



**PFMA
2021-22**

Budgetary review and recommendations report (BRRR) **Portfolio Committee on Tourism**

11 October 2022



AUDITOR-GENERAL
SOUTH AFRICA



MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

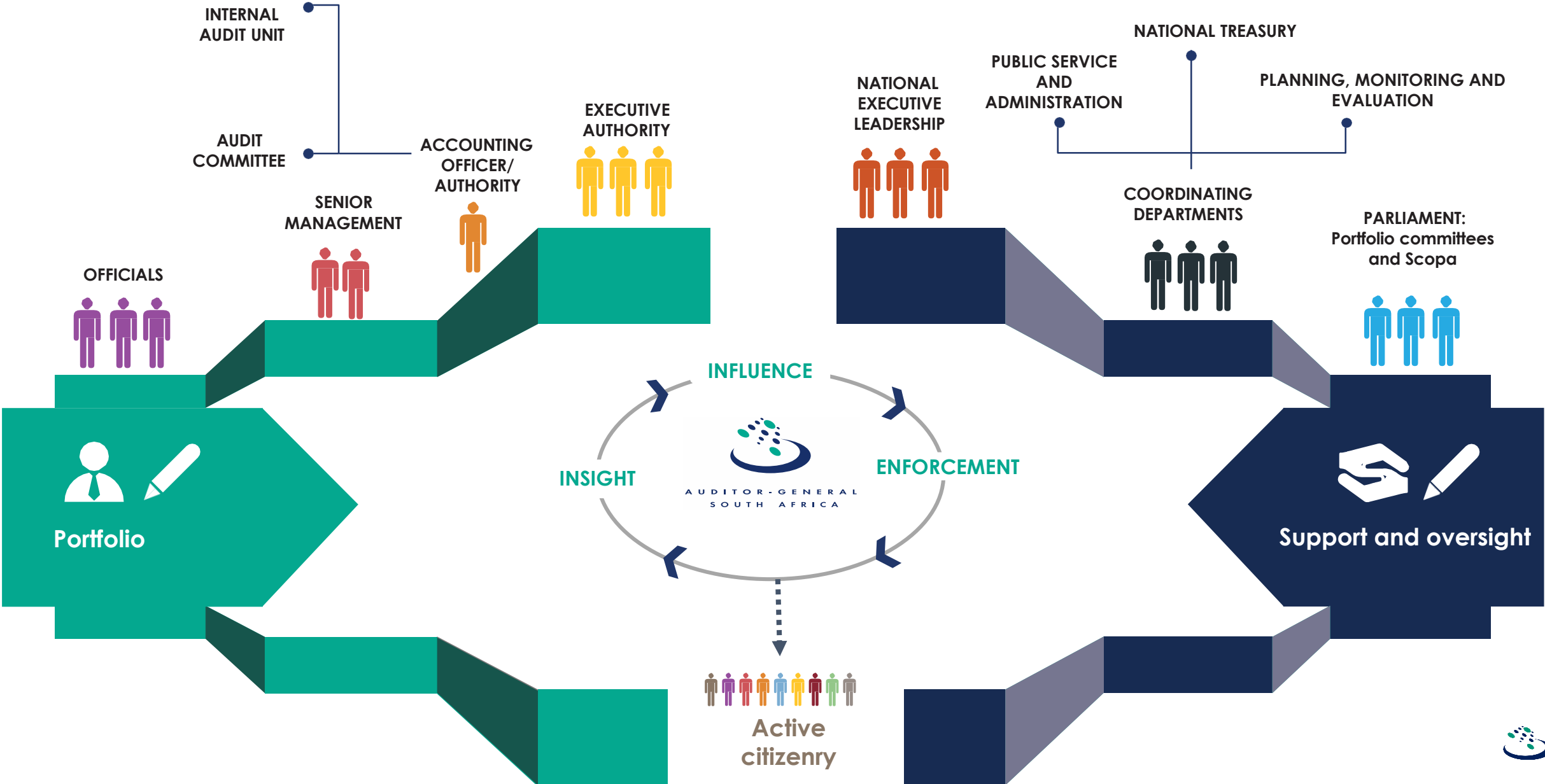


VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



All have role to play in national government accountability ecosystem



Improvement over administration term



MOVEMENTS FROM PREVIOUS YEAR:
1 ↑

FROM FIRST YEAR OF ADMINISTRATION:
No movement ↑

None

2018-19
South African Tourism (SAT)

2020-21
National Department of Tourism (NDT)

2019-20 and 2021-22
NDT
SAT

2018-19
NDT

2020-21
SAT

None

None



Movement from previous year

 Movement  Audit outcome	1 Improved	1 Unchanged	0 Regressed	0 New auditee	0 Outstanding audits
Unqualified with no findings	-	-	-	-	-
Unqualified with findings	South African Tourism	National Department of Tourism	-	-	-
Qualified with findings	-	-	-	-	-
Adverse with findings	-	-	-	-	-
Disclaimed with findings	-	-	-	-	-



- The overall audit outcome for the tourism portfolio has improved from the prior year. The **National Department of Tourism (NDT)** and **South African Tourism (SAT)** received financially unqualified opinion with findings on compliance with key legislation. The improvement in the overall audit outcome is due to the improvement at SAT which had received a financially qualified opinion in the prior year with findings on compliance and predetermined objectives. In the prior year, SAT was qualified on marketing expenditure and receivables from non-exchange transactions as management did not have sufficient controls to ensure completeness of expenditure incurred by third parties on behalf of SAT.
- The improvement in the audit outcome for the portfolio is attributable to the **effectiveness of the action plan** implemented by the accounting authority of SAT as well as the existence of **effective governance structures** to implement and monitor the audit action plan. While the audit outcome for NDT remains unchanged from the prior year, there was a notable improvement in areas of compliance with supply chain management and predetermined objectives. The improvement is attributable to the effectiveness of the action plan implemented by the accounting officer. While the action plan was effective in addressing prior year findings, the emergence of new findings is indicative of the need to implement preventative controls that will strengthen the overall control environment. The accounting officer and accounting authority should ensure that the portfolio has embedded preventative controls necessary to improve audit outcomes to achieve clean administration and avert regression. Future action plan should be tailored at achieving clean administration and not only addressing prior year findings.
- **Expenditure management:** The irregular expenditure in the portfolio decreased from R21,29 million in the prior year to R8,6 million in the current year. SAT remains the biggest contributor to irregular expenditure, accounting for 79% of irregular expenditure for the year. The irregular expenditure incurred by SAT relates mainly to non-compliance with Supply Chain Management (SCM) prescripts which was due to lack of preventative controls to ensure compliance with SCM legislation. The accounting authority should ensure that sound preventative controls are implemented and that there is adequate monitoring of compliance with laws and regulations. The irregular expenditure incurred at NDT was mainly due a multi year contract declared irregular in the prior year wherein expenditure is still being incurred. **NDT did not have new instances of irregular expenditure.** The accounting officer is commended for this improvement. An assessment of irregular expenditure against five pillars of constitutional provisions was performed. The results indicated that 54% of the instances related to a procurement process that was not competitive; 19% was not fair; 17% was not transparent and 10% not equitable. Our assessment concluded that value for money was received for irregular expenditure incurred.



- **Consequence management:** Generally, consequence management is taken seriously in the tourism portfolio. The portfolio leadership displayed greater dedication to strengthening accountability and consequence management. Instances of irregular and fruitless and wasteful expenditure were investigated and disciplinary action was taken against officials who had transgressed the applicable legislation and processes, hence no findings were raised in this area. It is however recommended that the accounting officer and accounting authority continue to maintain the culture of zero tolerance to non-compliance with legislation.
- **Quality of financial statements:** The quality of submitted annual financial statements is an area of concern for the tourism portfolio as material adjustments were made to the financial statements that were submitted for audit for both NDT and SAT. The material adjustment for NDT related to **incorrect accounting treatment** for intangible assets (software licenses) while at SAT, **errors** identified range from **inconsistencies** between figures reported in the financial statements and the notes, to formula errors and **inappropriate presentation**. This was mainly due to inadequate review of the annual financial statements as the errors could have been identified had timeous and proper reviews been undertaken. The accounting officer/authority should enhance the process of preparation and review of the financial statements to ensure that financial statements submitted for audit are of good quality. Management should ensure that the preparation and review of the financial statements is planned to ensure that adequate reviews by senior management, internal audit and audit committee are adequately performed.
- **Quality of annual performance report:** Overall, there was an **improvement in the credibility of submitted annual performance report**. At NDT, no material misstatements were identified on usefulness and reliability of reported performance information. This was an improvement from the prior year where a usefulness finding was reported. The improvement was due to enhanced review of the annual performance against the annual performance plan by management. At SAT, a material misstatement was identified in the indicator for number of domestic deal driven campaigns implemented. The reported achievement for this target was misstated as the audit evidence indicated five (5) domestic deal-driven campaigns were implemented and not four (4) as was reported in the annual performance report submitted for audit. This was due to lack of adequate review of the annual performance report against source documents. This misstatement was subsequently corrected, resulting in no material finding being reported. The accounting authority should enhance the process of preparation and review of the annual performance report to ensure that annual performance reports submitted for audit are of good quality.



- **Financial viability:** Overall, the financial health for the tourism portfolio has **improved** when compared to the prior year. This is evidenced by the overall improvement in key financial health indicators at NDT and SAT such as available cash reserves and creditors' payment period which are within a reasonable timeframe and the 30-day period in terms of the Public Finance Management Act (PFMA), and available cash reserves. SAT also made a profit in the current year compared to the operating loss in the prior year whereas NDT maintained its surplus status from the prior year. While there was a significant increase in the cash balance for SAT, there was a marginal reduction in cash balance for NDT in the current year.
- **Governance/stability:** The tourism portfolio also had some **leadership instability** during the period under review. The Chief Financial Officer (CFO) position was vacant from 01 October 2021 at NDT and has been filled with effect from 01 October 2022. At SAT, the Chief Executive Officer (CEO) position has been vacant since 01 June 2021 while the Chief Operations Officer (COO) position which became vacant on 01 December 2021 was filled on 01 June 2022. The filling of the vacant positions will go a long way in creating stability and enhancing governance, accountability and oversight in the portfolio.
- **Information technology:** The assessment of the **information technology (IT)** at NDT revealed that the IT environment has matured, as formal processes are currently up to date, implemented and adhered to. Formal key **IT governance** structures are in place to address significant risks within the IT environment. Furthermore, management had implemented controls that were committed to in the prior year to address the information technology (IT) deficiencies. At SAT, the analysis of the information technology (IT) audit outcomes indicated that management had not formalised processes relating to **IT governance** that will direct and evaluate the use of IT to support SAT. These processes include the formalisation of the IT governance framework, IT strategic plan and IT policies. Without these processes, the auditee will not be able to monitor the use of ICT to achieve its plans, use IT strategy and policies to accomplish its purpose and align the IT strategy with SAT's goals. SAT had appointed a service provider to implement the IT Governance Framework, IT strategic plan and IT policies. The project was planned to start on 1 June 2022 and be completed by 30 September 2022.



Portfolio performance



Service delivery objectives

- Tourism remains a key driver of South Africa's national economy and contributes to job creation. The Medium-Term Strategic Framework (MTSF) priority outcomes for the tourism sector were set out in the National Development Plan (NDP). The tourism portfolio contributes to the realisation of the vision of improved economy as articulated in the NDP and **priority 2 - Economic transformation and job creation** of government's 2019-2024 MTSF. The NDP identifies tourism as a highly labour intensive industry which stimulates the development of small businesses and generates foreign direct investment and significant export earnings. The tourism sector also creates jobs for semi-skilled and unskilled workers in the short to long term. The NDP also recognises the need to develop and implement a destination brand strategy to promote South Africa as a preferred tourism destination, increase in the value of international tourist spend and ultimately increase growth in the tourism sector, a role executed by SAT. These priorities are incorporated in the **strategic and annual performance plans** of NDT and SAT.

Performance against MTSF targets and annual performance

- Generally, we have noted that the strategic plans and APPs are aligned with government priorities as contained in the MTSF and NDP. This assists government in the implementation of its own plans. The department should now focus on the implementation of its own plans, exercise effective oversight and monitoring of the delivery of the key indicators by SAT. An assessment was done to evaluate the tourism sector's progress to achieve the 5-year strategic outcomes in relation to the MTSF priorities. Based on the assessment, the tourism portfolio is **slightly behind** to achieve the revised five year targets mainly due to the **severe impact that the covid-19 pandemic had in the tourism industry**. The reality is that the tourism portfolio is now two years behind given the restrictions that came with the pandemic in previous years, affecting the implementation and attainment of the mandate for the portfolio. The easing of travel restrictions towards the end of the financial year and termination of **state of disaster** is likely to result in significant improvement in tourism activities going forward. The accounting officer and accounting authority should implement measures to catch up on targets where the portfolio has fallen behind in terms of the achievement of the 5 year targets. These measures should include more regular monitoring of the achievement of targets.
- The key priority for the Tourism portfolio was the **revival of the economy**. The portfolio's contribution to the economy is measured through various KPIs linked to the MTSF. The achievement of key indicators in the current year is further unpacked below.



Achievement of targets at NDT

- NDT **achieved 80% (44 of the 55 targets) in the annual performance plan.** Key targets achieved include amongst others those relating to the implementation of the pilot programme for women in tourism implemented in Vhembe and Mopani districts in Limpopo province; the capacitation of tour guides; enrolment of women in tourism in an executive development programme. Furthermore, training initiatives successfully implemented will go a long way in the improvement in the tourism sector. These initiatives included the recognition of prior learning process for chefs. We commend the department for exceeding the target for the training of 249 SMMEs on norms and standards for safe tourism operations in all nine provinces targeting **villages, townships, and small towns.** The department also hosted a successful **National Tourism Careers Expo** on 25 - 27 March 2022 in NASREC. The career Expo will go a long way in driving the goal of the National Tourism Sector Strategy to create an additional 300 000 tourism job opportunities by 2026.
- The department **did not achieve 11 targets overall.** Targets not achieved are mainly those geared toward uplifting small businesses in the tourism industry, transformation of women and youth as well as the indirect creation of jobs. The reasons for under achievement were mainly due to delays in finalising procurement processes for service providers to implement the initiatives and litigation against the department which delays the implementation of the initiatives. **This negatively impacts on the transformation of the industry, the upliftment of emerging businesses in the tourism industry and job creation.** We recommend that the department develop a strategy to overcome procurement related challenges and other external factors which negatively affect the achievement of planned targets. The department should also improve in terms of planning for the implementation of initiatives to ensure that adequate preparatory activities are undertaken in a timely manner to ensure successful implementation of the planned indicators and targets. The specific reasons for non-achievement of targets are further highlighted below.

Tourism Equity Fund (NDT)

- The target relating to the implementation of the Tourism Equity Fund (TEF) which was meant to offer grant-funding support for black industrialists in the tourism sector was not achieved. This programme has been halted due to a court interdict. Even though the delay is not within the control of the department, this delay impacts negatively on the progress in transforming the tourism industry. The department should continue to monitor the development around this case, assess the impact on the achievement of the target and develop appropriate strategies to mitigate the impact.



Incubation program to support tourism Small Medium Micro Enterprises (SMMEs) (NDT)

- The target relates to the non-financial support provided to SMMEs for enterprise development and growth. The target was not achieved due to one element of the incubation programme, being the **community-based enterprise incubation program** not being implemented. The department did not anticipate the extent of preparatory work prior to commencing with the procurement process to appoint service provider(s). The impact of the under achievement is that small business who live in the vicinity of iconic tourism destinations and national and provincial parks such as Kruger National Park, did not receive support to participate in the beneficiation that occurs in those areas through the tourism value chain due to the non-implementation of the community-based enterprise incubation programme. The accounting officer should closely monitor the implementation of the strategy to overcome the under achievement which is prioritising the procurement of a service provider for implementation of the community-based enterprises incubation programmes. Procurement processes should be adequately planned to prevent under achievement of targets due to delays in procurement process.

Supporting 25 women tourism businesses in each province (NDT)

- The objective of the target is to increase women participation in the tourism sector. The target was under achieved by **forty-four (44) women** in terms of participation due to the department prioritizing women in Gauteng because of the demand in that province and mitigating the risk of drop outs in other provinces. The impact of the under achievement is that forty-four (44) women tourism businesses particularly in rural provinces missed out on mentorship and business development training sessions. The accounting officer should closely monitor the implementation of the **strategy to overcome under achievement** which is recruitment of more women-owned SMMEs in the next financial year particularly in rural provinces. Procurement processes should be adequately planned to prevent under achievement of targets due to delays in procurement process.

Implementation of Tourism Monitors Program in all provinces (NDT)

- The target relates to enhancement of visitor experience and safety in identified tourism attractions aligned to the safety hotspots. Through the tourism monitors programme, jobs are created. While the programme was implemented as envisaged in other provinces, it was not implemented in **Limpopo** due to challenges in the procurement process. The tender process for the service provider was delayed due to irregularities identified during bid evaluation which resulted in the procurement process being cancelled and retendered. This has delayed the opportunity to enhance safety of tourists in certain attractions, the provision of skills and practical work experience including EPWP wages to unemployed youth in the Limpopo. The accounting officer should closely monitor the implementation of the strategy to overcome the under achievement which is prioritising the procurement of a service provider for implementation of Tourism Monitors Program in Limpopo. Procurement processes should be adequately planned to prevent non-achievement due to delays in procurement process.



Implementation of Food Safety Quality Assurance Program (NDT)

- The target relates to training of unemployed and retrenched youth on norms and standards for safe tourism operations. The under achievement was due to lack of suitable service provider to implement the programme in the province of **KwaZulu-Natal (KZN)**. The department has since revisited the terms of reference and procurement processes is expected to restart soon. The programme was however implemented in other provinces as planned. The impact of the under achievement is a delayed opportunity to provide skills and practical work experience in the area of food safety quality assurance to unemployed youth in KZN. The accounting officer should closely monitor the implementation of the strategy to overcome the under achievement which is prioritising the procurement of a service provider for Implementation of Food Safety Quality Assurance Program in KwaZulu-Natal. Procurement processes should be adequately planned to prevent under achievement of targets due to procurement delays

Training of chefs in norms and standards of the industry (NDT)

- The target relates to training of chefs on norms and standard for safe tourism operations. The under achievement was due to the non-implementation of the programme in **North-West** due to legal processes underway related to the validity of Preferential Procurement Regulations of 2017 and restriction imposed by National Treasury on the advertisement of tenders following the judgment handed down by the Constitutional Court. The programme was implemented successfully in other provinces as planned. The impact of the under achievement has delayed the opportunity to provide training to chefs in norms and standards of the tourism industry and creation of jobs in the North-West Province. The accounting officer should closely monitor the implementation of the strategy to overcome the under achievement which is prioritising the procurement of a service provider for training of chefs in norms and standards of the industry in North-West, noting that legal processes are not always in the control of the department.

Implementation of the Hospitality Youth Program to train youth in the tourism industry (NDT)

- The target relates to the training of unemployed youth on norms and standards of food and beverages. The under achievement was due to delays in the appointment of service providers for **Gauteng (GP), North-West (NW), Mpumalanga (MP), Limpopo (LP), KwaZulu-Natal (KZN) and Free State (FS) Provinces**. The delay in the appointment of service providers was due to legal processes related to the validity of Preferential Procurement Regulations of 2017 and restriction imposed by National Treasury on the advertisement of tenders following the judgement handed down by the Constitutional Court. The impact of the under achievement is delayed opportunity to provide training to youth in the hospitality industry as well as the creating of jobs in **GP, NW, MP, LP, KZN and FS**. The accounting officer should closely monitor the implementation of the strategy to overcome the under achievement which is prioritising the procurement of a service provider for Implementation of the Hospitality Youth Program, noting that legal processes are not always in the control of the department.



Achievement of targets at SAT

- At SAT, 73% (30 out of 41) of the targets were achieved. The key priority for SAT in the 2021-22 performance year was firstly, to lead the recovery of the tourism sector and reaffirm South Africa as a preferred leisure and business events destination to relevant markets and to position for the future of tourism in an environment of rapid change. The entity achieved this as evidenced by the number of international and regional tourists coming to South Africa as well as the spending by tourist in the country. With regards to business events, the **Africa Travel and Tourism Summit** was held in September 2021 in the absence of the **Africa Travel Indaba** as a platform to solve tourism challenges created by the pandemic. We further commend the entity for hosting a successful tourism business event, Meetings Africa with the objective of showcasing Africa's diverse offering of tourism services and products where African associations and African meetings industry professionals collaborated to help transform our continent. In the prior year, MTSF Targets for the entity were adjusted due to the reduction in the budget for the entity by 60%. This negatively affected the achievement of some of the MTSF targets as shown in the next slide. The focus in the prior year was on domestic travelling given the restrictions on international travel. The accounting authority should continue to monitor the achievement of targets and devise a strategy for catching up on targets not achieved by the entity, particularly as a result of covid-19. The key targets not achieved are listed below.

Number of day trips (SAT)

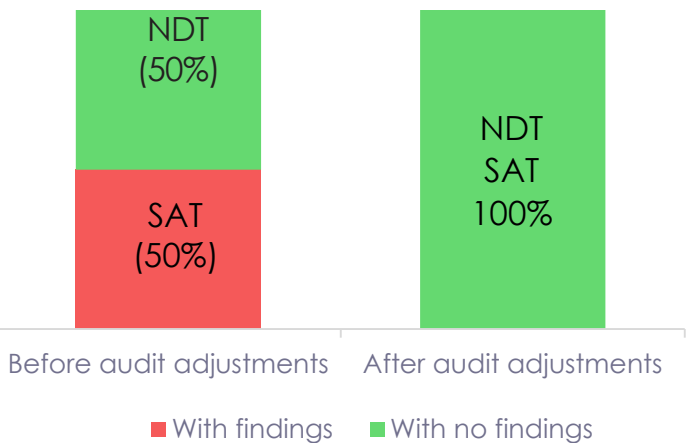
- The target relates to the measure of number of day trips taken by a South African within the country which is outside their usual place of residence. The target was not met due to less travel undertaken by South Africans because of the **covid-19 pandemic** and the resultant lockdown restrictions for the greatest portion of the financial year. Although the effect of covid-19 is not within the control of the entity, the likely impact of a lesser number of day trips is reduced demand overall in the tourism sector, ultimately affecting job creation and retention. The accounting authority should compile a strategy for improving under achievement of this target going forward. Initiatives already implemented such as the "Sho't Left" campaign are starting to bear fruits as can be seen in the significant increase in value of domestic holiday direct spend.

Brand strength index (SAT)

- The target measures the South African brand performance. SAT seeks an improvement in the brand strength index. The target was not met due to the tender for the service provider to conduct the survey having been cancelled and re-advertised and was being evaluated at year end. SAT intends to conduct the survey in the 2021-22. As an all-encompassing **measure of brand performance**, SAT seeks an improvement in the brand strength index. Delays in conducting the brand strength survey may affect the ability of the entity to apply strategies to improve the South African Brand as they market the country as a preferred tourist destination. The accounting authority should closely monitor the finalisation of procurement process to ensure the timeous conduction of the brand strength survey which informs the target.



Quality of performance reports before and after audit



Findings: Reporting

Material adjustments at SAT

It was noted that the reported achievement for the target was misstated as the audit evidence provided indicated five (5) domestic deal-driven campaigns were implemented and not four (4) as was reported in the annual performance report submitted for audit.

This was due to inadequate review of the annual performance report. The accounting authority of SAT should enhance its oversight over performance reporting to ensure that performance reports are reliable.

Impact

- Credible performance reporting
- Reporting is aligned with the lived experiences of the citizens

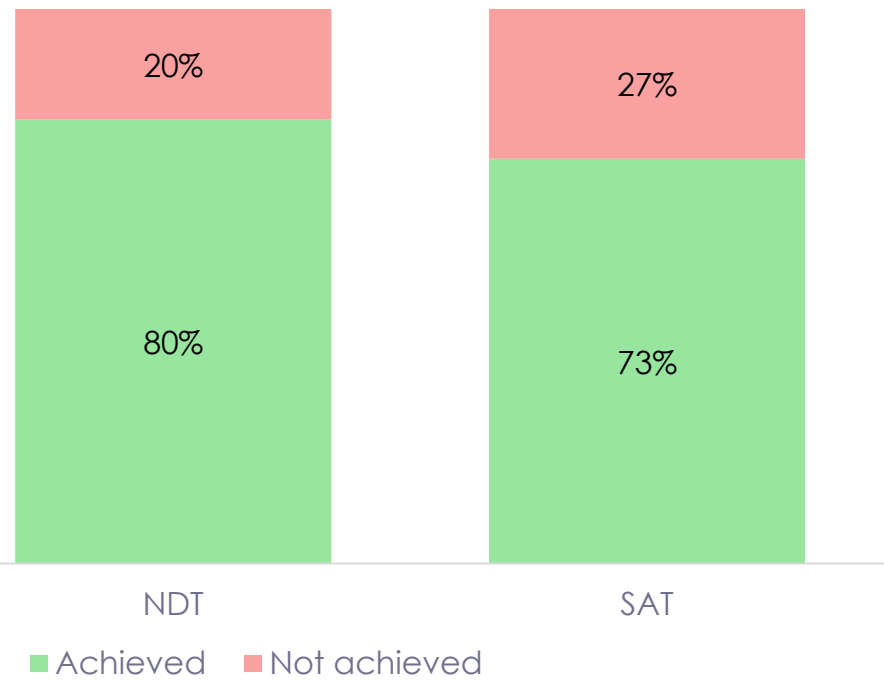


Key targets in medium-term strategic framework for portfolio

The achievement of MTSF Targets in the tourism portfolio is measured by:

- direct contribution to the GDP
- direct contribution of tourism to job creation
- international tourist arrivals
- total tourist foreign direct spend
- domestic holiday trips

Achievement of annual targets as reported in annual performance report (all indicators) – 2021-22



Key targets not achieved include:

- Implementation of the Tourism Equity Fund
- Incubation program to support tourism SMMEs
- Supporting 25 women tourism businesses in each province
- Implementation of Tourism Monitors Program
- Brand strength index
- Number of day trips

Impact of targets not achieved

- Delayed transformation in the tourism industry
- Lack of support for small, medium and micro enterprises in the tourism industry
- Lack of support for women in tourism particularly in the rural provinces
- Lack of job creation
- Inability to apply strategies to improve the South African Brand when marketing the country
- Domestic tourism still under pressure due to lack of support by South Africans



Achieving key performance targets – summarised information from performance report

National Department of Tourism

Performance indicator	Target	Actual performance	Reason for non-achievement
Implement the Tourism Equity Fund (TEF)	TEF applications approved in 2021/2022 (four Adjudication meetings held).	The TEF applications were not approved in 2021/2022 (four Adjudication meetings were not held).	The processing and adjudication of TEF applications is currently halted temporarily through a court interdict.
Incubation Programme implemented to support tourism SMMEs	Incubation programme implemented to support tourism SMMEs through the following Incubators (Business support and development): 1. Manyeleti Incubator 2. Phalaborwa Incubator 3. Mier Incubator 4. Tech Incubator 5. Tour Operator incubator 6. Food Services Incubator 7. Two community-based enterprises incubation programmes.	Six out of seven elements of the incubation programme were implemented to support tourism SMMEs (Business support and development): 1. Manyeleti Incubator 2. Phalaborwa Incubator 3. Mier Incubator 4. Tech Incubator 5. Tour Operator incubator 6. Food Services Incubator	As this was a pilot, the department did not anticipate that the project would entail as much preparatory work as it did prior to commencing with the process to appoint service provider(s). The terms of reference (ToR) had been developed.
Implementation of Women in Tourism Business Development and Support Programme for 225 women: 25 women owned SMMEs per province.	Implement Women in Tourism Business Development and support Programme for 225 women: 25 women owned SMMEs per province (nine provinces).	181 women were supported. The breakdown for the 181 women-owned SMMEs in Women in Tourism Business Development and Support Programme is as follows: • GP: 47 • KZN: 15 • NW: 13 • MP: 19 • NC: 14 • EC: 20 • WC: 18 • Limpopo: 21 • FS: 14	The reason for more women-owned SMMEs in GP (22 more) is that there was more demand in GP than in other provinces. Furthermore, it was also to mitigate against the risk of potential drop outs.



Achieving key performance targets – summarised information from performance report

National Department of Tourism

Performance indicator	Target	Actual performance	Reason for non-achievement
Implementation of Tourism Monitors programme nationally	Implementation of the Tourism Monitors Programme nationally inline with the project plans: <ul style="list-style-type: none"> • Provinces: GP, WC, NC, EC, LP, FS, KZN, NW, MP • SANBI • SANParks • iSimangaliso 	Tourism Monitors Programme was implemented nationally in line with the project plans in the following provinces: GP, WC, NC, EC, FS, KZN, NW, and MP. It was also implemented at SANBI, SANParks and iSimangaliso.	The programme was not implemented in Limpopo province. The bid evaluation process identified irregularity. The department then took a decision to restart the procurement process.

South African Tourism

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of day trips	116.1 million	82.5 million	Lockdown restrictions and related limitations imposed by the covid-19 risk adjusted strategy.
Brand Strength Index (leisure tourism)	39.9	Survey not conducted	The tender was re-advertised and is currently being evaluated. The survey will thus be undertaken in the new fiscal year.



Employment initiatives



- NDT participated in the PESP to create jobs in the tourism sector to help reduce the unemployment burden. This was done through expenditure on tourism projects that would create employment. They only had 6 months to rollout the programme and agreed with the PESP team on a target of 1 162 learners in the programme. While sustainability of the created job may be a cause for concern, the learning/training received by the learners is expected to benefit them in the long run. The objective in terms of number of jobs to be created was however not met as illustrated below.
- The 1 162 learners became the target that NDT worked and reported on quarterly, from October 2021. NDT has achieved 919 by the end of March 2022. The table below illustrates the planned target, the achievement and the deviation.

	Planned Target 2021-22	Actual achievement 2021-22	Deviation
Jobs created	1 162	919 (79% of the target)	243 (21%)

- The root cause for not achieving the job creation target is that when NDT applied for PESP funding, they had planned on implementing the programme for a full financial year. However, the department only received confirmation of funding of the programme towards the end of September 2021 which left NDT with reduced time to plan and implement the programme itself.
- A total of R108 million budget was approved, and broken to two projects, namely: The Maintenance and Beautification Programme and the Tourism Safety Monitors Programme at the end of March 2022, R105.9 million (98%) was spent. 79% of the target was achieved in terms of job creation, while 98% of the budget was spent.
- Better coordination between all role players, Presidency, National Treasury and NDT could have prevented the under achievement of the target. It is also acknowledged that factors such as the increase in wage rate to R23 per hour also contributed to the under achievement.
- It is recommended that future employment initiatives be more focused on sustainable job creation.



- NDT is responsible for the implementation of EPWP projects under the Working for Tourism (WFT) programme previously known as the Social Responsibility Implementation (SRI). This is aimed at creating employment and training opportunities to unemployed youth through projects where labour (people from the local communities) is used as well as training people to function within the tourism sector (e.g. chefs, hospitality, etc.).
- The infrastructure projects are mostly improvements and renovations of existing structures. Working for Tourism facilitates the development of tourism infrastructure projects under the expanded public works programme through labour-intensive methods targeted at youth, women, unemployed and disabled people, and SMMEs.
- The WFT facilitates the development of tourism infrastructure that could lead to job creation and accredited training and skills development facilities and programmes. The table below illustrates the planned target, the achievement and the deviation for EPWP.

	Planned Target (2021-22)	Actual achievement (2021-22)	Deviation (Over achievement)
Jobs created	3 826	5 328	1 502

- The reason for the over achievement is that some projects which commenced in 2020/21 and had delayed because of covid-19 lockdown restrictions in the tourism sector were able to continue in 2021/22. In addition, some skills projects which by design enroll a large number of youth commenced in quarter three of 2021/22. The easing of the lockdown restrictions in the tourism sector, the overlap of the projects from 2020/21 and commencement of high labour-intensive projects in 2021/22 led to more work opportunities being created than originally planned.



Material irregularities



- MI process to be implemented at:**
- National Department of Tourism (2022-23)
 - South African Tourism (2022-23)

means any **non-compliance** with, or **contravention** of, legislation, **fraud**, **theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the misuse or loss of a **material public resource**, or **substantial harm** to a public sector institution or the general public



Identified MIs – next steps and responsibilities

1 AO/AA is dealing with MI

AO/AA... implements the committed actions to address the MI and improves controls to prevent recurrence

AGSA... follows up in the next audit if actions were implemented and if outcomes were reasonable. If not, can include recommendations in audit report on how the MI should be addressed by a specific date

Executive and oversight

Executive... monitors progress and supports AO/AA in addressing the MI and improving controls

Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes

2 MI is referred to a public body

AO/AA... cooperates with public body and implements any remedial actions / recommendations made. Improves controls to prevent recurrence

AGSA... provides information on MI to public body, monitors progress with investigation and follows up in audits on implementation of any remedial actions/ recommendations

Executive and oversight

Executive... supports public body investigation and the AO/AA in improving controls. If responsible for public body, monitors progress with investigation

Oversight... monitors progress with investigation and calls public body to account for undue delays in Investigation.

3 Recommendation included in audit report

AO/AA... implements the recommendations by the date stipulated in the audit report and improves controls to prevent recurrence

AGSA... follows up by stipulated date if recommendations were implemented and if outcomes were reasonable. If not, issues remedial action to AO/AA that must be implemented by a specific date

Executive and oversight

Executive... monitors progress and supports AO/AA in implementing recommendations and improving controls

Oversight... request action plan or implementation, monitors progress and calls AO/AA to account for actions taken and outcomes

4 Remedial action issued

AO/AA... implements the remedial action by the date stipulated in the audit report and improves controls to prevent recurrence

AGSA ... follows up whether the remedial actions have been implemented. If not, issues a notice of intention to issue a certificate of debt (CoD) to the AO/AA. Request a written submission on reasons not to issue CoD within 20 working days

Executive and oversight

Executive... monitors progress and supports AO/AA in implementing remedial action and improving controls

Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes

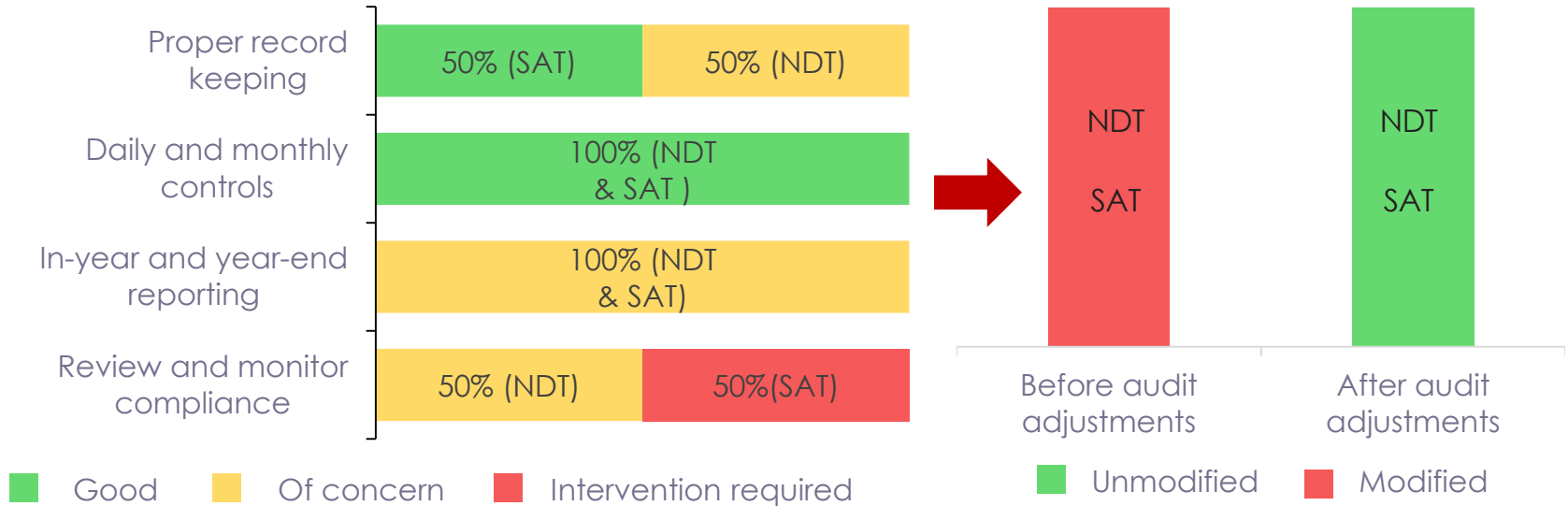


**Financial management
and compliance**



Impact on quality of financial statements submitted for auditing

Financial management controls



Impact

- NDT - Annual financial statements submitted for audit had material errors due to incorrect accounting treatment applied in intangible assets
- SAT - Annual financial statements submitted for audit contained multiple errors, inconsistencies and inappropriate presentation



Compliance with key legislation



2021-22

NDT & SAT

● No material findings ● Material findings

MOVEMENTS FROM PREVIOUS YEAR:
↑ 1

FROM FIRST YEAR OF ADMINISTRATION:
↑ 1

Most common areas of non-compliance	NDT	SAT
Quality of submitted financial statements	X	X
Prevention of irregular expenditure		X
Procurement and contract management	X	X

X Previous year's finding addressed X New finding identified in 2021-22 X Repeat finding



Status of compliance with legislation on procurement and contract management



2021-22



MOVEMENTS FROM PREVIOUS YEAR:
 2

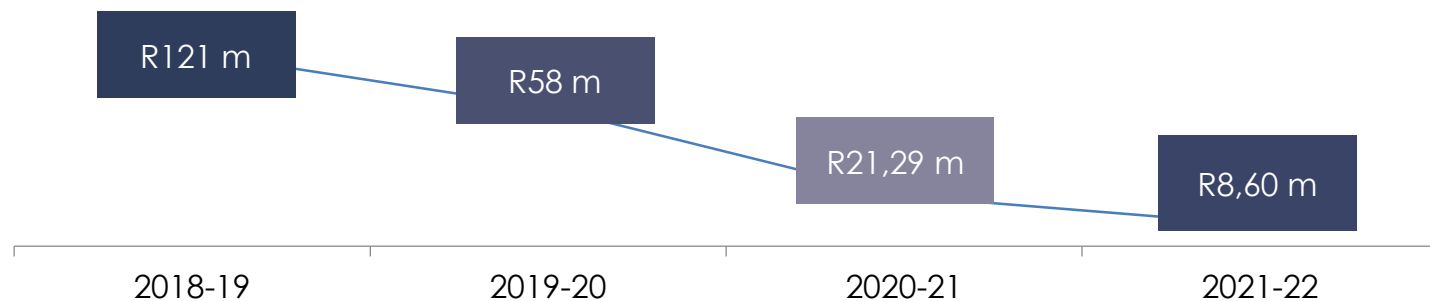
FROM FIRST YEAR OF ADMINISTRATION:
 2

● With no findings
 ● With findings
 ● With material findings

Details of procurement findings	NDT	SAT
	X	X
Uncompetitive and unfair procurement processes	R1.8 m	R5.3 m
Transaction not approved by properly delegated official/committee		R1.5 m



Annual irregular expenditure



Top contributors

R6,80 m	SAT
R1,80 m	NDT

Impact of irregular expenditure incurred

Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive:

Competition

NDT - Three quotations not obtained (R0,15 m)

SAT - Tourism marketing procurement where competitive bidding process was not followed (R4,47 m)

Fairness

NDT - Tender not awarded to the highest scoring bidder (R1,65 m)

Equity

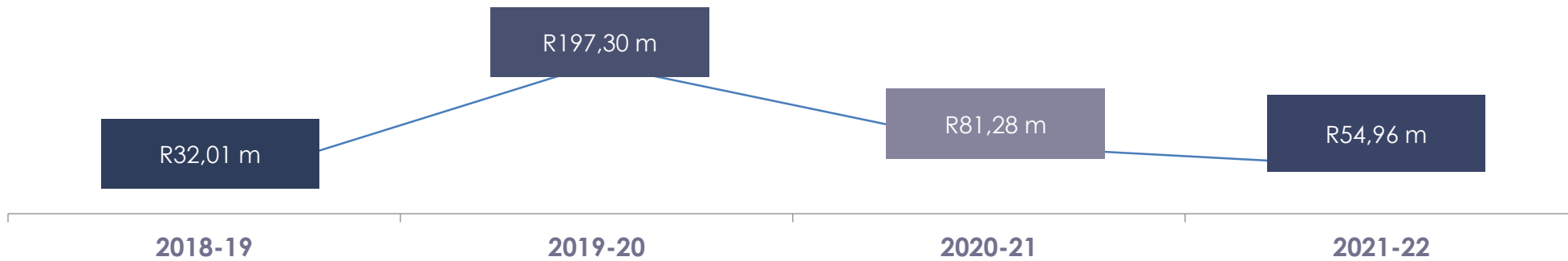
SAT - Preference points system not applied correctly (R0,83 m)

Transparency

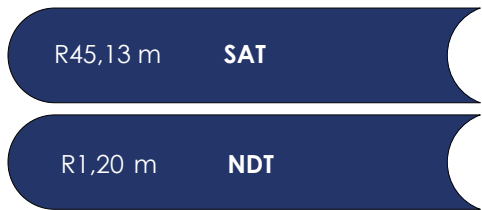
SAT - Expenditure incurred without obtaining the necessary approval (R1,50 m)



Closing balance of irregular expenditure continues to decline



SAT (R45,13 m) is the top contributor to irregular expenditure currently being subjected to consequence management processes, accounting for 97% of the total R46,35 million irregular expenditure from the prior year.



How have auditees dealt with irregular expenditure

	Money recovered or in process of recovery	R0 m (0%)
	Condoned	R0 m (0%)
	Written off	R34,93 m (43%)
	Consequence management in progress	R46,35 m (57%)

Consequence management in progress:

- Consequence management processes such as investigations are in progress or recommendations of investigations are in the process of being implemented.



Conclusions and recommendations



Overall root causes of significant findings

- Inadequate review of the annual financial statements (NDT & SAT)
- Inadequate reviews of the annual performance report (SAT)
- Inadequate controls to prevent non-compliance with procurement legislation (SAT)

Key recommendations to, and commitments by, accounting officers and authorities

- Enhancing financial management discipline by ensuring that reviewing and updating of the fixed asset register occurs on a more frequent basis (quarterly or bi-annually).
- Implement timely review controls to ensure that the annual financial statements, the annual performance report and the underlying records are reviewed at the appropriate level.
- Implement appropriate preventative controls to prevent instances of non-compliance with SCM prescripts through use of checklists and pro-active assurance by internal audit
- Enhancing measures for monitoring compliance with applicable laws and regulations.
- Monitor performance and consequence management especially around supply chain management
- Continue to ensure that the audit action plan is root cause focused and is assessed for effectiveness in addressing the findings through an agile approach.
- The accounting officer and accounting authority should develop and implement a strategy to catch up on targets where the portfolio has fallen behind in terms of the achievement of the 5 - year targets. These measures should include more regular monitoring of the achievement of targets.





Commitments by executive authority

- Encourage the accounting officer of NDT and the accounting authority of SAT to maintain the action plans developed and implemented timeously to address audit findings.
- Exercise oversight over the implementation of preventative controls relating to SCM and monitoring of compliance with SCM related legislation.
- Follow up on irregular, fruitless and wasteful expenditure incurred to ensure there is consequence management.
- Encourage the department and the entity to improve the quality of the financial statements.
- Continue to monitor progress on the investigation and where applicable, recovery of relief funds and their impact on the objective of relief efforts by government.
- Encourage the accounting officer and accounting authority to enhance oversight over the achievement of targets and service delivery objectives.
- Exercise oversight over the implementation of strategies to overcome challenges relating to under achievement of targets in the tourism portfolio.



In 2020-21, we recommended the following to the portfolio committee :

Monitor and regularly follow up with the executive authority and accounting officer/ authority on:

- Progress on audit action plans put in place by the department and entity
- Follow up on irregular, fruitless and wasteful expenditure incurred to ensure there is consequence management
- Progress of recovery of relief funds and the impact thereof on the objective of relief efforts by government.



Overall reflections on implementation of recommendations:

The portfolio committee implemented the recommendations as evidenced by the following:

- Improvement in the overall audit outcomes for the tourism portfolio attributed to the effective audit action plan.
- Significant reduction in irregular and fruitless and wasteful expenditure and greater dedication to strengthen accountability and consequence management.
- Progress has been made in the recovery of relief funds and follow ups with relevant organs of state (E.g. Department of Home Affairs verifications of the identify of relief fund beneficiaries) are ongoing.

Key messages going forward: Tourism

1

Monitor and regularly follow up with the executive authority, the accounting officer and the accounting authority on progress made in the development and implementation of audit action plans.

2

Monitor the implementation of appropriate preventative controls to prevent instances of non-compliance with SCM prescripts.

3

Closely monitor the achievement of targets and implementation of a strategy for catching up on targets in which the portfolio is under achieving or did not achieve.

