3.1 INTRODUCTION

The National Treasury Guide on Risk Management Framework; COSO III and ISO 31000; including the Institute of Risk Managers (S.A) Practise Notes are fundamental prescripts governing the risk management process within the Department of Arts and Culture.

3.2 RISK MANAGEMENT

The Department of Arts and Culture has a Risk Management Framework, wherein the Risk Strategy and policies are subject to the Risk Committee’s adoption and the Accounting Officer’s approval. All risk management policies are reviewed on an annual basis.

3.2.1 Annual Risk Assessments

Annual risk assessments for the 2013/14 financial year were conducted. The external environment risk analysis was conducted during the strategic planning session held in June 2013. The risk considerations of the external sector analysis (macro, micro and the industry); inclusive of internal factors were analysed during the planning process and setting of the strategic direction for the ensuing year.

A top down approach (review of strategic risks in line with the adopted strategy; as deliberated with the Executive Management Team) and bottom up (identification of operational risks to the Strategic Goals from agreed operational plans) was adopted in identifying risks for the 2013/14 financial year.

3.2.2 Risk Committee

A fully operational Risk Committee chaired by an independent non-executive member, is in existence. The Risk Committee Chairperson reports to the Audit Committee on risk management outcomes; and issues an annual report on its performance. The Committee comprises of Top Management and select managers in the areas of Supply Chain Management; Information Communications and Technology; and Legal Services.

The Committee operates on a three tier level of Combined Assurance on operational matters; and has met four times during the 2013/14 financial year. The overarching monitoring responsibilities are summarised below:

- **Committee Members** advise the Accounting Officers on cross cutting risks of the Department which relate to employees, contractual matters, expenditure (wasteful/irregular/unauthorised); legal; technology and core business risks.

- **Chief Risk Officer** advises the Committee on the monitoring results of the mitigation status, inclusive of risk incident exposures on security; occupational health and safety; losses and theft; and reporting of registered fraud risks within the Department.

- **Internal Audit** advises the committee on outcomes and the remaining risks after controls have been tested.
3.3 FRAUD AND CORRUPTION

The Department’s Risk Committee endorsed a Fraud Prevention Implementation Plan in line with the Department’s Operational Fraud Prevention Strategy; which was also approved by the Accounting Officer. An eight week annual Fraud Prevention Awareness Programme was rolled out and a theme based survey based on the five pillars \{Detection, Prevention, Reporting, Investigation and Resolution\} of fraud and corruption was rolled out to both internal \{employees and management\} and external stakeholders \{public institutions officials; and Department’s select stakeholders\}.

The Fraud Awareness Programme was outward focused in that social media was used to assess public perception on the Department’s role and effort in fighting fraud and corruption.

3.3.1 Reporting of Fraud

The Department utilises the National Anti-Corruption Hotline (NACH) which is managed by the Public Service Commission. Internal reporting processes include electronic reporting of fraud allegations via email, and walk in reporting.

An internal electronic system for fraud allegations received \{Public Service Commission, Walk-in reporting\} and electronic reporting is maintained with all registers at the point of reporting, before allegations are escalated to Internal Audit for investigation. Awareness on reporting is extended to the Public Protector’s Office; Auditor General, Internal Audit function and Audit Committee.

Resolution of Fraud Allegation

All received allegations are forwarded in writing to the Accounting Officer and the respective line function, Human Resources and the Chief Audit Executive for resolution.

All fraud allegations for the Department are investigated by the internal audit function.

3.4 MINIMISING CONFLICT OF INTEREST

Officials who participate in Supply Chain Management processes are required to disclose their interests in business enterprises that bid for the provision of goods/services to the Department. The declarations are registered and filed for audit purposes. Undeclared conflict of interest will, when detected, lead to the bid not being awarded to the enterprise in which an official has interest.

In terms of the Standard Bidding Documents (SBD) documents, bidders are required to submit a declaration whether their close family member/ partner/ associate are in the employ of the state. The conflict of interest thus disclosed will be kept in a register for audit purposes.

If departmental officials or their close family members/partners/associates of the bidder, director or shareholder has a business interest in an enterprise that has submitted a bid to the department, the official is required to disclose his/her interest and withdraw from participating in the process.

Non-adherence to the conflict of interest disclosure requirements will lead to irregular expenditure being incurred by the department. The irregular expenditure will then be reported to National Treasury and be dealt with in terms of section 16A of the Treasury Regulations. Disciplinary measures are instituted against officials who do not comply with the disclosure requirements.

3.5 CODE OF CONDUCT

All employees of the department are subject to the provisions of the Public Service Regulations and, therefore, the Code of Conduct for the Public Service, \{contained in Chapter 2 of the Regulations\}, applies in this instance. Upon assumption of duty in the department, all employees are provided with a copy of the Code of Conduct as well as an explanatory manual for the Code. The expected behaviour of employees is confirmed in all 5 of the Department’s values, namely; Accountability, Integrity, Results-Driven, Professionalism, Humility and Batho-Pele.
Training received Basic SHE Rep functions, First Aid and Firefighting. The SHE Reps also serve as contingency officials during building evacuation.

The Health and Safety Plan was approved for the 2013/2014 year. The plan outlines the operational directives for implementing the Departmental OHS Policy which emanates from the OHS Act 85 Of 1993.

Regular inspections – Inspections were conducted in two a forms: formal inspections – once a month using an OHS inspection checklist which caters for requirements of Department of Labour OHS inspection. Informal inspections also took place in a form of walkthrough survey and at least once a week.

Issues identified during inspections requiring corrective actions are dealt with internally or externally.

Quarterly meetings- The OHS meetings took place on quarterly basis. Those meetings served as an important platform where Health and Safety Representatives were raising the Health Safety challenges within an occupational environment and coming up with solutions to those challenges.

Emergency evacuation drills: the Department was able conduct bi-annual emergency evacuation drills as it is required by Municipal By – Laws.

3.7 INTERNAL AUDIT AND AUDIT COMMITTEES

a. Internal Audit

The objective of the Internal Audit Activity in the Department is to provide an effective, independent objective assurance and consulting activity designed to add value and improve the Department’s operations.

It achieves this by evaluating and improving the effectiveness of risk management, control and governance processes; and facilitates the full functioning of the Audit Committee in the Department.
The Internal Audit Activity operated in terms of its approved Charter and its scope of work was derived from the approved Risk-Based Three Year Strategic and Annual Operational Plans approved by the Audit Committee for the 2013/2014 financial year.

Internal Audit Reviews were performed in accordance with the approved Internal Audit Annual Operational Plan for the year under review; and reports with findings, recommendations for improvement(s), and management action plans were issued to Management for implementing corrective action, and to the Risk Committee of the Department to note further risk exposures, inadequate mitigation and to update the risk profile of the Department. The Internal Audit Reports were also communicated and tabled to the Audit Committee as required in terms of Legislation and the Internal Audit Charter for monitoring and oversight, in an effort to improve the governance, operations and performance of the Department.

Follow up audits were also conducted during the year in some prioritised business areas, the aim being to review management’s responses and action plans to control weaknesses communicated in previous Internal Audit and Auditor General Reports; to evaluate and determine the adequacy, effectiveness and improvements to internal controls.

b. Audit Committee

The Department had a fully functional Audit Committee appointed in terms of section 38 (1) (a) (ii) of the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 3.1, and operated in accordance with the aforementioned regulations including the provisos prescribed in terms of sections 76 (4) (d) and 77.

The primary purpose of the Audit Committee is to assist the Accounting Officer of the Department in fulfilling his responsibilities to ensure that the Department has and maintains effective, efficient and transparent systems of financial, risk management, governance, and internal control by providing oversight as follows:

1. supporting management in respect of financial reporting, systems of internal control and performance against pre-determined objectives;
2. enhancing business ethics and trust in the Department;
3. ensuring and enhancing the independence of the Internal Audit Activity;
4. reviewing the strategic and operational risk areas of the Department to be covered in the scope of Internal and External audits;
5. ensuring the proper functioning of both the Internal and External Audit activities, and other assurance services, including Fraud and Corruption Investigation Activities.

The Audit Committee (Committee) comprised of five (5) members of which 4 were employed from the private sector and one (1) was employed from within a State Owned Entity. The Committee is required to meet at least 4 times per annum as per the approved Terms of Reference/Audit Committee Charter.

The Committee held 6 meetings during the financial year to fulfil its responsibilities in line with its approved Charter and the Treasury Regulations relevant to it, wherein Management tabled reports as required by the Audit Committee for oversight, assistance, guidance and recommending improvements to the Department’s risk management, internal control and governance processes.
The membership and attendance is outlined below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications</th>
<th>Internal or External</th>
<th>If internal, position in the Department</th>
<th>Date appointed</th>
<th>Date Term Ended/ Resigned</th>
<th>No. of Meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. BUTHELEZI – Chairperson (Mr.)</td>
<td>B Comm (Accounting); Diploma in Accounting (ACCA);</td>
<td>External</td>
<td>N/A</td>
<td>01/12/2010 (2nd Term)</td>
<td>31 December 2013</td>
<td>4</td>
</tr>
<tr>
<td>T. MAGEZA (Mr.) Acting Chairperson from 20/01/2014</td>
<td>B.Com (Accounting and Economics); MBL Degree Diploma in Management Training Programme</td>
<td>External</td>
<td>N/A</td>
<td>26/09/2011 (2nd Term)</td>
<td>N/A</td>
<td>5</td>
</tr>
<tr>
<td>K. RAPOO (Ms.)</td>
<td>Executive Development Programme; Project Management; Advanced Project Management.</td>
<td>External</td>
<td>N/A</td>
<td>26/04/2013 (2nd Term)</td>
<td>N/A</td>
<td>5</td>
</tr>
<tr>
<td>F. MDANDA (Ms.)</td>
<td>B Compt; Hons BCom (Auditing) MBA</td>
<td>External</td>
<td>N/A</td>
<td>29/08/2011</td>
<td>N/A</td>
<td>6</td>
</tr>
<tr>
<td>B. DLAMINI (Mr.)</td>
<td>National Diploma in Accountancy</td>
<td>External</td>
<td>N/A</td>
<td>05/03/2012</td>
<td>28 May 2013</td>
<td>0</td>
</tr>
</tbody>
</table>
3.8 REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2014.

a. Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a)(iii) of the Public Finance Management Act, 1999 (Act 1 of 1999), and Treasury Regulation 3.1. The Committee further reports that it has adopted appropriate formal Terms of Reference as its Audit Committee Charter, and has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

b. Effectiveness of Internal Controls

Internal Control is a cost effective process effected by the Senior Management of the Department, designed to provide reasonable assurance regarding the achievement of its objectives in categories of effectiveness and efficiency of operations, financial reporting, compliance to applicable Laws and Regulations and Policies and Procedures.

In line with the PFMA and Treasury Regulations requirements, the Audit Committee provided oversight on business areas in the Department. This was achieved through the Internal Audit reviews prioritised in the Internal Audit Operational Plan approved by the Audit Committee from the Risk Assessment Reports developed and adopted in the Department. The Internal Audit Activity provided the Audit Committee and Management with assurance on the existence of internal controls; their appropriateness and effectiveness, and recommendations where weaknesses and deficiencies were noted in line with the Internal Audit Operational Plan.

c. Internal Audit

The Committee is satisfied that the Internal Audit Activity addressed the risks pertinent to the Department in its audits and consulting exercises, and that the resulting reported conclusions were independent and in full compliance with the approved Internal Audit Charter and Treasury Regulations.

Nevertheless, the Committee considers the Internal Audit Activity to be under-resourced in order to function optimally to maximise its coverage, given its current resources and budget to cover all critical risks prioritised in its plan, as there is insufficient permanent capacity supplemented by a co-sourced Internal Audit Service Provider.

From the various reports submitted by the Department’s Internal Auditors, there are clear indications that although the systems of internal control were adequate in most instances, they were not fully effective. Certain matters reported on, indicated internal control deficiencies and deviations from business rules. Also noted by the Committee are the recurring deficiencies from prior years. Matters of serious concern to the Committee were as follows:

- Instances wherein the periodic review of certain policies and procedures was lacking, i.e. IT Disaster Recovery and Business Continuity; Project Management; Heritage Assets; Supply Chain Management;
- Unsatisfactory IT General Controls;
- Instances of Non-Compliance to Policies and Procedures by employees;
- Some deficiencies noted within the SCM Procurement, Contract and Records Management;
- Project Risk and Governance of the Department’s Relocation Project;
- Occupational Health and Safety of the Department’s Head Office;
- The Committee still remains concerned about the filling of the following key positions: Chief Financial Officer and Director: Legal Services.

The Committee consistently reminded Management about the need for improved controls and governance systems, as well as compliance to the Legislation, Policies and Procedures; and enforcing accountability.
d. Summary of main activities undertaken by the Audit Committee during the financial year under review

Apart from the areas covered in this Report, the Committee has played an active oversight role in the Department’s most challenging areas, and has recommended the following which is still receiving attention in the Department:

- The development of a Supply Chain Management Turn-Around Strategy and Action Plan to improve the SCM internal control environment and compliance;
- Enhancing the permanent capacity of the Internal Audit Activity using a phased-in approach;
- A review of the Department’s Relocation Project Risks and Governance;
- A Year-End Plan for the AGSA audit incorporating critical stakeholders such as the Finance and Monitoring and Evaluation functions, covering the development and finalization of the Annual Report.
- The development of a Combined Assurance Plan to enable integrated reporting which will be monitored by the Risk Committee and Audit Committee.
- The establishment of an Audit Steering Committee which is currently operational to address audit findings from the AGSA and other internal control matters.

Enhancements to the Department’s reporting on Predetermined Objectives and Financial Performance.

Management of the Department has agreed to the recommendations and has made an undertaking to effectively and efficiently implement them so as to realise improvements and compliance.

e. The quality of in-year monitoring and monthly/quarterly reports submitted in terms of Legislation

The Department has reported monthly and quarterly to the Treasury as is required by the PFMA.

f. Risk Management

The Department has a Risk Management function in place in accordance with the requirements of the Treasury Regulations and the King III Report on Corporate Governance; as well as a Risk Management Framework, which provides for the Risk Strategy and policies to be reviewed on an annual basis, and subjected to the Risk Committee’s adoption and the Accounting Officer’s approval. A fully operational Risk Committee Chaired by an Independent Non-Executive member is in existence. The Risk Committee Chairperson reports to the Audit Committee on Risk Management outcomes, and issues an Annual Report on its performance.

During the year under review, a risk assessment was conducted and the strategic risks were adopted by Management, Risk Committee and the Audit Committee, which also informed the Internal Audit priorities. A top down approach was adopted in dealing with risk exposures, and periodic monitoring and evaluation, as well as the reporting on the status of risk mitigation occurred quarterly, and continual tracking of the planned mitigation has yielded some positive results and the outcomes were independently audited by the in-house functions. The following areas were however still of concern to the Audit Committee:

- Recurring risks evident from the various assurance providers, i.e. Internal Audit, Risk Management and External Audit;
- Risks within the Supply Chain Management environment impacting delivery on operational expectations;
- Risks surrounding the Relocation of Business Premises of the Department;
- Business Continuity Management - There was less assurance on the continued viability of the Departments’ operations should a major disruption occur.
- Contract Management - Contract Management was monitored throughout the year, and the capability analysis revealed the need to source in expert assistance through Internal Audit Consulting Services.
- Delayed mitigation of some strategic risks.
g. Forensic Investigations

The Committee provided oversight on allegations of fraud, corruption and misconduct reported to the Department, and is satisfied that the allegations are receiving attention. The Committee has noted a total of 9 allegations that related to the Department where in one (1) case reported during the financial year was closed, and one (1) case is being investigated by an external Law Enforcement Agency. The allegations still receiving forensic investigation attention were as follows:

- 3 cases were at reporting stage;
- 1 case in the process of investigation, i.e. fieldwork; and
- 3 cases were pending investigation.

h. Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer,
- reviewed the Auditor-General’s interim management report and management’s response thereto,
- reviewed any changes in accounting policies and practices,
- reviewed the department’s compliance with certain legal and regulatory provisions in so far as they related to risks, audits and other related identified matters,
- reviewed the information on predetermined objectives to be included in the annual report; and
- reviewed any significant adjustments resulting from the audit.

The Audit Committee concurs with the Auditor-General’s conclusions on the Annual Financial Statements.

i. Auditor-General’s Report

We have reviewed the Department’s implementation plan for audit issues raised in the previous year (2012/2013) and we are satisfied that the matters have been adequately resolved except for the following:

- Supply Chain Management - significant internal control deficiencies in the procurement process; and concerns with regard to SCM Contract Management;
- Performance Information (Predetermined Objectives):
  - The technical indicator description not incorporated in the strategic plans and annual performance plans;
  - Targets not meeting the specific criteria and annual targets that do not meet the measurability criteria were identified.
- Human Resources Management – Performance Agreements not signed within set time frames, and Assessments for SMS members not done.

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the Audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Chairperson of the Audit Committee
29 August 2014
**NATIONAL SYMBOLS OF SOUTH AFRICA**

**NATIONAL ANTHEM**

**NATIONAL ANTHEM HISTORY**

The National Anthem was proclaimed in 1997. It is a shortened, combined version of two anthems (‘Nkosi Sikelel’iAfrika’ and ‘The Call of South Africa’/‘Die Stem van Suid-Afrika’); sung between 1994 and 1997. It is unique in that it is sung in five languages.

‘Nkosi Sikelel’iAfrika’ was composed in 1897 by Enoch Sontonga, a Methodist mission schoolteacher. The poet Samuel Mqhayi later added seven additional stanzas in isiXhosa. A Sesotho version was published by Moses Mphahlele in 1942.

‘Die Stem van Suid-Afrika’ is a poem written by CJ Langenhoven in May 1918, with music composed in 1921 by the Reverend ML de Villiers. It was first sung publicly at the official hoisting of the national flag in Cape Town on 31 May 1928.

It was not until 2 May 1957 that government pronounced Die Stem as the official national anthem of South Africa. In 1952, the official English version, ‘The Call of South Africa’, was accepted for official use.

**PROTOCOL ON RESPECTING THE NATIONAL ANTHEM**

The National Anthem should be recited with appropriate respect.

All should stand to attention with their hands placed at their sides while singing the National Anthem.

Civilians should take off their hats.