

Budgetary Review and Recommendation Report of the Portfolio Committee on Tourism, Dated 25 October 2022

The Portfolio Committee on Tourism (hereafter referred to as the Committee), having considered the financial and non-financial performance of the Department of Tourism (hereafter referred to as the Department) and South African Tourism (hereafter referred to as SA Tourism) for the 2021/22 financial year, reports as follows:

1. INTRODUCTION

The tourism sector plays a critical role in boosting the economy of South Africa through foreign currency earnings. The sector is also of paramount importance in diplomacy as it interacts with a myriad of international markets, which improves the political and economic ties of South Africa with many countries. The economic and political diplomacy of tourism is ever increasing as the country now participates in a number of international platforms such as the United Nations World Tourism Organisation (UNWTO); Indian Ocean Rim Association (IORA), G20, BRICS, African Union, and many other international bodies.

The Committee is conducting oversight over the Department and SA Tourism to ensure that the constitutional mandate of the portfolio is fulfilled. The COVID-19 pandemic created an environment unconducive for the Department and SA Tourism to fulfil their mandates in the 2021/22 financial year, as South Africa was under the Disaster Management Act and operating under various alerts as per the Risk-Adjusted Strategy adopted by the Government. Other markets also introduced lockdown levels and travel bans to curb the impact of the pandemic in their jurisdictions.

The National Treasury also introduced a procurement ban based on the Constitutional Court judgement on the Preferential Procurement Regulations of 2017. The misinterpretation of the ConCourt judgement led to substantial delays in implementing projects and programmes tabled in the Annual Performance Plans. This, coupled with operational deficiencies in the Department and SA Tourism culminated into a substandard financial and non-financial performance of the portfolio in the period under review. Despite these operational realities, the overall audit outcome for the tourism portfolio has improved from the prior year. The Department and SA Tourism received financially unqualified audit opinions with findings on compliance with key legislation.

Having considered the Annual reports of the Department and SA Tourism, the Committee tables this report to provide the financial and non-financial performance of the institutions in the 2021/22 financial year.

1.1 Mandate of the Committee

The Portfolio Committee on Tourism is an extension of the National Assembly, and derives its functions from Rule 227 of the National Assembly. The Committee is established by Section 57 (2) (a) of the Constitution of the Republic of South Africa (Act 108 of 1996) as read with Rule 225 of the National Assembly.

1.2 Core functions of the Department

The Tourism Act (Act 3 of 2014) outlines the mandate of the Department as to promote the growth and development of the tourism sector; promote quality tourism products and services; provide for the effective domestic and international marketing of South Africa as a tourist destination; enhance cooperation and coordination between all spheres of government in developing and managing tourism; and promote responsible tourism for the benefit of South Africa and for the enjoyment of all its residents and foreign visitors.

The Department and SA Tourism execute their mandates through a plethora of legislative, policy, and strategic frameworks aimed at developing and marketing South Africa as a competitive and preferred tourism destination. The policy, legislative and constitutional imperatives that drive tourism are as follows:

1.2.1 Constitutional and Legislative Mandate

The Constitution of the Republic of South Africa (Act 108 of 1996) explicitly outlines the concurrent function of tourism in the country. Part A of Schedule 4 of the Constitution lists tourism as a functional area of concurrent national and provincial legislative competence. Part B of Schedule 4 lists local tourism as a local government competency. The concurrent nature of the tourism function has its challenges that can only be addressed through cooperation and collaboration amongst the three spheres of government in the country.

At a legislative level, the Tourism Act of 2014 (Act No. 3 of 2014) enjoins the Minister of Tourism to perform specific tasks to drive tourism policy and strategic direction. The Committee is still awaiting the introduction of the Tourism Amendment Bill to Parliament by the Minister of Tourism to address the legislative and policy gaps that have been identified in the current enabling Tourism Act. As indicated in the previous year, the Tourism Amendment Bill will be drafted once the Department has finalised the policy review process which is currently underway.

1.2.2 Policy mandate

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

1.2.2.1 White Paper for the Development and Promotion of Tourism in South Africa (1996)

The White paper provides the framework and guidelines for tourism development and promotion in South Africa.

1.2.2.2 National Development Plan (NDP)

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

1.2.2.3 National Tourism Sector Strategy (NTSS)

The NTSS is a blueprint for the tourism sector and sets bold commitments for the sector. The NTSS advocates for a coherent approach to promoting South Africa as a preferred destination of choice.

1.2.2.4 Medium Term Strategic Framework (MTSF: 2019-2024)

The MTSF is the manifestation of the implementation of the NDP Vision 2030 and the implementation of the electoral mandate of the Sixth Administration of government. It recognises tourism as a national priority sector that can play a key role in the country's economic transformation, addressing unemployment challenges and developing a better Africa and world.

1.2.2.5 Re-imagined Industrial Strategy

This strategy identifies tourism as one of the seven national priority sectors.

1.2.2.6 Tourism Sector Recovery Plan (TSRP)

The TSRP sets out interventions to ignite the recovery of the tourism sector, and to place it on the path to long-term sustainability whilst contributing to the implementation of the Economic Reconstruction and Recovery Plan (ERRP).

1.2.6.7 State of the Nation Address

The 2022 State of the Nation Address was premised on the three profound insights that were noted by the Committee in its oversight work to expedite the recovery of the sector. These are (i) In these moments, there is both the prospect of great progress and the risk of reversal, (ii) Today, we are faced with such a moment, and (iii) The path we choose now will determine the course for future generations. Amongst other things, the government intended to end the national state of disaster that was crippling the sector. The President also announced that the government was streamlining and modernising the visa application process to make it easier to travel to South Africa for tourism, business and work. In line with the commitment made in the 2021 SoNA, the eVisa system had been launched in 14 countries, including China, India, Kenya and Nigeria.

1.3 Strategic Outcome Oriented Goals of the Department and Delivery Agreement targets for 2021/22

In line with its vision of complementing the national priorities, the Department identified objectives that would accelerate the delivery of services in the tourism sector. Outlined below are the strategic outcomes of the Department, as stated in the 2020/21 – 2024/25 Strategic Plan, which correlate with Government's Outcomes, namely:

Table 1: Strategic Outcome-Oriented Goals which correlate with Government Outcomes

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

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

In response to the above, the Department has adopted several initiatives. These include:

Priority 1: Capable, Ethical and Developmental State

- The Department has implemented a comprehensive Risk Management Strategy and the Combined Assurance Model for both Financial and Performance information.
- It has also implemented an Audit Action Plan to address the audit outcomes from the 2020/2021 financial year. This will be followed by a comprehensive review in 2022/2023 to strengthen the Systems of Internal Controls focusing on preventative and corrective controls.

Priority 2: Economic Transformation and Job Creation

- The Department continues to implement the Tourism Sector Recovery Plan (TSRP), which acknowledges the need for targeted and coordinated action to mitigate the impacts of the COVID-19 pandemic. The Plan sets the sector on the most optimal path to recovery, transformation and long-term sustainability.
- The TSRP is also aligned with the Economic Reconstruction and Recovery Plan (ERRP), the country's plan for overall economic recovery. The ERRP re-affirms tourism's position as a major contributor to the South African economy and its envisaged role in the broader economic reconstruction and recovery effort.

Priority 7: A better Africa and World

- The Department monitors the Brand Strength, international tourist spending and growth in international tourist arrivals.

- This is to address reputational risks and strengthen bilateral relations with the relevant country counterparts.

1.4 Purpose of the Budgetary Review and Recommendation Report

The Budgetary Review and Recommendation Report (BRRR) compilation process is governed by the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009). The Act sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year, the Committee must compile the BRRR that assesses service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources. The BRRR also acts as a source document for the Standing/Select Committees on Appropriations/Finance when making recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.5 Method

The Minister of Tourism tabled in Parliament the Annual Reports for the Department and SA Tourism. The Committee then scheduled a series of meetings to scrutinise and get more insights into the financial and non-financial performance of the tourism portfolio in the year under review. On 11 October 2022, the Committee convened a meeting with the Office of the Auditor-General in the morning, and met the Department in the afternoon. On 18 October 2022, the Committee convened a meeting with SA Tourism. The Committee deliberated and adopted this Budget Review and Recommendation Report on 25 October 2022, in time for the tabling of the Medium Term Budget Policy Statement by the Minister of Finance on 26 October 2022.

1.6 Outline of the contents of the Report

The report constitutes five parts as outlined below:

- (i) Constitutional, legislative and policy mandate of the Committee and the process that was followed in developing this Budget Review and Recommendation Report.
- (ii) Previous financial performance of the Department on both financial and non-financial aspects.
- (iii) Financial, non-financial and service delivery issues for the period under review.
- (iv) Key findings from the oversight work of the Committee, public hearings and research by external stakeholders that inform the recommendations.
- (v) Recommendations to the Ministers of Finance and Tourism in terms of the budgetary requirements, performance, and service delivery improvement of the Department.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

The main government policy direction guiding the strategies implemented by the Department and SA Tourism is the Vision 2030 of the National Development Plan. There are various changes in the delivery environment that necessitate a policy and legislative review process. The Department has been dilatory in finalising the policy review process signalling no sense of urgency in the matter.

2.1 Key Government policies

The following policies and strategies are due for review within this medium term:

- White Paper on the Development and Promotion of Tourism in South Africa, 1996.
- Tourism Act, No. 3 of 2014.
- National Grading System.

The review of the White Paper, Tourism Act and strategies will determine which aspects of these policies should be retained and which ones should be changed to enhance the tourism sector's performance

2.2 Overview of the revised Strategic Plan and Annual Performance Plans

The revised Annual Performance Plan for 2021/22 was in line with the tabled 5-year Strategic Plan. The Department conducts its mandate through four Programmes, namely, Programme 1: Administration; Programme 2: Tourism Research, Policy and International Relations; Programme 3: Destination Development; and Programme 4: Tourism Sector Support Services. The following are financial allocations per Programme in the revised Annual Performance Plan:

- The main cost driver under this Vote is Programme 2: Tourism Research, Policy and International Relations, which consumes more than half (approximately 56.8%) of the total Vote allocation. This is mainly due to the significant transfer to the Department's Entity, South African Tourism.
- Programme 3: Destination Development, experienced a significant decrease of 19.16 per cent in real terms. The major cost driver under Programme 3 is the Working for Tourism, Expanded Public Works Programme, sub-programme. The sub-programme's allocation also sees a decrease from R377.0 million in 2021/22 to R311.7 million in the current financial year.
- The cost driver under programme 4, Tourism Incentive Programme, also saw a decrease for the year from R275.2 million in 2021/22 to R242.0 million in 2022/23. The Committee was concerned about the decrease, in real terms, in allocation for both Programmes 3 and 4 as these have implications for the Department's policy priorities. The reason for a concern is that Programme 3: Destination Development, includes activities such as route development projects, destination enhancement initiatives and infrastructure maintenance programmes. These activities are significant as job creators and for destination product development.

2.2.1 Strategic goals

The Department's strategic focus for the financial year was on the rejuvenation of the industry as part of the Tourism Sector Recovery Plan. Areas of focus included tourist safety and the introduction of national norms and standards for tourism businesses. Towards tourist safety, the Tourism Monitors Programme was implemented across eight provinces. The Monitors can be found in several attraction sites to provide assistance and support to tourists, where required. The norms and standards for tourism businesses were developed and gazetted by the Department. In addition, participants of the various capacity-building programmes were also trained on the norms, to ensure safe operations in tourism businesses.

The Department continued its focus on stimulating domestic tourism demand. The domestic market has been identified as key to the sector's recovery. The Domestic Tourism Scheme was implemented in the Northern Cape, Gauteng and Limpopo provinces, highlighting the role and responsibility of tour operators to help contribute in making travel accessible, enabling the participation of people with modest income and previously marginalized groups in the society.

The Department also focused on promoting collaborative investment in the sector through measures such as ensuring the effectiveness of market-entry facilitation programmes. These programmes included capacity-building programmes, such as the Wine Service Training Programme and the Hospitality Youth Programme, which are aimed at the empowerment of the youth. The Wine Service Training Programme with training on norms and standards for safe tourism operations, was implemented in Kwazulu-Natal and Western Cape provinces. The programme was, however, not implemented in the Northern Cape province as planned. The Department also planned to roll-out the Hospitality Youth Programme to all nine provinces, and only managed to roll it out to three. The timely procurement of service providers was cited as the reason for the deviation.

To support transformation objectives, the Department had purposed to pilot the Tourism Equity Fund during the financial year. The Fund is intended to support commercially viable black-owned enterprises to acquire shares in tourism enterprises; promote the visibility of small, medium and micro enterprises (SMMEs); and facilitate the development of community assets and ownership patterns. Unfortunately, the Department was unable to achieve this objective. An order handed down by the High Court of South Africa on 26 April 2021 interdicts and restrains the Small Enterprise Finance Agency (SEFA) from receiving, processing or making any payment under any application for funding from the Fund. Currently, all applications and pay-outs are on hold until the matter is resolved.

2.2.2 Departmental programmes

The Department was pursuing the strategic objectives and the strategic outcome-oriented goals through these four Programmes as outlined in Table 2.

Table 2: Departmental Programmes

Programme	Name of the Programme	Purpose of the Programme
Programme 1	Administration	To provide strategic leadership, management and support services to management. The sub-programmes for Programme 1 are Ministry; Management; Corporate Management; Financial Management; and Office Accommodation.
Programme 2	Tourism Research, Policy and Internal Relations	To enhance a strategic policy environment, monitor the tourism sector's performance and enable stakeholder relations. The related strategic outcome-oriented goal is to achieve good corporate and cooperative governance
Programme 3	Destination Development	To facilitate and co-ordinate destination development. The strategic outcome-oriented goal is to increase the tourism sector's contribution to inclusive economic growth.
Programme 4	Tourism Sector Support Services	To enhance transformation of the sector, increase skills levels and support its development and to ensure that South Africa is a competitive tourism destination. The strategic outcome-oriented goal is to increase the tourism sector's contribution to inclusive economic growth.

Source: Adapted from the Department of Tourism 2021/22 Annual Performance Plan

2.3 Overview of key developments in the organisational and service delivery environments of the Department for 2021/22 and 2022/23 MTEF cycle.

The significant developments in the period under review include, but are not limited to:

- The election of South Africa to the UNWTO Executive Council in November 2021 has positioned the country in the global system of tourism governance to enhance international response to the needs of South Africa and developing countries.
- The Department held four successful Outreach Programmes targeting the country's Diplomatic representatives in the Americas and Europe, Asia and Australasia, the Middle East and the Southern African Development Community. The purpose of the Outreach Programme to the Diplomatic Community was to empower South African Ambassadors and Diplomats with key information, which they used, to keep South Africa off the "Red List."
- The Global Advocacy Programme was launched to ramp up advocacy efforts in key source markets around the world. This advocacy programme forms part of the Tourism Sector Recovery Plan. The Global Advocacy Programme was initiated by the Department, SA Tourism and the Tourism Business Council of South Africa (TBCSA), following protracted damaging narratives and misinformation reported globally about South Africa.
- Domestic travel contributed positively to demand in the COVID-19 period, driven by campaigns and pricing targeted for the domestic market and through this exposure propelled the market to diversify its offerings.
- The Safe Travels Campaign during the 2021 festive period encouraged travellers to #Jab4Tourism and featured tourism products from across the country which supported safe travels

3. SUMMARY OF PREVIOUS YEAR KEY FINANCIAL AND NON-FINANCIAL PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

3.1 2020/21 BRRR recommendations

3.1.1 Summary of key financial and non-financial performance recommendations made by the Committee.

There were financial and non-financial recommendations made in the 2020/21 Budgetary Review and Recommendation Report to the Ministers of Finance and Tourism respectively. The summary of responses are as follows:

3.1.1.1 Responses by the Minister of Finance

The Committee made a recommendation that “The National Treasury should work with the Minister of Tourism to determine the budget required to ensure the full recovery of the tourism sector”. The response by the Minister of Finance was that the National Treasury will continue to engage the Department of Tourism on funding-related issues during the annual budget process and to support efforts to enable the recovery of the tourism sector. Over the 2022 MTEF period, the government has set aside R360 million to support the pilot phase of the Tourism Equity Fund introduced in 2021. It is unfortunate that the Tourism Equity Fund has been interdicted and the envisaged support to the sector and transformation imperatives have been delayed. The Committee will conduct close monitoring of the developments around the court interdict.

3.1.1.2 Responses by the Minister of Tourism

The Minister tabled the responses to the 2020/21 Budget Review and Recommendation Report to the Office of the Speaker on 12 April 2022. This complied with the letter sent to the Ministry by the Office of the Speaker dated 7 February 2022. The Minister was requested to respond to Committee recommendations before the end of the 2021/22 financial year, 31 March 2022.

The Minister noted some of the recommendations made by the Committee, including financial recommendations that the National Treasury works with the Minister of Tourism to determine the budget required to ensure the full recovery of the tourism sector, and that the National Treasury, after determining the amount required for sector recovery, considers appropriating a special ring-fenced budget to rescue the tourism sector.

The Minister provided comprehensive responses on other recommendations made by the Committee, especially those related to the findings of the Auditor-General. The Committee is satisfied with the responses and will continue monitoring implementation, as some matters have not been concluded, either by the Department or South African Tourism.

3.2 2021/22 Committee Budget Report

In the 2021/22 Budget Report, the Committee made a number of recommendations. These included, but were not limited to reprioritising and allocating more budget for compensation; creating collaborative partnerships; developing a tracking tool to oversee the implementation of the Norms and Standards for the safe operation of the tourism sector; considering the policy proposals made by the Committee; conduct public education on the transformation imperatives of the Broad-Based Black Empowerment Sector Code; the Tourism Sector to conduct a Trend Analysis Study to understand the future tourism imposed by the COVID-19; harmonising norms and standards on safety for travel; exploring the African Continent Free Trade Agreement for the benefit of tourism in South Africa; engage the Cabinet on the contribution expected from other government departments in unlocking the tourism potential of the country; tightening oversight over SA Tourism; prioritising Economic Modelling to leverage funding in order to augment the available budget; improving on organisational efficiencies to maximise the utilisation of available budget; conducting an Econometric Forecasting

Study to determine the trends on future international arrivals to set a realistic 2030 target on international arrivals and determine the future trends of domestic trips; developing a Partnership Model that will assist South African Tourism to identify and choose partners that will add value to the business of the organisation and leverage more funding for domestic and international marketing; engage the private sector to package value for money domestic holiday packages; packaging, coordinating and intensifying communication around the South African Variant narrative of COVID-19; intensifying the work done in villages, townships and small dorps (VTSDs) to more than three small towns for business events as the venue requirements will change due to hybrid meetings; and prioritising the thirty Community-Based Tourism projects implemented by the Department of Tourism in the marketing of activities.

The Committee has not received responses from the Minister of Tourism on how these recommendations are being implemented.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

The Committee assessed the budget allocation and expenditure trends in the sector over the 2017/18 – 2021/22 financial years to establish the trends for Vote 38. The assessment confirmed the trend that the Department always spends almost 100 percent of its allocated budget whilst failing to equivalently achieve the set targets.

4.1 Budget and expenditure, 2017/18 – 2021/22

The Department has had a steady increase in the allocated budget over the past five years as depicted in Table 3. In the 2017/18 financial year the Department was allocated R2 140 156 000 and spent R2 133 976 000, which was 99.7 percent of the appropriated budget. In the 2018/19 financial year the Department was appropriated R2 261 817 000 and spent R2 234 802 000 which was 98.8 percent of its appropriated budget. In the 2019/20 financial year the Department was allocated R2.392 billion and was able to spend R2.384 billion, translating to 99.7 percent expenditure. In the 2021/22 financial year the Department was allocated R2.5 billion and was able to spend 99.7 per cent.

Table 3: Overview of budgetary allocation and expenditure 2016/17 – 2020/21

Year	Voted Allocation (R'million)	% change from previous year (nominal)	* Voted Allocation adjusted for inflation (R'million)	** % change from previous year (adjusted for inflation)	Adjusted Allocation (R'million)	Expenditure (R'million)	Expenditure as a percentage of Adjusted Allocation (%)
2017/18	2 140 156,0	6,5%	1 824 403,68	1,5%	2 140 156,0	2 133 976,0	99,7%
2018/19	2 261 817,0	5,7%	1 827 597,32	0,2%	2 261 817,0	2 234 802,0	98,8%
2019/20	2 392 670,0	5,8%	1 837 765,58	0,6%	2 392 670,0	2 384 392,0	99,7%
2020/21	1 481 000,0	70.29%		5,0%	1 426 860,0	1 392 249,0	97,6%
2021/22	2 545 338,0	1 002.9			2 545 338		99,7%
* Real change in Rand value							
** Real change in percentage terms							

Source: Calculation adapted from previous ENEs

The Department has established a trend of spending its budget to capacity and not achieving all the related pre-determined objectives. This is unacceptable and the trend should change to expenditure commensurate to service delivery.

5. FINANCIAL PERFORMANCE FOR 2021/22

The financial performance of the Department in the year under review is as follows:

5.1 Financial statements for the 2021/22 financial year

The Department of Tourism's adjusted appropriation for 2021/22 amounted to R2.54 billion. This was an increase from the initial appropriation of R2.42 billion.

Table 4: Financial Statement of 2021/22

Programme	Adjusted Appropriation	Virements	Final Appropriation	Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	R'000	R'000	%
1. Administration	309 776	(21 280)	288 496	288 496	-	100%
2. Tourism Research, Policy and International Relations	1 382 651	(20 080)	1 362 571	1 358 557	4 014	99.7%
3. Destination Development	466 326	64 198	530 524	527 185	3 339	99.4%
4. Tourism Sector Support Services	386 585	(22 838)	363 747	363 538	209	99.9%
TOTAL	2 545 338	-	2 545 338	2 537 776	7 562	99.7%

Source: Department of Tourism Annual Report (2021/22)

At the end of the financial year, the Department spent R2.53 billion or 99.7 per cent of the available budget of R2.54 billion. This translates to R7.6 million or 0.3 per cent underspending in the 2021/22 financial year.

The underspending is mainly attributable to:

- Programme 2: Tourism Research, Policy and International Relations (R4 million): The bulk of this underspending lies within the Compensation of Employees due to strict policies adhered to by the Department to reduce expenditure on Salaries and Wages. Savings under Goods and Services were mainly attributable to the effects of COVID-19 restrictions resulting in unspent funds linked to Travel and Subsistence. A further underspending was realised under Transfers and Subsidies for the United Nations World Tourism Organisation (UNWTO) contributions due to exchange rate fluctuation and the National Tourism Research Framework.
- Programme 3: Destination Development (R3.3 million): The bulk of this underspending lies within Goods and Services of the Expanded Public Works Programme (EPWP) as contracts could not be concluded before year-end. Savings under Compensation of Employees was due to strict policies adhered to by the Department to reduce expenditure on Salaries and Wages.
- Programme 4: Tourism Sector Support Services (R209 000): The minor underspending within the Programme is due to unspent funds linked to the National Tourism Careers Expo (NTCE). The costs of the event claimed by the event partner were less than the budgeted cost, resulting in a slight saving under Transfers and Subsidies.

The Department reported that the Virement between the main divisions was towards Programme 3. Approval was granted by National Treasury in accordance with Section 6.3.1 of the Treasury Regulations. The Department shifted R52 million from Transfers and Subsidies: Public Corporations and Private Enterprises in Programme 4: Tourism Sector Support Services to Goods and Services in Programme 3: Destination Development.

In the 2020/21 financial year, the Department managed to spend 97.6 per cent of its budget and only achieved 87.5 per cent of its annual targets. In the 2021/22 financial period, a similar trend can be observed as the Department managed to spend 99.7 per cent of its budget while achieving only 80 per cent of its targets. This continued discrepancy between performance and budget spending will be monitored by the Committee.

5.1.1 Quarterly spending trends

The Department and SA Tourism reported their Quarter 1 and Quarter 2 performance reports at the same time. The service delivery functions took place within an environment riddled with COVID-19 challenges. The two organisations could not achieve some of their pre-determined objectives as these were negatively impacted by prevailing conditions. In this context, by the end of Quarter 1, the Department had achieved 48 (71.64%) and spent R637.9 million (26.3%) of the R2 429.6 billion budget allocation. By the end of Quarter 2, the Department had achieved 44 (72.13%) of the 61 targets identified for the quarter, and spent R864.9 million (35.6%) of the R2 429.6 billion budget allocation.

At the end of quarter three, the Department spent R2 billion or 78.7 per cent of the available budget of R2.4 billion. This translates to R239.9 million or 13.6 per cent higher than anticipated expenditure against the projected expenditure of R1.8 billion for the quarter. The faster spending was attributed to faster spending on goods and services under Programme 3: Destination Development due to the finalisation of contractual agreements and payments towards Expanded Public Works Programme projects, as well faster spending on transfers and subsidies under Programme 4: Tourism Sector Support Services due to the processing of funds towards the Tourism Equity Fund.

At the end Quarter 4 (end of the financial year), the Department had spent R2.53 billion or 99.7 per cent of the available budget of R2.54 billion. This translates to R7.6 million or 0.3 per cent underspending against the total available budget of R2.54 billion for the 2021/22 financial year. The underspending was mainly observed in Programme 4: Tourism Sector Support Services due to an internal departmental decision to reduce expenditure on goods and services in order to reprioritise funds towards the Destination Development capital infrastructure projects.

5.2 Transfers and subsidies

The Department effected the following transfers in the 2021/22 financial year.

Table 5: Financial Statement of 2021/22

Department/ Agency/ Account	Adjusted Appropriation	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation
	R'000	R'000	R'000	R'000	%	R'000
South African Tourism	1 297 038	-	1 297 038	1 297 038	100	423 027
National Tourism Careers Expo	4 129	-	4 129	3 918	95	
Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA)	181	-	181	181	100	-

Technology Innovation Agency	3 000	-	3 000	3 000	100	172
Tourism Grading Support	-	15 200	15 200	15 200	100	3 000
Tourism Equity Fund	-	242 800	242 800	242 800	100	-
TOTAL	1 304 348	258 000	1 562 348	1 562 137		426 199

Source: Department of Tourism 2021/22 Annual Report

The Department also transferred R258 million to the Tourism Incentive Programme; R2.6 million to the United Nations World Tourism Organisation (UNWTO); R431 000.00 to the Federated Hospitality Association of Southern Africa (FEDHASA); and R4.3 million to households, incorporating R1.4 million bursaries (non-employee); R2.9 Employee Social Benefits; and R10 000.00 claim against the State (Cash).

5.3 Auditor-General Report

The report of the Auditor-General is presented for both the Department and SA Tourism.

5.3.1 Auditor-General's Report with regard to the Department of Tourism

Opinion

The Department received a financially unqualified opinion with findings on compliance with key legislation. The opinion was unchanged from the previous financial year.

- I have audited the financial statements of the National Department of Tourism set out on pages 102 to 145, which comprise the appropriation statement, statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Department of Tourism as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Division of Revenue Act of South Africa, 2021 (Act No.9 of 2021) (Dora).

Basis for opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
- I am independent of the department in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

- I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

- As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2021 have been restated as a result of an error in the financial statements of the department at, and for the year ended, 31 March 2022.

Usefulness and reliability of the reported performance information

- I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- I did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 4: Tourism Sector Support Service.

Annual financial statements

- The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework by section 40(1) (b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

Other information

- The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
- My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
- In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal Control Deficiencies

- I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.
- Senior management reviewed the financial statements however the review conducted did not identify a material misstatement in the financial statements submitted for audit.

5.3.2 Auditor-General's Report with regard to South African Tourism

Opinion

- I have audited the financial statements of South African Tourism set out on pages 91 to 133 which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

- In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Tourism as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA)

Basis for opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- I am independent of the entity in accordance with the International Ethics Standards Boards for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code. 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Usefulness and reliability of the reported performance

- I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- I did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 3: Leisure Tourism Marketing

Adjustment of material misstatements

- I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 3: Leisure Tourism Marketing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Annual financial statements

- The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of disclosure items and explanatory information identified by the auditors in the submitted financial statements were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

- Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6 800 498 as disclosed in note 36 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by failure to follow a procedure process in terms of the Treasury transcripts to invite competitive bids.

Internal control deficiencies

- I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the

significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

- Management did not address previously reported deficiencies relating to oversight of the financial reporting process, including detailed reviews of the financial statements by delegated officials, and related Internal controls.
- Management did not timeously implement measures to monitor compliance with applicable legislation.

5.4 Summary of key issues contained in reports of Finance/Appropriation Committees

In the period under review, the Department and SA Tourism had no issues raised by the finance or appropriation committees.

5.5 Summary of key financial issues contained in any other relevant report(s)

The Standing Committee on Public Accounts (SCOPA) did not raise any issues with regard to spending by the Department. The issues on the COVID-19 expenditure are detailed under the Report of the Auditor-General and Committee observations. No financial issues were identified from other sources in the period under review.

5.6 2021/22 MTEF financial allocations

5.6.1 Summary of funding submissions to the National Treasury for the 2021/22 MTEF.

The detailed funding submissions made to the National Treasury for the 2021/22 financial year were as follows:

- With regard to the court interdict on the implementation of the Tourism Equity Fund:
 - Follows up on the court interdict against the Tourism Equity Fund and engages relevant stakeholders to understand the transformation imperative in the tourism sector.
 - Adopts a counteroffensive strategy to push-back all and any malicious attempt by civil society organisations to derail the implementation of tourism transformation programmes.
- Impresses on the Cabinet to work on repealing and rescinding the Treasury Note issued on 25 February 2022 that put appointment of new service providers in abeyance as this has serious implications in the implementation of the 2022/23 Annual Performance Plan.
- Adopts a zero tolerance attitude to officials who commit fraudulent activities and apply serious consequence management to prevent any future financial maleficence.
- Provides clarity on the relief and recovery interventions the Department will implement in assisting tourism establishments that were affected by the floods in KwaZulu-Natal, northern Eastern Cape and North West provinces.
- Provide equitable budget for leisure tourism and business tourism to leverage more from both.
- Engage the Office of the President of the Republic of South Africa to relocate Brand South Africa from the Presidency to be the entity of the Department of Tourism to align marketing and brand work of the country.

6. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

The service delivery performance assessment is presented for both the Department and SA Tourism.

6.1 The Department of Tourism

The achievement in the four Programmes was as follows:

Table 6: Achievement of Targets Per Programme

Programme	Planned Targets	Achievement		Non Achievement	
		Total Achieved	% achieved	Total not achieved	% not achieved
1. Administration	16	14	87.5%	2	12.5%
2. Tourism Research, Policy and International Relations	12	11	91.6%	1	8.3%
3. Destination Development	9	9	100%		
4. Tourism Sector Support Services	18	10	55.5%	8	44.4%
Total	55	44	80%	11	20%

Source: Adapted from DoT Annual Report 2021/22

Table 6 indicates that the Department was able to achieve 44 (80%) of its 55 identified targets, with 11 (20%) targets not achieved.

6.1.1 Programme 1: Administration

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

Table 7: Programme 1- Administration

Total Targets set	16
Targets achieved	14 (87.5%)
Targets not achieved	2 (12.5%)
Budget allocated	R305.3 million
Adjusted budget	R309.8 million
Final Appropriation	R288.5 million
Budget spent	R288.5 million (100%)

As can be seen from the table above, the Department achieved only 14 of its 16 targets set for the financial year under this programme, while spending 100 per cent of its budget. The mismatch between performance and budget spending needs to be queried.

The Department maintained its vacancy rate at 10 per cent as planned. As of 31 March 2022, the Departmental post establishment was at 512, with 461 positions filled and 51 positions vacant. Budget cuts affected the filling of posts. In terms of staff turnover for the financial year, 57 employees exited the Department. These include 13 (22.8%) resignations, nine (15.7%) transfers to other Departments and two (3.5%) retirements.

The Department exceeded its target on minimum representation (3%) of employees with disabilities by 1.6 per cent. Support to small, micro and medium enterprises (SMMEs) continued, with the target of 100 per cent of expenditure on procurement from enterprises on B-BBEE status levels one to five achieved. The Department continues to equip and sensitise employees on issues around diversity, disability management, ethical conduct and sexual harassment. The work environment needs to be a safe space for employees.

The Department reported that the following targets were not achieved:

- 50 per cent women representation at the Senior Management Service (SMS) level, as a result of both natural attrition and a restrictive budget for compensation of employees (CoE). Women's representation was maintained at 46.9 per cent. The baseline for CoE was

increased for 2022/23 and the Department reported that it will ring-fence the necessary posts and facilitate a process of attracting and retaining women at this level.

- 100 per cent payment of compliant invoices within 30 days. At 95.5 per cent, the target was not achieved due to officials being late in submitting invoices to the finance office. Amid the tourism sector's recovery stemming from COVID-19, it is advised that this occurrence not become a trend in the Department. The Department has indicated its attempts at strengthening internal controls around this issue.

About 28 interns are completing their 24-month internship programme with the Department. The Department also supported 87 external and internal bursars during the 2021/22 financial period.

6.1.2 Programme 2: Tourism Research, Policy and International Relations

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

Table 8: Programme 2- Tourism Research, Policy and International Relations

Total Targets set	12
Targets achieved	11 (91.6%)
Target not achieved	1 (8.3%)
Budget allocated	R1 382.2 billion
Adjusted budget	R1 382.7 billion
Final Appropriation	R1 362.6 billion
Budget spent	R1 358.6 billion (99.7%)
Underspending	R4 million

As can be seen from the table above, the Department achieved 11 of its 12 targets and spent 99.7 per cent of its budget. This results from unspent funds for travel and subsistence, strict policies applied on the compensation of employees and savings under Goods and Services. The question that arises is whether this can be considered a saving, given that not all targets under this programme were achieved.

The Department achieved its objective of monitoring and evaluating tourism initiatives. This was achieved through the development of reports focusing on tourism performance, the impact of COVID-19, the implementation of norms and standards and tourism recovery. Findings from these reports inform policy and the creation of an enabling environment for private sector operations. Unfortunately, the Department did not finalise the review of the Green Paper on the Development and Promotion of Tourism in South Africa, thus not achieving the set target as planned for the financial year. A delay of this nature affects the creation of an enabling regulatory environment for tourism development and growth. The finalisation of this document will inform legislative amendments, such as addressing issues around the sharing economy, of the Tourism Act No. 3 of 2014, which can only be reviewed once the process has been finalised and the revised White Paper is adopted as the new policy of government on tourism.

The Department continued its oversight responsibility over South African Tourism. The Entity continues to operate without a Chief Executive Officer. The possible merger between South African Tourism and Brand South Africa continues to be elusive, with no exact dates and possible organisational structure yet presented to the Committee for engagement.

The Department was able to achieve its objective of advancing the country's tourism priorities through participation and engagement in bilateral and multilateral processes. This also saw South Africa securing a seat at the United Nations World Tourism Organisation's Executive Council, placing the country in a prominent position to lobby for support for the Continent. These fora also include South Africa's participation in the implementation of the SADC Tourism Programme and African Union Plan of Action on Tourism.

6.1.3 Programme 3: Destination Development

The purpose of the programme is to facilitate and coordinate tourism destination development.

Table 9: Programme - Destination Development

Total Targets set	9
Targets achieved	9 (100%)
Budget allocated	R305.6 million
Adjusted budget	R466.3 million
Final Appropriation	R530.5 million
Budget spent	R527.2 million (99.4%)
Underspending	R3.3 million

The Programme's final appropriation was R530.5 million in the 2021/22 financial year, the bulk of which (R377.4 million or 71.1 %) was allocated to the Working for Tourism sub-programme. Working for Tourism consists of the Expanded Public Works Programme (EPWP) and Expanded Public Works Incentive Programme.

The Department achieved all of its targets set for the programme and spent 99.4 per cent of its budget. The Department attributes the underspending within Goods and Services of the EPWP, as contracts could not be concluded before year-end; including savings under Compensation of Employees (CoE) in the programme.

The Department reported that prioritised initiatives from the tourism spatial masterplans have been incorporated into One Plans for DDM (district development model) districts. The identified district municipalities include OR Tambo, eThekweni Metro, Pixley ka Seme and Namakwa. Support to these districts is important, especially those based in rural areas, to ensure that funding is obtained for the initiatives and that economic objectives are achieved as planned. Funding, effective planning, relevant product development and economic linkages can grow the rural tourism market, which continues to be an untapped market in some South African towns.

The Department continues to provide support to SANParks, through its maintenance of infrastructure in the various national parks across the country. The Department also reported that work on 30 community-based tourism projects was supported and monitored. The projects are spread across eight provinces and include lodges, hiking trails, museums and accommodation facilities. In the new financial year, the implementation of these projects has been transferred to the Development Bank of Southern Africa (DBSA).

The Department exceeded its annual target for work opportunities. Against a target of 3 826, the Department created 5 328 work opportunities. About 1 502 additional work opportunities were created resulting from the easing of lockdown restrictions, the overlapping of projects and the commencement of high labour-intensive projects during the financial year.

6.1.4 Programme 4: Tourism Sector Support Services

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

Table 10: Programme 4 - Tourism Sector Support Services

Total Targets set	18
Targets achieved	10 (55.5%)
Targets not achieved	8 (44.4%)
Budget allocated	R436.6 million
Adjusted budget	R386.6 million
Final Appropriation	R363.7 million
Budget spent	R363.5 million (99.9%)
Underspending	R209 000

The Department only achieved 10 (55.5%) of its 18 targets set under this programme and yet spent 99.9 per cent of its budget.

The target on the Tourism Equity Fund (TEF) was not achieved due to the High Court interdict. In April 2021, an order of the High Court against the Department interdicted the processing or making of any payment under any application for funding from the TEF, pending a review of the Fund's criteria. Consequently, the rollout of the TEF has been suspended pending confirmation of the validity of the criteria of the Fund.

The target on business support and development through the three incubators, Tech, Tour Operator and Food Services was achieved, including the provision of the implementation report. The Department also finalised support provided through the Manyeleti, Phalaborwa and Mier Incubators. However, within the same target, the Department reported that it was unable to implement the two community-based enterprises' incubation programmes, due to procurement stipulations and delays resulting from the separated planning approach adopted per project. A service provider for the programmes will be appointed in the next financial year.

The Department continued its initiatives in supporting women in business, however, it was unable to provide the required support to 225 SMMEs as planned. Lack of demand from provinces saw the Department only supporting 181 women-owned SMMEs. Recruitment attempts will continue in the new financial year. Another target not achieved is the implementation of the Tourism Monitors Programme in all provinces. The Department reported that due to procurement irregularities, the tender process had to be restarted, and the programme could not be implemented in the Limpopo Province.

The following capacity-building programmes were not fully implemented:

- *Food Safety Quality Assurer Programme* – did not take place in Kwazulu-Natal.
- *Chef/Professional Cookery Programme* - did not take place in the North West.
- *Wine Service Training Programme* - did not take place in the Northern Cape.
- *Hospitality Youth Programme* – only took place in six instead of nine provinces, with only 340 participants instead of the planned 1000.

Concerning all these capacity-building programmes the Department cites challenges with securing a suitable service provider. In its reporting, the Department does not clarify the number of participants that benefitted from some of the programmes.

The Department continues to support women in tourism through its Executive Development Programme. The Department was also able to host the National Tourism Careers Expo (NTCE), which was placed on hold due to COVID-19. The event plays a significant role in promoting tourism careers to school learners and empowering teachers. The target on the Educator's Development Programme was also achieved, which empowers tourism educators with new knowledge about the sector.

6.2 South African Tourism 2021/22 Service delivery performance

6.2.1 Overview and assessment of financial performance

6.2.1.1 Programme 1: Corporate Support

The purpose of this programme is to provide support to the organisation and ensure compliance with statutory requirements. The programme focuses on providing efficient, effective and proactive legal, governance, enterprise risk and compliance support.

Table 11 depicts that the Entity achieved only 5 (62.5%) of its 8 targets by the end of the financial year and yet spent 95.7 per cent of its budget.

Table 11: Programme 1 - Corporate Support

Total Targets set	8
Targets achieved	5 (62.5%)
Targets not achieved	3 (37.5%)
Budget allocated	R126 000 million

Adjusted budget	R101 353 million
Actual budget	R154 768 million
Budget spent	R148 118 million (95.7%)
Underspending	R6 650 million (4.3%)

The Entity reported that:

- It was unable to address all 164 audit recommendations, which form part of the audit action plan, with only 73 per cent actions completed. This target relates to the Entity's objective of promoting good governance. Audit recommendations are made to assist organs of state in achieving this objective. Under-performance of the Entity under this target does not bode well for its governance. For those addressed, the Entity reported that consequence management was applied at the impacted business units.
- The turnaround time for the payment of invoices improved from 22 days in quarter two to 12 days in quarter four. Therefore, the target was achieved for the financial year. This benefits suppliers who have been negatively impacted by the COVID-19 pandemic.
- The target on automating business processes was not achieved, about 80 per cent of the work was not done. Based on the Entity's reporting, the scope of work on this project was understated. Only the business processes for the Tourism Grading Council were automated. The Committee was concerned about the implications of this incomplete work on business operations.
- The target on the staff engagement score was also not achieved. The target looks at the engagement levels of staff each year; the higher the engagement, the more satisfied staff tend to be. Ultimately, it measures the culture of the organisation. By the end of the financial year, a service provider had not yet been secured for the project.

Equity targets were all achieved as a result of a targeted recruitment drive approved by the Board. The Entity reported that by 31 March 2022 its vacancy rate was 7.9 per cent with 16 vacancies against 202 positions. About 24 permanent positions were vacant at the end of the financial year, however, eight of these were filled with fixed-term contractors to ensure business continuity. Vacant management posts also include that of the Chief Strategy Officer and the three hub heads for the United Kingdom (UK), Ireland and Central and South Europe.

6.2.1.2 Programme 2: Business Enablement

The purpose of this programme is to enhance collaboration with various stakeholders. It also provides centralised tourism intelligence to support evidence-based decision making, for future marketing initiatives aimed at stimulating visitor demand.

Table 12: Programme 2 - Business Enablement

Total Targets set	5
Targets achieved	3 (60%)
Targets not achieved	2 (40%)
Budget allocated	R84 900 million
Adjusted budget	R80 761 million
Budget spent	R55 740 million (69%)
Underspending	R25 021 million (30.9%)

The Entity achieved 3 (60%) of its 5 targets for the end of the financial year and spent 69 per cent of its budget. Spending was thus more or less aligned with programme performance.

The Entity reported that the following targets were *achieved* for the financial year:

- The target on the SA Tourism Reputation Index, which focused on conducting a survey to establish a new baseline, was achieved. The Index calculates whether stakeholders see SAT as a

leader in the tourism industry in South Africa. The five-year target will be calculated after establishing the baseline.

- All the tourism sector performance reports were produced. The reports are significant in keeping track of the sector's performance and in turn play a crucial role in informing business strategies adopted to market and grow tourism. Data from these reports provide results of the Entity's marketing endeavours, which are aligned to its strategy for increasing tourism's contribution to the economy.
- The planned sector engagement meetings were hosted for the year. These meetings entail deliberations with tourism sector stakeholders, with a focus on activities in support of the Tourism Sector Recovery Plan (TSRP).

The following targets were not achieved:

- The 100 per cent implementation of approved Memoranda of Understanding (MoUs) with Provincial Tourism Authorities (PTAs), was not fully completed. The Entity reported that only 95 per cent of MoUs were implemented. In its quarter four reporting, it indicated that about 36 of the 38 action items from the Activity Plan with the PTAs were implemented. The Lilizela Awards, which honour entrepreneurs in the hospitality sector, was not implemented as a result of COVID-19 restrictions.
- *Go-live and support (B2B and B2C portals)* – The Entity reported that the project has been discontinued, due to a flawed process followed to appoint a service provider. A forensic investigation was undertaken and concluded. The portal was to be used to develop a two-way communication that centralises communication between the industry and the Entity. The portal would allow for open communication, transparency and aligned marketing messages, which are key elements for good governance and economic growth.

6.2.1.3 Programme 3: Leisure Tourism Marketing

The purpose of the programme is to create demand through travel acquisition and growing brand equity for South Africa as a leisure and business events destination in identified markets. The Entity achieved only 10 (83.3%) of its 12 targets by the end of the financial year and spent 89.8 per cent of its budget. Spending was thus more or less aligned with programme performance.

Table 13: Programme 3 - Leisure Tourism Marketing

Total Targets set	12
Targets achieved	10 (83.3%)
Targets not achieved	2 (16.7%)
Budget allocated	R1 015 222 billion
Adjusted budget	R1 109 613 billion
Actual budget	R1 026 687 billion
Budget spent	R922 293 million (89.8%)
Underspending	R104 394 million (10.2%)

The report on target performance is as follows:

- The Entity exceeded its targets on both international and regional tourist arrivals, as a result of South Africa's removal from the 'red list' and successful regional brand and deal-driven campaigns.
- The target on increasing domestic travel was exceeded by 49 per cent (4.6 million holiday trips), with spend doubling at R25.8 billion.
- However, the same cannot be said for domestic day trips where the target of 116.1 million was not achieved, at 82.5 million. The Entity cites lockdown, travel restrictions and limited disposable income as some of the reasons for the unmet target.

- The target on the Brand Strength Index survey was not achieved, as the survey was not undertaken. The tender for the survey has been re-advertised and has been moved to the new financial year.
- The Entity was able to deliver on its target of launching domestic deal-driven campaigns for the year. The campaigns assisted in driving demand for domestic travel. Domestic tourism continues to be highlighted as a significant pillar for the recovery of the sector.
- Another target achieved includes tourism activation at the World Expo 2020 in Dubai. According to the Entity, more than 51 000 people visited the South African Pavilion at the Expo.

6.2.1.4 Programme 4: Business Events

The purpose of this programme is to grow South Africa's business events industry. The programme is also aimed creating inclusive market access and transaction platforms for the country's tourism businesses and their products.

Table 14: Programme 4 - Business Events

Total Targets set	7
Targets achieved	5 (71.4%)
Targets not achieved	2 (28.6%)
Budget allocated	R126 500 million
Adjusted budget	R104 166 million
Actual budget	R106 259 million
Budget spent	R108 085 million (101.7%)
Overspending	R1 826 million (1.7%)

The Entity achieved 5 of the 7 targets set for the financial year and yet overspent on its budget by 1.7 per cent. The Committee was concerned about overspending in this Programme.

The business events industry was amongst the most severely impacted sectors by the COVID-19 pandemic. However, the 2021/22 financial year saw South Africa's business events industry host regular events, for the first time since the start of the pandemic. During the year, South African Tourism submitted 81 bids for international business events to be hosted in the country between 2022 and 2027. The 81 bid submissions have a combined estimated economic impact of R1.217 billion and the potential to attract 41 322 international and regional delegates to the country. Thus far, South Africa has secured 31 of the 81 bids submitted for the 2021/22 financial year. These secured business events will contribute R380 million to South Africa's economy between 2022 and 2027 and attract 13 170 international and regional delegates.

In terms of target performance, the Entity reported that:

- The target on the Global Business Events campaign was achieved. The campaign is targeted at increasing tourism's contribution to inclusive economic growth by positioning South Africa as a business events destination. This also includes the domestic business events campaign, which is targeted at positioning South Africa as a business events destination for the domestic market.
- Eighty-one bids were successfully submitted, exceeding the 77 bid submissions targeted for the year. The achievement of this target means favourable economic returns for the local destinations that will succeed as hosts.
- The annual target aimed at hosting three business events at villages, townships and small dorpies (VTSDs), in support of promoting inclusive development, was achieved. Three events were hosted at the Gariep Dam (Free State), Phokeng (North West) and Upington (Northern Cape). The towns were selected as a result of bids submitted for hosting rights.

- The target on hosting Africa's Travel Indaba was not achieved. The event was not held due to COVID-19. However, the Entity hosted the Africa Travel and Tourism Summit, which was a hybrid event, later in the year during September.
- The Entity was able to host Meetings Africa between 28 February and 2 March 2022, as most restrictions were lifted and the event was attended physically by delegates. The event was attended by 1 734 delegates and featured 216 exhibiting companies.
- However, the target on the Lilizela Awards was not achieved. The event did not take place as planned due to the impact of COVID-19 on tourism businesses, which the event sought to recognise and honour.

6.2.1.5 Programme 5: Tourist Experience

The purpose of this programme is to ensure the delivery of quality-assured tourist experiences, which are diverse, unique and enriched.

Table 15: Programme 5 - Tourist Experience

Total Targets set	10
Targets achieved	9 (90%)
Targets not achieved	1 (10%)
Budget allocated	R65 million
Adjusted budget	R49 147 million
Budget spent	R39 658 million (80.7%)
Underspending	R9 489 million (19.3%)

Programme performance entailed the following:

Table 15 indicates that the Entity achieved 9 (90%) of its 10 targets by the end of the financial year and spent 80.7 per cent of its budget. Spending was thus more or less aligned with performance.

- The target on the Net Promoter Score (NPS) was achieved. The NPS measures a consumer's willingness to recommend South Africa to others. It is used to determine customer satisfaction and is also a proxy for brand loyalty. This information is sourced through South African Tourism Departure Surveys.
- The annual target on the grading of tourism establishments was not achieved for the year. Only 3 605 establishments were graded instead of the planned 4 707. This came as a result of memberships that were not renewed. The Entity is encouraged to work with the Department on a promotional drive focused on the benefits of quality assurance to stimulate previous members' interest and recruit new businesses to grade their establishments.
- The annual target on the Enterprise and Supplier Development programme was achieved. The programme is aimed at ensuring that SMMEs attend tradeshow platforms in which SAT participates. The lifting of travel restrictions saw the exhibition sector open its doors once again, in turn offering opportunity for SMMEs to showcase their products.
- The target on establishing a baseline for the Basic Quality Verification programme was completed as planned. The programme seeks to provide basic quality support for SMME accommodation establishments by recognising new entrants in the sector who are not able to be graded at the outset.
- The Entity achieved both targets on procuring from B-BBEE status level 1-5 businesses and women-owned, youth-owned and businesses owned by people with disabilities. The intentional effort to procure from said businesses is commended and is significant in ensuring inclusivity in the sector.

6.2.2. Financial Statements for the 2020/21 financial year

South African Tourism primarily derives income from transfers made by Government as a contribution to operations, with other revenue generated through voluntary Tourism Marketing South Africa (TOMSA) levies allocated through the Tourism Business Council of South Africa (TBCSA), interest on investment, grading income, and sundry income (income from exhibitions such as INDABA and Meetings Africa).

Table 17: Budget and Expenditure Summary 2021/22

Programme	2020/21			2021/22			% (Over) / Under Expenditure
	Budget (R'000)	Actual Expenditure	(Over) / Under Expenditure	Budget (R'000)	Actual Expenditure	(Over) / Under Expenditure	
1. Corporate Support	111 445	111 344	101	154 768	148 118	6 650	4.3%
2. Business Enablement	33 807	39 841	(6 034)	80 761	55 740	25 021	30.9%
3. Leisure Tourism Marketing	266 423	405 555	(139 131)	1 026 687	922 293	104 394	10.2%
4. Business Events	23 291	30 836	(7 545)	106 259	108 085	(1 826)	(1.7%)
5. Tourist Experience	44 061	34 487	9 574	49 147	39 658	9 489	19.3%
Total	479 027	622 063	(143 036)	1 417 622	1 273 894	143 728	10.1%

Source: South African Tourism Annual Report (2021/22)

Revenue from Government transfers was received at R1.297 billion. The income from TOMSA levies was R58.8 million, R8.8 million higher than the projected R50 million. The Entity's sundry income for the financial year was R16.8 million, significantly lower than the projected R58.3 million. This under-recovery has been attributed to a decrease in exhibition income due to a lower number of exhibitions at Meetings Africa and the cancelled Africa Travel Indaba. Grading revenue received was R15.0 million, higher than the projected R12.2 million and interest from investments was R4.8 million, slightly higher from the previous year's R2.9 million.

Table 17 depicts that the Entity spent R1.27 billion (89.9%) of its budget of R1.41 billion for the 2021/22 financial year. A significant portion of this underspending is in Programme 2 (Business Enablement) at 30.9%; Programme 3 (Leisure Tourism Marketing) at 10.2% and Programme 5 (Tourist Experience) at 19.3%. The underspending relates to unmet targets under each programme.

6.3 Key reported achievements

The following are some of the key achievements reported by the Department in the 2021/22 financial year:

Some of the achievements by the Department include:

- Championing the removal of "red listing" of South Africa through diplomatic efforts. Furthermore, through structured engagement with the Sector, tourism has been able to make a case for its readiness to operate safely and this has yielded good results;
- South Africa secured a seat at the UNWTO Executive Council which is the highest decision-making body between the United Nations General Assembly and successfully lobbied the UNWTO to back African States and call on the world to reopen their borders.
- Sponsored a framework for the establishment of the Africa Tourism Unit for the African Union Commission in an effort to strengthen regional integration that was closely followed by a regional collaboration and synchronization of policy including the MoU signed with Kenya, during the Kenyan President's visit to South Africa;

- Bilateral engagements held with key Investors in the UAE and Gulf Cooperation Council Region who have shown interest to invest in tourism-mega projects;
- Supportive interventions led by the Ministry and SA Tourism to reconnect Destination South Africa through air service development working through multi-stakeholder public and private sector structures;
- Growing interest in investment in tourism as demonstrated by investors from the Gulf Region during the Department's engagements at the Dubai Expo in December 2021;
- The implementation of the Food Safety Quality Assurer Programme with training on norms and standards for safe tourism operations, including COVID-19 Protocols in the Western Cape and Gauteng provinces in line with project plans, targeting 300 unemployed and retrenched youth;
- The implementation of the Chef/Professional Cookery with training on norms and standards for safe tourism operations, including COVID-19 Protocols in the Free State and Northern Cape provinces in line with project plans, targeting 300 unemployed and retrenched youth;
- The implementation of the Hospitality Youth Programme (Food and Beverage) in KwaZulu-Natal, Western Cape, North West, Gauteng and Mpumalanga provinces, where 340 youth were being trained or active in the Eastern Cape (100), Western Cape (140) and Northern Cape (100); and
- The Wine Service Training Programme (Sommelier) with training on norms and standards for safe tourism operations, including COVID-19 Protocols was implemented in KwaZulu-Natal, Western Cape and Northern Cape provinces targeting 252 unemployed and retrenched youth

Achievements by SA Tourism:

- Number of international tourist arrivals achieved (April 2021 – February 2022): 2 417 452.
- Number of domestic holiday trips achieved (April 2021 – February 2022): 3.7 million.
- Total tourism revenue: R53.63 billion
- Total Tourist Foreign Direct Spend (TTFDS): R16.3 billion (April – December 2021).
- Total Direct Domestic Spend (TDDS): R37.3 billion achieved (April – December 2021).
- Number of bid submissions: 82 bid submissions
- Number of accommodation establishments graded (April 2021 – March 2022): 3 605.
- Number of graded rooms (April 2021 – March 2022): 89 075

6.4 Non-financial Audit outcomes and steps taken to address adverse audit findings

Similarly, to the previous audit period, the Committee is generally dissatisfied with the non-financial audit outcomes raised by the Auditor-general in the period under review. The following are some of the findings and remedial actions taken:

- Implementation of the Presidential Employment Stimulus Package (PESP) - This was done through expenditure on tourism projects that would create employment. The Department only had six months to rollout the programme and agreed with the PESP team on a target of 1 162 learners in the programme. The Department created 919 by the end of March 2022. The remedial action will be through better coordination between all role players; Presidency, National Treasury and the Department could have prevented the under achievement of the target. It is also acknowledged that factors such as the increase in the wage rate to R23 per hour also contributed to the under achievement. It will be prudent if future employment initiatives will be more focused on sustainable job creation.
- Implementation of the Expanded Public Works Program (EPWP) - The Department 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 planned annual target was 3826 but this was overachieved by 1502 as the 5328 job opportunities were created. 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 enrol a large number of youth commenced in quarter three of 2021/22.

6.4.1 Previous year issues

The portfolio's overall audit outcomes in the previous audit period had regressed from the prior year.

- The audit outcome of the Department remained unchanged as financially unqualified with findings on compliance with legislation. The Department was commended for submitting financial statements that were free from material misstatements.
- SA Tourism received a qualified audit opinion as a result of a limitation of scope on expenditure and receivables from non-exchange transactions.
- The quality of the annual performance reports regressed in the portfolio. The Department had a material misstatement on consistency as the description of the indicators in the annual performance report submitted for audit differed from the description in the annual performance plan. This inconsistency was subsequently corrected by management.
- At SA Tourism there was a material finding on the usefulness of the target for programme 3: leisure tourism marketing, which was not specific. The Auditor-General could not determine the actual achievement due to insufficient measurement definitions and processes.
- Although material non-compliance in the Department's supply chain management was reported, this was an improvement on the number of findings from the previous year. The SA Tourism's material non-compliance was in procurement and contract management, as supply chain management processes were not followed for expenditure incurred by SAT and paid by a third party. This resulted in irregular expenditure of R34 million.
- On the six recommendations for the Tourism Relief Fund (TRF), which was audited in the previous year as part of the COVID-19 proactive audits, the only action taken was to hand over the duplicate payment of R50 000 to the state attorney for recovery from the beneficiary. The other five recommendations were not implemented.
- The Department also had a relief fund for tour guides, with a budget of R30 millions of which R17,28 million was used by 31 March 2021. The COVID-19 Relief Fund for Tour Guides under distress (TGRF) granted beneficiaries R1 500 per month for three months. The findings were that some of the tour guides grants that were approved, and paid were to, individuals who received other grants such as the Sassa R350 grant; beneficiaries who did not meet the set criteria; and beneficiaries who were approved without validating their ID numbers.

6.5 Other service delivery performance findings

The impact of targets not achieved in the period under review includes, but is not limited to the following:

- 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; and
- Domestic tourism is still under pressure due to lack of support by South Africans.

6.6 Relevant external research assessing performance of the Department

6.6.1 Travel and Tourism Development Index

As reported, the Travel and Tourism Development Index, which is updated by the World Economic Forum every two years, benchmarks and measures “the set of factors and policies that enable the sustainable and resilient development of the tourism sector” within 117 countries, including South Africa. The 2021 survey was released towards end-May 2022. South Africa was ranked 68th in 2021, unchanged from the 2019 ranking. Its score is below the global average and similar to the score ascribed to Kazakhstan, Montenegro, Dominican Republic and Serbia. The following insights are worth noting by the Committee:

South Africa scored highly in the category related to the demand drivers of tourism, in particular Natural Resources (national parks and nature reserves, landscapes, richness of fauna, etc.), in which it ranks an impressive 13th in the world; non-leisure resources (factors that drive non-leisure travel, including medical travel, ranked 21st); and cultural resources (ranging from archaeological sites to entertainment facilities, ranked 26th).

In key areas, South Africa’s tourism score is shockingly low. A key example is South Africa’s global ranking of 112/117 in Safety and Security. This reflects the extent to which a country exposes locals, tourists and businesses to security risks. Another clear area of weakness is passenger rail and port infrastructure (ranked 73rd). Uplifting South Africa’s transport infrastructure and reducing crime would benefit a huge array of industries extending well beyond the tourism sector. This, in turn, would lift consumer and business confidence, encourage private sector fixed investment and create employment, thereby boosting government’s tax revenue collection and overall popularity. Yet government appears content to merely highlight its policy intentions, rather than implement key reforms.

Furthermore, South Africa ranks a respectable 43rd in the world in terms of the price competitiveness of its tourism sector. It is known, internationally, as a relatively low-cost travel destination, although the market can accommodate both the budget-conscious traveller, as well as those tourists looking for a more luxurious experience.

Exploring the World Economic Forum’s detailed assessment of South Africa’s travel and tourism sectors, it can be argued that the country is being underrated in a few key areas. These include a rating of 109/117 in environmental sustainability, which includes factors such as the protection of natural resources and exposure to weather-related events. While South Africa falls short in some areas, this ranking seems very harsh and undeserved. The same can be argued for South Africa’s ranking of 71/117 in tourist service infrastructure, which includes the availability of tourist accommodation, car rental, resort and leisure facilities and ATMs.

In addition, the World Economic Forum’s Travel and Tourism Development report does an excellent job in highlighting the correlation between the development of the tourism sector and a very broad range of social, economic and policy metrics. For example, the reliability of police services matters much more to the development of tourism than the cost of hotels. Exploring these relationships can help to identify the most important areas for development.

Overall, SA’s tourism sector is in the process of recovering from the impact of the COVID-19 restrictions. Domestic flights have increased substantially relative to 2020, and on some routes (depending on the airline) business is back to around 70 per cent of pre-COVID volumes. Unfortunately, while outbound international travel has also increased meaningfully, inbound international travel continues to lag.

The above insights have a direct bearing on the Committee’s oversight over the portfolio in regard to the Department and the Entity reporting directly to it, and the overall government departments and entities that have a direct and indirect impact to tourism development.

7. FINANCE AND SERVICE DELIVERY PERFORMANCE ASSESSMENT

At the end of the financial year, the Department spent R2.53 billion or 99.7 per cent of the available budget of R2.54 billion. This translates to R7.6 million or 0.3 per cent underspending against the total available budget of R2.5 billion for the 2021/22 financial year. The underspending was mainly observed in Programme 4: Tourism Sector Support Services due to an internal departmental decision to reduce expenditure on goods and services in order to reprioritise funds towards Destination Development capital infrastructure projects. This indicates a healthy spending pattern, consistent with previous financial years. The concern is that the spending did not translate to the achievement of the government MTSF targets pursued by the Department.

For SA Tourism, the revenue from transfers was projected at R1.297 billion, constituting 95.7 per cent of R1.355 billion projected revenue for the last quarter. Overall, actual revenue was R1.345 billion or 99.3 per cent of projected revenue for the year. Expenditure on goods and services was R919.4 million which was R238.6 million or 35.1 per cent higher than the projected amount of R680.6 million for the fourth quarter. Actual compensation on employees was R172.5 million, which was R59.6 million or 24.4 per cent lower than the projected expenditure of R232.1 million for the fourth quarter. Slower spending was due to vacant positions not filled due to the anticipated merger between Brand SA and South African Tourism.

On service delivery performance, the following factors are notable:

- 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 a 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 are 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 the 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 - The Department did not achieve this target which 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 the North-West province 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 judgement 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 programme 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 the 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 - The target relates to the training of unemployed youth on norms and standards for safe tourism operations. 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 a delayed opportunity to provide training to youth in the hospitality industry as well as the creation 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 the implementation of the Hospitality Youth Program, noting that legal processes are not always in the control of the Department.

- Number of day trips not achieved by SA Tourism - The target relates to the 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 not achieved by SA Tourism - The target measures the South African brand performance. SA Tourism 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. SA Tourism intended to conduct the survey in the 2021-22 financial year. As an all-encompassing measure of brand performance, SA Tourism 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 the procurement process to ensure the timeous conduction of the brand strength survey which informs the target.

8. KEY FINDINGS - COMMITTEE OBSERVATIONS AND RESPONSES

The Committee and the Auditor-General made a substantial number of findings in both the Department and SA Tourism in the 2021/22 audit period. As in the previous financial year, the Committee bases most of its observations on the findings of the Auditor-General to ensure a seamless oversight work on how these are addressed and resolved. The observations are categorised as follows:

Generic observations with both the Department and SA Tourism

8.1 Technical issues

8.1.1 Non-attendance of the Minister at Committee meetings

The Committee noted with serious concern that the Minister did not appear before the Committee when the Department and SA Tourism were presenting their 2021/22 Annual Reports to Parliament. This is considered as a serious dereliction of duty and tantamount to the Minister not taking the oversight of the Committee and her accountability to Parliament seriously. The non-attendance of the Minister left the Committee uncertain in a number of issues that required direct responses and clarification by the Minister. These include, but are not limited to:

- The policy review process and the timeframes for concluding this process which hampers commencement of the legislative review process.
- Clarity on the imminent merger of SA Tourism and Brand South Africa.
- The process of the appointment of the Interim Board of SA Tourism and its legal standing.

8.1.2 Audit findings

The overall audit outcome for the tourism portfolio improved from the previous financial year. The Department and SA Tourism received financially unqualified audit opinions with findings on compliance with key legislation. The improvement in the overall audit outcome is due to the improvement at SA Tourism which had received a financially qualified opinion in the prior year with

findings on compliance and predetermined objectives. In the prior year, SA Tourism 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 the Entity.

8.1.3 Expenditure management (irregular expenditure)

The irregular expenditure in the portfolio decreased from R21,29 million in 2020/21 to R8,6 million in the 2021/22 financial year. SA Tourism remains the biggest contributor to irregular expenditure, accounting for 79 per cent of irregular expenditure for the year. The irregular expenditure incurred by SA Tourism 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 irregular expenditure incurred at the Department was mainly due to a multi-year contract declared irregular in the prior year wherein expenditure is still being incurred, therefore there was no new irregular expenditure.

8.1.4 Implementation of the Audit Action Plan

The performance of the portfolio improved, albeit with repeat findings. The improvement in the audit outcome is attributable to the effectiveness of the action plan implemented by the accounting authority of SA Tourism, 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 plans should be tailored at achieving clean administration and not only addressing prior year findings.

8.1.5 National Treasury support for the sector

The Committee noted from the Consolidated Spending Plans issued by the National Treasury that the Department of Tourism will continue to focus on supporting recovery in the tourism sector while accelerating the move towards a stronger, more equitable and resilient tourism economy. Accordingly, R360 million is allocated over the medium term to support the pilot phase of the Tourism Equity Fund introduced in 2021, R240 million is allocated to enhance tourism assets and infrastructure, and R80 million has been reprioritised to support short-term jobs in tourism. It was noted also that, to support tourism and improve the visa application process, the Department of Home Affairs has reprioritised R10 million over the MTEF period.

Observations with regard to the Department

8.2 Governance and operational issues

8.2.1 Policy and legislative review

The Committee noted that the policy review process was not finalised in the 2021/22 financial year as it had not been signed off by the Minister. The Department reported that the draft Green Paper on the Development and Promotion of Tourism in South Africa was developed. The document has been submitted to the Executive Authority for consideration but had not been signed off. The Committee noted these delays with concern as this has a ripple effect in further delaying the commencement of the legislative review process, which is long overdue. The Committee is of the view that the Department is not taking the matter of policy and legislative review seriously, and this attitude should change henceforth.

8.2.2 Audit opinion

The Committee noted that the Department received an unqualified opinion with emphasis of matter for the 2021/22 financial year. The Auditor-General indicated that the financial statements present fairly, in all material respects, the financial position of the National Department of Tourism as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Division of Revenue Act of South Africa, 2021 (Act No.9 of 2021) (Dora). However, there was emphasis of matter as the Auditor-General drew attention to the matter of “Restatement of corresponding figures”. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2021 have been restated as a result of an error in the financial statements of the Department at, and for the year ended, 31 March 2022. Notwithstanding the matter of emphasis, the Department shows stability and return to good governance and improvement in financial management as the Department obtained an unqualified audit opinion similar to the 2020/21 and the 2019/20 financial years. The Committee is, however, concerned with the historical irregular expenditure expressed by the Auditor-General.

8.2.3 Assessment of expenditure against achievement of predetermined objectives

The Department continued with its expenditure pattern similar to previous years as it spent R2 537.8 billion or 99.7 per cent of its total appropriated budget of R2 545.3 billion. At a financial expenditure level, this expenditure is commendable as the Department was able to spend almost all of its budget for the reporting period. It depicts a constant expenditure pattern over the years as the Department spent 97.6 percent in 2020/21; 99.7 per cent in 2019/20; 98.9 per cent in the 2018/19; 99.7 per cent in the 2017/18 and 95.5 percent in the 2016/17 financial years.

On the achievement of targets, the Department achieved 80 percent, which is 44 of the 55 predetermined objectives in the Annual Performance Plan for the 2021/22 financial year. In the previous financial year, the Department achieved 56 of the 64 annual targets, accounting for 87.50 per cent performance. This indicates that in the current reporting period, the Department had a slight underperformance compared to the previous financial year. The Committee is concerned that the 11 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. This means the performance of the Department in the period under review did not achieve the MTSF targets pursued by the Department.

8.2.4 Irregular expenditure

The Department incurred R1.8 million irregular expenditure in the 2021/22 financial year. This amount comprises R1.7 million from non-compliance with SCM Procedures - irregular award of tenders - tender not awarded to the tenderer who scored the highest points; and R150 000.00 from non-compliance with SCM Procedures - Irregular award of tender - three quotes not obtained. This is a marked improvement as the Department incurred R34 932 million irregular expenditure in the previous financial year. The Committee should insist on consequence management for staff who do not comply with SCM procedures should they be found to have deliberately contravened the policies.

8.2.5 Fruitless and wasteful expenditure

The actual fruitless and wasteful expenditure for the 2021/22 financial year is only R21 million. This comprises R125 million from flight amendments and no shows for shuttles and accommodation with regards to travel bookings. Of this, R104 million was written off by the Department for late cancellation/no-show/flight amendments with regard to travel bookings.

The non-compliance with financial statements led to the restatement of R194.8 million fruitless and irregular expenditure in the 2021/22 financial year (restated from the 2020/21 financial year). This emanated from flight amendments and no shows for shuttles and accommodation with regards to travel bookings. The Department should be commended from having conducted an investigation and recovered the said fruitless and expenditure amount.

8.2.6 Unauthorised expenditure

The Department did not incur any unauthorised expenditure in the 2021/22 financial year. This should be commended as the Department did not incur unauthorised expenditure in the previous reporting period as well. This is commendable and the Department is urged to continue strengthening its internal controls to avoid unauthorised expenditure.

8.2.7 Underspending

The Department incurred underspending of R4 015 million in Programme 2: Tourism Research, Policy and International Relations; R3 338 million in Programme 3: Destination Development and R209 000.00 in Programme 4: Tourism Sector Support Services

8.2.8 Virements

The Department shifted an amount of R52 million from Transfers and Subsidies: Public Corporations and Private Enterprise in Programme 4: Tourism Sector Support Services to Goods and Services in Programme 3: Destination Development.

8.2.9 Voted funds surrendered to the Revenue Fund

The Department surrendered R7 562 million back to National Treasury in 2021/22 compared to R34 611 million in the 2020/21 financial year. The surrender of funds to the Revenue Fund by the Department, no matter how small, remains a concern as the portfolio is not appropriated enough funds to fulfil its mandate.

8.2.10 Leave entitlement

It is of concern that the Department has a negative Leave Entitlement amounting to R125 574.45. The Committee noted with concern that at this stage the Department is not able to reliably measure the long-term portion of the Long Service Awards. Due to the utilisation of Leave within the first quarter of the Leave Cycle (Leave taken without any Leave Credits available). The category "Other" comprises Long Service Awards. "Leave Entitlement" provision for 2020/2021 has been decreased from R24.841 million to R24.814 million. This is due to Leave that was not captured on time for the 2020/2021 financial year. The Department should ensure a proper capturing of leave on the system.

8.2.11 Impact of the court interdict on the Tourism Equity Fund

The Committee noted that the Tourism Equity Fund (TEF) is still affected by the court interdict. The target relating to the 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 which prevents the Department from disbursing the funds. 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 Committee welcomes the innovation by the Department to seek legal opinion, which allowed the Department to capitalise the fund whilst waiting for the issues around the interdict to be resolved. Though the target was not achieved, the impact has been mitigated as capitalising the fund is a good strategy to ensure that funds are available once the court interdict matter has been resolved. The Committee urges the Department to continue monitoring the developments around this case.

8.2.12 The World Tourism Day celebrations

The Committee welcomed the invitation by the Minister to attend the World Tourism Day celebration on 27 September 2022 in Hermanus. The Committee is, however, dissatisfied with the level of the organisation of such an event. The Minister and the Deputy Minister opted to attend the event organised by the United Nations World Tourism Organisation and abandoned the event organised by the Department. The Interim Board of SA Tourism was also not acknowledged at the event despite the fact that they were at the event. There was also no participation by either the Department or SA Tourism in the proceedings that were literally handled by the municipality and the Western Cape provincial government. The non-participation of the Department and SA Tourism is a cause for concern as the event was organised by the national government in partnership with the province.

8.2.13 Delays in recouping Tourist Guides Relief Funds

The Committee is disappointed that the Department has not been able to recover all the funds paid erroneously to recipients who did not qualify for the Tourist Guide Relief Fund. The Committee acknowledges that an amount of R51 700 had been recovered as at 31 March but by September 2022 the amount recovered was around R131 000. It is also acknowledged that 47 recipients were in the employ of the state and that some are repaying through instalments.

8.2.14 Success of departmental youth and women programmes

The Committee raised concerns about the effectiveness of the youth and women programmes implemented by the Department, especially placement after completing training. The Committee, however, noted challenges and progress in the implementation such as:

- The youth and women are empowered in a number of skills spanning various careers. They need to spend some time in the practical experience training. Arrangements are made with host employers to expose beneficiaries on practical skills. Stipends are paid to alleviate poverty whilst imparting skills.
- In alleviating COVID-19, the capacity building programmes included that the retrenched youth will continue being hosted by the employers. The training offered to the youth equipped them with more skills, such as training on Norms and Standards for safe operations at tourism facilities.
- Currently, the Department is in negotiations with associations in the accommodation sector to indicate areas in which the youth could be placed. A database has been made available to the Department of Employment and Labour to assist with placement. The private sector is participating in the database to increase the employability of youth.
- The employability is increased through incubation programmes, such as for sommeliers and chefs to gain business skills to run their own businesses.
- Some community based projects were being identified for implementation - this is a pilot programme and will commence soon.
- The Phalaborwa and Manyeleti incubators sourced a number of women – at some point there was a rotation of over 50 women in each incubator.
- The Women Executive Development Programme partners with tertiary education institutions in ensuring that women participate fully in tourism programmes.

8.2.15 Safety and security for tourists

The Committee noted with serious concern the deepening situation on safety and security for tourists. The situation was exacerbated by the fatal shooting of a German tourist en route to the Kruger National Park in Mpumalanga on the 3rd October 2022. The Committee also noted that three suspects have been arrested by the South African Police Services in relation to the murder of the tourist. The Minister of Tourism is commended for her role in the matter and the efforts she showed with her team in taking time to reach out to the family of the victim, the other three tourists and getting to the bottom of what happened. The Committee is concerned that this incident may discourage international tourists to come to South Africa and seriously have a knock on effect on forward bookings, even inducing cancellations. The Committee acknowledges the efforts made by the Minister of Tourism on the matter of safety and security and the work with the South African Police Services, but calls for more measures to be put in place.

8.2.16 Attacks on long distance bus operators

The Committee has observed increasing incidents of attacks on long distance busses. In this regard, the Committee convened hearings with the affected parties, being the Intercap Long Distance Bus Liner and also the leadership of the South African Police Services and the Minister of Transport. The

Committee is of the view that the ranking of 112 in 117 countries in Safety and Security should provide an increased impetus in solving matters that have a potential to exacerbate the situation. The ongoing targeted attacks on long distance busses is a ticking time bomb should international tourists be hurt in the attacks. The matter has been escalated with the Minister of Tourism to call for an InterMinisterial Committee to work with NATJOINTS on the matter. The Committee will impress on the Minister to provide a comprehensive feedback to the letter written by the Chairperson on how she has escalated the matter at a Cabinet level. A decisive action by the NATJOINTS is necessary to avert incidents such as the recent killing of the German tourist in Mpumalanga.

8.2.17 Increased cost of air travel

It was noted that the Global Business Travel Association (GBTA) has predicted that air travel cost will continue to rise sharply for the remainder of 2022 and the entirety of 2023. The organisation's 2023 Annual Global Business Travel Forecast, which examines costs across the world, predicts that 2022 will see a full year average increase of 48.5 per cent in airfares, 18.5 per cent in hotel rates and 7.3 per cent in car-rental charges. In 2023, airfares are expected to rise by 8.4 per cent, hotel rates by 8.2 per cent and car rentals by 6.8 per cent. The sentiments raised by industry experts note that the rising fuel prices, labour shortages, and inflationary pressures in raw material costs are the primary drivers of the expected price growth. The demand for business travel and meetings is back with a vengeance, of that there is absolutely no doubt. However, labour shortages across the travel and hospitality industry, rising raw material prices, and greater awareness for responsible travel are all having an impact on services, but predicted pricing is, on the whole, on a par with 2019. The Committee noted with concern that the demise of the domestic air carriers in South Africa has exacerbated the increase in prices for domestic flights. This will bring more pressure on the sector, in addition to the forecasted increase in international flights. The Committee will continue engaging the Minister on the strategies to cushion citizens from the increasing cost of air travel.

8.2.18 Vacancy rate

The Department is doing well on the vacancy rate as it stood at 10 per cent at the end of the financial year. The Departmental post-establishment was at 512 with 461 positions filled and 51 positions vacant. The Committee noted that 2021/2022 was the first year of the implementation of the National Treasury reduction of baseline which included budget cuts within Compensation of Employees, resulting in several previously funded positions declared unfunded. While the target on 10 per cent vacancy rate was achieved, the target on 50 per cent female representation at Senior Management Services was impacted.

Observations with regard to South African Tourism

The following observations were made in relation to South African Tourism from the Report of the Auditor-General and the analysis of the Annual Report:

8.2.19 Confusion about the Interim Board and merger of SA Tourism with Brand South Africa

The term of the Board at SA Tourism expired at the end of May 2022 and the Minister of Tourism published the call for nominations in Government Gazette 45909 dated 11 February 2022, in terms of the Tourism Act. The appointees were to serve a three-year term effective from 1 June 2022 until 31 May 2025. Nominations were invited until 7 March 2022. The call for nominations in the Government Gazette 45909 seems to have been put in abeyance and the Minister appointed a new Interim Board for SA Tourism. However, the new Interim Board has not been gazetted and this makes it difficult to ascertain its legal standing. The Committee is advised to enquire from the Minister about the legal prescripts used to establish the new Interim Board.

In a press briefing on Thursday 1 September 2022, the Minister announced that the President had given the green light for the merger of Brand SA and SA Tourism. In that press briefing, the Minister indicated that the process of legal and regulatory changes still needed to be completed. In the meantime, there will be a combined interim board. This will allow the two entities to collaborate as single entities under the Tourism Ministry. It is thus important for the Committee to follow up on the merger process and the legal/regulatory requirements inherent thereto.

Of great concern, is that after the announcement by the Minister of Tourism on the imminent merger, The Presidency has subsequently made a call for nominations for members to serve on the board of trustees of the Brand South Africa trust on 17 October 2022. The closing date for the receipt of nominations was indicated as 28 October 2022. This leaves the state of governance at SA Tourism in tatters as the Board is not properly constituted and the Entity is without a permanent Chief Executive Officer.

The merger follows the decision of the Cabinet Lekgotla of January 2020 which directed that government entities should be rationalised and repurposed. As part of this exercise, SA Tourism and Brand SA were identified as entities that have similar and/or related mandates. Since this Cabinet decision, the Committee has been following up on the matter fervently, but information was not readily made available.

This matter therefore creates great confusion and the Committee is uncertain whether the merger is going ahead. This then makes it even more confusing to understand the rationale of establishing an Interim Board for SA Tourism if the merger is not going ahead. The Committee is also uncertain about the entire process of the merger and the legal standing of the Interim Board. Clarification on this matter is critical as the Interim Board may approve strategies and expenditure of budget by SA Tourism. If the Interim Board is not properly constituted, this may render all the financial expenditure approved by it as irregular expenditure, and may cause serious challenges for the Entity.

8.2.20 Audit opinion

In the 2021/22 financial year, SA Tourism received a financially unqualified opinion with findings on compliance with key legislation. The Committee noted that this was an improvement as the Entity received a financially qualified opinion in the 2020/21 financial year with findings on compliance and predetermined objectives. In the prior year, SA Tourism 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 the Entity. The Committee, however, is of the view that this audit opinion should not be celebrated as the Entity did not adequately implement its Audit Action Plan and incurred numerous repeat findings.

8.2.21 Budget and expenditure patterns

SA Tourism spent R1 273.8 billion of R1 417. 6 billion available in the period under review, accounting for 90 per cent expenditure. The Entity incurred under expenditure of R143.7 million, which accounts for 10 per cent under expenditure. On the achievement of targets, the Entity had 42 targets in the 2021/22 Annual Performance Plan. A total of 32 targets were achieved, accounting for 76 per cent performance. A total of 10 targets were not achieved, accounting for 24 per cent underperformance. This indicates that SA Tourism had poor performance in both financial management (expenditure) and achievement of the pre-determined objectives.

The Committee noted the following expenditure patterns:

(i) Irregular expenditure

SA Tourism had a total irregular expenditure of R6,80 million as follows:

- R4.47 million was incurred on marketing procurement where competitive bidding process was not followed related to the “I Do Tourism” campaign.
- R1.5 million was incurred on expenditure without obtaining the necessary approvals, for collaboration of SA Tourism and the Eastern Cape Parks and Tourism Agency.
- R830 000.00 was incurred due to preferential points system not applied correctly on the appointment of internal auditors.

The irregular expenditure incurred by SA Tourism relates mainly to non-compliance with Supply Chain Management (SCM) prescripts which was due to a lack of preventative controls to ensure compliance with SCM legislation. This is a cause for concern as it led to many repeat/ recurring findings similar to prior audit periods.

(ii) Irregular expenditure being investigated

It was noted that SA Tourism is currently investigating irregular expenditure of R45,13 million, which is currently being subjected to consequence management processes. Pending conclusion of investigations, the Entity might have incurred more irregular expenditure in the current financial year. The Committee will follow up on the irregular expenditure being investigated and outcomes of consequence management.

(iii) Quality of financial statements

The quality of submitted annual financial statements is an area of concern for the Entity as material adjustments were made to the financial statements that were submitted for audit for SA Tourism. The 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 cause for concern is that the financial statements were approved by the Board and the Audit and Risk Committee. Given that this is a repeat finding, it begs the question whether the Entity has adequate capacity to prepare financial statements.

8.2.22 Vacant position of the Chief Executive Officer and other vacancies

The Committee noted that whilst the Entity has done extremely well in filling critical vacancies, the Chief Executive Officer (CEO) position remains vacant since 1 June 2021. The absence of the permanent Chief Executive Officer might have affected the performance of the Entity in the period under review as the organisation did not manage to implement its Audit Action Plan and incurred recurring findings. The Entity is commended for filling the vacancy of the Chief Operations officer and the Chief Quality Assurance Officer, which was an internal appointment. The indicates that the Entity has depth of skills and can empower its internal employees to rise to management echelons. The Committee was, however, concerned that due to the reason by the Minister to appoint the Acting CEO to act in lieu of the Board, the new Chief Operations Officer is occupying the position of the COO and the Chief Marketing Officer. In total, the Entity has 202 posts in its staff establishment. A total of 186 are filled and 16 are vacant, constituting 7.9 per cent vacancy rate.

8.2.23 Failure to implement IT Governance

It was observed with serious concern that the Entity performed badly in its IT governance. This is a cause for concern as SA Tourism has no formalised processes relating to IT governance that will direct and evaluate the use of IT to support its operations. These processes include the formalisation of the IT governance framework, IT strategic plan and IT policies. Without these processes, SA Tourism 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 its goals. The areas of work affected include, among others, the core marketing function; the National Conventions Bureau and the Tourism Grading Council. Instead of improvement, the Auditor-General made findings that the Entity regressed on the IT environment. This Committee will put this matter under critical scrutiny as it has serious repercussions for the business processes of the Entity and modernising the tourism sector in South Africa to be on par with the world on the usage of technology by the Entity. It was noted with optimism that the Entity applied consequence management on the previous IT management team that failed to improve IT governance, and that the new staff has been recruited to improve the IT regime. The Committee will continue paying attention on this significant aspect of the work of the Entity.

8.2.24 Fatal shooting of the German tourist

The Committee noted that the murder of international tourists in South Africa attracted widespread reporting in international headlines. Consequently, the US embassy in South Africa has issued a security alert advising US citizens to steer clear of the Kruger National Park's Numbi Gate. This alert

cites an increase in crime in the area and warns travellers to use alternative entrances to the Kruger National Park

The Committee commends the quick action by the Entity to immediately deploy the Chief Operations Officer to the area to be the eyes and ears on the ground. As reported by the Entity, this led to the incident not being widely reported in the international media as there was personal contact and guidance given to the affected touring German party.

9. RECOMMENDATIONS

The Committee, after a careful consideration of the Annual Reports of both the Department and SA Tourism in the implementation of the budget appropriated for Vote 38 makes recommendations to the Ministers of Finance and the Minister of Tourism respectively, for responding on or before the end of the 2022/23 financial year, namely 31 March 2023.

Recommendations to the Minister of Finance

It is recommended that:

- 9.1 The National Treasury appropriates a ring-fenced budget that will be used to develop, enhance and market domestic tourism which is a cornerstone for successful tourism destinations.
- 9.2 The National Treasury appropriates budget that will allow sector recovery and assists in surpassing the 2019 performance levels before the advent of the COVID-19 pandemic.

Generic recommendations for the Department of Tourism and South African Tourism

The following generic recommendations are meant to ensure that the Minister, the Board and Accounting Officers of both the Department and the Entity are collectively and individually held accountable.

- 9.3 It is recommended that the Minister of Tourism honours and attends all the meetings of the Committee as this is a statutory requirement that allows the Committee to exercise its oversight role effectively and for the Minister to account to Parliament accordingly.

It is recommended that the Minister of Tourism ensures that the Accounting Officer of the Department, the Board and Accounting Officer of SA Tourism:

- 9.4 Develop and maintain Audit Action Plans and implement these timeously to address audit findings.
- 9.5 Monitor performance and consequence management in relation to the reported findings on expenditure management as well as procurement and contract management at the Department and SA Tourism.
- 9.6 Impose consequence management on all officials that flout government policies and legislations and implement preventative controls relating to Supply Chain Management.
- 9.7 Strengthen controls to prevent irregular, fruitless and wasteful expenditure and impose consequence management on officials who are involved in financial malfeasance.
- 9.8 Improve the quality of the financial statements.
- 9.9 Enhance the achievement of targets and service delivery objectives.
- 9.10 Implement strategies to overcome challenges relating to under achievement of targets in the tourism portfolio.
- 9.11 Urgently submit and present to the Committee the Audit Action Plans for both the Department and SA Tourism to ensure all the identified issues are addressed effectively and efficiently.

- 9.12 Engage Cabinet on developing a war room comprising all departments that affect the mandate of the Department of Tourism and/or an InterMinisterial Committee that will focus on cross-cutting matters that affect tourism and ensure that government takes cognisance of the Travel and Tourism Development Index in their planning.

Recommendations with regard to the Department of Tourism

The Minister of Tourism should:

- 9.13 As recommended in the previous financial year, expedite the policy review process and table the Tourism Amendment Act in time to be processed and finalised by the 6th Parliament.
- 9.14 Conduct follow up with regard to payments made to beneficiaries who did not qualify for the Tourist Guide Relief Fund and provide a comprehensive report on the recovery of the incorrectly disbursed funds.
- 9.15 Work closely with the Minister of Police to develop effective strategies that enhance safety and security for tourists and explore the possibility of establishing Tourism Police to be deployed in tourism crime hotspots throughout the country.
- 9.16 Work with the Department of Employment and Labour to address the employment patterns in the tourism sector, ensuring citizens are given preference to foreign nationals.
- 9.17 Work with the Tourism Business Council of South Africa to ensure that foreign nationals already employed in the sector are paid according to the minimum wage applicable in the tourism sector.
- 9.18 Work with the National Public Transport Regulator to ensure that tour operator licenses are issued timeously and that there is equity in the issuance of operating permits to advance transformation imperatives.
- 9.19 Ensure that all the Working for Tourism infrastructure projects are properly implemented and prepare a progress report on each of them.
- 9.20 Ensure that the tourism grading policy of the country is made free but compulsory and that this change in policy direction is captured in the new Tourism White Paper in order to facilitate the standardised quality assurance throughout the sector.
- 9.21 Work with the Department of Home Affairs and other stakeholders to facilitate the introduction of Digital Nomad Visa in South Africa to modernise the tourism sector in the country to be on par with the rest of the world.
- 9.22 Work with the Department of Home Affairs to roll out e-visas for many countries which form tourism markets for South Africa.
- 9.23 Work with the South African Local Government Association (SALGA) and the Department of Cooperative Governance and Traditional Affairs (Cogta) on maintaining tourism infrastructure throughout the country, including dealing with sewage spillage that has affected tourism in Durban.
- 9.24 Ensure that the Incubation Programme implemented by the Department goes hand in hand with programmes to formalise the informal tourism sector, particularly in villages, townships and small towns/dorpias (VTSDs).
- 9.25 Explore implementing more programmes that will empower women in the tourism sector.
- 9.26 Explore possibilities of formalising/insourcing Tourism Monitors into formal departmental programmes.
- 9.27 Intensify the implementation of the Hospitality Youth Programme.

- 9.28 Work with all vested stakeholders to ensure provision of ablution facilities at all tourism attractions throughout the country, especially those in rural areas.
- 9.29 Facilitate the development of tourist attractions for the inclusion of previously disadvantaged communities, especially in rural areas.

Recommendations with regard to South African Tourism

The Minister of Tourism should:

- 9.30 Provide an urgent, full and separate briefing on the merger of SA Tourism and Brand SA in relation to Brand SA relocating to the Department of Tourism from the Presidency, to assist the Committee in understanding the implications on broad mandate, budget and staffing.
- 9.31 Provide the process followed in appointing the new Interim Board of SA Tourism and the current legal standing of the Interim Board.
- 9.32 If going ahead with the merger, ensure that the Board of the new merged Entity is properly constituted and dispatches its role efficiently and effectively.
- 9.33 Ensure that the new Board of South African Tourism initiates and expedites the process of appointing the Chief Executive Officer for the Entity.
- 9.34 Work with the Board of SA Tourism and the Tourism Business Council of South Africa to digitise the tourism sector in the country and ensure that the industry is on par with the world in terms of IT governance and its application.

10 CONCLUSION

This Budget Review and Recommendation Report has been compiled taking all the factors in the national fiscus and the service delivery environment in which the Department of Tourism and SA Tourism pursue their respective mandate. The report acknowledges that the 2021/22 financial was not an easy year for the tourism sector as the effects of the COVID-19 pandemic are still lingering in the sector.

The efforts of the Department to transform the sector were still hamstrung by the court interdict on the implementation of the Tourism Equity Fund. This has meant that the major transformation programmes were halted and the impact of the interdict widely felt both by the Department and the sector at large. The brilliant thinking by the Department to capitalise the fund whilst awaiting the resolution of the matter is seen as a creative initiative that will allow smooth implementation once the court interdict has been lifted.

The performance of the Department remained unchanged on both financial management and audit opinion by the Auditor-General whilst SA Tourism had an improvement from a qualified audit to an unqualified audit with findings. There is still a lot of work to be done by both the Department and the Entity to improve on the financial and non-financial performance. The continuation of the non-implementation of programmes and projects due to Supply Chain Management issues remains unacceptable and the Minister is urged to seriously deal with the non-implementation of the Annual Performance Plan.

The issue of safety and security also remains a serious challenge in the sector. Dealing with this matter needs a collective effort of various government departments, the private sector and communities. The image of the country is already tarnished, and the destination cannot afford to lose more brand image due to crime in the country. The Committee will continue monitoring the implementation of the Audit Action Plans for the Department and SA Tourism to improve on the audit findings made by the Auditor-General.

Report to be considered.