Portfolio Committee on International Relations and Cooperation Budgetary Review and Recommendation Report 2022/2023

Chairperson:

Hon SOR Mahumapelo MP

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The Budgetary Review and Recommendation Report of the Portfolio Committee on International Relations and Cooperation, 25October 2023

The Portfolio Committee on International Relations and Cooperation (the Committee), having considered the performance and submission to National Treasury for the medium-term period of the Department of International Relations and Cooperation (the Department), and its entity, the African Renaissance and International Cooperation Fund (the ARF), reports as follows:

1. Introduction

The Portfolio Committee received the presentations on the Annual Reports 2022/23 of the Department and that of the African Renaissance Fund, on 18 October 2023. In its consideration of the reports, the Committee also enlisted input from the Office of the Auditor-General and the Audit committee on the annual performance of the Department and the entity on 11 October 2023.

1.1 The scope of the report

The focus of the assessment was on the performance of the five (5) key programmes of the Department namely, Administration, International Relations, International Cooperation, Public Diplomacy and Protocol Services as well as International Transfers. The Department's performance and that of the entity was measured against their set targets as identified in the respective Annual Performance Plans 2022/23, based on the Strategic Plans of 2020-2025.

Annual performance was also measured against Government's key priorities identified in the President's State-of-the-Nation Address (SoNA) of February 2022, the Government's Medium Term Strategic Framework 2019-2024 and in accordance with information contained in the National Treasury 2022 Estimates of National Expenditure. Other key measures comprise of the moral values and principles that underpin the country's foreign policy. The report also covers the views and findings of the Committee, and the resultant recommendations borne out of the Members' scrutiny and analysis of the performance of the Department and its entity for the reporting period.

1.2 Mandate of the Committee

The Portfolio Committee on International Relations and Cooperation is a committee of Parliament mandated by the sections 55 and 92 of the Constitution of South Africa,[1] to oversee and ensure accountability in the formulation and conduct of South African foreign policy. Consequently, the Committee conducts oversight on activities of the Department of International Relations and Cooperation and its Missions abroad, on its policies, legislation, financial spending patterns, administrative issues, and it holds the Department accountable for its operations and functions. The Committee is thus mandated by the Constitution to legislate, conduct oversight over the Department and facilitate public participation. The Committee may also investigate any matter of public interest that falls within the foreign policy area of responsibility. The Committee ensures public participation in the otherwise elitist foreign policy. This is achieved through its People-Centred Oversight on International Relations and Cooperation approach, under which ordinary South Africans get to input on the way international relations policy should assist to address the injustices of the past. The Committee is thus an important mechanism for ensuring oversight over the conduct of South Africa's international relations and cooperation policy.

1.3 Purpose of the Budgetary Review and Recommendation Report

In accordance with section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), the National Assembly, through its committees, must assess service delivery performance of each national department and submit Budgetary Review and Recommendation Report (BRRR) for each department, for tabling in the National Assembly. The process allows the National Assembly to evaluate the effective and efficient use of allocation of resources; and may make recommendations on forward use of resources. These reports will be considered by the Standing/Select Committees on Appropriations and Finance, respectively, when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS).

The Committee examined the expenditure report as published by the National Treasury, commonly known as section 32 Reports of the Public Finance Management Act (PFMA) 1999 (Act 1 of 1999). Reference was also made to the Auditor General's report on the 2022/23, Budget Vote 6 and the Department's Annual Report 2022/23.

1.4 The core function and mandate of the Department

The overall mandate of the Department is to work for the realisation of South Africa's international relations policy objectives. In terms of the provisions of the Constitution, the President of the Republic of South Africa bears the overall responsibility for the country's foreign policy and international relations. However, the Department is entrusted with the formulation, application and implementation of South Africa's foreign policy which is derived from South Africa's domestic priorities.[2]

The Minister of International Relations and Cooperation (the Minister) assumes overall responsibility for all aspects of South Africa's international relations, albeit in consultation with the President. The Minister also liaises and consults with members of the Cabinet on overlapping issues and on the priorities and programmes of other departments that bear an international relations element.[3] In the same breath, other Cabinet ministers are required to consult the Minister on their international role.

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[1] Constitution of the Republic of South Africa 1996

[2] Department of International Relations and Cooperation Annual Report 2022-2023

[3] Ibid

1.5 Measurable Objectives of the Department

The Department's overall mandate is to work for the realisation of South Africa's foreign policy objectives. It achieves this through implementing identified strategic objectives aimed at responding to the domestic priorities as announced by government for the reporting year. This is done by:

- Coordinating and aligning South Africa's international relations abroad;
- Monitoring developments in the international environment;
- Communicating government's policy positions;
- Developing and advising government on policy options, and creating mechanisms and avenues for achieving objectives;
- Protecting South Africa's sovereignty and territorial integrity;
- Contributing to the creation of an enabling international environment for South African business;
- Sourcing developmental assistance; and
- Assisting South African citizens abroad.[4]

During the reporting period, the thrust of the work of the Department remained anchored on these overarching priorities as confirmed by the January 2022 Cabinet Lekgotla and the 2022 State of the Nation Address (SoNA). In its work on these priorities, the Department is supported by the following activities:

- Organisational support;
- Rendering of professional services and
- Organisational strengthening.

2. Focus on compelling mandates

2.1 Department's strategic and operational plans

The Annual Report reflects the highlights of several diplomatic activities carried out by the Department including its Missions abroad. At the time of reporting, South Africa's representative footprint has grown from 34 in 1994 to 116 diplomatic missions in 2022/23 in 102 countries abroad, and through the accreditation of more than 160 countries and organisations resident in South Africa. The extended footprint also put the resources of the Department under pressure, especially within the current constrained fiscal environment in South Africa.

The Department has a dynamic role to play in the improvement of the lives of South Africans. This is achieved through identifying strategic opportunities for skills and knowledge development, targeted investments, and growing markets for South Africa's products and services abroad. This way, the Department ensures that international relations work is linked and responds to domestic imperatives.

During the reporting period, the Department remained focused towards implementing strategies and mechanisms to bolster regional and continental political and economic integration. These are the apex priorities of South Africa's foreign policy.[5] The inherent foreign policy outlook guided the Department's engagements in Africa, and with partners in the global South, developed nations of the North as well as in multilateral relations.

2.2 State-of-the-Nation Address 2022

In his February 2022 State-of-the-Nation Address,[6] President Cyril Ramaphosa provided guidelines to the priorities to be pursued. Regarding the modernisation of visa application

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[4] Department of International Relations and Cooperation Annual Report 2022-2023

[5] Annual Report of the Department of International Relations and Cooperation 2022/23

[6] Ramaphosa C, State of the Nation Address 2022

systems in South Africa, among others, President Ramaphosa noted that “the ability to attract skilled immigrants is the hallmark of a modern, thriving economy”. President Ramaphosa announced as follows:•The streamlining and modernising the visa application process to make it easier to travel to South Africa for tourism, business and work. •the eVisa system has now been launched in 14 countries, including China, India, Kenya, and Nigeria. •The revised Critical Skills List has been published for the first time since 2014, following detailed technical work and extensive consultations with business and labour. The updated list reflects the skills that are in shortage today, to ensure that the Republic’s immigration policy matches the demands of our economy.

2.3 Alignment to National Development Plan (NDP) and the 2022 MTBP Statement and the 2019-2024 Medium Term Strategic Framework (MTSF)

In Chapter 7 of the NDP entitled “Positioning South Africa in the world”, the National Planning Commission argued that government’s global and regional policy-making stance should be South Africa-centric. It should also improve South Africa’s integration in the region, on the continent, among developing countries, and in the world with measurable outcomes. The National Planning Commission also argues that policymaking should be guided by the following principles and objectives[7]:

- Focus on what is achievable without over-committing to possibilities of regional and continental integration.
- Foreign Policy should be evaluated on a regular basis to “ensure that national interests are maximised”.
- Remain an influential member of the international community;
- Deepen cooperation with Brazil, Russia, India and China as part of the BRICS group while promoting regional and continental integration;
- Stabilise the regional political economy through increased integration and cooperation; and
- Achieve measurable outcomes related to food, energy, education, health, transport and communication infrastructure, national defence, adjustment to climate change and economic growth to benefit all South Africans.[8]

2.4 Service delivery environment

In its examination of the Annual report of the Department, the Committee observed that the Department had aligned itself with the prescripts of Chapter 7 of the National Development Plan entitled “Positioning South Africa in the world”. (National Planning Commission (2011): One of the objectives of the national development plan is to enhance South Africa’s position in the region and the world, and to increase trade and investment.

The plan states that the country’s foreign policy should be shaped by the interplay between diplomatic, political, security, environmental, economic and regional dynamics that define international relations. The country should position itself as one of Africa’s powerhouses, leading development and growth on the continent. Integration with the Brazil-Russia-India-China-South Africa group of countries should be deepened.[9]

In this regard the Department is doing its part in contributing to the realisation of the plan’s development goals. These are achieved through continuing to support regional and continental processes, responding to and resolving crises, strengthening regional integration, contributing to an enabling trade environment, increasing intra-African trade, and championing sustainable development and opportunities in Africa.

The Department recognises that the NDP proposed expansion of South Africa’s trade and global market share. To achieve this, a greater productive and export capacity and global

[7] National Planning Commission, 2011

[8] The National Development Plan, Chapter 7: Positioning South Africa in the World)

[9] The National Development Plan, Chapter 7: Positioning South Africa in the World)

competiveness across the region needs to be built. The Department's strategic focus is thus to advance a developmental integration agenda in Southern Africa. This would be achieved by combining trade integration, infrastructure development and sector policy coordination.

The Committee, in its analysis of the Annual Report 2022/23, observed that the Department continued with its concerted efforts to execute South Africa's international relations strategy to address the country's domestic challenges. In this regard, the National Development Plan enjoins the Department to contribute towards addressing the identified triple challenges of poverty, inequality and underdevelopment. The NDP requires the Department to create a better life for all South Africans. This it should do while meeting the country's international obligations in a dynamic and complex global terrain. In this vein, South Africa's foreign policy objectives remained predicted on the country's national interest and identity.

There has been a clear and deliberate move to ensure there is a link between the activities of the Department and the implementation of Chapter 7 of the NDP Vision 2030. The NDP underscores the importance of building a nation that contributes to the prosperity of the southern Africa region, the African continent and the betterment of the lives of the marginalised throughout the world.

The NDP further requires that South Africa build a resilient economy which would contribute towards creating a working nation, in order to narrow and eventually eliminate the gap between the rich and poor. The Department recognises that the national priorities as contained in the NDP are inextricably linked to the aspirations of the African continent. Hence, economic diplomacy would be used to promote the country as a trade and investment destination, thereby attracting foreign investment and also boosting its tourism sector.[10]

The aspirations of the NDP have also found expression in the Southern Africa Development Community (SADC)'s development mechanism, the Revised Regional Indicative Strategic Development Plan (RISDP). These aspirations are also found in the continental programme as encapsulated in the African Union's (AU) Agenda 2063 Vision, and in the UN 2030 Agenda on Sustainable Development Goals (SDGs). The economic development integration of SADC remains a key focus area.[11]

South Africa also contributed towards strengthening bilateral cooperation in various fields. These include agriculture, health - particularly dealing with the COVID-19 pandemic, science and technology, regional and global politics, peace and security on the Continent, food security and agriculture, tourism, minerals and energy, transport and infrastructure. South Africa and its partners fought hard for the relaxation of patent requirements to enable the Continent to manufacture the doses of vaccine required.

South Africa continued to strengthen bilateral relations and cooperation with the world through structured bilateral mechanisms and the exchange of high-level visits and engagements. The areas prioritised were aligned to the imperatives of the NDP and MTSF. They included economic transformation, job creation, education, health, co-operation in energy, mining, and the oceans economy, as well as skills development.

2.5 Opening remarks by the Chairperson of the Portfolio Committee, Mr SOR Mahumapelo MP

In his opening remarks, Mr Mahumapelo MP commended the Department for an unqualified audit opinion and the ARF for its successive clean audits. The Chairperson encouraged both to maintain the current scenarios in the future. The Chairperson elaborated that the report would be a consolidation of significant findings by the 6th Parliament and identify areas that need monitoring into the future.

[10] National Development Plan 2030, Chapter 7 thereof

[11] Annual Performance Plan 2022/23 of the Department of International Relations and Cooperation

3. Presentation on the annual service delivery performance of the Department in 2022/23 financial year

The Minister of International Relations and Cooperation (the Minister), Dr Naledi Pandor, provided an overview, in the form of introductory remarks, on the overall performance of the Department across all programmes, for 2022/23. The Minister highlighted that during the reporting period, the Department achieved 27 out of 28 planned annual targets, amounting to an overall performance of 96%.
The Department's bilateral international work continued to focus on its contribution to tackling the persistent triple challenges of inequality, unemployment, and poverty, through political work, the promotion of trade and investment opportunities and the promotion of inward tourism.
As in the past, the Department's multilateral work continued to focus on Peace and Security, Human Rights and Humanitarian Affairs and Economic and Social Development. On 1 January 2023, South Africa commenced with the first year of its three-year term on the Human Rights Council. South Africa actively participated in the March 2023 and subsequent sessions of the Council.
Also, during the year under review, South Africa commenced its chairship of the BRICS Bloc. During its chairship, South Africa has used its position to advance the interests of all African States, under the theme: "BRICS and Africa partnership for mutually accelerated growth, sustainable development and multilateralism". The Department has presented a detailed report on the structured bilateral mechanisms that were held in 2022-23 as requested by the Committee. It was said the report significantly illustrated the work of South African missions abroad as well as Head Office.
Regarding the annual performance of the African Renaissance Fund, Deputy Minister Mashego-Dlamini gave an overview that the ARF remained an important vehicle in the pursuit of South Africa's foreign policy objectives, particularly the regeneration of the African continent and other countries.

It was recalled that President Cyril Ramaphosa made a pledge at the Southern African Development Community (SADC) Summit held in Malawi during January 2022, to assist the Republic of Mozambique faced with the humanitarian crisis due to political unrest in the region. In line with the ARF strategic objective of socio-economic development and integration, this resulted in the implementation of the Agricultural Development Support project in the province of Cabo Delgado valued at R34 million.

During the 2022/23 financial year, the ARF processed R177 million in disbursements towards socio-economic development and integration, humanitarian assistance, the promotion of democracy and good governance as well as the prevention and resolution of conflict on the Continent.

The Minister further noted that she was pleased to report that the fund continued to comply with the laws and regulatory prescriptions, which govern the management of public funds in South Africa. The ARF has therefore continued to adhere to the established framework for disbursing funds and ensuring compliance with accounting and monitoring mechanisms. It was reported that it was on that basis that the ARF received an unqualified audit opinion for five years in succession from the Office of the Auditor-General of South Africa. During the 2022/23 financial year, ARF had a total of nine targets, of these, four were met and thus 44% achievement.

3.1 Overview and assessment of the non-financial performance of the Department for the 2022/23 financial year

According to the 2022/23 Annual performance report, the Department was able to achieve 27 out of 28 annual targets it had set itself. The unachieved target is under programme 3. As a result of that, the Department sits at 96% achievement on its objectives for the reporting year.

Under programme 2, the engagements undertaken during the reporting period, centred on the promotion of South Africa's National Interests and areas of mutual interest as well as exchange of views on a wide spectrum of bilateral and global issues of concern. Areas prioritised were aligned to the imperatives of the NDP and MTSF and included economic transformation, job creation, education, health, co-operation in energy, mining, and the oceans economy, tourism promotion as well as skills development. In Africa investment discussions held focused on the following sectors: mining (oil, gold, and diamonds); aquaculture; digital technology; agriculture; agro processing (cotton, Arabian gum, rice, sesame, peanuts, and livestock); infrastructure development (ICT and energy); cosmetics; commerce; finance; insurance and wine.
Other engagements were undertaken in Asia and Middle East, and the Americas and Europe.

Under programme 3, the annual target was to maintain 60 positions for South Africans on identified influential multilateral bodies. However, this target was not achieved, as fifty–four positions were maintained on identified influential multilateral bodies as of 31 December 2022. Six positions expired during the reporting period.

Under sub-programme, System of Global Governance, South Africa participated in the General Assembly meeting on Ukraine (The Emergency Special Session (ESS)) of the General Assembly convened in February to consider a resolution on Ukraine. South Africa abstained on the resolution and presented an explanation of the vote in which it continued to call for the use of diplomacy and negotiations to resolve the conflict.

It was reported that the State Protocol and Consular Services under programme 4, delivered on its mandate as soon as travel restrictions were relaxed, the Government resumed the contact meetings between the principals and foreign counterparts. During this period, a total of 57 incoming Official/Working visits were undertaken to the Republic by foreign dignitaries, 36 outgoing and 21 incoming visits were undertaken by the President of the Republic of South Africa. Under Public Diplomacy, it was reported that various activities and initiatives such as the Diplomatic Fun Fair and the Ubuntu Awards were implemented in 2022/23 to promote Brand South Africa and to continue enhancing public understanding of South Africa's foreign policy.

4. Overview and assessment of the financial performance of the Department for the 2022/23 financial year

4.1 **Financial expenditure trends of the Department**

The Department spent R6. 708 billion against final appropriation of R 6.784 billion, which represents an underspending of R76.8 million.
However, the Department had to navigate the impact of the budget cuts experienced on the compensation of employees, which unfortunately, has resulted in the expenditure exceeding the budget ceiling. Under this item, the Department reported that the higher expenditure trend on compensation of employees is attributable to COE ceiling implemented by National Treasury, which does not cover the cost for the filled positions, as well as the depreciation of Rand against major currencies which impacted expenditure incurred in foreign currency. The Department has since embarked on the closure of some missions abroad.

Table 1: Total expenditure for financial year 2022/23

Programme name	2022/2023		
R'000	Final Appropriation	Actual Expenditure	Variance
Administration	1 688 171	1 664 395	23 776
International Relations	3 386 270	3 375 344	10 926
International Cooperation	559 631	558 139	1 492
Public Diplomacy and Protocol Services	336 822	335 808	1 014
International Transfers	813 424	773 871	39 553
Total	**6 784 318**	**6 707 557**	**76 761**

Source: Annual Report of the Department of International Relations and Cooperation 2022/23

Programme 1: Administration
The programme spent R1.664 billion against final appropriation of R1.688 billion, which represented an underspending of R23.8 million. The underspending was reported primarily attributable to the the suboptimal implementation of planned property maintenance and renovation projects.

Programme 2: International Relations
The programme spent R3.375 billion against final appropriation of R3.386 billion, which represented an underspending of R10.9 million. The low spending was on transfers and subsidies (households) because of fewer than expected retirements and resignations by locally recruited personnel. However, the programme overspent on compensation of employees due to depreciation of the Rand against major foreign currencies.

Programme 3: International Cooperation
The programme spent R558.1 million against the final appropriation of R559.6 million, which represented an underspending of R1.5 million. Lower than planned expenditure was evident under the budget for transfers and subsidies (households) emanating from fewer than expected retirements and resignations by locally recruited personnel. The programme overspent on compensation of employees due to depreciation of the Rand against major foreign currencies.

Programme 4: Public Diplomacy and Protocol Services
The programme spent R335.8 million against the final appropriation of R336.8 million, which represented an underspending of R1.0 million. The programme overspent on goods and services due to the depreciation of the Rand against major foreign currencies. The higher than the projected spending, on goods and services, was notable on travel and subsistence, because of an increase in official and state visits and Rand depreciation against major currencies.

Programme 5: Transfers and subsidies
This programme spent R773.9 million against the final appropriation of R813.4 million, which represented an underspending of R39.6 million. The underspending was primarily attributable to unspent funds earmarked for the South African Development Partnership Agency (SADPA) due to non–operationalisation of SADPA and the non-payment of membership fees for the

African, Caribbean and Pacific Group of States following termination of South Africa's membership of the organisation.

5. Public Entity: Overview of the Annual Report 2022/23 of the African Renaissance and International Cooperation Fund

The Department, in consultation with the National Treasury, is responsible for the administration of the African Renaissance and International Fund (ARF), which was established in terms of Act 51 of 2000. This fund is under the control of the Director-General of the Department who must account for all payments into and out of the fund. An Advisory Committee was appointed to make recommendations to the Ministers of International Relations and Cooperation and of Finance on the disbursement of funds, as provided for in the African Renaissance and International Cooperation Fund Act, 2000.[12]

The objectives of the ARF are to promote economic cooperation between the Republic of South Africa and other countries, in particular African countries,
through:

- promotion of democracy and good governance,
- prevention and resolution of conflict,
- socio-economic development and integration,
- humanitarian assistance,
- human resource development, and
- cooperation between South Africa and other countries[13]

The Fund is managed by the Department and payments are made on behalf of the Fund by the Department once concurrence is received from the Minister of Finance. This has resulted in the opening of control accounts (Payables and Receivables) in the accounting records of the Department and these accounts are reconciled to the records of the Fund. The financial statements of the Fund are prepared separately from the Department as the Fund is registered as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). All transactions and information arising from the work of the Fund are audited by the Auditor-General South Africa on an annual basis.[14]

The ARF is set up as a public entity. However, it does not yet have all the features necessary, like other public entities, due to its placement within the Department's structures. The ARF is still faced with challenges of a governance nature, due to it being located within the Department and utilising the Department's procurement processes. The entity does not have its own systems of financial and project management, and all its processes are manual. The ARF secretariat comprise of employees of the Department. The ARF has remained an important tool for the enhancement of South Africa's development cooperation on the continent and with other identified partners.

The ARF has achieved a consecutive clean audit opinion in 2022/23.

5.1.1 Service-delivery environment

The report highlighted that the ARF plays a critical role in pursuing South African foreign policy in the Department. South Africa's foreign policy promotes the need to cooperate with all peace-loving people across the globe in pursuit of shared prosperity and a just, equitable and rules-based international order. These were said to resonate with the objectives of the ARF are to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy, good governance, the prevention and resolution of conflict, socioeconomic development and integration, humanitarian assistance, and human resource development.

[12] Annual Report 2022/23 of the African Renaissance and International Cooperation Fund
[13] Ibid.
[14] Ibid.

The ARF Advisory Committee is said to convene once a quarter, among other things, to assess and recommend requests for funding for approval by the Ministers of International Relations and Cooperation and of National Treasury.

During the reporting year, the ARF had a total of nine areas of performance. Of these, four were met, resulting in a 44.44% achievement record. During the 2022/23 financial year, the ARF processed R177 million in disbursements towards humanitarian assistance, the promotion of democracy and good governance, prevention and resolution of conflict and human resource development in Africa.

South African Government responded to the political conflict in the Cabo Delgado province of Mozambique, in line with the ARF's objective of socio-economic development and integration as well as humanitarian assistance. The ARF incurred expenditure relating to the funding of the Agricultural Development Support project in the province of Cabo Delgado, Mozambique.

It was highlighted that the ARF submitted a request to retain declared surplus to National Treasury as per the requirement of the PFMA to the amount of R 386 million for new projects in the 2023/24 financial year. It was also explained that the cash and cash equivalent balance of R 674 million is inclusive of funds committed towards projects.

It was confirmed that during the reporting period, the Government of Cuba continued to repay the loan instalments as per the terms and conditions of the signed loan agreement. Various South African companies benefited from the project when Cuba procured goods locally and over R153 million was paid to local companies during this project. It was further explained that all South African companies involved in the project have reported that they have been able to retain jobs and to hire additional employees.

6. Report of the Auditor-General of South Africa 2022/23 on the Department of International Relations and Cooperation and its entity

The findings of the Auditor-General indicated that the financial statements presented fairly, in all material respects, the financial position of the Department as at 31 March 2023. The entity's financial performance and cash flows for the year, then ended in accordance with Modified Cash Standards (MCS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

6.1 The Department

During the financial year under review, the Department has received **an *unqualified audit opinion with findings*** from the Auditor General.

The overall audit outcomes in the portfolio were sustained when compared to the prior year. DIRCO sustained a financially unqualified with findings outcome. whilst ARF sustained a clean audit outcome mainly due to maintaining basic financial discipline of preparing credible financial reports supported by reliable information, timeous reviews and monitoring of compliance with applicable laws and regulations.

Auditor-General South Africa commend management on being able to maintain the outcome without regression most particular with the prior periods qualification matters (DIRCO) and the improvement noted in the quality of annual financial statements (AFS) submitted for audit which has been a challenge for the department for the past three years. Management is encouraged to maintain and continue to sharpen the controls that were implemented to improve the quality of AFS to avoid regression in this area.

The AGSA further noted that Compliance with legislation remains a challenge for the department especially in the following focus areas: procurement and contract management, expenditure management, consequence management and revenue management. This is mainly due to consequence management not being implemented in a timely manner to address previously reported deficiencies. Management is encouraged to continue with the focused interventions currently in progress to address these matters. • The quality of the annual performance report of both DIRCO and ARF had material misstatements that were subsequently corrected. This is a repeat finding for the ARF. This was due to inadequate reviews taking place before the submission was made to audit.

6.2 Performance information

According to the Auditor-General, as of 31 March 2022, the quality of the annual performance report of DIRCO has been negatively impacted by one material finding on a target identified in the current year (2022/23) compared to the prior year (2021/22).

In the current year, AGSA scoped in for audit programme 2: international relations and programme 3: international cooperation; the department achieved 100% and 86% respectively of its annual planned targets. The purpose of these programmes is to promote relations with foreign countries and participate in international organisations and institutions through the three (3) branches of the department, namely Africa; Asia and the Middle East and Americas and Europe.

The department is commended for managing to achieve 96% (27 of 28) of the planned targets on its key programmes namely: international relations; international cooperation; public diplomacy and protocol services and international transfers.

The AGSA noted that the portfolio's mandate is linked to Priority 7: A better Africa and world of the 2019-2024 Medium Term Strategic Framework (MTSF). DIRCO, through its missions, collaborates with other government departments, particularly the Department of Trade, Industry and Competition (DTIC) and state-owned entities (SOEs). Missions have, as part of their strategy, their own initiatives but also remain available to support initiatives by private-sector companies or SOEs. The department and its missions are fully aware that, in the end, conclusion of business transactions will be between the business parties without them necessarily involving the missions.

The Department is encouraged to continue in the execution of South Africa's foreign policy as these efforts contribute to foreign investment into South Africa, as well as increased trade and growth in the tourism sector.

DIRCO's indicators and related targets are to a large extent, activity-based (quantity) indicators (e.g. Number of regional political reports, including the outcomes of structured bilateral mechanisms and high-level visits aligned to achievement of the NDP and MTSF). Although some of the indicators include outcomes of activities performed, these outcomes are commitments or decisions taken in these various engagements that are included in the reports. The department needs to consider shifting from quantity focused indicators and targets incorporate output (impact) based indicators and targets. This will assist the department in being able to monitor, measure and adequately communicate the impact it has in accordance with its MTSF targets.

The department was unable to provide us with their accumulated achievement against the 5-year MTSF targets on the Strategic Plan. We were therefore unable to determine if the targets would be achieved by the end of 2024-25 as per the Strategic Plan.

Even though ARF did not achieve on its planned targets and had no planned targets for some of its programmes, the entity was able to prioritise resources and respond to the need for agricultural development support for Individually Displaced Persons (IDP) linked to the ARF objective and programme for socio-economic development and integration in one of the African countries. It should be noted that ARF targets are mainly responsive targets, therefore their achievement depends on requests for assistance or funding being received from the requestor.

6.3 Governance and stability

The AGSA reported that vacant positions in the Department cannot be filled due to the ceiling placed on the compensation of employees (CoE) budget by National Treasury, as a result the filling of some critical vacancies was delayed. This was also reported in 2021-22.

At year-end, the department reported at least 283 vacant positions: 228 at supervisory level and 55 at senior management level, these positions include the position of the DDG: global governance, Chief Director: Strategic Planning, Monitoring and Evaluation (CD:SPME) (CD) and Chief Financial Officer (CFO). Through discussions with management, currently some of the positions are in the process of being filled. Due to the limit imposed by the ceiling, it is critical that the positions be aligned to areas of concern as per internal control weaknesses identified and to delivery of the mandate.

AGSA noted the appointment of the CFO of DIRCO after year end (effective 1 April 2023); this appointment will ensure the continued stability in the portfolio. The overall vacancy rate in the department is 18,7%, which has increased from the prior year (16%). We noted an increase in the vacancy rate in the finance section from 25% (31 March 2022) to 26,8% (31 March 2023). Due to the high number of vacancies in the supervisory and senior management roles, this has negatively impacted on the quality of information supporting the annual performance report and adherence to applicable laws and regulations.

6.4 Information technology (IT)

The Department is continuing to use the old, expired IT contract that has been extended multiple times during the period regarded as handover-period with the newly appointed service provider. During this period, similar services may be offered by both service providers, however, they will be for different sites (E.g. One providing the service for Africa and the other for Americas/Europe). The old, expired contract was previously found to have irregularities in the evaluation and awarding process and resulted in irregular expenditure. The total irregular expenditure on the contract as of 31 March 2023 amount to R R569 million of which R133million was incurred in the current year 2022-23.

Although management had made some progress in enhancing the IT controls as committed to in the previous audit cycle, a number of deficiencies reported to management in the previous audit cycles still existed. Some of the key IT findings due to old infrastructure and some of which are due to legacy systems included:

Patches were deployed manually into the production environment without being tested; obsolete backup infrastructure; no backup solution and lack of backups for some of the systems hosted at DIRCO premises; lack of change logs on critical systems due to system design limitations; no separate environments for development, testing and production for the critical system; and not able to verify user access processes on some of the system due to system limitations.

The above remain critical in minimising the associated technology and business continuity risks to ensure improving in the IT environment. Most of these deficiencies are anticipated to be rectified upon the full implementation of the infrastructure modernisation project planned to be finalised by 31 March 2024.

Ten (10) missions were physically audited, and the AGSA assessed physical controls of the server rooms for these. Of the 10 missions visited, the AGSA noted deficiencies at 4 the missions (Buenos Aires, Kuala Lumpur, New York, and Tokyo). This indicates that deficiencies in ICT environment are prevalent at missions.

The following is a summary of the control deficiencies in the ICT environment at missions: ¬ Officials at the missions lack awareness and understanding of whether there are any offsite back-ups done. The only understanding they have is that the hub mission is “doing something” but not clear what information can be recovered from the hub mission. ¬ Overall back-up controls are not adequate at the missions, back-ups are stored onsite, some in the same server room and there are no logs or registers to show the frequency of back-ups. ¬ Dilapidated hardware is being used at the missions, and this results in slow operations or inability to perform certain functions. ¬ The server room in New York is in a state of dilapidation. The server room has an open ceiling, damp ceiling, and exposed cabling from ceiling and exposed wires on the floor.

6.5 Financial assistance to Cuba (ARF)

In terms of the ARF act, the fund was established to enhance co-operation between the Republic and other countries, in particular African countries. Currently, Cuba is the only non-African country that is receiving funding from the ARF and the reasons for the funding of Cuba is based on the long-standing respectable, cordial and political relationship the two countries share.

The court case relating to the R50 million that was earmarked to be provided to Cuba that was put on hold in the prior year due to the interdict by AfriForum is still not finalised, and no funds has been dispersed to date.

Heads of arguments were filed by both parties to the Gauteng North High Court and a hearing on the merits took place on 15 May 2023. Judgment on this matter has been reserved.

6.6 Revenue management

A repeat non-compliance was identified relating to revenue management at the department, where effective and appropriate steps were not taken to collect all money due to the department from rental deposit refunds, as required by section 38(1)(c)(i) of the PFMA. This was due to inadequate controls including the lack of reconciliations of the rental deposits account and a lack of consequence management on employee-tenants and corporate services managers for deposits not returned. Due to lack of effective and appropriate steps to collect rentals deposit refunds, the department wrote-off R15 million in rental deposits not collected in the current year. There should be an agreement between the missions and the transferred officials which incorporates acknowledgement of debt at the beginning of the rental period. The agreement should also incorporate a standard period to return deposits; should the deposit not be returned within a certain time frame, collection should be made through other means, e.g. deduction from payroll

Although management has implemented an action plan to address this control deficiency, due to the effects of inadequate controls in the prior years the matter has not been fully addressed. Management is encouraged to continue enhancing the implemented controls to ensure that effective and appropriate steps are taken to collect monies due to the department. The enhancement of controls should be applied to all monies that become due to the department and should not be limited to rental deposits.

6.7 Expenditure Management

The ARF was commended for not incurring irregular and fruitless and wasteful expenditure over the past two years.

The AGSA remain concerned that there is a notable increase in the levels of irregular expenditure in DIRCO at R1,44 billion (2022: R976 million). The increase in irregular expenditure in the current year is mainly as a result of non-compliance with the SCM legislation due to the misalignment between the approved delegation of authority and the NT SCM Instruction Note and this amounted to R2,10 billion (R1,44 billion incurred in the 2022-23 year and R660 million incurred in the prior year but identified in the current year). Irregular expenditure that resulted from exceeding the compensation of employees (CoE) budget without obtaining necessary approvals amounted to R31,8 million compared to R100 million in the prior year.

The irregular expenditure investigations that were completed in the current year has led to the removal of R58,7 million from the irregular expenditure incurred in the current year relating to old contracts.

The AGSA noted an increase in fruitless and wasteful expenditure in the current year R7,4 million compared to prior year R4,3 million, mainly due the vacant residential accommodation at missions abroad including one chancery. This is indicative that leases were not efficiently managed and is an area that needs strengthening of controls.

Management needs to enhance the controls related to the compliance with laws and regulations by identifying common instances in the department that lead to these non-compliances and develop mitigation strategies to prevent these instances from occurring.

6.8 Consequence management

The Auditor-General has noted that whilst acknowledging the consequence management actions taken by the Minister in the prior year that resulted in dismissal of the former CFO and former DG in the prior year, there is slow progress in these processes filtering down to the rest of the department which remains a concern. Not all the fruitless and wasteful, and irregular expenditure arising from 2017-18 to date have been investigated by the Department resulting in poor consequence management.

6.9 Procurement and contract management

ARF is commended for sustaining its compliance status as the AG did not identify material findings with compliance to legislation. Compliance with SCM prescripts remains a challenge for the Department. This is prevalent mainly at missions where procurement prescripts were not followed in the procurement of goods and services (similar matters were reported in the prior year) i.e. minimum quotations required were not obtained resulting in irregular expenditure being incurred. This was due to financial and SCM principles not being consistently applied as there is a lack of understanding of the concepts by staff at the missions.

A further challenge is where transferred officials' deployments at missions end, and the new appointments have not been made, leaving a vacancy in critical positions at the mission that are then filled by acting staff that are at the mission (this often happens at missions). These staff may not have the necessary financial skills.

The accounting officer needs to ensure that regular assessments are performed to ensure that personnel at the missions still possess the right skills and competencies to ensure compliance with the SCM prescripts. In instances where a person is called to act in the Corporate Services Manager (CSM) position, the accounting officer needs to ensure they have the necessary experience and this must be addressed as part of the audit findings action plan.

A new non-compliance finding was identified in the current year at the missions relating to the procurement of goods and services valued at above R 1 million procured through a quotation process and not through tender processes as required by the prescripts. This was as a result of the misalignment between department's thresholds in the delegation of authority and the thresholds prescribed in the National Treasury (NT) SCM Instruction Note. This has resulted in a significant increase in irregular expenditure incurred and reported.

6.10 Internal control deficiencies

The internal audit function must continue monitoring the action plan. The audit committee should play an oversight role in the implementation and monitoring the effectiveness of the action plan.

7. The findings of the Auditor-General on the African Renaissance and International Cooperation Fund 2022/23

In the Auditor-General's opinion, the financial statements presented fairly, in all material respects, the financial position of the African Renaissance and International Cooperation as of 31 March 2023. They also presented fairly its financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). Consequently, the ARF received a clean audit opinion in 2022/23 financial year.

Overall, the performance of the entity has improved significantly since it has a permanent secretariat. The AG reported satisfied that the internal audit function is operating effectively, and that it has addressed the risks pertinent to the entity in its audits.

The quality of the annual performance report of both the Department and the ARF had material misstatements that were subsequently corrected. This is a repeat finding for the ARF. This was due to inadequate reviews taking place before the submission was made to audit.

In the prior year, the Auditor General's report has highlighted that the National Treasury is investigating possible irregularities in the African Renaissance and International Cooperation Fund's state of affairs, at the request of the former minister of the Department of International Relations and Cooperation. The investigation covers the period from 2012-13 to the 2017-18 financial years. The investigation had not yet been concluded and was still in progress.

The AG is also in support of the resolution by the Committee that there is a need to assess and ascertain that the work of the ARF brings about the necessary impact on the ground in the receiving countries and contribute to improve the lives of people in those countries. Thus, the Committee has asked for an impact assessment on the work of the ARF.

8. Findings by the Committee

After due deliberations on the contents of the Annual Report of the Department and its entity, the Committee made the following findings:

1. The Department has received an unqualified audit opinion with findings. The ARF has received a clean audit. During the 4th quarter performance reporting, the Portfolio Committee welcomed the improved audit outcome. The Department was urged to focus on addressing the recurring findings made by the Auditor General.

2. The Committee expressed a concern about the Department's failure to collect all the money due to it from rental deposit refunds, resulting in a loss of R15 million. This was due to inadequate controls and a lack of consequence management. It was noted that to prevent this in the future, an indemnity agreement should be signed between missions and officials at the beginning of the rental period, outlining a standard period for deposit returns and alternative collection methods if the deposit is not returned within the set timeframe.

3. In terms of the non-financial performance indicators, it was noted that the Department's indicators and related targets are primarily activity-based (quantity) indicators. Indicators based solely on activities (quantities) are not necessarily the best indicators to measure the impact of the Department in executing its mandate and delivering on the MTSF targets.

4. A number of concerns were expressed relating to the unfilled vacancies and high vacancy rate in the Department; the unstable ICT environment that was still lagging at missions abroad; the indefinite transitional period between the new and old contractor, and why the Department was still making irregular payments to the old contractor; the recoupment of rental deposits; and the flouting of SCM processes on contracts over R1 million at missions abroad, among other matters.

5. The underspending under programme 5: Transfers, was primarily attributable to unspent funds earmarked for the South African Development Partnership Agency (SADPA) due to non–operationalisation of SADPA and membership fees for African, Caribbean and Pacific Group of States that were discontinued.

6. The migration to SADPA has taken almost 15 years to come to fruition. The Committee is currently awaiting the Department to table a Bill to this effect. The Committee is yet to pronounce itself on the model the agency should take. It has noted that governance issues and other related matters have been an issue which should be addressed by the new model. The Director General's role in the ARF and the pseudo-autonomous nature of the entity have been areas of concern.

7. On ICT, it was noted that the Department is continuing to use the old, expired IT contract (BT Communications) that has been extended multiple times during the period and regarded as handover-period with the newly appointed service provider (Brilliant Solutions). The AG noted that during this period, similar services may be offered by both service providers, however, they would be for different sites, as one would be providing the service for Africa and the other for Americas/Europe. When on oversight in Europe, the Committee found that the IT infrastructure modernisation project was far from being complete, contrary to the reports received from the Department. The Committee has cautioned against dual payments being made at the same time to the old and new service providers. The Committee has further questioned the rationale for continuous extension of services of an expired and initially irregularly awarded contract (BT), contrary to National Treasury views on the matter.

   The old, expired contract (BT Communications) was previously found to have irregularities in the evaluation and awarding process and resulted in irregular expenditure. The total irregular expenditure on the contract as of 31 March 2023 amount to R569 million of which R133 million was incurred in the current year 2022-23.

8. A concern was raised on the issue of servicing two IT service providers at the same time. It was a concern that surely the Department knew all along that the new contractor would be coming in and the other one would be ending. It seemed like there were no necessary internal arrangements to ensure that the transition from the old to the new contractor does not negatively impact the Department financially and the audit outcomes.

9. In terms of internal controls, it was noted that the oversight by the accounting officer regarding compliance monitoring was not effective due to non–compliance not being prevented. Senior management involved in compliance monitoring processes did not take accountability to address previously reported significant deficiencies and non–compliance with legislation as repeat non–compliances were noted in this regard.

10. The Committee noted a non-compliance finding identified in the current year at the missions, relating to the procurement of goods and services valued at above R1 million procured through a quotation process and not through tender processes as required by the National Treasury regulations prescribing the threshold. Some of the goods and services were procured without obtaining at least three written price quotations in accordance with Treasury Regulation 16A6.1 and paragraph 3.2.1 of SCM instruction No. 02 of 2021–22. Similar non–compliance was also reported in the prior year.

11. A concern was raised that the Audit and Risk Committee had previously indicated that senior managers do not take responsibility for their divisions and do not attend structured meetings. It asked whether that was still the case.

12. Regarding procurement, compliance with SCM prescripts remained a challenge for the Department, mainly at missions where procurement prescripts were not followed in the procurement of goods and services (similar matters were reported in the prior year) i.e. minimum quotations required were not obtained resulting in irregular expenditure being incurred. This was due to financial and SCM principles not being consistently applied as there is a lack of understanding of the concepts by staff at the missions.

13. It was noted that compliance with SCM prescripts remains a challenge for the department, mainly at missions where procurement prescripts were not followed in the procurement of goods and services (similar matters were reported in the prior year) i.e. minimum quotations required were not obtained resulting in irregular expenditure being incurred. This was due to financial and SCM principles not being consistently applied as there is a lack of understanding of the concepts by staff at the missions.

14. The AGSA raised a concern that there is a notable increase in the levels of irregular expenditure in the Department at R1,44 billion (2022: R976 million). The increase in irregular expenditure in the current year is mainly because of non-compliance with the SCM legislation due to the misalignment between the approved delegation of authority and the National Treasury SCM Instruction Note and this amounted to R2,10 billion (R1,44 billion incurred in the 2022-23 year and R660 million incurred in the prior year but identified in the current year). Irregular expenditure that resulted from exceeding the compensation of employees (CoE) budget without obtaining necessary approvals amounted to R31,8 million compared to R100 million in the prior year. As a result, irregular expenditure investigations that were completed in the current year has led to the removal of R58,7 million from the irregular expenditure incurred in the current year relating to old contracts.

15. The irregular expenditure investigations that were completed in the current year has led to the removal of R58,7 million from the irregular expenditure incurred in the current year relating to old contracts.

16. The Auditor General identified fruitless and wasteful expenditure of R7 427 000 (R7.4 million) was incurred in the current year, mainly due to rental payments for unoccupied residential accommodation and chanceries.

17. It was indicated that the Auditor General was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because not all instances of irregular and fruitless and wasteful expenditure reported in the prior year were investigated.

18. The Committee has since been waiting for the impact assessment from the ARF, the Department was asked to report on that and expedite the compilation of the report.

19. It was noted that Cuba continued to repay its loan within stipulated timeframes. The court case relating to the R50 million that was earmarked to be provided to Cuba that was put on hold in the prior year due to the interdict by AfriForum is still not finalised, and no funds has been dispersed to date. Heads of arguments were filed by both parties to the Gauteng North High Court and a hearing on the merits took place on 15 May 2023. Judgment on this matter has been reserved. South African companies working on the project have expressed immense gratitude for the sustained lifeline of their companies.

20. The AGSA reported that vacant positions in the Department could not be filled due to the ceiling placed on the compensation of employees (CoE) budget by National Treasury, as a result the filling of some critical vacancies was delayed. This was also reported in 2021-22. At year-end, the Department reported at least 283 vacant positions: 228 at supervisory level and 55 at senior management level, these positions include the position of the DDG: global governance, Chief Director: Strategic Planning, Monitoring and Evaluation (CD:SPME) (CD) and Chief Financial Officer (CFO). Through discussions with management, currently some of the positions are in the process of being filled. It was noted that an appointment of the CFO of DIRCO was made after year end (effective 1 April 2023); and this appointment would ensure the continued stability in the Department.

21. A need was identified for the Department to conduct a root cause analysis in order to deal with repeat challenges of supply chain management, green contracts, ICT, skills in finance branch and corporate services managers in missions.

22. Compliance with SCM prescripts remains a challenge for the Department, mainly at missions where procurement prescripts were not followed in the procurement of goods and services (similar matters were reported in the prior year) i.e. minimum quotations required were not obtained or resulting in irregular expenditure incurred on expired contracts.

23. The ARF received an unqualified opinion with no findings. It maintained clean audit outcomes because it has consistently demonstrated the basic financial discipline, consistent reviews and monitoring of compliance with applicable laws and regulations.

24. The irregular expenditure arising from 2017-18, 2018-19 and 2019-20 has not been investigated by the Department.

25. The Department received a condonation approval from the National Treasury on the payments made for the procurement of the property in New York. The Department has pursued the matter through the courts in an effort to try and recover the monies paid, and the courts have declared the contract null and void, meaning the Department can recover the money. The implications on the other officials involved in the procurement for the pilot project were not clear. The Committee would monitor the consequence management processes in the Department and how it would recoup the money.

26. The Department continued with contracts which were irregularly awarded. One such contract is the bandwidth contract provided by the BT Communications for which the former CFO was charged but not found guilty. The majority of irregular expenditure was caused by the exceeding of the compensation of employees ceiling and the continuation with contracts that were extended/varied without approval from National Treasury.

27. The audit team is currently assessing whether all non-compliances reported in the current and prior years resulted or is likely to result in material financial losses. Should it be concluded that there is any material financial loss, a notification will be issued to the accounting officer in due course.

28. The Committee applauded the achievements in the implementation of South Africa's Foreign Policy. Through the work of the Department and Missions abroad, South Africa has gained recognition in its promotion of multilateralism in global governance and is a respected global player, who champions the aspirations of developing countries, including those of Africa and the Global South.

29. South Africa continued to strengthen bilateral relations and cooperation with countries on the continent through Structured Bilateral Mechanisms and High-level Visits and engagements during the period under review. Dirco, through its missions, collaborates with other government departments, particularly the Department of Trade Industry and state-owned entities (SOEs). In this regard, the Committee sought to know the extent of coordination between DTI and Dirco, to ensure Economic diplomacy drive is for the benefit of South Africa.

30. It seemed like the Deputy Directors General (DDGs), under which these defaulting Missions fall, have also neglected their duty to assist the Department, by working closely with the Heads of Mission and Corporate Service Managers to deal with some of the root causes for repeat findings coming from their respective missions. Dedicated oversight meetings with respective DDGs are required.

31. A concern was raised regarding the no spending under programme 5: Transfers, due to the fact that SADPA is not active, as the migration from the ARF arrangement has still not materialised. The Department was asked to provide timeframes for the implementation of this decision, and the assurance that National Treasury would not end up withdrawing the allocation altogether.

9. Responses by the Department and Auditor General (the AGSA)

The Department and the AGSA responded to the Committee's findings and observations as follows:

As part of the 2022/23-year audit period, the AGSA did a proactive review of the 2023/24 annual performance report of the Department and already provided the indication to the Accounting Officer that the indicators and targets should have a more outcome and impact-focused direction. It would also be important for the Department to engage with the Department of Planning, Monitoring and Evaluation (DPME) because it has a similar focus with respect to the work that they do. This would assist in ensuring a more tangible link in terms of the MTSF targets versus what the Department sets out in its annual report, and to ensure that all the actions driven by the Department do not impact the citizens.

The AGSA had recommended that there should be close monitoring of the handover period. This would be to ensure that it is properly managed and done according to the agreed timeframes to avoid further extensions of the irregular contract.

The AGSA also noted the concerns regarding the property portfolio abroad. The concerns were regarding the upgrades at the missions abroad and it was cautioned that the Department ensure that the procurement prescripts are followed in line with the guidelines of National Treasury. The issue of the competency of mission staff and the rental deposits, was welcomed, together with the Committee's efforts on instituting acknowledgement of debt by occupiers of rented premises. This was also included in the AGSA's recommendations on slide 10.

The R133 million payment was made to the old service provider, in the current year. There was also R193 million paid to the new service provider. However, the AG did not identify any fruitless and wasteful expenditure. However, in the handover processes, one would find that both service providers were not working in the same region. The old service provider works in the African region while the new one works in America and Europe. The Department disclosed no fruitless and wasteful expenditure on the practice.

The Deputy Chairperson responded that the Committee needs advice and guidance regarding the situation on the ground. He did not believe that the situation was so serious that one could say senior officials did not wish to take responsibility for their units. It was said that it appears that, within the Department, there was lack of willingness to act in addressing issues relative to the individuals who are not doing the right thing and complying with legislation. There was also not enough willingness to adequately investigate timely to ensure that the Department recovers monies from those responsible for irregular expenditure before the individuals leave the Department so that they could be disciplined; or for the Department to have an opportunity to implement consequence management.

It was felt that the willingness did not appear to be strong. The Director-General has started addressing this issue by forming a disciplinary committee, which is chaired by external personnel. This was regarded a step in the right direction to change staff discipline internally. It was observed that for the barrier of non-compliance to be overcome, it would require joint contribution and commitment within the senior leadership of the Department to achieve clean audits. To achieve clean audits, the Department cannot continue with non-compliance. The people responsible to act on this are in the daily operations of the Department. Once the Department overcomes the issue of non-compliance, things would turn around at the Department. It was observed that there was a need for those who are senior to commit to working towards a common goal, which is to improve the Department.

10. Conclusions

Both financial and non-financial performance by the Department in the reporting year has been commendable. The Committee is encouraged by the efforts undertaken to contribute towards a better life for all in South Africa; striving for a stable and secure continent; and creating a better world for all.

The Committee expressed satisfaction that the Department has utilised its budget in accordance with its plans for 2022/23. The Department was regarded as having demonstrated accountability to Parliament and the people of South Africa on resources spent, and how it contributed to the achievement of South Africa's national priorities. The Department was applauded for continuing to position South Africa as a respected member of the international community, with a dynamic and independent foreign policy that speaks to the country's domestic priorities.

The Committee noted recurring weaknesses highlighted by the Auditor General. It further welcomed the acknowledgement and commitment by the Department, to improve in addressing operational challenges, consequence management and maintaining clean governance approach. The Accounting Officer and Senior management and in particular the Finance branch, were regarded as critical in addressing the recurring challenges that renders the Department amenable to material findings. Their attitude to and knowledge of their work, cooperation, and attendance of meetings where these issues are addressed, were regarded as important links for enhancing the performance of the Department. The Committee reiterated the importance of consequence management efforts trickling down to the lower levels in the Department.

The Department also expressed determination and undivided attention to pursue best practices in the areas of consequence management, expenditure management, contract management, financial management, supply chain, and information and communications technology, as raised by the office of the Auditor-General. The Committee noted that there is room for improvement with necessary adjustments in service delivery.

With regard to the ARF, the Committee found that the overall performance of the ARF is good and cautioned against the slow pace of migrating to an agency, the South African Development Partnership Agency (SADPA) as directed by Cabinet in 2009. The Committee noted that the SADPA Bill would soon be tabled in Parliament. ARF was noted as working in line with the aspirations of the NDP in pursuing a peaceful and prosperous Africa. The Committee urged the Department to popularise the good work done through this foreign policy soft power instrument.

11. Recommendations

The Committee is of the opinion that overall the Department has performed according to the goals it had set itself for the 2022/23 reporting period. The 2022/23 budgetary allocations of the Department were generally aligned to the national strategic priorities outlined in the 2022 State-of-the-Nation Address, as well as its strategic direction in terms of its Medium Term Expenditure Framework 2019-2024. An undertaking by the Department to improve on weaknesses identified by the Auditor-General, and working towards a clean audit, would demonstrate a positive indication of commitment of purpose by the Department to diligently execute its mandate.

In order to further assist the Department to enhance its performance, the Committee recommends that the Minister ensures that the Department implements the following and report to the Committee within three months of the adoption of this report by the National Assembly:

1. Maintain unqualified audit opinions for the Department and aim to achieve a clean audit; and maintain a clean audit outcome for the ARF.

2. Compile a comprehensive report on all those properties that the custodianship of the Department and leases, and how much is being spent on them. Furthermore, ensure there is an immediate agreement between the missions and the transferred officials which incorporates acknowledgement of debt at the beginning of the rental period.

3. Monitor the rollout of the IT modernisation project, to ensure that the new service provider is working in accordance with the Service Level Agreement, within the set timeframes.

4. Consider reporting on impact of the activities performed rather than the activity itself in terms of performance indicators, and how the participation of South Africa in international engagements has influenced the outcomes of such international conferences.

5. Continue with the investigation of the remaining irregular expenditure cases, extend the investigation to fruitless and wasteful expenditure and action the recommendations of the investigation reports for the investigated cases.

6. Enhance oversight role by accounting officer and senior management on significant deficiencies and non-compliance with legislation, by taking corrective action for non-compliance especially on repeat matters.

7. Relook at the policy for posting of officials abroad as some of the Corporate Service Managers (CSMs) do not have formal finance background training and experience and are not conversant with SCM prescripts. CSMs are charged with the day to day running of the missions which amongst others include managing finances.

8. Ensure that DDGs assist the Department by working closely with the heads of mission and the CSMs to determine the true root causes for repeat findings coming from their respective missions. DDGs should also assist the department to pursue consequence management on those responsible for irregular expenditure.

9. Align positions to areas of concern as per internal control weaknesses identified and to delivery of the mandate, to address the limitations with the ceiling on Compensation of Employees.

10. Develop a report on how the Department would contribute to reducing the rate of youth unemployment in the country, either through internships or learnerships.

11. Develop and submit a full report on the implications of the decision to request National Treasury for condonation of the New York pilot project payment.

12. Submit the reported assessment of all properties abroad including those 18 earmarked for disposal.

13. Ensure that the Internal Audit Unit together with the Audit Steering Committee review the audit action plan to ensure that root causes are properly identified and that it is adequate to address findings.

14. Investigate all reported unwanted expenditure (irregular, as well as fruitless and wasteful) for the following financial years: 2017-18, 2018-19 and 2020-2023 and report on progress thereof quarterly.

15. Ensure the development of a property management strategy in line with the Foreign Service Act 2019, with relevant skills and separate from the Finance branch.

16. Consider approaching the National Treasury, to assist in the conduct of a thorough competency assessment of the financial management function, as well as provide support to the identified skills deficiencies in the Finance Branch in general.

17. Ensure that suitably qualified accountants, including personnel accredited by the Institute of Chartered Accountants in near future or through other means, are recruited.

18. Terminate all expired and irregular contracts with service providers and report to the Committee on a quarterly basis of the progress thereof.

19. Ensure that a culture of consequence management is cultivated and maintained in the Department.

20. Conduct an impact assessment on the work of the African Renaissance Fund, with details of how the disbursement of funds from the ARF contributes to South Africa's development cooperation agenda.

21. Prioritise the processing of the Partnership Fund for Development Bill, and stipulate timeframes, to facilitate the migration from the ARF to SADPA.

22. Develop a report showing how the closing of missions and the implementation of a new organisational structure would assist the Department to remain within the ceiling for the compensation of employees.

23. Ensure that South Africa continues to implement its international obligations under international agreements it has entered into with different countries, to quantitatively and qualitatively transform the lives of the people of South Africa, and address the injustices of the past.

24. Ensure that all the outstanding reports due to the Committee are finalised and presented within 60 days.

To the National Assembly:

25. The National Assembly should consider the importance and uniqueness of the oversight mandate for the Committee, which warrants that it conducts oversight beyond the borders of South Africa, where South Africa's Foreign Policy is implemented. The prevailing Parliamentary Oversight Model, is inward-looking, envisaging oversight by committees only inside the country, thus excluding the requirement for oversight beyond the borders of the country. The Committee notes that the Office of the Speaker has requested an advisory report from the office of the House Chair-Committees regarding the mandate of the Committee. The wish of the Committee is for the matter to be attended to with speed.

The oversight mandate of the Committee includes the following areas:

- South Africa's Missions abroad are responsible for the implementation of South Africa's Foreign Policy in their areas of accreditation. There is a need for the Committee to conduct oversight, at least twice a year, on these Missions to ensure service delivery.
- The Committee conducts Parliamentary Diplomacy jointly with counterpart committees in other countries, to assess the implementation of structured bilateral mechanisms that South Africa has with strategic partners across the world.
- It also conducts verification oversight visits to project areas of the African Renaissance Fund (ARF) in Africa and elsewhere.
- The Committee should also attend and monitor the participation of South Africa in multilateral forums related to Foreign Policy. This is to assess the impact of the Department's participation on the outcomes of those organisations.

26. Facilitate synergies between the PGIR and the Portfolio Committee on International Relations and Cooperation for effective international participation.

27. Consider liaising with the Portfolio Committee when proposing establishment of bilateral and multilateral Friendship Groups agreements. The friendship groups best illustrate the bilateral exchanges between parliaments, in particular with regard to the development of

parliamentary diplomacy. The activities of these groupings rely on an oversight framework of committees, and should the occasion arise, the opinion of the Portfolio Committee on International Relations and Cooperation should be considered.

27. The Committee should be allowed to attend the annual Heads of Missions Conference in order to sharpen oversight on foreign policy trends and priorities discussed during these conferences. The South African Missions abroad are the implementing mechanisms of the South Africa's Foreign Policy.

28. The Committee, as a whole, should be allowed to conduct state of readiness oversight visits where the Department is responsible for facilitating the hosting of international conference with a foreign policy undertone.

29. The Committee, as a whole, should be allowed to attend international conferences held in South Africa in pursuance of South Africa's Foreign Policy.

Report be considered.

Sources

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