

SA TOURISM
FINAL ANNUAL PERFORMANCE PLAN
2016/17



SOUTH AFRICAN TOURISM

Foreword by the Executive Authority

Throughout the world, tourism is an extraordinary industry. While much of it centers on the provision of fun, relaxation and interesting places to visit, successful tourism also makes a significant impact on the advancement of people and the economy of nations.

In South Africa, our ability to differentiate ourselves from the rest of the world and offer unique, memorable experiences excites tourists and influences their decision to visit us. Our offering is diverse and competes fiercely with prominent tourist destinations in providing an adventure that fulfils the desire of tourists for good weather, beautiful scenery, cultural interest and value for money.

South Africa has great national infrastructure, amazing tourism assets and scope for massive growth, which makes it one of the preferred business events destinations in the world.

Compelling marketing and communication is at the heart of our effort to realise the full potential of tourism to grow and contribute to the broader development of our country. SA Tourism undertakes this important job for our sector and our country, and we are confident that it is succeeding.

The impact of the new visa regulations and the Ebola virus outbreak in West Africa is now receding. Furthermore, the devaluation of our currency presents an opportunity to maximise the country's value-for-money tourism offering in the short term. We expect the tourism industry to grow considerably in the next five years.

Tourism continues to support more than 1.4 million jobs in South Africa and contribute more than 9% to our country's gross domestic product (GDP). This demonstrates the sector's capacity to support economic and social advancement and fulfil the vision mapped out in the National Development Plan (NDP).

The implementation of the NDP is prioritised in the Medium-Term Strategic Framework (MTSF) for the next five years. These priorities are embodied in the plans and targets set by the tourism industry, and are underpinned by the National Tourism Sector Strategy (NTSS) and the Domestic Tourism Growth Strategy (DTGS).

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We must constantly adapt and evolve our strategies as global and local economic circumstances change around us. We are therefore reviewing our key strategies to ensure that our plans for developing the sector, and for advancing domestic tourism, take prevailing economic conditions into account and satisfy our desire for transformative, inclusive growth.

This year, we will focus our efforts, our resources and our capacity for innovation to make domestic tourism accessible and affordable to more of our people, opening the way for them to experience our country's magnificent natural and cultural heritage for themselves.

As we move into the 2016/17 financial year, aligning our sector and institutions with the ideals of the NDP is critical. The Ministerial Review Report made a number of recommendations to improve the tourism sector in the country. It reinforced the need to build partnerships between government, industry and all other stakeholders to promote our destination successfully. It is encouraging that the renewed vigour that is being put into this partnership is already producing results.

Through collaboration, innovative thinking and efficient execution of our strategic intentions, we will succeed in increasing the tourism sector's contribution to economic growth and, in doing so, ensure that this growth includes more of our people and sustains more decent jobs.



Minister of Tourism

Derek Hanekom, MP

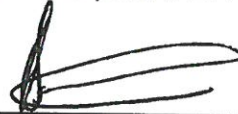
SA Tourism Final Annual Performance Plan – 2016/17
Official Sign-off

It is hereby certified that this Annual Performance Plan:

- Was developed by management of the SA Tourism under the guidance of the National Department of Tourism and approved by its Board, in line with the basic minimum requirements issued by the National Treasury as the Framework for Strategic Plans and Annual Performance Plans;
- Was prepared in line with the current Strategic Plan of SA Tourism;
- Takes into account all the relevant policies, legislation and other mandates applicable to operations of SA Tourism; and
- Accurately reflects the strategic outcome-oriented goals and objectives that SA Tourism will endeavour to achieve over the period 2015/16 to 2019/20.

Tom Bouwer
Chief Financial Officer

Signature: _____



Sthembiso Dlamini
Chief Operating Officer
and Acting Chief
Executive Officer

Signature: _____

 (DAA)

Tanya Abrahamse
Acting Chairperson
of the Board

Signature: _____



Derek Hanekom, MP
Minister of Tourism

Signature: _____

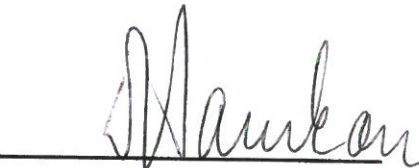


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Part A: Strategic Overview

1. Updated Situational Analysis

1.1 Global Tourism Performance

International tourist arrivals grew by 4.4% in 2015, reaching more than a billion arrivals, according to the United Nations World Travel Organisation (UNWTO) World Tourism Barometer. Despite global economic challenges, international tourism results were well above expectations: 50 million more overnight visitors travelled to destinations around the world in 2015, compared to 2014. The UNWTO forecasts international arrivals to increase by 4% in 2016, in line with its long-term forecast of 3.8% growth per year between 2010 and 2020.

1.2 South Africa's Performance in 2015

Contrary to the positive global performance, the number of international tourists to South Africa declined by 6.8% (or 645 463) in 2015, with a total visitor figure of 8 903 773. This performance is below the aforementioned global average of a 4.4% increase in tourist arrivals. This decline emanated from the substantial drop in arrivals, particularly in the first two quarters of 2015, due to the aftermath of Ebola and the changes to immigration regulations. A gradual recovery is expected from most international markets in the next year. Some core and investment markets, however, remain in economic distress, e.g. Brazil, Japan and Russia.

1.3 Competitor Analysis

In 2014 South Africa was ranked 33rd in the world in terms of tourist arrivals, which is down from its previous rank of 30 in 2013.

In Africa, South Africa was the third-most visited country in 2014, after Morocco and Egypt. Among our competitors, Thailand experienced an increase of 5.1% in visitor numbers in 2015 over 2014, while Australia reported the highest growth of 7.8%. Brazil recorded growth of just 0.8% in 2014 (despite the country hosting the Soccer World Cup that year) over 2013, while Kenya recorded an increase in arrivals of 4.9% in the same period.

From a brand-building perspective, South Africa maintained its performance on brand awareness and positivity, while key competitors Australia and Thailand were still ahead of South Africa on most parameters.

1.4 Domestic Tourism Performance

There were 16.1 million domestic trips taken in South Africa in the first nine months of 2015, which represents an 18.7% decrease compared to the 19.8 million trips taken during the same period in 2014.

Visiting friends and relatives (VFR) remained the main reason for domestic trips, accounting for 71% of all trips in this period. The share of holiday trips increased from 9% to 10% in the same period when compared to 2014.

From an economic perspective, the third quarter of 2015 reflected a constrained economy (relative to previous years). There was positive movement on the Consumer Price Index (CPI), which declined to 4.7% from 6.2% in the third quarter (Q3) of 2014. While inflation was lower, gross domestic product (GDP) performed poorly, with only 0.7% growth in Q3 2015 compared to 1.4% in the same period in 2014. During the same period, petrol prices decreased by 90 cents a litre to reach R12.95 in Q3 2015. Although this decrease certainly relieved consumers, a further depreciation of the rand, coupled with a hike in interest rates, meant that consumers still had relatively less income at their disposal.

According to the FNB/BER Consumer Confidence Index (CCI), consumers generally had a negative outlook on the economic prospects of the country; although it was better than Q2 2015, it remained considerably below average. Consumers said they were less likely to purchase durable goods at this time as they believed the economic situation in the country was likely to deteriorate. Thus, in spite of improved CPI and petrol prices, consumers still felt the effects of a poor economy and were as a result disinclined to spend in excess during this period.

1.5 Business Events Landscape

South Africa is the number one meetings destination in Africa and the Middle East, followed by Morocco and Kenya – and number 32 globally, according to the International Congress and Convention Association (ICCA) ranking.

The business event market will continue to be sales-driven, with long lead times from bidding to converting sales into confirmed business for the destination. Improved forecasting ability for the destinations is required to create a realistic pipeline of secured business. Corporate or incentive-driven business continues to demonstrate shorter lead times and turnaround times when placing business in host destinations. The duration of meetings is becoming shorter and, as a long-haul destination, the country needs to offer an integrated marketing strategy to ensure maximum economic impact through pre- and post-meeting tours.

1.6 Quality Assurance

The Tourism Act (Act No. 3 of 2014) expands the quality assurance mandate to go beyond accommodation.

This expanded mandate will ensure that the quality tourist experience is consistent and predictable along the various touchpoints in the tourism value chain. From 2016/17 the grading criteria will also be reviewed – taking into consideration international trends of universal accessibility, responsible tourism and tourism security. Adding extra sub-sectors to the grading system will only be considered beyond 2016/17 due to budgetary constraints.

Experience-shaping across the tourism touchpoints will be a strategic lever used in positioning South Africa as a quality-assured tourism destination of choice locally and abroad. It is, however, to be noted that while this expanded mandate has been included in the Tourism Grading Council of South Africa (TGCSA) Strategy, it remains unfunded.

1.7 Policy Environment

The Tourism Incentive Programme that was launched in 2015 by the National Department of Tourism has been implemented successfully to facilitate improved access of South African tourism products to domestic and international markets. This has been achieved by supporting participation in targeted trade shows, encouraging graded establishments to remain in the grading system as well as enhancing the visitor experience at targeted ports of entry.

2. Revisions to Legislative and other Mandates

The functions of the TGCSA, as outlined in Chapter 4 of the Tourism Act (Act No. 3 of 2014), have been assigned by the Minister of Tourism to the SA Tourism Board. Policy reviews are expected to address policy gaps and the expanded mandate of the TGCSA.

The review of the National Tourism Sector Strategy – led by the National Department of Tourism – is underway and will take stock of progress made in implementing the strategy and identify priorities for the remaining four years pertinent to that strategy.

A review of SA Tourism, commissioned by the Minister of Tourism and completed in mid-2015, made a number of recommendations on improving the performance of SA Tourism. Many of these are under currently implementation. Certain of the recommendations relating to changes in performance indicators and measurements have led to the introduction of new strategies and indicators at SA Tourism, and are encompassed in the indicators and targets that follow in 3.2. and Part B of this plan.

3. Overview of the 2016/17 Budget and MTEF Estimates

This section outlines SA Tourism's Annual Performance Plan and Budget over the Medium-Term Expenditure Framework (MTEF) period. This section includes the following:

- Overview of the Revenue and Expenditure Estimates;
- Expenditure as it relates to the Strategic Outcome-Oriented Goals;
- Annual performance indicators and quarterly targets for 2015/16; and
- Budget breakdown per objective.

SA Tourism Final Annual Performance Plan – 2016/17
3.1. Revenue and Expenditure Estimates

Revenue	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
	Audited (R'000)	Audited (R'000)	Audited (R'000)	ENE Estimate Budget (R'000)	Adjustment Budget (R'000)	Approved Budget (R'000)	Budget (R'000)	Budget (R'000)	Estimate* (R'000)
1 Government grant	754 954	846 333	880 009	977 712		977 712	1 024 847	1 076 089	1 138 502
2 TOMSA levies	111 970	131 289	111 063	104 000	13 000	117 000	99 450	105 218	111 321
3 Indaba and Meetings Africa	50 013	59 438	65 134	51 323		51 323	54 506	57 667	61 012
4 Grading fees ¹	3 252	1 520	2 561	18 925		18 925	20 098	21 264	22 497
5 Sundry revenue	50 318	57 610	28 766	21 595		21 595	22 934	24 264	25 672
Total	970 507	1 096 190	1 087 533	1 173 555	13 000	1 186 555	1 221 835	1 284 502	1 359 004

¹ Only the net grading revenue after the deduction of assessor fees was disclosed in the audited Annual Financial Statements for 2012/13, 2013/14 and 2014/15 respectively.

3.2. Relating Expenditure Trends to Strategic Outcome-Oriented Goals

The above budget and MTEF allocations contribute to the realisation of SA Tourism's Strategic Outcome-Oriented Goals as follows:

Strategic Objectives	Description	Budget Link to Strategic Outcome-Oriented Goals
<p><i>Objective 1:</i> Contribute to the South African economy by increasing the number of travellers into and within South Africa.</p>	<p>In line with the Integrated Marketing and Growth Strategy, market South Africa in such a way that annual international tourist arrivals to the country increase to 9 077 995 in 2016/17.</p>	<p>Funding of international marketing</p>
	<p>Implement the Domestic Tourism Strategy to create awareness and a culture of travel, as well as inspire and partner for conversion, in order to increase the number of holiday trips to 3 059 764 in 2016/17.</p>	<p>Funding of domestic tourism marketing</p>
	<p>Grow South Africa's business events industry to 138 business events in 2016/17.</p>	<p>Funding of the National Convention Bureau and bidding</p>
	<p>Grow South Africa's business events industry to 77 567 business delegates in 2016/17.</p>	<p>Funding of the National Convention Bureau and bidding</p>
	<p>Market South Africa in a manner that will attract the types of tourists that will ensure that the revenue contribution (TTFDS+TDDS) to the South African economy is R95.7 billion in 2016/17.</p>	<p>Funding of international and domestic tourism marketing</p>

Strategic Objectives	Description	Budget Link to Strategic Outcome-Oriented Goals
Objective 2: Build positive awareness of the South African experience.	Market South Africa in such a way that South Africa becomes a preferred tourism brand by obtaining at least an average brand positivity percentage of 40% in all the markets where brand tracking is done in 2016/17.	Funding of global media campaign
Objective 3: Reposition SA Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.	Develop and implement a market portfolio model to determine selected markets that will give South Africa volume (travellers) and value (tourism revenue) in the next three years, effective from 2017/18.	Funding of research
Objective 4: Collaborate with stakeholders and partners to deliver on SA Tourism's mandate.	Improve satisfaction with how SA Tourism engages with its stakeholders and partners for tourism growth. Set a baseline to measure stakeholder satisfaction in 2016/17.	Funding of stakeholder engagement
Objective 5: Improve visitor experience in line with the brand promise.	Improve the value proposition for grading and implement the Tourism Grading Strategy to increase the number of graded establishments to at least 5 650 in South Africa in 2016/17.	Funding of all costs related to the grading of accommodation establishments
	Improve the value proposition for grading and implement the Tourism Grading Strategy to increase the number of graded rooms to at least 122 686 in South Africa in 2016/17.	Funding of all costs related to the grading of accommodation establishments

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Strategic Objectives	Description	Budget Link to Strategic Outcome-Oriented Goals
<p><i>Objective 6:</i> Create an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency.</p>	<p>Implement the integrated Human Resources Strategy and other programmes to improve the staff satisfaction score to 3.7 in 2016/17.</p> <p>Promote sound governance principles and internal controls to maintain an unqualified audit in 2016/17.</p> <p>Implement the Integrated Talent Management Plan to maintain a staff turnover rate of 7% in 2016/17.</p>	<p>Funding of the implementation of the Integrated Human Resources Strategy</p> <p>Funding of systems automation and programmes aimed at improving internal controls</p> <p>Funding of the approved Talent Management Plan to ensure staff retention</p>

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Part B: Programme and Sub-Programme Plans

4. Annual Performance Indicators and Quarterly Targets (2016/17)

Key Performance Indicator	Audited Outcome/Actual Performance						Estimated Performance			Forecasts				
	2012/13		2013/14		2014/15		2015/16			2016/17		2017/18		2018/19
Number of international tourist arrivals achieved	-	8 961 565 (unaudited)	-	9 549 236 (unaudited)	6.6%	8 903 773	-6.8%	9 077 995	2.0%	9 759 221	7.5%	10 177 821		
Number of domestic holiday trips achieved	2 900 000	3 100 000	6.9%	2 800 000	-9.7%	2 700 000	-3.6%	3 059 764	13.3%	3 278 319	7.1%	3 465 183		
Number of business events achieved in South Africa *2	Was not a KPI	Was not a KPI	-	124 ¹ (unaudited – New KPI)	-	131	5.3%	138	5.3%	145	5.3%	153		
Number of business delegates achieved in South Africa *	52 587	94 893	80.4%	69 955	-26.3%	73 663	5.3%	77 567	5.3%	81 678	5.3%	86 006		
Total revenue achieved (billion rand)	-	R 88.2 (unaudited)	-	R91.0 (unaudited)	3.2%	R 91.2	-2.0%	R 95.7	4.9%	R99.7	4.2%	R106.8		
Percentage of brand positivity achieved <input type="checkbox"/>	-	-	-	-	-	38% (Tracked for 2015/16)		40%		40%		40%		
Reviewed leisure tourism market portfolio <input type="checkbox"/>	-	-	-	-	-	-		Approved market portfolio		Implementation of market portfolio				
Stakeholder satisfaction score <input type="checkbox"/>	-	-	-	-	-	-		Conduct stakeholder satisfaction survey		Set percentage improvement on the baseline				
Stakeholder engagement matrix <input type="checkbox"/>	-	-	-	-	-	-		Approved stakeholder engagement matrix						

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Key Performance Indicator	Audited Outcome/Actual Performance					Estimated Performance			Forecasts			
	2012/13	2013/14		2014/15	2015/16	2016/17		2017/18	2018/19			
Number of graded accommodation establishments achieved ³	6 022	5 587	-7.2%	5 369	-3.9%	6 493 (target)	20.9%	5 650	-13%	6 045	7%	6 468
Number of graded rooms achieved <input type="checkbox"/>		110 240 (Tracked but unaudited)	-	114 429 (Tracked but unaudited)	3.8%	-	-	122 686 (New KPI)	7%	131 274	7%	140 463
Staff satisfaction score achieved <input type="checkbox"/>	-	-	-	-	-	-	-	3.70	-	3.70	-	3.70
Unqualified report by AGSA <input type="checkbox"/>	-	-	-	-	-	-	-	Unqualified audit report	-	Unqualified audit report	-	Unqualified audit report
Staff turnover rate achieved <input type="checkbox"/>	-	-	-	-	-	-	-	7%	-	7%	-	7%

* The growth in the number of business events and delegates is calculated using the ICCA audited baseline for the number of business events hosted in South Africa in 2013/14, which was 118. However, in setting the target for 2015/16 and beyond, the South African National Convention Bureau (SANCB) considered the number of secured events, the bidding pipeline of likely events, the four-year lead time and the 65% success rate of bids submitted.

¹Number of business events was not an agreed KPI prior to 2014/15

²Includes extraordinary events such as The International Conference on AIDS and STIs in Africa (ICASA) as well as the World Congress on Intensive and Critical Care Medicine (WFSICCM) which attracted 10 000 delegates

³In order to have more realistic TGCSA targets for 2016/17 onwards, targets for 2016/17 were based on expected performance of 5 280 for 2015/16

New KPI for 2016/17

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Strategic Objective	Key Performance Indicator	Reporting Period	Annual Target 2016/17	Quarterly Target 2016/17			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Contribute to the South African economy by increasing the number of travellers into and within South Africa.	Number of international tourist arrivals achieved	Quarterly	9 077 995	2 294 078	2 053 746	2 239 457	2 490 713
	Number of domestic holiday trips achieved	Quarterly	3 059 764	750 474	603 579	553 190	1 152 521
	Number of business events hosted in South Africa	Annual	138	-	-	-	138
Build positive awareness of the South African experience.	Number of business delegates hosted in South Africa	Annual	77 567	-	-	-	77 567
	Total tourism revenue achieved (in billions)	Quarterly	R95.7	R22.8	R21.6	R23.3	R28.0
Reposition SA Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.	Percentage of brand positivity achieved	Annual	40%	-	-	-	40%
	Reviewed leisure tourism market portfolio	Annual	Approved market portfolio	-	Approved market portfolio model	-	Approved market portfolio

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Strategic Objective	Key Performance Indicator	Reporting Period	Annual Target 2016/17	Quarterly Target 2016/17			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Collaborate with stakeholders and partners to deliver on SA Tourism's mandate.	Stakeholder satisfaction score	Annual	Set baseline	-	-	-	Set baseline
	Stakeholder engagement matrix in consultation with stakeholders	Annual	Approved stakeholder engagement matrix in consultation with stakeholders	-	-	-	Approved stakeholder engagement matrix in consultation with stakeholders
Improve visitor experience in line with the brand promise.	Number of graded establishments	Quarterly	5 650	1 273	1 362	1 457	1 558
	Number of graded rooms	Quarterly	122 686	27 631	29 567	31 637	33 851
Create an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency.	Staff satisfaction score	Annual	3.70	-	-	-	3.70
	Unqualified audit	Annual	Unqualified annual report	-	Unqualified annual report	-	-
	Percentage of staff turnover	Annual	7%	-	-	-	7%

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5. Breakdown of Budget per Objective

Name of the Objective	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
	Audited (R'000)	Audited (R'000)	Audited (R'000)	ENE Estimate Budget (R'000)	Adjustment Budget (R'000)	Approved Budget (R'000)	Budget (R'000)	Budget (R'000)	Budget (R'000)
1. Business enablement ² . Contribute to the growth of international tourist arrivals in South Africa.	105 465	140 631	108 188	117 385	13 000	130 385	123 841	130 033	137 575
2 Contribute to the growth of domestic tourism in South Africa.	268 375	277 294	286 835	312 149	-	312 149	323 410	340 169	359 899
3 Grow tourism revenue.	45 113	46 372	38 017	143 800	-	143 800	149 000	156 450	165 524
4	268 375	277 294	286 835	312 149	-	312 149	323 410	340 168	359 898

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Name of the Objective	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
	Audited (R'000)	Audited (R'000)	Audited (R'000)	ENE Estimate Budget (R'000)	Adjustment Budget (R'000)	Approved Budget (R'000)	Budget (R'000)	Budget (R'000)	Budget (R'000)
5	245 850	225 158	273 455	205 947	-	205 947	218 303	229 218	242 513
6	3 252	37 889	48 352	48 425	-	48 425	49 871	52 764	55 824
7	43 216	51 982	66 335	33 700	-	33 700	34 000	35 700	37 771
Total	979 646	1 057 203	1 108 017	1 173 555	13 000	1 186 555	1 221 835	1 284 502	1 359 004

Notes:

- The budget structure for 2017/18 is in line with the National Treasury and the Department of Performance Monitoring and Evaluation requirements for planning by programme structure instead of by objective.
- Capital expenditure is included under Business enablement.

6. Exchange rates

Currency	Budgeted average exchange rate for 2016/17 financial year – January 2016 ZAR rates
USD (\$) 1 =	17.12
Euro (€) 1 =	18.36
GBP (£) 1 =	24.68
AUD (\$) 1 =	11.18
ZAR 1 = JPY(¥)	8.06
CNY 1 =	2.40
INR 1 =	0.24

7. SA Tourism Materiality and Significance Framework for the 2015/16 Financial Year

7.1. Introduction

In terms of Treasury Regulations (Section 28.3.1), issued in terms of the Public Finance Management Act (PFMA), the accounting authority of SA Tourism must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority.

In terms of Treasury Regulations (Section 28.2.1), any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note in the annual financial statements of the public entity.

In terms of Treasury Regulations (Section 30.1.3(e)), the Strategic Plan must include the materiality/significance framework, which is referred to in Treasury Regulations 28.3.1.

The specific sections of the PFMA that are relevant for the purposes of materiality are Section 50(1), Section 55(2), Section 61(1)(c) and Section 66(1), and, with reference to significance, Section 54(2).

ISA (International Standard on Auditing) 320 (paragraph 3) and the Framework for the Preparation and Presentation of Financial Statements, as per the International Financial Reporting Standards (IFRS) (paragraph 30), defines “material” as follows:

“Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. This materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have, if it is to be useful.”

The Oxford Dictionary defines “significant” as being extensive or important enough to merit attention. In the development of the framework, the quantitative and qualitative aspects are considered.

7.2. Factors Considered in Developing the Materiality Framework

7.2.1. Nature of the Business

The objective of SA Tourism is to ensure that South Africa becomes the preferred tourism destination in the world – thus maximising the economic potential of tourism in the country for the benefit of its people. SA Tourism has offices in countries across the world.

In terms of funding, SA Tourism has concluded a memorandum of understanding (MOU) with the Tourism Business Council of South Africa (TBCSA). The objective of the MOU is to provide funding for the marketing of South Africa in certain markets identified by SA Tourism through research. Funds contributed to this operation are used solely for that purpose.

7.2.2. Materiality Level 2015/16

The basis for calculating materiality by public entities, as per the Practice Note on Applications under Section 54 of the PFMA (Act No. 1 of 1999) (as amended), issued on 13 July 2006, is as follows:

Element	% Range to be Applied Against Rand Values	Audited 2014/15 Annual Financial Statements (R)	SA Tourism's % Utilised	Calculated Materiality (R)
<i>Total Assets</i>	1% – 2%	463 124 869	2%	9 262 497
<i>Total Revenue</i>	0.5% – 1%	991 646 559	0.75%	7 437 349
<i>Surplus</i>	2% – 5%	30 624 762	5%	1 531 238

7.2.3. Control and Inherent Risks

The following factors were examined in determining the materiality percentage:

- Technical competence (qualifications), skills and experience of staff engaged in the decision-making process, including the governance structure;
- Structure of the Audit Committee with reference to the King Code on Corporate Governance;
- Appointment of internal auditors to ensure independent reports on areas of non-conformance;
- Annual risk assessment;

- Three-year internal audit plan;
- Appropriate approvals framework (delegation of authority);
- A well-structured procurement policy incorporating the relevant legislation;
- The implementation of a Performance Management System at SA Tourism; and
- SA Tourism's external audits performed by the Auditor-General.

SA Tourism is a government parastatal and is accountable to many stakeholders. Given the fact that SA Tourism has for the past 14 financial years received an unqualified, no-emphasis-of-matter audit report, a higher level of materiality is apt in light of SA Tourism's record. Approximately 89% of total revenue generated stems from government grants. As SA Tourism is not only accountable to government but must also ensure that information is provided on what taxpayers are receiving for their taxes, total revenue has been selected as the most appropriate indicator for calculating materiality.

7.2.4. Quantitative Factors Considered

The level of a material deviation is assessed at 0.75% of total revenue, amounting to R7 437 349 unless otherwise indicated. Different levels of materiality can be used and the decision to use 0.75% is based on the fact that the total asset base of SA Tourism is not considered to be an indicator of performance, as the organisation's largest source of income is grants received from government, and the revenue component is selected as a basis for the materiality calculation as the level of activity.

7.2.5. Qualitative Factors Considered

Materiality does not only relate to the size of the elements in the financial statements. Misstatements that are large – individually or in aggregate – may affect a reasonable user's judgment. Misstatements may also be material on qualitative grounds. The following qualitative factors have been considered:

- Material infringement of legislation that governs SA Tourism;
- Any transaction entered into that could result in reputational risk to SA Tourism;
- Changes in key personnel and departure of key executives; and
- Application of new, or changes in, accounting policy.

7.3. PFMA and Treasury Regulation 28.3.1

Treasury Regulation 28.3.1		
<p>“For purposes of ‘material’ [Section 55(2) of the Act] and ‘significant’ [Section 54(2) of the Act], the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority.”</p> <p>Sections 50(1) and 66(1)(c) of the Act are also considered to be applicable, and have been taken into consideration:</p>		
Link to PFMA		Materiality
Section 50(1)	<p>1. The accounting authority for a public entity must –</p> <p>(c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature.</p>	Both the qualitative and quantitative considerations.
Section 55(2)	<p>The annual report and financial statements referred to by PFMA Sub-section 55(1)(d) must include particulars of –</p> <p>(i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year; and</p> <p>(ii) any criminal or disciplinary steps</p>	<p>Part 3 defines the quantitative and qualitative aspects that are considered for the purposes of this section.</p> <p>Losses incurred due to criminal conduct by employees at a senior</p>

	<p>taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure.</p>	<p>management level.</p>
<p>Section 54(2)</p>	<p>1. Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction –</p> <p>(a) establishment or participation in the establishment of a company;</p> <p>(b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;</p> <p>(c) acquisition or disposal of a significant shareholding in a company;</p> <p>(d) acquisition or disposal of a significant asset;</p> <p>(e) commencement or cessation of a significant business activity; and</p> <p>(f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.</p>	<p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>Acquisitions or disposals that are greater than the materiality outlined above, or of smaller value considering all the qualitative factors above.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p>

<p>Section 61(1)(c)</p>	<p>1. The report of an auditor appointed in terms of Section 58(1)(b) must be addressed to the executive authority responsible for the public entity concerned and must state separately in respect of each of the following matters whether in the auditor's opinion –</p> <p>(c) the transactions that had come to the auditor's attention during auditing were in all material respects in accordance with the mandatory functions of the public entity determined by law or otherwise.</p>	<p>The level of a material deviation is assessed at 0.75% of total revenue, amounting to R7 437 349 unless otherwise indicated.</p>
<p>Section 66(1)</p>	<p>1. An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction –</p> <p>a) is authorised by this Act; and</p> <p>b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and</p> <p>c) in the case of loans by a province or a provincial government business enterprise under the ownership control of a</p>	<p>100% compliance with the Act within the ambit as set by this clause. Full disclosure will be required for all transactions.</p>

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	provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No. 48 of 1996).	
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8. Definitions, Abbreviations and Acronyms

8.1. Definitions

Activities are the processes or actions that use a range of inputs to produce the desired outputs and, ultimately, outcomes. In essence, activities describe “what we do”.

Annual Performance Plan is a plan that sets out what SA Tourism intends doing in the forthcoming financial year and during the MTEF to implement its Strategic Plan.

Annual Report is a report that provides information on the performance of SA Tourism in the preceding financial year for the purposes of oversight.

Audit is an examination of records or financial accounts to check their accuracy and conformity with norms and criteria set out in advance. An internal audit is an assessment of internal controls undertaken by a unit reporting to management, while an external audit is conducted by an independent organisation.

Baseline is the current level of performance that the institution aims to improve on. The initial step in setting performance targets is to identify the baseline, which, in most instances, is the level of performance recorded in the year prior to the planning period.

Brand Equity is the value premium derived from perceptions of South Africa’s tourism brand.

Conversion Curve reflects the brand journey of a tourist from brand awareness, positivity and long-term consideration to planning to gather information and planning to visit.

Deputy Minister refers to the Deputy Minister of Tourism.

Evaluation is the systematic and objective assessment of an ongoing or completed programme, project or policy, and its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, and the development of efficiency, effectiveness, impact and sustainability. Evaluation provides information that is credible and useful – enabling the incorporation of lessons learned into decision-making processes.

Impact is the positive and negative, primary and secondary, long-term and short-term effects produced by a development intervention, or the results of achieving specific outcomes such as reducing poverty and creating jobs.

Indicator is a quantitative or qualitative tool that provides a reliable means to measure the achievement of programme performance against the stated output, and helps to assess the performance of SA Tourism.

Input is all the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”, and include finances, personnel, equipment and buildings.

Long-Haul refers to any travel by air of more than five-and-a-half hours.

Minister refers to the Minister of Tourism.

Monitoring is to a continuous process of collecting and analysing data to compare how well a plan, programme, project or policy is being implemented against the expected results. It is a function that uses systematic collection of data on specified indicators to provide management and stakeholders with information on progress and the achievement of objectives.

Outcome refers to the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives that are set out in its plans. Outcomes are “what we wish to achieve”.

Output means the final products or goods and services produced for delivery by SA Tourism. Outputs may be defined as “what we produce or deliver”.

Performance is the degree to which a development intervention operates according to specified criteria, standards or guidelines, or achieves results in accordance with stated goals or plans.

Performance Indicator is a variable that allows the verification of changes or shows results relative to what was planned.

Performance Information in the public sector is used as a generic term for non-financial information about government services and activities. In addition, “performance indicator” and

“performance measure” are sometimes used interchangeably. The Strategic Plan and APP will use the term “performance indicators”.

Performance Standards express the minimum acceptable level of performance that is generally expected.

Quarterly Report is a report that provides progress updates on the implementation of SA Tourism’s Annual Performance Plan in the previous quarter – with particular reference to monitoring delivery against performance targets.

SA Tourism is the South African Tourism Board as defined in the Tourism Act, 2014 (Act No. 3 of 2014) (as amended), and the destination marketing organisation of the South African Tourism Board.

Strategic Objective states clearly what SA Tourism intends to do (or produce) in order to achieve its strategic goals.

Strategic Outcome-Oriented Goals identify areas of organisational performance that are critical to the achievement of SA Tourism’s strategic objectives.

Strategic Plan is a plan that sets out SA Tourism’s priorities, programmes and project plans for a five-year period, as approved by the Board and the Minister of Tourism, within the scope of available resources.

Target is an expected level of performance or improvement required in the future.

Tourism Act means the Tourism Act, 2014 (Act No. 3 of 2014).

Validity means the extent to which the data-collection strategies and instruments measure what they purport to measure.

8.2. Abbreviations and Acronyms

AGSA – Auditor-General of South Africa
APP – Annual Performance Plan
CCBO – Chief Convention Bureau Officer
CEO – Chief Executive Officer
CFO – Chief Financial Officer
CMO – Chief Marketing Officer
COO – Chief Operating Officer
CPI – Consumer Price Index
CPIX – Consumer Price Index (excluding mortgage costs)
CQAO – Chief Quality Assurance Officer
DG – Director-General of the NDT
DIRCO – Department of International Relations and Co-operation
DMC – Destination Management Companies
DTGS – Domestic Tourism Growth Strategy
EIBTM – European Incentive, Business Travel & Meetings Exhibition
EME – Exempted Micro-Enterprise
ENE – Estimates of National Expenditure
EXCO – Executive Management Committee of SA Tourism
GDP – Gross Domestic Product
IFRS – International Financial Reporting Standards
ISA – International Standard on Auditing
IMEX – Incentive Travel, Meetings & Exhibitions
ITB Berlin – International Travel Bureau
JMA – Joint Marketing Agreement
MOU – Memorandum of Understanding
MTEF – Medium-Term Expenditure Framework
MTSF – Medium-Term Strategic Framework
NDP – National Development Plan
NDT – National Department of Tourism
NT – National Treasury
NTSS – National Tourism Sector Strategy
PFMA – Public Finance Management Act, 1999 (Act No. 1 of 1999)
PTA – Provincial Tourism Agency

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ROI – Return on Investment

SA Tourism – South African Tourism

SANCB – South African National Convention Bureau

SAPS – South African Police Service

SONA – State of the Nation Address

SRU – Strategic Research Unit

TBCSA – Tourism Business Council of South Africa

TDDS – Total Domestic Direct Spend

TGCSA – Tourism Grading Council of South Africa

TOMSA – Tourism Marketing South Africa

TTFDS – Total Tourist Foreign Direct Spend

UK – United Kingdom

UNWTO – United Nations World Travel Organisation

USA – United States of America

VFM – Value for Money

VFR – Visiting Friends and Relatives

