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The duplication of services and inefficiencies in the heritage sector

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**CLUSTER: EDUCATION AND OTHER
RELATED DEPARTMENTS**

NATIONAL TREASURY

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1 INTRODUCTION

The heritage sector has evolved into a disorganised and fragmented set of institutions with overlapping mandates. This lack of clarity around the mandate is reflected in the duplication of services across entities at national, provincial and local government. This type of duplication is costly as scarce fiscal resources are diverted to a range of institutions which provide the same or similar services. In addition to these, there are inefficiencies in this sector.

1.1 PURPOSE

The review aims to provide government with detailed information on how the state is spending its money, what drives these patterns of expenditure, and how particular programmes and policy could be better implemented through more streamlined appropriate planning and budget allocation.

In particular, this review aims to support the programme implementation, management and budgeting for the three entities (Heritage Resources Agency, the National Heritage Council of South Africa, the Heritage promotion sub-programme of the National Department of Arts and Culture) through the following:

- Developing a better sense of the policy intent and functions of each one.
- Outlining the chain of delivery of functions in order to guide a detailed expenditure analysis and costing model for the programmes.
- Analyzing the cost elements, expenditure drivers, and expenditure to obtain an in-depth understanding of the historical expenditure patterns.
- Identifying problems and/or inefficiencies with the delivery of an entity's mandate
- Developing proposals for better delivery of mandate requirements, in a more cost-effective manner.

2 A REVIEW OF THE HERITAGE SERVICES PROGRAMME

Increased availability of fiscal data makes it possible to pay less attention to the collection, deciphering and basic analysis of expenditure data and to focus more on key obstacles to efficiency in the heritage sector. Thus this Public Expenditure Review focuses centrally on value for money; using funding for the heritage sector optimally.

2.1 HERITAGE INSTITUTIONS

There are a number of institutions that provide heritages services in government. For the purposes of this PER the focus will be on those that operate at a national level. These are: the Heritage promotion sub-programme of the National Department of Arts and Culture, the South African Heritage Resources

Agency, the National Heritage Council of South Africa and national museums. In addition to these, this PER will also provide an analysis of the expenditure by the provincial departments of Arts and Cultures' heritage and museums sub-programme.

Heritage Promotion supports a range of heritage initiatives and projects, such as Heritage Month; the repatriation of South African culture and heritage objects; and the Bureau of Heraldry, which registers symbols, popularises national symbols through public awareness campaigns, and coordinates the national orders awards ceremony.

The National Heritage Council is a schedule 3A public entity established in terms of the National Heritage Council Act (1999). The council's mandate is to engage heritage stakeholders in public and private institutions, including the various organs of civil society; mobilise debates; build awareness about heritage; and develop, promote and protect the national heritage for present and future generations.

The South African Heritage Resources Agency is a schedule 3A public entity, which was established in terms of the National Heritage Resources Act (1999). It is mandated to formulate national principles, standards and policy for the identification, recording and management of the national estate in terms of which heritage resource authorities and other relevant bodies must function in relation to South African heritage resources.

The Department of Arts and Culture subsidises various museums that were established in terms of the Cultural Institutions Act (1998). The mandate of the museums is derived from the 1996 White Paper on Arts, Culture and Heritage, as well as the Cultural Institutions Act (1998). The following museums receive annual transfers from the department: Die Afrikaanse Taalmuseum, the Ditsong museums, the Iziko museums, the KwaZulu-Natal Museum, the National Museum, the National English Literary Museum, the Robben Island Museum, the Voortrekker Museum, the War Museum of the Boer Republics, the William Humphreys Art Gallery, the Luthuli Museum, the Nelson Mandela Museum, Freedom Park and the Engelenburg House art collection. While these institutions are largely dependent on annual transfers from the department, they also generate revenue through entrance fees, donor assistance and sponsorships. Most of these institutions are also schedule 3A public entities.

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2.2 WHERE ARE SERVICES DUPLICATED

Heritage services are physical and intangible, movable and immovable services and assets that are both inherited from past generations and bestowed for the benefit of future generations. Heritage services comes in diverse forms, and range from large and complex structures such as museums to sacred landscapes, languages, art, music and customs. There are many institutions in South Africa that provide heritages services. For the purpose of this PER, emphasis is placed on Heritage promotion which is a programme of the Department of Arts and Culture, NHC and SAHRA Institutions. There are two main elements to the heritage services programme.

- Protection and preservation of heritage assets
- Promotion of heritages services and assets

These elements in figure 1 show that the multiplicity of institutions created to protect and promote the heritage assets in South Africa has in practice resulted in an uneven spread of available resources and capacities, with implications for effectiveness and efficiency. As the table reveals, the main duplications occur both among the three entities and also with other spheres of government. There is an overlap in activities related to the policy development & research, promotion of heritage and raising awareness. Each of the three entities undertakes activities in these areas, but there is no consultation among them when planning activities and outputs. This affects the coordination between heritage human resources development strategy (under DAC: Heritage Promotion) and supports the professional development of sector skills through developing and accrediting course modules, and providing training for the sector (SAHRA). There are also overlaps in the protection of heritage assets (between NHC and the SAHRA). The elements in the figure are colour coded to indicate what the different institutions do i.e. the red colour is for policy development and research and as seen in the figure, it is a function that is done by DAC, SAHRA and NHC etc.

In addition, these 'protection' related activities in SAHRA and NHC largely duplicate the role played by the museums and they have inefficiencies.

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Figure 1

	Policies, guidelines, standards, procedures, criteria	Pamflets Joint intervention		Collection management					Intangible		Repatriation of human remains, artefacts					Intangible	Funding to heritage related projects NPO/ CBO - by application	Repatriation	World Heritage
Heritage promotion	Enabling framework	Awareness	Collect	Preserve	Research	Raise awareness	Research & policy development	Coordinate & consultation	International liaison	Funding for special projects and events - Min discretion	Legacy projects & other initiatives 28x	Research & policy dev/prnt	Advocacy, awareness & stakeholder consultation	Special projects - legacy (nat liberation route)	Heritage promotion				
General protections	national buildings, sites, objects and Intangible	Object sites, intangible cultural heritage					DAC directly involved												
HO: Functions from HO in Cpt	Satelite office in	2 Flagship museums	1	2	3	4	5	6	#	#	#	#	Head office in Pretoria	Executive Council					
SAHRA SA Heritage Resource Agency	Museums, Declared Cultural Institions Act (& Regulations)					DAC directly involved					Nation Heritage Council								
National dept of Arts and Culture provides funding																			

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3 HOW MUCH DOES GOVERNMENT SPEND ON HERITAGE SERVICES?

In the 2015/2016 financial year government allocated a total of R621.2 million to the heritage sector. The bulk of which was spent in the provinces. However, SAHRA had an annual average growth rate of 18 per cent between 2012/13 and 2015/16. Their budget accounts for 10 per cent of the heritage spending in that period. R193.2 million to these three 'entities'. R58.5 million of this was allocated to NHC, R86.1 million to the Heritage Promotion and R48.6 million to the SAHRA.

Table 1: Consolidated sector expenditure

Institutions	2012/2013	2013/2014	2014/2015	2015/2016	Totals	Proportion	Average Annual Growth
National DAC /HP	73 617 586	75 910 416	115 743 693	75 703 189	340 974 884	15%	1%
Provincial Expenditure	331 512 000	332 965 000	397 255 000	417 118 000	1 478 850 000	65%	8%
NHC	53 324 000	73 734 000	56 811 000	58 082 558	241 951 558	11%	3%
SAHRA	43 234 000	56 872 000	52 136 000	70 334 066	222 576 066	10%	18%
Totals	501 687 586	539 481 416	621 945 693	621 237 813	2 284 352 508	100%	7%

3.1 SAHRA

SAHRA's spending has skewed towards Administration at the expense of service delivery due to non-core operations showing very rapid growth, notably spending on compensation of employees (up from R22 million in 2012/13 to R34 million in 2015/16. This is as a result of the CoE budget being augmented with funds being shifted from key service delivery programme. However, the use of consultants has also significantly reduced from R8.7 million in 2013/14 to R2.5 million in 2014/15 financial year. Linked to the CoE budget, the staff establishment increased from 69 officials to 86, significantly reducing the goods and services as no additional funds were provided for these new posts.

Table 2: SAHRA's expenditure on CoE

SAHRA's Compensation of Employees (CoE)	2012/13 Audited Outcome	2013/14 Audited Outcome	2014/15 outcome	2015/16 Preliminary outcome	Average annual growth
Total CoE	22 044	26 360	28 506	34 285	
Administration CoE	11 973	14 613	16 336	19 922	29%
Business Development CoE	9 529	11 064	11 063	12 981	17%
Public Engagement CoE	542	683	1 107	1 382	60%
Admin as % of total CoE	54%	55%	57%	58%	3%

3.2 NATIONAL HERITAGE COUNCIL

Table 3: NHC's expenditure on CoE IN R'000

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NHC's Compensation of Employees (CoE)	2012/13 Audited Outcome	2013/14 Audited Outcome	2014/15 outcome	2015/16 Preliminary outcome	Average annual growth
Total CoE	18 241	22 500	24 847	25 636	
Administration CoE	6 404	7 311	14 007	15 215	54%
Business Development CoE	11 837	15 189	10 840	10 421	-6%
Admin as % of total CoE	35%	32%	56%	59%	30%

Government is not getting value for money in its investment channelled through the NHC. This is because expenditure in CoE in the Administration programme has more than doubled between 2012/13 and 2015/16 increasing by 54 per cent from R6.4 million in 2012/13 to R15.2 million in 2015/16. This increase was funded from the core service delivery programme; Business development from the goods and services and CoE items. Quite surprisingly though, the number of employees in the whole council didn't change much as there were 31 employees in the 2013/14 financial year and 29 employees in 2014/15. This suggests that current employees got paid more in salaries and wages. The justification for almost doubling each employees' salary is that the institution had not been remunerating its employees at the market rate and was therefore failing to attract and retain the requisite skills. However, of concern is that 8 per cent or R2 million of the total compensation is spent on performance bonuses. This is above the stipulated threshold of 1.5 per cent for the public service.

NHC's financial position has deteriorated over the recent years especially between 2012/13 financial year and 2014/15 financial year. This is also because NHC's deficit increased from an accumulated surplus of R9.6 million in 2012/13 to an accumulated deficit of R1.9 million in 2014/15, despite a real increase in its income and a once off allocation of R14 million from the lottery board. Therefore the increase in expenditure has been directed towards support function costs and performance bonuses, rather than the delivery of the core mandate.

3.3 PROVINCIAL DEPARTMENTS

Table 4: Expenditure by province in R'000

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Row Labels	Values		
	Sum of 2012/13 Audited outcome	Sum of 2013/14 Audited outcome	Sum of 2014/15 Preliminary outcome
EASTERN CAPE	79 254	80 072	80 278
FREE STATE	56 596	41 167	31 150
GAUTENG	15 879	25 198	34 691
KWAZULU-NATAL	83 911	90 115	125 773
LIMPOPO	8 104	8 067	9 840
MPUMALANGA	20 723	19 837	23 699
NORTH WEST	6 743	8 751	18 961
NORTHERN CAPE	14 919	14 314	15 312
WESTERN CAPE	45 383	45 444	57 551
Grand Total	331 512	332 965	397 255

KwaZulu-Natal Department of Arts and Culture spends more on heritage assets than any other province. Its spending is equivalent to 25 per cent of the total national expenditure budget in each of the three years. KwaZulu-Natal (KZN) also happens to be the only province that has a dedicated department of Arts and culture while in 7 of the other 8 provinces, the department of Arts and Culture has merged together with the department of Sport and recreation. The exception to these provinces is North West, where the department of Sport is with the department of Basic Education while Arts and Culture is with Religious and Traditional Affairs. It may not be surprising to see that North West spends the minimal budget in Heritage in 2012/13 financial year and is second only to Limpopo in the subsequent years in terms of the low spending. Therefore there appears to be a positive correlation between dedicated department and increased resources linked to the activities of that department. Limpopo is an anomaly as it struggles to spend its budget in all of its departments and because of this, it had been put under administration in the years under review.

3.3.1 Composition of provincial heritage expenditure

Table 5: Compensation of Employees in R'000

Row Labels	Values		
	Sum of 2012/13 Audited outcome	Sum of 2013/14 Audited outcome	Sum of 2014/15 Preliminary outcome
EASTERN CAPE	56 359	59 164	62 062
FREE STATE	18 486	19 437	19 221
GAUTENG	2 483	2 872	5 437
KWAZULU-NATAL	9 112	10 189	12 241
LIMPOPO	6 058	6 326	6 089
MPUMALANGA	11 445	13 226	14 144
NORTH WEST	3 346	3 520	4 578
NORTHERN CAPE	10 750	9 959	10 179
WESTERN CAPE	32 523	33 062	33 688
Grand Total	150 562	157 755	167 639

Expenditure on heritage is skewed towards compensation of employees with 45 per cent being spent on this economic classification item. It is however very surprising that Eastern Cape is responsible for 37 per cent of the CoE expenditure on heritage. Therefore table 1 and table 2 show that Eastern Cape spends 75 per cent of their heritage resources budget on CoE. The same can be said for Limpopo (75 per cent) Northern Cape (73 per cent) and Western Cape (67 per cent). KZN is at the other end of the scale, it pays only 9 per cent of its budget in compensating employees (salaries) and is followed by Gauteng (GT) with 11 per cent.

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Table 6: Transfers in R'000

Row Labels	Values		
	Sum of 2012/13 Audited outcome	Sum of 2013/14 Audited outcome	Sum of 2014/15 Preliminary outcome
EASTERN CAPE	6 571	9 873	9 679
FREE STATE	1 585	1 819	1 562
GAUTENG	1	0	0
KWAZULU-NATAL	42 275	45 846	58 148
LIMPOPO	46	21	139
MPUMALANGA	250	450	814
NORTH WEST	1 400	2 100	7 700
NORTHERN CAPE	3 344	4 235	4 672
WESTERN CAPE	8 008	6 280	16 607
Grand Total	63 480	70 624	99 321

Table 3 shows that KZN transfers most of its expenditure to museums to preserve, protect, promote and manage provincial heritage assets. To perform the same functions, GT contracts service providers and pays from its goods and services budget. Therefore the delivery model of heritage resources seems to differ vastly from one province to the next. While that is the case, it is unrealistic to think that the delivery model of EC, LP and NC is correct given that much of what is entailed in the promotion, protection and preservation of heritage assets on one hand involves building and maintenance of infrastructure (tangible assets) while on the other side it involves intangible assets (dance, songs etc.) which require funding households to tell the stories and archival technologies to capture and store them.

3.4 NATIONAL DEPARTMENT OF ARTS AND CULTURE: HERITAGE PROMOTION SUBPROGRAMME

Table 7: heritage promotion subprogramme in R'000**DISCLAIMER:**

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Sum of Total Expenditure	Column Labels			
Row Labels	2012/2013	2013/2014	2014/2015	2015/2016
COMPENSATION OF EMPLOYEES	16 255 503	17 362 330	19 447 158	18 610 542
DEPARTMENTAL AGENCIES & ACCOUNTS		18 124		
FOREIGN GOV&INTERNATIONAL ORGAN		1 000 000	1 100 000	0
AFRICAN WORLD HERITAGE FUND		1 000 000	1 100 000	0
GOODS AND SERVICES	46 042 130	49 065 685	86 796 254	48 232 147
ADMINISTRATIVE FEES: PAYMENTS	2 254 482	534 576	264 819	640 241
ADVERTISING	2 481 599	2 416 913	1 445 290	2 346 142
CATERING:DEPARTML ACTIVITIES	1 018 487	434 996	1 759 670	1 696 696
CONTRACTORS	16 089 265	21 256 032	22 660 032	21 302 198
INV:OTHER SUPPLIES			46 117 611	9 586 926
INVENTORY:STATIONERY & PRINTING	477 020			
TRAVEL AND SUBSISTENCE	12 570 627	12 317 838	5 228 337	6 482 369
VENUES AND FACILITIES	2 975 035	2 032 084	648 935	19 000
HERITAGE ASSETS				15 048
SCULPTURES				15 048
HOUSEHOLDS (HH)	11 028 127	8 457 838	2 598 980	5 011 849
H/H:OTHER TRANSFERS(CASH)	11 015 000	8 419 424	2 550 428	4 973 705
INTEREST AND RENT ON LAND				26 654
MACHINERY AND EQUIPMENT	277 009			
OTHER MACHINERY & EQUIPMENT	277 009			
NON PROFIT INSTITUTIONS (NPI)			5 698 483	3 803 000
NPI:OTH NON PROFIT INSTITUTIONS			5 698 483	3 803 000
PAYMENTS FOR FINANCIAL ASSET	14 817	6 439	102 816	3 950
THEFTS AND LOSSES	14 817	6 439	102 816	3 950
Grand Total	73 617 586	75 910 416	115 743 692	75 703 189

The bulk of the budget for the heritage promotion subprogramme is spent on Goods and Services, mainly in contractors. This item, contractors makes up 35 per cent of the G&S budget. An indication that services are being provided by the third party.

This subprogramme has 42 employees and 4 interns, 28 of the 42 are in line function with a ratio of 1:2. Therefore, for every 2 line function people, there is an admin person serving them. This is too high given that the norm for policy departments like DAC is 1:6.

In addition to these, inventory and other supplies account for 40 per cent of the total expenditure in 2014/15. This line item is used to fund the installation of flags in schools. For 2012/13 and 2013/14 financial years, the installation of flags in schools was accounted for under the contractors line item and 2014/15 financial year is the year in which most flags were installed in schools. The rest of the budget for contractors is mainly responsible for funding the national days which include heritage day.

3.4.1 Policy and research directorate

Table 8: Policy and research directorate in R'000

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Sum of Total_Expenditure	Column Labels	
Row Labels	2014/2015	2015/2016
COMPENSATION OF EMPLOYEES	1 626 374	1 338 592
GOODS AND SERVICES	1 263 805	773 560
AGENCY&SUPRT/OUTSOURCED SERVICES		145 699
AUDIT COST:EXTERNAL		243 043
CATERING:DEPARTML ACTIVITIES	7 907	39 634
COMMUNICATION	53 361	35 229
CONSULT:BUSINESS&ADVISORY SERV	313 401	
CONTRACTORS	21 881	
ENTERTAINMENT	1 996	531
OPERATING LEASES	12 451	37 714
TRAVEL AND SUBSISTENCE	391 008	271 708
VENUES AND FACILITIES	179 231	
HOUSEHOLDS (HH)	2 598 980	4 973 705
TRANSFERS AND SUBSIDIES	2 598 980	4 973 705
H/H:OTHER TRANSFERS(CASH)	2 550 428	4 973 705
PAYMENTS FOR FINANCIAL ASSET	7 397	
THEFTS AND LOSSES	7 397	
Grand Total	5 496 555	7 085 857

The Policy and Research directorate is within the heritage promotion subprogramme and is responsible for developing policies for the heritage sector and researching matters that affect this sector. On average, more than half of the budget for this directorate is transferred to households (payment of bursaries) who are post graduate students studying at HEIs across the country in the heritage field. This is a broader heritage human resources development strategy working with the following universities; Limpopo, Venda, Pretoria, North West, Wits and Rhodes. Through this collaboration, between 2012/13 and 2014/15 DAC has awarded 291 bursaries in heritage studies at a cost of R9.9 million. This strategy is to encourage the production of literature in the heritage sector. However, there is another institution in this sector that does a similar function, SAHRA. SAHRA supports the professional development of sector skills for the management of heritage resources through collaborating with the Sol Plaatje University in Kimberley in the development and accreditation of modules and providing training for the. As if this was not enough, the NHC spent R2.4 million between 2012/13 and 2014/15 financial years in activities related to policy development and research. Given the similarity of the functions being performed here, no justification can be provided on why this is a function that can be done by a single institution.

4 OPERATIONAL EFFICIENCY

There is a lot of inefficiency in how both NHC and SAHRA deliver their services. This lack of enforcement of rules is evident from the waste in government spending. There are two categories of financial mismanagement in public entities in government which mainly result from non-compliance to the law. These are: (1) irregular expenditure and (2) fruitless and wasteful expenditures. This is withstanding the

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publicly held view that the public finances are overregulated. In both institutions, there is insufficient evidence to show that appropriate steps are being taken against those who break these regulations and legislations.

Table 9: financial misconduct in R'000

Financial Misconduct '000	2012/13	2013/14	2014/15	Total
NHC Irregular expenditure	1 986	2 663	4 060	8 709
SAHRA Irregular expenditure	7 003	8 365	4 344	19 712
NHC Fruitless & Wasteful Expenditure	1	230	954	1 185
SAHRA Fruitless & Wasteful Expenditure	187	307	178	672

Table 7 shows that the value of irregular expenditure incurred by NHC over the past three financial years amounts to R8.7 million. Irregular expenditure is any other financial mismanagement transgression other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, be it legislation, the State Tender Board Act of 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act. (PFMA, 1999: 8). This form of transgression increases from R2 million in 2012/13 to R4.1 million in 2014/15. This situation is concerning since it is getting worse with time. According to the AG:

Irregular expenditure continues to be of particular concern. This is expenditure that was not made in the manner prescribed by legislation. Such expenditure does not necessarily mean that money was wasted or that fraud was committed, but is an indicator that legislation is not being adhered to, including legislation aimed at ensuring that procurement processes are competitive and fair. It is also an indicator of a significant breakdown in controls at some auditees. (AG, 2014: 2).

For NHC, the Irregular expenditure stems from failures to conduct competitive bids and acquiring 3 quotes where necessary. This transgression can be condoned by either the accounting officer of the department, the National Treasury or by parliament depending on the severity of the transgression. However, the accounting officer has the responsibility of taking appropriate actions including instituting disciplinary proceeding against the official who has done wrong. The accounting officer must then ensure that this irregular expenditure is immediately reported to the National Treasury as required by section 40 (4) (b) of the PFMA. Also, Treasury Regulation (2005: 25) state that *“Irregular expenditure incurred by a department in contravention of tender procedures must also be brought to the notice of the relevant tender board or procurement authority, whichever applicable.”*

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The other element of financial misconduct relates to fruitless and wasteful expenditure. Between 2011/12 and 2013/14 financial years, NHC incurred fruitless and wasteful expenditure amounting to R1.2million. This expenditure relates to expenditure which was made in vain and would have been avoided had reasonable care been exercised. (PFMA, 1999: 7). This form of transgression increases from R1 000 in 2012/13 to R954 000 in 2014/15. Further perpetuating concerns about the eminent problems in this institution.

On the other hand, SAHRA shows a higher value of irregular expenditure which amounts to R19.4 million over the three years under review, however, unlike NHC, there is a gradual improvement over time which is denoted by a shift from R8.4 million in 2013/14 to R3.4million in 2014/15. This improvement coincides with the turnaround strategy implemented and can therefore be attributed to it. The same can be said of fruitless and wasteful expenditure.

5 CAN THE EFFICIENCY AND COST EFFECTIVENESS OF EFFICIENCY SERVICES BE IMPROVED?

5.1 OVERVIEW

The cost allocation model is designed to be a tool for exploring possible efficiency savings in areas of expenditure where the expenditure analysis suggested that spending is currently excessive.

Table 10

SUMMARY	Current Exp	Scenario 1 (with MTEF)			Scenario 2	Scenario 3
	2015/16	2017/18	2018/19	2019/20	2017/18	2017/18
DAC /HP	R 103 756 487	R 115 584 727	R 122 404 226	R 129 258 862	R 148 018 197	R 148 018 197
NHC Costs	R 58 082 558	R 64 862 972	R 67 782 137	R 71 587 127	R 2 750 000	R -
SAHRA	R 33 760 352	R 23 505 645	R 18 914 884	R 18 071 827	R -	R -
Total	R 195 599 397	R 203 953 343	R 209 101 247	R 218 917 817	R 150 768 197	R 148 018 197
Provincial Departments of Arts and Culture		R -	R -	R -	R 2 725 575	R 2 725 575
Provincial Heritage Committees		R -	R -	R -	R 2 725 575	R 2 725 575
Heritage Promotion SubProgramme - Department of Arts and Culture		R -	R -	R -	R 23 224 397	R 23 224 397
SAHRA Heritage function		R -	R -	R -	R 22 345 133	R 22 345 133
Policy development and Research		R -	R -	R -	R 879 265	R 879 265
Total costs	R 195 599 397	R 203 953 343	R 209 101 247	R 218 917 817	R 176 718 169	R 173 968 169
Total savings realised compared to current expenditure (adjusted for inflation)		R 13 944 385	R 21 652 447	R 24 758 084	R 30 421 592.69	R 33 171 593

5.2 SCENARIOS AND ASSUMPTIONS

Scenario 1: this scenario shows the cost of maintaining the status quo with regards to the allocation of functions between the institutions, but allowing for some efficiency savings in certain areas, shown over the MTEF, from 2017/18 to 2019/20.

Scenario 2: this scenario is set up to show NHC as consisting exclusively as a board that funds heritage matters in government in accordance with its constitutional mandate. It would therefore have no, or very limited, other functions. Its existing functions would either be transferred to the heritage promotion subprogramme in DAC.

Scenario 3: this scenario is set up to show NHC being closed down completely, and its functions either being transferred to the heritage promotion or other institutions or discontinued. It also shows the heritage promotion of SAHRA being moved to DAC's heritage promotion.

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5.3 RESULTS

Total savings realised in scenario 1 ensures that the sector attains efficiency savings of R13.9 million in 2017/18. Scenario 2 shows savings of R30.4 million and scenario 3 shows a savings of R33.2 million in the same period. Scenario 3 is the preferred option which will see government saving a total of R33.2 million in 2017.

6 FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

The lack of a process to clarify the mandates of institutions before and during their establishment has resulted in numerous issues including the duplication of activities and resources. This problem is particularly acute in the heritage sector. There are evidently some duplications, overlaps and inefficiencies in the functions being performed by DAC and its various institutions. This duplication is mainly evident with NHC and SAHRA. This PER explored the possibility of a merger of these two institutions. This often results in overlapping mandates, gaps in accountability and 'mandate-creep', which all result in the inefficient use of budget resources.

The focus of the analysis was on technical efficiency, i.e. getting more and better value for the same amount of money. The analysis found noticeable variations in the distribution of these resources, which tended to coincide with patterns of recent reforms within each institution. The analysis indicates that inefficiency may be at the root of the disappointing performance by the heritage sector; which appears to be mired by duplication of functions. This provides a strong impetus to better understand what is impeding and constraining the management and procurement processes within each institution.

There is a need to align the budget to the priorities of the sector (founding policies, NDP and MTSF). This should be done on the basis of evidence of programme effectiveness and an appropriate balance between capital and current spending.

With government facing a spending ceiling, opportunities for expanding and improving service delivery will need to be financed within existing allocations.

Placing a continued emphasis on spending efficiency and effectiveness, a combination of this is referred to as value for money. Those programmes that are not performing, and are no longer significant or are not a priority, must have their allocations reduced. This will ensure aggregate fiscal discipline in the sector.

- a) The composition of expenditure shows that expenditure is skewed towards administration and compensation of employees. The entities concerned must undertake a detailed review of the

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performance of all their programmes including that of Corporate Services - from a performance and cost effectiveness perspective. This will attempt to achieve allocative efficiency.

- b) There is a need to minimise negative externalities such as corruption, irregular and fruitless and wasteful expenditures. This will require that the sector deals decisively with corruption and mismanagement of funds. To do this, controls need to be strengthened and there needs to be consequences for financial transgressions. This will attempt to achieve operational efficiency in the heritage sector.
- c) None of these institutions have an internal policy on cost saving and they have not implemented the guidelines on cost serving measures. All these heritage institutions need implement cost saving measures in varying degrees in order to gain efficiencies from total revenue available including using low cost airlines; using in-house venues for meetings and the recovery of expenditure for private telephone calls. These savings are ploughed back into operational activities to support their respective mandates.
- d) Expenditure reviews need to be integrated into the main stream budget process and inform policy and decision makers about programme effectiveness and efficiency under current funding levels, and be able to examine the consequences for outputs and outcomes of alternative funding levels.

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Annexure A: – Logframes

Annexure B: Entities – expenditure analysis pivot

Annexure C: Provincial – expenditure analysis pivot

Annexure D: Heritage Promotion – expenditure analysis pivot

Annexure E: Performance Information

Annexure F: Costing model

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