

**Portfolio Committee on International Relations and Cooperation Budgetary Review and Recommendation Report 2020/2021**

**Chairperson:**

**Hon SOR Mahumapelo MP**  
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**The Budgetary Review and Recommendation Report of the Portfolio Committee on International Relations and Cooperation, dated 24 November 2021**

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 2020/21 of the Department and that of the African Renaissance Fund, on 10 November 2021. In its consideration of the reports, the Committee also enlisted input from the Office of the Auditor-General on the annual performance of the Department and the entity, on the same day.

**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 2020/21, 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 2020, the Government's Medium Term Strategic Framework 2019-2024 and in accordance with information contained in the National Treasury 2020 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,<sup>1</sup> 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 also facilitate public participation. The Committee may also investigate any matter of public interest that falls within the foreign policy area of responsibility. 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 2020/21, Budget Vote 6 and the Department's Annual Report 2020/21.

## **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<sup>2</sup>.

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

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<sup>1</sup> Constitution of the Republic of South Africa 1996

<sup>2</sup> Department of International Relations and Cooperation Annual Report 2020-2021

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<sup>3</sup>. In the same breath, other Cabinet ministers are required to consult the Minister on their international role.

## **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<sup>4</sup>.

During the reporting period, the thrust of the work of the Department remained anchored on these overarching priorities as confirmed by the January 2020 Cabinet Lekgotla and the 2020 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 Analysis of the Department's prevailing strategic and operational plans**

The Annual Report reflects the highlights of a number of 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 125 diplomatic missions in 2020/21 in 108 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<sup>5</sup>. 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.

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<sup>3</sup> Ibid

<sup>4</sup> Department of International Relations and Cooperation Annual Report 2020-2021

<sup>5</sup> Annual Report of the Department of International Relations and Cooperation 2020/21

## **2.2 2020 State-of-the-Nation Address**

In his February 2020 State-of-the-Nation Address<sup>6</sup>, President Cyril Ramaphosa designated foreign policy as one of the government's priorities. Priority seven, relates to 'a better Africa and world'. The President confirmed the impetus of South Africa's Foreign Policy towards multilateralism and a rules-based international system; commitment to global peace and security including sustainable economic growth; and the integration of South Africa's economy with those of the neighbours and the rest of the continent<sup>7</sup>. President Ramaphosa went further to say that the African Continental Free Trade Area would improve the movement of goods and services, capital and means of production across the continent<sup>8</sup>.

The President further pointed out that within the Southern African Development Community (SADC), priority would be on development of cross-border value chains in key sectors such as energy, mining and mineral beneficiation, manufacturing, infrastructure and agro-processing<sup>9</sup>. President further elaborated that in order to gain economic development, the SADC region must be peaceful and stable and address conflicts within the region. South Africa would use its membership of the UN Security Council to promote the peaceful resolution of disputes particularly on the African continent<sup>10</sup>.

## **2.3 Alignment to National Development Plan (NDP) and the 2020 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 policy-making should be guided by the following principles and objectives<sup>11</sup>:

- 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<sup>12</sup>.

## **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.

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<sup>6</sup> Ramaphosa C, State of the Nation Address 2020

<sup>7</sup> Presidency, 2020

<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Presidency, 2020

<sup>11</sup> National Planning Commission, 2011

<sup>12</sup> The National Development Plan, Chapter 7: Positioning South Africa in the World)

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<sup>13</sup>.

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 competitiveness 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 2020/21, 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.

The narrative of Africa being the bedrock of South Africa's foreign policy gained more credence during the tenure as a non-permanent member of the United Nations Security Council (UNSC) for the period 2019 to 2020. South Africa was endorsed by the African Union (AU) in 2018 to take up this position. This was reported as a demonstration of confidence in South Africa's leadership and the country's resolve to place African issues high on the agenda of the UNSC. Dealing with the root causes of conflict on the continent and securing vaccines remained central to South Africa's work as the Chair of the AU in 2020.

The Department reported that the impact of the pandemic shifted the focus of some engagements to address the immediate priorities including repatriation, sharing of best practices in combating the pandemic and requests for assistance in the provision of medical supplies and PPE. It was not possible to arrange high-level visits or in-person structured bilateral meetings during the hard lockdown; thus COVID-19 inhibited the Department from pursuing a "normal" agenda with bilateral partners.

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

In his opening remarks, the Chairperson congratulated the Independent Electoral Commission (IEC), for conducting a free and fair local government election. He also expressed gratitude to the Auditor-General for their work which highlights service delivery successes and challenges facing the ordinary people on the ground. He saw the AG's reports as a reflection of what needs to be done for the people, while measuring performance of government against its set objectives.

The Chairperson commended the Government of South Africa for its leadership role in ensuring stability in the continent and in the region. He applauded President Cyril Ramaphosa, in his capacity as the Chair of the Southern African Development Community (SADC) Organ on Politics, Defence and Security Cooperation for his leadership in seeking amicable solution in the political situation in Eswatini; and for his intervention in addressing the insurgency in Northern Mozambique.

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<sup>13</sup> The National Development Plan, Chapter 7: Positioning South Africa in the World)

### **3. Presentation on the annual service delivery performance of the Department in 2020/21 financial year**

The Honourable Minister of International Relations and Cooperation, Dr Naledi Pandor, gave an overview, in the form of introductory remarks, on the overall performance as guided by the delivery programmes of the Department and the ARF for 2020/21. Ms Charlotte Lobe added details of the annual performance of the Department.

In her introductory remarks, the Minister pointed out that during the reporting period, despite the challenges brought about by the COVID-19 pandemic, the Department continued to discharge its mandate of coordinating and implementing South Africa's foreign policy. South Africa's foreign policy is grounded in the ideals of Pan-Africanism and a commitment to multilateralism, with the African Union (AU) at its core and, as a fundamental principle, the consolidation of the African Agenda. Therefore, Africa remained the focal point of South Africa's foreign policy during the reporting period.

Minister Pandor pointed out that it was during the reporting period, that South Africa entered its first hard lockdown. As a result, the Department and its Missions abroad, had to learn how to grapple with the devastating impact that the pandemic had on traditional diplomatic operations. It was highlighted that through its Missions, and despite the COVID-19 pandemic and the worldwide travel restrictions, the Department maintained a long-term perspective, aimed at increasing investment into South Africa, through focused investment promotion. The Minister demonstrated that the Department also pursued export promotion, identified new markets and promoted South Africa as a preferred tourism destination, as the tourism sector was also severely impacted upon by the pandemic. It was explained that these initiatives were aimed at contributing to address the triple challenges faced by the country, namely poverty, inequality and unemployment.

It was highlighted that bilateral political and economic engagements continued to provide an important basis for the strengthening of political, economic and social partnerships in the various regions of the world. It was however, pointed out that it was not possible to arrange high-level visits or in-person structured bilateral meetings during the lockdown.

The reporting period was regarded as probably the most difficult challenge that the Department and officials at all levels, have had to deal with in recent times. The Minister explained that the Department followed DPSA prescripts at all times, to ensure that the necessary health and safety protocols were in place. These measures were to preserve a safe workplace environment, to ensure that the Department was able to deliver on its mandate.

The Minister acknowledged that remote working arrangements have been made more difficult by the shortage of tools of trade. Officials were provided with data and many were using their own personal laptops and devices for their work.

It was indicated that the African continent, especially, has been severely impacted by the pandemic. Many countries on the continent were reported not sufficiently equipped to be able to adapt to conducting business online. Access to Wi-Fi was not always readily available, resulting in the voices of some of these countries not being adequately heard in various international fora during the year under review.

The Minister emphasised that multilateralism remains a focal point of South Africa's foreign policy, including engagements in organisations such as the United Nations (UN) and G20. She recapitulated that South Africa's engagements are premised on the need to advance the priorities reflected in the National Development Plan (NDP), and to advance national interests and those of Africa and the global South.

The COVID-19 pandemic led to the postponement of key conferences and negotiation processes at the UN, such as the United Nations Framework Convention on Climate Change (UNFCCC)'s COP26 and the United Nations Convention on Biological Diversity's COP15. In order to ensure continuation of business, other meetings, such as the UN General Assembly

(UNGA75), and the Brazil, Russia, India, China, and South Africa forum (BRICS) and G20 Summits, were held virtually. However, these online negotiations often made the drafting of relevant outcomes documents much more difficult and time-consuming.

Referring to one of the key highlights during the year under review, the Minister indicated that the Department concluded the second year of its third two-year term as a non-permanent member of the UN Security Council (UNSC), from 2019 - 2020. Its term was defined by the theme "Continuing the Legacy: Working for a Just and Peaceful World," drawing on the legacy of President Nelson Mandela following the Anniversary of the Centenary of his birth.

During this term, South Africa continued to build on the advances made in its two previous terms in the Council and focused on the implementation thereof, including United Nations (UN)-African Union (AU) cooperation, the Women Peace and Security and Youth, Peace and Security Agendas and the peaceful settlement of disputes.

It was indicated that the South African Development Community (SADC) remains a primary vehicle for South Africa's foreign policy and the achievement of regional development and integration within Southern Africa. It was underlined that a stable and prosperous Southern Africa is vital if the region is to fully integrate and prosper.

In line with supporting the structures of SADC, South Africa became the Incoming Chair of the SADC Organ on Politics, Defence and Security Cooperation during the 40<sup>th</sup> Ordinary SADC Summit of Heads of State and Government held on 17 August 2020. The Summit also approved the SADC Vision 2050 and the Regional Indicative Strategic Development Plan (RSIDP) 2020 – 2030.

In 2020, South Africa also had the opportunity to Chair the African Union (AU). Honourable Pandor saw this as presenting South Africa with an especially unique opportunity to advance the African Agenda in both institutions. It also assisted the country to harmonise its priorities of promoting Security Council decisions in support of the AU initiative of Silencing the Guns across Africa. According to the Minister, the COVID-19 pandemic, however, meant that South Africa's strategy of hosting two Summits during the year, namely one on the African Continental Free Trade Area (AfCFTA) and the other on the Silencing of the Guns, had to be postponed and these Summits were, instead, held virtually.

The Minister indicated that during its term as Chair of the AU, South Africa's priorities were peace and security, economic development and continental integration through the operationalisation of the African Continental Free Trade Area (AfCFTA). Other key areas related to infrastructure development to facilitate continental free trade, advancing the economic inclusion of women and support of good governance and democracy. The commencement of trading under the AfCFTA on 1 January 2021 was particularly applauded as it signalled a concrete achievement under South Africa's leadership, one that would significantly boost African economic development for many decades to come.

Furthermore, the Minister elaborated that under the able stewardship of H.E. President Cyril Ramaphosa, South Africa was able to coordinate the timely AU response to the COVID-19 pandemic. The response included the establishment of the AU COVID-19 Response Fund, the appointment of Special Envoys, the establishment of the Medical Supply Platform and the appointment of the African Vaccine Acquisition Task Team.

It was pointed out that a significant highlight of South Africa's term as Chair of the AU was the appointment of President Cyril Ramaphosa by the Director-General of the WHO, alongside the Prime Minister of Norway, H.E. Ms Erna Solberg, as co-Chairs of the Access to COVID-19 Tools Accelerator (ACT-A) High-level Facilitation Council. During its Chairship, South Africa actively sought to promote equal access for all African countries to COVID-19 vaccines. It was said that noteworthy was the fact that, at the February 2021 AU Summit, where President Ramaphosa handed over the Chairship of the AU to the Democratic Republic of Congo (DRC), he was appointed AU COVID-19 Champion, in order to continue the work started during his tenure.

It was further reported that in line with its approved Digital strategy, the Department has finalised the procurement of laptops and desktops for Head Office, and expects to shortly embark on the distribution thereof to all officials.

With regard to the audit outcome, the Minister reported that unfortunately, the Department again received a qualified audit opinion. However, she informed the Committee that an Audit Action Plan was in place, to ensure that all matters that contributed to the qualified audit opinion are addressed. However, it was gratifying to note that the Department had again maintained an unqualified audit opinion on performance information.

With regard to Public Diplomacy, it was noted that through the use of social media, a concerted effort was made to regularly update the Department and our Missions on relevant COVID issues. Furthermore, prepared targeted messages were made on a variety of issues, for use by Missions during their interactions in their respective countries of accreditation.

Minister Pandor specifically commended Consular Services for their sterling work during the initial lockdown period, especially with the repatriation of distressed and stranded citizens abroad. This was reiterated as an unprecedented and hugely successful undertaking.

The Department reported that the African Renaissance Fund (ARF) continued to be an invaluable instrument in the pursuit of the National Development Plan (NDP) and Vision 2030, and the priorities of the Medium Term Strategic Framework (MTSF). It was further highlighted that the projects that were implemented by the ARF during the reporting year, provided significant impetus to enhance the stature and public awareness of South Africa's profile as a responsible and trustworthy development partner. Thus the ARF significantly contributes to priority seven of the MTSF: "A Better Africa and World", focussing on international relations.

The Department observed that the impact of the COVID-19 pandemic has been global in both scale and reach. This necessitated coordinated international action to capacitate all countries to respond effectively. It was indicated that in response, President Ramaphosa pledged to support international efforts aimed at the development of new vaccines to combat COVID-19, as well as the development of new tests to rapidly diagnose the disease.

South Africa, through the Department of Science and Innovation, is co-investing with the European Union in the European and Developing Countries Clinical Trials Partnership's rapid response programme to fund research cooperation between Africa and Europe on a broad range of COVID-19-related research. The ARF is providing funding for the initiative. The project is being implemented by Biovac, a public-private-partnership (PPP) formed with Government in 2003, which is mandated to establish local vaccine manufacturing capability for the provision of vaccines for national health management and security. The ARF is providing funding for the initiative. It was gratifying to note that during the 2020/21 financial year, the ARF processed R177 million in disbursements, and maintained a clean audit opinion.

### **3.1 Analysis of performance**

The Department reported that the achievement rate of the 2020/21 targets is at 85%, which is significantly higher than the previous year, 2019/20, (68%). However, it was reported that the impact of the pandemic shifted the focus of some engagements to address the immediate priorities. These included repatriation, sharing of best practices in combating the pandemic and requests for assistance in the provision of medical supplies and PPE.

The Department of Monitoring and Evaluation also expressed a view that South Africa was, to an extent, able to benefit from its international relations during the pandemic. It was argued that it was because the country has invested time in building and sustaining these relations and building credibility with its interlocutors over a number of years.

In the same vein, the Department reported that South Africa engaged with the international financial institutions to raise finance, helped coordinate African economic responses, and advocated for African interests in other forums. It was further highlighted that South Africa



also used its bilateral relations to obtain support for dealing with Covid-19-related interventions.

### **3.1.1 Review of organisational structure**

The office of the Chief Operations Officer (COO) was overseeing the processes relating to the proposed organisational structure. It is envisaged that the process will be completed by the end of 2021, and eventually approved by the end of the financial year. The reviewed organisational structure is expected to be implemented in the new financial year 2022/2023.

### **3.1.2 Implementation of the Foreign Service Act 2019**

The annual target was to formulate codes, directives and regulations as may be appropriate, to facilitate the entry into force of the Foreign Service Act. This target was to be achieved in the 2<sup>nd</sup> quarter of 2020/21. During its 4<sup>th</sup> quarter reporting in August 2021, the Department reported that work was underway to proclaim a date for entry into force which was to be requested as 31 August 2021. The annual report highlighted that at the end of the reporting year, the target was not achieved.

### **3.1.3 Information and Communication Technology**

The Department adopted its Digital strategy during the reporting year. However, the critical element of the implementation of the ICT strategy was still lagging behind. Hence the Department has reported that the lower expenditure on goods and services is as a result of delays in the acquiring of information and communication technology (ICT) services, as was initially planned in the 2020/21 financial year.

### **3.1.4 Programme 2: International Relations**

The reported performance under Programme 2: International Relations depicted that the Department did not achieve its annual target of reviewing its 139 structured bilateral mechanisms (SBMs) with other countries. At the end of the reporting period, 112 structured mechanisms were reviewed, which amounted to 87% achievement.

## **4. Overview and assessment of the financial performance of the Department for the 2020/21 financial year**

### **4.1 Financial expenditure trends of the Department**

The Department continued to operate in an uncertain international environment which is volatile, uncertain, complex and uncertain (VUCA) and with budget constraints. At the end of the 2020/21 financial year, the Department spent **R6 245 944** billion. The expenditure is lower in comparison to R6, 310 billion spent in 2019/20 financial year.

The Department managed to maintain its spending within the reduced budget allocation in the implementation of the Annual Performance Plan. This was attained through the implementation of cost saving measures, such as revision of rental norms and standards, reduction on the international travel and doing more with less through the introduction of efficiency in the operation of the missions.

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.

- **Goods and Services:**

The Department has reported that the lower expenditure on goods and services is as a result of delays in the acquiring of information and communication technology (ICT) services as was initially planned in the 2020/21 financial year, as well as the delay in transfer of officials to missions.

- **Transfers and Subsidies:**

It is reported that the lower expenditure trend in transfers and subsidies is mainly due to the transfer payment for South African Development Partnership Agency (SADPA). The transfer was not paid during the year due to the non-operationalization of SADPA, as well as savings arising from other transfer payments due to favourable exchange rates and reduced assessments for African Union membership.

- **Capital**

It is reported that the lower expenditure trend on payment of capital assets is as a result of delays in the acquiring of ICT equipment as was initially planned in the 2020/21 financial year and delay in the implementation of Infrastructure plan.

Payments for financial assets- The variance is due to foreign exchange loss relating to missions' transactions.

**Table 1: Total expenditure for the 2020/21 financial year<sup>14</sup>**

<b>Programme (R'000)</b>	<b>Final Appropriation R'000</b>	<b>Actual Expenditure R'000</b>	<b>Percentage of variance</b>
Administration	1 358 532	1 266 105	7%
International Relations	3 266 959	3 390 092	-4%
International Cooperation	505 613	532 611	-5%
Public Diplomacy and Protocol	279 870	235 330	16%
International Transfers	903 994	821 806	9%
<b>Total</b>	<b>6 314 968</b>	<b>6 245 944</b>	<b>1%</b>

Source: Annual Report of the Department of International Relations and Cooperation 2020/21

#### **4.2 Analysis of financial performance of the Department per programme for the 2019/20 financial year**

Spending trends per programme were aligned to service delivery of the Department.

##### **4.2.1 Programme 1: Administration**

The Department reported that during the period under review, the Programme continued to provide support with regard to the development of the overall policy and management of the Department. This was achieved through efficient, effective and economical utilisation of scarce resources.

This programme's expenditure is R1 266 105 billion in 2020/21. The expenditure is lower than R1,294 billion spent in 2019/20. The decrease in expenditure was mainly as a result of delays in the transfer of officials to missions abroad due to COVID- 19 pandemic, as well as the delay in procurement of computer equipment.

##### **4.2.2 Programme 2: International Relations**

This programme's expenditure is R3 390 092 billion in 2020/21. The overspending which resulted in unauthorised expenditure was experienced on Compensation of Employees (COE) due to COE ceiling implemented by National Treasury. It did not cover the total cost for the filled positions as well as the depreciation of Rand against major foreign currencies which impacted expenditure incurred in missions abroad.

##### **4.2.3 Programme 3: International Cooperation**

The expenditure is R532 611 million in 2020/21, as opposed to a budget allocation of R505 613 million. The overspending was experienced on Compensation of Employees (COE) due

<sup>14</sup> Annual Report of the Department of International Relations and Cooperation 2020/21

to COE ceiling implemented by National Treasury. It did not cover the total cost for the filled positions as well as the depreciation of Rand against major foreign currencies which impacted expenditure incurred in missions abroad.

#### **4.2.4 Programme 4: Public Diplomacy and Protocol Services**

Programme 4 expenditure is R235 330 million in 2020/21. The expenditure is lower than R289 million spent in 2019/20. The decrease is attributable to travel that did not take place due to lockdown restrictions.

#### **4.2.5 Programme 5: International Transfers**

Programme 5 expenditure is R821 806 million in 2020/21. The expenditure is lower than R871 million spent in 2019/20. The decrease is attributable to the transfer payment for South African Development Partnership Agency (SADPA) which was not paid during the year due to the non-operationalisation of SADPA, and accrued savings arising from other transfer payments due to favourable exchange rates and reduced assessments.

### **5. Public Entity: Overview of the Annual Report 2020/21 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.<sup>15</sup>

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<sup>16</sup>

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.<sup>17</sup>

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 utilizing 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.

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<sup>15</sup> Annual Report 2020/21 of the African Renaissance and International Cooperation Fund

<sup>16</sup> Annual Report 2020/21 of the African Renaissance and International Cooperation Fund

<sup>17</sup> Ibid

The ARF has achieved a consecutive unqualified audit opinion without findings in 2020/21. During the 2020/21 financial year, the ARF was reported to have 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.

A view was expressed that the holding of regular democratic elections strengthens democracy and good governance on the continent. Through the ARF, the Department continued to support electoral observer missions, electoral training and strengthening of democratic institutions. Three Southern African Development Community (SADC) elections were held during the period under review, in the Republic of Malawi, Republic of Seychelles and the Republic of Tanzania.

#### **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.

The ARF Advisory Committee is said to convene once a quarter to, among others things, assess and recommend requests for funding for approval by the Ministers of International Relations and Cooperation and of National Treasury. During the 2020/21 financial year, the ARF received a total of 10 requests for funding. Of the 10 requests, eight were recommended by the ARF Advisory Committee for approval by the Minister of International Relations and Cooperation and the Minister of Finance on the disbursement of funds through loans or other financial assistance. Only two requests were still under considerations.

#### **5.1.2 Achievements**

The ARF was able to deliver on assistance to combat Covid-19 on the continent. This critical assistance was provided through the African Union Special Covid19 Fund and Africa Centre for Disease control (CDC). The ARF will continue to provide assistance to countries in need in line with its objectives in an efficient manner and within the ambit of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999).

One other area of specific achievement was under the provision of humanitarian assistance programme, where it was reported that President Cyril Ramaphosa made several pledges during the AU Bureau teleconference to combat COVID-19. South Africa, as the Chair of the AU, had an obligation to take the lead in all the causes and efforts that seek to address African challenges, including emergency issues and pandemics like the current scourge of COVID-19. It was highlighted that it was against this background that South Africa pledged US\$6 million to the AU's efforts, which was disaggregated as follows:

- US\$4 000 000.00 was contributed to the Special Fund for COVID-19, and
- US\$2 000 000.00 was contributed towards the Africa Centres for Disease Control and Prevention (African CDC).

#### **5.1.3 Challenges**

The ARF as well was negatively affected by the pandemic in as far as discharging its mandate. Projects on preparatory stages were delayed due COVID-19. The monitoring of projects on the ground was negatively affected by travel restrictions. Despite the difficulties, the ARF continued to implement and monitor projects because of the waivers that were granted for humanitarian workers.

### **5.2 The ARF financial report 2020/21**

In terms of the Act, the appropriated funds, among other sources, consists of money appropriated by Parliament for the Fund. During the year under review, an amount of R47 million (2020: R46 million) was appropriated to the Fund. The interest received of R33 million

(2020: R63 million) from investments, relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank, interest accrued on annual appropriation and loan granted to Cuba.

#### **5.2.1 Receivables**

Receivables represent a loan that was granted to Cuba. R22 million was disbursed during this financial year.

#### **5.2.2 Expenditure**

During the period under review, the Fund recorded expenditure of R228 million (2020: R45 million). For the year 2020/21, a significant amount was expensed towards humanitarian assistance projects in response to the COVID-19 pandemic.

### **6. Report of the Auditor-General of South Africa 2020/21 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 2021. 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). The Department has received a qualified audit opinion with emphasis of matters for 2020/21.

There has been a noted pendulum swing on the financial management performance of the Department. The audit outcomes are from a qualified audit opinion in 2015/16, to an 'unqualified audit opinion with material findings on pre-determined objectives and/or compliance with laws and regulations' in 2016/17, to successive qualified audit opinions in 2017/18, 2018/19, 2019/20 and 2020/21.

#### **6.1 The Department**

According to the Auditor-General, as of 31 March 2021, the Department has received a qualified audit opinion on its annual financial statements with findings on compliance with legislation. The Auditor-General reported that the basis for a qualified opinion was with regard to receivables, which was in the uncorrected misstatements for cash on hand and investment foreign that was identified in 2018/19 audit of the Department.

The report demonstrated that included in the current receivables for the current and prior years is R73 277 000 (2019/20: R70 971 000) for disallowance and damages. The AG was unable to obtain sufficient and appropriate audit evidence for the disallowance and damages disclosed in note 15.5 to the financial statements, as the supporting documents were not made available. The AG was unable to confirm current receivables by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to the current receivables, stated at R233 247 000 (2019-20: R238 769 000) in the financial statements.

The AG further made findings of noncompliance with legislation on the following matters:

##### **6.1.1 Unauthorised expenditure**

As disclosed in note 11 to the financial statements, the Department incurred unauthorised expenditure of R150 131 000. This is due to the overspending on compensation of employees (COE). The National Treasury has implemented a ceiling on COE 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.

##### **6.1.2 Irregular expenditure**

As disclosed in note 31 to the financial statements, the Department incurred irregular expenditure of R 187 099 000 in the current year, mainly emanating from prior year noncompliance as proper tender processes were not followed. In the prior year, the findings related to the expenditure on ongoing multi-year contracts. The areas of concern were that procurement of goods and services through these transversal contracts was not in accordance with Treasury Regulation (TR)16A6. Three quotations were not obtained as required by TR16A6 with insufficient documentation on deviations process. Awards were

made to suppliers who did not submit declarations as required by TR16A8.3; and contracts were extended/modified without approval from National Treasury, in accordance with TR16A.6.

### **6.1.3 Fruitless and wasteful expenditure**

The other matter is with regard to fruitless and wasteful expenditure to the amount of R14 572 000 incurred by the Department in the reporting year. This was disclosed in note 32 to the financial statements. It was as a result of cancellation fees for hotel accommodation.

## **6.2 Performance information**

The Auditor-General did not identify any material findings on the usefulness and reliability of the reported performance information for a sample on Programme 2.

The Auditor-General raised concerns with compliance with legislation. The material findings on compliance with specific matters in key legislation were as follows:

### **6.3 Compliance with legislation**

#### **6.3.1 Annual financial statements and annual report**

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA. Material misstatements of current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and/or the supporting records were provided subsequently. However, the uncorrected material misstatements and/or supporting records that could not be provided, resulted in the financial statements receiving a qualified opinion.

#### **6.3.2 Expenditure Management**

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R19 337 000, as disclosed in note 31 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by payments made without approval at the appropriate level as per the delegation of authority.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R12 516 000, as disclosed in note 32 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by cancellation fees for hotel accommodation.

#### **6.3.3 Consequence management**

The Auditor-General was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because the investigations into fruitless and wasteful expenditure were not undertaken. The AG commended the Minister for having commenced with implementing consequence management at the high level of senior management of the Department.

The Minister was further urged to also filter down her efforts to the rest of the Department, and include all who are implicated in the investigations of irregular, expenditure as well as fruitless and wasteful expenditure. The AG has also reported that the irregular expenditure arising from 2017-18, 2018-19 and 2019-20 has not been investigated by the Department resulting in poor consequence management.

The Auditor General was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because the investigations into irregular expenditure were not undertaken.

#### **6.3.4 Procurement and contract management**

Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of Practice Note 8 of 2007-08.

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).

#### **6.3.5 Internal control deficiencies**

The accounting officer has exercised his oversight regarding financial reporting, compliance and related internal controls. However, it was not effective due to inadequate review of the annual financial statements and compliance with applicable laws and regulations.

An action plan to address audit findings was compiled and implemented by management and the accounting officer, the plan was not effective in timeously addressing all the reported control deficiencies.

Management's monitoring controls over record management were not effective to ensure that all receivables transactions recorded in the financial statement are supported by sufficient and appropriate evidence.

Management reviews of the annual financial statements (AFS) were not adequate as they did not prevent, detect and correct material misstatements on the annual financial statements before they were submitted for audit.

Management involved in compliance monitoring processes did not take accountability to address previously reported deficiencies and non-compliance with legislations, as repeat findings were noted in this regard.

The lack of implementation of consequence management process within the Department resulted in repeat audit findings. Officials were not held responsible for breaching the legislation and consequently failing to prevent irregular expenditure and fruitless and wasteful expenditure due to no response by the accounting officer.

#### **6.4 The findings of the Auditor-General on the African Renaissance and International Cooperation Fund 2020/21**

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 at 31 March 2021. 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 an unqualified audit opinion without findings in 2020/21 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 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 at the date of this auditor's report.

### **7. 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 audit on performance reporting of the Department was found to have been useful and reliable in accordance with the applicable criteria defined in the reporting frameworks. The audit outcome on performance information has been positive for the past three years. The Committee commended the Department for the consistent and positive outcome on performance reporting.
2. The Committee has noted with concern, the difference in the manner the Department has managed performance information better than its annual financial statements.
3. The Department received a financially qualified audit opinion with findings on compliance with legislation in the 2020/21 financial year. The Department was still struggling to

resolve the prior year qualification area on current receivables (disallowance and damages account).

4. The Department has reduced the material misstatements in this account from R186 million to a balance of R73 million, however it was not enough to address the qualification. Even though the Department had obtained the services of a forensic investigation firm to assist in addressing the qualification area, this did not yield a positive result.
5. The prevalent instances of non-compliance are in the areas of expenditure management, supply chain management, consequence management and material misstatements identified in the financial statements submitted for audit. Findings raised are in most instances recurring findings, indicating that audit action plans and a culture of consequence management is not exercised effectively.
6. The Department has continued to incur irregular expenditure due to noncompliance with legislation findings on supply chain management (SCM) processes. This was mainly from missions where quotations were not obtained or expenditure incurred on expired contracts.
7. 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.
8. The Committee commended the Minister for implementing consequence management at the highest level within the Department. It further noted that the Minister's efforts on consequence management have not yet filtered down to the rest of the Department, to promote a culture of consequent management.
9. The irregular expenditure arising from 2017-18, 2018-19 and 2019-20 has not been investigated by the Department.
10. Committee noted with appreciation the good and selfless work by the Department in carrying out an unprecedented and hugely successful undertaking of repatriating citizens from across the globe, because of the lockdowns imposed by the coronavirus pandemic.
11. A concern was raised that the preparation of financial statements remains a challenge for the Department. Material adjustments on misstatements had to be effected to the Annual Financial Statements (AFS) submitted for audit.
12. It was noted that transactions of this nature require a Finance Team that is adequately qualified to deal with complex accounting standards within diverse multi-currency environment. Foreign exchange gains or losses require high level skills and frequent reconciliation exercises performed on time. It transpired that record keeping of financial transactions remained a challenge in both missions and headquarters. There is a lack of daily reconciliation of transactions, to unpack receivables and payables.
13. Compliance with applicable legislation is another area of concern for the Department especially in supply chain management (SCM).
14. The Department continued with contracts which were irregularly awarded. One such contract is the bandwidth contract provided by the BT Communications for which the CFO was charged but not found guilty. The Department incurred irregular expenditure of R187 million in the current year. The majority of irregular expenditure was caused by contracts that were extended/varied without approval from National Treasury.
15. The Department incurred unauthorised expenditure of R252 million in the reporting year. This is due to the compensation of employees ceiling implemented by National Treasury which does not cover cost for the filled positions.
16. The Committee noted 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.
17. The Committee applauded President Ramaphosa for the sterling work in his capacity as the AU Chair, in coordinating access to vaccines and preparedness of Africa to manage the pandemic. He being appointed a COVID-19 Champion to continue the good work he was undertaking.



18. It was observed that some of the Corporate Service Managers (CSMs) do not have formal finance background training and experience. Some Missions were contributing to the cash and cash equivalents and receivables findings because of lack of financial management skills.
19. 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.
20. The Committee expressed a view that consequence management should be embedded in the processes of the Department, not for it to await a finding by the AG.
21. It was noted that some of the contracts were awarded to suppliers who had no tax clearance by the South African Revenue Services; and to bidders who did not submit the required declarations as required by National Treasury.
22. The Committee noted that the Department was able to have a credible asset register. It sought to understand why it took long for the Department to investigate the disallowance account, and the specific challenges preventing it to overcome the situation.
23. It became clear from the report that once again the Department did not achieve the target relating to the implementation of the digital transformation through the acquisition of ICT equipment. The Committee sought clarity regarding specific challenges in supply chain management which resulted in the Department having taken almost 3 years to purchase laptops and desk top computers; and on plans in place to address those challenges.
24. It was previously reported that the bandwidth procurement process has been under way for some time and that the current service provider has had to be extended over several times, despite the fact that irregular expenditure has been incurred on the tender. The Committee sought assurances that this time around the Department is expediting the procurement process for the new service provider and that the green one (BT Communications) is being terminated.
25. The Committee noted that it has repeatedly commended the Department for clean audit received by the ARF. However, it expressed a concern that the fund seems not to have impact on this country's development cooperation agenda. More information was sought on the plans underway to ensure that the disbursement of the funds from the ARF demonstrates South Africa's contribution to the objectives set out in the ARF Act. Also, more information should focus on the turnaround time for the development interventions to be implemented and the extend this has impact on the beneficiary country.
26. More information was sought on the unfolding scenarios regarding the granting of an observer status to the State of Israel at the African Union.
27. Progress report was sought on the issue of a video on social media, where, seemingly, a South African student was ill-treated in the hands of Cuban police.
28. A concern was raised regarding the low 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 assurance that National Treasury would not end up withdrawing the allocation altogether.
29. Clarity was further sought as to whether internal control mechanisms were functioning optimally. It was wondered why then the Department would remain in a sea of recurring audit findings if the checks and monitoring compliance mechanisms were effective.
30. The Committee unanimously resolved that, based on the recurring findings of the Auditor General and the challenges of the Department in addressing the matters in the Finance branch, the presentation of the Audit Action plan could no longer be delayed. It must have timeframes and its implementation be quarterly reported on. Progress on the actions taken should be a standing agenda item.
31. The high rate of vacancies relating to critical positions in the Department was a matter of great concern.
32. More information was sought regarding the monies owed the Department of Home Affairs, usually collected in the Missions abroad as fees for civic services offered.

The issue was seen as having potential to create a finding for the Department in the future.

33. Daily reconciliations of monetary transactions continue to be a challenge for the Department and Missions abroad. This results in unreliable records which accumulate and create cash and cash equivalent issues.
34. It was concerning that the processes towards the implementation of the Foreign Service Act 2019, were not finalised within the stipulated timeframe during the reporting period.
35. The brief account of what transpired during discussions between the Acting DG and the Minister relating to the Acting DG's Facebook post, was regarded as disgraceful, and therefore not acceptable as an apology to Members.
36. The following reports which are still outstanding, be presented to the Committee without further delay:
  - The investigation into the allegations of financial misconduct of the DG, that led to his charges and subsequent dismissal, and to what extent it had different findings from the Committee's New York oversight report.
  - Progress on the appeal of the judgement against the Department on the New York matter, aimed at reviewing and setting aside of the tender.
  - Progress on the plans to circumvent the state of affairs regarding neglected and dilapidated buildings abroad.
  - Progress on the investigations regarding the payment in vain of R2.5million for a design of an Official Residence in Botswana.
  - An update on the effectiveness of the Audit Action Plan.
  - There is a need for a dedicated meeting to address the innuendos levelled against committee members by the acting accounting officer, in her Facebook page.

## **8. Responses by the Department**

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

1. The Department has reduced the material misstatements in the disallowance account from R186 million to a balance of R73 million, however it was not enough to address the qualification. The finding is part of the audit action plan, and it would be soon addressed. The Department acknowledged that it acted late in addressing the issue of the disallowance account.
2. The Department would endeavour to mirror the good practices from the ARF, in its path towards an unqualified audit opinion. It was however, the believe of the Department that a great deal has changed in the Department since the last financial year.
3. The Department has identified critical positions that require to be filled. The key focus would be to get young people into the Department. In this regard, the post of the CFO has been advertised, with a key requirement for a chartered accountant. The Minister has since received a delegation from the President to advertise the DG position. The Committee would benefit from seeing the CVs of shortlisted individuals.
4. The Department is obliged to provide consular services and strongly believe repatriations were successful.
5. The meeting of the Executive Council of the African Union has referred the matter of Israel being given an observer status to be addressed by the Heads of State and Government. SADC and South Africa are steadfast that the decision should be rescinded.
6. The telecommunications sector in South Africa is impacted upon by the sanctions imposed on Huawei. South Africa has asked US and China to solve their trade wars.
7. There should indeed be a daily reconciliation of accounts both in the Missions and headquarters. The challenge is that the systems for reconciliations in both areas are not synchronised. The Department only receives the records at the end of the month, and by then it would be too late. National Treasury has been requested to lift the moratorium for the Department to buy its own system, which would be linked to missions abroad.

8. Nineteen maintenance projects are on-going, 10 of which are in Africa. The Department is focusing on the conditions of the properties, to have a holistic approach to maintenance plans and actions. The Department of Public Works has already issued a concurrence letter for the Department to dispose of properties should it be necessary. The Department has sought an expert assessment to determine the course of action needed for the properties identified.
9. The acting DG explained that she told the Minister that she went on Facebook to air her views because she was aggrieved by Members of the Committee. She was told that was not the way to address the matter and she apologised.
10. The Auditor General expressed appreciation for the tone of the Committee on the need for consequence management and the addressing of recurring issues to be embedded in the operations of the Department. Furthermore, the Committee's resolve to regularly invite the internal audit and audit committee, was welcomed. The AG further offered to assist the Committee in ensuring the effectiveness of the audit action plan.

## **9. Conclusions**

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, except for the possible effects of the qualified audit opinion, the Department has utilised its budget in accordance with its plans for 2020/21. The Department was regarded as having demonstrated accountability to Parliament and the people of South Africa on resources spent, and how it contributed in 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 qualified audit opinions. 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 as 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 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 publicise the good work done through this foreign policy soft power instrument.

## **10. Recommendations**

The Committee is of the opinion that overall the Department has performed according to the goals it had set itself for the 2020/21 reporting period. The 2020/21 budgetary allocations of the Department were generally aligned to the national strategic priorities outlined in the 2020

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 the standard of unqualified opinion on performance reporting and apply the strategies used to improve financial reporting.
2. Expedite the forensic investigation into the unexplained transactions totalling R73 million on disallowance account and report to the Committee on the findings, recommendations and implementation thereof.
3. Show what steps are being taken as remedial action for root causes of negative audit outcomes for the Department, and report quarterly on progress thereof.
4. Finalise and implement audit action plan timeously to address both recurring and new audit findings, especially with reference to compliance with legislation.
5. Ensure that the Internal Audit Unit together with the Audit Committee review the audit action plan to ensure that root causes are properly identified and that it is adequate to address findings.
6. Investigate all reported unwanted expenditure (irregular, as well as fruitless and wasteful) for the following financial years: 2017-18, 2018-19 and 2019-20 and report on progress thereof quarterly. Consider possible investigation on former Ministers and DGs for irregular expenditure based on the related report.
7. Ensure that record management is enhanced to prevent repeat limitation findings.
8. Maintain basic financial discipline of preparing and performing detailed reviews of monthly reconciliations.
9. Consider approaching the National Treasury, to assist in the conduct of a thorough competency assessment of the financial management function in particular, as well as provide support to the identified skills deficiencies in the Finance Branch in general.
10. Ensure that suitably qualified accountants, including personnel accredited by the Institute of Chartered Accountants in near future or through other means, are recruited.
11. Expedite review of the organisational structure to, among others, separate the Finance branch from property management and all other non-financial units.
12. Terminate all expired contracts with service providers and report to the Committee on a quarterly basis of the progress thereof.
13. Ensure that a culture of consequence management is cultivated and maintained in the Department.
14. Review policy for posting of administrative officials abroad, as some of the Corporate Service Managers (CSMs) do not have formal finance background, training and experience.
15. Ensure that heads of line function branches (Deputy Directors-General) work closely with the heads of missions and corporate service managers to deal with the recurring root causes for repeat findings in their respective missions.
16. Fast-track the procurement of laptops, desk tops and computers, and finalise all other related processes, to facilitate the implementation of digital transformation.
17. Prioritise the finalisation of processes for the required regulations, codes, directives for the full implementation of the Foreign Service Act 2019.
18. 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.
19. Prioritise the processing of the Partnership Fund for Development Bill, and stipulate timeframes, to facilitate the migration from the ARF to SADPA.

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

To the National Assembly:

**22** 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 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.

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

24 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.

25 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.

26 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.

27 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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