

## **REPORT OF THE PORTFOLIO COMMITTEE ON ARTS AND CULTURE ON BUDGET VOTE 37: DEPARTMENT OF ARTS AND CULTURE, DATED 18 MAY 2017**

The Portfolio Committee on Arts and Culture, having considered the 2017/18 budget and the Annual Performance Plan (APP) of the Department of Arts and Culture, Vote 37, reports as follows:

### **1. Introduction**

- 1.1 The Portfolio Committee on Arts and Culture (hereafter referred to as the “Committee”) considered the 2017/18 budget of the Department of Arts and Culture (DAC) as part of its oversight function over the Department as mandated by Public Finance Management Act (Act No 1 of 1999) and Money Bills Amendment Procedure and Related Matters Act (Act No 9 of 2009). The Department briefed the Committee on its 2017/18 budget on 09 May 2017 and the entities briefed the Committee on the 02, 04 and 09 May 2017 respectively.

### **2. Background**

- 2.1 The aim of the report is to present an intensive analysis of the 2017/18 budget of the Department of Arts and Culture. This will assist the Committee to fulfill its monitoring and oversight functions effectively. This analysis particularly enables the Committee to monitor and oversee the Department’s expenditure of public funds and the impact of service delivery.
- 2.2 Information contained in the report is based on the Department’s 2017/18 APP, 2017/18 budget, as well as the 2017 Estimates of National Expenditure (ENE) as tabled in the National Assembly.
- 2.3 The Report presents a programme-by-programme summary of the Department of Arts and Culture Budget, an overview of the key observations and recommendations made by the Committee.

### **3. Committee observations**

- 3.1 The Department derives its mandate from the Constitution of the Republic of South Africa (Act No. 108 of 1996) with specific focus on language and culture, access to information and, to some extent, education.
- 3.2 The work of the Department is central to the implementation of Chapter 15, *Nation Building and Social Cohesion*, of the National Development Plan (NDP) Vision 2030. The Department has been assigned by the President the responsibility to lead Outcome 14: Transforming society and uniting the country.
- 3.3 Through the implementation of the Mzansi Golden Economy (MGE) strategy, a strategy developed during the 2009-2014 term, the Department aims to contribute to national priorities of job creation and economic development.
- 3.4 Going forward into the medium-term, the Department aligns its work with the NDP as well as the Medium Term Strategic Framework through contributing to quality education and rural development.
- 3.5 The Department will work towards achieving the above findings by continuing with programmes which place artists in schools to improve the teaching of arts in basic education and by building arts, culture and heritage infrastructure in rural areas. This infrastructure includes community libraries, arts centres and building heritage infrastructure monuments.
- 3.6 The Department has ensured that all entities reporting to it have submitted annual performance plans (APPs) for the 2017/18 financial year. These include:
- The Afrikaanse Taal-Museum and Monument
  - Iziko Museums of South Africa
  - National English Literary Museum
  - KwaZulu-Natal Museum
  - Msunduzi/Voortrekker and Ncome Museums
  - National Museum Bloemfontein
  - Ditsong Museums of South Africa
  - Robben Island Museum
  - War Museum of the Boer Republics

- William Humphreys Art Gallery
- Freedom Park
- National Heritage Council
- National Film and Video Foundation (NFVF)
- National Arts Council
- South African Heritage Resources Agency
- South African Library for the Blind
- National Library of South Africa
- Artscape
- Performing Arts Council of the Free State (PACOFS)
- South African State Theatre
- Playhouse Company
- Luthuli Museum
- Nelson Mandela Museum
- Market Theatre
- Pan South African Language Board (PanSALB)

#### 4. Overview of the 2016/17 financial year

The Department derives its mandate firstly from the Constitution of the Republic of South Africa and a number of key pieces of legislation which provide the primary legislative framework. This framework, and subsequently the Department's mandate, has remained unchanged.<sup>1</sup>

- Preserve, develop, protect and promote the cultural, heritage and linguistic diversity and legacy of South Africa;
- Lead nation building and social cohesion through societal transformation;
- Enhance archives and records management structures and systems and promote access to information; and
- Provide leadership to the art and culture sector so as to accelerate its transformation.

In the 2016 State of the Nation Address (SONA), the President pronounced on the need to cut government spending and implement cost-cutting measures. As a result, the Department stated that it will have to adopt and implement strategies that seek to "do more with less" over the Medium Term Expenditure Framework (MTEF).<sup>2</sup>

By mid-year, National Treasury noted that the Department was on track to meet its selected performance targets with the exception of the installation of flags and flagpoles at schools and the number of heritage bursaries awarded. For the latter, the Department expected to achieve this target by March 2017 after addressing the delay in signing memorandums of agreement with universities.<sup>3</sup>

Since annual reports for national departments have not yet been tabled, information related to performance over the last financial year is extracted from in-year quarterly expenditure and financial reports. The review of progress on the 2016/17 budget will therefore only focus on the first three quarters.

In order to evaluate service delivery, it is essential to look at expenditure per programme. The summary of the budget versus expenditure as at the end of the third quarter is tabulated below.

**Table 1: DAC expenditure as at the end of the third quarter of the 2016/17 financial year**

Programme	Adjusted appropriation 2016/17	Expenditure as at 31 December 2016	Percentage spent	Projected expenditure	% variance from projected expenditure
<b>R million</b>					
1. Administration	262.6	206.5	78.6%	210.9	2.1%
2. Institutional Governance	325.2	130.8	40.2%	263.3	50.3%
3. Arts and Culture Promotion	1068.2	835.7	78.2%	878.4	4.9%

<sup>1</sup> Department of Arts and Culture (2016), p.3.

<sup>2</sup> Ibid, p.5.

<sup>3</sup> National Treasury (2016b).

and Development					
4. Heritage Promotion and Preservation	2406.5	1832.3	76.1%	1828.9	-0.2%
<b>Total</b>	<b>4062.6</b>	<b>3005.2</b>	<b>74.0%</b>	<b>3181.5</b>	<b>5.5%</b>
<b>Economic Classification</b>					
<b>Current payments</b>	582.6	436.0	74.8%	445.0	2.0%
Compensation of Employees	238.3	170.3	71.5%	178.6	4.6%
Goods and Services	344.3	265.6	77.1%	266.4	0.3%
Interest and Rent on Land	0.0	0.1		0.0	
<b>Transfers and subsidies</b>	3272.3	2496.3	76.3%	2556.2	2.3%
<b>Payments for capital assets</b>	207.6	72.9	35.1%	180.3	59.6%
<b>Payments for financial assets</b>	0.0	0.1		0.0	
Awaiting classification		0.0			
<b>Total</b>	<b>4062.6</b>	<b>3005.2</b>	<b>74.0%</b>	<b>3181.5</b>	<b>5.5%</b>

Source: Standing Committee on Appropriations (2017).

As per the report issued by the Standing Committee on Appropriations (SCOA), as at the end of the third quarter the Department had spent 74.0 per cent, or R3 billion, of its total adjusted appropriation. Compared to expenditure at the end of the third quarter of the 2015/16 financial year, when expenditure stood at 68.0 per cent, this represents improvement in expenditure. However, it should be noted that spending at the end of the third quarter for 2016/17 was R176.2 million of 5.5 per cent lower than the projected third quarter spending of R3.2 billion or 77.1 per cent. The report goes on further to indicate that slower than expected spending on Capital Works in Programmes 2 and 3, as well as on compensation of employees contributed to the bulk of the lower than projected expenditure.<sup>4</sup>

Based on the report by SCOA, the following observations should be noted:<sup>5</sup>

- Expenditure for the Compensation of Employees (CoE) budget stood at 71.5 per cent, compared to the projected 74.9 per cent. This under expenditure of R8.3 million is chiefly attributed to the vacant posts such as the Director-General (DG) and middle management posts. The 2016 Budgetary Review and Recommendation Report (BRRR) clearly emphasises the urgency for the Department to fill the DG and other strategic and management positions.<sup>6</sup> However, the under expenditure on the CoE budget by the end of the third quarter indicates that this recommendation was not acted on by the end of December 2016.
- Slower than projected expenditure on Capital Works is recorded for both Programmes 2 and 3. Challenges experienced between the Department, the Department of Public Works (DPW) and the Independent Development Trust (IDT) has resulted in service delivery setbacks including delays in the implementation of the Ingquza Hill Museum and JL Dube House project, the National Archives projects and some legacy projects.
- Funds to the amount of R20 million were shifted from Programme 2 (Payments for Capital Assets) to Programme 3 (Transfers). These funds were vired to deal with funding pressures at Pan South African Language Board (PanSALB).
- There was significant expenditure on contractors and consultants in Programme 3 due to the implementation of the Mzansi Golden Economy (MGE) projects. These projects mainly use outsourced services to alleviate capacity constraints within the Department.

## 5. Policy priorities

The Department's strategic plan, developed in 2015, guides priorities for the ACH sector. The local environment has evolved since the global recession, thus the Department developed the following ten priorities to guide its planning and budgeting have been identified:<sup>7</sup>

<sup>4</sup> Standing Committee on Appropriations (2017).

<sup>5</sup> Ibid.

<sup>6</sup> Portfolio Committee on Arts and Culture (2016).

<sup>7</sup> Department of Arts and Culture (2017), pp.16-20.

1. Accelerating and amplifying nation building and social cohesion and dealing with, inter alia, the challenges of racism;
2. Focusing on Africa and the global space;
3. Resistance and liberation heritage (RLH) Route infrastructure programme, including the National Heroes' Acre;
4. Promotion of all languages and improving the functioning of the PanSALB;
5. Ensuring that MGE benefits previously disadvantaged artists;
6. Ensuring that the Libraries programme provides access to library infrastructure for all and encouraging society to read and visit libraries;
7. Using available spaces for Community Arts;
8. Ensuring that the school curriculum teaches correct South African heritage and history through the Arts Education Programme and DAC Schools Programme;
9. Improving the quality of reporting and compliance; and
10. Conducting a skills audit in the Department to ensure that human resources are correctly placed in the organisation.

The 2017/18 MTEF programme of action is structured against the following strategic outcome-oriented goals:<sup>8</sup>

- A transformed and productive arts, culture and heritage (ACH) sector, aiming to:
  - Develop, protect and promote the cultural and creative sector;
  - Develop, preserve, protect and promote heritage;
  - Develop and promote the official languages;
  - Build relationships and partnerships locally and internationally; and
  - Provide access to information.
- An integrated and inclusive society, aiming to:
  - Lead, coordinate and implement social cohesion programmes.
- An efficient and effective ACH sector, aiming to:
  - Create a coherent policy and legislative environment for the ACH sector;
  - Drive integrated outcomes-based research, planning, monitoring and evaluation across the sector;
  - Implement sound financial management and control systems; and
  - Strengthen and modernise archives and records management systems.
- A professional and capacitated ACH sector, aiming to:
  - Build human resource capacity and promote excellence.

The alignment of the Department's prevailing strategic plan and annual performance plan (APP) with national, continental and global agendas is briefly discussed below.

## **5.1. National agendas**

### ***5.1.1 National Development Plan***

During the 2014-2019 term of government, the Medium-term Strategic Framework (MTSF) was aligned to the NDP. The Department thus plays a dual role in relation to the MTSF:

- To lead and coordinate the delivery of the outputs of Outcome 14: A diverse, socially cohesive society with a common national identity. The Department is delegated to coordinate the implementation of Outcome 14; and
- To ensure alignment with and support for other outcomes of the MTSF through programmes and interventions by the sector.

Strategic planning within the Department has taken cognisance of the NDP, particularly Chapter 15, and thus the Department aims to integrate arts, culture, language and heritage into all sectors of national life. The Department further seeks to unleash the potential of the arts, culture and heritage sector to contribute to job creation and economic growth through the MGE Strategy.<sup>9</sup>

<sup>8</sup> Ibid, p.21.

<sup>9</sup> National Treasury (2013).

For the current financial year, the Department has ensured that its policy priorities are aligned with the NDP.<sup>10</sup> The NDP provides the impetus for the budget over the 2014-2017 medium term and is central to all the work of government. Through addressing the following three areas the Department aligns its work with the NDP:

- Social cohesion and nation building;
- Job creation and economic development; and
- Quality education and rural development.

In response to the call to lead the way on matters of social cohesion, the Department has elevated the status of social cohesion and national building to sub-programme level within its Institutional Governance Programme as of 2014/15. Strategies and programmes such as the MGE Strategy, artists in schools, building ACH infrastructure (libraries, monuments and arts centres), and flags in schools all contribute to the implementation of the Chapter 15 of the NDP and Outcome 14 of the MTSF. It is encouraging to note that improving the functioning of PanSALB has been listed as a priority for the Department since improving PanSALB's performance speaks directly to the statement in the NDP that says "all South Africans should be encouraged to learn an African Language and government programmes should work to make this a reality"<sup>11</sup>.

### **5.1.2 Nine-Point Plan**

Government's Nine-Point Plan aims to grow the economy and create much-needed jobs. While the Department does not play a lead role in the achievement of the initiatives of the plan, through the MGE Strategy, the Department does contribute by increasing job creation in the sector and thus stimulating the South African economy.

## **5.2. Continental and global agendas**

A brief outline of the alignment of the Department's policy priorities to the United Nations' (UN) Sustainable Development Goals (SDGs) and the Aspirations of the African Union's (AU) Agenda 2063 follows below.

### **5.2.1. Sustainable Development Goals**

The United Nations Sustainable Development Summit has adopted the 2030 Agenda for Sustainable Development. This agenda, through its Sustainable Development Goals (SDGs), aims to end poverty, fight inequality and injustice and tackle climate change by 2030.

The work of the Department speaks to the following SDGs:

- Goal 4: Ensure inclusive and quality education for all and promote lifelong learning  
Through awarding bursaries for heritage and language studies, the Department contributes to the Goal 4 target which reads, "By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university"<sup>12</sup>.
- Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all<sup>13</sup>  
As mentioned above, the MGE Strategy is the Department's main job creation strategy thus contributing to the attainment of this goal.
- Goal 10: Reduce inequality within and among countries  
Through prioritising nation building and social cohesion, the Department supports the target for this goal which states, "By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status"<sup>14</sup>.

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<sup>10</sup> Department of Arts and Culture (2014).

<sup>11</sup> The Presidency (2012), p. 26.

<sup>12</sup> <http://www.un.org/sustainabledevelopment/education/>

<sup>13</sup> <http://www.un.org/sustainabledevelopment/economic-growth/>

<sup>14</sup> <http://www.un.org/sustainabledevelopment/inequality/>

### 5.2.2. Agenda 2063

For the continent, the African Union's Agenda 2063 sets out a number of aspirations which will ensure a better Africa for all citizens. The Department's work aligns most closely with the following aspirations:<sup>15</sup>

- **Aspiration 1: A prosperous Africa based on inclusive growth and sustainable development.**  
This aspiration envisages that by 2063 "cities and other settlements are hubs of cultural and economic activities, with modernised infrastructure...". Through the development of heritage infrastructure, including community arts centres (CACs) the Department is working towards achieving this objective.
- **Aspiration 5: An Africa with a strong cultural identity, common heritage, values and ethics.**  
This is concretised through projects such as Africa Month and the South Africa/Mali Timbuktu Manuscript Project. Financial support of R1.9 million to the African World Heritage Fund.<sup>16</sup>
- **Aspiration 6: An Africa whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children**  
Through the MGE and other job creation and skills development initiatives, the work of the Department has the potential to address this objective which aims to include traditionally marginalised persons in society.

## 6. Committee Engagements

- **The Committee held engagements with the Department of Arts and Culture and the following issues emerged**

The Committee noted that it was a concern that the Department had not appointed a Director General yet, which has left this position vacant for three years. The Committee requested more information how the Department evaluates/measures the impact of the Imbizos and community conversations. The Committee also wanted to know whether the Imbizos and community conversations were making any differences to the lives of people in the communities. The Committee further raised the role of the Moral Regeneration Movement within the Department because an allocation was made by the Department to the Moral Regeneration Movement but there was no visible impact in the communities.

The Committee further requested that the Department provide the Committee with detailed information on the allocation of the Orchestras and inform the Committee which Orchestras are funded through the National Arts Council (NAC). The Department reported that a meeting has been arranged by the Minister about the issue of funding the Orchestras.

The Committee stated that the Department needs to sort out the issue of ownership of the land where the Enyokeni Precinct is built. The Department said a process was underway to solve the matter of the land ownership. The Committee cautioned the Department that if they continue funding the building at Enyokeni, they will be setting a precedence. The Committee cautioned the decision by the Department to finish off a project (Enyokeni) that was never budgeted for and was never part of the plans of the Department according to the 2015 Annual Performance Plan. Funding the Enyokeni project meant that the Department would take money from other important Departmental priorities. The Committee also noted that continuing with the Enyokeni project will cover up for officials that were not held accountable for the wasteful and fruitless expenditure, and those official will never be brought to book. The Committee reiterated that the Department must pursue those officials that were involved in the Enyokeni project so that they can face the full wrath of the law. In response, the Department stated that by leaving the building unfinished, it will be an embarrassment to government, hence they have budgeted R28.1 million to complete the project.

The Department reported that they had conducted a skills audit and it revealed that their Senior Managers were aging.

- **The Committee held engagements with the War Museum of the Boer Republic, the KwaZulu Natal Museum and Market Theatre the following issues emerged:**

The Committee commended the War Museum for the unqualified audit taking into account the challenges faced by the entity with GRAP 103. The Committee indicated that the organogram of the

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<sup>15</sup> African Union (2015).

<sup>16</sup> National Treasury (2017).

entity lacked details as it did not give clarity whether there was a vacuum within the entity created by the resignations and retirements. The Committee further questioned the equity plan as there were no black employees at management level.

The Committee was impressed with the work done by the KwaZulu Natal Museum particularly because the Museum was the only entity doing the type of work in the country. The Committee noted that the issue of GRAP 103 was a concern as it would really put the entity into an unfavourable situation.

The Market Theatre Foundation indicated that they had been through a difficult period with the amalgamation of the Windybrow Theatre and indicated that they believed that the entity would be better positioned to develop a case study on how to merge entities when the other collapses. The Chairperson further indicated that he was in the process of communicating with the Minister to consider extending the contracts of the Chief Executive Officer and the Chief Financial Officer as they had a vision that would take the entity forward while passing on knowledge to those that will be left behind. The Committee commended the entity for the sterling work they are doing.

- **The Committee further held engagements with the National English Literacy Museum, South African Library for the Blind (SALB) and Blind South Africa and the following issues emerged:**

The Committee met with the National English Literacy Museum, BlindSA and the SALB and identified that the entities were doing a good job. The Committee also discovered that the entities were seriously underfunded, for example for the SALB the price for a single braille book is approximately R7000 although SALB is funded like a normal library.

The Committee met with the National English Literary Museum and indicated that it felt that the entity was identifying itself too much with its geographical positioning instead of spreading nationally. The Committee suggested that the entity should operate nationally so that all South Africans can benefit from it and the entity agreed to that. The Committee asked about the name change of the entity and the process followed. The entity indicated that the name change process was in the pipeline and the Committee cautioned the NELM to ensure that proper public participation processes were followed in the name change as it would be disastrous for the entity not to involve the communities. The Committee further noted that the Department should ensure that the matter regarding the auditing fees is dealt with as there was sufficient documentation to close the matter and not proceed to court.

The Committee welcomed the presentation by Blind South Africa, and they wanted to know how does Blind SA work with other organisations for the blind in the country. The Committee suggested that Blind SA should make a concerted effort to reach to all other organisations for the blind even in the far flung rural areas. The Blind SA acknowledged the suggestion from the Committee.

SA Library for the Blind made a presentation which was welcomed by the Committee. Their area of concern was funding as the material they use is expensive and most of it is imported. They made an example of a braille textbook which is approximately R7 000, although they are funded like a normal library.

- **The Committee further held engagements with the William Humphrey Art Gallery and the following issues emerged:**

The entity indicated that their serious problem was understaffing and they were the only national art gallery in the Northern Cape. The entity is underfunded and it also struggling with GRAP 103. The WHAG conducts outreach programmes by distributing reading material in the previously deprived communities. Although the entity has limited resources, it still services the community by offering educational opportunities to learners and it also develops its collection of material. The entity further indicated that it had set aside R1.2 million to purchase artwork for the permanent collection to address imbalance of its collection.

The Committee indicated that the matter of GRAP 103 was a problem to many entities, and was disheartening that entities were moving from clean audits to qualified audits because of the matter. The Committee identified that the DAC, CEO's; National Treasury and the AG should sit and identify what can be done to rectify the matter.

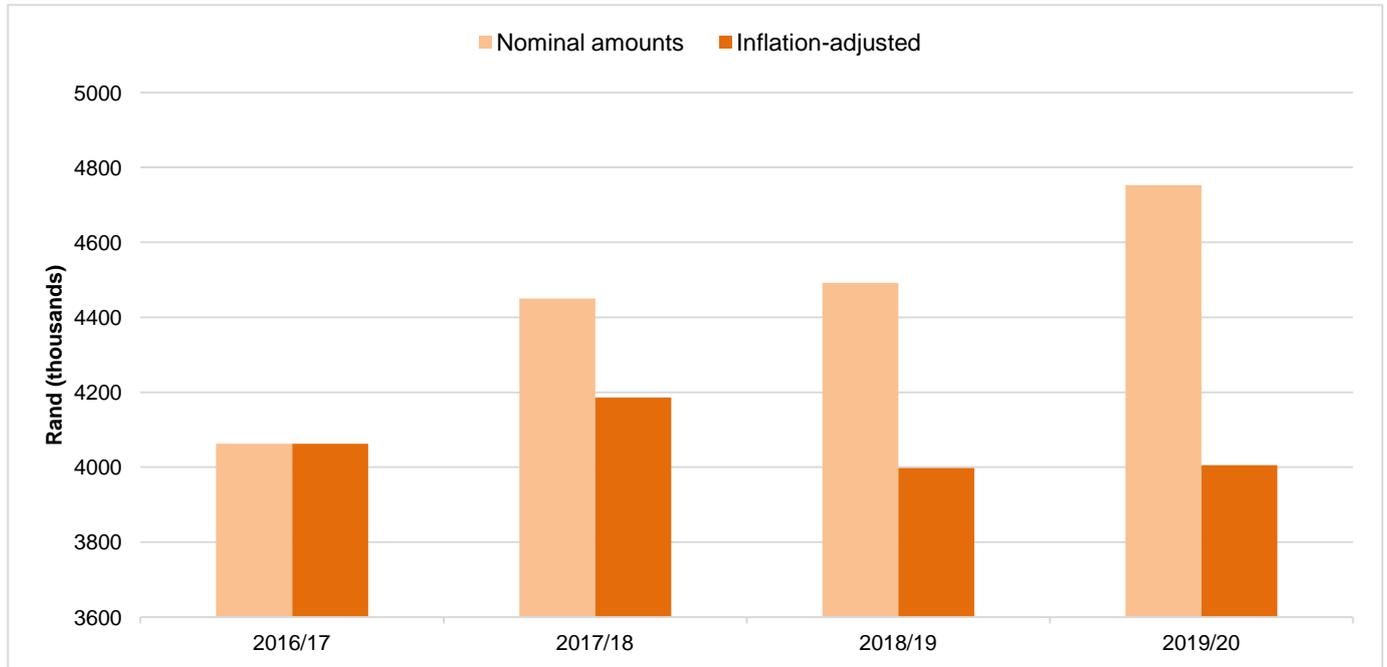
## **7. Budget analysis**

The budget structure for the Department remains unchanged and has four expenditure programmes:

- Programme 1: Administration
- Programme 2: Institutional Governance
- Programme 3: Arts and Culture Promotion and Development
- Programme 4: Heritage Promotion and Preservation

For the 2017/18 financial year, the total budget allocation is R4.4 billion. During the 2016/17 financial year the adjusted budget was R4.1 billion. While there has been a nominal increase of 9.5 per cent, or R387.3 million, compared to 2016/17, when considering the inflation rate, the increase is in fact only 3.0 per cent, or R123.6 million.

Variations in the budget allocation of the medium-term are illustrated in the graph below:



**Figures 1: Comparison of budget allocations over the medium-term**

While there is a nominal increase in the budget allocations over the financial years following 2016/17, due to inflation the budget stagnates around R4 billion for the next two financial years.

### 7.1 Programme analysis

This section explores budget allocations per programme for the 2017/18 financial year. The table below sets out the budget allocation per programme for the current financial year and compares it to allocations in 2016/17.

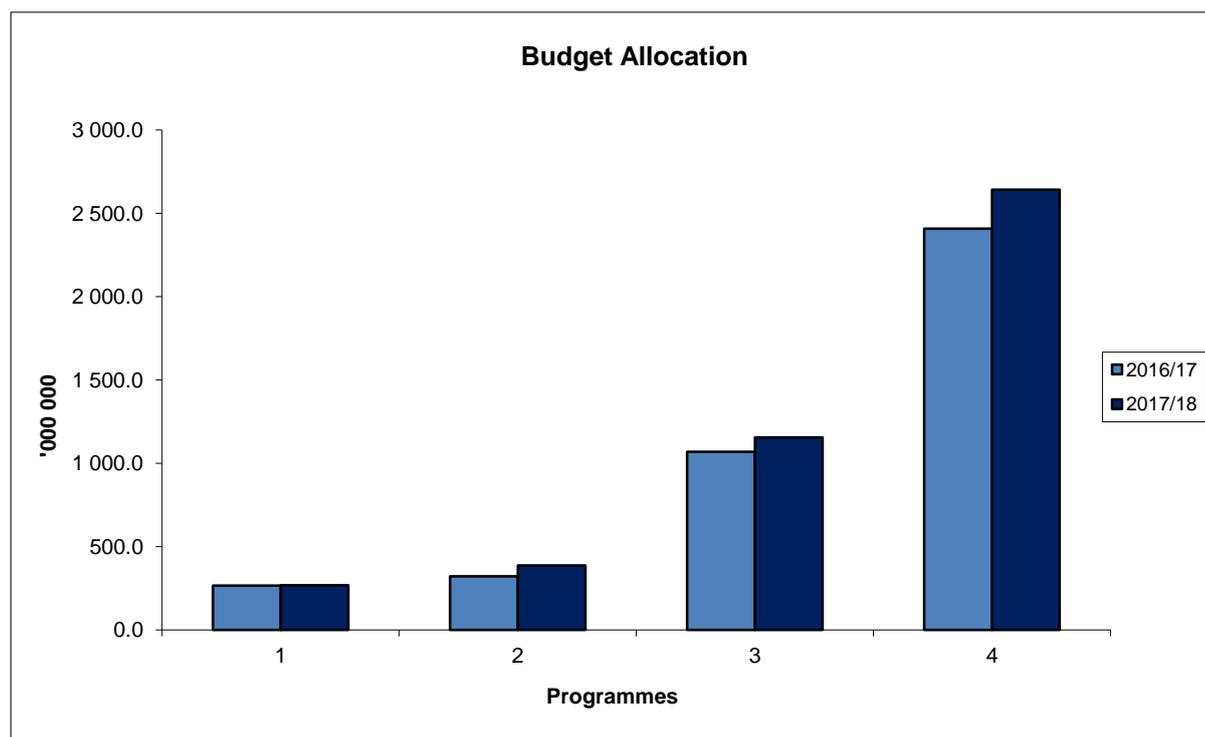
**Table 2: Change to allocations per programme for 2017/18**

Programme	Budget		Nominal Rand change	Real Rand change	Nominal per cent change 2017/18	Real per cent change 2017/18
	2016/17	2017/18	2016/17 – 2017/18		2016/17 – 2017/18	
R million						
1: Administration	264.9	266.5	1.6	-14.2	0.60%	-5.4%
2: Institutional Governance	321.5	386.0	64.5	41.6	20.1%	13.0%

3: Arts and Culture Promotion and Development	1068.3	1154.3	86.0	17.6	8.1%	1.7%
4: Heritage Promotion and Preservation	2047.9	2643.1	235.2	78.6	9.8%	3.3%
<b>TOTAL</b>	<b>4062.6</b>	<b>4449.8</b>	<b>387.3</b>	<b>123.6</b>	<b>9.5%</b>	<b>3.0%</b>

The following graph is a visual representation of the budget allocations (not adjusted to inflation) tabulated above:

**Figure 2: Comparison of budget allocations per programme for 2016/17 and 2017/18 (not inflation-adjusted)**



### 7.1.1 Programme 1: Administration

The programme is responsible for the provision of leadership, management and support functions to the Minister, Deputy Minister, Director-General (DG) and the Department.

For the 2017/18 financial year, the budget allocation for this programme is R266.5 million. During the previous financial year, the budget was R264.9 million, representing a nominal increase of R1.6 million. However, taking inflation into consideration, the budget for this programme has decreased by 5.4 per cent, or R14.2 million.

Budget allocations for all sub-programmes are tabulated below:

**Table 3: Programme 1: Administration**

Sub-programme	Budget 2017/18	Percentage of total programme budget
R million		
1: Ministry	4.6	1.7%
2: Management	46.9	17.6%
3: Corporate Services	82.0	30.8%
4: Office of the CFO	27.2	10.2%
5: Office Accommodation	105.8	39.8%
<b>TOTAL</b>	<b>266.5</b>	<b>100%</b>

Table 4 below reflects how budget allocations per sub-programme has changed between financial years 2016/17 and 2017/18.

**Table 4: Change to allocations per sub-programme for Programme 1**

Sub-programme	Budget		Nominal per cent change in 2017/18	Real per cent change in 2017/18
	2016/17	2017/18		
R million				
1: Ministry	4.3	4.6	7%	0.6%
2: Management	50.5	46.9	-7.1%	-12.6%
3: Corporate Services	95.4	82.0	-14.1%	-19.1%
4: Office of the CFO	29.2	27.2	-6.9%	-12.4%
5: Office Accommodation	85.4	105.8	23.9%	16.6%
<b>TOTAL</b>	<b>264.9</b>	<b>266.5</b>	<b>0.6%</b>	<b>-5.4%</b>

Once again, the sub-programme that receives the biggest portion and biggest budget increase of the programme budget is Office Accommodation. The budget for this sub-programme sees a nominal increase of 23.9 percent in 2017/18, i.e. the budget grew from R85.4 million in 2016/17 to R105.8 million in 2017/18. As reflected in Table 3 above, 39.8 per cent of the programme budget is allocated to office accommodation. The Committee should consider scrutinising this budget allocation and enquire from the Department if there are any long-term solutions to curb this expenditure.

Table 3 also shows that budgets for three sub-programmes have decreased, namely Management, Corporate Services and Office of the CFO. The Committee should establish why these budget cuts have been made and how, if at all, it will affect this programme's ability to contribute to the delivery of the Department's strategic goals.

#### **7.1.2 Programme 2: Institutional Governance**

The purpose of this programme is to coordinate and manage all cross-cutting functions of the Department and its public entities and provide support and oversight to these public entities.

In the 2017/18 financial year, this programme has seen an increase in budget allocation; from R321.5 million in 2016/17 to R386.0 million in 2017/18. This represents a decrease of 13 per cent when inflation is taken into consideration.

The budget allocation for this programme is divided amongst its sub-programmes as follows:

**Table 5: Programme 2: Institutional Governance**

Sub-programme	Budget 2017/18	Percentage of total programme budget
R million		
1: International Co-operation	37.3	9.7%
2: Social Cohesion and Nation Building	62.3	16.1%
3: Coordination, Monitoring, Evaluation and Good Governance	38.1	9.9%
4: Capital Works	248.3	64.3%
<b>TOTAL</b>	<b>386.0</b>	<b>100%</b>

Table 6 reflects how budget allocations per sub-programme has changed between financial years 2016/17 and 2017/18.

**Table 6: Change to allocations per sub-programme for Programme 2**

Sub-programme	Budget		Nominal per cent change in 2017/18	Real per cent change in 2017/18
	2016/17	2017/18		
R million				
1: International Co-operation	35.7	37.3	4.5%	-1.7%
2: Social Cohesion and Nation Building	45.7	62.3	36.3%	28.2%
3: Coordination, Monitoring, Evaluation and Good Governance	20.3	38.1	87.7%	76.6%

4: Capital Works	219.7	248.3	13.0%	6.3%
<b>TOTAL</b>	<b>321.5</b>	<b>386.0</b>	<b>20.1%</b>	<b>13.0%</b>

There has been a considerable increase in the budget for Social Cohesion and Nation Building sub-programme, as reflected in Table 6. The Department set aside an amount of R8 million to host a national social cohesion summit in 2017/18 which will provide government and other sectors in society with an opportunity to sign a compact on working together to address social issues such as racism and xenophobia. In addition, R22.7 million has been allocated for initiatives such as the Young Patriots programme and other moral regeneration projects that aim to promote social cohesion and nation building.<sup>17</sup>

It is encouraging to note that there has been a substantial increase in the budget for Sub-programme 3. The budget for this sub-programme has increased from R20.3 million in 2016/17 to R38.1 million in 2017/18. This brings the percentage of the total programme budget for this sub-programme close to 10 per cent, a significant increase from 5.2 per cent in 2016/17.<sup>18</sup> Potentially this means that the Department can play a more meaningful role in oversight of its own projects as well its public entities.

### 7.2.3 Programme 3: Arts and Culture Promotion and Development

The purpose of Programme 3 is to promote and develop arts, culture and languages. Figure 2 above illustrates that this programme receives the second largest allocation of the total budget, i.e. 26.0 per cent or R1.2 billion. In terms of percentage change compared to the last financial year, Programme 3 has experienced a slight increase of 1.7 per cent or R17.6 million, adjusted for inflation.

Programme 3 will, *inter alia*, invest in initiatives that stimulate local content creation, implement social cohesion programmes that contribute to economic growth (community arts and artists in schools, contribute to skills development and promote South African language through the provision of access to information by translating and/or editing documents received).

The budget allocation for this programme is divided amongst its sub-programmes as follows:

**Table 7: Programme 3: Arts and Culture Development**

Sub-programme	Budget 2017/2018	Percentage of total programme budget
R million		
1: National Language Services	50.9	4.4%
2: Pan South African Language Board	108.6	9.4%
3: Cultural and Creative Industries Development	368.6	31.9%
4: Performing Arts Institutions	344.0	29.8%
5: National Film and Video Foundation	129.1	11.2%
6: National Arts Council	106.2	9.2%
7: Capital Works of Performing Arts Institutions	46.9	4.1%
<b>TOTAL</b>	<b>1154.3</b>	<b>100%</b>

Table 8 below reflects how budget allocations per sub-programme has changed between financial years 2016/17 and 2017/18.

**Table 8: Change to allocations per sub-programme for Programme 3**

Sub-programme	Budget		Nominal per cent change in 2017/18	Real per cent change in 2017/18
	2016/17	2017/18		
R million				
1: National Language Services	49.9	50.9	2.0%	-4.0%
2: Pan South African Language Board	93.5	108.6	16.2%	9.3%
3: Cultural and Creative Industries Development	353.1	368.6	4.4%	-1.8%
4: Performing Arts Institutions	316.5	344.0	8.7%	2.3%
5: National Film and Video Foundation	122.9	129.1	5.0%	-1.2%
6: National Arts Council	101.2	106.2	4.9%	-1.3%

<sup>17</sup> National Treasury (2017).

<sup>18</sup> Clayton (2016).

7: Capital Works of Performing Arts Institutions	31.1	46.9	50.8%	41.9%
<b>TOTAL</b>	<b>1068.3</b>	<b>1154.3</b>	<b>8.1%</b>	<b>1.7%</b>

Adjusted for inflation, budget allocations for all sub-programmes have been reduced with the exception of the budget for PanSALB, Performing Arts Institutions and Capital Works of Performing Arts Institutions.

As one of the priorities is to improve the functioning of PanSALB, it should be noted that the budget allocation has increased from R93.5 million in 2016/17 to R108.6 million in 2017/18. This links to the Department's efforts to alleviate funding pressure at this institution by reprioritising funds over the MTEF period.

#### 7.1.4. Programme 4: Heritage Promotion and Preservation

The purpose of this programme is to preserve and promote South African heritage, including archival and heraldic heritage. It also oversees and transfers funds to libraries.

Programme 4 receives the bulk of the total budget, R2.6 billion or 59.4 per cent. In comparison to the budget allocation in 2016/17, this represents 0.13 per cent change in the percentage of total budget per programme allocation, i.e. a very minor shift which does not signify any priority shifts within the Department. The programme sees a budget allocation increase of 3.3 per cent, or R78.6 million, adjusted for inflation (see Table 10).

Table 9 provides an overview of the budget allocation per sub-programme.

**Table 9: Programme 4: Heritage Promotion and Preservation**

Sub-programme	Budget 2017/18	Percentage of total programme budget
R million		
1: Heritage Promotion	89.2	3.4%
2: National Archive Services	44.8	1.7%
3: Heritage Institutions	750.8	28.4%
4: National Library Services	181.7	6.9%
5: Public Library Services	1447.2	54.8%
6: South African Heritage Resources Agency	59.9	2.3%
7: South African Geographical Names Council	4.9	0.2%
8: National Heritage Council	64.7	2.5%
<b>TOTAL</b>	<b>2643.1</b>	<b>100%</b>

Table 10 reflects how budget allocations per sub-programme has changed between financial years 2016/17 and 2017/18.

**Table 10: Change to allocations per sub-programme for Programme 4**

Sub-programme	Budget		Nominal per cent change in 2017/18	Real per cent change in 2017/18
	2016/17	2017/18		
R million				
1: Heritage Promotion	93.1	89.2	-4.2%	-9.9%
2: National Archive Services	43.0	44.8	4.2%	-2.0%
3: Heritage Institutions	610.9	750.8	22.9%	15.6%
4: National Library Services	132.8	181.7	36.8%	28.7%
5: Public Library Services	1382.7	1447.2	4.7%	-1.5%
6: South African Heritage Resources Agency	58.3	59.9	2.7%	-3.3%
7: South African Geographical Names Council	4.4	4.9	11.4%	4.8%
8: National Heritage Council	82.7	64.7	-21.8%	-26.4%
<b>TOTAL</b>	<b>2407.9</b>	<b>2643.1</b>	<b>9.8%</b>	<b>3.3%</b>

The budget allocation for sub-programme 3 has increased from R610.9 in 2016/17 to R750.8 million in 2017/18. Adjusted for inflation, this represents an increase of 15.6 per cent. Conversely, the budget allocation for the National Heritage Council (NHC) sees a reduction when compared to 2016/17. For the previous financial year, the adjusted appropriation was R82.7 million, however the allocation has been reduced to R64.7 million in the current financial year, as reflected in Table 10 above.

The National Library Services sub-programme reflects a nominal increase of 36.8 per cent. In the 2016 budget, it was indicated that a once-off allocation of R32 million in the 2017/18 financial year would be approved for compliance with the Generally Recognised Accounting Practice (GRAP) 103 accounting for heritage assets.<sup>19</sup> Similarly, the 2016 Budget indicated that an approved amount of R160 million will be allocated to museums in 2017/18 to address the issue of compliance with GRAP.<sup>20</sup>

## **8. Recurring issues and Committee findings**

During the process of considering the 2017/18 APP of the Department and its entities the following recurring issues were identified:

### **8.1 Delayed appointment of the Director General**

The Department has not yet appointed the Director General. The Committee is very concerned that after three years the Department has not yet appointed a Director General.

### **8.2 Compliance with Generally Recognised Accounting Practices 103**

The Committee raised concern with the noncompliance of the entities with GRAP 103. The Committee also raised concern that the accounting standard was affecting the audit outcomes of the entities.

### **8.3 Payment of audit fees by entities**

The Committee found that the Auditor General was delaying paying the excess incurred by the entities in audit fees as prescribed by Sections 23(4), (5) and (6) of the Public Audit Act. The Act states that if the audit fees exceed 1% of the total expenditure of an auditee and the National Treasury is of the view that the auditee has financial difficulty to settle the cost, the excess must be defrayed from the National Treasury's vote.

### **8.4 Funding Model of the Department to the entities**

The Department still was without a funding model resulting in funding the entities and the NPO's randomly. This was a concern as a majority of entities were underfunded taking into account their mandate and the role they play in society.

### **8.5 Funding of Orchestra's**

The Department has a ring-fenced allocation (funding) for the Orchestra's. There is no clear policy governing the ring fencing for Orchestra funding. There was no policy that explains why the Orchestra funding was processed through the National Arts Council.

### **8.6 Finalization of Enyokeni Project**

The Department indicated that they would allocate funds to complete the Enyokeni Project although it was not part of the Department's plan (it was not in the Department's APP) when it was commissioned. The Committee was concerned that the officials that approved the project were not held accountable and that the investigation into the matter was taking too long.

### **8.7 Underspending on infrastructure by the Department**

Historically the Department has been underspending on Capital Works Projects. The Department attributes this chiefly to slow invoicing from Department of Public Works.

### **8.8 Infighting within the entities**

While the Committee noted that there was improvement in some entities, the Committee raised a concern that there was a lot of infighting within the Councils and Management in some entities. The Committee was concerned that there was an arms length approach from the Department in dealing with the matters within the entities and the Department is slack in monitoring the entities.

### **8.9 Quality of information**

The Committee noted that the quality and the accuracy of information submitted by the Department was at times unacceptable. The Committee indicated that the manner in which the Department was responding to the Committee was indicative of the level of disrespect the officials of the Department had towards the Committee.

## **9. Recommendations**

The Committee welcomes the Annual Performance Plan and 2017/18 budget of the Department of Arts and Culture. The Committee further recommends the following:

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<sup>19</sup> National Treasury (2016b).

<sup>20</sup> Ibid.

### **9.1 Delayed appointment of the Director General**

The Department should fill the position of the DG as soon as possible, as it has been vacant for three years.

### **9.2 Compliance with Generally Recognised Accounting Practices 103**

Although the Committee acknowledges the challenges brought by GRAP 103, the Committee recommends that the AGSA, NT, Department and CEOs of entities should come together and come with a way of solving the matter. In the meantime, the entities should develop inventory to manage their collections and value some of their collection to begin complying with GRAP 103. Once collections have been values, it is critical for entities to strengthen their securities.

### **9.3 Payment of audit fees by entities**

The Auditor General should ensure that the settlement letters are submitted to the National Treasury for payments and National Treasury should ensure debts are settled timesously.

### **9.4 Funding Model of the Department to the entities**

The Department should develop a funding model for all entities and organisations that receive funding from it. This will make the funding to be transparent.

### **9.5 Funding of Orchestra's**

The Department should develop a clear policy on ring-fencing of funds for Orchestras. The Committee further recommended that there should be a policy to explain the processing of Orchestra ring-fenced funds through National Arts Council.

### **9.6 Finalisation of the Enyokeni Project**

The Department should be cautious that a situation such as the Enyokeni Projects does not happen again as it would create a bad precedence for the Department. This may give other organisations a scope to demand the Department to do the same to them as well. The Department should speed up the investigation on the Enyokeni Project so that officials implicated can be brought to book.

### **9.7 Underspending on infrastructure by the Department**

The Department and Department of Public Works should iron out their administrative glitches when it comes to invoicing so as to curb the infrastructure underspending.

### **9.8 Infighting within the entities**

The Department should manage the relations between management and Councils/Boards of entities by monitoring them close so as to know their challenges on time and ensure that the entities follow proper and legal processes. The Department should also ensure proper inductions are conducted for Councils/Boards.

### **9.9 Quality of information**

The Department should quality check all its documents and ensure that the information is correct before it sends them to the Committee as these documents become public documents when they arrive at the Committee.

## **10. Conclusion**

The Portfolio Committee acknowledges the importance of the mandate of the Department of Arts and Culture in building and uniting South Africa. The Committee recommends that the House adopts the Budget Vote Report of Vote 37: Department of Arts and Culture.

### **Report to be considered**