No.0471 - 2023: Fifth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Tuesday, 05 December 2023

# **ANNOUNCEMENTS**

none

# **TABLINGS**

none

**COMMITTEE REPORTS**

**1.** The Chairperson of the Standing Committee on Public Accounts, Hon. S Khanyile, tabled the Committee’s Oversight Report on the Report of the Auditor-General of South Africa to the Gauteng Provincial Legislature on Financial Statements of the Department of Sport, Arts, Culture and Recreation for year ended 31 March 2023, as attached:

**STANDING COMMITTEE ON PUBLIC ACCOUNTS OVERSIGHT REPORT ON THE REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF VOTE: 12 GAUTENG DEPARTMENT OF SPORT, ARTS, CULTURE AND RECREATION (VOTE: 12) FOR THE YEAR ENDED 31 MARCH 2023**

**30 NOVEMBER 2023**

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**Acronyms**

AGSA Auditor-General of South Africa

APP Annual Performance Plan

CFO Chief Financial Officer

CIDB Construction Industry Development Board

DID Department of Infrastructure Development

DRP Disaster Recovery Plan

DPSA Department of Public Service and Administration

GDF Gauteng Department of Finance

GDSACR Gauteng Department of Sport, Arts, Culture and Recreation

GPG Gauteng Provincial Government

GPL Gauteng Provincial Legislature

GPT Gauteng Provincial Treasury

GCRA Gauteng City Region Academy

GFC Gauteng Film Commission

HOD Head of Department

MEC Member of the Executive Council

MPL Member of the Provincial Legislature

PFMA Public Finance Management Act

1. **INTRODUCTION**

The Standing Committee on Public Accounts (SCOPA) has examined the Report of the Auditor-General of South Africa (AGSA) to the Gauteng Provincial Legislature (GPL) on the Financial Statements of Gauteng Department of Sport, Art, Culture and Recreation for the year ended 31 March 2023. This was done as per GPL Rule 178 (2).

The function of SCOPA is to examine the financial statements of the Legislature, all executive organs of the province and other provincial organs of state, including any reports issued by the AGSA on the affairs of GPL, Office of Premier (OoP) and the Departments & Entities of Gauteng Provincial Government (GPG). SCOPA is required to do this on behalf of the Legislature, to ensure accountable utilization of resources and prudent financial management, and to make recommendations to the Legislature.

In the process of examining the financial statements and reports of an organ of state, SCOPA must ensure that they comply with of the Constitution of RSA, the Public Financial Management Act, and the requirements of the Public Audit Act No 5 of 2018. SCOPA must also consider the previous statements and reports of such an organ and report on the degree to which shortcomings have been rectified as required by GPL Rule 178 (3).

1. **PROCESS FOLLOWED**

The Report of the AGSA on the financial statements of the Gauteng Department of Sport, Art, Culture and Recreation (GDSACR) for the year ended 31 March 2023, was tabled together with its 2022/23 Annual Report on 31 August 2023. This was done in terms of Sections 188(1) and (2) of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), read with Sections 4, 20, and 21 of the Public Audit Act No 5 of 2018.

The report was referred by the Speaker to SCOPA on 31 August 2023 for consideration, as per Rule 149 read with Rule 233 of the Standing Rules of the GPL.

On Thursday, 19 October 2023, the Committee was briefed by the Auditor-General of South Africa on the audit outcome of Gauteng Department of Sport, Art, Culture and Recreation.

The Committee analysed the report and produced preliminary questions which were sent to the Gauteng Department of Sport, Art, Culture and Recreation for responses by the 04 November 2023. The Gauteng Department of Sport, Art, Culture and Recreation submitted its responses to the preliminary questions on the 27 November 2023 instead of the 10 November 2023.

In the process of SCOPA considering the reports of the AGSA, the following reports were received from the Stakeholders of the Committee on 19 October 2023:

* The report by the Office of the Premier on Gauteng Forensic Unit report on progress made on special focus cases and investigations referred by Departments;
* The report by the MEC for Finance on the Assessment of consolidated AFS and consolidated Audit Outcomes;
* The report by the Office of the Public Service Commission in Gauteng on GPG Departments Public Administration Practices; and
* The report by the Gauteng Office of the Public Protector on Investigations related to Gauteng for the period 2022/23 and outstanding for prior years.

In examining the report by the Gauteng Department of Sport, Art, Culture and Recreation, the Committee resolved not to conduct a public hearing with the department.

On Friday, 30 November 2023, the Standing Committee on Public Accounts (SCOPA) considered and adopted its Oversight Report on the report of the Auditor-General of South Africa for the Gauteng Department of Sport, Art, Culture and Recreation for the year ended 31 March 2023.

1. **FINDINGS BY THE AGSA ON THE REPORT**

**3.1. Audit opinion**

The Auditor-General of South Africa issued an unqualified audit opinion with findings on the financial statements of the Gauteng Department of Sport, Art, Culture and Recreation with material findings in the annual financial statements, and non-compliance with laws and regulations.

This is an unchanged audit opinion, compared to that which it received in the last financial year (2021/22) and, an unchanged audit opinion from that received in the 2020/21 financial year.

**3.2. Emphasis of Matters**

Emphasis of matters were raised on the following:

* Under-spending of the annual appropriation

**3.3 Audit findings**

There were findings or significant deficiencies raised on the following, which will be discussed in detail in this report:

* Annual performance report
* Audit of compliance with legislation
* Audit of internal controls deficiencies

1. **COMMITTEE FINDINGS AND CONCLUSIONS ON THE FINDINGS BY AGSA**

As reported earlier, the Committee engaged the Gauteng Department of Sport, Art, Culture, and Recreation through preliminary questions which were generated during the analysis of the report of the Auditor-General of South Africa. The Committee has analyzed the responses by the department and has determined as indicated in this section areas of findings.

**4.1 UNDER-SPENDING OF THE ANNUAL APPROPRIATION**

* 1. **.1 Finding by the AGSA**

As disclosed in the appropriation statement, the Department materially under-spent the budget by R116 758 000 (12%) on the following programmes:

* Programme 1: administration, underspending of R7 469 000
* Programme 2: cultural affairs, underspending of R30 720 000
* Programme 3: library and archival services, underspending of R42 324 000
* Programme 4: sport and recreation, underspending of R36 245 000

**4.1.2 Committee findings**

The Committee noted that;

* From the beginning of the 2022/23 financial year the Department’s annual performance targets were not linked to the budget as a result there were inconsistencies between the spending and the achieved targets;
* The Department also did not have an approved Demand Management Plan which was supposed to be used as a planning tool for budgeting processes; and
* The Department’s Supply Chain Management (SCM) directorate didn’t have adequate capacity to conduct bid committee meetings. As a result, the Department was unable to advertise tenders, which had significant financial implications.

The committee noted that the following corrective measures have been put in place:

* The implementation of the Demand Management Plan is currently underway and assisting with the material underspending;
* The Department is currently at 53% spending; and
* The Department has appointed a Budget Management Committee (BMC) to regularly review the spending and implement mitigation strategies to resolve any challenges.

**4.2 TRANSFER OF FUNDS**

**4.2.1 Finding by the AGSA**

The AGSA reported that they were unable to obtain sufficient appropriate audit evidence that appropriate measures were maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.

**4.2.2 Committee findings**

The Committee noted that monitoring reports for the following transfers were not submitted to the auditors, the funds were transferred however there were delays with the implementation of the planned events.

|  |  |
| --- | --- |
| Name of institution | Amount |
| West Youth Development | R80 000 |
| RAMS Netball Club | R90 000 |
| Sakhile Cultural Group | R50 000 |
| West Rand Young Guitarists Foundation | R80 000 |
| Ithuteng Development Academy | R90 000 |

**4.3. CONSEQUENCE MANAGEMENT**

**4.3.1 Findings by the AGSA**

The AGSA reported that they were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

* + 1. **Committee Findings**

The Committee noted that the National Treasury Irregular Expenditure Framework requires the Department to do assessment and determination tests for all irregular expenditure identified, this process was delayed due to the Department not having a Chief Risk Officer for the 2021/22 financial year, in 2022/23 these assessments were conducted, and some cases were referred to Office of the Premier and investigations are underway.

**AUDIT OF PRE-DETERMINED OBJECTIVES**

**4.4.1 Finding by the AGSA**

The AGSA reported that they were unable to determine if the reported achievements were correct, as adequate supporting evidence was not provided. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

**4.4.2 Committee findings**

The Department has been slow with in implementing the action plans as a result, some of the reported performance for quarter 1 of 2023/24 was not supported by adequate portfolio of evidence as per the technical indicator descriptions.

The following corrective measures have been put in place:

* Managers to submit the quarterly reports and evidence file to Monitoring and Evaluations ten (10) days after end of the quarter;
* Digitalization of reporting and storing portfolio of evidence; and
* Monitoring and Evaluation to conduct quarterly sessions with managers to continuously educate them on the Technical Indicator Descriptions and reporting processes.

**4.5 IRREGULAR EXPENDITURE**

**4.5.1 Finding by the AGSA**

The AGSA reported that effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. The majority of the irregular expenditure was caused by ex post facto transactions and extensions to contracts that have expired.

**4.5.2 Committee Findings**

The Committee noted that the concerns raised regarding the expired contract payments is the fact that the department entered into a lease agreement which expired prior to putting new agreements for services in place. This resulted in incurring month-to-month irregular expenditure until alternative arrangements could be made for the services that were contracted.

There were three ex-post facto transactions that are under investigation to determine the root cause that will allow the department to address the matters timely in the future.

**4.6 PROCUREMENT AND CONTRACT MANAGEMENT**

**4.6.1 Finding by the AGSA**

The AGSA reported that some of the goods and services with a transaction value above R1 000 000 were procured without inviting competitive bids and deviations were approved by the Accounting Officer, but it was practical to invite competitive bids, as required by treasury regulation 16A6.1, paragraph 3.3.1 of National Treasury Instruction Note 2 of 2021-22, paragraph 4.1 of National Treasury Instruction Note 3 of 2021-22 and treasury regulation 16A6.4. Similar non-compliance was also reported in the previous year.

**4.6.2 Committee findings**

The Committee noted that the acquisition of goods and services for hosting of Social Cohesion Games to the value of R4 938 000, PO 4550285420, based on the memo dated 27 September 2022 from Chief Director: Sport and Recreation, deemed to be splitting due to the interpretation of the SCM policy to procure per commodity. The language used in the memorandum for procurement referred to splitting instead of per commodity.

The Department reported that it has implemented the following monitoring controls to ensure that noncompliance with SCM principles does not occur, including but not limited to:

* Management is implementing audit action plans however due to the historical challenges within the Department, the corrective actions are taking time and effort to resolve; and
* The bulk of the vacancies in the SCM unit have been filled, except for middle management posts.

**4.7 INTERNAL CONTROL DEFICIENCIES**

**4.7.1 Findings by the AGSA**

The AGSA reported that Senior management did not adequately monitor established controls and action plans to ensure that the performance report was supported by complete, relevant, and accurate information and that laws and regulations were complied with.

**4.7.2 Committee findings**

The Committee noted that this was due lack of adequate records management process by Senior Managers and the Monitoring and evaluation unit throughout the financial year to ensure that the portfolio of evidence submitted for quarterly targets is stored safely to be presented for audit at the end of the financial year.

The Department reported that they had started working on the standard operating procedure for records management and the process to acquire an electronic system to store and manage performance information is in the planning phase.

1. **CULTURE SHIFT TO SUSTAIN AUDIT OUTCOMES AND SERVICE DELIVERY**

The Committees raises the following concerns with which the AGSA has also concurred:

* That the Department performed assessments during 2022/23 on prior years irregular expenditure balances to determine whether investigations should be instituted and if disciplinary actions need to be taken however did not initialise and finalise investigations for all irregular expenditure items.
* That the Department monitoring of non-profit institutions (NPIs) must be implemented and the related reports be completed and evaluated for all NPIs and filed be safely kept that all items can be easily retrieved.
* That the Department has kept that the current irregular and fruitless and irregular expenditure has low. The Department’s irregular expenditure increase in the prior year is mainly attributable to the Department’s participation on the National lottery commission panel of suppliers without following proper process of participation in a contract arranged by another organ of state. The Department has requested the Office of the Premier to assist with the investigation of the irregular expenditure relating to this transaction.

1. **COMMITTEE CONCERNS**

6.1 The Committee is concerned by the Department’s insufficient budgeting mechanisms which contributed to the under-spending of the budget.

6.2 The Committee is concerned that management did not take reasonable steps to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by Treasury Regulation 8.4.1.

1. **RECOMMENDATIONS**

7.1 That the Department must provide the Committee with a progress report detailing the effectiveness of the implementation of budget review mechanisms to ensure that the actual achievement of targets is directly linked to the spending of the Department

by 30 April 2024.

7.2 That the Department provides the Committee with a progress report detailing the effectiveness of measures put in place to address transfers and subsidies to entities that were applied for their intended purposes by 30 April 2024.

7.3 That the Department take corrective action against officials who would be identified by the investigations on irregular expenditure and provide the Committee with a progress report by 30 April 2024 and continuing until finalisation thereof.

7.4 The Department must ensure that a correlation exists between the achievement of targets and the use of the budget to ensure achievements and delivery of services are aligned with the budget spent and provide the Committee with a progress report detailing the effectiveness of measures put in place to address weaknesses of pre-determined objectives by 30 April 2024.

7.5 That the Department must submit its plan to investigate the irregular expenditure by 30 April 2024 and progress in the implementation of this plan continuing up until the end of June 2024.

7.6 That the Department must provide the Committee with a report detailing the effectiveness of the measures put in place to monitor compliance with the applicable Treasury Regulations to identify and prevent non-compliance by 30 April 2024.

7.7 That the Department must provide the Committee with a progress report relating to filling vacant posts of Supply Chain middle management by 30 April 2024.

7.8 That the Department provides the Committee with a progress report detailing the effectiveness of measures put in place to ensure adequate operations of the Department by 30 April 2024 and a quarterly progress report continuing up until end of June 2024.

7.9 That the Department must develop and implement a plan to improve the audit outcomes in the financial and performance management, as well as the status of compliance, thereby ensuring good governance and administration of public funds and provide the Committee with a report by 30 April 2024.

1. **CONCLUSION**

In conclusion, the Committee managed to establish the issues that contributed to the Auditor-General of South Africa issuing an unqualified audit opinion on the financial statements of the Gauteng Department of Sport, Art, Culture and Recreation with issues raised on annual financial statements, pre-determined objectives, non-compliance with laws and regulations.

1. **ACKNOWLEDGEMENTS**

I would like to thank the following Members: MJ Kanyane; RJ Kekana; BP Mncube; MJ Modise; DP Malema; A De Lange; P Atkinson; AW Cilliers; AM Randall; and P Mdlankomo for their diligent deliberations during this process.

I would also like to express my appreciation to the MEC of Finance, J Mamabolo and officials of the Gauteng Provincial Treasury; the Gauteng Business Unit Leader of the Office of Auditor-General South Africa (AGSA), Mr. Dumisani Cebekhulu and his team; MEC. M Hlophe and officials of the Gauteng Department of Sport, Art, Culture and Recreation; Group Committee Co-ordinator, Monica Vaas for tabling the report; Senior Committee Co-ordinators, Simon Magolego, and Mompati Gaonnwe; Committee Co-ordinator, Catherine Thobejane; Committee Researchers, Bongi Dlamini and Lerato Mofokeng; Administrative Assistants, Sizakele Mthembu Media Officer, Pfano Bulasigobo; Senior Information Officer, Jacky Letsoalo; Legal & Procedural Advisor, Winnie Ngubane; Service Officer, Lithemba Simon, PPP Lerato Bodman and the Hansard Operator, Raksha Singh without whom this process would not have been successfully completed.

1. **ADOPTION OF THE REPORT**

After due deliberations, the Standing Committee on Public Accounts (SCOPA) unanimously adopted its report on the Report of the Auditor-General of South Africa to the Gauteng Provincial Legislature on the financial statements of Gauteng Department of Sport, Art, Culture and Recreation for the year ended 31 March 2023.

In terms of Standing Rule 117 (2)(c) read together with 164, the Committee presents to this House the above-mentioned report for consideration and adoption.

**Mr. Sochayile Khanyile, MPL**

**Chairperson: Standing Committee on Public Accounts**