴ workshops and collaborated with three emerging artists. What was the target? This highlights yet another output for which no target was set.
- WHAG collaborated with one established artist in order for artists to “cross-pollinate creative endeavours”. Has WHAG collaborated with other artists and does “cross-pollination” happen. Again, there has been no target set for this output.
- Through its efforts to attract outside funding and donations, WHAG raised an amount of R16 488 to offset the expense of projects. The planned target was R12 000. Why was this target set so low when WHAG clearly needs more funds to operate optimally?
- Two staff members are undergoing formal tertiary studies. Although a study policy exists which states that employees have to sign a service contract on receiving assistance from WHAG, can WHAG afford to contribute to the tertiary studies of employees? Does the policy apply to those employed on a part-time basis?
- WHAG has spent R1 278 448.30 on acquiring artworks, only 13 per cent or R165 212.00 of this amount was spent on acquiring works produced by black artists. Why was such a small percentage of the budget spent on works produced by black artists? What percentage of the overall collection (not loan collections, but acquired collections) comprises the work of black artists? Does WHAG have a strategy in place to transform its collection, i.e. a Collections Policy for example?
- Within the strategic goal ‘Sguzu WHAG Press’, two out of three targets are not specified, but performance was reported on. Similarly, only three out of six targets were set under the strategic goal ‘Partnerships and Linkages’. Why is WHAG reporting on performance in the absence of planned targets?
- Does WHAG offer internships?
- Are WHAG staff members encouraged to publish research or popular articles?

5. OVERVIEW OF THE REPORT OF THE AUDITOR GENERAL OF SOUTH AFRICA

The Auditor-General (AG) operates in accordance with the following legislation:

- Public Finance Management Act (Act No. 1 of 1999)
- Constitution of the Republic of South Africa (Act No. 108 of 1996)

⁴ Linocut is a printmaking technique in which a sheet of linoleum, with areas that are to be blank are cut away is used to produce prints.



- Public Audit Act (Act No. 25 of 2004)

For the 2011/2012 financial year, WHAG received an unqualified audit opinion **with** findings. This is a regression from an unqualified audit opinion **with no** findings attained in the previous financial year. An overview of the 2011/2012 audit opinion follows.

4.1. Basis for the Audit Opinion

The financial statements present fairly, in all material respects, in accordance with the applicable financial reporting framework.

Emphasis of matter

Restatement of corresponding figures: This does not influence the audit opinion, but is comparative information to be read in relation to amounts relating to the period under review. According to the financial statements, the errors that were corrected applied to:

- The useful lives of property, plant and equipment; and
- Capital items purchased incorrectly allocated as expenditure resulting in an overstatement of operating costs.

An adjustment was made against the opening balance of equity at the beginning of 2011 with the comparative figures being restated.

Predetermined objectives

There were no material findings on WHAG's annual performance report concerning the usefulness and reliability of the information. However, there were findings on areas on non-compliance with legislation. These are outlined below:

Compliance with laws and regulations

- Annual financial statements
 - The financial statements were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the Public Finance Management Act (PFMA).
 - Material misstatements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- Audit committees

The audit committee failed to review the financial information provided to management and other users, as required by Treasury Regulation 27.1.8(d). Also, the institution's compliance with legal and regulatory provisions was not reviewed, as required by Treasury Regulation 27.1.8(f).
- Expenditure management

The accounting authority did not take effective steps to prevent irregular expenditure as is required by section 51(1)(b)(11) of the PFMA.



- **Internal audit**
The reliability and integrity of financial and operational information was not evaluated by the internal audit. This is a transgression of Treasury Regulation 27.2.10(b). Furthermore, the internal audit did not adhere to Treasury Regulation 27.2.10(e) by not evaluating compliance with laws and regulations.
- **Procurement and contract management**
Treasury Regulation 16A6.1 requires price quotations to be obtained for all goods and services with a transaction value below R500 000. The WHAG failed to comply with this regulation.

Internal control

- **Leadership**
A number of material misstatements (false or missing information) were identified during the auditing process. Although these were subsequently corrected, the accounting authority should have developed and implemented a review function to ensure financial statements were free from errors prior to them being subjected to the auditing process. In addition, WHAG did not develop and implement an action plan to address internal control deficiencies specific to the Standards of Generally Recognised Accounting Practice (GRAP). WHAG had material adjustments to their financial statements in the current and prior reporting periods.
- **Financial and performance management**
 - The numerous misstatements contained within the financial statements were corrected by management. Financial statements and accounting policies did not comply with the GRAP Standards, and relevant disclosures were not reflected in the financial statements.
 - The AG identified non-compliance specific to financial reporting and contract management. WHAG did not review and monitor compliance.

KEY ISSUES OR QUESTIONS FOR CONSIDERATION:

- WHAG operated without a Council between 1 April and May 2011. This was not highlighted in the AG's report.
- This is a small public entity, with a small budget (just over R 5million). Why has the AG raised so many concerns, i.e. material misstatements, inadequate financial statements, etc.?
- What was the reason for WHAG deviating from standard Supply Chain Management (SCM) procedure?
- Irregular expenditure amounted to R40 998.23 of which R11 271.75 was carried over from the 2010/2011 financial year. The amount of R29 726.48 was incurred during the period under review. Although reasons for this



expenditure is detailed on page 67 of the annual report, why did the accounting authority fail to prevent this irregular expenditure?

- What measures have the executive authority put in place to ensure compliance with legislation?

6. GENERAL OBSERVATIONS ON THE FINANCIAL STATEMENTS

- In the section of the report that deals with the institution's accounting policies, it is stated that certain of the Gallery's retirees are entitled to post-retirement health care benefits. Has WHAG implemented a policy regarding post-retirement benefits? If so, which employees do not qualify for these benefits, i.e. from which date is the policy effective?
- Staff costs amount to 65.5 per cent of the total budget, 26 per cent of the budget was spent on acquisitions, and insurance used 3.6 per cent. This leaves just under 5 per cent (approximately R240 000) of the budget for exhibitions and other operational costs. If the institution is operating on such a tight budget, why have administrative expenses for travel and subsistence (T and S) more than double since the last financial year (refer to page 53 of the 2011/2012 annual report)? In the previous financial year, T and S amounted to R105 145.88 compared to R276 523.30 in the period under review.
- Why, in the prior financial year, did the accounting authority fail to disclose remuneration paid to close family members of key management (pages 62 and 65 of the annual report)? It is reported in the current financial year that the institution is providing this same family member financial assistance with formal tertiary education. Should the value of this assistance not be disclosed?

7. CONCLUSION

From evidence presented in the 2011/2012 annual report, it would appear as though the William Humphreys Art Gallery is carrying out its core business in spite of the capacity and financial constraints they face. To improve on the role the Gallery plays in the art and broader communities in the Northern Cape, it would be beneficial to the institution if the Council develops a fundraising strategy in order to prevent the institution from becoming overly reliant on the Department of Arts and Culture for financial support.

The WHAG does not have a HR Department. From what is presented in the annual report, it is not entirely clear how HR matters are dealt with.

Regarding the audit opinion, WHAG has regressed and this should be corrected so as to avoid further regression.



8. REFERENCES

Visual Arts Network of South Africa. (n.d.) *William Humphreys Art Gallery*. [Internet] Available from: <<http://www.vansa.co.za/art-map/william-humphreys-art-gallery>> [Accessed 15 November 2012].

William Humphreys Art Gallery. (2011) *Annual Report 2010/2011*. Kimberley: William Humphreys Art Gallery.

William Humphreys Art Gallery. (2012) *Annual Report 2011/2012*. Kimberley: William Humphreys Art Gallery.