The Budgetary Review and Recommendation Report of the Portfolio Committee on communications dated 24 October 2014

1. Introduction

The **Portfolio Committee on Communications** (DoC) having considered the performance and submission to National Treasury for the medium term period of the Department of Communications (DoC)[1]. The BRRR being presented is for the former Government Communications and Information Systems (GCIS), as it covers the period 01 April 2013 to 31 March 2014. It also covers the medium term period of the Film publications Board, Independent Communications Authority of South Africa and the Brand South Africa as the new entities of the new Department of Communications for the same period under review; therefore reports as follows:

2. Preamble

2.1 Proclamation

Upon appointment on 07 May 2014, the newly elected President of the Republic announced his Cabinet for 5th Parliament, and with that came changes in the structure and administration of government; specifically the introduction of the Proclamation to split the Department into two Departments namely, Department of Communications (now referred to as the Department of Telecommunications and Postal Services) and the former Government Communications and Information Systems (GCIS), (now renamed as the Department of Communications). The proclamation also refers to the reshuffling of the entities that historically reported to one Department while other entities reported different Departments during 4th Parliament.

This was necessitated by the appointment of the national Executive by the President on 26 May 2014 which saw various administrative and legal steps being taken to give effect to the New Executive portfolios. The National Macro Organisation of the State (NMOS) Steering Committee was established comprising the Director-General in the Presidency as the Chairperson, Directors-General of all affected Departments; the Departments; the Department of Public Service and Administration (DPSA); National Treasury, GCIS, and Department of Public Works (DPW).

The NMOS process is limited to giving effect to the Presidential proclamations regarding the establishment of a new or amended Executive portfolio, the renaming and establishment of new Departments, and the transfer of the legislation between Ministries in terms of the Constitution. In this regard the following happened:

- The President issued Proclamation No. 43 of 8 July 2014 to amend Schedule 1 of the Public Service Act to establish new and renamed Departments;

[1] After 2014 May General Elections, President Jacob Zuma published a proclamation dissolving the former Department of Communications, transferring the functions of the former Government Communications and Information Systems (GCIS) together with its entity the Media Diversity and Development Agency (MDDA) to the new Department of Communications while also transferring other state entities, namely the Film and Publications Board (FPB), Independent Communications of South Africa (ICASA), and Brand South Africa (BSA) to become entities of the new Department of communications, (Government Gazette No. 2889). For the purposes of continuity, this BRR Report will reflect the GCIS as the lead Department to the new DoC and refer to all the new entities as instructed by the Presidential Proclamation.

- A second Proclamation was issued, Proclamation No. 47 of 15 July 2014 to transfer the administration of legislation and entities from one Minister to another in terms of section 97 of the Constitution; and
- The NMOS process was concluded by October 2014

Table below illustrates the arrangement of the impacted Departments and entities as per the Proclamation:

GCIS (Department of Communications)	Department of Telecommunications and Postal Services
South African Broadcasting Corporation (SABC)	SAPO
Film and Publications Board (FPB)	SENTECH
Media Development and Diversity Agency (MDDA)	USAASA
Independent Communications Authority of South Africa (ICASA)	Ikamva e-Skills Institute
	SITA
	.ZDNA

For the purposes of this BRR Report, the South African Broadcasting Corporation (SABC) and the Independent Communications Authority of South Africa (ICASA) (formerly with the former Department of Communications) are transferred to the new Department of Communications which according to the Proclamation, assumes the functions and budget vote of the former Government Communications and Information Systems (GCIS). GCIS forms the core of the new Department of Communications.

In addition, the Film and Publications Board (FPB) which formerly reported to the Department of Home Affairs and was under Budget Vote Four (4) and Brand SA (BSA) which was located in the Presidency under Budget Vote One (1), now form part of the new Department of Communications (DoC) under Budget Vote Nine (9) of former GCIS. The new Department of Communications therefore will be structured as illustrated below:

New Department of Communications (Former GCIS Budget Vote 9)	
Entities	South African Broadcasting Corporation (SABC)
	Film and Publications Board (FPB)
	Brand South Africa (BSA)
	Media Development and Diversity Agency (MDDA)
	Independent Communications Authority of South Africa (ICASA)

2.2 Process leading to the BRR Report

During the first term of 5th Parliament, the Portfolio Committee on Communications (PCC) engaged with firstly the former GCIS now as the new DoC and the all newly-joined entities reporting under it during the 2013/14 Strategic Plan and Budget Vote presentations. Towards the end of the financial year 2013/14, the new

Department of Communications and its entities also appeared before the 5th Parliament Committee to account on their Annual Reports and Financial Statement for the 2013/14 financial years.

2.3 Mandate of Committee

In terms of Chapter 4 of the Constitution of the Republic of South Africa, Act 108 of 1996 (the Constitution) gives a mandate to Portfolio Committees to legislate, conduct oversight over the Executive and also facilitate public participation.

According to Section 5 of the Money Bills Amendment Procedure and related Matters Act, the National Assembly Committee's must annually assess the performance of the Departments. The Committee must submit an annual Budgetary Review and Recommendation Report (BRRR) for the Department in terms of its oversight responsibilities for tabling at National Assembly. The report should be considered by the Committee on Appropriations when it is considering and reporting on the Medium Term Budget Policy Statement (MTBPS) to the House and should be submitted to the Minister of Finance and all relevant Ministers.

2.3.1 Description of the Role and Mandate of the Committee

- Consider legislation referred to it;
- Exercise oversight over the Department and it entities;
- Consider International Agreements referred to it;
- Consider the Budget Vote;
- Facilitate public participation process; and
- Consider all matters referred to it in terms of legislation, the Rules of Parliament and resolutions of the House.

2.4 Description of Core Functions of the Department

2.4.1 Vision, Mission and Mandate

Vision:

The pulse of communication excellence in government.

Mission:

Professionalising government services in order to deliver effective and efficient communication vehicle that will drive coherent messaging to proactively disseminate information with public about government policies, plans, programmes and achievements.

DoC Mandate

The Departments' mandate is to develop overarching communications policy and strategy, information dissemination and publicity as well as the branding of the country abroad thereby promoting an informed citizenry and also assist the country to promote investments, economic growth and job creation.

This mandate to be fulfilled through:

- Developing and reviewing communications policies and legislation that ensure the growth and development of the communications sector

- Improving government communications system that informs and disseminate information to the public as well as marketing the country abroad

- Strengthening the capacity of the Department and that of its state-owned companies to effectively deliver on their mandates; and

- Broadening the participation in the communications sector to promote economic development and transformation.

2.4.2 Legislative Framework

Firstly, the Department derives its mandate from the Constitution of the Republic of South Africa. But the legislative framework is contained mainly in the following Acts:

- Broadcasting Act (Act 4 of 1999)

- Electronic Communications and Transactions Act (Act 25 of 2002);

- Independent Communications Authority of South Africa Act (Act 13 of 2000);

- Films and Publications Board (Act 65 of 1996); and

- Media Diversity and Development Act (Act 14 of 2002).

The Department is also guided, amongst others by:

- The Public Service Act, 1994 (Act 103 of 1994) as amended;

- The Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) as amended;

- International Telecommunications Union (ITU);

- International bilateral and multilateral agreements; and

- World Intellectual Property Organisation (WIPO)

2.4.3 The Department's core functions

- Provide strategic leadership in government communication;
- Strengthen the government-wide communication system for effectiveness and proper alignment;
- Learn and explore communication methods and practices to enhance communication;
- Lead and guide the domestic and international marketing of South Africa;
- Build partnerships with strategic stakeholders in pursuit of the Department's' vision;
- Operate communication platforms that will keep public servants informed; and
- Operate an efficient, effective and compliant government communication organization.

In an effort to communicate, market and publicise government's infrastructure-led economy, communicate national policy frameworks of government such as the National Growth Path (NGP) and the National Development Plan (NDP) to the diverse cultures in the country and the world. The Department has developed a five-year National Communication Strategy (NCS) in line with Cabinet and public needs, which was endorsed by Cabinet in 2011.

The NCS is developed to drive the communication priorities to the Medium Term Strategy Framework (MTSF) and is updated annually to ensure that it remains relevant and highlights communication priorities that may have arisen in the course of the year. The Strategy is also cascaded down to all national and provincial Departments to ensure uniformity. In addition the Department will assist the strategic communications related to the popularisation of the Department of Basic Education's Bill of Responsibilities which aims at building social cohesion.

2.4.4 Brief Background of Entities reporting to the Department

Name of Entity	Mandate of Entity
Independent Communications Authority of South Africa (ICASA)	To license and regulate electronic communications and broadcasting services and the postal sector of South Africa.
South African Broadcasting Corporation (SABC)	To supply broadcasting and information services and services that are ancillary thereto, to the general public in the Republic of South Africa and beyond its borders and to achieve the objectives as set out in the Broadcasting Act 4 of 1999.
Brand South Africa (BSA)	BSA is tasked primarily to develop and implement a proactive reputation management and brand strategy that will create a positive and unified image of South Africa. It strives to build pride and patriotism amongst South Africans and to promote investment and tourism, through the alignment of messaging and the building of a consolidated brand image for the country.
Media Development and Diversity Agency (MDDA)	The Agency was established in terms of the recommendations 37, 78 and 79 of the Comtask report in order to support and subsidise media diversity and development in South Africa.
Film and Publications Board (FPB)	Its mandate is to regulate the creation, production, possession and distribution of films, games and certain publications.

2.5 Purpose of the BRR Report

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance as well as the cabinet Minister responsible for the vote to ensure the effectiveness and efficiency of the use of resources to ensure optimal service delivery.

According to Section 5 of the Money Bills Amendment Procedure and Related Matters Act, the National Assembly, through its Committees, must annually assess the performance of each national Department. The Portfolio Committee on Communications must submit an annual Budgetary Review and Recommendation Report (BRRR) for the Department of Communications as the Department falling under its oversight responsibilities, for tabling in the National Assembly. This process happens every October of each year where the Committee assesses service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on the forward use of resources.

The BRRR also sources documents from the Standing/Select Committees on Appropriations/Finance when they make 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. The Standing Committee on Appropriations (SCOA) should consider these when it is considering and reporting on the MTBPS to the House.

2.6 Method

For the period under review, the Committee, in exercising its oversight role, interacted with the Department and analysed its 2013-2015 Strategic Plan, the 2013/14 Annual Report in October 2014, the Auditor-General (AG) Report, the State-of-the-Nation Address (SoNA), National Development Plan (NDP), Standing Committee on Appropriations (SCOA) report, Committee meetings and oversight reports and the 2013/14 Estimates of National Expenditure (ENE). Also considered was the overview of the overall performance of voted funds (Vote 9) and in the case of ICASA and SABC Budget Vote 27, on behalf of the FPB it is Budget Vote 4 and lastly Budget Vote 1 on behalf of Brand South Africa as illustrated below:

Department/Entity	Budget Vote
GCIS	9 (Currently new DoC)
MDDA	9
SABC	27
ICASA	27
FPB	4
BSA	1

2.6.1 Limitations of Report

This report may be limited in as far as to exhaustively interrogate the performance of the entities in light of the Proclamation. The impact of the new structure of government has meant that entities that previously did not report to the Department and had different votes now form part of this new arrangement. It is a challenge to have to seek consultation given the short period with which the Committee had to engage or hold joint sitting with committees where these entities previously reported to. Also taking into consideration that (i) this was the electioneering year; (ii) the committees of Parliament were elected late; and (iii) the time afforded to the Committee to diligently rollout its programme was therefore cut short.

2.7 Outline of the Contents of the Report

The current phase of the democratic transition requires a government that is responsive and is able to take decisive steps "*to place the economy on a qualitatively different path that eliminates poverty, create jobs and sustainable livelihoods, and substantially reduce inequality.*" A radical economic transformation in an information society needs to be underpinned by a robust communications environment where flows of information become the proxy to an efficient service delivery and ultimately improved economic and social development.

This report therefore is aligned to broader government policy framework championed through the NDP which provides the framework for achieving the radical socio-economic agenda set out in the governing party's election manifesto. In the main, it recognises the need for a capable and developmental state, a thriving business sector and strong civil society institutions with shared and complementary responsibilities.

Furthermore, key policy instruments developed in the preceding years constitute part of the agenda; the New Growth Path (NGP) sets the trajectory of economic development while the National Infrastructure Plan (NIP) guides the rollout of infrastructure to improve people's lives and enable economic growth. In addition the Industrial Policy Action Plan (IPAP) focuses on promoting investments and competitiveness in leading sectors and industries.

The Medium Term Strategic Framework was Governments' strategic plan for the 2009-2014 electoral term and was a reflection of commitments made in the election manifesto of the governing party's which include priorities such as job creation, poverty alleviation, combating crime and corruption, rural development, education and health.

This report reviews the initiatives taken by the Department to ensure that the priorities of the MTSF plan are realised. Furthermore, the report reviews the recommendations made in the previous year's BRRR to ascertain whether they have been acted upon. It also looks at the recommendations made by the Committee regarding the 2013/14-budget vote report. The report then assesses the financial as well as service delivery performance to ascertain whether the budget allocated to the Department was spent as envisaged in the Annual Performance Plan (APP). Finally, it summarises the observations made by the Committee after considering all necessary documents, presentations, oversight visits and all other available resources available at its disposal before making recommendations aimed at improving service delivery.

3. Overview of the key relevant policy focus areas

3.1 2014 State-of-the-Nation Address (SoNA)

The State President identified key interventions to transform the economy and these include expansion, modernisation and increasing the affordability of information and communications infrastructure and electronic communication services, including broadband and digital broadcasting. Through the National Communication Strategy Framework (NCSF), the Department continues to ensure that the mandate of government is communicated to the South African population using advanced technologies as a platform; as they (technologies) become increasingly central to the communications environment.

Moreover, during the past MTSF (2009-2014), the Department responded to the strategic outcome-oriented goal number twelve (12) as outlined below:

The Department's strategic outcome-oriented goal to provide a coherent, responsive and cost-effective communication service to all government programmes. This goal directly supports government's outcomes-based outcome, specifically (12) *"an efficient, effective and development-oriented public service and empowered, fair and inclusive citizenship,"* and *"An empowered, fair and access to government services.'*

3.2 Development Indicators, Budget Review, and MTBPS for 2013/14 and 2014/15

Racially skewed access to Information and Communications Technologies (ICT's) is a legacy of the Apartheid regime and by virtue meant that the majority of the population of the country had limited access to information and opportunities to improve their livelihoods. For an example, while the world had television access in the 1960's South Africa only allowed it in the late 1970's albeit in predominantly white communities. Media freedom was non-existent along with many other civil rights. The new democratic dispensation afforded the country a platform to reverse past imbalances and ensure that communication as a civil right is enjoyed by all citizens of the country and great strides have been made in order to increase access to ICT's and to address racial, gender and spatial divisions.

The Department of Communications has a role and mandate to ensure seamless communications within government as well as between government, society and industry. South Africa is a developing economy with a developmental state agenda and as such the development of its people becomes the primary focus in order to tilt the scales of balance relating to power and the economy.

A capable and developmental state with a thriving business sector and strong civil society institutions as envisaged by the NDP will require, in the case of South Africa, implementation of the NCS with a focus on producing a coherent government communication system that stimulates citizen active participation in the realisation of the NDP's vision 2030.

The MTBPS emphasizes the role of increased investment in economic infrastructure such as that of broadband communication infrastructure over the medium term. Such developments will support the transition to more rapid growth of the economy.

Furthermore, increasing economic integration within national, provincial, and local government as well as the sub-Saharan Africa in the area of communications will become more important in light of the Digital Terrestrial Television (DTT) migration process. Again the role of a coherent government communications system can never be over-emphasized. This is primarily to ensure that the Department can coordinate a communication framework that projects one image and message about South Africa that is communicated to firstly the South African citizen, our regional and international counterparts to seek more partnerships as means to fast-track the developmental agenda of the country.

As the Department tasked with coordinating government communication for the State funeral of former President Nelson Mandela, the Department demonstrated the competence in administering a unified image and message to the world about the proceedings related to the funeral. It is such coordination that is required going forward in a world largely underpinned by a technologically-driven media environment and where miscommunication instantly becomes viral if not managed and coordinated systematically.

The role of the Department is fundamental if government is to achieve the fourteen (14) priority outcomes which form the basis for delivery of the Medium Term Strategic Framework (MTSF), noting that two of the outcomes (social protection and nation-building and social cohesion) were recently added to the MTSF (2014-2019) to the original 12 of the (2009-2014) MTSF.

3.3 Outcome-Based Approach

3.3.1 Delivery agreement targets for 2012/13 and 2013/14

1. Ensure coherent, responsive, cost-effective, communication services for all government programmes;
2. Ensure that it is a responsive, cost effective, complaint and business focused organisation;
3. Professionalise the government communication system, build a reliable knowledge base and enhance related communication products;
4. Maintain and strengthen a well-functioning communication system that proactively informs and engages the public
5. Provide an efficient and effective communication services for government; and
6. Enhance the image of government and that of the State.

3.4 Programme Structure Trends

Over the years (2010/11 – 2013/14), the Department has undergone a series of structural realignments in order to respond to the changing communications environment necessitated by the technological and broader government developments. This section below will seek to explain these changes in programmes.

3.4.1 During the past three (3) financial years up to 2010/11, the Department was organised into eight programmes:

- (i) Programme 1: Administration;
- (ii) Programme 2: Policy and Research;

(iii) Programme 3: Government and Media Liaison;

(iv) Programme 4: Provincial Coordination and Programme Support;

(v) Programme 5: Communication Service Agency;

(vi) Programme 6: International Marketing and Media Development;

(vii) Programme 7: Government Publication; and

(viii) Programme 8: Communication Resource Centre.

3.4.2 During the 2011/12 Strategic Plan, following an internal organisational review, the Department reviewed its structure into three key core programmes namely:

(i) Programme 1: Administration;

(ii) Programme 2: Communication and Content Management; and

(iii) Programme 3: Government and Stakeholder Engagement.

3.4.3 Towards the fourth quarter of the 2012/13 financial year, the Department reviewed its programmes from three programmes to four programmes and this necessitated alterations to the names of two of the programmes as follows:

(i) Programme 1: Administration – remains unchanged;

(ii) Programme 2: Communication and Content Management; is now *Content Processing and Dissemination*;

(iii) Programme 3: Government and Stakeholder Engagement; is *now Intergovernmental Coordination and Stakeholder Management*; and

(iv) Programme 4: Communication Service Agency – remains unchanged.

In the 2012/13 financial year, there was yet again a reshuffle in the Department’s programme. The Training and Development Chief Directorate was transferred from Programme 2 (the Communication and Content Management Programme) to Programme 1 (Administration), the Corporate Services Sub-programme, which handles Department-wide human resource development.

The Media Development and Diversity Agency (MDDA) became the only public entity that is managed by the Department during the financial year in question.

3.4.4 Towards the fourth quarter of the 2013/14 financial year, the fifth Parliament has established a new Department of Communications which has seen the South African Broadcasting Corporation(SABC) and the Independent Communications Authority of South Africa (ICASA) moved from the old Department of Communications (now the Department of Telecommunications and Postal Services (DTPS)), to the new Department, as well as Brand South Africa (BSA) moving from Programme 4: under The Presidency and Film and Publications Board moving from the Department of Home Affairs into the new Department as entities. During the financial year in question the Department had four (4) main programmes named as follows:

(i) Programme 1: Administration;

(ii) Programme 2: Content Processing and Dissemination;

(iii) Programme 3: Intergovernmental Coordination and Stakeholder Management; and

(iv) Programme 4: Communication Service Agency.

3.5 Budget Vote Speech

Purposeful and concise communication between government and its citizens is a moral obligation as well as a pragmatic practice that originates from the very principles of democracy.[2] Government communication is conceived as a policy tool or instrument, that is, as a means to give effect to policy goals.

In his Budget Vote Speech of 2013/2014, the Minister of the Presidency Mr. Collins Chabane highlighted a government communication system that mobilises the nation behind the NDP and invited South Africans to work together to address challenges critical to the achievement of Vision 2030. Further the Ministers emphasised that the Department continues to support the President's SoNA campaign annually. The post-SoNA Ministerial media briefings implemented by the Department assisted in unpacking implementation of governments' Programme of Action for 2013/14 and beyond. The Department plans to implement Ministerial Cluster media briefings on a more regular basis throughout the year in providing up to date information to citizens through media.

He further highlighted the Department's vision to establish partnerships with strategic stakeholders within the three spheres of government, and within the broader society. The achievement of the Department in the past 15 years since inception has utilised a variety of platforms through 3 000 communication projects implemented in the most remote corners of our country and reaching more than 23 million people.

Special emphasis was placed by the Minister about supporting municipalities in their communication, (with preference given to municipalities who are part of Local Government Turnaround Strategy) in order to close the gap between municipalities and communities. This sometimes contributes to the factors behind unlawful protest in some communities. Furthermore, the Department has relocated to new premises called Tshedimosetso House, in Hatfield. These premises will be equipped with state of the art technology that will enable the Department to become more impactful in executing its mandate by operating from a stable and centralised geographic environment.

In his closing remarks, the Minister highlighted that over the medium term, expenditure is expected to increase from R396.7 million in 2013/14 to R430.8 million in 2015/16. The increased spending will mainly be in the Administration Programme and will be used for costs of IT and office accommodation. The Department was allocated additional funding of R19.1 million over the medium term. As an additional savings measure approved by Cabinet, The Department's budget was reduced by R3.9 million in 2013/14, and R8.3 million in 2014/15 and R13.1 million in 2015/16. These reductions have delayed some of the planned expansions of communication services. However, the Department has implemented measures to mitigate any potential adverse effect on the achievement of outputs.

[22] Viteritti, J. P. (1997).

4. Summary of previous key financial and performance recommendations of Committee

4.1 2012/13 BRRR Recommendations

4.1.1 Summary of financial and non-financial performance recommendations made by Committee

Having assessed the performance of the Department in 2012/13, the Committee recommended that the Minister should:

(i) Ensure that all government Departments (national, provincial and local) contribute a certain percentage of their ad spent to the community media as defined by the MDDA Act 14 of 2002;

(ii) Spearhead a mechanism which will result in policy clarity on which is the best Department to implement the TSCs in order to deliver maximum service to the people;

(iii) Ensure that the 2011 Committee recommendation regarding the current appropriation under Vote 27 of the DoC for supporting community radio station, is migrated to Vote 9 GCIS which will be allocated to the MDDA;[3]and

(iv) Commission an audit on the effective delivery of all the Department's publications to ensure they reach the intended market and are of value.

4.2 Evaluation of Responses by Department

The Minister responded to the recommendations made by the Committee in the document herewith attached as **Annexure A.** By large the responses refer to the PCC's 2013 Budgetary Review and Recommendation Report for BSA and GCIS:

4.2.1 BSA Responses

It is important to note that although the Agency has responded to some of the recommendations made, the responses have no time frames attached to the responses and some of the responses with timelines have since elapsed and need to be reviewed.

4.2.1 GCIS Responses

As is the case with BSA it is equally important to note that some of the responses have no time frames attached to the responses. Only 2 of the responses reflect as being completed while the rest indicate that there is ongoing activities to ensure that the department responds adequately to the recommendations. The GCIS has also (in their submission to the then Speaker), highlighted errors and points for clarification contained in the BRR Report.

4.3 2014/15 Committee Budget Report

Although the Committee was satisfied with the Department's Strategic Plan 2013 – 2017; its APP for 2013 – 2014; and MDDA MTEF and APP for the period 2013 – 2017 and accordingly supported its implementation; the Committee did recommend that the Minister:

[3]BRRR (2011) Portfolio Committee on Communications.

(i) must expedite legislation and policy review given the challenges facing community media particularly in terms of transformation;

(ii) conduct an audit of compliance of national Departments about the Committee recommendations that national government Departments and state owned entities should include advertising through community media; and

(iii) provide a breakdown of funding for existing and new community media projects of MDDA;

(iv) ensure that GCIS, MDDA expedite Transformation of the Print Media and take note of the report of PMDSA;

(v) ensure that GCIS, MDDA work with Advertising Standards of South Africa (ASA), and the Department of Trade and Industry (DTI) to expedite Transformation of the Advertising Industry;

(vi) ensure that GCIS, MDDA work with Advertising Standards of South Africa (ASA), and the Department of Trade and Industry (DTI) to expedite Transformation of the Advertising Industry;

(vii) ensure that GCIS, MDDA work with provincial and municipalities to assist effected community media projects whose revenues are cut down further by Advertising/Media brokers;

(viii) ensure that GCIS, MDDA work with stakeholder like South African Audience Research Foundation (SAARF), Audit Bureau of Circulation (ABC) to ensure that project have correct audience figures in order to attract private and public advertisement;

(ix) ensure that MDDA work with community media as well South African Music Rights Organisation (SAMRO) to find solution which will results in the payment of royalties to artists' work by community broadcasters even at discounted rates should such a mechanism exists; and

(x) ensure that GCIS, MDDA fill all funded vacancies especially those at Senior Management Service (SMS) level.

5. Overview and assessment of financial performance

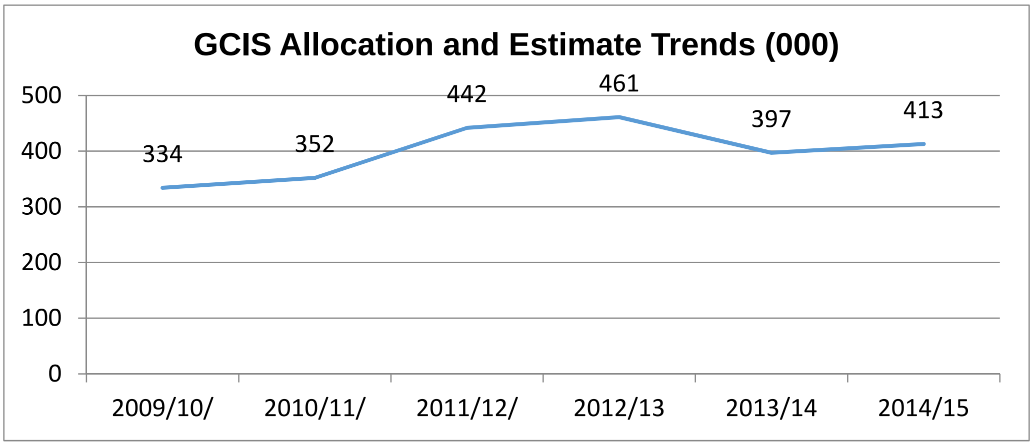
5.1 Overview of Vote Allocation and Spending (2009/10 2014/15)

Programme	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
	Final Appropriation	Final Appropriation	Final Appropriation	Estimates	Final Appropriation	Estimates
1. Administration	89.3	121 634	194 340	132.6	184 458	139.6
2. Content Processing and Dissemination	103.3	173 633	87 840	97.0	82 600	101.6
3. Intergovernmental Coordination and Stakeholder Management	98.0	110 042	127 282	120.0	118 249	122.2
4. Communication Service	61.6	36 634	51 519	47.2	51 910	49.7
Total	**352.2**	**441. 942**	**460. 981**	**396.8**	**437 217**	**413.1**

The table above seeks to provide an overview of budget allocation and forecast estimate patterns per programme of the Department. The initially allocated budget of the Department for the financial year 2013/14 was R396.8 million but was increased to R40.5 million during the Adjusted Estimates of National Expenditure (AENE), resulting in a total of R437.217 million in voted funds. This represented a nominal decrease of R23.8 million, or 5.2 per cent, from 2012/13.

According to the Annual Report of the Department, he increase in budget was as a result of (i) A total of R39.8 million was rolled over from 2012/13 to 2013/14 financial year in respect of the new head office building; and (ii) R631 000 was allocated for higher personnel cost than the main budget provided for.

The new Department will continue to provide strategic leadership in government communications. It will continue to be the most critical arm of government responsible for implementation of the National Communications Strategy (NCS) and with a particular focus to coordinate government communications system and guarantee citizen participation in the realisation of vision 2013 of the National Development Plan (NDP). A depleted budget is therefore undesirable given this important and new mandate of the Department. This is further exacerbated by the new structure of the Department which now has a total of five (5) entities reporting to



it. It is the hope of the Committee therefore that forth-coming budget allocation for the new Department will be adjusted in order to ensure a smooth transition, stability and efficient operations.

It is equally important to note that the Department during the financial year in question spent 100.8 per cent of the allocated budget resulting in over expenditure of R3.7 million or 0.8 per cent. This over-expenditure was as a result of the State Funeral of the former State President Mr Rolihlahla Nelson Mandela, which the total expenditure amounted to R10.6 million. Despite an agreement with the National Treasury relating to the over expenditure and the promise to the Department that R3.1 million will be paid back to the Department during the 2014/15 financial year for services rendered, the National Treasury has since disapproved of this arrangement to pay back the Department.

Over the five year review period, a steady increase in government funding was observed between 2009/10 until 2012/13 totalling a budget of R461 million, but decreases from 2013/14 only to peak at R413 million during 2014/15 financial years, see Graph 1 below.

Graph 1

5.2 Financial Performance

Due to budget constraints, targets were amended accordingly to respond to the cuts. As a result, the Department has managed to function and deliver on its mandate considering the need to deliver the NCS and at the same time to facilitate the communications environment and cater for unforeseen expenditures related to the state funeral of the late former State President.

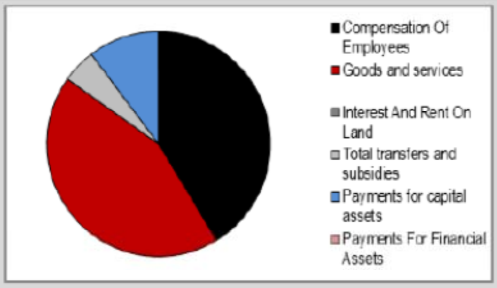
Transfers and Subsidies accounted for R21.6 million of the available budget and of this amount the Department transferred R21.6 million, or 100.2 per cent, mainly to Departmental agencies and accounts. This meant that the Department had an available budget of R415.6 million for operations. Of this, the Department spent R419.1 million, or 100.8 per cent, the majority of which was used on goods and services and compensation of employees.

Nominal growth in transfers from 2012/13 was 4.3 per cent or R0.9 million, with the growth being in those to Departmental Agencies and Accounts.

***At a Glance:* Composition of Expenditure**

A total of 4.9 per cent of expenditure was under transfers and subsidies and payments for financial assets, with the remaining 95.1 per cent spent on departmental operations.

Of operational expenditure, 43.5 per cent was on compensation of employees, 45.7 per cent on goods and services, and zero was spent on interest and rent on land. 10.8 per cent of expenditure was on payments to capital assets.



5.2.1 Quarterly Spending Trends

The largest element of operational expenditure to the end of 2013/14 was R184.2 million spent under the Administration programme mainly on goods and services and compensation of employees. The next largest element was R99.4 million under the Intergovernmental Coordination and Stakeholder Management Programme, followed by R82.4 million under the Content Processing and Dissemination Programme, primarily for compensation of employees and goods and services.

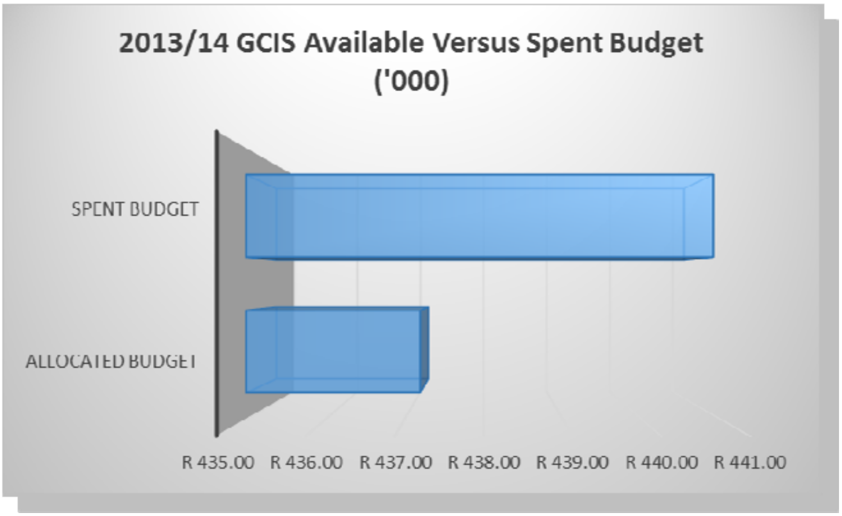
5.2.2 Summary

There is substantial evidence that shows the effectiveness and efficiency of the Department in terms of its allocated budget versus expenditure. But the recent two financial years, 2011/12 and 2012/13, indicate the Department expenditure at 86 per cent in 2012/13 was slightly lower from 96 per cent in 2011/12. This increase in under expenditure was attributed to programme and organisational changes to the Department resulting in a large percentage of unspent budgets when compared to the last 4 financial years.

The Department spent R440.9 million to the end of the 2013/14 financial year, from an available budget of R437.2 million meaning the Department over spent by R3.7 million, see Graph 2 below. This is mainly due to costs related to the 2013 State Funeral. Although some communication activities were scaled down communication could still be done to a limited extent based on limited resources. The budget for the February

2014 State of the National Address was reduced to accommodate this unexpected spending, but continued with the important communication activities of this campaign.

Graph 2



This report should note that during 2013/14, R20.545 million was recovered from GCIS' Paymaster General Account (PMG) account. This amount has not been accounted for in the Department's year-end outcomes for 2013/14 as it is currently pursuing the avenue of restating its 2012/13 Annual Financial Statements (AFS). This amount relates to a prepayment made in 2012/13 for which goods and services for the new building project were rendered in 2013/14. Had this amount been accounted for in 2013/14, the Department would have incurred a R24.2 million overspending against its 2013/14 appropriation.

5.2.3 Adjustments 2012/13

The State Funeral of the late former State President necessitated National Treasury to instruct the Department to fund the expenditure through a reprioritisation process. The total cost of the funeral amounted to approximately R13.8 million of which R10.6 million was paid in the 2013/14 financial year. Due to reprioritisation and cost containment measures that the Department already instated since August 2013 to fund a deficit on the infrastructure of the new head office building, R6.9 million was used to fund the State funeral resulting in an over spending (as indicated in the preceding section) on the Vote.

5.2.4 Virement and Rollovers

Programme	Original Budget (R'000)	Virement (R'000)	Roll-Overs (R'000)	Other Adjustments (R'000)	Adjusted Estimates of National Expenditure (ENE) (R'000)
Administration	132,589	8,380	39,846	631	181,446
Communication and Content Management	96,985	(7,681)			89,304
Government and stakeholder Engagement	119,993	(1,744)			118,249
Communication Service Agency	47,173	1,045			48,218

TOTAL	396,740		39,846	631	437,217

The above Virement and roll-over is represented by:

- An increase of R312 000 in compensation of employees for salary increases following the Public Service Coordinating Bargaining Council resolution;
- An increase of R319 000 in transfers and subsidies in respect of leave gratification;
- Goods and services increased with R3.477 million to fund operational activities such as the new head office building in respect of minor assets;
- Payments for capital assets increased with R39.369 million in respect of capital assets for the new head office building (Tshedimosetso House); and
- Total roll-overs amount to R39.846 million (R3.477 million plus R36.369 million) in respect of the new Head office (Tshedimosetso House).

5.2.5 ENE Adjustment Approved Virement

The following virement was approved by the Accounting Officer and National Treasury after the adjustments:

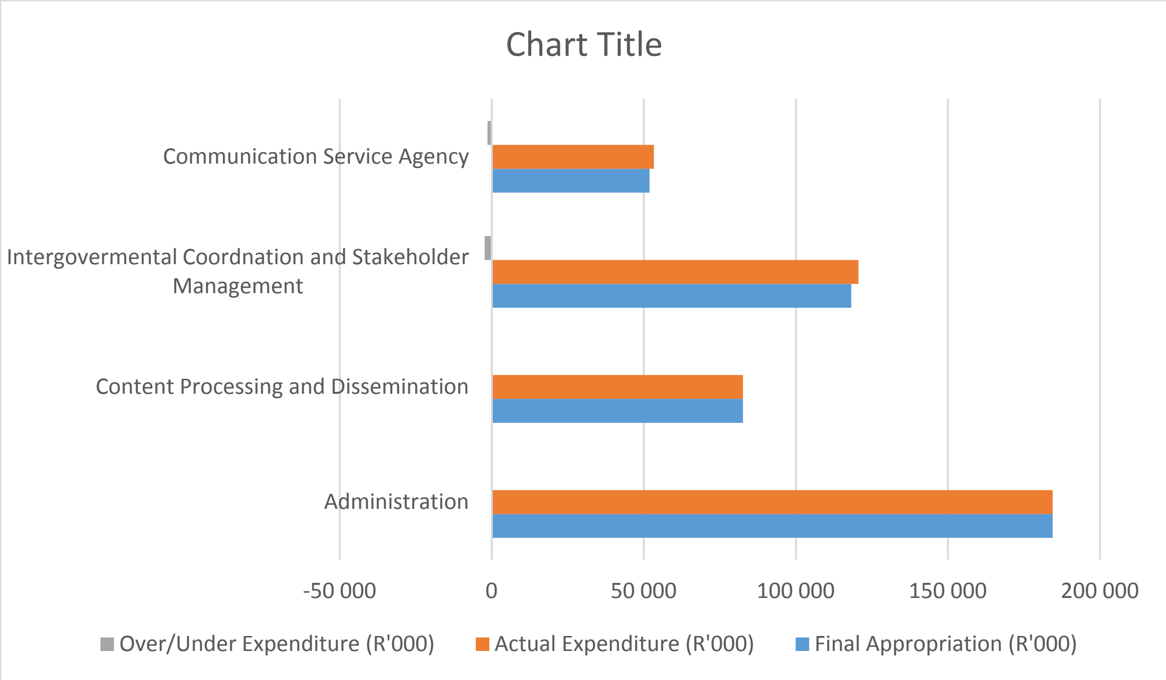
Programme	Adjusted ENE (R'000)	Virement (R'000)	Final Appropriation (R'000)
Administration	181,446	3,012	184,458
Communication and Content Management	89,304	(6,704)	82,600
Government and stakeholder Engagement	118,249	-	118,249
Communication Service Agency	48,218	3,692	51,910
TOTAL	**437,217**	**-**	**437,217**

The above virement is represented by the net effect of the following:

- A decrease of R6 456 000 in compensation of employees to fund a deficit in the Goods and Services budget due to the State Funeral expenditure;
- A decrease of R2 031 000 in Goods and Services to fund capital assets in respect of purchases relating to the new head office building (Tshedimosetso House);
- An increase of R499 000 in Transfers and Subsidies to fund the payment of TV licenses to the South African Broadcasting Corporation (SABC) as well as leave gratification payments; and
- An increase of R7 988 000 in Capital Assets to fund expenditure in respect of the new head office building (Tshedimosetso House).

5.2.6 Final Total and Programme Expenditure

Graph 3



From the Graph 3 above, it is evident that the Intergovernmental Coordination and Stakeholder Management Programme as well as the Communications Service Agency Programme were responsible for the over-expenditure totalling R3.7 million as explained in detail in Section 5.2.1 of this document. This brought the total expenditure of the Department to R440.9 million or 100.8 percent.

5.2.7 Auditor General Report 2013/14

Since 2010/11 to 2012/13 the Department continued to receive financially unqualified audits with findings or other matters. More specifically, during 2012/13 the Department had received a financially unqualified audit with findings; which included the following:

5.2.7.1 Human resource management and compensation:

- Certain employees were appointed without following a proper process to verify the claims made in their applications in contravention of Public Service Regulation (PSR) 1/VII/D.8. this means that a verification process should be enhanced before new appointments are made;
- Filling of the Chief Executive Officer (CEO) should be prioritised;
- Leadership instability and vacancies;
- Lack of adequate policies and procedures;
- Lack of proper record keeping;
- Skills shortage;
- Inadequate performance management; and

- Lack of review of AFS by senior official.

5.2.7.2 Annual Financial Statements (AFS)

- Training should be provided to all staff involved in the preparation of the AFS.

5.2.7.3 Supply Chain Management

- Previous control weaknesses were improved in 2013;
- An awarded was made to a prohibited supplier; and
- Three quotations were not obtained from prospective suppliers.

5.2.7.4 Information Technology Controls

- Inadequate IT security management;
- Inadequate user account management; and
- Lack of governance controls.

5.2.7.5 Financial and performance management

- Inadequate monitoring by supervisors resulted in material misstatements in the financial statements, report on predetermined objectives, and noncompliance with laws and regulations;
- Reliability of performance information could not be confirmed;
- Process to collect, collate, verify, store and report on actual performance should be developed;
- Audit Action Plans must be developed;
- There are no daily and monthly controls; and
- There are no review and monitoring of compliance controls.

5.2.7.6 Compliance with Legislation

- There is no record of audit action plans provided;
- There is no system to monitor and review compliance issues.

5.2.7.7 Irregular and fruitless expenditure

Lastly the AGSA found that there was irregular and fruitless expenditure related to:

1. Late cancellation of trip by an official of the Department amounting to R3 000; and
2. Non-compliance to procurement processes amounting to R334 000

5.2.7.8 Investigations

No investigations were recorded according to the AGSA.

5.2.8 Reports from Other Committees

5.2.8.1 Evaluation of responses by Department and Minister of Finance on 2012/13 BRRR

In tabling the MTBPS in 2013, the Minister of Finance raised the following generic issues and agreed with recommendations made by all Committees' BRR Reports:

- *Realistic targets*: Departments need to establish feasible targets in their annual performance plans that are aligned to their core objectives and budgets;
- *Auditor General Recommendations*: Departments should work more closely with the Auditor-General and abide by its recommendations;
- *Performance agreements*: All Departments should have staff performance agreements in place;
- *Strengthen information and communication technology:* Departments need to strengthen their information and communication technology to improve the quality of data on spending and performance;
- *Disabled workers*: Departments must remain committed to employing people with disabilities;
- *Monitoring and evaluation*: Departments must establish mechanism for monitoring and evaluating their programmes, with measurable objectives and clear timeframes;
- *Better supply chain*- Departments should focus on proper supply chain management to combat corruption;
- *Abide by previous BRR Reports:* Departments should abide by the BRR Report recommendation; and
- *Stronger internal audit and financial controls*: Internal Audit capacity and risk-management systems should be strengthened in a number of Departments to ensure compliance with relevant legislation. Financial controls are needed to reduce irregular or fraudulent spending.

5.3 Financial Performance 2013/14

The quarterly report highlights the Department of Government Communication and Information System having a 2013/14 available appropriation of R437.2 million which represents a nominal decrease of R23.8 million, or 5.2 per cent, from 2012/13.

This was a reflection of a Department seeking to further improve relations with other government Departments, media organisations and the public at large as means to improve the quality of the Departments' work by way of investing in people and products and strengthen the regulatory compliance and corporate governance framework. The bulk of the allocation went towards the implementation of the NCS and interacting and communicating with the public:

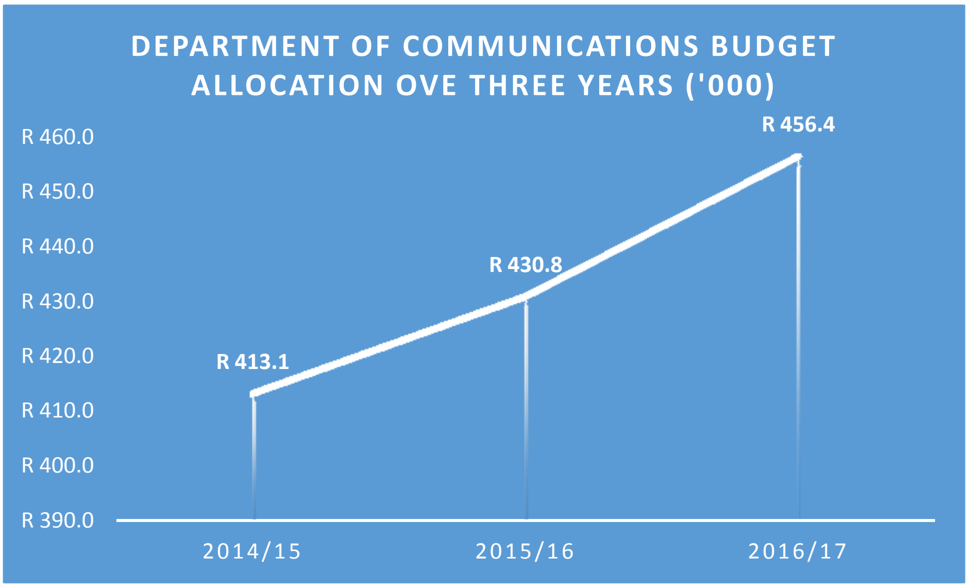
- The Department held 654 marketing events aimed at improving the public knowledge of the Thusong Services Centres;
- A total of R237 000 was generated during the 2013/14 financial year from selling photos and CD's which is R57 000 less than initially estimated; and
- The total collected revenue by the Department was R140 000 which is more than the estimate for the 2013/14 financial year.

5.4 2015/16 MTEF Financial Allocations

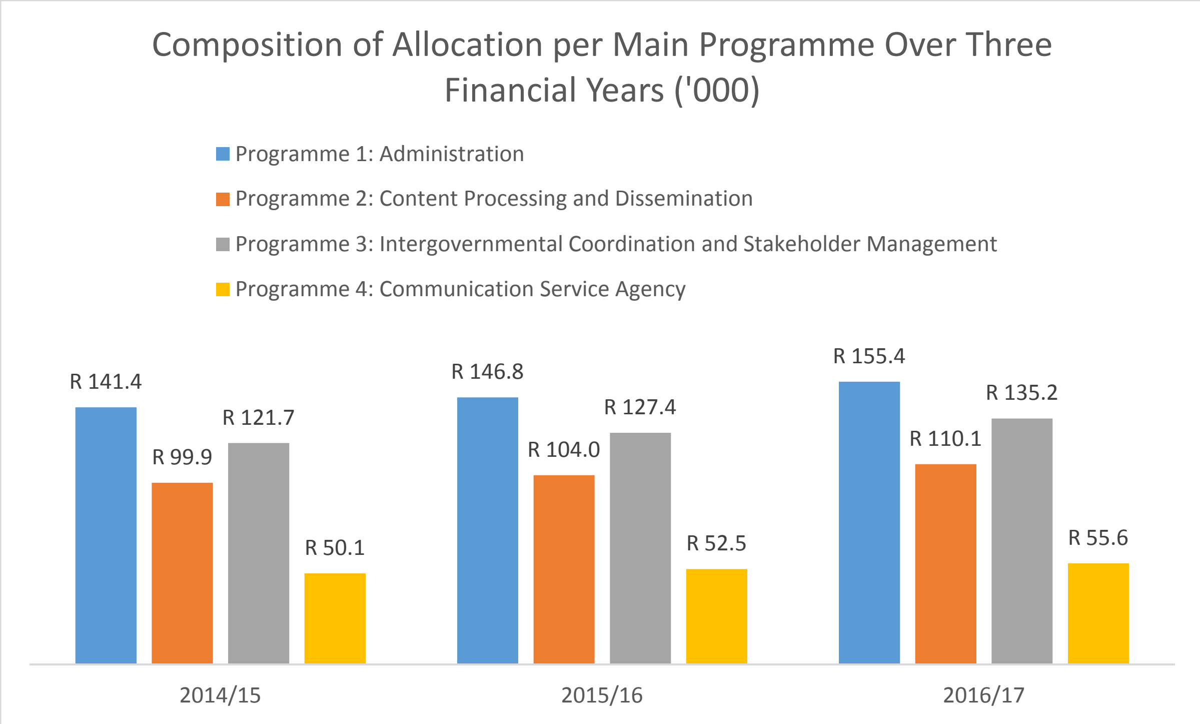
5.4.1 Composition of allocation per main division

In respect of 2014/15 to 2016/17 the Department received budget allocations of R413.1 million, R430.8 million and R456.4 million respectively, see Graph 4 next page. With regards to respective programme allocations Programme 1: Administration has been allocated the highest allocations amongst the programmes amounting to R141.4 million in 2014/15, R146.8 million in 2015/16 and R155.4 million in 2016/17. It is followed by Programme 3: Intergovernmental Coordination and Stakeholder Management with R121.7 million in 2014/15, R127.4 million in 2015/16 and R135.2 million in 2016/17. Programme 2: Content Processing and Dissemination has been allocated R99.9 million in 2014/15, R104 million in 2015/16 and R110.1 million in 2016/17. Programme 4: Communication Service Agency has been allocated R50.1 million in 2014/15, R52.5 million in 2015/16 and R55.6 million in 2016/17, see Graph 5 below.

Graph 4



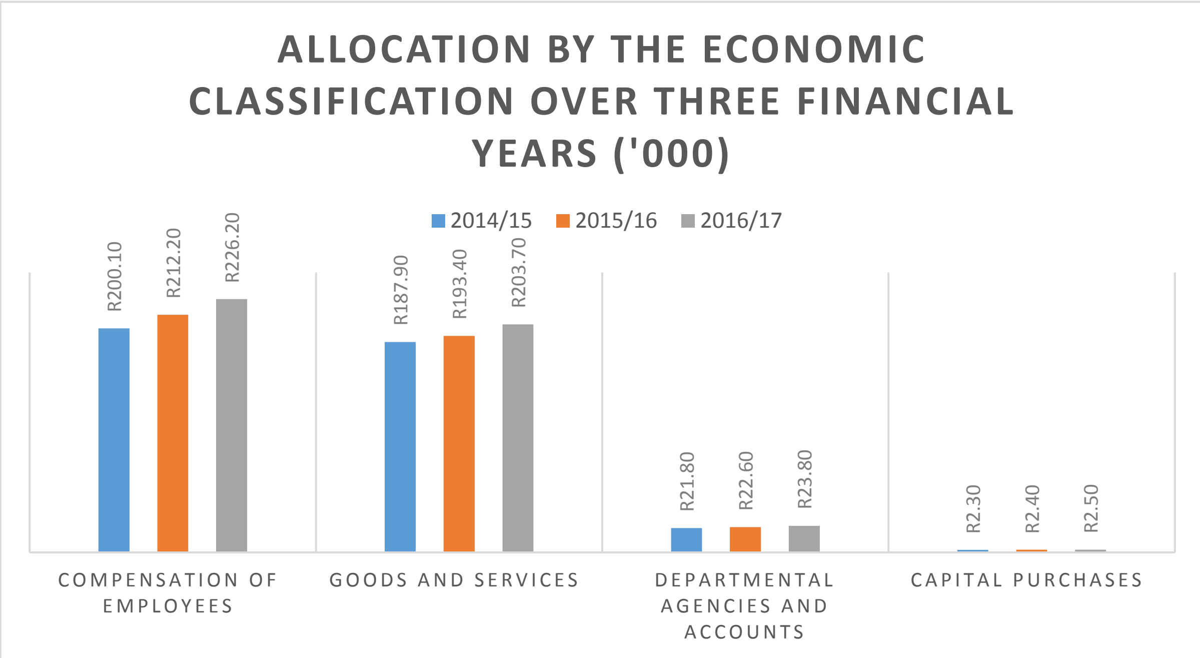
Graph 5



5.4.2 The economic classification

Compensation of Employees has been allocated R200.1 million in 2014/15, R212.2 million in 2015/16 and R226.2 million in 2016/17. Goods and Services were allocated R187.9 million in 2014/15, R193.4 million in 2015/16 and R203.7 million in 2016/17. Departmental Agencies and Accounts comprise of R21.8 million in 2014/15, R22.6 million in 2015/16 and R23.8 million in 2016/17. In respect of Capital Purchases the Department has been allocates R2.3 million in 2014/15, R2.4 million in 2015/16 and R2.5 million in 2016/17, see Graph 6 below.

Graph 6



The Department did not submit requests for additional funds for the MTEF period 2014/15 to 2016/17.

5.4.3 Concluding Comments on Financial Performance 2013/14

During the 2013/14 financial year, the Department has however, improved its spending patterns spending R440.9 million or 100.8 percent of its available budget of R437.2 million thereby incurring an over expenditure of R3.7 million.[4] The current expenditure by the Department is the largest percentage of budget spent in all the last 3 financial years, compared to the other financial years. This paints a promising expenditure patterns of the Department which in turns promises a greater degree of service delivery in line with the strategic plan and the Annual Performance Plan.

For the 2014/15 first quarter the Department has available appropriation of R413.1 million which represents a nominal decrease of R110.1 million, or 5.5 percent for the previous financial year. Of this the Department has spent R84 million or 21.5 percent, the majority of which has been used on compensation of Goods and Services. In comparison, to the same period of the previous financial year, it means the Department has spent approximately 3 percent less which is approximately R15 million. However the Department is in line with treasury guidelines of expenditure patterns at 25 percent of total budget per quarter.

[4] Government Communications and information System (2014)

6. Public Entities Reporting to the Department

6.1 Media Development and Diversity Agency (MDDA)

The MDDA Act No. 14 of 2002 established MDDA (the Agency) to create an enabling environment for media development and diversity that is conducive to public discourse and which reflects the needs and aspirations of all South Africans. The Agency is established as an independent body which must be impartial and exercise its powers and perform its duties without fear, favour or prejudice, and without any political or commercial interference (Section 2 of the MDDA Act). It acts through the Board and does not interfere in the editorial content of the media. Accordingly, the President of the Republic appointed the Board to perform its functions and commit to fairness, freedom of expression, openness and accountability; further, to uphold and protect the Constitution and the other laws of the Republic.

The 2013/14 MDDA Annual Report has not be tabled for the year under review.

6.2 Brand South Africa (BSA)

Brand South Africa (BSA) is a Schedule 3A public entity registered as a Trust. The Accounting Authority is the Board of Trustees contemplated in section 49 of the Public Finance Management Act (PFMA), and the Trustees are appointed by the President of the Republic through the Executive Authority. It is constituted as a Trust, and is therefore also subject to the Trust Property Control Act.

BSA, as an umbrella organisation is the custodian of the national brand and its work is derived from South Africa's national objectives of Gross Domestic Product (GDP), job creation, poverty reduction and social cohesion as informed by the Constitution, the National Development Plan (NDP), and the country's International Relations Strategy. In discharging its mandate, BSA operates as part of a networked of agencies and Departments whose role is ultimately to market and promote various aspects of South Africa; either domestically or abroad.

Its purpose is to develop and implement a proactive and coordinated international marketing and communication strategy for South Africa to contribute to job creation and poverty reduction, and to attract inward investment, trade and tourism.

BSA was transferred to The Presidency during the 2011/12 financial year after it had applied and was granted permission to change its name from IMC to BSA. During the year under review, BSA falls under Programme 4 of Budget Vote 1: The Presidency. When the then International Marketing Council changed its name to Brand South Africa, the shift in mandate moved the organisation's focus from 'only' pursuing a positive and compelling brand image for the country to building South Africa's nation brand reputation to improve the country's global competitiveness.

During the 2013/14 financial year, BSA was initially allocated R157.9 million from the Presidency, which was a 6 per cent increase from the previous financial year (R148.8 million). During the adjustment period, BSA was further allocated R6 million for the African Championship of Nations (CHAN) campaign hosted in South Africa, thus increasing the total allocation to R160. 2 million.

6.2.1 Auditor General of South Africa Audit Report 2013/14

The entity has always received an unqualified audit with a very limited number of findings and the year under review was no exception. However, BSA must explain exactly the reasons that led to it owing the South Africa Revenue Services (SARS) penalties amounting to R33 818.

6.2.2 Irregular, fruitless, wasteful and unauthorized expenditure

BSA incurred irregular expenditure amounting to R393 071 which was a slight increase from the previous financial year's R370 468. Furthermore, BSA has a persistent irregular expenditure of R10.7 million which still haunts the entity and has not been resolved since 2010/11 financial year. BSA incurred fruitless and wasteful expenditure of R73 544 in 2013/14 when compared to the 2012/13 financial year of R354.

In addition to irregular, fruitless and wasteful expenditure, the Auditor-General has also emphasised other recurring matters in his reports on BSA and these include:

6.2.3 Annual Financial Statements - (2012/13 and 2013/14)

The financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 55(1) of the PFMA. Material adjustments were identified during the audit and subsequent corrected, which resulted in the financial statement receiving unqualified audit opinion.

6.2.4 Leadership – (2012/13 and 2013/14)

Management did not exercise adequate oversight responsibility on financial reporting, compliance with laws and regulations and related internal controls, which resulted in instances of non-compliance with the PFMA, Treasury Regulations.

6.2.5 Governance – (2013/14)

Management did not implement appropriate risk management activities to ensure that misstatements in financial statements and performance reports are reduced resulting in repeat findings identified by auditors.

6.2.6 Finance and performance management – (2012/13 and 2013/14)

Management did not prepare accurate and complete financial statements that were supported and evidenced by reliable information. The financial statements were subject to material amendments resulting from the audit.

6.2.7 Investigations

The Trust initiated one investigation into the irregular expenditure identified in the 2011/12 financial year audit, in order to determine whether the expenditure was due to fraud or non-compliance with the Supply Chain Management (SCM) prescripts and Treasury Regulations. At the end of the financial year audit, the investigations were not yet finalised.

6.3 South African Broadcasting Corporation (SABC)

The SABC was established in terms of the Broadcasting Act (Act No 22 of 1936) as a government enterprise to provide radio and television broadcasting services to South Africa. As per the Broadcasting Amendment Act

(Act No 64 of 2002), the SABC has since October 2004 been incorporated into a limited liability company with two operational divisions i.e. public broadcasting, and commercial broadcasting services.

Further, the SABC is listed as a schedule 2 public entity in terms of the PFMA. Its mandate is set out in its charter and in the Broadcasting Act (1999), which requires it to provide radio and television broadcasting services to South Africa.

6.3.1 Auditor-General of South Africa Report

The SABC has an appalling audit record. It has failed to achieve an unqualified audit for the last five years in a row. In 2012/13, the Auditor General of SA (AGSA) issued a disclaimer and in 2013/14 the audit opinion was again qualified with persistent findings.

6.3.2 Irregular, fruitless, wasteful and unauthorised expenditure

The SABC incurred irregular expenditure amounting to R3.3 billion over a three years period. This means for the year under review the SABC has incurred almost a billion Rands (R 990 million). On fruitless and wasteful expenditure the Corporation incurred R54.6 million for 2013/14 as the amount incurred in the previous financial years has been condoned.

Table 1: Irregular, fruitless, wasteful and unauthorised expenditure

Year Incurred	Irregular Expenditure R’000	Fruitless and wasteful expenditure R’000
2010/11	R 75 096	R 88 309
2011/12	R 136 960	R 104 615
2012/13	R 106 322	R 22 116
2013/14	R 990 694	R 54 600

Source: KPMG Inc and Auditor-General (2010/11-2013/14)

In addition to irregular, fruitless and wasteful expenditure, the Auditor-General has also emphasised other recurring matters in his report on the SABC. These include:

6.3.3 Non-compliance with legislation

The SABC consistently failed to adhere to the requirements of the PFMA, the Treasury and Public Service Regulations and the Companies Act.

6.3.4 Irregular expenditure

The AGSA was unable to obtain sufficient and appropriate audit evidence to confirm the The SABC declared R 11 872 173, however, the AGSA found that, the SABC incurred R228 398 000 on irregular expenditure and R

12 600 000 on fruitless and wasteful expenditure respectively amounts condoned in relation to irregular expenditure, fruitless and wasteful expenditure.

6.3.5 Fruitless and wasteful expenditure

Despite the fact that the Auditor-General has highlighted fruitless and wasteful expenditure as an issue of concern, the 2012/13 Annual Report indicates that the SABC incurred fruitless and wasteful expenditure amounting to R22 million. In addition, an amount of R12.6 million was incurred in the 2013/14 financial year.

6.3.6 2013/14 Financial Year: SABC's Qualified Audit Opinion

As early as in the 2010/11 financial year, the Auditor-General raised issues pertaining to deficiencies in internal control and risk management and recommended clear performance targets to ensure proper monitoring of performance and increased accountability and improved leadership and governance. The SABC committed itself to address these issues. However the following have never been performed to the satisfaction of the AGSA. The following summary indicates the issues which formed the basis for the qualified audit opinion.

6.3.7 Licence Fee Revenue and Related Receivables

The SABC did not record revenues on an accruals basis, as required by the accounting standards, rather it recorded revenue on a cash basis. In addition, the SABC made use of agents to collect significant amount of cash for television licences without obtaining an assurance report from an independent auditor to confirm the correctness of the amount paid over to the SABC by the respective agents.

The AGSA was subsequently unable to obtain sufficient appropriate audit evidence for the amounts disclosed as TV licence fees stated at R927, 9 million. AGSA also could not determine the consequential impact that the required adjustments would have on the surplus statement for the period and the accumulated surplus.

6.3.8 Property, Plant and Equipment

The SABC did not review the useful lives of all assets included in the property, plant and equipment at each reporting date in accordance with the International Financial Reporting Standards, IAS 16. Although the SABC conducted an asset verification exercise, during AGSAs own verification process a significant number of assets that had been verified on the premises of the SABC could not be matched to the asset register. The AGSA therefore was unable to determine the correct net carrying amount of property, plant and equipment.

There was no system in place in which the AGSA could rely for the purpose of the audit, and there were no satisfactory audit procedure that the AGSA could perform to obtain reasonable assurance that no assets should be impaired.

6.3.9 Deferred Tax, Tax Payables and Income Tax

The SABC did not have adequate system in place to ensure that the tax liability, income tax, and deferred tax submitted for auditing are supported by accurate and complete underlying accounting records and are calculated in terms of the required Income Tax Act.

6.3.10 Other Payables

The SABC did not have adequate system in place to ensure that Value-Added Tax (VAT) liability was calculated in terms of the requirements of the VAT Act. This resulted in the understated VAT liability amounting to R1.2 million. In addition, the SABC does not record revenues in respect of TV licences until the amount owed is paid. The AGSA was not able to quantify this exposure as amount of unrecorded TV licence debtors could not be accurately determined by management.

The SABC did not have adequate system in place to ensure that the pay-as-you-earn liability is calculated in terms of the requirements of the Income Tax Act, this resulted in the pay-as-you-earn liability amounting to R1.9 million. In addition, the SABC uses freelancers and other suppliers who may qualify as labour brokers, personal service providers and independent contractors for tax purposes. The AGSA was unable to assess whether the correct pay-as-you-earn was deducted from these service providers, as required by law.

6.3.11 Deferred Government Grants

The SABC did not recognise government grants for technology assets as income on a systematic basis over the period in which the SABC recognised the related depreciation cost which the grants were intended to compensate in accordance with the International Financial Standards (IFS), IAS 20. The AGSA was unable to determine the correct government deferred grants balance and government grants income for technology assets.

6.3.12 Mobile Income

The AGSA was unable to obtain sufficient appropriate audit evidence for mobile income recorded as part of revenues, as internal controls had not been established for the recording of mobile income before their initial entry into the financial records. The AGSA was not able to confirm these amounts by alternative means and subsequently unable to determine whether any adjustments were required to mobile income and mobile revenue.

6.3.13 International Financial Reporting Standards (IRFS) Disclosure

The AG was unable to obtain sufficient appropriate audit evidence for the disclosure of the analysis of the age of trade receivables that are individually determined to be impaired at the end of each reporting period in accordance with IFRS.

The AGSA was unable to determine by alternative means whether any adjustments to the ageing of trade receivables were required.

6.3.14 Predetermined Objectives

Strategic Goal 1A: Putting broadcasting at the forefront – the AGSA found that 75 per cent of the targets were not specific and a total of 88 per cent of the indicators were not well defined, while 88 per cent were not verifiable.

Strategic Goal 2 Bringing editorial integrity back (and Strategic Goal 5) – the AGSA found that all of the targets were not specific; none of the indicators were well defined and none were verifiable.

Leadership – the SABC experienced instability in leadership in recent years which culminated in the dissolution of the board of directors and the suspensions and dismissals in key leadership positions.

An effective organisation structure that places people with appropriate skills in appropriate positions has not been established. This despite the fact that the auditors (KPMG Inc) had recommended that “the Human Resources Management to ensure that adequate and sufficient skill resources are in place and monitored. On the evidence that staff in various divisions lacked capacity to perform their assigned roles and responsibilities, a lack of segregation of duties was noted as certain individuals prepare and review the same information or prepare and authorise the same information.”

The accounting authority did not exercise adequate oversight responsibility regarding performance reporting, compliance and related internal controls.

The leadership did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.

The leadership did not establish mechanisms to hold individuals accountable for performance of internal controls.

6.3.15 Financial and Performance Management

The reviewing and monitoring of compliance with applicable laws and regulations by management of the SABC was not effective. The leadership did not prepare regular, accurate and complete financial and performance reports that were supported by reliable information.

6.3.16 Procurement and contract management

Goods, works and services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA. In 2011/12, 2012/13 and 2013/14, instances were found of premature procurement (ordering taking place without the appropriate legal contracts with suppliers), and contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by the Preferential Procurement Regulations.

6.3.17 Expenditure management

The Accounting authority did not take effective steps to prevent irregular and fruitless and wasteful expenditure, as required by the section 51(1)(1)(b)(ii) of the PFMA, in the 2010/11; 2011/12; 2012/13 and 2013/14 financial years.

6.4 Independent Communications Authority of South Africa (ICASA)

ICASA was established in terms of the ICASA Act (2000), as amended, and is listed as a schedule 1 constitutional institution in terms of the PFMA Act (1999). The authority makes regulations and issues communications licences in terms of the Electronic Communications Act (2005) and Postal Services Act (1998). Enabling legislation also empowers the authority to monitor and enforce licensee compliance with licence terms and conditions, and protects consumers from unfair business practices and poor quality services, hears and decides on disputes and complaints brought against licensees, and controls and manages the frequency spectrum.

6.4.1 Auditor General of South Africa Audit Report 2013/14

The Regulator's work is used to assist government in addressing some of its pertinent challenges such as the digital divide and universal access to electronic communications broadcasting and postal services, thereby making a difference to the lives of South Africa.

As early as in the 2010/11 financial year, the Auditor-General raised issues pertaining deficiencies in the internal control, risk management, setting of clear performance targets to ensure proper monitoring of performance and increased accountability, leadership, and governance, which the ICASA committed to address. However the following were never really performed to the satisfaction of the AGSA.

6.4.2 Irregular, fruitless, wasteful and unauthorised expenditure

The Authority incurred irregular expenditure amounting to R7 million and fruitless and wasteful expenditure R2 810.

In addition to irregular, fruitless and wasteful expenditure, the Auditor-General has also emphasised other recurring matters in his reports on the ICASA. These include:

6.4.3 Compliance with laws and regulations

Expenditure management – (2012/13 and 2013/14)

The Accounting Officer did not take effective steps to prevent irregular and fruitless and wasteful expenditure, as required by section 38(1) (c)(ii) of the PFMA and Treasury Regulation 9.1.1.

Internal Audit – (2012/13 and 2013/14)

The internal audit did not adhere to the requirements, as set by section 38 (1) (c) (ii) of the PFMA and Treasury Regulation 3.2, in that internal audit did not evaluate and develop recommendations on the effectiveness and effectiveness and efficiency of controls throughout the year

Leadership

The Accounting Officer did not exercise oversight responsibilities regarding the usefulness and reliability of the performance reporting and related internal controls

Financial and performance management

The institution did not review and monitor compliance with applicable laws and regulations relating to irregular, fruitless and wasteful expenditure

Governance – (2012/13 and 2013/14)

The institution did not ensure that there was an adequate functioning internal audit unit that identified internal control deficiencies and recommends corrective action effectively throughout the year.

Investigations

The Hawks, are currently investigating the charges around the suspension of the former supply chain manager and related procurement matters. The outcome of the investigation is not yet clear. An independent consulting firm is also performing investigations at the request of the constitutional institution. One investigation was based on an allegation of possible irregularities in the supply chain management unit which covers the period 1 April 2011 to 31 March 2013. In addition, the investigation also includes the review of the increases of senior management salaries, which covers the period 1 April 2009 - 31 March 2014. The outcome of the investigation is expected by 31 August 2014.

6.4.4 Predetermined Objectives

Strategic Outcome Oriented Goal 4: Protecting consumers

The AGSA found that 33 per cent of the targets were not consistent with those in the approved strategic plan and annual performance plan. The reason for this could not be ascertained.

6.5 Film and Publications Board (FPB)

The FBP is a creature of statute established under the Films and Publications Act (Act No. 65 of 1996), as amended, to regulate the creation, production, possession and distribution of films, games, and certain publications.

The manifest functions of the FPB emanating from the legislation are as follows:

- to provide consumer advice that will enable adults to make informed viewing, reading and gaming choices for themselves and their children;
- to protect children from premature exposure to adult material and other distributing and harmful material; and
- to prevent the use of children in the creation of child pornography and their exposure to such material.

6.5.1 Auditor-General of South Africa (AGSA) report

As of the 2013/14 Annual Report, the FPB has managed to achieve an unqualified audit for five consecutive years. In 2013/14, there is one matter of emphasis. This is after the FPB went from receiving no matters of emphasis in 2010/11, to receiving one in 2011/12 and none in 2012/13. The emphasis is related to the need for the FPB to restate amounts related to the 2012/13 finances discovered while the 2013/14 annual financial statements being prepared.

The AGSA however refers to notes 74 to 92 of the financial statements but most probably means the notes contained on pages 75 to 93 (presumably a minor error and change in page numbers). This is concerning however since it is not specified if the misstatements are across all the 29 notes or just some of them. An additional matter of material misstatement, which was discovered during auditing but corrected, relates to reported performance on pre-determined strategic objectives 1 and 4 in the performance report.

In 2012/13 the FPB had 6 issues of Compliance with legislation and this has improved to only one in 2013/14. This compliance issue relates to the same misstatements referred to above. This in turn means that the financial statements of the FPB were not all prepared in accordance with PFMA requirements. This is what resulted in an unqualified as opposed to a clean audit opinion.

6.5.2 Performance and Finances

The FPB have 5 Strategic Outcomes and 10 Strategic Objectives which translated into 60 targets in the 2013/14 Annual Performance Plan (this is compared to 74 targets across 3 Strategic Outcomes in 2012/13). The changes in targets set per Strategic Outcome are as follows:

Strategic Outcome (Repeat or New Outcome)	**2014 Performance Plan Targets**	**2014 Targets Achieved (percent)**	**2013 %**	**Notes**
1. Effective and visible monitoring of films, games and certain publications to protect children and inform the public. (Repeat)	15	9 (60%)	72%	Unclear status of targets not reported as achieved or partially achieved.
2. Consumers, Public and Industry Informed of FPB Mandate. (Repeat)	7	5 (71%)	86%	Partially achieved target measures as not achieved.
3. Effective and Efficient management of FPB Operations. (Repeat)	24	17 (70%)	77%	Unclear what the Office Infrastructure or Shopping Strategy required from DPW in Cape Town is for.
4. Ensure effective and innovative regulation of the content distributed of online, mobile and related platforms to protect children and in the general public. (New)	7	4 (57%)	N/A	What guided online and mobile content regulation in the absence of a final regulation strategy in 2013/14?
5 Expand FPB foot print through partnership & stakeholder relationships in pursuance of mandate. (New)	7	7 (100%)	N/A	
Total	60	42 (70%)	76%	

As per the summary table above which indicates; there is a year on year decline in performance against targets from 76 per cent to 70 per cent. The targets in the Annual Report do, however, show improvement in terms of compliance and verification of stated achievements. Unlike in previous years, however strategic objectives and targets are not numbered, nor is there an introduction and description of the Performance Information Report. This makes assessment and interrogation of the report challenging.

The R82 million received by the FPB, then under the Department of Home Affairs budget, was an increase of 15 per cent on the previous year. Revenue collected, primarily from charging fees to classify materials went from R5.4 million to R4.4 million due to a decline in both the number of materials for classification and in registration of new film and game distributers. Unlike the deficit recorded in 2012/13; the FPB recorded a R5.4 million surplus in 2013/14. There has however been an almost doubling of bank balances recorded in Cash and Cash Equivalents from R1.6 million in 2013 to R3.5 million in 2014.

Aspects of the financial statements and notes of the FPB are again stated in calendar years (i.e. 2013 and 2012) as opposed to contrasting financial years (2010/11 and 2011/12) as per treasury regulations and performance targets.

6.5.3 Human Resources

The FPB reported a 16 per cent vacancy rate with 65 out of 77 positions filled in 2013/14. This is an improvement on the 21 per cent vacancy rate in 2012/13 (58 of the 74 approved posts filled). These vacancies are primarily in the Senior Management Category (with 2 out of 10 positions vacant).

Employees with disabilities comprised 2.6 per cent of the staff currently in employment which is above the national requirement, unlike many larger government entities.

The majority of all staff (78 per cent) received training during the course of the year.

An additional 28 staff are reported as appointed during 2013/14, however another 27 left the FPB. It is thus unclear how the FPB was able to employ 7 more persons than in the previous year.

7. Overview and assessment of service delivery performance

7.1 Service Delivery Performance for 2012/13

7.1.1 Report on Performance Indicators

Overall the Department has done extremely well when you consider the nature of its operations and the fact that there is no disjuncture between the set goals based on its past and recent Strategic Reports, the framework of achieving quarterly targets through the Annual Performance Plan (APP) to the information as reported at the end of each financial year through the Annual Report is consistent.

7.1.2 Programme Performance: Successes and Challenges

7.1.2.1 Key Reported Successes:

Performance Agreement and Performance Management System

- In line with implementing a five-year National Communication Strategy for the 2009-2014 MTSF; 94 per cent of the Department's employees had a performance agreement in place and 97 per cent of their bi-yearly assessment were signed within the legislated timeframe[5]

[5] Government Communication and Information System(2014)

- During the financial year under review, the Department had a total of nine (9) employees whose contracts expired, as well as a total of seventeen (17) employees who tendered their resignations to the Department.[6] Notwithstanding that, the Department has consistently kept a vacancy rate below 8 per cent which is in line with the Public Service and Administration standard; as a result the MPAT places the Department at level 4 and the Department of Performance and Monitoring and Evaluation (DPME) will be using GCIS as the case study.[7]

- The Department relocated to a new head office, Tshedimoetso House in Hatfield Pretoria;

- The Department was responsible for government communication in respect to the State Funeral of the former President Nelson Mandela;

- The Department facilitated a Community Media Indaba and held three Communicators Forum as well as coordinating the 2014 Southern African Development Community (SADC) Media Awards;

- The demand for media bulk buying continued to rise,

- The Department has met and in some instances exceeded most of its planned targets;

- The Department implemented a communication strategy for South Africa’s 20 Years of Freedom by developing a logo and design concept for the celebrations, coordination of panel discussions and workshops working with all stakeholders to ensure that messages and products are aligned.

Further, due to the nature of its work in proving access to information over tight deadlines for the media, the Department established an innovative way to assist journalists to meet their deadlines. This is done through GCIS Parliamentary Office which initiated and coordinated for all Ministers to have Pre-Budget Vote Media Briefings to allow journalists to generate a basic understanding of specific Departments’ issues in responding to the State of the National Address (SoNA), Budget Speech and other domestic and foreign implications to the country as a whole.

7.2.2.2 Key Reported Challenges

The Department has yet to conduct the value for the money spent on Vukuze’nzele newspaper; especially the circulation of its publication given the fact that provinces have their own publications such as Simma KZN-an Office of the Premier-produced publications while at the same time, almost all national and provincial Departments have individual publications.[8]

The other problem is that the 2011 General Households Survey estimates a number of people living with disabilities to be just over 4.3 per cent of the population, with the blind at approximately 1 million.[9] The

[6] Ibid, pg. 89
[7] Government Communication and Information System(2014)
[8] www.gov.za

[9] StatisticsSA(2011)

Department just printed less than 5000 braille copies of 1.7 million Vuku'zenzele newspaper. There are also no reported achieved targets aimed at reaching out to illiterate people in rural areas; especially given the challenges facing the Thusong Services Centres (TSCs) during the last financial years.[10]

In addition, South Africa is considered to be a youthful country and therefore focus should also be about getting government information using new technologies. The Department should ensure that the Department collaborates with the Department and industry at large that is responsible for the roll-out infrastructure services such 4G mobile connectivity into all townships and rural-based TSCs to fast track implementation of alternative or new technology to attract the citizens' interest.

There are also no reported achieved targets initiated by GCIS with South African Post Office (SAPO) to resolve the issue of absence of GCIS stands carrying government information in their offices. Furthermore, stakeholders have raised concerns that GCIS has allegedly given a tender worth millions to Caxton to distribute Vukuzakhe newspaper while community media carrying the Vukuzakhe newspaper will only be given R 2 000 per month. This will be boycotted if it is implemented and the Department needs to respond to this.

7.1.3 Service delivery performance for 2014/15

For the 2014/15 first quarter the Department has available appropriation of R413.1 million which represents a nominal decrease of R110.1 million, or 5.5 per cent for the previous financial year. Of this the Department has spent R84 million or 21.5 per cent, the majority of which has been used on compensation of Goods and Services. In comparison, to the same period of the previous financial year, it means the Department has spent approximately 3 per cent less which is approximately R15 million. However the Department is in line with treasury guidelines of expenditure patterns at 25 per cent of total budget per quarter.

8. Committee Observations and Recommendations

The Committee recommends that the Minister of Communications must:

1. Ensure that the Department and all entities respond to the previous BRR Reports;
2. Ensure that the Department and its entities conduct and or conclude the skills audit;
3. Ensure that all SMS and all Staff members have signed Performance Agreements; are assessed quarterly before payment of bonuses;
4. After alignment of functions and structure of the new Department, there must be a plan presented to the Committee illustrating consequences for non-performance at all levels;
5. ensure that the Department and its entities have existing Disaster Recovery Plans;
6. Ensure that the Department and all entities have measurable targets;
7. Ensure that the Department expedites the implementation of a government communicators qualification;
8. Status report of SABC Public Protector Report;
9. Status report on SABC DTT State of Readiness;
10. Status on communications strategy and platform for the previously disadvantaged persons especially those who have challenges in reading and writing

[10] Government Communication and Information System (2013)

11. Status Report on ICASA consumer advisory panel;
12. Status report on issues of people with disabilities in terms of all programmes of the Department and its entities;
13. Status report on Auditor-General recommendations the Department and its entities;
14. Status report on community broadcasting services;
15. Status report on transformation of the print media;
16. Status report on the contribution framework by print media towards the MDDA
17. Status report on the Charter of the advertising industry;
18. Expedite the process to fill funded vacancies, including compliance people with disabilities;
19. Implementation of 30 per cent of government advertising expenditure to community media;
20. Status report about the online advertising booking system to benefit community media;
21. Status report on BSA and social cohesion (domestic marketing);
22. Preparation and coordination of a workshop by BSA to address the Committee on its mandate and activities;
23. Ensure the Department and its entities report on steps taken to adhere to the PFMA, Treasury regulations, Public Service regulations and Companies Act by the Department and its entities;
24. Regularise the expenditure patterns of BSA;
25. Ensure that the Department adheres to shareholder oversight of its entities and non-executive members of the entities; and
26. People appointed to boards and council reporting to the Department must be thoroughly vetted in order to ensure that they meet the qualification criteria for the respective positions and that they are fit to hold positions of appointment as non-executive members.

9. Conclusion

The Department should be commended for fulfilling its mandate and the crucial role it played to ensure the nation remained united in the advent of the passing of the late former State President. In the advent of the Proclamation the new Department will be expected to expand its programmes and consolidate the communication system of government in order to guarantee the delivery of government's National Development Plan. Continuity should become central to ensuring the new Department improves on the transformation agenda gathered over the decades especially during the 4th Parliament term.

The Democratic Alliance rejected the report.

10. Appreciation

The Committee would like to thank the Minister in the Presidency, Mr Collins Chabane and his Deputy, Mr Obed Bapela, as well as the Acting Chief Executive Officer, Ms Phumla Williams, and the Board Members of MDDA, Executive Management and staff of the entities of the Department.

We would also like to show appreciation and thank the new Minister Ms Faith Muthambi and her Deputy Minister Mrs Stella Ndabeni-Abrahams and look forward to a working relationship and the task that lies ahead to continue to implement the agenda of government.

The Committee also wishes to thank its committee support staff, Committee Secretaries, Mr Thembinkosi Ngoma, the Researcher, Mr Sandile Nene, the Content Advisor, Mr Mbombo Maleka and the Committee Assistant, Mr Edward Vos for their professional support, commitment and dedication to the work.

Lastly the Chairperson wishes to thank all the Members of the Committee, current and previous for their active participation during parliamentary engagements and deliberations and their constructive recommendations as reflected in this report.

11. Glossary of Terms	
ABC	Audit Bureau of Circulation
AENE	Adjusted Estimate of National Expenditure
AFCON	African Cup of Nations
AFS	Annual Financial Statements
AG	Auditor-General
AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
APP	Annual Performance Plan
ASA	Advertising Standards of South Africa
BRICS	Brazil, Russia, India, China and South Africa
BSA	Brand South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHAN	African Championship of Nations
DPME	Department of Minerals and Energy
DPSA	Department of Public Service and Administration
DPW	Department of Public Works
DTPS	Department of Telecommunications and Postal Services
DTI	Department of Trade and Industry
DTT	Digital Terrestrial Television
ENE	Estimates of National Expenditure
GCIS	Government Communication and Information System

GDP	Gross Domestic Product
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ICTs	Information Communication Technologies
IFS	International Financial Standards
IRFS	International Financial Reporting Standards
IMC	International Marketing Council
IPAP	Industrial Policy Action Plan
ITU	International Telecommunications Union
LSM	Living Standards Measures
MDDA	Media Development and Diversity Agency
MPAT	Measurement Performance Assessment Tool
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategy Framework
NCS	National Communication Strategy
NDP	National Development Plan
NGP	National Growth Path
NIP	National Infrastructure Plan
NMOS	National Macro Organisation of the State
NRF	National Revenue Fund
NTR	National Treasury Regulations
PAIA	Promotion of Access to Information Act
PCC	Portfolio Committee on Communications

PFMA	Public Finance Management Act
PMG	Paymaster General ***Account***
PSR	Public Service Regulations
SAARF	South African Audience Research Foundation
SAMRO	South African Music Rights Organisation
SABC	South African Broadcasting Corporation
SAPO	South African Post Office
SARS	South Africa Revenue Services
SBP	Strategic and Business Plan
SCOA	Standing Committee on Appropriations
SENTECH	Sender Technologies
SMS	Senior Management Service
SoNA	State-of-the-Nation Address
TRs	Treasury Regulations
TSCs	Thusong Service Centres
USA	United States of America
VAT	Value-Added Tax
WIPO	World Intellectual Property Organisation
.zaDNA	.za Domain Name Authority

Report to be considered.