**2. REPORT OF THE PORTFOLIO COMMITTEE ON TELECOMMUNICATIONS AND POSTAL SERVICES ON ITS DELIBERATIONS ON BUDGET VOTE 32: TELECOMMUNICATIONS AND POSTAL SERVICES, AND ITS ENTITIES, DATED 9 MAY 2017**

The Portfolio Committee on Telecommunications and Postal Services, having considered Budget Vote 32: Telecommunications and Postal Services, reports as follows:

1. **Committee’s Overview of TelecommunicationS and Postal Services IN SOUTH AFRICA**

The National Development Plan (NDP) emphasises the need for access to information and communication services. Accessibility, availability and affordability of information and telecommunication services has consistently been a national priority and has been seen as a means of improving the socio-economic conditions of the country while also increasing economic productivity and enhancing social cohesion, among others.

Although the country has made progress with telecommunication infrastructure development and notwithstanding a relatively strong economy by comparison to its regional peers, the majority of South African citizens are still low-income earners and therefore cannot afford the high cost of data and communication services. As the sector develops, and as the nation faces the potential challenge of not just a “digital divide” but a “broadband divide”, additional issues such as e-literacy, e-skills and awareness of the use and benefits of communicaton, irrespective of the platform, are becoming a key priority.

Despite considerable global progress in ICT, growth in South Africa’s ICT sector has not been accompanied by a realisation of the primary policy objective of affordable access for all or to the full range of communications services that characterises modern economies. The high cost to communicate remains a major hindrance and the country needs to sharpen its innovative strategies and continue contributing to global scientific and technological advancement. This will require a greater investment in research and development, better use of existing resources, and more agile institutions that facilitate innovation and enhance co-operation between institutions in the public and private sectors.

1. **Introduction**

The Portfolio Committee on Telecommunications and Postal Services considered the 2018/19 budget of the Department of Telecommunications and Postal Services (DTPS) and its entities on 17 April 2018 and 24 April 2018. This report contains a summary of the DTPS budget allocation and its entities with a focus on their strategic objectives as well as their Annual Performance Plans (APPs). The report also includes recommendations based on the committee’s observation of the department and its entities’ service delivery track records.

The Minister tabled the Annual Performance Plan of the Department and its entities on 12 March 2018. In performing its constitutional mandate, the committee scrutinised the alignment of the department and its entities’ annual performance plans (2018/19) to the following key government objectives:

(i) 2018 State-of-the-Nation Address (SoNA);

(ii) 2018 Budget Statement;

(iii) Government’s five priorities i.e. health, education, employment, rural development, and fighting crime and corruption; and

(iv) The National Development Plan, New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP).

Accordingly, the committee met with the department and the following entities to discuss their Strategic Plans, APPs and Budgets:

* Universal Service Access Agency of South Africa (USAASA) and Universal Service and Access Fund (USAF);
* Sentech;
* State Information Technology Agency (SITA);
* .ZADNA;
* NEMISA;
* Broadband Infraco; and
* South African Post Office (SAPO).

1. **Mandate of the Committee**

Section 55 in Chapter 4 of the Constitution of the Republic of South Africa (No. 108 of 1996) gives the National Assembly, through its portfolio committee’s powers to conduct oversight over the executive arm of government. Section 55(2) states that: “The National Assembly must provide for mechanisms to ensure that all executive organs of state in the national sphere of government are accountable to it […].” In conducting its oversight function, the committee also considered the budget allocations and annual performance plans of the department and its entities.

1. **Mandate of the DTPS**

The department has certain core functions as defined in legislation such as the Electronic Communications Act (No. 36 of 2005). These core functions are defined as:

* To develop ICT policies and legislation that create conditions for an accelerated and shared growth for South Africa, which positively impacts on the well-being of all our people;
* To 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;
* To 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 telecommunication tools are key drivers of economic and societal development;
* To contribute to e-Skilling the nation for equitable prosperity and global competitiveness;
* To enhance the capacity of, and exercise oversight over, State Owned Companies (SOCs) as the delivery arms of government; and
* To fulfil South Africa’s continental and international responsibilities in the telecommunications field.

In addition to the above, the Minister of Telecommunications and Postal Services is authorised to make policy and issue policy directions to ICASA under Section 3 of the ECA. In an endeavour to discharge its mandate, the Department has the following programmes:

* Administration;
* International Affairs and Trade;
* ICT Policy, Research and Capacity;
* ICT SOC Oversight; and
* ICT Infrastructure Support.

1. **State of the Nation Address and the impact on the ICT sector**

In his 2018 State of the Nation Address, President Cyril Ramaphosa pointed out that government “will soon establish a Digital Industrial Revolution Commission which will include the private sector and civil society in order to ensure that our country is in a position to seize the opportunities and manage the challenges of rapid advances in information and communication technology.” And he concluded his statement by saying that the drive towards the digital revolution will be underpinned by the availability of efficient networks.[[1]](#footnote-1)

1. **National Development Plan and SA Connect**

The NDP highlights that ICT should underpin the development of an inclusive, dynamic information society and knowledge economy that entails the development of a “comprehensive and integrated e-strategy that reflects the crosscutting nature of ICTs”. In 2013, Cabinet approved the SA Connect policy, which gives expression to South Africa’s vision of a seamless information infrastructure by 2030 that will underpin a dynamic and connected vibrant information society and a knowledge economy that is more inclusive, equitable and prosperous.

In accordance with the outcomes-based performance management framework adopted by the government, the DTPS mandate of the department is the development of an efficient, competitive, and responsive economic infrastructure network (Outcome 6) by developing ICT policies and legislation as well as overseeing the operation of public entities within the sector.

The New Growth Path plans to restructure the economy in a bid to ensure a more inclusive and sustainable growth and sets a target of creating five million new jobs by 2020. This goal includes expanding the definition of broadband from 256 kilobits per second to at least two megabits per second. Between 2020 and 2030, the government plans to use ICTs extensively to deliver services to citizens.

These include government, information and educational services. Part of the strategy involves greater collaboration between the state, industry and academia. Although the goal of the plan is to achieve 100% broadband access by 2020, currently there is only connectivity for 15 to 35% of the population.

In accordance with the outcomes-based performance management framework adopted by the government, the department develops ICT policies and laws as well as oversees the operations of the public entities within the ICT sector. For the 2018/2019 financial year, the department will focus on the implementation of 9 of the 14 outcomes for government, as outlined in the MTSF. These nine outcomes are:

* **Outcome 1**: Improved quality of basic education;
* **Outcome 2**: A long and healthy life for all South Africans;
* **Outcome 3**: All people in South Africa are and feel safe;
* **Outcome 4**: Decent employment through inclusive growth;
* **Outcome 5**: A skilled and capable workforce to support an inclusive growth path;
* **Outcome 6:** An efficient, competitive and responsive economic infrastructure network;
* **Outcome 7:** Vibrant, equitable and sustainable rural communities contributing towards food security for all;
* **Outcome 11:** Create a better South Africa and contribute to a better and safer Africa and world; and
* **Outcome 12:** An efficient, effective, and development oriented public service and empowered, fair and inclusive citizenship.

1. **Strategic Objectives of the Department in 2018/19**

The Department’s strategic objectives are:

* Coordination of the broadband connectivity to achieve 100% population coverage;
* The development and implementation of ICT policy and legislation aimed at improving access and affordability of ICT services;
* The promotion and sustainability of ICT SMMEs through the development and implementation of the ICT SMME development strategy;
* Advancement of South Africa’s National ICT interests in regional and international forums towards attaining partnerships for economic growth and development; and
* Improvement of the performance of SOCs through proactive and stringent oversight.

1. **Strategic priorities of the Department for 2018/19**

Based on the Department’s five year strategic objectives, the annual performance plan of the department lists the following priorities as key focus areas for the 2018/19 financial year:

* Monitoring the turnaround of the South African Post Office and the corporatisation of the Postbank;
* Implementation, as a matter of urgency, of the SA Connect;
* The development of an e-Strategy for South Africa;
* Monitoring and evaluating the cybersecurity hub;
* Implementation of the SMME ICT strategy;
* Development of the Digital Skills Strategy; and
* Expedite the rationalisation of SOCs in the department’s portfolio in line with the recommendations of the Report of the Presidential Review Committee on SOCs.
  + 1. **Broadband**

In South Africa there is limited high speed and high quality bandwidth, especially in rural and some urban areas, which is required by all sectors of business and institutions. This has negatively impacted the country’s development and global competitiveness. Over the past decade the ICT sector has exponentially grown but has however not been accompanied (in some areas) by the ‘realisation’ of the primary policy objective of providing universal access across all communication services. The slow roll out of fixed broadband services, unavailability of appropriate spectrum due to the failure to meet the international deadline for analogue signal switch off, and continuous delays in the conversion to Digital Terrestrial Televison has led to mobile broadband being rapidly adopted as a primary form of internet access.

Based on the broadband gap analysis conducted by CSIR in 2014, it was identified that 70% of all government sites are within a 10km radius of a fibre access node, thus implying that the major infrastructure gap is related to the access network. The remaining 20-30% of sites are further away from an access point, thus requiring extension of the core network.

To address this gap, the department’s key objective will be to provide access to quality, affordable, safe and ubiquitous high-speed broadband. To achieve this objective, the department prioritised the provision of broadband connectivity to 8 districts as part of Phase 1 of the implementation of SA Connect. However, this target was not achieved. The lack of progress is largely attributed to the delays in the appointment of the broadband connectivity service provider via the SITA tender as the bidders did not meet the technical specifications as required.

* + 1. **National e-Strategy and e-government**

The NDP identified the need for a National e-Strategy, that cuts across government departments and sectors of the economy; energy, science, education, and health. The National e-Strategy should stimulate demand by promoting e-Literacy, stimulate sector growth and innovation by driving public and private ICT investment, especially in network upgrades and expansion (particularly in broadband) and development of local content and applications.

The socio-economic situation of South Africa requires the South African government to look for efficient and cost effective means to provide service delivery to the citizens through the use of electronic government. The e-Government initiative provides an enormous opportunity to deliver government services without having to rely on manual processes that require human intervention. Therefore, as part of the development of a National e-Strategy, the DTPS is also developing a National e-Government Strategy which articulates the overall aim and objectives as well as sets out the strategic initiatives, which will be prioritised in order to achieve a mature delivery of e-Government services. Therefore the implementation of the e-Strategy was essential for the transformation and modernization of public service delivery.

The Department had undertaken extensive work in developing a coherent National e-Strategy which will also provide a clear direction for the implementation of e-Government in the public service. Specific focus in 2018/19 financial year will be on finalising and implementing the National e-Strategy.

* + 1. **SOC Rationalisation**

President Jacob Zuma established the Presidential Review Committee (PRC) to strengthen the role of SOEs to ensure that they respond to their public mandate and support the developmental goals of Government. In line with the PRC recommendations, the DTPS through the ICT SOC rationalisation project, seeks the alignment of ICT SOEs in order to achieve the developmental objectives and aspirations of South Africa. Furthermore, the NDP calls for the review of the market structure, an analysis of the benefits and cost of infrastructure duplication and the need for a common carrier network that will ensure delivery of ICT services to citizens.

The PRC and the NDP highlighted several challenges, among others, related to extensive duplications within the government portfolio of state owned enterprises leading to inefficiencies and wastage of scarce financial resources coupled with poor governance and a lack of clear understanding of their mandates in context of a developmental state. The ICT White Paper further states that all state owned companies and entities within the DTPS portfolio should be rationalised in line with the proposal in the national broadband plan (as informed by the SA Connect). Following the development of the SOC Rationalisation Report and its recommendations, the department will, over the short to medium term, focus on implementing harmonisation of SOCs to establish a State IT Company and a State Infrastructure Company.

* + 1. **Cybersecurity**

Cyberspace comes with new types of challenges to governments and other stakeholders in the form of cybersecurity. It is a borderless platform that enables more sophisticated threats such as cybercrime, cyber terrorism, cyber war and cyber espionage. For this reason, the cyber threats need to be addressed at both the global and national levels. Government, working with other role players has a duty to protect our nation and all its people from cyber-attacks and also to protect children. Government must therefore focus on enabling citizens to protect themselves online.

The department had therefore adopted a phased approach which will lead to the establishment of a fully-fledged Cybersecurity Hub. In October 2015, the department established a Cybersecurity Hub, with limited functionality, in support of a secure cyberspace in the interest of citizens, as well as the private and public sectors. In the medium term, the department will focus on establishing a fully operational Cybersecurity Hub that will provide a full bouquet of required services. For the 2017/18 financial year, focus will be on supporting and monitoring the operations of the existing Cybersecurity Hub.

* + 1. **ICT SMME Development strategy**

The department has developed an ICT SMME strategy so as to create a substantial number of internationally competitive, dynamic, innovative, technologically driven sustainable ICT SMMEs that significantly contribute to the country’s developmental priorities. Over the medium term, the department will focus on facilitating the implementation of the ICT SMME Strategy with specific focus in 2018/19 on finalising and commencing with the implementation of the ICT SMME Strategy.

1. **Budget analysis of the Department 2018/19**

Table 1 below gives a brief summary of the allocated budgets and the projections over the MTEF.

**Table 9.1 Budget Summary over MTEF**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **2018/19** | | **2019/20** | **2020/21** |
|  | **Total** | **Transfers** |  |  |
| **1. Administration** | 218 332 | 15 | 243.7 | 261.6 |
| **2. International Affairs** | 52 035 | 28 482 | 58.4 | 56.4 |
| **3. Policy & Research** | 85 975 | 0 | 89.2 | 96.1 |
| **4. ICT Enterprise** | 250 440 | 228 616 | 266 | 280.9 |
| **5. ICT Infrastructure** | 316 625 | 241 780 | 367.2 | 390.60 |
| **TOTAL** | **923 407** | **498 893** | **1 024.50** | **1 085.60** |

The innitial allocation in 2017/18 financial year was R1.6 billion with a reduction of R139 million from the SA Connect Project and a once-off upward adjustment of R3.7 billion for the recapitalisation of SAPO resulting in a final adjusted allocation of R5.2 billion.

In the 2018/19 financial year, the baseline allocation was R1.7 billion with a reduction of R550 million from the SA Connect project and a further reduction of R250 million from the Set Top Box allocation. A further reduction of R4 million was made from the Administratinon Programme resulting in a final allocation of R923 million.

**Table 9.2 Transfer to Entities**

|  |  |  |
| --- | --- | --- |
| **Transfer Details** | **R’000** | **BUDGET %** |
| Municipalities | 15 | 0,003% |
| National Electronic Media Institute of South Africa | 90 761 | 18% |
| Universal Service and Access Agency of South Africa | 80 074 | 16% |
| Universal Service and Access Fund | 57 781 | 12% |
| Sentech: Dual illumination costs relating to the digital  migration project | 203 900 | 41% |
| Universal Service and Access Fund: Broadcasting  Digital Migration | 37 880 | 8% |
| Foreign governments and international organisations | 28 482 | 6% |
| **Total** | **498 893** | **100%** |

As per the table above, in the 2018/19 financial year, the Department will be transferring a total amount of R498 893 to 6 entities inclusive of transfers to Municipalities and International Organisations. In terms of the transfers Sentech will receive the bulk of the transfer budget allocation of R203 million which will cover cost related to digital migration. NEMISA will receive a transfer of R91 million of which R44 million is earmarked for the establishment of the iNeSI. An amount of R138 million will also be transferred to USAASA and the USAF to cover costs related to creating access to the digital platform.

1. **Programme analysis**

**Table: Programme Budget Allocation: 2018/19**

|  |  |  |
| --- | --- | --- |
| **PROGRAMME** | **R'000** | **BUDGET %** |
| Administration | 218 332 | 24% |
| International Affairs and Trade | 52 035 | 6% |
| Policy, Research and Capacity Development | 85 975 | 9% |
| ICT Enterprise Development and Public  Entities Oversight | 250 440 | 27% |
| ICT Infrastructure Support | 316 625 | 34% |
| **Total** | **923 407** | **100%** |

**10.1 Administration**

The purpose of this programme is to provide strategic support to the Ministry and overall management of the department. The programme has been allocated R218 million, up from R198 million the programme was allocated during the previous financial year. The programme’s main function is to provide strategic leadership, management and support services to the department, enabling it to fulfil its public mandate.

**10.2 ICT International Affairs and Trade**

The purpose of this programme is to ensure alignment between South Africa’s international activities and agreements in the field of ICT and South Africa’s foreign policy. The programme has been allocated R 52 million, up from the R 51 million the programme was allocated in the previous financial year.

The main objective of this programme is to advance South Africa’s ICT interests in regional and international forums to attain partnerships for economic growth by developing and advancing the country’s position in international affairs. This includes fostering partnerships with the Brazil-Russia-India-China-South Africa (BRICS) group of countries as well as hosting the BRICS ICT ministerial meeting.

**10.3 Policy, Research and Capacity Development**

The purpose of this programme is to develop legislation that supports the development of an ICT sector that creates favourable conditions for accelerated and shared growth of the economy. The development of strategies that increase the uptake and use of ICT services by the majority of the South African population is to bridge the digital divide.[[2]](#footnote-2) The programme has been allocated R 86 million, up from the R85 million the programme was allocated in the previous financial year.

**10. 4 ICT Enterprise Development & SOC Oversight**

The purpose of this programme is to oversee and manage government’s shareholding interests in the public ICT entities. This programme also facilitates growth and development of Small Micro Medium Enterprises[[3]](#footnote-3) (SMMEs). The main objective is to ensure optimally functioning ICT SOCs that effectively deliver on their respective mandates. The programme has been allocated R 250 million, up from the R 244 million the programme was allocated in the previous financial year. This is the remainder after the deduction of R 3.7 billion which was a once off adjustment allocation to SAPO.

**10.5 ICT Infrastructure Support**

The purpose of this programme is to promote investment in robust, secure and reliable ICT infrastructure that supports the provision of a multiplicity of applications and services.[[4]](#footnote-4) The programme has been allocated R317 million, down from R896 million in the previous financial, largely due to reduction in the allocation to the SA Connect project.

1. **Observations and recommendations**

**11.1 Observations and recommendations to the Minister**

Having considered the department’s APP and budget, the committee made the following observations and recommendations:

**11.1.1 Observations**

* The committee highlighted the governance and leadership challenges experienced by entities such as Nemisa, SAPO and USAASA and noted that it was important for the Department, as the enabler of policy, to ensure the effective delivery on key mandates and provide proper guidance and assistance to all entities and for the responsible Deputy Director General to take an active and more diligent role in ensuring that the entities operate lawfully and efficiently.
* The members expressed concern that there was no progress on the development of the SMART criteria on audit outcomes, which ensure that targets express measurable indicators and the specific nature and level of performance the entity aims to achieve.
* The committee noted that standard operating procedures (SOPs) were outstanding and needed to be developed to ensure overall alignment between reporting units.
* The committee noted that training for staff should receive focussed attention to ensure understanding of the performance information requirements.
* The committee noted that the department should give effective guidance to entities when preparing their APPs.
* The committee noted that it was important to improve current measures in place to ensure that the department and entities achieve their targets.
* The committee observed that strategic risk assessments were conducted and that some entities recorded details of their updated risk registers in their APPs. Further, that although it was not compulsory to include updated risk registers in their APPs, the committee felt it is advisable that entities do that.
* The committee expressed concern on the slow progress in respect of combating irregular expenditure within the department, which was largely as a result of capacity constraints within its supply chain unit.
* The committee expressed concern about the department’s apparent lack of accountability regarding its role in the broadcasting digital migration (BDM) process. In particular, the committee observed that there were irregular/corrupt practices in the acquisition and distribution of the set-top box roll-out programme. The committee was concerned about the slow roll-out of the BDM project, with only 326 038 STBs installed as at 28 February 2018. This whilst an estimated 6.1 million households would require subsidised boxes. The deadline of 15 June 2019 seemed to be unattainable.
* The committee noted that the department listed eight (8) Bills that would have to be submitted to parliament. The committee wanted clarity in respect of the prioritisation of bills to be submitted and requested the department to be aware of the legislative programme and deadline for Bills to be tabled in parliament.
* The committee wanted an assurance that the department implements the climate and culture action plan and monitors the successful implementation of the leadership development programme for executives.
* The committee welcomed the implementation of the e-Government Strategy to create a digital society where all citizens would benefit. The committee was of the view that this should include a digital society for the disabled in order to ensure meaningful

transformation of the lives of the disabled.

* The committee encouraged international engagements and partnerships and observed with concern that there was no budget allocated to form public private partnerships.
* The committee observed that there was no budgetary provision for further financial support to SAPO as there was an understanding that SAPO’s public mandate would need to be funded. Interventions such as the implementation of a realistic corporate plan, the establishment of strategic sustainable public/private partnerships in the highly competitive logistics business and leveraging of SAPOs property portfolio could boost income further.
* The committee noted that the department’s budget allocation was significantly reduced after cabinet reprioritised government expenditure across all departments. The committee was concerned that the reduced budget allocation would have a negative impact on the department’s ability to achieve its strategic objectives, particularly to connect marginal communities and the poor to the internet. The committee noted that there were certain acronyms in the report that needed to be clarified.
* The committee noted with concern that the performance of some of the public entities such as USAASA was deteriorating. This was a negative reflection on the department, in that it lacked the necessary leadership to assist and guide entities.
* The committee questioned why budgetary provision was made for the maintenance of air conditioners at the head office and requested a copy of the lease agreement. The committee expressed concern that public money was allocated to maintenance expenditure, which should be for the account of the landlord.
* The committee noted with concern that South Africa was seemingly lagging behind key milestones in terms of its readiness for the Fourth Industrial Revolution.
* The committee observed that a project management skills development programme was implemented for identified senior managers. The committee noted that should any of these managers fail a course or leave the employ of the department, they would be held accountable to refund the department.
* The committee noted with concern that significant underspending occurred in programme 5, i.e. broadband rollout.
* The committee noted that in terms of its human resource management, vacant posts were not filled within the required time frame and leave was not captured timeously.
* The committee noted that in respect of procurement and contract management, SCM policies and procedures were not revised to be in line with new regulations. Furthermore, the department failed to provide relevant documentation for budget/programme deviations.
* The committee noted that in respect of compliance management, there was slow progress on investigations pertaining to irregular expenditure.
* The committee requested that the Department provide it with a written report in respect of what informs the budgetary adjustments above and below ten (10) percent. In this regard the committee requested information on the radical increase in costs for minor assets, consultant business and advisory services, contractor services, increase in cost of administration, increase in outsourced services and government fleet services, transfers and subsidies, machinery and equipment, travel and subsistence and entertainment. A decline in goods and services and underspending on the broadband rollout target was interrogated. At the time of the drafting of the report, the requested written report was not submitted to the committee after assurances were given by the Department that it would be submitted.

**11.1.2 Recommendations**

The committee directs that the Minister must**;**

* Ensure effective delivery on key mandates and provide proper guidance and assistance to all entities in particular, USAASA, NEMISA and SAPO.
* Ensure that entities comply and are held accountable to the SMART performance indicators and criteria. Programme managers to ensure that targets set can be independently examined against SMART criteria by clearly defining specific standards of achievement on the technical data description.
* Ensure that SOPs are developed to outline the key dates and processes to be followed to ensure overall alignment between reporting units.
* Ensure that training of staff is planned and included in the SOPs for staff within the reporting units.
* Ensure that entities comply with the framework for strategic plans and annual performance plans and that this is used as a guide when preparing their APPs.
* Ensure that a clear and identifiable process was in place to ensure that the department and entities achieve its targets.
* Ensure that all entities comply with strategic risk assessments and update its risk registers. In addition, that the role of the department should be more prominent in its guidance to entities by confronting entities that face potentials risks. Risk registers should be attached to the annual performance plan of each entity.
* Ensure that capacity constraints within its supply chain unit was addressed.
* Ensure that its role in the acquisition and distribution of set top boxes is more defined and that proper interrogation of processes, especially of USAASA roll-out sites, is concluded.
* Ensure efficient collaboration between Broadband Infraco, USAASA, Sentech and SITA in planning and delivering the necessary infrastructure to fast-track the delivery of SA Connect.
* Ensure that all priority bills are finalised before parliament adjourns.
* Ensure necessary interventions pursuant to the climate and culture survey and finalise and implement the action plan.
* Ensure that the implementation of the e-Government Strategy include a digital society for the disabled.
* Ensure that solid public private partnerships are created and sustained.
* Ensure that there are ongoing discussions with Treasury to secure additional funding for SAPO.
* Ensure that discussions commence to engage Treasury to increase the budget of the department in order for it to adequately comply with its mandate.
* Ensure that its annual performance plan was properly formulated with the necessary acronyms qualified.
* Ensure that the department provide the necessary leadership to assist and guide entities with challenges.
* Ensure that the irregular spending of monies on air conditioners is returned to the public coffers and that the property owner be held accountable for maintenance of the property as per the contract.
* Ensure that all efforts and initiatives are made to prepare the country to meet its ICT requirements in respect of the Fourth Industrial Revolution.
* Ensure that senior managers who participate in the project management development programme are held personally accountable should they fail a course or leave the employ of the department.
* Ensure that the issue of underspending on the broadband rollout target was addressed.
* Ensure that all vacant posts are filled within the required timeframes and that leave was captured timeously.
* Ensure that SCM policies and procedures be revised to be in line with new regulations and that all expenditure deviations are supported by sufficient documentation.
* Ensure that investigations pertaining to irregular expenditure take place expeditiously and that consequence management is implemented.
* Ensure that the committee received detailed information as per its request for further information on what informs the varying financial discrepancies above and below ten (10) percent.

**12. Entities reporting to the Department**

The following entities and agencies report to the Minister of Telecommunications and Postal Services as well as the regulatory authority on matters about telecommunications, signal distribution, broadband, e-commerce and postal sector in the broader ICTs.

**12.1 South African Post Office**

The SA Post Office is a schedule 2 public entity in terms of the Public Finance Management Act (1999). It is a state owned company and is required to provide postal and related services to the public. It derives its mandate from the SA Post Office SOC Ltd Act (2011) and the South African Postbank Limited Act (2010). The Postal Services Act (1998) grants it an exclusive mandate for specified services to conduct postal services. The Act makes provision for the regulation of postal services and operational functions of the postal company, including universal service obligations. The financial services activities of the Postbank are covered in the SA Postbank Act.

1. **1.1 Observations and recommendations for SAPO**
   * 1. **Observations**

Having considered the Corporate Plan and budget for SAPO, the committee made the following observations and recommendations:

* The committee noted the positive change in the environment and was optimistic that SAPO has managed to improve its operational performance. The committee specifically complimented the CEO, Mr Mark Barnes and the Chief Operating Officer, Ms Lindiwe Kwele for their tremendous passion and hard work in ensuring the steady turnaround of SAPO;
* The committee noted further that SAPO has a net asset value of R3,6 billion and that R800 million was required to settle outstanding debts. The committee noted that the entity was not financially sustainable due to vast expenses on universal service obligations and that it would need to invest in technology and customer interface in order to compete in the market. The committee noted SAPO’s plan to utilise its extensive national footprint and property portfolio to partner with public and private institutions to expand its income generating capacity;
* The committee was concerned that the delay in acquiring a banking license for the Postbank was caused by a misalignment of the Banks Act with the Companies Act. This delay was posing a significant risk to the Postbank and its operationalization;
* The committee noted that the issue ofperformance management of staffwas a concern;
* The committee noted with concern that SAPO was supposed to implement a Strategic Turnaround Plan (STP) that was aimed at implementing initiatives to stabilise the business and steer it to positive revenue growth, but that the entity was unable to do so;
* The committee noted that the term of office of the current Board will end in August 2018;
* The committee noted that certain key positions were vacant which included the post of the supply chain management Group Executive;
* The committee noted that the post of chairperson of the Board of SAPO was vacant;
* The committee noted that the entity was facing serious liquidity challenges which will affect the going concern status of the entity, specifically in the preparation of its financial statements for the 2017/18 financial year. The entity owed AGSA R16 million as at 31 March 2018;
* The committee expressed concern that the entity was not compliant with its strategic risk assessments and that the risk register was not properly updated;
* The committee noted that a phased approach would be adopted to address the high expenditure on employee costs and that a human resources rationalisation process was necessary. Skills development and the upskilling and re-training of employees would be important;
* The committee noted that the financial position of SAPO places the management in a difficult position, because while staff at other public entities were getting salary increases, SAPO was unable to afford salary increases for its employees; and
* The committee noted that on its SASSA deliverables, SAPO has performed well and that its role has been significantly extended. A full partnership was intended between SAPO and SASSA.
  + 1. **Recommendations**

The Committee recommends that the Minister and the Department should actively support SAPO by facilitating the following:

* Ensure that strategies are in place to draw public and private entities to interface with SAPO and promote partnerships to ensure it could compete in a competitive market;
* Ensure that the remaining legislative hurdles dealing with the banking licensing of Postbank was fast tracked and finalised with co-operation of all government departments and relevant portfolio committees ahead of the deadline which is mid-June 2018;
* Ensure that executives and all staff are held accountable for non-performance;
* Ensure that a Strategic Turnaround Plan (STP) be implemented as a matter of urgency;
* Ensure that a new and strong Board is appointed timeously that would be competent to provide proper strategic guidance and leadership;
* Ensure that all key positions be filled as a matter of urgency;
* Ensure that all outstanding liquidity challenges are addressed;
* Ensure that SAPO complies with strategic risk assessments and update its risk register properly;
* Ensure that quantifiable targets are set during the upskilling and re-training of employees;
* Ensure that employee salaries were on par with other entities taking into consideration the increase in the cost of living expenses; and
  + Ensure that SAPO and SASSA staff is fully trained and capacitated to take on their additional responsibilities.
  1. **SENTECH**

Sentech Limited is an SOC established in terms of the Sentech Act (Act No 63 of 1996) and is listed as a Schedule 3B public entity in terms of the PFMA. Its mandate is to provide broadcasting signal distribution for broadcasting licensees, with a particular focus on accelerating the implementation of government ICT interventions within the framework of the NDP and the strategic integrated project for expanding access to communication technology.

**Sentech’s Strategic Objectives are as follows:**

* Develop and execute a strategic sourcing plan to realise maximum value from the capital expenditure programme and operating expenditure;
* Pursue opportunities to diversify revenue streams both locally and in the African continent – this will include strengthening the business development part of the business;
* Identify possible acquisition targets which will assist with growing the business and diversification;
* Develop a funding plan (including borrowings) for acquisitions and consider options around funding of capital expenditure;
* Accelerate the activities aimed at creating a high-performance organisation;
* Review organisational structures with the intention of creating an agile and competitive Company;
* Disciplined execution of the capital expenditure programme; and
* Innovation and efficiency in the delivery of services.

**13.1.2 Observations and Recommendations for Sentech**

Having considered the APP and budget for Sentech, the committee made the following observations and recommendations:

* + - 1. **Observations**
* The committee commended Sentech for its progress and noted that the entity was currently free from debt and in a stable financial position. The business strategy of the entity was based on seven strategic pillars, namely, growth, innovation, customer focus, culture change, efficiency, transformation and reputation. Further, the Board has reviewed the Sentech business model to ensure that the company was prepared for the converged digital communications ecosystem;
* The committee commended the entity for its growth strategy by offering consultancy services to the rest of the continent;
* The committee was informed that Sentech’s client, South African Broadcasting Corporation (SABC) was making good progress in settling its debt by paying more than its monthly tariff to cover the arrears incurred. As at 31 March 2018, the SABC owed Sentech an amount of R251 million;
* The committee noted that Sentech has developed a corporate strategy aimed at ensuring sustainable business growth and wanted to know what type of business the entity intends to pursue;
* The committee noted with concern that Sentech spent R28 million on preventative maintenance costs to support network continuity to enable delivery of broadcasting signal distribution services, as well as R33milion for corrective maintenance. The committee was of the view that this was a huge amount to be spent on the maintenance of analogue, and services; which would have been prevented had BDM been implemented on schedule; and
* The committee notes that the lack of dual illumination funding would result in a shortfall for the business which would lead to a total operating loss.
  + - 1. **Recommendations**

The committee directs that the Minister must;

* Ensure continued growth by offering services to the rest of the continent;
* Ensure that the debt owing by its client, South African Broadcasting Corporation (SABC) was speedily settled and continuously update the committee on the status of the repayment of this debt; and
* Ensure that the entity continue to engage the relevant stakeholders towards securing the necessary funding for dual illumination.

**14. Universal Service and Access Agency of South Africa (USAASA) and Universal Service Access Fund (USAF)**

USAASA was established as a public entity in terms of section 80 of the Electronic Communications Act (ECA) (2005). It is listed as a Schedule 3A public entity in terms of the PFMA (1999). Its sole mandate is to promote universal service and access to electronic communication services, electronic communications network services and broadcasting services.

**14.1 Deliberations by USAASA/USAF with the committee.**

The committee identified various inaccuracies in the annual performance plan document submitted to it and raised such concerns with the USAASA Board. The entity indicated that it would have to review the document in order to comply with the requests from the committee. The committee granted USAASA until 27 April 2018 to submit an amended annual performance plan. At the time of drafting of this report, USAASA failed to submit the required information to the committee after being reminded to do so. The committee has thus not deliberated on the USAASA annual performance plan.

**15. National Electronic Media Institute of South Africa (NEMISA)**

The **NEMISA** was established as a non-profit institute for education in terms of the Companies Act (1973) and is listed as a schedule 3A public entity in terms of the Public Finance Management Act (1999). The institute’s ongoing activities include offering national certificates and short courses in the areas of television production, animation and radio production. The institute’s programmes are structured to enhance the market readiness of students in a wide range of broadcasting disciplines.

* 1. **Observations and Recommendations on NEMISA**

Having considered the Annual Plans and budget for NEMISA, the committee made the following observations and recommendations:

* + - 1. **Observations**
* The Committee noted that the position of chief financial officer was vacant and that the entity has suspended its chief executive officer. The committee questioned the reasons for the suspension of the CEO as this situation now aggravates the position on vacant posts;
* The committee noted that the APP of NEMISA was under review as it had significant changes and that the AGSA was satisfied that the requirements would be met;
* The committee expressed its concern about the appointment of a serving board member as acting CEO. The committee considered this an inappropriate appointment in contravention of relevant procedures and stated that it amounted to a conflict of interest. The committee was of the opinion that the department failed to exercise its responsibility to guide the entity by allowing this irregular appointment;
* The committee noted that in respect of e-astuteness development, the entity facilitates a comprehensive e-skills curriculum by ensuring identified learning and training needs are met by approved learning content material;
* The committee noted that the entity intends to have a skilled and capable workforce to support an inclusive growth path. The committee however questioned the performance indicator which requires the percentage of graduates participating in ICT skills programme to be 80 percent. The committee noted that there was urgency to get people skilled and therefore was of the view that this performance target should be 100 percent;
* The committee notes that in respect of the overview of the budget of the entity, revenue from transfers received has increased, the budget for e-astuteness has doubled and there has been a decrease in administrative costs; and
* The committee noted that the entity is responsible for the creation of effective advocacy and awareness, with specific focus on citizen awareness and digital essentials.
  + 1. **Recommendations**

The committee directs that the Minister must;

* Ensure that all vacant positions are filled, which include the position of the chief financial officer and that the disciplinary action against the CEO was finalised speedily;.
* Ensure that the amendments to the APP are properly reviewed and that corrections are clearly identified to satisfy the requirements of the AGSA. Further, ensure that when any adjustment was affected to the APP, such adjustment needs to be attached in the form of an addendum;
* Ensure that the correct processes are followed in the appointment of the interim CEO with proper guidance from the department;
* Ensure that SMART principles apply to determine the impact and success of interventions and to ensure that such interventions are measurable;
* Ensure that the performance indicator which requires the percentage of graduates participating in ICT skills programme was adjusted from 80 percent to 100 percent;
* Ensure that advocacy and awareness, clearly indicate where and how citizens would be reached; and
* Ensure that the performance indicator in respect of the creation of effective advocacy and awareness, was measurable.

**16. State Information Technology Agency (SITA)**

The State Information Technology Agency is governed by the State Information Technology Agency Act (1998) and is listed as a schedule 3A public entity. The Act mandates the agency to consolidate and coordinate government’s IT resources to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperability of systems. It also separates the agency’s services into mandatory services, which are services that it must provide, and non-mandatory services, which are services that it may provide. Mandatory services include the provision and maintenance of transversal information systems and data processing or associated services for the transversal systems.

**Operationally funded strategic programmes**

* Programme 1: Service Delivery;
* Programme 2: Infrastructure;
* Programme 3 Procurement;
* Programme 4: Financial Sustainability; and
* Organisational and Governance and Administration.

SITA strategic focus will be to achieve the following:

1. Improve customer satisfaction;
2. Maintain and improve current “STARS” products/services;
3. Introduce new services that respond to modern government demands;
4. Retain current business/customers;
5. Extend full incorporation to national and provinces;
6. Grow business in strategic departments and provinces; and
7. Grow business at local government level.
   1. **Observations and Recommendations on SITA**

Having considered the Strategic Plan, Annual Plans and budget for SITA, the committee made the following observations and recommendations:

**16.1.1 Observations**

* The committee notes that SITA continues to transform its core IT services to proactively respond to the needs of its customers and government priorities. In this regard it promotes the following:

1. e-Government: programme aims to digitize government and improve citizen quality of life. Fifty (50) e-Services would be deployed in support of the national e-Government strategy and client needs;
2. SA Connect: a programme which aims to provide broadband data connectivity to 6135 sites located across eight (8) municipalities in Phase 1. 257 of the SA Connect Phase 1 sites will be connected and maintained with broadband speed of 10 Mbps;
3. Transformation agenda: SITA will implement interventions in the development of SMMEs and 40 percent of the ICT acquisition will be spent through SMME entities;
4. ICT Security: SITA strives to attain information security maturity level;
5. Procurement Automation: SITA continues with its initiatives to implement the procurement of e-Commerce platform for IT and non IT goods and services across government;
6. Cloud computing: The goal is to establish a Government Private Cloud (GPC) for exclusive access by government departments.

* The committee observed that SITA maintained a positive cash balance and that monies were recovered and collected from invoices;
* The committee was informed of a break in and robbery at its head office, in Centurion which resulted in a security guard being fatally shot;
* The committee expressed concern in respect of the safety of staff and noted that the destabilisation was due to the efforts of management to dispose of corruption. It condemned the incident which resulted in the attack on staff;
* The Committee noted that certain key positions were vacant which included the posts of chief internal audit, strategy executive, national consulting executive, network and service management executive and hosting and secure operations executive;
* The committee noted that the training budget has increased and wanted to know what areas were being prioritised for training. SITA stated that it conducts its own training with SMMEs with the aim to provide less dependence by SMMEs on SITA. Also, the general training budget increases each year and targets technical issues, service management issues and also solution design;
* The committee observed that in order to improve debt collection the billing process will be reviewed to improve accuracy, completeness and validity of invoices. Based on the revised manner in which SITA is dealing with Microsoft, a reduction of 90 percent in foreign exchange exposure was expected; and
* The committee was informed that there was a need to separate licensing from services which would benefit SMMEs.
  + - 1. **Recommendations**

The committee directs that the Minister must;

* Ensure that it updates the committee on its progress in respect of its programmes to transform IT services;
* Ensure that all key positions which include the posts of chief internal audit, strategy executive, national consulting executive, network and service management executive and hosting and secure operations executive are filled as a matter of urgency;
* Ensure measures or an intervention was in place to secure the safety of staff from instances of violence and intimidation as SITA sites was considered as key points; and.
* Ensure that SITA deals directly with Microsoft, rather than use a third party, in order to receive a reduction of 90 percent in foreign exchange exposure.

**17. Broadband Infraco (BBI)**

BBI SOC is a licensed state owned company in the telecommunications sector. It is intended to improve market efficiency in the long distance connectivity segment by increasing available long distance network infrastructure. It will also avail capacity to stimulate private sector innovation in telecommunications services and content offerings. Broadband Infraco provides long distance national and international connectivity to licensed private sector partners, license-exempt project of national importance and to previously underserviced areas.

BBI strategy is anchored in the following goals:

* Resilient network;
* Financial sustainability;
* Economic and Social transformation;
* Operational excellence;
* Sound Human Capital practices; and
* Proactive corporate governance

**17.1 Observations**

* The committee commended BBI in that it experienced overall growth in terms of traffic on the network as well as the number of customers. The committee however, expressed concern that although there was growth in the customer base, revenues have gone down;
* The committee noted that the entity deployed various strategies for the retention of critical and scarce skills and wanted to know if it placed a moratorium on the filling of positions. The committee, taking into consideration the possible merger between BBI and Sentech noted that this uncertainty would result in the loss of critical skills. BBI responded that there had been moratorium on staff for the past two financial years. Going forward the entity will focus on capacitating itself, by focusing its recruitment on sales people and managing the possible loss of skilled workers;
* The committee noted the board appointments and the reshuffling of sub committees of the board. In respect of top management appointments, there was a concern about the lack of representation of women in top management positions;
* The committee further noted that the entity was performing poorly in respect of transformation policies in that very few staff with disabilities was considered for employment;
* The committee expressed concern that the entity may not be ready to adequately meet the SA Connect targets as the operating costs for SA Connect seemed excessive;
* The committee wanted to know the role of the entity in respect of SITA and Sentech. The entity responded that it collaborates with Sentech, USAASA and SITA and that its role was to provide end-to-end connectivity; and
* The committee noted that BBI has participated in socio economic activities by sponsoring a school in Eastern Cape with broadband connectivity and the installation of cybersecurity.

**17.1.2 Recommendations**

The committee directs that the Minister must;

* Ensure that measures are in place to sustain the growth in the customer base and increase revenue;
* Ensure that the entity continues to deploy strategies for the retention of critical and scarce skills;
* Ensure that women are represented in top management positions at the entity;
* Ensure that the entity improves its performance in respect of the appointment of staff with disabilities;
* Ensure that strategies are in place to ensure that the entity complies with, and is ready to meet, the SA Connect targets; and
* Ensure that more schools are sponsored with broadband connectivity and the installation of cybersecurity measures.

**18. ZA Domain Name Authority (.**ZADNA**)**

The .ZADNA is a statutory, not-for-profit entity established regarding Chapter 10 of the Electronic Communications and Transactions (ECT) Act 25 of 2002 to administer, manage and regulate the .ZA namespace. As stated in the Strategic Plan/ APP, the 2016/2017 to 2018/2019 strategic plan and the 2016/2017 Annual Performance Plan are meant to define better some of the performance targets of .ZADNA in line with the stipulations of the ECT Act. The Act requires .ZADNA, as a matter of “must,” to perform certain functions, and this plan uses those specific functions as .ZADNA’s strategic goals. This is a shift away from the previous years (2015/2016) when specific ECT Act responsibilities were grouped into four strategic goals.

To contribute to the achievement of government priorities and outcomes, .ZADNA is to pursue the following strategic goals for the 2017/18 financial year:

* Stimulate growth in domain registration;
* Enhance domain value proposition;
* Drive service innovation;
* Maintain inclusive policy and regulatory framework;
* Improve organisation’s delivery capacity;
* Maintain active research; and
* Enhance business sustainability.

**18.1 Observations and Recommendations on .ZADNA**

Having considered the Annual Plan and budget for .ZADNA, the committee made the following observations and recommendations:

* + 1. **Observations**
* The Committee noted that the presentation of .ZADNA lacked substance in that it was not detailed;
* The committee wanted to know what the relationship was with other registration authorities such as ZA Central Registry (ZACR) and whether there was a conflict in the nature of their relationship. .ZADNA responded that the relationship with ZACR was a professional relationship with cooperation between the two domain authorities to grow the domain name arena;
* The committee expressed concern that .ZADNA was acting outside of its mandate as its main purpose was to stimulate domain registration growth. .ZADNA responded that it was acting within its mandate in that its role was guided by the Act which merely required it to create awareness and that domain names are part of the internet governance. .ZADNA said its role was not to collate statistics on domain names;
* The committee wanted to know the numbers of staff members at .ZADNA and their qualifications to enable them to do research. The entity has nine (9) staff members of which three (3) are managers. .ZADNA informed the committee that they operate in an understaffed environment and that the entity conducts in-service training;
* The committee questioned the salaries of the director and the fees for board members and was of the view that the composition of the board was inflated in that the number of board members exceed the number of staff members. .ZADNA responded that all board meetings which take place on a quarterly basis has been budgeted for and that the reduction and size of the board is the prerogative of the Minister;
* The committee questioned the number of vacancies, the number of interns employed and how much staff the entity displayed. .ZADNA responded that there was five (5) vacancies in total of which four (4) was non-managerial posts and one (1) was the company secretary post;
* The committee noted with concern that the entity has overspent in respect of its annual report; and
* The committee noted with concern that the entity has spent almost R750 000 on legal costs and wanted to know if these monies could be retrieved. .ZADNA responded that the legal costs could be recovered should the court decision be in favour of the entity.
  + - 1. **Recommendations**

The committee directs that the Minister must;

* Ensure that all future presentations to the committee are detailed and content driven to enable the committee to gain a clear understanding of issues before it;
* Ensure that the relationship between ZA Central Registry (ZACR) and .ZADNA is strengthened with continued cooperation between the two domain authorities to grow the domain name arena;
* Ensure that it acts within its mandate and promote projects that stimulate domain registration growth, and gather and monitor the effectiveness of data projects that increase the .ZA domain name registrations;
* Ensure that the Minister review the reduction and size of the board which was inflated;
* Ensure that all vacancies including that of the company secretary are filled as a matter of urgency;
* Ensure that proper internal financial control measures are in place to prevent overspending; and
* Ensure that legal costs in the amount of R750 000 be recovered should the court decision be in favour of the entity.

The Committee noted the Annual Performance Plans for 2018 – 2019 of the DTPS, SITA, NEMISA, SAPO, Broadband Infraco, Sentech, and .ZADNA and accordingly supports their implementation.

The committee received the reworked APPs for USAASA and USAF after the deadline and will thus make its views after engaging the APPs.

The Committee recommends that the 2018-2019 budget allocation of the DTPS and its entities be approved.

**Report to be considered.**

1. State of the Nation Address 2018 [↑](#footnote-ref-1)
2. Department of Telecommunications and Postal Services (2017) [↑](#footnote-ref-2)
3. Ibid. [↑](#footnote-ref-3)
4. Ibid. [↑](#footnote-ref-4)