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Committee Brief

Department of Telecommunications and Postal Services (DTPS)

Budget Vote 2016 Observations

- The committee noted that the consultants' fee is still very high and wanted to know if the department had plans to resolve the bloated budget of consultants.
- The committee highlighted the regular importance interaction between the department and the entities to ensure an alignment of objectives between the entities and department.
- The committee was very concerned that there were changes in the governance structure of some of the entities such as USAASA and members were not officially informed of these significant resignations. The members asked the department to make sure that all the changes at the executive and board level be brought to the attention to the committee.

Budget Vote 2016 Recommendations

- The department was asked to provide feedback on the SIU investigations and what steps will be taken to discipline and criminally charge those implicated in the investigation within 3 months of the adoption of the report.
- Members urged the department to finalise the rationalisation of the SOCs as this has an impact on the effectiveness of its entities.
- The committee raised concerns about the governance issues with some entities with acting Chairpersons of the board. The department was asked to fill the vacant positions with competent and relevant expertise.
- The department should ensure compliance with National Treasury regulations by entities when it comes to tabling of Annual Performance Plans and Strategic Plans.
- The committee recommended that the department should note the example of a quality Annual Corporate Plan of Sentech and encouraged it be adopted and replicated as a model across the entities to ensure effectiveness.

- The committee urged the Minister to look at the size of the boards of directors of entities as part of the policy review process, as some of the boards are too big for the size of the entity and its budget.
- The committee urges the Minister to urgently finalise the establishment of the new entity, iNesi, so that the uncertainties can be resolved, and report to back to the parliament on progress within 3 months of adoption of the report.

Targets per program not achieved

1) Administration

TARGETS	REASONS
Organisational structure revised and implemented in line with strategy	
Q2 Target: Revised organizational structure developed, consulted and approved by ensuring that: • Service Delivery Model (SDM), which informs the development of the Org. Structure, was developed and presented to Special DEC meeting on 07 July 2016 for approval.	The SDM was not approved on the basis that it was not fully aligned to the new mandate of DTPS. Hence the process of developing the structure could not commence.
Climate & Culture survey conducted and Action Plan developed	
Q2 Target: Climate and culture survey Action Plan developed by ensuring that the: • Engagements were held with identified managers to enhance qualitative data. • Overall themes were extracted from focus group discussions, interviews and Design Team and Project Team in order to inform the development of the survey questionnaire	Project was delayed by the late signing of the climate and culture survey contract which had a knock-on effect on the hosting of the C & C survey that would inform the development of the Action Plan
Core business processes identified, documented, optimized and mapped so as to enable process automation	
Q2 TARGET: Identification, documentation and mapping of identified core business process commenced through the contracted service provider by ensuring that: • Following engagements with SITA, a letter of advice from SITA was	Project delayed due to lack of sufficient funds as the actual project cost exceeded the budget which impacted on the appointment of the service provider.

received concerning the return on investment on the project. • A memo and a Contract for the appointment of the service provider was concluded.	
Enterprise Document Management and workflow system designed and developed	
Q2 TARGET: Designing of the Enterprise Document Management and workflow system commenced through appointed service provider by ensuring that: • Through engagements with SITA, a revised proposal was received. Prepared a submission to CFO for recommendation for approval by the DG.	Not achieved due to financial constraints, resulting from the project costing more than the budgeted amount, the initial proposal with proprietary solution was rejected and a new proposal was received from SITA.

Notes:

- All the targets for quarter were not achieved.
- This is against the backdrop of a budget spent of 57% of the R193k total budget of the program after Q2. **The quarter one spent was 27% and means that the program spent 30% for quarter two to make a total spent of 57% to date.**
- It is important to note that the target **"Climate and culture survey Action Plan developed"** was a delayed item delayed from quarter one.
- Core business processes identified, documented, optimized and mapped so as to enable process automation target for Q2 was not achieved because of "Project delayed due to lack of sufficient funds as the actual project cost exceeded the budget which impacted on the appointment of the service provider". **It will be important to find out if the department has enough financial capacity proper budget projection and project management.**

2) International Affairs

TARGETS	REASONS
RSA position for BRICS developed focusing on skills development, R&D for innovation, and internet governance programmes	
Q2 Target: Draft RSA POA for implementation of BRICS ICT Agenda consulted with relevant stakeholders and submitted for approval. In order to achieve the target, ensure that: • The DTPS BRICS TEAM was established and convened by International on 8 September to discuss and consider the proposed outline for the plan of action. • Further to this, bilateral meetings were held with the Indian and Chinese Embassies to present our thoughts on RSA's plans for BRICS	The target was not achieved due to conflicting meeting schedules, DTPS could not meet with all relevant stakeholders as planned i.e. Brazil and Russia.

Notes:

- The concern is that about 79% of the program budget has been spent and the questions that remains is that will the balance of the budget able to cover the two remaining quarters of the year. This is against the backdrop of after spending 9% during the first quarter with the same number of targets for each quarter. The expenditure trend is very uneven based on the expenditure rules from national treasury of ensuring a 25% expenditure for each quarter. **The program will have to explain the huge jump on the expenditure during Q2**

3) Policy, Research and Capacity Development

Notes:

- The program achieved all its targets for Q2.
- It is important to note that the total budget spent to date is 43% which is not very far and below the required 50% spent for the Q2. It will be important to find out if the spend will improve for Q3 to ensure compliance with the quarterly spent for each program.

4) ICT Enterprise development and SOE Oversight

Notes

- The program has achieved 100% of the Q2 targets with a total budget spent of 86%.
- The bulk of the budget was the transfer to entities with most of this transfers with 50% yet to transferred for the remainder of the year. It will be important to find out of the remainder of the 14% of the total budget for the program will be earmarked for the balance of the transferred.

5) ICT Infrastructure support

TARGETS	REASONS
Project Manage the roll-out of the Broadband Connectivity Implementation Plan (Phase 1) towards connecting 2700 sites	
Q2 TARGET: Connectivity to an additional 675 identified sites and also to be project managed and monitored.	The Department has not yet connected the identified government institutions as planned due to challenges related to the finalisation of the appointment of the broadband connectivity service provider.
National Radio Frequency Plan (NRFP) reviewed and updated taking into consideration the outcomes of WRC-15 & national policies	
Q2 TARGET: Ensure that consultation is conducted with relevant stakeholders related to NRFP requirements (Government Services). The following were needed to be achieved: • Consultation with Government Security Services should have been commenced. • Engagements held with Department of Defence and SAPS.	The has been delayed responses from relevant stakeholders in the Security Cluster

Notes:

- It is important to note that none of the targets for quarter have been met with about 35.4% budget spent for quarter after spending about 0.6% for the quarter which constitutes a total spent of 36% of the total budget of the program. This is one of the programs which only achieved one of its three targets the previous year. This

raises some serious cause for concern. **The question is what has the bulk amount of the money spent on if none of the targets were achieved.**

South African Post Office (SAPO)

Budget Vote 2016 Observations

- The committee raised concerns about whether the assumptions made on the corporate plan are realistic and that SA Post Office will be able to post a profit by the 2017/18 financial.
- SA Post Office highlighted a continuous engagement with ICASA to conclude the complaint lodged about the reserved postal services which are being serviced by private companies. However, the members raised concerns that the process is taking long.
- SA Post Office highlighted that part of the cost management is the staff reduction and the committee raised concerns about how is this going to be carried out.
- The committee wanted to know if the SA Post Office corporate plan had factored the cost from the delay of the digital switch-on which has been moved to 2020.
- SA Post Office indicated that it was in the process of reviewing its overall property strategy. The committee wanted to know on whether the most sustainable way will it be selling or leasing of the properties.

Budget Vote 2016 Recommendations

- The committee raised concerns about performance contracts which are yet to be signed by top management including the Chief Executive Officer (CEO). The Minister through SA Post Office board of directors should ensure that performance contracts are finalised and signed within 3 months of the adoption of the report.
- The committee noted that SA Post Office had one of the largest footprints and recommended that SA Post Office should consider sharing the facilities with other government entities.
- The committee requested that SA Post Office must ensure that in future the APP includes the findings and recommendations of the Auditor-General of South Africa

(AGSA) so that the committee may be able to provide monitoring and oversight on the findings raised.

- The committee wanted to know the financial impact on the SA Post Office if the revenue generated from the Post Bank is taken into consideration.
- The committee wanted to know the cost to the SA Post Office due to the Universal Service Obligations and the report to be submitted within 3 months of the adoption of the report.

Targets not achieved

Strategic Themes	Number of KPIs measured				KPIs Achieved				KPIs Not Achieved			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Increase and Diversify Revenues	4	4			0	0			4	4		
2. Cost Management	1	1			1	1			0	0		
3. Improve Operational Efficiency	1	2			1	1			0	1		
4. Sustainable Delivery of Social Mandate	5	6			2	2			3	4		
5. High Performance Organisation	3	3			0	0			3	3		
Total number of KPIs	14	16			4	4			10	12		
% of KPIs Achieved/Not Achieved					28.5%	25%			71.5%	75%		

Notes:

- **KPI achievement** is low at 25% for Q2, due to the delay in funding to enable operations and revenue recoveries – Term loans only concluded at end of Q1 and received in July 2016.
- Revenue recoveries and growth still remain a challenge
- The cost management indicators have achieved target.
- The High performance KPI's have not been achieved due to the delay in finalising the manager's performance contracting process, although 91% of senior managers and above have contracts in place.

Some of the reasons SAPO did not meet some of the targets:

- SAPO is still losing volumes generally from key accounts due to operational inefficiencies.
- There is no stock at the branches nationally to meet the sales requirements.
- The discussions regarding the AARTO rollout and Sanral still need to be concluded.
- Operational challenges (such as Track and Trace) hampering customers from placing more business with SAPO
- One of the poorest performers is the governance and compliance target which is due to a systemic breakdown in the control framework attributed to:
  - ✓ Staff vacancies at critical points in the various processes
  - ✓ Poor skills and competencies at tactical level
  - ✓ Inadequate management and supervision responsibilities - people just do not try to do the right thing (Attitude!)
  - ✓ Poor skills and competencies at the more strategic level
  - ✓ Ineffective consequent management and accountability processes

The overall picture of financial performance for SAPO:

Year to date (R'000)	Previous year	Budget	Actuals	Budget variance	Budget variance	YoY change	YoY change
	2 410 388	**3 123 164**	**2 320 733**	**(802 431)**	**(26%)**	**(89 655)**	**(4%)**
Mail revenue (post & hybrid)	1 596 355	1 708 749	1 478 366	(230 383)	(13%)	(117 989)	(7%)
Mail parcel revenue	119 346	250 207	85 105	(165 102)	(66%)	(34 242)	(29%)
Logistics revenue (CFG & Docex)	89 275	132 246	32 312	(99 934)	(76%)	(56 964)	(64%)
Retail revenue	197 339	379 061	234 459	(144 602)	(38%)	37 120	19%
Digital revenue	34 365	123 041	23 888	(99 153)	(81%)	(10 477)	(30%)
Postbank revenue	95 868	135 016	84 998	(50 019)	(37%)	(10 870)	(11%)
Interest revenue	240 766	253 330	332 424	79 094	31%	91 658	38%
Property revenue	18 135	130 021	41 715	(88 305)	(68%)	23 581	100%
Sundry revenue	18 939	11 492	7 467	(4 025)	(35%)	(11 472)	(61%)

State Information Technology Agency (SITA)

Budget 2016/17 Observations

- The committee expressed concerns over the lack of transformation regarding doing business with SMMEs and questioned whether enough was being done to encourage SMMEs, and specifically those owned by previously disadvantaged groups, to do business with SITA.
- The committee cautioned that the 25 targets set out in the APP might be too ambitious, but nevertheless wished SITA well in trying to achieve them. From the committee's previous oversight visit during which it interacted with SITA staff, it was clear that a lot needed to be done to rebuild SITA as an organisation.
- The committee noted that, due to its current reputational deficit, SITA was finding it hard to attract the necessary and appropriate skills. Members, therefore, stressed the importance of succession planning and critical skills transfer within SITA.
- The committee indicated that it would closely monitor future developments on whether there would be an improvement in audit findings around procurement, an area where SITA had been found wanting in the past.

Budget vote 2016/17 Recommendations

- SITA to ensure that they revise the APP target to be in line with the 30% set out by government for SMMEs.
- Regarding the organisational structure, the committee re-emphasised its previous position that the top structure was too bloated. There had been an expectation that this would have been addressed. The committee recommended that SITA get this issue resolved.
- The committee also emphasised the importance of all staff within the organisation signing performance agreements and being held accountable, to ensure that non-performance became a thing of the past.
- The committee expressed worry at SITA's financial position; however, it would give the entity time to hopefully turn it around. Members also requested more detail on the spending on salaries, consultants and legal fees as a percentage of overall expenditure and a report to be submitted to parliament within 3 months of the adoption of the report.

- The committee raised concerns about the labour cost and recommended that the organisation look into the matter. The cost of labour was around 30% of the total budget.

Targets not achieved

The organisation planned to achieve a total number of 48 targets during the first six months of the financial year. As at end of the mid-year performance review, 25 targets were achieved and 23 targets were not achieved putting the total cumulative performance at 52%.

The organisation planned to achieve a total number of 24 targets for quarter two. As at end of the quarter, 12 targets were achieved according to the presentation and 12 targets were not achieved.

TARGETS	REASONS TARGETS NOT ACHIEVED
M5: 7 e-Government services implemented in Q2.	Reprioritisation of e-services that are to be developed and deployed in line with the revised e-Government strategy.
M9: 40% on Customer satisfaction level.	Delays in the finalisation of the customer satisfaction implement plan. Related activities are being implemented while waiting for the approval of the plan
M13: 3 data centres modernised.	Delays in contract finalisation.
M14: No. of storage and Server infrastructures refreshed with the First draft of storage and server infrastructure plan developed and submitted to Exco.	Delays in the finalisations of the cloud computing strategy
M16: % of tender awards completed within the targeted turnaround time with 60% of tender awards completed within turnaround time	Increase in the procurement volumes of transactions below R500k that are requiring more Effort.
M17: Develop and roll-out of the Government e-Procurement. Complete the acquisition of the government transversal e-procurement portal in Q2.	Delays in the finalisation of the total cost of ownership of the solution.
M19: % of ICT acquisition spend through SMME entities With 15% of ICT acquisition spend through SMME entities.	Improved management and monitoring of SMME spend from list of accredited suppliers.
M20: Number of SMME entities completed SITA enterprise development (ED) programmes ED strategy developed, training	Delays in finalising the ED strategy.

programmes and beneficiary selection	
M4: %expenditure against approved Capex budget with 30% expenditure against approved Capex budget	Reprioritisation of Capex due to cash constraints.
M24: % improvement in HPO baseline and HPO institutionalisation Drive and implement 50% of the 13 HPO dimensions as per the HPO improvement plan	Delay in the finalisation of the HPO plan.
M25: % of critical positions with minimum cover ratio of 1:2 10% of succession pool finalised.	The need to revise the succession pool implementation process.
M21: Number of material Auditor-General findings on finances, predetermined objectives and compliance to laws and regulations 25% resolution of 15/16 MLPs	The AGSA report was finalised in August 2016 and the identified MLPs had to be loaded on the Team Central system.
M22: Maturity level of risk management implementation 50% of strategic risks are within the tolerance levels as per approved risk management framework.	The risk register has to be reviewed by external supplier for completeness.

Notes

- The Entity, for the second quarter of 2016/17 financial year, had 24 planned targets and of the 24 targets, 12 or 50% of the targets were achieved. It is important to note that the committee had cautioned the entity on the huge number of targets and highlighted concerns that the entity was likely not achieve the targets.
- The underperformance was mainly in programme 5 (Organisation). The aim of this programme is to build and maintain organisational capability to enable SITA to achieve its strategic imperatives. The programme is meant to ensure that the strategic objectives of the Entity are achieved – non-achievement of targets is worrisome as this will consequently impact on the overall organisational performance. **SITA should explain how it intends to address the challenge of non-achievement of the aforementioned target.**
- According to the presentation (slide 4) that will be delivered by SITA on 21 February 2017 to the Committee, the organisation achieved 50 per cent performance against planned targets for Q2. The 50 per cent is as a result of the 40 per cent achieved on the procurement programme. The 40 per cent achievement would mean that the programme achieved 2 of the five planned targets. However, when looking on slides

16 -17, one of the five planned targets was achieved and this means that the Entity performed at 45.8 per cent, not the reported 50 per cent.

- SITA should explain the discrepancy on performance information reported on Programme 3 (Procurement). As discussed above, according to slide 4 of the presentation, the aforementioned Programme achieved 2 of the 5 targets but on slides 16-17, the Programme achieved 1 of the 5 targets.
- The target for the awarding of tenders within the turnaround time is becoming an ongoing concern as this would adversely impact on the intended service to be delivered. This target was also not met during the time of the tabling of the 2015/16 annual report.4
- Staff turnover had been one of the biggest problems in the organisation, SITA should update the Committee on this.
- Linked to the above, SITA should explain what is happening with programme 5, which performed well below target in both quarters.

Issues raised by other Department with regard to SITA services

Department of Home Affairs (DHA)

Some of the issues raised during the DHA second and third Quarter report of 2016/17:

- There are general system downtimes. The State Information Technology Agency (SITA) has contributed to the non-achievement of targets. The Portfolio Committee on Home Affairs had a joint meeting with the Portfolio Committee of Telecommunications and Postal Service to receive a briefing from SITA on 6 September 2016. It was then agreed that the DHA and SITA should find a lasting solution to matter of the network problems at DHA. The DG reported that there has not been an improvement with regard to the network problems;
- The Committee engaged with the presentation by the DHA. The Committee expressed concern that there was a decline in the targets achieved from Quarter 1 to Quarter 3 for the 2016/17 performance. The matter of SITA which was addressed in joint meeting of PCs on Home Affairs and Telecommunications and Postal Services in 2016 was still a problem. The Committee indicated that there might be a need for another meeting with the PC on Telecommunications and Postal Services together with SITA and DHA since the matter of downtimes at the offices of DHA is affecting service delivery.

- The issue of the unreliable network provision by SITA to the DHA should be resolved urgently so that service delivery does not continue to be affected negatively.

Department of Higher Education and Training (DHET)

The Statement issued by the Minister of Higher Education and Training, Dr B. Nzimande, after meeting Higher Education stakeholders on the 26th January 2017:

> *"The State Information Technology Agency (SITA) has admitted as much that it's IT system is not functioning optimally, all of which impacts on the release of the results to institutions. In a meeting held yesterday, 25 January 2017, between management from the Department and SITA, SITA has committed to providing the Department with a functioning IT system to resolve all resulting and certification challenges. In terms of the agreement with SITA, all outstanding results for the November 2016 examinations will be resolved by 28 February 2017 and all certificates for the November 2016 examinations will be processed by 31 March 2017".*

Universal Service and Access Agency of South Africa (USAASA) and Universal Service And Access Funds (USAF)

1) USAASA

Budget vote 2016 Observations

- The committee highlighted the importance of ensuring that the AGSA findings are part of the APP to ensure monitoring and oversight of corrective measures and commended USAASA for including this as their targets.
- The committee cautioned the entity against using the USAF for the SA Connect broadband roll out as there is a particular process to be followed if such funds are used for any other project outside of the Universal service and access.
- The committee also cautioned that the monitoring of universal service and access cannot be done by the entity as they cannot implement and monitor themselves. The department has the obligation to ensure proper monitoring is enforced.
- The committee raised concerns about whether the entity will be able to meet targets with the lack of skills as highlighted on their risk register.

- The committee cautioned the entity against managing targets that are depending on third parties as it will be difficult to account.
- The committee highlighted that the entity is operating in a highly specialised environment and will have to address a risk of service providers who have been paid to roll out the networks but with no contractual obligations to implement, support and maintenance the network. This observation was emanating from the oversight committee visit in Limpopo.
- The committee asked for clarity on the process used to select the final three suppliers for the set-top boxes as it was later established that two of the suppliers did not have places to manufacture. The members wanted to know if the criteria and requirements were perhaps changed during the selection resulting in omitting this important requirement.

Budget vote 2016 recommendations

- The committee was concerned with regards to the lack of clarity on the role of the entity in the national broadband rollout and requested that the department clarifies the role of USAASA on the implementation of the SA Connect and requested the Minister to provide clarity on this matter.
- The committee noted that more than 60% of the budget goes to salaries even though part of the highlighted risks was the inadequacy of the skills set to deliver on the USAF targets. It further emphasised that the skills issue was raised the previous year and it was concerning that the matter has not been resolved. It recommended that the matter get resolved speedily and progress be reported to parliament within 3 months of the adoption of the report by the National Assembly.
- The committee noted that during the portfolio committee joint meeting with Basic Education it was stressed that USAASA will need to take over the funding of the network maintenance after the universal service obligation period and it was concerning that the plan does not outline how this will be done. The committee recommended that this matter is addressed speedily and reported back to the parliament within 3 months of the adoption of the report by the National Assembly.
- The committee requested clarity on the broadband rollout plan from USAASA as it replicates the plans of the department, especially the planned project in the Eastern

Cape Province. A detailed plan of the connectivity of the project should be submitted to the committee within 3 months of the adoption of the report by the National Assembly.

Targets not achieved

TARGETS	REASONS FOR TARGETS NOT ACHIVED
Human Resources Performance Outcomes:	
Q2 Target: Review Learning & Development policy	Policy was approved by EXCO and REMCO but not submitted for Board approval by end of Q2
Q2 Target: Monitor and report on HR SLA implementation	Draft HR SLA not approved by the end of Q2 and implementation thereof could not commence in the same quarter
Information Technology Performance Outcomes:	
Q2 Target: ERP System maintenance and support of the implemented modules	The ERP system did not go-live as planned on 1st April 2016
Q2 Target: Capacitation of IT human resources through training on SAP Critical skills	Recruitment processes for SAP Technical Resources not initiated in Quarter 2
Research Performance Outcomes:	
Q2 Target: Impact assessments in three (3) identified USAF subsidised local municipal areas	Change of strategy: to utilisation of internal resources instead of outsourcing
Stakeholder Engagement Performance Outcomes:	
Q2 Target: Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy	Integrated Communications Policy was not implemented as it had not been submitted for approval by BARC and Board

Notes:

- Why did the entity postpone the implementation of Enterprise Resource Planning (ERP) aimed at automating and integrating business processes across USAASA which was originally schedule to come live on 1st April 2016? Is the new date of March 2017 not tantamount to shifting the goal post and thus implying lack of capacity to deliver? What is the quantification of the cost overrun for this project and how does this affect financial stability of the entity and the achievement of critical services such as the universal service and access?

- According to the 2016/17 Annual Performance Plan, USAASA had undertaken to validate and achieve all deliverables relating to Organisational Development Process by the end of 2015/16 financial year which include new operational structures, jobs and skills profiles and matching individuals to jobs and thus paving the way for implementation of a Work Skills Plan in 2016/17. This will ensure all identified skills gaps are adequately addressed. This deliverable has not been achieved and what are the main reasons for this non-delivery and how does it affect organisational performance?

- There is an overs spending on good and services with the quarterly budget exceeded by 15%. Is there any justification for this overspending?

- There is also an over spending on Capex with the quarterly budget exceeded by 85% which is almost twice the allocated amount. This point out to either a clear lack of accurate budget estimates expertise or lack of capacity on project management.

2) USAF

TARGETS	REASONS FOR TARGETS NOT ACHIEVED
USAF Q2 performance	
Q2 Target: Backhaul upgrades completed for Mhlontlo and King Sabata Dalindyebo local municipalities in the OR Tambo District	Backhaul upgrades not completed due to delays in obtaining Confirmation letters and Environmental rights applications
Q2 Target: 100% base stations upgraded for Mhlontlo and King Sabata Dalindyebo local municipalities	Project experienced delays in the awarding of the bid to a licensed operator thus necessitating the procurement process to be concluded in Quarter 3
Q2 Target: Broadband network connectivity maintained in 127 schools, 93 clinics and 38 traditional ICT centres	160 of the 258 connected sites do not have remote monitoring access facility
Q2 Target: 14 615 Set-Top Boxes & antennas procured and installed for qualifying needy TV-owning households	9 501 set top boxes & antennas installed for qualifying needy TV-owning households during the quarter.

Notes:

- What were the risk measures undertaken to mitigate the risk factors posing a serious threat to the successful implementation of the project? This is a basic and fundamental element of project management, let alone of a project of this magnitude with enormous strategic importance to the inclusive socio-economic development of the country.
- What were the causes for the delays in awarding contracts to licensed operators and thus hindering the conclusion of procurement processes towards upgrading base stations in the two municipalities and were since deferred to quarter 3?

National Electronic Media Institute of South Africa(NEMISA)

Budget Vote 2016 Observations

- The entity indicated that the Chief Executive Officer (CEO) resigned to concentrate on academic work and the board chairperson also resigned to focus on the medical career;
- The entity highlighted that SMMEs are being utilised on contract to offer training as in when a need arises and this help contain the cost of salaries;
- The entity highlighted that partnership has been established with Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) which has generated about R6 million to the institution which is based on the 80/20 split where SETA pays 80 per cent and the entity pays 20 per cent. The entity is also trying to explore the Corporate Social Investment (CSI) and they are engaging HP in that regard;
- The board made a commitment to fill the vacant senior positons;
- The committee raised a concern on mandate transferred from the department to NEMISA without a transfer of the budget for it;
- The entity noted that the CoLabs form part of the new trajectory and will need capacitation and to be part of the program moving forward;
- The committee questioned the business case on the establishment of INesi and indicated that the business case was approved based on what was presented before

the committee then. The committee will like to reflect on the business case again since it has been a while it was approved;

- The committee also raised the issue around the role of NEMISA against the Department of Higher Education and Training and highlighted that this needed to be flagged to avoid duplications;
- The committee raised a concern on a lack of disaster recovery plan for the entity as this can have an undesired consequence around business continuity;
- The committee highlighted the delay of the tabling of the APP and annual performance report can have undesired consequence on the performance of the entity;
- The committee noted that the draft legislation for the establishment of INesi will be put as part of the legislation program for next year for cabinet approval. This will be reflected next year as one of the targets in the APP;
- The committee noted that NEMISA is considered as one of the weakest entity within the department and there are number of issues which need to be sorted out;
- The entity raised concerns around the rollout of resources where the transfers of funds for NEMISA does not happen in the first quarter and this makes it very difficult for the entity to be able to deliver.

Budget Vote 2016 Recommendations

- Ensure that the Department urgently resolves the appointment of permanent board members;
- Ensure that all critical vacancies are filled;
- Ensure that the merger to establish iNesi is concluded as soon as possible as most of the prospective resources to fill vacant positions were concerned about the stability of the entity;
- Ensure that the Department present to the Committee an updated business case together with the reviewed legislation to establish iNesi;
- Ensure that a huge training budget which is more than half of the remuneration budget is addressed. The salary bill is around R23,5 million and training and development is around R15,6 million; and
- Ensure that the transfer from the Department to the entities is done on time.

Targets not achieved

TARGETS	REASONS FOR TARGETS NOT ACHIEVED
Advocacy and awareness	
Q2 Target: 3 Number of campaigns targeted and none have been achieved.	Campaigns could not be conducted due to budget constraints and release of funds by Treasury for NEMISA
Q2 Target: 5 Number of brand visibility platforms be leveraged and only 2 of those were achieved.	Brand visibility platform leverage could not be conducted due to budget constraints at the beginning of the financial year due to Treasury directive on the release of funds to NEMISA
Develop e-Astuteness for socio-economic opportunities in a knowledge driven economy	
Q2 Target: 4 Number of online courses available and none of the planned online courses were achieved.	Target not achieved due to budget constraints due to Treasury directives on release of funds to NEMISA
Research programmes, knowledge assimilation/production and transfer	
Q2 Target: Agreement with CoLabs on research areas of common interest to be conducted and this includes (non-degree research and postgraduate research). No agreement has been signed so far.	Target not achieved due to budgetary constraints due to Treasury directive on release of funds for NEMISA.
Q2 Target: An appointment of a service provider to conduct a national eSkills/ICT environmental scans.	Target not achieved due to budgetary constraints due to Treasury directive on release of funds for NEMISA.
Q2 Target: One research publication on a topic of common interest.	Target not achieved due to budgetary constraints due to Treasury directive on release of funds for NEMISA.
Q2 Target: Identify ICT product to be developed for knowledge assimilation. None of the targets have been achieved.	Target not achieved due to budgetary constraints due to Treasury directive on release of funds for NEMISA.
Q2 Target: Report on number of research papers in eSkills to be delivered.	Target not achieved due to budgetary constraints due to Treasury directive on release of funds for NEMISA.

Notes:

- Only 50% of the targets have been met.
- Despite having a budget surplus of about R15 million for the quarter under review, NEMISA still reported that there were no activities undertaken in programme 4 and 5 due to delays in the transfer of funds. The Committee must request NEMISA to provide further clarity.

- NEMISA must provide the Committee with the staff compliment, funded but vacant posts and the current vacancy rate at NEMISA.
- The urgency of filling critical position will have to be expedite in order to ensure enough capacity for the entity.

SENTECH

Budget Vote 2016 Observations

- The committee noted that the delay on the reallocation of the spectrum has further exacerbated the digital divide and wanted to know if Sentech has an idea of what is the cost of the delay of rolling out set-top boxes and the switch off the analogue network.
- The committee was concerned with Sentech's financial sustainability and wanted to know if Sentech has put measures in place to avert the potential risks is likely to face.
- The committee noted the discrepancies between the number of strategic goals between Sentech and the department and highlighted that this is an indication of lack of communication between the shareholder and its entities. The department was asked to ensure that this does not happen again in future.
- The committee noted that the targets presented by Sentech were smart and achievable and encouraged other entities to learn from these best practices and the approach be replicated across the entities.
- The committee highlighted that skills availability required talent management and retention and emphasised the importance of work back arrangement after the students have been sponsored and trained by Sentech

Budget Vote 2016 Recommendations

- The committee recommended that Sentech through the Minister provides a cost estimate with associated risks on the dual illumination between 2015/16 to 2020, within 3 months of the adoption of the report by the National Assembly.
- The committee also noted that the community radio stations are battling to pay their licence fees to ICASA and wanted to know if there was any impact on the Sentech revenue. A meeting between Sentech and the Media Diversity and Development Agency (MDDA) to address the financial sustainability of community radio stations was recommended.
- The committee appreciated the various expertise and competencies of board members of Sentech and commended the department and recommended that this example is replicated with the rest of the entities where board positions are due to be filled.
- The committee was very concerned about the time it takes to fill critical positions and requested that Sentech speeds up the appointment of the Chief Financial Officer (CFO) and Executive (Strategy) to ensure that the gains on the organisational stability are not reversed.

Target not achieved

TARGETS	REASONS FOR TARGETS NOT ACHIEVED
Drive organisational performance in to improve organisational effectiveness	
TARGET: Performance Reviews completed for all employees for Q2. The target was not achieved.	Disputes with the Union had ripple effects on signing of performance contracts. The performance reviews for bargaining employees were thus not done on time
Ensure that the Company is financially sustainable.	
Complete market research to ensure Revenue diversification into international markets. This target was not achieved.	There have been delays in procuring a service provider to conduct the research. To be done by Q3.

Notes

- One of the targets not achieved is the **"complete market research to ensure revenue into international market"** to ensure diversification on product offering. The major revenue driver for Sentech at the moment is the SABC and this poses a major risk to depend on one revenue generator. Diversification is therefore one of the most critical areas Sentech will need to execute urgently.
- The matter between Sentech and the Labour needs to be resolved as a matter of urgency to ensure continued stability of the entity.
- TV revenue is below budget mainly due to DTT revenue not materializing as a result of optimization of the network. The issue of DTT will need a speedy resolution.
- SW revenue is below budget due to Radio Lead Africa suspension, contract termination of TWR and no new revenue realised per our projected 8hrs/day additional sales.

Broadband Infraco (BBI)

Performance Against Predetermined Objectives

TARGETS	REASONS FOR TARGETS NOT ACHIVED
Ensure financial stability	
Percentage increase of actual revenue annually. 22% was planned for the quarter but only 9.7% was achieved.	News sales strategy implemented
Decreased amount of Operating Loss annually. Reduction of R77 million was planned for the quarter and only R41 million was achieved.	The non-achievement of the target is directly correlated to Revenue
Number of STM1 equivalent sold annually. Quarter two was set at 150 number STM-1s Equivalent	The entity achieved the accumulative target of 387 STM1 equivalent from Quarter one.
Economic Transformation	
Number of indirect jobs created annually. 20 Indirect jobs planned for the quarter not achieved. There was 0 indirect jobs created	Cumulative target for Q1 and Q2 of 32 indirect jobs was achieved however the Q2 target was not achieved nevertheless.
Percentage spend of Black Youth Owned entities annually. 3% of 40% on BOE was	The target was impacted by the limited procurement budget

the quarterly and 0% was achieved for the quarter.	
Percentage spend on People with Disabilities owned entities annually. R150 000 was planned to be spend during quarter 2 and R0 was spent.	The target was impacted by the limited procurement budget.

Notes

- It is important to note that the target with **"Percentage spend on Black Youth Owned entities'** was also not achieved in quarter one. The **"Percentage spend on People with Disabilities owned entities"** was not achieved during quarter one. The entity will seriously need to consider the economic transformation agenda.
- Revenue below budget. New sales strategy implemented to mitigate the risk
- Operating expenses below budget as result of good management of cost containment
- It is concerning that the entity revenue target was not achieved and the question is that is this not linked to reduced revenue as there was no need to spend due to lack of increased income.
- The injection of equity to stimulate growth need to be seriously considered. The Entity highlighted during the first quarter reporting that funding was required for working capital and they were going to engage IDC for funding on commercial basis. **One of the risks highlighted by the entity during quarter one reporting was the difficulty to raise funds. To date the entity has not been able to raise working capital and the question is what other interventions will be needed to address this challenge.**

ZANDA

Budget Vote 2016 Observations

- The committee raised concerns on the income and expenditure deficit and how it will be funded. Members emphasised that the state-owned entities are expected to deliver value to the shareholder not take away from the state. The spiralling of costs is a major concern.
- The committee raised serious concerns about the school.za domain which is not part of the mandate of the entity. Members highlighted that the schools website is going to

cost the entity R700 000 and wanted to know who is going to maintain the website going forward. They further indicated that most of the schools have domain names already and members wanted to know if these will also be migrated to the new domain.

- The committee further questioned the need for a new vehicle and the relocation to new premises and wanted to know if this was necessary given the escalating costs.
- The entity indicated that the process of hiring additional nine board of directors who will cost the entity R10 000 for each meeting attending will be finalised in the year under review. The committee highlighted and cautioned that this is a small organisation and does not warrant nine boards of directors to run the entity.
- The committee highlighted that there is no need for the entity to go to communities for awareness as the ISPs do most of the domain registrations.
- The committee also highlighted a need for clarity on role of the entity in relations to the policy review process.

Budget Vote 2016 Recommendations

- The committee raised concerns about the delay to finalise critical staff appointments and wanted to know if the organisation is using the services of consultants. It recommended that critical positions be filled.
- The committee recommended that the entity must consider partnering with other departments to promote and create awareness on the work of the entity.
- The entity highlighted in its submission that one of the risks is that the ECT Act amendment is not as fast as desired and this will have an impact on the licence and regulating Registries and Registrars programme. The entity further indicated that the relationship with the department is not as effective as it should be, and as a result, there are unclear expectations about what type of policy recommendations the DTPS seeks from .ZADNA. The committee recommended that the department look into the issue urgently.

Targets not achieved

Administer and manage .ZA

Standardize SLD policy framework	
Q2 Target: Draft school .za charter released for consultation	Not achieved
Q2 Target: Implement report on protection of personal Information and Privacy and Proxy Registration Services.	Not achieved

Publish Registration Guidelines

Publish global domain name registration guidelines	
Q2 Target: Finalised global domain name registration guidelines.	Not achieved

Conduct research, surveys

Release annual research report	
Q2 Target: Appointed Researcher service provider	Not achieved
Ensure ZACR OA Compliance	
Q2 Target: Appointed Researcher service provider	Not achieved

Domain name Policy recommendations

Influence local Internet Governance	
Q2 Target: Completed Internet Governance (IG) policy gaps analysis	Not achieved

Ensure ZADNA business sustainability

Achieve financial sustainability	
Q2 Target: Implementation of increased ZADNA's share of ZACR per domain name fees.	Not achieved

Ensure ZADNA business sustainability

Enhance internal controls and corporate governance	
Q2 Target: Approved access to information policy	Not achieved
Q2 Target: Approved internal audit committee	Not achieved
Build human resource capacity	
Q2 Target: Approved terms of engagement for Company Secretary	Not achieved

Notes:

- The entity has 60% of the Q2 target and there are no clear indications on the mitigation plan to ensure that the rest of the targets are achieved as a matter of urgency. This against the backdrop of having exceeded the projected Q2 budget by 35%. The biggest expense which exceeded the budget was under the **external relations** where an amount of R730 969 which was not budgeted was paid to Africa Internet Governance Forum.
- Entities have been encouraged by the AG to ensure that Cooperate Governance is always prioritised and this requires necessary positions such as the Company Secretary are filled and finalised. It is very concerning that terms of reference for the Company Secretary are yet to be finalised.

General Consideration for the Committee

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- The department and the entities were requested to report on the progress make to implement the findings and recommendations of the Auditor General. The presentation of the department did not cover any of the audit findings and the progress of the implementations thereof.
- The general spending trend for each quarter is not within the recommended pattern patterns and it will be important to ensure that a healthy trend is followed to avoid a fiscal dumping towards the end of the financial year.
- The targets achieved versus the budget spent for the Department needs to be monitored and watched closely.
- The issue of working capital of BBI remains another major concerns and this will have to be addressed urgently to curb the declining revenue.
- The Department to establish the circumstances that led to financial underperformance of some of the Entities and the impact this had on service delivery and the measures taken by management to rectify the situation.
- The AG report has always been very concerned about Human Resource Management within the SOE and this matter will need to be addressed as a matter of urgency.