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Department
Telecommunications and Postal Services
REPUBLIC OF SOUTH AFRICA



PRESENTATION TO THE PORTFOLIO COMMITTEE

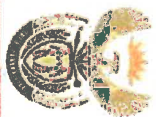
DEPARTMENT OF TELECOMMUNICATIONS AND POSTAL SERVICES

2017/2018 ANNUAL REPORT

09 October 2018

PRESENTATION OUTLINE

- Auditor-General's Audit Outcomes
- Findings in the 2017/18 Audit Report
- Key Findings in the 2017/18 Management Letter
- Interventions to Address Audit Outcomes
- Significant Achievements during the Reporting Period
- Areas of under-achievement during the reporting period
- Programme Performance for 2017/18, with specific focus on targets not achieved
- 2017/18 Financial Performance



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AUDITOR - GENERAL'S

AUDIT OUTCOMES



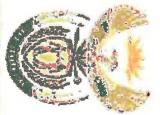
FINDINGS CATEGORY	FY 2015/16	FY 2016/17	FY 2017/18
Audit Report	2	4	3
Management Letter	15	22	28
Overall Opinion	Unqualified	Unqualified	Unqualified



FINDINGS IN THE 2017/18 AUDIT REPORT (1)



Finding	Details	Action Plan
Procurement and contract management	Bid advertised for less than 21 days and reasons for a deviation not justifiable	<ul style="list-style-type: none">• All requests to shorten the advertising period to be assessed thoroughly to determine whether it is based on urgency or poor planning• Verification of the matter with the independent person• Monitoring of the procurement plan to ensure that the bids are advertised timeously
Irregular Expenditure	Instances of irregular expenditure have not been investigated to determine if disciplinary steps needs to be taken against liable officials	<ul style="list-style-type: none">• Investigations of irregular expenditure commenced• Investigation reports compiled with recommendations• Appointment of the internal control committee to monitor progress• Recommendations to the Accounting Officer or responsible authority



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FINDINGS IN THE 2017/18

AUDIT REPORT (2)



Finding	Details	Action Plan
Corrected material misstatements	The financial statements submitted for auditing contained material misstatements	<ul style="list-style-type: none">• Assistant Director: Bookkeeper responsible for the preparation of AFS/IFS appointed 01 June 2018• Deputy Director: Accounts responsible for the preparation and review of AFS/IFS appointed 01 June 2018• Team to review the AFS/IFS has been put in place• Dry run test to be conducted during 3rd quarter



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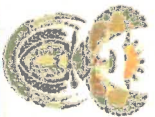
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KEY FINDINGS IN THE 2017/18

MANAGEMENT LETTER (1)



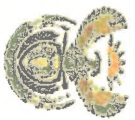
Finding	Details	Action Plan
Compliance	Irregular expenditure not reported to National Treasury	<ul style="list-style-type: none">• All irregular expenditure to be reported to National Treasury on the 15th of each month.
Compliance	Payment to suppliers not made within 30 days	<ul style="list-style-type: none">• Receipt of invoices is now centralized and a template to track and monitor the payment of invoices is in place.• Control measures have been put in place to ensure that the process of certification of invoices is smooth.
Performance Agreements	Performance agreements not submitted within the required timeframe	<ul style="list-style-type: none">• Implementation of disciplinary action process



KEY FINDINGS IN THE 2017/18 MANAGEMENT LETTER (2)



Finding	Details	Action Plan
Human Resource Management	Funded vacant posts not filled within 12 months after becoming vacant	<ul style="list-style-type: none">• Finalisation of the organisational structure• Appointment in acting capacity to ensure continuation of service delivery within the Branch.
Information Technology	No interface with PERSAL when leave application is cancelled on SmartGov application system	<ul style="list-style-type: none">• Reconciliation between SmartGov and PERSAL leave credits to be done on a monthly basis• Cancelled transactions to be investigated further and monitored on a monthly basis
Information Technology	No audit trail for changes on individual leave credits by Administrator's privileges	<ul style="list-style-type: none">• Implementation of the audit trail on the update of leave credits



INTERVENTIONS TO ADDRESS

AUDIT OUTCOMES



- ☐ In order to address the AG's findings, the Department has developed and is implementing an Integrated Action Plan (IAP) that focuses on:
 - Providing a systemic resolution of the findings
 - Ensuring that root causes are effectively identified and addressed
- ☐ The effective implementation of the IAP is monitored on a regular basis by:
 - The Internal Control Committee
 - The Departmental Executive Committee
- ☐ CD: Internal Audit Services conducts follow-up audits as independent monitoring of progress on the implementation of the IAP
- ☐ Audit Committee provides independent oversight, holding Executive Management to account on effective implementation of the IAP.

The Department achieved 82% of its 17 planned 2017/18 annual targets (14 out of 17) while spending 95% of its budget allocation

❑ Drafting of ICT Legislation (White Paper)

Department identified priority Bills so as to enable the implementation of the White Paper in the short to medium-term. In this regard, the Department developed the Electronic Communications Amendment (ECA) Bill, Ikamva National e-Skills Institute (INESI) Bill and the Postal Services Amendment Bill and obtained approval from Cabinet to gazette for public consultation. Public consultation on the prioritised Bills commenced in the 4th Quarter of the reporting period.

❑ National e-Strategy

The National e-Strategy was finalised and approved by Cabinet in November 2017. The National e-Strategy Implementation Plan was developed and approved in March 2018 for implementation in the 2018/19 financial year.

❑ e-Government Strategy

The e-Government Strategy was finalised and approved by Cabinet in November 2017. The e-Government Strategy Implementation Plan was developed and approved in March 2018 for implementation in the 2018/19 financial year.

SIGNIFICANT ACHIEVEMENTS



DURING THE REPORTING PERIOD (2)

❑ ICT SMME Strategy

The ICT SMME Development Strategy was finalised and approved by Cabinet in November 2017. The ICT SMME Development Strategy Implementation plan was finalised and approved in quarter 4, for implementation in the 2018/19 financial year.

❑ SOC Rationalisation

Stemming from the recommendations of the SOC Rationalisation report, the Mandates for the new State IT Company and the new State ICT Infrastructure Company were developed and submitted to Cabinet for approval.

❑ Preparations for WRC-19

Preliminary Technical and Regulatory studies were conducted in preparation for WRC-19. An approved Technical and Regulatory Studies Report, with methods and a preliminary draft SA position was also developed. The outcomes of the WRC-19 will inform the revision of the National Radio Frequency Plan.

SIGNIFICANT ACHIEVEMENTS



DURING THE REPORTING PERIOD (3)

☐ Advancing SA's ICT Agenda

In order to promote ICT policies and strategies at the International level and promote the South African ICT industry to increase partnerships and investments, as well as increase SA's presence and influence, the Department developed 4 RSA Positions that were advanced at relevant international ICT forums.

☐ Implementation of Climate and Culture Survey recommendations

The Department continued with implementation of the Action Plan to address the recommendations of the 2016 Climate and Culture Survey. During the reporting period all 29 interventions identified in the Action Plan were implemented, which included communicating decisions taken by management structures to all employees, rolling out the Smartgov Leave system, hosting of monthly inter-branch meetings aimed at breaking down silos and ensuring synergy in the implementation of cross-cutting projects.

The Department did not achieve 3 of its 17 planned 2017/18 annual targets, as reflected below:

☐ **Approval and implementation of the Organisational Structure**

The Department was unable to finalise the review of the organisational structure and migrate staff to the revised structure as planned.

☐ **Securing of two partnerships for the Digital Economy**

The Department was unable to secure two partnerships through signed Partnership Agreements.

☐ **Project Managing the roll-out of the Broadband connectivity (2700 sites)**

The Department was unable to project manage connectivity to the number of identified sites as planned.

Further details with regards to the above-mentioned targets are reflected in the presentation

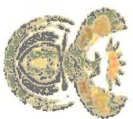


PROGRAMME 1:

ADMINISTRATION



Target	Status	Comments on non-achievement
Organisational structure approved and implemented	Not Achieved	The progress on the review of the organisational structure was seriously hampered by initial delays in finalising the Service Delivery Model as well as the need for extensive consultations with relevant stakeholders. However extensive progress has been made and it is envisaged that the review of the organisational structure will be concluded in the 2018/19 financial year.
Climate and Culture survey conducted and Action Plan developed	Achieved	n/a



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PROGRAMME 2:

ICT INTERNATIONAL AFFAIRS (1)



Target	Status	Comments on non-achievement
One (1) RSA Position developed in pursuit of BRICS Partnership Programme on the establishment of the BRICS Institute for Future Networks	Achieved n/a	
One (1) RSA Position developed for SADC focused towards the reduction of Cost to Communicate for affordable, reliable, accessible and secure ICT Infrastructure	Achieved n/a	
RSA position for SADC ICT Ministerial meeting promoting access to affordable ICT infrastructure, services and regional integration	Achieved n/a	
One (1) RSA Position developed for WTDC focused on developmental agenda on the internet and digital economy	Achieved n/a	
One (1) RSA Position developed for the reform of UPU in favour of equitable representation and democratic decision making	Achieved n/a	



PROGRAMME 2:



ICT INTERNATIONAL AFFAIRS (2)

Target	Status	Comments on non-achievement
2 partnerships secured for the Digital Economy towards ICT enterprise development, SME growth, e-skills and innovation in line with the ICT SME Strategy	Not Achieved	<p>The signing of the Partnership Agreements were delayed due to the need for prolonged legal scrutiny and extensive stakeholder consultation.</p> <p>The Partnership Agreement between DTPS and IBM is currently in the last stage of finalisation prior to sign-off. However, in April 2018, a letter signed by the DG was submitted to IBM requesting commencement of the Skills Programme.</p> <p>With reference to the e-Commerce project with SAPO and UPU, the conclusion of the proposed Partnership Agreement has undergone legal scrutiny and has been sent to UPU for endorsement, following which the final agreement will be prepared for signature in October 2018.</p>



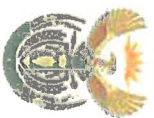
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PROGRAMME 3: ICT POLICY, RESEARCH AND CAPACITY DEVELOPMENT



Target	Status	Comments on non-achievement
Draft ICT legislation developed in line with the National Integrated ICT Policy White Paper	Achieved	n/a
ICT SMME Development Strategy approved	Achieved	n/a
National e-Strategy approved	Achieved	n/a
e-Government approved	Achieved	n/a



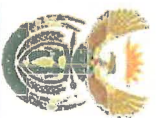
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PROGRAMME 4: ICT ENTERPRISE DEVELOPMENT AND SOC OVERSIGHT



Target	Status	Comments on non-achievement
Implementation of the SOC Rationalisation Report focusing on the State ICT Infrastructure Company and State IT Company	Achieved	n/a
Corporatisation of the Postbank and licensing facilitated	Achieved	n/a
Service delivery performance and compliance of SOC against strategic plans and relevant prescripts monitored and evaluated and quarterly state of the SOC reports developed	Achieved	n/a



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PROGRAMME 5:

ICT INFRASTRUCTURE SUPPORT



Target	Status	Comments on non-achievement
Project Manage the roll-out of the Broadband Connectivity Implementation Phase 1 towards connecting 2700 identified sites	Not Achieved	The broadband roll-out was delayed largely due to inability of the Department to finalise the appointment of implementing agents due to the need for extensive consultations with the National Treasury.
Operations of the Virtual Cybersecurity Hub facilitated and monitored	Achieved	Currently the project is being implemented with a focus on project managing the maintenance of connected sites as well as network and service installations. n/a
Preliminary technical and regulatory studies conducted to inform Draft SA's position for WRC-19	Achieved	n/a



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FINANCIAL PERFORMANCE

2017/18

STATEMENT OF FINANCIAL PERFORMANCE (1)



	2017/18	2016/17
REVENUE	R'000	R'000
Annual appropriation	5 174 377	2 417 412
Departmental revenue	1 141 106	831 411
TOTAL REVENUE	6 315 483	3 248 823
CURRENT EXPENDITURE		
Compensation of employees	219 843	205 248
Goods and Services – operational exp.	152 291	153 605
TOTAL CURRENT EXPENDITURE	372 134	358 853

Annual appropriation increased to R5 billion due to the R3,7 billion to SAPO to settle the loans.

Departmental revenue is as a result of Telkom dividends received for the year.

Goods & Services: main cost drivers include Business advisory services (CSIR), repairs and maintenance.

Decline in operating lease due to renegotiated building rental agreement.

STATEMENT OF FINANCIAL PERFORMANCE (2)

100th
Anniversary
2018
Sustaining
Development



	2017/18	2016/17
	R'000	R'000
Transfers and subsidies *	808 931	1 057 493
Expenditure for capital assets		
Tangible capital assets	4 728	5 058
Software & other intangible assets	6 012	4 201
Total expenditure for capital assets	10 740	9 299
Financial transactions in assets & liabilities	3 700 250	650 047
TOTAL EXPENDITURE	4 892 055	2 075 692

Transfers: the decline is due to BDM funds to USAF which decreased from R509m to R69m for this financial year. There was an increase of transfers to Sentechn amounting to R246m (R53 m for the migration of signals and R193m for the dual illumination BDM project). International membership fees amounted to R26m for 2017/18 FY.

Assets: Microsoft applications license was renewed with additional users.



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STATEMENT OF FINANCIAL PERFORMANCE (3)



	2017/18	2016/17
	R'000	R'000
Voted funds surrendered	282 322	341 720
Departmental revenue	1 141 106	831 411
Transferred to National Treasury	1 423 428	1 173 131

Voted funds surrendered refers to unspent funds mainly due to the delays in the implementation of the SA Connect programme (Broadband).



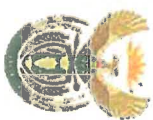
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EXPENDITURE PER PROGRAMME



Programme	2017/18				2016/17	
	Final Appro- priation	Actual Expen- diture	Variance	Expendi- ture as % of final appro- priation	Final Appro- priation	Actual Expen- diture
1. Administration	209 578	209 452	126	99,9%	217 322	211 582
2. ICT International Affairs and Trade	51 748	50 612	1 136	97,8%	48 430	46 944
3. ICT Policy Research and Capacity Development	84 518	78 524	5 994	92,9%	88 775	78 494
4. ICT Enterprise Development and Public Entity Oversight	3 950 288	3 949 056	1 232	100,0%	886 608	882 353
5. ICT Infrastructure Support	878 245	604 411	273 834	68,8%	1 176 277	856 319
TOTAL	5 174 377	4 892 055	282 322	94,5%	2 417 412	2 075 692



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SUMMARY OF EXPENDITURE



PER ECONOMIC CLASSIFICATION

	2017/18				2016/17	
Economic Classification	Final Appropriation	Actual Expenditure	Variance	Variance as % against final allocation	Final Appropriation	Actual Expenditure
Current payments	653 057	372 134	280 923	57,0%	695 254	358 853
Transfers and subsidies	808 933	808 931	2	100,0%	1 057 493	1 057 493
Payments for capital assets	12 137	10 740	1 397	88,5%	14 618	9 299
Payment for Financial assets	3 700 250	3 700 250	-	100,0%	650 047	650 047
TOTAL	5 174 377	4 892 055	282 322	94,5%	2 417 412	2 075 692



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DETAILS OF

TRANSFER PAYMENTS



	Adjusted Appropriation Act R'000	Actual Transfer R'000	Variance
Foreign governments and international organisations	25 966	25 964	2
National Electronic Media Institute of South Africa	85 785	85 785	-
Universal Service and Access Agency of South Africa	75 684	75 684	-
Sentech: Dual Illumination	193 000	193 000	-
Sentech: Migration of digital signals	53 000	53 000	-
Universal Service and Access Fund	54 614	54 614	-
South African Post Office: Broadcasting Digital Migration	240 000	240 000	-
Universal Service and Access Fund: Broadcasting Digital Migration	79 098	79 098	-
TOTALS	806 715	806 715	2



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THANK YOU