



13 November 2017

ANALYSIS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND POSTAL SERVICES ANNUAL REPORT (2016-2017)

1. INTRODUCTION

A Presidential Proclamations in Government Gazette No. 37839 dated 15 July 2014 and Government Gazette No. 38280 dated 02 December 2014, confirmed the transfer of administration, powers and functions entrusted by specific legislation to the Ministry of Telecommunications and Postal Services and the newly formed Ministry of Communications. In order to fulfil the mandate of the newly established Department of Telecommunications and Postal Services (DTPS) the following State Owned Companies report to the Ministry: National Electronic Media Institute of South Africa, Universal Service and Access Agency of South Africa, Universal Service and Access Fund, .za Domain Name Authority, State Information and Technology Agency, Sentech, Broadband Infraco and South African Post Office.

The DTPS was created to focus on developing Information Communication Technology (ICT) policies that create conditions for accelerated and sustainable shared growth of the South African economy and to ensure development of robust, reliable, secure and affordable ICT infrastructure through the roll-out of Broadband, e-Government, Cybersecurity, Postal, and Postbank services. Thus, the core functions of the Department are to:

- Develop Telecommunications and Postal policies and legislation that create conditions for an accelerated and shared growth of the South African economy, which positively impacts on the well-being of all our people and is sustainable;
- Ensure the development of robust, reliable, secure and affordable ICT infrastructure that supports and enables the provision of a multiplicity of applications and services to meet the needs of the country and its people;
- Contribute to the development of an inclusive information society which is aimed at establishing South Africa as an advanced information-based society in which information and ICT tools are key drivers of economic and societal development;
- Enhance the capacity of, and exercise oversight over, State Owned Companies (SOCs) as the delivery arms of Government; and
- Fulfil South Africa's continental and international responsibilities in the ICT field.

2. OVERVIEW OF THE STRATEGIC PLAN OF THE DTPS

According to National Treasury's Framework for Strategic Plans and Annual Performance Plans, "A Strategic Plan may be changed during the five-year period that it covers. However, such changes should be limited to revisions related to significant policy shifts or changes in the service-delivery environment. The relevant institution does this by issuing an amendment to the existing



plan, which may be published as an annexure to the Annual Performance Plan, or by issuing a revised Strategic Plan.”¹ In this instance, the Department issued a revised Strategic Plan.

In March 2016, the DTSPS tabled a revised Strategic Plan for the period 2015-2020. The previous Strategic Plan of the Department covered the period 2015-2019. According to the Department, the strategic plan had to be revised for the following reasons:

- To ensure that initiatives of the Department are aligned with government goals and priorities. Consequently, strategic goals and objectives of the Department were revised and consolidated so as to directly align with its mandate and deliver on desired outcomes.
- The Department realised that there is an urgent need to focus on the development of a National e-Strategy that will take into account the review of the National Information Society and Development (ISAD) Plan to be aligned with the present global conditions.
- To focus on the implementation of the South Africa Connect policy (SA Connect)

The Department identified eight District Municipalities, which will be provided with broadband connectivity, which marks the first phase of SA Connect policy implementation. There are extensive overlaps in the mandates of the various State Owned Companies (SOCs) reporting to the Minister of Telecommunications and these duplications have resulted in inefficiencies and a lack of synergy. Thus, the Department realised that there is a need to rationalise the SOCs in the portfolio so as to ensure maximum efficiencies, synergies and economies of scale for Broadband roll-out.

In the previous Strategic Plan, 2015/2019, the Department had five Strategic Outcome Oriented Goals, however, in the revised Strategic Plan, 2015/2020, the Department has four strategic goals. The fifth Strategic Outcome which does not feature in the revised strategic plan is the “Stable ICT Policy and Regulatory Environment that contributes to socio-economic development of the country”. Another change relates to the wording of the Strategic Outcome Oriented Goal on “inclusive information society and knowledge economy”. It is imperative that the Department explains in detail the rationale for the changes and the impact these changes would have on the Department.

The strategic objectives are linked to the programmes of the Department, and this is a requirement of National Treasury. For example, the Administration Programme is tasked with the responsibility of “creating a high performing organisation to enable achievement of the Department’s mandate” – this is linked to goal 4. The International Affairs Programme will “develop and implement ICT policy and legislation aimed at improving access and affordability of ICTs” – this is linked to goal 2. Policy Research and Capacity Development Programme will contribute to the same object as the International Affairs Programme. The ICT Enterprise Development and State Owned Enterprise (SOE) Oversight and ICT Support Infrastructure Programmes will “coordinate the broadband connectivity to achieve 100 per cent population coverage by 2020” – this is linked to goal 1.

3. OVERVIEW OF THE APP OF THE DTSPS

¹ National Treasury (2010)



According to the Annual Performance Plan for the financial year 2016/2017, the Department prioritised the following key policy initiatives:

- Finalisation and implementation of the National Integrated White Paper on ICT.
- Monitoring the turnaround of the South African Post Office and the corporatisation of the Postbank.
- Implementation, as a matter of urgency, of the broadband policy, SA Connect
- Implementation of the Rural Development Strategy
- The development of an eStrategy for South Africa
- Expedite the rationalisation of SOCs in the Department's portfolio in line with the recommendations of the Report of the Presidential Review Committee on State Owned Entities (SOEs).

These priorities are in line with government goals. In the 2016 State of the Nation Address (SONA), President Zuma stated that i)...the state should reform and boost the role of SOEs, ensure implementation of the recommendations of the Presidential Review Commission on SOEs which outlines how the institutions should be managed, ii) streamline and sharpen the mandates of the SOCs and ensure that where there are overlaps in mandates, there is immediate rationalisation, those companies that are no longer relevant for our [South Africa] development will be phased out, iii) Government will fast-track the implementation of the first phase of broadband roll-out to connect more than 5 000 government facilities in eight district municipalities over a three-year period. Funding to the tune of R740 million over a three-year period has been allocated in this regard".²

For the financial year 2016/2017, the Department was allocated an amount of R2.4 billion, an increase from R1.4 billion of the previous financial year, 2015/16. Of the total allocated budget for 2016/2017 financial year, R1.054 billion, an increase from R728.6 million from the previous financial year was for transfers and subsidies. A large portion of the budget was for the ICT Infrastructure Support programme (R1.1 billion) and ICT Enterprise Development and SOE Oversight Programme (R891.8 million).

4. PROGRAMME ANALYSIS

The Department has five programme areas, namely - Administration; International Affairs and Trade; Policy, Research and Capacity Development; ICT Enterprise Development and SOE Oversight and ICT Infrastructure Support. It is also noteworthy that these departmental programmes have their respective sub-programmes as well.

4.1 Programme 1: Administration

² Zuma (2016)



The purpose of this programme is to provide strategic support for the Ministry and overall management of the Department through the provision of strategic leadership and operational support, enabling the Department to deliver on its mandate, smoothly, efficiently, professionally and on time.

This programme is assigned the task of implementing the strategic plan, particularly focusing on ensuring that the Department is functioning optimally and that the SOCs effectively deliver on their respective mandates. The key measures or performance indicators of ensuring that the programme delivers or has delivered on the aforementioned objective are as follows:

- The approval of the organisational structure that supports organisational strategy.
- The approval of action plan addressing culture and climate survey.
- Mapped and automated business processes

The programme had a final budget of R217.3 million and expenditure amounted to R211.6 million (97%) in the current year, compared to R221.9 million expenditure in the 2015/16 financial year. Spending on compensation of employees was R8.7 million higher than the previous financial year due to inflationary salary adjustments and filling of critical positions. Other cost drivers were security and cleaning services, rentals and travel. Funds were transferred (virement) from other programmes to defray excess expenditure in this programme. Underspending was R5.7 million as at 31 March 2017. Spending on goods and services declined from R131 million in 2015/16 to 109.2 million in the 2016/17 financial year. Spending on external audit costs declined from R28 million in the 2015/16 financial year to R6.5 million in the year under review. The spending rate under this programme is at 97.4%. The Department acknowledges its under-performance in the revision and implementation of the organisational structure. This was largely a result of the delays in finalisation of the Service Delivery Model (SDM).

4.2 Programme 2: ICT International affairs

This Programme aims to ensure alignment between South Africa's international activities and agreements in the field of ICT and South Africa's foreign policy. This programme is entrusted with the responsibility of ensuring that South Africa has a modern, sustainable and competitive postal and telecommunications sector. Key performances indicators in ensuring the implementation of the aforementioned objective are as follows:

- Development of five positions advancing ICT developmental agenda aimed at increasing presence and influence in international forums.
- Filling of a number of post(s) and seats in identified influential Multilateral Institution where South Africa is represented.

The programme had a final budget of R48.4 million and expenditure amounted to R46.9 million (97%) in the current year, compared to R41.5 million expenditure in the 2015/16 financial year. 54% of the adjusted budget of the programme was transfer payments for membership fees to international organisations. The allocation for these fees increased by R2,7 million in the year under review to cater for depreciation in the rand, as payments are made in foreign currency. The



Department acknowledges its under-performance with regard to the target related to the development of the National e-Strategy. The under-performance will be addressed in the 2017/18 financial year as the National e-Strategy was gazetted on 7 April 2017, following which stakeholder consultation commenced. The Department acknowledges its under-performance on the target related to the RSA position for BRICS. The Department has prioritised the signing of the Partnership Agreement with relevant stakeholders.

4.3 Programme 3: Policy, Research and Capacity Development

The purpose of the Programme is to develop ICT policies and legislation that support the development of an ICT sector that creates favourable conditions for the accelerated and shared growth of the economy. Develop strategies that increase the uptake and usage of ICT by the majority of the South African population, thus bridging the digital divide.

This programme contributes to the same strategic objective as Programme 2 – ensuring that South Africa has a modern, sustainable and competitive Postal and Telecommunications Sector. However, key performance indicators differ. Programme ensure that the follow happens:

- Development and implementation of ICT legislation
- Amend Postal Services Act (Act No 124 of 1998)
- Amend South African Post Office Act (Act No 22 of 2011)
- Develop a strategy focussed at the growth and sustainability of SMME's
- Develop an integrated and comprehensive National eStrategy aimed at increasing socio-economic growth.
- Develop a three-year e-Service programme aimed at providing citizens with access to government services through ICTs.

Spending in this programme totalled R78.5 million in the current financial year, i.e. 88% of the final budget of R88.8 million. This was an increase of R4.515 million or 6% on spending in the 2015/16 financial year. The increase was mainly on goods and services, and compensation of employees. The Department acknowledges its under-performance with regard to the target related to the development of the National e-Strategy. The under-performance will be addressed in the 2017/18 financial year as the National e-Strategy was gazetted on 7 April 2017, following which stakeholder consultation commenced.

4.4 Programme 4: ICT Enterprise Development and SOE Oversight

The purpose of this Programme is to oversee and manage government's shareholding interest in public entities and to facilitate growth and development of SMMEs in the ICT sector.

This programme is assigned the task of ensuring broadband connectivity that provides secure and affordable access for all citizens to education, health and other services. The key measures or performance indicators of ensuring that the programme delivers or has delivered on the aforementioned objective are as follows:

- Rationalisation of SOC's delivering on government priorities



- Monitor the performance and compliance of SOC's for improved and sustainable service delivery. This will be done by producing state of SOC's reports on the level of performance and compliance.

Spending in this programme totalled R882.3 million in the current financial year, i.e. 99.5% of a budget of R886.6 million; this is an increase of R393.4 million on spending from the 2015/16 financial year. This was mainly due to a decline of R265.2 million in transfer payments and an allocation of R650 million for recapitalisation of the South African Post Office. Goods and services expenditure increased by R1.117 million or 28% in current financial year, from R4 million in 2015/16. The Department achieved all the planned targets for the reporting period and therefore there are no issues to address with regard to under-performance.

4.5 Programme 5: ICT Infrastructure Support

This Programme aims to promote investment in robust, reliable, secure and affordable ICT infrastructure that supports the provision of a multiplicity of applications and services. This programme is entrusted with the responsibility of ensuring broadband connectivity that provides secure and affordable access for all citizens to education, health and other government services and stimulate socio-economic development. For this objective to be realised, this programme will have to deliver on the following performance indicators:

- Connect identified government institutions in line with broadband connectivity plan.
- Update national radio frequency plan to implement the outcome of World Radiocommunication Conference (WRC)-15.

Spending in this programme totalled R856.3 million in the current financial year, i.e. 72.8% of the budget of R1.176 billion. This was an increase of R382.6 million (80,8%) on spending in the 2015/16 financial year. The increase was mainly on transfer payments for the broadcasting digital migration project. Goods and services expenditure decreased by R58,9 million from the 2015/16 financial year, to R6,4 million in the current year. The Department acknowledges its under-performance with regard to the target related to broadband connectivity. The challenge was largely due to delays in the appointment of the broadband connectivity service provider.

5. Governance Issues

A revised Fraud Prevention Framework (Strategy, Policy, Investigation Procedure, Implementation Plan and Whistle Blowing Policy) was considered and approved by the Operations, Departmental Executive and Risk Management Committees and implemented throughout the year. Furthermore, the Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer during the year under review. The reports were, however submitted late to the Audit Committee and therefore the Audit Committee could not provide adequate oversight on these reports. Infact the Audit Committee is of the opinion that the Internal Audit Activity is not performing at an optimum level due to capacity constraints.

Regardless of the deficiencies, the Department did not incur any unauthorised expenditure during the period under review. The amount incurred for fruitless expenditure this year totals R16 thousand, comprising R8 thousand for traffic fines and R8 thousand for no shows. The investigation process is underway to establish the facts before any action can be taken to seek



recourse. R1 thousand was written off from expenditure incurred in the year under review. The amount recovered totalled R25 thousand, of which R3 thousand is from the financial year under review and R22 thousand is from previous financial years. The Department maintains a register of fruitless and wasteful expenditure and the policies on losses and debt were reviewed in the year under review. Losses are written off in accordance with the losses, debt policies and chapters 9, 11 and 12 of the Treasury Regulations.

Issues for the Committee

- According to the DTPS, finalisation of disciplinary matters within the legislative time-frames is difficult to achieve. What is the cause of this and how is the Department addressing this challenge?
- The Department is still struggling to meet the target of fifty-percent (50%) female representation on senior management level. Are there any timeframes in place in which this can be achieved?
- Given that the DTPS is a public employer, how is it going to address the difficulty in attracting and retaining critical, scarce skills with the required competencies in the Broadband and Spectrum environments?
- The policy and regulatory environment for telecommunications is critical for success. How is ICT policy split between DTPS and Department of Communications (DoC)?
- The 50% vacancy rate of funded posts at salary level 15 is quite big. How does this affect the operations of the Department and how does the Department plan to resolve it?
- During the reporting period, the Department developed Assessment Reports on the rationalisation of BBI, SITA, Sentech and SAPO, which resulted in the development of a Consolidated Assessment Report on SOC Rationalisation. Can the Department further explain this to the Committee?

6. CONCLUSION

The Department of Telecommunication and Postal Services has made significant strides since its formation in 2014. For example, the Department has in place a draft Service Delivery Improvement Plan (SDIP), which was developed in compliance with the requirements of the Public Service Regulation 2001, and the White Paper on the Transformation of Service Delivery (Batho Pele), with the assistance of the DPSA. The Department also appointed a Director-General in the third quarter of the 2016/17 financial year, which brought additional solidity and strategic direction at the leadership level. They also got the National Integrated ICT Policy White Paper approved by Cabinet during 2016 and has begun the process of promulgating legislation that will enable the implementation of the White Paper in the short to medium-term. Finally, the Department has been able to meet a number of their targets within the allocated budget.



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