

Report of the Portfolio Committee on Communications on the 2020/21 First Quarter Performance and Expenditure Report of the Department of Communications and Digital Technologies, dated 6 October 2020

The Portfolio Committee on Communications (the Committee), having considered the 2020/21 First Quarter Performance and Expenditure Report of the Department of Communications and Digital Technologies (DCDT), here referred to as “the Department”, reports as follows:

1. Introduction

The Committee considered the 2020/21 First Quarter Performance Report (01 April 2020 to 30 June 2020) of the Department in virtual meeting on 18 August 2020.

The Committee further planned to receive briefings from some of the entities reporting to the Department relating to the First Quarter Performance on 1 September 2020.

This report gives an overview of the presentation made by the Department to the Committee, focusing mainly on its achievements, outputs in respect of the performance indicators, targets set for the 2020/21 financial year, and related financial performance. The report also provides the Committee’s key deliberations and recommendations in relation to the performance presentation by the Department.

As mentioned above, on 1 September 2020 the Committee considered the 2020/21 First Quarter Actual Performance Report of two of its entities, namely the South African Post Office (SAPO) and the Universal Service Access Agency of South Africa (USAASA). This report therefore also gives an overview of the presentations made by the entities. Other entities reporting to the Department were not considered owing to programming of Parliament. The report also provides the Committee’s key deliberations and recommendations in relation to the performance presentation by SAPO and USAASA.

2. Organisational Environment

The Department is mandated to develop Information and Communication Technology (ICT) policies and to ensure that robust, reliable, secure and affordable ICT infrastructure is developed. This contributes to the development of an inclusive information society in which information and ICT tools are key drivers of accelerated and sustained shared economic growth and societal development.

The Department is comprised of seven public entities, namely South African Post Office (SAPO), SENTECH, Universal Service Access Agency of South Africa (USAASA), Universal Service Access Fund (USAF), Broadband Infracore (BBI), National Electronic and Media Institute of South Africa (NEMISA), State Information Technology Agency (SITA), and ZADNA.

The 2020/21 First Quarter Performance and Expenditure (1 April to 30 June 2020) took place during the declared state of disaster. The President had declared a National State of Disaster on 15 March 2020, which limited certain rights and freedoms in South Africans.

A series of regulations, specific to respective sectors, was promulgated, which restricted, among other things, the movement of persons, goods, prohibiting foreign national from high- risk countries from entering South Africa from 18 March 2020, as well as a hard lockdown, which prohibited the movement of citizens.

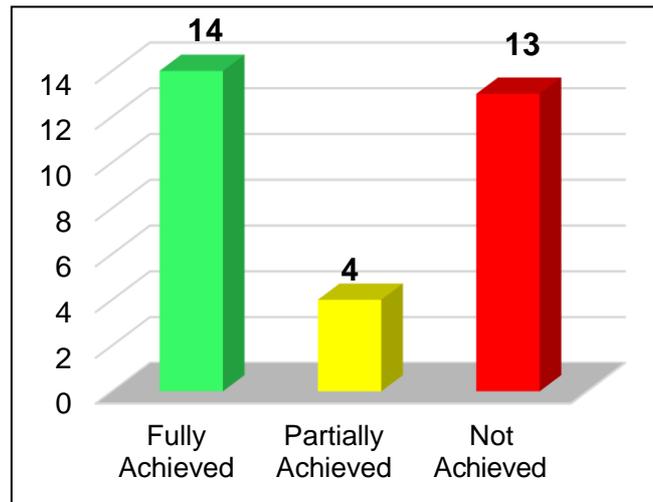
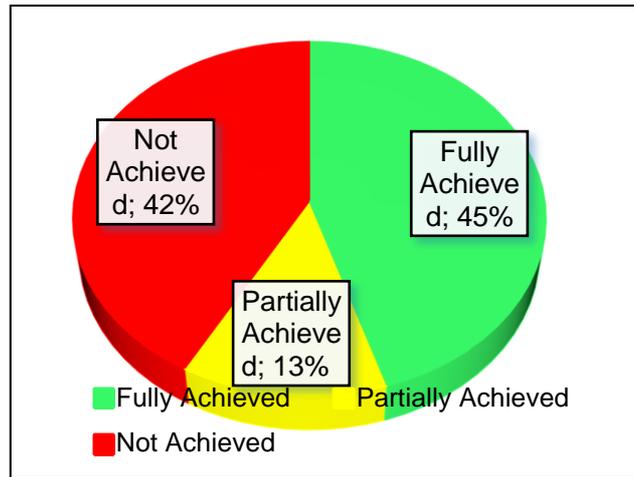
On 21 April 2020, various fiscal and monetary stabilisation measures, such as direct cash transfers to households and businesses through a R500 billion fiscal support package was introduced. This included spending on priorities in the containment of the COVID-19 virus and to offset the economic impact of the pandemic.

3. Quarter 1 Performance

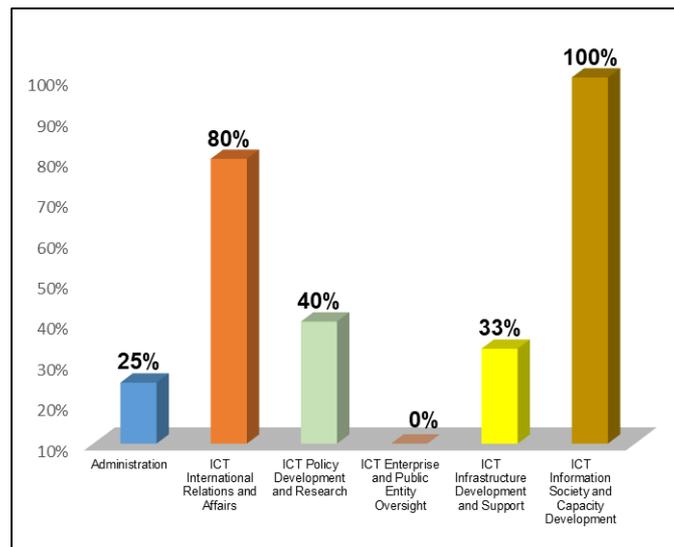
Performance overview on the Annual Performance Plan deliverables

The Department committed to achieving 31 (thirty-one) Annual Performance Plan (APP) quarterly targets by the end of Quarter 1 (1 April - 30 June 2020) of the 2020/21 financial year.

Overall the Department achieved 14 (45%) of the APP targets, 4 (13%) were partially achieved and 13 (42%) were not achieved (see Charts below):



The graph below indicates the targets achieved per Programme in terms of percentage, and the ICT Enterprise and Public Entity Oversight (with six targets) did not achieve any of the targets set for the quarter.



The Department reported to the Committee that the 2020/21 APP has been revised taking into consideration:

- (i) Budget cuts (R111 million) incurred by the Department; and
- (ii) COVID-19 – as the 2020/21 APP was developed without taking into consideration the impact of COVID-19.

Consideration was also given to the Department's Contribution to the Economic Recovery Plan as well as implementation of the PC4IR Report recommendations. The majority of the Annual Targets have not been impacted as the Department is able to catch up the delays experienced in Quarter 1.

Lastly, the revised 2020/21 APP will be tabled before the end of August and subsequently presented to the Committee.

First Quarter Achievements

The Department realised significant achievements against the planned Quarter 1 targets as indicated below:

- (i) Workplace Skills Plan (WSP) was developed, approved and submitted to PSETA and MICT SETA;
- (ii) Country Positions to support the Digital Economy were developed for the World Telecommunications Standardization (WTSA) Assembly and the BRICS ICT Ministerial Meeting;
- (iii) Draft Digital Economy Masterplan was developed;
- (iv) ICT SMME Strategy concept document on the market access for local IP and innovation by SMMEs was developed;
- (v) Feasibility study for Phase 2 funding conducted and the appointment and contracting of a service provider has been concluded as planned;
- (vi) Establishment of Cybersecurity Incident Response Team (CSIRT): Consultations have commenced with key stakeholders (MTN, Vodacom, Telkom, Cell C and Liquid Telecoms);
- (vii) Engagements held with SITA & DPSA to align the implementation of the e-Government roadmap for the National e-Government Strategy and Roadmap;
 - a. The Department drafted the e-Services portal concept document as well as Governance structure for the monitoring and reporting of uploading e-Services on National e-Services Portal;
- (viii) A draft Digital and Future Skills Implementation Programme has been developed and relevant stakeholder were consulted; and
- (ix) A Framework for Integrated Digital Economy and Society Indicator Model was developed.

First Quarter areas of under-achievement

The Department did not achieve 17 of its 31 planned quarterly targets as reflected below. The Department highlighted the following areas of under-achievement against its Quarter 1 Targets:

- (i) Organisational structure: the Department was unable to develop the Service Delivery Model as planned;
- (ii) Integrated DCDT Digitisation Strategy: the Business needs analysis and development of the business architecture was not concluded;
- (iii) Country Position for UPU: the RSA Position for PAPU-20 was not developed, approved and advanced as planned;
- (iv) Public consultation was not conducted on the South African Broadcasting Corporation SOC Ltd Bill as planned;
- (iv) Draft Data & Cloud Policy was not submitted to Cabinet for public consultation approval;
- (v) The 4IR PMO was not fully capacitated to facilitate implementation of the PC4IR Report;
- (vi) SOE Oversight: the Fourth Quarterly analysis reports of entities for 2019/20 was developed, however approval and submission to Minister could not be confirmed with prescribed evidence;
- (vii) Performance Management System for ICASA Councillors was not concluded as planned;
- (viii) SABC's implementation of the Turnaround Plan was not conducted;
- (ix) Public consultation on the Postbank Bill did not take place as planned;
- (x) Business case for State IT Company Bill was not finalized and submitted for approval
- (xi) National Radio Frequency Plan: WRC-19 Outcomes report, impacting South Africa, was developed, but was not issued to ICASA;
- (xii) Provision of broadband services to 970 connected sites was monitored and sustained;

- (xiii) Digital Transformation Centre (DTC) was developed, however, it was not finalized and signed by relevant stakeholders; and
- (xiv) Policy Direction on 5G Spectrum: detailed analysis of the ICASA 5G study report was not concluded.

4. Quarter 1 Achievements per Programme

Programme 1: Administration

The purpose of the Programme is to provide strategic leadership, management and support services to the Department.

The Department committed to achieve 4 (four) APP targets by the end of Quarter 1. Of these APP targets, 1 (one) was fully achieved. The following quarterly target was achieved:

- o Implementation of approved Workplace Skills Planning (WSP), in line with the DCDT mandate, developed and implemented.

Programme 2: ICT International Relations and Affairs

The purpose of the Programme is to ensure alignment between South Africa's foreign policy and international activities in the field of ICT.

The Department committed to achieve 3 (three) APP targets by the end of Quarter 1. Of these APP targets, 2 (two) were fully achieved. The following quarterly targets were achieved:

- o Draft RSA Position for World Telecommunications Standardization (WTSA) Assembly developed;
- o Draft RSA Position for BRICS ICT Ministerial Meeting developed;
- o Drafting of a designation of the BRICS Institute for Future Networks facilitated; and
- o Relevant Partners identified in the 2 Partnership agreements, focusing on the Digital Economy.

Programme 3: ICT Policy Development and Research

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 accelerated and shared economic growth. Develop strategies that increase the adoption and use of ICT by the majority of South Africans to bridge the digital divide.

The Department committed to achieve 6 (six) APP targets by the end of Quarter 1. Of these APP targets, 3 (three) were fully achieved. The following quarterly targets were achieved:

- o Draft Digital Economy Masterplan developed;
- o Drafting Concept document on the market access for local IP & innovation by SMMEs developed.

Programme 4: ICT Enterprise and Public Entity Oversight

The purpose of the Programme is to oversee and manage government's shareholding interest in the ICT public entities and state-owned companies. Facilitate the growth and development of small, medium and micro enterprises in the ICT sector.

The Department committed to achieve 6 (six) APP targets by the end of Quarter 1. Of these APP targets, none were achieved.

Programme 5: ICT Infrastructure Support

The purpose of the Programme is to promote investment in robust, reliable, secure and affordable ICT infrastructure that supports the provision of a multiplicity of applications and services.

The Department committed to achieve 6 (six) APP targets by the end of quarter 1. Of these APP targets, 2 (two) were fully achieved. The following quarterly targets were achieved:

- o Appointment and contracting of a service provider for a feasibility study for Phase 2 funding conducted; and
- o Feasibility study for Phase 2 funding conducted for CSIRT.

Programme 6: ICT Information Society and Capacity Development

The purpose of the Programme is to develop and implement strategies to build capabilities to bridge the digital divide.

The Department committed to achieve 5 (five) APP targets by the end of quarter 1. Of these APP targets, 5 (five) were fully achieved. The following quarterly targets were achieved:

- Monitoring and Reporting Mechanism on the Uploading of e-Services on National e- Services Portal, in collaboration with SITA, developed;
- Draft Digital and Future Skills Programme developed;
- Training assessment workshop conducted with relevant stakeholders;
- Letter of Intent with Smart City Alliance in collaboration with GIZ as a stakeholder signed; and
- Framework for the Integrated Digital Economy and Society Indicator Model developed.

5. 2020/21 Budget Overview

The Department indicated that there was an adjusted appropriation budget of R3,2 billion after the special adjustment budget process. The Adjustment budget cuts in Goods & Services (R33 million) and BDM Project (R78 million) referenced in the graph below:

The Department noted that expenditure at 20,8 per cent mainly consists of salaries, monthly

2020/21					
Programmes R'000	Adjusted Appropriation	%	Actual Expenditure	Available Budget	% SPENT
Administration	300 220	9%	49 076	251 144	16,3%
ICT International Relations and Affairs	60 835	2%	41 132	19 703	67,6%
ICT Policy Development and Research	64 305	2%	8 259	56 046	12,8%
ICT Enterprise and Public Entity Oversight	1 750 178	53%	449 203	1 300 975	25,7%
ICT Infrastructure Development and Support	1 045 684	32%	124 224	921 460	11,9%
ICT Information Society and Capacity Development	61 884	2%	9 766	52 118	15,8%
Total	3 283 106	100%	681 660	2 601 446	20,8%

commitments and transfers to the entities as spending on other items was affected by the level 5 lockdown. Spending at the end of the first quarter was R230.4 million or 25.3 per cent lower than projected expenditure. Payments for the previous financial year commitments on capital assets could not be delivered by financial year-end.

The Department further informed the Committee that transfers were made in line with the pre-approved schedule with National Treasury. International membership fees expenditure exceeded the budget due to the unforeseen significant depreciation of the Rand against foreign currencies. The progress against the audit action plan 2019/20 financial year was highlighted. The audit findings from both former DoC and Department have been consolidated. The common findings related to matters on BBBEE verification, commitments & accruals and related parties. Those matters related to the AFS have been resolved.

Expenditure per Programme

Programme 1: Administration spent R48.3 million against a projection of R74.9 million. Spending is R26.6 million or 35.5 per cent lower than projected due to vacancies that were not yet filled; salary adjustments not yet implemented and lower spending in Computer Services, Operating Leases, Machinery, Equipment and Software, and other intangible assets. As a result of lockdown and movement restrictions in the country, activities within the Department were slowed down.

Programme 2: ICT International Relations and Affairs spent R41.1 million against a projection of R40.1 million. Spending was R1 million or 2.5 per cent higher than projected due to higher than planned payments on membership fees, as a result of exchange rate fluctuations.

Programme 3: ICT Policy, Development and Research spent R8.2 million against a projection of R12.9 million. Spending was R4.7 million or 36.1 per cent lower than projected mainly due to vacancies that were not yet filled and salary adjustments not yet implemented.

Programme 4: ICT Enterprise and Public Entity Oversight spent R449.2 million against a projection of R453.9 million. Spending was R4.7 million or 1 per cent lower than projected mainly due to vacancies not yet filled and salary adjustments not yet implemented, as well as lockdown and movement restrictions in the country that resulted in fewer business trips undertaken by officials.

Programme 5: ICT Infrastructure Development and Support spent R124.2 million against a projection of R314.3 million. Spending was R190 million or 60.5 per cent lower than projected mainly due to funds

that were not transferred to USAF for the Broadcasting Digital Migration Project as the entity did not submit targets for the BDM project for the first quarter of the year.

Programme 6: ICT Information Society and Capacity Development spent R9.8 million against a projection of R15.2 million. Spending was R5.5 million or 35.8 per cent lower than projected mainly due to vacancies that were not yet filled and salary adjustments not yet implemented.

The Department had no spending for COVID-19 during the first quarter. Furthermore, the Department had a total budget of R348.3 million for compensation of employees in the 2020/21 financial year. At the end of June 2020, the Department had spent R65 million, which was lower than the projected R84 million up to this period resulting in less than projected spending of R19 million. The slow spending was due to the critical vacancies not yet filled as well as salary adjustments not yet implemented.

6. Committee observations and recommendations

Observations on the Department

Having considered the 2020/21 First Quarter Performance and Expenditure Report of the Department, the Committee noted:

- (i) with concern the current media reporting of reported tensions between the Committee and the Minister relating to the appointment of ICASA Councilors;
- (ii) in anticipation the formal referral from the Speaker's office of the resignation of an SABC board member;
- (iii) that (a) the Deputy Minister had met with unions and the SABC board, and was in the process of finalising recommendations; (b) the Department had issued a statement to clarify the importance of the SABC turnaround strategy it had approved; and (c) with concern that the SABC played on the side of the media while parties are trying to engage one another;
- (iv) that the Department was considering increasing the budget of the SABC for work done during its public service announcements during the COVID-19 period;
 - a. that the Department received an application from the SABC for a bailout (a proposal to receive R1.5 billion specific to the COVID-19 pandemic), which is currently being considered by National Treasury;
- (v) with concern that the Minister overreached her powers by removing the board chairperson of SAPO;
- (vi) whether SAPO had the capacity to distribute the special COVID-19 R350 grants;
- (vii) with concern that the Film and Publications Board (FPB) draft regulations gave a perception of censorship and that it would amount to an infringement of constitutional right to freedom of expression;
- (viii) with concern that the Department had not achieved many of its intended goals, whereas it committed to achieving 31 (thirty-one) Annual Performance Plan (APP) quarterly targets by the end of Quarter 1 (01 April - 30 June 2020) of the 2020/21 financial year;
 - a. that overall, the Department has only achieved 14 (45%) of the APP target and 13 (42%) were not achieved;
- (ix) that the tender procurement process amounted to hugely inflated prices as a result of contracts being awarded outside of government procurement systems,
 - a. that digital devices delivered to schools in the Eastern Cape by Ayo Technologies were at highly inflated prices;
 - b. with concern that government did not do all its Information Communication Technology (ICT) procurement through the State Information Technology Agency (SITA);
- (x) that the Department was in the process of finalizing its organizational structure and had until March 2021 to complete this;
- (xi) that some Bills had been approved as early as February, but had not been prioritised because of the cluster briefings and Cabinet discussions;
- (xii) its appreciation for the presentation and complimented the Acting Director-General for her role in briefing the Committee; and
- (xiii) that the permanent vacancy of Director-General was advertised in Sunday papers on 21 August 2020 and that applications would be submitted thereafter.

Recommendations on the Department

The Committee recommends that the Minister should ensure that the Department:

- (i) provides clear reasons for the recent resignation of an SABC board member;
- (ii) provides a full briefing on SABC developments;
- (iii) appears before the Committee to provide further details on SAPO challenges as soon as the Minister has concluded engagements in this regard;

- (iv) makes use of SITA services for ICT procurement processes to avoid unnecessary inflation of prices;
- (v) provides comprehensive feedback on the tender totals incurred relating to digital devices delivered to schools in the Eastern Cape by Ayo Technologies no later than end of the Parliament 4th Quarter term;
- (vi) provides an alternative plan to remedy the already incorrectly awarded tenders;
- (vii) endeavors to ensure the achievement of more planned targets for the next performance review;
 - a. must clearly depict 'achieved' and 'not achieved' targets in its performance reporting and refrain from using the "partial achievement" terminology; and
- (viii) provide clarity in respect of the financial targets not achieved and give an indication of what targets can still be achieved.

The Committee will continue to play oversight over resignations of non-executive boards of entities by conducting exit interviews when they occur, especially at the SABC given its recent past.

7. Entities Reporting to the Department

Observations on SAPO

The Committee noted:

- (i) with appreciation the presentation by SAPO;
- (ii) the passing of former SAPO Board Chairperson, Mr Comfort Ngidi, and the passing of three employees in COVID-19 related fatalities and conveyed its condolences;
- (iii) with concern that the Minister was not present in the meeting to respond to matters in the media space, which included issues of alleged fraudulent activities by her husband and the suspension of the Chief Executive Officer and the Chief Financial Officer due to the information of a whistle-blower, amongst others;
- (iv) that the SAPO board had just received and was studying an independent report on the allegations made by a whistle-blower on alleged fraudulent activities within SAPO;
- (v) with concern that the financial position of SAPO was the worst to date and questioned its sustainability, which had a direct impact on its reputation;
- (vi) with concern the weak overall performance of SAPO at 14% achievement of Quarter 1 targets and only 2 KPIs attained;
 - a. that the poor performance was related to revenue generation and project implementation negatively impacted by Covid-19 lockdown;
 - b. with concern that lockdown regulations had a severe effect during Q1 which resulted in a net loss is R925 million;
- (vii) with concern that the cash flow was severely constrained with liabilities of R1.4billion to creditors, medical aid contributions, pension fund contributions, employee risk benefits contributions, and SARS obligations;
- (viii) with concern that payment of the monthly employee's salaries for September 2020 may not be paid even though that the challenges in respect of payment of August 2020 salaries of staff had been resolved;
- (ix) with concern the implications of legal challenges, especially related to pension fund contributions;
- (x) with concern the effect on operations the huge decrease in mail delivery of 39 per cent against the target of 92 per cent;
- (xi) with concern the delays in security infrastructure upgrade due to funding challenges;
- (xii) that security costs amounted to R160 million which included an amount R106 million for SASSA Grant Cash Pay Points security costs;
- (xiii) with concern the exorbitant IT costs of R118 million which includes an amount of R89 million for data lines and annual contract value amounts of R303 million;
- (xiv) that SAPO was in the process of finalizing the appointment of 5 board members;
- (xv) that the Acting Chief Operations Officer position was expected to be filled soon;
- (xvi) with concern that staff morale was low;
- (xvii) that SAPO was addressing the issue of long queues by engaging in a joint venture with the Postbank to ensure that clients directly received and used their monies at spaza shops;
- (xviii) with concern that SAPO had requested COVID-19 relief to the amount of R2.2billion;
- (xix) with concern that an MTEF bailout submission for financial systems amounting to R4.9 billion which the Department has consented to and is now at office of the National Treasury for processing;

- a. that there was no certainty that this amount would be received from National Treasury;
- (xx) that there was a backlog of 1.9 million outstanding parcels for international mail, of which 100 000 had been cleared;
 - a. that SAPO expected to clear both the domestic and international backlogs in parcel deliveries by the end of September 2020;
- (xxi) with concern that the position of Chief Executive Officer was vacant, because Acting CEO, Mr Nongogo, was alleged to have resigned due to undue political interference;
 - a. with concern that Mr Nongogo had reverted back to his position in the legal unit within SAPO and commended him for his sterling work at SAPO in his usual role in the legal unit;
- (xxii) that no payments had been made to Blue Label, a company owned by Mr Mark Levy, and that it did not engage in any projects at SAPO;
- (xxiii) with concern that the SAPO website was down, including track and trace;
 - a. however, noted that the website has been revamped and would still have to be integrated with its call-center facility; and
- (xxiv) that the revenue for post boxes was less than budgeted, which also contributed to SAPO's financial problems.

Recommendations on SAPO

The Committee recommends that the Minister should ensure that:

- (i) she urgently briefs the Committee on all matters already in the media space;
- (ii) SAPO undertakes all possible legal remedies to ensure that its legal challenges are addressed;
- (iii) SAPO that engages new strategies to guarantee revenue increases and address the declining mail;
- (iv) SAPO addresses all security challenges;
- (v) costs in respect of SASSA grants are reduced or that the SAPO share of the grant distribution fee be increased;
- (vi) SAPO reduces exorbitant costs associated with IT systems;
- (vii) SAPO's digital platforms are working efficiently;
- (viii) SAPO fills all vacancies;
- (ix) SAPO addresses the low staff morale;
- (x) SAPO concentrates on becoming more customer centric;
- (xi) the effective modernization and digitization of SAPO is implemented;
- (xii) SAPO provides clarity in respect of the recent resignation of board members;
- (xiii) SAPO provides further clarity about the number of vacancies and filled posts; and
- (xiv) SAPO provides clarity on the role of Blue Label in the grant distribution business.

The Committee also resolved to commit itself to conduct vigorous oversight over all non- performing entities in order to ensure that the President's announcement of repositioning State Owned Entities (SOEs) is realized.

Observations on USAASA

On USAASA, the Committee noted:

- (i) with appreciation the presentation made by USAASA;
- (ii) with appreciation the filling of key vacant positions and the filling of the Chief Executive Officer position;
- (iii) with concern the overall poor performance of the entity;
- (iv) with concern that it took as long as 6 (six) months to deliver Set-Top Boxes (STBs);
- (v) with concern that there had been no progress on the implementation of the Broadcasting Digital Migration (BDM) policy;
- (vi) with concern that rural areas still lacked the delivery of broadband services;
- (vii) with great concern that there was a crisis in the credibility of the leadership at the entity;
- (viii) with caution that the distribution of IDTVs to qualifying indigent households was not efficiently run;

- (ix) that the planned target date for installation of 860 000 STBs was 31 March 2021, when all STBs would be installed resulting in emptied warehouses;
- (x) that the appointment of Sentech to project manage BDM Phase 1 rollout of 860 000 STBs was only concluded on 8 July 2020, resulting in the target not being achieved in Quarter 1;
 - a. that the Service Level Agreement (SLA) had been signed with Sentech on 9 July 2020 with a condition on price; and
 - b. that Sentech requested market-related prices and that the process was still subject to National Treasury approval.

The Committee commended USAASA for achieving the target of paying 100 per cent of valid invoices within 30 days from date of receipt.

Recommendations on USAASA

The Committee recommends that the Minister should ensure that USAASA:

- (i) provides adequate services to rural areas;
- (ii) establishes a Project Management Team to specifically look at the governance of BDM processes;
- (iii) addresses the issues of credibility within leadership structures;
- (iv) provides distribution and delivery of IDTV's to qualifying indigent households timeously and benefits the matriculants;
- (v) refrains from being diverted from the distribution task as a result of litigation;
- (vi) reduces the storage of STBs at SAPO warehouses in order to ensure that costs are reduced; and
- (vii) provides clarity on the reason for the delay of approval in respect of deviation to appoint Sentech as a sole supplier by National Treasury.

Report to be considered.