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ANALYSIS: DEPARTMENT OF TOURISM ANNUAL PERFORMANCE REPORT 2020/21

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1. INTRODUCTION

The purpose of this brief is to provide Members of the Portfolio Committee on Tourism with an analysis of the Department of Tourism's Annual Report for the 2020/21 financial year. The emphasis of the analysis is on programme performance in comparison with the Strategic Plan and Annual Performance Plan (APP), in line with the 2020/21 budget allocated to the Department.

The Department of Tourism (hereafter referred to as 'the Department') reports that of its **64** annual targets, **56** (87.5%) were achieved and **eight** (12.5%) were not achieved. The Department spent 97.6% of its total budget, with a variance of R34.6 million. The underspending is attributed to underspending on the Expanded Public Works Programme (EPWP) Incentive Grant and the Tourism Incentive Programme (TIP). Spending on the EPWP incentive grant is subject to meeting disbursement conditions set by the Department of Public Works and Infrastructure and spending for the programme was not approved for the financial year; thus the underspending of R15.2 million under Programme 3. Underspending of about R16.8 million on the TIP results from unspent funds that were set aside to provide financial relief to freelance tourist guides to minimise the effects of the COVID-19 pandemic on the guiding sector. An amount of R30 million was set aside to assist freelance Tourist Guides. Provincial Registrars of Tourist Guides were responsible for providing the lists of Tourist Guides (with valid registrations in place and with updated and verified contact



information) to the Department. Once this information was submitted to the Department, it was consolidated and sent to the Unemployment Insurance Fund (UIF) to determine the number of Tourist Guides registered with UIF as employees. Those not registered with the UIF or who had contributed to the UIF up to December 2019, were processed for payments. A total of 4 650 Guides were recommended for payments.¹

2. EVENT FOR NOTING²

An order handed down by the High Court of South Africa on 26 April 2021 interdicts and restrains the Small Enterprise Finance Agency (SEFA) from receiving, processing or making any payment pursuant to any application for funding from the Tourism Equity Fund (TEF). This is pending the determination and finalisation of the court process based on legal action instituted against the Department of Tourism by trade union Solidarity and Afrikaner rights group AfriForum. Therefore, all applications and pay-outs are currently on hold until the matter is resolved.

3. POLICY MANDATES AND STRATEGIC PRIORITIES

The policy framework that informs the work of the Department includes the White Paper for the Development and Promotion of Tourism in South Africa, 1996; the National Development Plan (NDP) 2030; the National Tourism Sector Strategy (NTSS) and the Medium Term Strategic Framework (MTSF: 2019-2024), as outlined below:

White Paper for the Development and Promotion of Tourism in South Africa (1996) – provides the framework and guidelines for tourism development and promotion in South Africa.

National Development Plan (NDP) – is the 2030 vision for the country. The NDP recognises tourism as one of the main drivers of employment creation and economic growth and envisages the promotion of South Africa as a major tourist and business events destination.

National Tourism Sector Strategy (NTSS) – is a blueprint for the tourism sector and sets bold commitments for the sector. The NTSS advocates for a coherent approach to promoting South Africa as a preferred destination of choice.

Medium Term Strategic Framework (MTSF: 2019-2024) – is the manifestation of an implementation for the NDP Vision 2030 and for the implementation of the electoral mandate of the sixth administration of government.³ It recognises tourism as a national priority sector that can play a key role in the country's economic transformation, addressing unemployment challenges and developing a better Africa and world.

4. STRATEGIC PRIORITIES FOR 2020/21

In line with its vision of complementing the national priorities, the Department identified objectives that would accelerate the delivery of services in the tourism sector. Outlined below are the strategic

¹ Department of Tourism Annual Report (2020/21).

² Ibid.

³ MTSF (2019-2024).



outcomes of the Department, as stated in the 2020/21 – 2024/25 Strategic Plan, which correlate with Government's Outcomes, namely:

MTSF Priority	MTSF Outcome	NDT Outcome
Priority 1: Building a capable, ethical and developmental State	<ul style="list-style-type: none"> Improved governance and accountability. Functional, efficient and integrated government. 	Achieve good corporate and cooperative governance.
Priority 2: Economic Transformation and Job creation	Re-industrialisation of the economy and emergence of globally competitive sectors.	Increase the tourism sector's contribution to inclusive economic growth.
Priority 7: A better Africa and world	Growth in tourism sector resulting in economic growth.	Increase the tourism sector's contribution to inclusive economic growth.

Source: Department of Tourism Strategic Plan 2020/21-2024/25

In its efforts to accomplish some of the above, the Department will be focusing on the following:⁴

- improving its governance and accountability systems towards achieving an unqualified audit outcome;
- implementing the departmental integrity management programme to promote integrity and ethical conduct;
- in partnership with SA Tourism, implementing measures and initiatives to increase the number of international tourist arrivals and domestic travellers; increasing tourism's contribution to employment creation and the gross domestic product; increasing diversification of the country's product offering; and improving transformation levels in the sector.

5. OVERALL PROGRAMME PERFORMANCE

5.1. Summary of Performance

The Department executes its mandate through four programmes, i.e. Administration; Tourism Research, Policy and International Relations; Destination Development; and Tourism Sector Support Services. As can be seen in Table 2 below, the Department achieved **56** (87.50%) of the **64** identified annual targets. Of the **eight** targets not achieved, the Department indicates that significant work has been done towards achieving **three** (4.69%) of them, whilst the remaining **five** (7.81%) require intervention. Programme 4: Tourism Sector Support Services accounts for the bulk (four) of targets not achieved.

Table 2: Achievement of Targets Per Programme

Programme	Planned Targets	Achievement		Non Achievement	
		Total Achieved	% achieved	Total not achieved	% not achieved
1. Administration	22	20	90.91	2	9.09

⁴ Department of Tourism Strategic Plan (2020/25).



2. Tourism Research, Policy and International Relations	13	12	92.31	1	7.69
3. Destination Development	9	8	88.89	1	11.11
4. Tourism Sector Support Services	20	16	80	4	20
Total	64	56	87.50	8	12.5

Source: Adapted from DoT Annual Report 2020/21

In its reporting, the Department indicates that most of the unmet targets relate to postponements resulting from the national lockdown caused by the outbreak of the COVID-19 pandemic. Some of the unmet or partially achieved targets result from delays in procurement processes for projects. The following section provides an outline of each programme's performance.

5.2. Programme Performance

5.2.1 Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department.

Programme 1: Administration

Total Targets set	22
Targets achieved	20 (90.91%)
Targets not achieved	2 (9.09%)
Budget allocated	R308 593 million
Special Adjusted Budget (Q2) ⁵	R307.1 million
Adjusted budget (Q3) ⁶	R299.6 million
Final budget	R289 822 million
Budget spent	R289 819 million (99.9%)

As can be seen from the table above, the Department achieved **20** (90.91%) of its **22** targets under Programme 1 as at the end of the financial year, while spending 99.9% of its budget.

- The Department reports a variance in its vacancy rate at 11.2% from the annual target of 10%. It ascribes this variance to the recruitment process, natural attrition and promotions of staff to other Departments and the private sector, which continues to impact internal vacancies.
- The target on 50% women representation at Senior Management Service (SMS) level was not achieved, at 43.9%, as at the end of March 2021. This is as a result of lockdown restrictions that affected departmental recruitment processes. A decrease in this target is already evident from the 2019/20 financial year, at 46.5%. At its quarter four reporting the Department advised the Committee that efforts will be improved to achieve the desired target

⁵ SCOA Report Q2 (2020).

⁶ SCOA Report Q3 (2020).



outcome. The **Committee** is advised to monitor the attainment of this target, as its aligned to the transformation target of female representation at senior management level.

- The Department maintained its minimum representation of employees with disabilities at 4.3%, thus exceeding the target of a minimum of 3% representation of employees with disabilities.
- The Department also continued with its support of small micro medium enterprises, with 61.79% spent procuring from these businesses. The 100% payment of invoices within the stipulated 30 days is reassuring for the sustainability of said businesses.
- The Department was also able to implement all its initiatives focusing on reasonable access, gender equity and the promotion of integrity and ethical conduct among employees.

5.2.2 Programme 2: Tourism Research, Policy and International Relations

The purpose of this programme is to enhance the strategic policy environment, monitor the tourism sector's performance and enable stakeholder relations.

Programme 2: Tourism Research, Policy and International Relations

Total Targets set	13
Targets achieved	12 (92.31%)
Targets not achieved	1 (7.69%)
Budget allocated	R1 391 382 billion
Special Adjusted Budget (Q2) ⁷	R520.6 million
Adjusted budget (Q3) ⁸	R499.1 million
Final budget	R482.1 million
Budget spent	R479.5 million (99.5%)

As can be seen from the table above, the Department achieved **12** of its **13** targets set under this programme. The Department spent 99.5% of its funding and achieved 92% of its targets under the programme.

- The annual target not achieved as planned relates to the development of a *National Tourism Analytics System Framework*. The Department reports that this resulted from challenges in appointing a service provider timeously. The framework is aimed at improving the Department's access to data, analytics and market intelligence required to guide planning, decision making and performance monitoring and evaluation. The Department seeks to develop a predictive model for the economic impacts of tourism and forecasting of tourism performance.⁹ The **Committee** is advised to enquire on the service delivery implications of this delay for the sector.

⁷ SCOA Report Q2 (2020).

⁸ SCOA Report Q3 (2020).

⁹ National Tourism Sector Strategy (2017).



- The Department has developed various reports during the financial year under this programme. Two reports were developed evaluating the impact of COVID-19 on the tourism sector. In addition, a report evaluating the impact of the Tourism Relief Fund on enterprises was also developed. These reports are important, especially in view of how they influence, if at all, some of the recommendations of the Tourism Sector Recovery Plan: COVID-19 Response.
- The Department reports that the draft review of the White Paper has been developed. In a meeting on 31 August 2021, the review panel advised the Committee of its intentions to widen its consultations on the White Paper. This will in turn ensure that an extensive number of stakeholder concerns and recommendations are represented in both the White Paper and ultimately legislation, where applicable.
- The Department continued in its endeavours to ensure South Africa's representation at multilateral fora and strengthening of bilateral relationships

5.2.3 Programme 3: Destination Development

The purpose of the programme is to facilitate and coordinate tourism destination development. The Programme's final appropriation was R442 709 million in the 2020/21 financial year, the bulk of which (R389 844 million or 88.1%) was allocated to the Working for Tourism sub-programme. Working for Tourism consists of the Expanded Public Works Programme (EPWP) and Expanded Public Works Incentive Programme.

Programme 3: Destination Development

Total Targets set	9
Targets achieved	8 (88.89%)
Targets not achieved	1 (11.11%)
Budget allocated	R485 897 million
Special Adjusted Budget (Q2) ¹⁰	R469.4 million
Adjusted budget (Q3) ¹¹	R465.9 million
Final budget	R442.7 million
Budget spent	R427.5 million (96.5%)

As can be seen from the table above, the Department achieved **eight** of its **nine** targets set for this programme. The target not met relates to a *viability study for the new Rail Tourism model*, which was not developed. Preliminary findings indicate that while there is interest in rail as a tourism experience, the state of rail infrastructure in the country presents a significant challenge to meeting this desire. Thus, the Department did not deem it feasible to conduct the study until general rail infrastructure issues are addressed by Government and its partners.

The Department spent 96.5% of its budget whilst achieving 89% of its targets under the programme. Other performance highlights under programme 3 include:

¹⁰ SCOA Report Q2 (2020).

¹¹ SCOA Report Q3 (2020).



- The Department reports that the target on the *piloting of the budget resort brand and network concept* was achieved.
- The Department also achieved its target *on the formulation of tourism implementation plans through the District Development Model (DDM)* for the OR Tambo District Municipality, Waterberg District Municipality and eThekweni Metropolitan Municipality. This is an important target that will form part of the Committee's continued oversight responsibilities.
- The Department achieved its target on *the number of work opportunities created* for the year under review. A total of 2 772 work opportunities were created against an annual target of 2 500. The additional 272 work opportunities resulted from projects that overlapped from the 2019/20 financial year.

5.2.4 Programme 4: Tourism Sector Support Services

The purpose of this programme is to enhance transformation, increase skill levels and support the development of the sector to ensure that South Africa is a competitive tourism destination.

Programme 4: Tourism Sector Support Services

Total Targets set	20
Targets achieved	16 (80%)
Targets not achieved	4 (20%)
Budget allocated	R295 112 million
Special Adjusted Budget (Q2) ¹²	R183.9 million
Adjusted budget (Q4) ¹³	R162.2 million
Final budget	R212.2 million
Budget spent	R195.4 million (92.1%)

As can be seen from the table above, the Department achieved **16** of its **20** targets under this programme. The Department spent 92.1% of its budget, while only achieving 80% of its targets. The underspending is attributed to unspent funds within the Tourism Incentive Programme (TIP) that were set aside to provide financial relief to freelance tourist guides to minimise the effects of the COVID-19 pandemic. Since the total allocation was not fully taken up by the tourist guiding sector, the remaining portion will be surrendered to the National Revenue Fund.¹⁴

- The Department reports that delays were experienced with the implementation of both the *Technology Innovation Incubator* and *Tour Operator Incubator*. The Technology Innovation Incubator experienced delays with the needs diagnostic assessment of enterprises and negotiations on the memorandum of agreement with the implementing agent took longer than anticipated. The Tour Operator Incubator experienced delays with the development of the programme's growth path including site inspections, which resulted in the lapse of the bid. The tender had to be re-advertised, thus resulting in both the Tour Operator and Technology Innovation Incubators not being implemented as planned for the financial year.

¹² SCOA Report Q2 (2020).

¹³ SCOA Report Q3 (2020).

¹⁴ SCOA Report Q4 (2020).



- The target on the *New Venture Creation Programme for Youth* was also not met. The programme was not implemented due to delays in appointing a service provider and in identifying project beneficiaries. The venture is aimed at empowering youth trained in food services to become owners and operators in the food services business. This is unfortunate, especially in view of the ripple effect a programme of this nature can have in addressing the challenge of youth unemployment.
- The annual target on the *Women in Tourism (WiT) Enterprise Development Programme* was not met at the end of the financial year as planned. Implementation of this target proved elusive throughout the financial period. In the first quarter the programme was not launched due to delays in planning and the fact that beneficiaries were not identified, resulting in these outcomes being moved to the third quarter. Targets for both quarter two and three were also not achieved, resulting from delays in finalising partnership agreements. This unmet target has ramifications for the Department's goal in achieving the MTSF priority on creating both employment and in achieving an inclusive economy.
- The annual target on the *Food Safety Quality Assurers Programme* was not achieved; this target has not been achieved for the past three financial years. The programme is aimed at training youth in the handling, preparation and storage of food to prevent food-borne illnesses in the hospitality industry. The continued delays in the implementation of this target have had significant implications for service delivery and job creation. The Department has over a period of three years missed continuous opportunities to create jobs for youth and improve livelihoods. How many beneficiaries could have benefitted from this programme over this period? In addition, how many tourism businesses could have saved money, as this is an expensive service to outsource, from the skills provided by said beneficiaries? The **Committee** is advised to keep track of the implementation of the target in the 2021/22 financial year.
- The annual target on the development of the *Tourism Environmental Implementation Plan*¹⁵ for 2020-2025 was not achieved. The Department, as a result of the sector's impacts on the environment, is required by Section 11(1) of the National Environmental Management Act (NEMA), No. 107 of 1998, to develop the plan. The Department reports that considerable work has been undertaken towards the achievement of the target, however its finalisation will overlap into the 2021/22 financial year. The **Committee** is advised to follow-up with the Department on the implications of this delay.

Some of the targets achieved under this programme include:

- Implementation of the United Nations World Tourism Organisation (UNWTO) Women in Tourism Pilot Project in Limpopo;
- Awareness sessions with Service Excellence ambassadors;
- Hosting of Local Government Tourism Peer Learning Network Sessions for municipal practitioners;
- Mandarin training for 20 Tourist Guides; and
- Enrolment of 20 black women in the Executive Development Programme for WiT.

¹⁵ <https://cer.org.za/wp-content/uploads/1999/01/Department-of-Tourism.pdf>



6. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

6.1. Financial Statements for the 2020/21 financial year

Table 3: Financial Statement of 2020/21

Programme	Special Adjusted Budget ¹⁶	Adjusted Appropriation ¹⁷	Virements ¹⁸	Final Appropriation	Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	R'000	R'000	R'000	%
1. Administration	307.1	299 644	(9 822)	289 822	289 819	3	100.0%
2. Tourism Research, Policy and International Relations	520.6	499 118	(16 973)	482 145	479 529	2 616	99.5%
3. Destination Development	469.4	465 894	(23 185)	442 709	427 495	15 214	96.6%
4. Tourism Sector Support Services	183.9	162 204	49 980	212 184	195 406	16 778	92.1%
TOTAL	1 481.0	1 426 860	-	1 426 860	1 392 249	34 611	97.6%

Source: Department of Tourism Annual Report (2020/21)

The Department of Tourism's adjusted appropriation for 2020/21 amounted to R1 481.0 billion.¹⁹ This was a decrease from the initial appropriation of R2 481.0 billion, which was adjusted in response to the outbreak of the COVID-19 pandemic. Adjustment to allocations in the Special Adjusted Estimates Appropriation were tabled in June 2020, resulting in R1 billion being suspended from the Department's initial budget. A second²⁰ adjustment was made to the budget, resulting in a final allocation of R1 426 860 billion. At the end of the financial year, the Department had spent R1 392.2 billion or 97.6% of the available budget, R34.6 million (2.4%) less than projected for the period.

The underspending is mainly attributable to:²¹

- **Programme 2:** Tourism Research, Policy and International Relations (R2.6 million): The bulk of this underspending lies within Compensation of Employees due to strict policies adhered to by the Department to reduce expenditure on salaries and wages.

¹⁶ SCOA Report Q2 (2020).

¹⁷ SCOA Report Q3 (2020).

¹⁸ **Virement** - in accordance with Section 43 of the Public Finance Management Act (PFMA), Act No. 1 of 1999, the Accounting Officer of the Department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division on condition that it does not exceed 8% of the amount appropriated under that main division.

¹⁹ SCOA Report Q2 (2020).

²⁰ Second Adjustments Appropriation Bill [B 25-2020].

²¹ Department of Tourism ANR (2020/21).



- **Programme 3:** Destination Development (R15.2 million): The bulk of the unspent funds is due to funds allocated to the Expanded Public Works Programme Incentive, which was not approved by the Department of Public Works for spending. These funds must therefore be relinquished back to the National Treasury as unspent funds.
- **Programme 4:** Tourism Sector Support Services (R16.8 million): The bulk of this underspending lies within the Tourism Incentive Programme, which set aside funds to provide financial relief to freelance tourist guides due to the effects of the COVID-19 pandemic on the tourism industry. Since the total allocation was not fully taken up by the tourist-guiding sector, the remaining portion must be relinquished back to the National Treasury.

The Department reports that the Virements²² between the main divisions were towards the Tourism Incentive Programme. Approval was granted by National Treasury in accordance with Section 6.3.1 of the Treasury Regulations, to increase the Transfers and Subsidies allocation of the Tourism Incentive Programme (TIP) in order to fund the Tourism Equity Fund to be managed by the Small Enterprise Finance Agency (SEFA), as well as the creation of a new transfer line to house this transfer payment. The transfer amount approved was R77 million. Accordingly, approval was granted for the Department to shift R50 million from Goods and Services to Transfers and Subsidies: Private Enterprises for the new transfer item, as well as to shift R27 million within Goods and Services for Consultants: Business and Advisory Services under Programme 4: Tourism Sector Support Services.²³

The Department managed to spend 97.6% of its budget and only achieved 87.5% of its annual targets. This continued lack of correspondence between performance and budget spending needs to be monitored by the **Committee**.

6.2 Findings by the Auditor-General

The Department obtained an **unqualified audit opinion** for the 2020/21 financial year. The same audit opinion was received in the previous financial year. In 2018/19 the Department received a *qualified audit opinion*, which was a first for it in a period of four years.²⁴ The Auditor-General made the following findings in respect of the Department's performance information:

6.2.1 Pre-determined Objectives

- No material findings were made on the usefulness and reliability of the reported performance information for the selected Programme: Programme 4 (Tourism Sector Support Services).
- Reported performance information is useful and reliable in all material respects.

6.2.2 Financial Statements:

- The Auditor's report states that the financial statements of the Department present fairly, in all material respects, its financial position as at 31 March 2021 (unqualified audit opinion).

²² **Virement threshold** – the amount of a saving under a main division of a vote that may be utilised may not exceed 8% of the amount appropriated under that main division.

²³ Department of Tourism Annual Report (2020/21).

²⁴ Department of Tourism Annual Report (2018/19).



- The Department's financial performance and cash flows for the year ended is in accordance with the Modified Cash Standard (MCS), as prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2019 (Act No. 16 of 2019) (Dora).

6.2.3 Compliance with Laws and Regulations

The Auditor-General identified material findings on compliance with specific matters in key applicable legislation as follows:

- **Procurement and contract management**

Some of the bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by 2017 preferential procurement regulation 8(2).

- **Expenditure Management**

- Effective and appropriate steps were not taken to prevent **irregular expenditure²⁵ amounting to R1 223 million**, as disclosed in note 22, as required by section 38(1)(c)(ii) of the PFMA and Treasury regulation 9.1.1.
- The overall irregular expenditure amounts to R36 155 million, in addition to the R34 932 million of prior years.
- The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with supply chain management procedures and irregular awarding of tenders.

- **Internal Controls Deficiencies**

- The Department compiled an action plan based on the audit report findings. However, it did not adequately monitor and implement the action plan. This resulted in material non-compliance and irregular expenditure recurring in the current financial year.
- Inadequate reviews were performed by management to ensure consistency between the Annual Performance Plan and the Annual Performance Report.

- **Other Reports**

The Director-General instituted an independent investigation into the irregular, fruitless and wasteful expenditure incurred on the Expanded Public Works Programme projects. The investigation was completed by the time of this report and the Director-General had initiated the recommendations as per the investigation report.

²⁵ **Irregular expenditure** – as a result of significant breakdown in controls, entities entered into transactions that were not carried out in accordance with regulations and other prescripts.



Issues for consideration

- The Department reports irregular awarding of tenders as one of the causes for its irregular expenditure. In one instance, a tender was not awarded to the tenderer who scored the highest points. The matter is currently under investigation. Can the Department advise the Committee on whether the loophole in the system has been identified and how this gap will be managed to avoid similar possible future occurrences?
- The AGSA states that the Department failed to monitor and implement the action plan on previous audit findings, resulting in material non-compliance and irregular expenditure recurring in the current financial year. The same concern was raised by the AGSA in the previous financial year and the Department made assurances to the Committee on strengthening its monitoring and implementation of the action plan.
 - The Department needs to explain to the Committee why it reneged on its undertaking and outline its plan to address this situation to avoid recurrence.
 - The Department reports on page 26 that it implemented 100% of its internal audit plan. Is that false reporting or does it relate to something different?
 - What led to the lapse in the implementation and monitoring of the action plan and how will this be addressed to avoid recurrence?
- The AGSA also states that inadequate reviews were performed by management to ensure consistency between the Annual Performance Plan and the Annual Performance Report. Can the Department advise the Committee as to the reasons for this and how this will be improved going forward?
- Fruitless and wasteful expenditure²⁶ (page 154): R194 751 million, the Department indicates that it is awaiting resolution on this matter. Can the Department update the Committee on the outcomes, if there are any as yet, of this investigation?
- Fruitless and wasteful expenditure (page 155): R3 413 million was spent procuring security services for EPWP projects that were already handed over to the owning entity. Can the Department advise the Committee as to how and why this was allowed to happen?

*The Committee has been lobbying for National Treasury to increase the Department's budget, however the recurrence of the above findings dilutes the strength of that argument.

7. ISSUES FOR THE PORTFOLIO COMMITTEE'S CONSIDERATION

- The **Auditor-General's audit opinion** on the performance of the Department is welcomed. The Committee is advised to follow-up with the Department on how it intends improving its internal controls going forward and mechanisms it will adopt to address the AG's findings.
- **Tourism Enterprise Development Portal** (page 18) – this target was meant for finalisation in the 2019/20 financial year. There was no quarterly reporting on it during the 2020/21 financial

²⁶ **Fruitless and wasteful expenditure:** expenditure made in vain and could have been avoided had reasonable care been taken. Such expenditure can include interest, the payment of inflated prices, and the cost of litigation that could have been avoided.



year. At the end of the financial year, the Department reports that there were challenges with its implementation – specifically the capacity of the service provider.

- How was the service provider chosen, if at the final stage they are unable to fulfil their terms of agreement?
- What are the financial implications of appointing a new service provider? What are the new timelines for this project?
- The Department's reporting style is concerning when it comes to target performance. Why was this target removed from the 2020/21 Annual Performance Plan if its reporting is over the medium term? This manner of reporting complicates a proper assessment of performance, and thus affects the Committee's oversight role.

• The Department reports that only 14 applications were approved for the **Green Tourism Incentive Programme**²⁷ (in the 2019/20 financial year 27 applications were approved). Does the Department have an annual target on the number of applications for approval in a year? What efforts can be introduced to increase this number and ensure that more businesses benefit from this initiative?

• The Department reports that no applications were approved under the **Tourism Transformation Fund** in 2020/21 due to COVID-19. What was the reason/s for this? Were no applications received from interested parties?

• This Fund already has a low approval rate, as seen in the reporting for 2019/20. In the 2019/20 financial year only six applications were approved, with only R2 million of the R40 million allocated towards the Fund spent. Does the Department and the National Empowerment Fund (NEF) have an adaptation strategy on ensuring improved uptake in this 'new normal' for the Fund?

• **Liability claims** (page 169) – the Department has been the subject of litigation for breach of contract. Can the Department advise the Committee on these claims?

8. CONCLUSION

This brief attempted to provide an analysis of the performance of the Department in relation to its predetermined measurable objectives for the 2020/21 financial year and budget allocated. In terms of this analysis, it is apparent that the Department attempted to manoeuvre the uncharted waters resulting from the COVID-19 pandemic. While some of the challenges were beyond the Department's control, historical challenges on project management remain. Delays in the procurement of service providers for projects was one of the main challenges highlighted by the Department. This in turn resulted in delays with the commencement of projects.

The audit outcome for the 2020/21 financial year is unchanged from the previous year. While this is positive news, the underlying expenditure patterns are concerning. The flouting of internal controls and ongoing irregular expenditure, as raised by the Auditor-General, are concerning. This speaks to

²⁷ **Green Tourism Incentive Programme** – the objective to encourage private sector tourism enterprises to move towards the sustainable management of water and energy resources. Through the funding, enterprises are assisted to reduce the cost of investing in more energy and water efficient operations.



a lack of progress in efficiently managing tax payer funds. The Auditor-General also reports that the Department did not adequately monitor and implement the action plan addressing previous audit report findings. In the 2019/20 financial year, the Department assured the Committee of its commitment to addressing the findings of the action plan. This inadequate response to the action plan can potentially result in the Department's regression in performance. The Department would not want a repeat of the *qualified audit opinion* of the 2018/19 financial year. The Committee is advised to seek a more comprehensive means of reporting from the Department, to try and ensure that this is avoided during its tenure.

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