PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT
PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118
www.parliament.gov.za

16 November 2021

ANALYSIS: SOUTH AFRICAN TOURISM ANNUAL PERFORMANCE REPORT (2020/21)

TABLE OF CONTENTS

1. INTRODUCTION

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

South African Tourism (hereafter referred to as 'the Entity') achieved **23 (82%)** of its **28** identified key performance indicators (KPIs), spread across its five delivery Programmes in the 2020/21 financial year. At the end of the financial year, the Entity did not achieve **five (18%)** of its KPIs. In terms of financial performance, by the end of the financial year, the Entity had spent R622 063 million (129%) of its R479 065 million budget. Thus, the Entity over spent by 29% on its full budget whilst only managing to achieve 82% of its targets for the year. A breakdown of the overspending is provided under section six of the brief.

2. TOURISM PERFORMANCE[1]

The 2020/21 financial year started at the worst point of the effects of the COVID-19 pandemic, with the country being on hard lockdown and a global stand-down to travel. Tourism in South Africa is one of the many sectors that were and remain severely affected. South Africa's borders opened mid-year and have remained open to visitors. The year 2020 saw an unprecedented drop of 73% in tourist arrivals to South Africa. During the year under review, South Africa welcomed 2 802 320 million arrivals, as opposed to 10 228 593 million in 2019. Arrivals through land borders accounted for 1 971 684 million while 82 920 arrived through air borders. The majority of tourist arrivals to South Africa from the African region in 2020 were from Zimbabwe (684 546), Lesotho (448 745), Mozambique (422 537), Eswatini (214 947), Botswana (129 467), Namibia (54 511), Zambia contributing 46 486 arrivals, while 53 365 tourists arrived from Malawi.

In the domestic tourism market, a total of 17 037 577 million domestic trips were taken in South Africa in 2020. This is a decline of 40% compared to the same period in 2019. However, domestic tourism remains key to the resilience of the tourism sector. According to SAT, the African Continent also remains very important for South Africa's tourism sector and for overall economic growth. Sustainable growth within domestic tourism will contribute significantly to the sector's economic recovery, with domestic recovery paving the way for both regional and international tourism recovery.

Towards the end of 2020, the Department of Tourism, in collaboration with the sector, developed the Tourism Sector Recovery Plan (TSRP), which has, amongst others, interventions that are aimed at triggering a quicker recovery of the sector. The Plan was approved by Cabinet and launched by the Minister of Tourism in April 2021. The TSRP is anchored on three strategic themes, namely protecting and rejuvenating supply; re-igniting demand and strengthening enabling capability for long-term sustainability. The TSRP is aligned to the Economic Reconstruction and Recovery Plan (ERRP), which is the country's plan for overall economic recovery.

The global outlook for a return to 2019 levels of travel and tourism remains uncertain, with a wide variety of factors influencing government travel policies and consumer behaviour. The recovery in international tourism will largely depend on the pandemic's trajectory, travel restrictions and vaccination developments. According to SAT, the sector will therefore continue to re-imagine and redefine the role of domestic and regional tourism in the sector's recovery.

3. POLICY MANDATES

The policy framework that informs the work of the Entity includes the White Paper for the Development and Promotion of Tourism in South Africa, 1996; the National Development Plan (NDP); the National Tourism Sector Strategy (NTSS); Medium Term Strategic Framework (MTSF: 2019-2024); Tourism Grading Council of South Africa Grading Criteria (2019); and the Tourism Black Economic Empowerment Charter.

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

[1] SAT Annual Report (2020/21).

National Development Plan (NDP) – is the 2030 vision for the country. It envisions rising employment, productivity and incomes as a way of ensuring a long-term solution to reduce inequality, improve living standards and ensure a dignified existence for all South Africans. The NDP recognises tourism as one of the main drivers of employment and economic growth.

National Tourism Sector Strategy (NTSS) – is a blueprint for the tourism sector and sets bold commitments for the sector. The NTSS advocates for a coherent approach to promoting South Africa as a preferred destination of choice. This is in line with SAT's mandate to market the country internationally and domestically and promote it as a preferred business destination.

Medium Term Strategic Framework (MTSF: 2019-2024) – is the manifestation of an implementation for the NDP Vision 2030 and for the implementation of the electoral mandate of the sixth administration of government.[2] It recognises tourism as a national priority sector that can play a key role in growing the country's economy, addressing unemployment challenges and developing a better Africa and world.

Tourism Grading Council of South Africa grading criteria (2019) – seeks to advance and maintain a recognisable, credible and globally benchmarked system of quality assurance for accommodation and venues in South Africa.

Tourism Black Economic Empowerment Charter (B-BBEE Charter) – aims not only to make South African tourism globally competitive, but to open the benefits of tourism to previously disadvantaged individuals.

4. STRATEGIC PRIORITIES 2020/21

During the period under review, the Entity undertook to contribute towards three of the seven priorities of the MTSF. Outlined below are the strategic outcomes of the Entity, as stated in its 2020-2024 Strategic Plan, which correlate with the Government's Priorities, namely:[3]

MTSF Priority	MTSF Outcome	SAT Outcome
Priority 1: Building a capable, ethical and developmental State	Professional, meritocratic and ethical public administration.	Achieve good corporate and cooperative governance.
Priority 2: Economic Transformation and Job creation	Re-industrialisation of the economy and emergence of globally competitive sectors. - More decent jobs created and sustained, with youth, women and persons with disabilities prioritised.	Increase the tourism sector's contribution to inclusive economic growth.

[2] MTSF (2019-2024).

[3] SAT Strategic Plan (2020-2025).

	- Increased economic participation, ownership, access to resources, opportunities and wage equality for women, youth and persons with disabilities.	
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.

The outbreak of the Coronavirus pandemic (COVID-19) has resulted in a review of the Entity's projections. In 2017, SAT introduced the 5-in-5 strategy, which sought to increase the base of tourism by five million arrivals during the period 2017 to 2021, translating into four million additional international tourist arrivals and one million more domestic holiday trips.[4] In the June 2019 State of the Nation Address, a challenge was posed to the Entity to increase tourism levels by 21 million international tourist arrivals by 2030 in the country. However, according to SAT the current and medium-term outlook for international travel is volatile and will continue to be in constant flux from week to week and month to month as the virus evolves, pandemic trajectories fluctuate and as vaccine development and dissemination advances; creating an environment where it is impossible to predict travel resumption.[5] This has resulted in the Entity revising the 21 million target to 14.8 million as a more realistic target for 2030.[6]

In addition, South African Tourism had to adapt and implement prompt response to the changes that the tourism industry faced globally. On 12 May 2020, the SAT 2020/21 Annual Performance Plan (APP) was formally withdrawn from Parliament and a revised one was submitted on 18 May 2020. The revised APP focused on the work that the Entity would undertake during the lockdown period, namely, inward looking, transformational initiatives that would place the organisation in good stead once the lockdown was lifted and when tourism markets would yet again be allowed to operate. The annual budget was therefore revised accordingly to match the revised APP resource requirements. This resulted in a 66% budget reduction from the initial approved base.[7]

5. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

5.1. Summary of Performance

The Entity executes its mandate through five programmes, i.e. Corporate Support, Business Enablement, Leisure Tourism Marketing, Business Events and Tourist Experience. In the 2020/21 financial year, the Entity was able to achieve **23 (82%)** of its **28** identified KPIs, spread across its five delivery Programmes. The Entity did not achieve **five (18%)** of its KPIs for the financial year. The following section provides an outline of each programme's performance.

---

[4] SAT Strategic Plan (2017-2022).

[5] SAT APP (2021/22).

[6] Ibid.

[7] SAT Annual Report (2020/21).

5.2. Programme Performance

5.2.1 Programme 1: Corporate Support

The purpose of this programme is to provide support to the organisation and ensure compliance with statutory requirements.

Programme 1: Corporate Support

Total Targets set	14
Targets achieved	11 (78.6%)
Targets not achieved	3 (21.4%)
Revised budget allocation	R111 445 million
Adjusted budget (Q3)	R126 722 million
Budget (Q4)	R130 245 million
Final budget	R111 445 million
Budget spent	R111 344 million (99.9%)
Under expenditure	R101 000

As indicated in the table above, the Entity achieved **11** of the **14** targets set for this programme, while spending virtually all of its allocated budget.

The three targets not achieved in this programme include:

- Implementation of both internal and external audit recommendations. The inadequate implementation of audit recommendations can likely be linked to the Entity obtaining a qualified audit opinion for the financial year. The Entity reports that the outstanding recommendations will be finalised in the 2021/22 financial year. The **Committee** is advised to follow-up with the Entity as to why the recommendations were not finalised. It is not sufficient for the Entity to merely state when the recommendations will be finalised, without properly accounting for lack of implementation. This is aligned to the Entity's stated outcome on adhering to the principles of good corporate governance.

- Vacancy rate – 18 vacancies could not be filled due to the process underway of repurposing state entities and the related internal moratorium. According to the Entity, critical positions were only filled as approved by the Board.[8]

- 100% automation of the supply chain management, legal and internal audit business processes - delays were experienced due to service provider capacity challenges. The Entity reports that penalty clauses, as a mitigation attempt, have been included in the agreement with the service provider.

The Entity's attempts at paying suppliers for services rendered earlier is appreciated, especially during this difficult period. Both targets for procuring from B-BBEE and youth and women owned businesses were achieved. The Entity was able to meet its target on the Workplace Skills Plan, with 23 learning programmes identified and implemented. The training programmes prioritised women

[8] SAT Q4 Performance Report (2020/21).

and people with disabilities. The Entity was also able to meet both its equity targets on female representation at management level and increased representation of people with disabilities in the organisation. In the 2020/21 financial year, South African Tourism recorded an overall staff turnover rate of 4.8%, which is down from 8% in the previous financial year, with a voluntary turnover rate of 3.2%.

5.2.2 Programme 2: Business Enablement

The purpose of this programme is to ensure strategy development and integration with business performance monitoring, governance and evaluation. It provides centralised research insights and analytics to support core business and provides an open source for information sharing.

Programme 2: Business Enablement

Total Targets set	5
Targets achieved	3 (60%)
Targets not achieved	2 (40%)
Revised budget allocation	R33 807 million
Adjusted budget (Q3)	R41 275 million
Budget (Q4)	R41 928 million
Final budget	R33 807 million
Budget spent	R39 841 million (117%)
Over expenditure	R6 034 million

As can be seen from the table above, the Entity achieved only **60%** of its targets set for the financial year under this programme while overspending by 17% on its allocated budget.

- The Entity exceeded its target on the number of quarterly stakeholder meetings hosted. Additional meetings were held with stakeholders to discuss the impact of COVID-19 and the recovery of the sector.

- This also saw the timeous publication of the monthly market insight reports, which were used to highlight both the impact of the pandemic and emerging factors in the sector.

- The annual target on the market access programme was also achieved. The programme is aimed at preparing small enterprises to be market ready for the recovery phase.

- The two targets not achieved include:
    - The B2B base portal, which is to be used to develop a two-way communication with industry members. Delays in the delivery of the portal were due to user acceptance testing and the decoupling of the payment portal from the platform.
    - The Market Investment Framework (MIF), which was due for an update. The updates on the MIF were delayed due to market changes resulting from dynamics introduced by the outbreak of COVID-19.

The **Committee** is advised to follow-up with the Entity on the implications of these unmet targets, particularly as they relate to the Entity's strategic outcomes of achieving good corporative governance and increasing the Tourism sector's contribution to inclusive economic growth.

5.2.3 Programme 3: Leisure Tourism Marketing

The purpose of the programme is to provide destination tourism marketing for leisure tourists for both international and domestic markets.

Programme 3: Leisure Tourism Marketing

Total Targets set	4
Targets achieved	4
Revised budget allocation	R226 382 million
Adjusted budget (Q3)	R283 032 million
Budget (Q4)	R382 007 million
Final budget	R266 461 million
Budget spent	R405 555 million (152%)
Over expenditure	R139 094 million

This is the programme most affected by the COVID-19 pandemic, as it gives effect to the core mandate of the Entity.

- At the end of the financial year, the Entity managed to achieve all its targets under the programme, whilst overspending by 52%. Overspending under the programme at the end of quarter four was reported at 2%. The Entity reported that this was due to upfront payments, as per contractual agreements that were agreed to by the National Treasury. Now at the end of the financial year, the Entity reports an overspending of 52% under this programme. The **Committee** is advised to follow-up with the Entity on this discrepancy.

- During the financial year, the Entity compiled a bank of digital content, incorporating villages, townships and small dorpies aimed at developing brand content for all markets and business segments. The digital availability of this content will prove useful to tourism stakeholders in their marketing and promotion of products.

- The Entity also sought to reposition its brand for Africa's Travel Indaba, Meetings Africa and the Welcome Campaign. The repositioning strategies for all three initiatives were achieved. The **Committee** is advised to organise a meeting with the Entity on this, in order to understand changes pertaining to these events and the financial implications thereof.

- The Entity reports that the target for Digital Partnerships, which is aimed at extending the sector's digital footprint through a platform such as Google, was achieved. This includes the target for the Offline Partnerships, which is an online platform that offers access to various images, videos and digital stories of the country's tourism product offering.

5.2.4 Programme 4: Business Events

The purpose of this programme is to market South Africa as a business events destination.

Programme 4: Business Events

Total Targets set	2
Targets achieved	2

Revised budget allocation	R23 291 million
Adjusted budget (Q3)	R36 897 million
Budget (Q4)	R40 731 million
Final budget	R23 291 million
Budget spent	R30 836 million (132%)
Over expenditure	R7 545 million

The sub-programmes include: South African National Convention Bureau (SANCB) and Strategic events and exhibitions. The activities of this programme have been greatly affected by COVID-19.

- SANCB reports that 36 business events that were scheduled to take place in the country in 2020 and 2021 had to be postponed, due to the pandemic. Some of these, with an estimated contribution of R461 million, may be hosted in the fourth quarter of 2021 and 2022.

- Events such as Meetings Africa, scheduled for 22-23 February 2021, and Africa's Travel Indaba, scheduled for 12-14 May 2020, were also postponed due to COVID-19.

- In response to the challenge of COVID-19, SANCB instead focused its support across the bidding value chain, highlighting key economic sectors to maximise South Africa's chances of winning the rights to host business events.

- It also focused its efforts on supporting the recovery of this sub-sector by targeting leads generation for future business and facilitating the geographic spread of business events to be hosted in villages, townships and small dorpies (VTSDs).[9]

As can be seen from the table above, the Entity achieved both its annual targets and overspent on its budget by 32%. In quarter four, the Entity reported an underspending of 28% under this programme, which it attributed to cancellations, deferrals and the move to online platforms of supported events.[10] At the end of the financial year, the reporting on spending changed; the **Committee** is advised to follow-up with the Entity on the discrepancy.

Both targets under this programme were exceeded:

- At the end of the financial year, the Entity was able to support all the targeted bids. The sales team increased their resources during the financial year to achieve the set target.[11] The **Committee** is advised to seek clarity on the resources that were increased, in order to achieve this target.

- In addition, SANCB was able to generate 390 leads, significantly more than the 83 planned for the year, through the International Congress and Convention Association (ICCA) platform. The leads basically refer to the number of contacts, individuals, associations or organisers that SANCB has made that have an interest in hosting international and regional business events in the country.[12]

[9] SAT Annual Report (2020/21).

[10] SAT Q4 Performance Report (2020/21).

[11] SAT Q4 Performance Report (2020/21).

[12] SAT APP (2020).

5.2.5 Programme 5: Tourist Experience

The purpose of this programme is to deliver a quality experience expected by international and domestic tourists by grading establishments, developing product capacity and creating itineraries for tourists.

Programme 5: Tourist Experience

Total Targets set	1
Targets achieved	1
Revised budget allocation	R44 061 million
Adjusted budget (Q3)	R31 686 million
Final budget (Q4)	R44 061 million
Budget spent	R34 487 million (78.3%)

The purpose of this programme is to deliver a quality experience expected by international and domestic tourists through: grading establishments; product capacity building; and itinerary building. As can be seen from the table above, the Entity achieved the one target set for the financial year.

- The target entailed the implementation of the Basic Quality Verification (BQV) Programme, to provide basic quality support for SMME accommodation establishments. The programme seeks to recognise new entrants in the sector who are not able to be graded at the outset.[13]

- The programme will allow products to reside as a BQV project for a maximum of two years, after which they will be encouraged to apply for full star grading assessment.

- According to the Entity, the implementation of the programme was adversely affected by the lockdown, with restrictions around interprovincial travel. Therefore, the programme only commenced in October 2020 with 108 SMMEs enrolled.

- As a mitigating measure, programme implementation has been extended to 31 October 2021.[14]

The Entity reports that at the end of the financial year, 5 034 establishments were graded, which is a 3% (139) decline compared to the 5 173 establishments that were graded in the 2019/20 financial year. This target was not up for reporting in the financial year due to the impact of COVID-19 on businesses.

6. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

6.1. Financial Statements for the 2020/21 financial year

The Entity receives approximately 83% of its annual budget from Government grants and subsidies, and 9% from the private sector – via the Tourism Marketing South Africa (TOMSA) levy allocated

[13] SAT APP (2020).

[14] SAT Annual Report (2020/21).

through the Tourism Business Council of South Africa (TBCSA).[15] The remaining 8% relates to income from exhibitions, such as Indaba and Meetings Africa (5%), grading fees (2%) and sundry income (1%).

In view of the COVID-19 crisis, the Entity had to revise its priorities and projections. During the period of travel restrictions, the Entity drastically reduced the ratio of its marketing expenditure, with more focus towards general operating expenditure.[16] The Entity adjusted its annual budget for 2020/21 downwards from R1 560.6 billion to R438 986 million.[17]

By the end of quarter four, the Entity reported that its final budget stood at R626 597 million, with R627 813 million spent.

At the end of the financial year, the Entity's final budget stood at R479 065 million, with R622 063 million spent. This resulted in over expenditure of R142 998 million. Thus, the Entity overspent its 2020/21 budget allocation, while underperforming by 18% in respect of set performance targets.

Table 1: Budget and Expenditure Summary 2020/21

	2019/20			**2020/21**		
Programme	**Budget (R'000)**	**Actual Expenditure**	**(Over) / Under Expenditure**	**Budget[18] (R'000)**	**Actual Expenditure**	**(Over) / Under Expenditure**
1. Corporate Support	130 023	152 190	(22 167)	111 445	111 344	101
2.Business Enablement	80 730	79 059	1 671	33 807	39 841	(6 034)
3. Leisure Tourism Marketing	1 005 446	960 976	44 470	266 461	405 555	(139 094)
4. Business Events	180 068	178 855	1 213	23 291	30 836	(7 545)
5. Tourist Experience	102 031	77 021	25 010	44 061	34 487	9 574
Total	**1 498 298**	**1 448 101**	**50 197**	**479 065**	**622 063**	**(142 998)**

Source: South African Tourism Annual Report (2020/21)

6.2 Findings of the Auditor-General's Report

The Entity received a **qualified audit opinion** for the 2020/21 financial year. This is a regression from the **unqualified audit opinion with findings** for the 2019/20 financial year. The Auditor-General (AG) emphasised the following:

6.2.1 Marketing expenditure

- Included in marketing expenditure is R16 815 628 million for expenditure paid by a third party. The Entity did not have adequate internal controls to maintain records of marketing expenditure paid for by third parties.

[15] SAT APP (2018/19).

[16] Ibid.

[17] Ibid.

[18] SAT Q4 Performance Report (2020/21).

- The Auditor-General was unable to obtain sufficient appropriate audit evidence to substantiate the marketing expenditure paid for by third parties disclosed in note 23 to the financial statements. As a consequence, the AG was unable to determine whether any adjustments were required to the financial statements arising from marketing expenditure paid for by third parties.

6.2.2 Receivables from non-exchange transactions

- The Auditor-General was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions, as internal controls had not been implemented appropriately for the recording of expenditure incurred by the Entity and paid by the third party when it accrued in the financial records.

- The Auditor-General could not confirm whether all receivables from non-exchange transactions had been recorded by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to receivables from non-exchange transactions stated at R39 305 815 in the financial statements.

6.2.3 Irregular expenditure

- As disclosed in note 36 to the financial statements, irregular expenditure[19] of R20 063 332 million was incurred in the current year due to the Entity not following competitive bidding processes.

6.2.4 Material findings on the usefulness and reliability of the performance information of the selected programme, Programme 3 (Leisure Tourism Marketing)

- *Target: Traveller, trade, arts and culture partnerships*
    - The AG was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and required level of performance and method of calculation to be used when measuring the actual achievement for the target traveller, trade, arts and culture partnerships activated by 31 March 2021. This was due to insufficient measurement definitions and processes. Therefore, it was difficult to test whether the target for the indicator was clearly defined by alternative means.

6.2.5 Compliance with Laws and Regulations

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

- **Annual financial statements and annual report**

The financial statements submitted for auditing were not supported by full and proper records, as required by section 55(1)(b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified opinion.

[19] **Irregular expenditure** – expenditure that was not incurred in the manner prescribed by legislation; meaning that somewhere in the process that led to the expenditure, the auditee did not comply with the applicable legislation.

- **Expenditure management**

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R20 063 332 million, as disclosed in note 36 to the 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 procurement process in terms of the National Treasury transcripts to invite competitive bids for expenditure paid by a third party on behalf of the Entity.

- **Procurement and contract management**

- Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1 and paragraph 3.4.1 of Practice Note 8 of 2007-08. This non-compliance was identified in the procurement processes for expenditure incurred by the Entity and paid by a third party.

- Some of the tenders that achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with 2017 preferential procurement regulation 5(7). This non-compliance was identified in the procurement processes for the appointment of the panel of internal auditors.

- The AG was unable to obtain sufficient appropriate audit evidence that contracts were awarded to bidders in an economical manner and that prices for the goods or services were reasonable, as required by section 57(b) of the PFMA. This limitation was identified in the procurement processes for expenditure incurred by the Entity and paid by a third party.

- **Internal control deficiencies**

- Management did not design and implement effective internal controls to record transactions paid by third parties to ensure that expenses are recorded when the service is rendered. Management relied on external confirmation at year-end to provide the information to be included in the Entity's financial records.

- Management did not adequately review the Annual Performance Plan to ensure that the target, on Traveller, trade, arts and culture partnerships, was specific. The AG could not determine if the Entity had an over- or under achievement in the target indicated in this report.

- Management disregarded the Entity's internal policies, laws and regulations for appointing suppliers without following a procurement and contract management process. The Entity used third parties to make payments on its behalf for expenditure it had incurred. The Entity's internal processes and systems did not prevent material non-compliance of irregular expenditure from occurring.

- **Other Reports**

Two investigations were undertaken relating to allegations of misappropriation of the Entity's assets. One of the investigations, which was at the request of the Entity's Chief Executive Officer (CEO), covered the 2017/18 financial year. The second investigation, which was at the request of the

Accounting Authority, covered the period 1 April 2020 to 31 March 2021. The outcomes of the investigations had not yet been finalised at the time of the auditor's report.

7. ISSUES FOR THE PORTFOLIO COMMITTEE'S CONSIDERATION

•	The Entity has obtained a qualified audit opinion for the 2020/21 financial year, which is a regression from the previous year. A number of issues have been raised by the AG that led to the qualification. Assurances made to the Committee from the 2019/20 findings seem not have been met. An action plan was developed by both the Entity and the AG to address 2019/20 audit findings and strengthen systems to avoid a recurrence of the same. Can the Entity advise the Committee on the reasons for the regression, even with the action plan in place? What were the factors that prevented the Entity from implementing the audit recommendations?
•	Irregular expenditure, in 2020/21 stands at **R20 063 332 million** compared to the **R49 962 765 million** of the 2019/20 financial year. The Entity states that irregular expenditure comprises of a lease variation in the Netherlands (R1 769 953), COVID support (R1 477 750) and marketing expenditure paid for by third parties (R 16 815 629). According to the AG, '*the Entity's internal processes and systems did not prevent material non-compliance or irregular expenditure from occurring*'. This same statement was raised in the 2019/20 audit findings. The Entity needs to explain to the Committee how and why irregular expenditure was allowed to happen, in the above instances, and outline its plan to address it, to avoid recurrence.
•	The AG alludes to two investigations undertaken relating to allegations of misappropriation of the Entity's assets. One is an investigation, instituted by the former CEO, relating to the procurement of marketing collateral in the 2017/18 financial year. Can the Entity advise the Committee if the investigation has been concluded and what the findings are?
•	One of the AG's findings on internal control deficiencies states that '*management disregarded the Entity's internal policies, laws and regulations for appointing suppliers without following a procurement and contract management process*'. Disregarding policy and laws and the misuse of public funds during a pandemic contradicts the Entity's stated outcomes of good corporate governance and increasing the sector's contribution to inclusive economic growth. How can support be provided to the Entity to ensure value for money in the spending of its allocated budget, a portion of which is about 50% of the Department of Tourism's allocation?
•	The Committee is advised to engage the Department of Tourism on these audit findings, as it also has a quarterly oversight responsibility towards the Entity.

•	The AG reports that: '*Management did not design and implement effective internal controls to record transactions paid by third parties to ensure that expenses are recorded when the service is rendered. Management relied on external confirmation at year-end to provide the information to be included in the Entity's financial records.'* This indicates that there is a lack of monitoring by the Entity of service provider performance throughout the year. Given the challenges encountered by the Entity with service providers, it would not be unreasonable to expect that contracts signed with service providers would contain a standard clause requesting this performance information periodically. Or did COVID-19 hinder this? If that is the case, the Entity should advise the Committee of its contingency measures, if any, to ensure that public funds were utilised for the purpose requested. How will the Entity address this to avoid recurrence?
•	The Entity's financial reporting in quarter four is drastically different from the audited financial statements. The extent of over expenditure reported at the end of the financial year was significantly more than that contained in the quarter four report to the Committee. What resulted in this discrepancy? This manner of reporting complicates a proper assessment of performance, and thus affects the Committee's oversight role.
•	Overspending in the following programmes: • **Programme 2** (Business Enablement): can the Entity account for the R6 043 million overspending under this programme? • **Programme 3** (Leisure Tourism Marketing): can the Entity account for the R139 094 million overspending under this programme? • **Programme 4** (Business Events): can the Entity account for the R7 545 million overspending under this programme? During the Entity's quarter four performance report to the Committee none of the above was in evidence, with spending perfectly rounded off for each programme. The Entity should explain to the Committee the reasons for this discrepancy.
•	The Entity has updated the Market Investment Framework (MIF), in response to market changes resulting from dynamics introduced by the outbreak of COVID-19. A meeting between the Committee and the Entity on the MIF is recommended, including how the changes in the MIF are aligned, if at all, to the Tourism Sector Recovery Response Plan.
•	The Entity embarked upon a process of evaluating the repositioning of Africa's Travel Indaba and Meetings Africa events in response to COVID-19. A meeting between the Committee and Entity on this is recommended to discuss the new format of the events and profit generating measures, among other things.
•	The Entity recently hosted the Africa Travel Summit, which was a hybrid event. Is the event a replacement of the Indaba? What were some of the lessons learnt from the event?

8. CONCLUSION

The Entity obtained a qualified audit opinion, which is a regression from the previous financial year. Some of the issues raised by the Auditor-General include: inadequate internal controls to maintain records of marketing expenditure paid for by third parties; lack of definition of a target resulting in difficulty to measure its achievement; material misstatements in financial statements were not adequately corrected; and tender irregularities. In the 2019/20 reporting period the Entity was equipped by the AG with an action plan to address audit findings.

The Committee needs to establish from the AG if regression in performance points to inadequate implementation of the action plan. In addition, some of the reasons cited for the audit opinion seem to have been within the control of the Entity and could have been avoided. How many of these findings were totally out of the Entity's control and what needs to be done to avoid a continuation of this regressive performance? Irregular expenditure for 2020/21 amounts to R20 063 332 million, compared to the R49 962 765 million of 2019/20. The Entity needs to account for this irregular expenditure and how it has been addressed.

Of the 28 KPIs set for the 2020/21 financial year, the Entity was only able to deliver on 23 (82%). Due to COVID-19 various KPIS were affected and the Entity had to adapt to a new way of doing business. Strengthening of partnerships with provincial government partners and the private sector bodes well for recovery. The COVID-19 pandemic has presented both challenges and opportunities for the industry both globally and locally. With more countries opening their borders, the process of recovery has started. SAT is faced with both the challenge and opportunity to encourage recovery for inbound and local travellers.

REFERENCES

South African Tourism (2018). Annual Performance Plan 2018/19. Available from: <www.southafrica.net>

South African Tourism (2020). Annual Performance Plan 2020/21. Available from: <www.southafrica.net>

South African Tourism (2020). Annual Performance Report 2020/21. Available from: <www.southafrica.net>

South African Tourism (2020). Q4 Performance Report (2020/21). Available from: <www.southafrica.net>

South African Tourism (2017). Strategic Plan (2017-2022). Available from: <www.southafrica.net>

National Treasury (2020). Budget Vote 33: Tourism. Available from: <www.treasury.gov.za>