Report of the Portfolio Committee on Communications on the 2019/20 Annual Reports and Financial Statements of the South African Broadcasting Corporation (SABC), the South African Post Office (SAPO), the Universal Access Agency of South Africa (USAASA) and the Universal Service Access Fund (USAF), dated 14 May 2021

The Portfolio Committee on Communications (the Committee), having considered the 2019/20 Annual Reports and Financial Statement of the above-mentioned entities of the Department of Communications and Digital Technologies (DCDT), reports as follows

1. Introduction

According to Section 5 of the Money Bills Amendment Procedure and Related Matters Act, the National Assembly, through its Committees, must annually assess the performance of each national Department. The Committee must submit an annual BRRR for the Department as it falls under its oversight responsibilities, for tabling in the National Assembly (NA). This process happens every October of each year where the Committee assesses service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on the forward use of resources.

For the Committee it considered the performance and submission to National Treasury for the medium term period of the two Departments reporting to it, namely the Department of Communications and the Department of Telecommunications and Postal Services.

Furthermore, the Committee is mandated to assess all the entities reporting to the departments and as such, the following entities' financial performance for the year under review was scrutinised: (i) Film and Publications Board (FPB); (ii) the Independent Communications Authority of South Africa (ICASA); (iii) Sentech; (iv) State Information Technology Agency (SITA); (v) Broadband Infraco; (vi) National Electronic Media of South Africa (NEMISA); and (vii).ZADNA, on 4, 6, 17 and 18 November 2020.

The SABC, USAASA/USAF and SAPO tabled their reports only after the BRRR process was concluded. The Committee met with the SABC on 23 February 2021, USAASA/USAF on 9 March 2021 and SAPO on 12 May 2021.

1.1 Organisational Environment

In November 2018, President Cyril Ramaphosa pronounced a merger between the ministries of Communications and of Telecommunications and Postal Services into a single Ministry of Communications and Digital Technologies (DCDT) under new Minister Stella Ndabeni-Abrahams. This, as he indicated in his 2018 SoNA, is 'to initiate better alignment and coordination on matters that are critical to the future of our economy in the 4IR context.' He further pronounced that the departments would remain as separate departments until the end of the fifth administration.

For this reason, during the reporting period, both Departments worked closely together on identified projects as well as undertook resource sharing from both a financial and human resource perspective in the spirit of the pending merger of the Departments in line with the National Macro Organisation of Government (NMOG) objectives. The DCDT strategy as well as the start-up structure for the DCDT was jointly developed and approved by the DPSA. The transfer of employees from the DCDT and the DOC to the newly established DCDT was also concluded.As of 01 April 2020, the DTPS and the DoC merged to form the DTPS.

In his 2019 SoNA, the President appointed a 30-member Presidential Commission on the 4th Industrial Revolution (PC4IR) in order to ensure that South Africa effectively harnesses technological change in pursuit of inclusive growth and social development. The Commission is envisaged to serve as a national overarching advisory mechanism on digital transformation and was established and administered through the Department.

The 2019/20 financial year was also the last year for the implementation of the Department's strategic goals and strategic objectives as committed to in the 2015-2020 Strategic Plan.

As mentioned above, the DTPS has been in a state of transformation for the majority of the reporting period which in essence required the Department to collaborate with the Department of Communications in terms of jointly undertaking specific projects.

The sharing of such resources was formalised through the development of a Cooperation Agreement which was signed by the relevant principals of both Departments. Furthermore, during the reporting period, all staff members from the DOC physically relocated to the premises of the DTPS where they were accommodated.

During the reporting period, the Departments also worked together on developing the DCDT Strategy as well as a start-up structure that accommodated staff from both Departments as an interim measure while the revised organisational structure, aligned to the new DCDT mandate, will be developed in the

2020/21 financial year. This transformational journey required extensive internal communications and change management due to the disruption that was caused to both Departments.
This report is the summary of reporting of the SABC, USAASA/USAF and SAPO who tabled after the BRRR process was concluded by the Committee as indicated above.

2. SABC Annual Report and Financial Statements

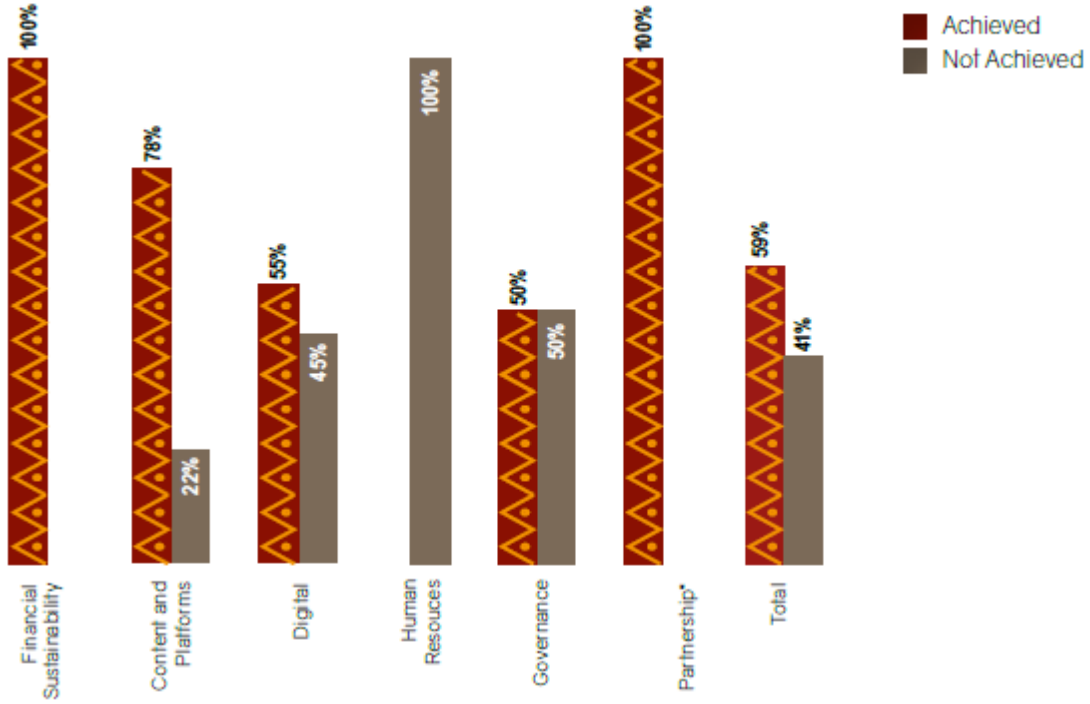
The SABC is listed as a Schedule 2 public entity in terms of the Public Finance Management Act (PFMA) of 1999. Its mandate is set out in its charter and in the Broadcasting Act of 1999, as amended, and requires it to provide radio and television broadcasting services to South Africa. The nature of operations includesradio broadcasting; television broadcasting; implementation of digital terrestrial migration and technology; programming and development of local content; expansion of commercial radio stations to increase the organisation's audience share; and digitisation of value chain and distribution platforms.
The SABC is one of the key institutional pillars of our democracy, delivering essential content to millions of South Africans on multiple platforms and in 14 different languages, on a daily basis and remains one of South Africa's biggest national treasures.
SABC TV consists of three free-to-air (FTA) channels and two other channels carried on a subscription digital satellite network. The channels deliver top-quality local and international content in all South Africa's languages through-out the nation. SABC1, SABC2 and SABC3 attract on average 27.9 million South African viewers in a typical month.
The mandate of the SABC, as a Public Broadcaster, is embedded in a range of statutes, regulations, policies, codes of conduct and licence conditions. In addition to its legislative and regulatory obligations, the SABC Board is responsible for the control and direction of the affairs of the Corporation as set out in the SABC's Memorandum of Incorporation (MoI), as approved by the Shareholder, represented by the Minister of Communications. The relationship between the SABC, its Board and the Shareholder is governed by a Shareholder Compact, reviewed and renewed on an annual basis. The MoI and the Shareholder Compact ensure that the Corporation complies with the essential pillars of a governance framework, which includes the Broadcasting Act, the Companies Act, the PFMA and the Constitution.
As the only Public Service Broadcaster, the SABC must offer a range of informative, educational and entertainment programmes that display South African attitudes, opinions, ideas, values, talent and artistic creativity.

2.1 Performance Information

The SABC managed to achieve 59 percent of the set targets during the year under review. The graph below is a simplified illustration of the SABC's performance against the 2019/20 Corporate Plan Predetermined objectives (PDOs):

GRAPH: Percentage of achieved 2019/20 Corporate Plan targets by Pillar

Delivery Against Predetermined Objectives



Like the entire country challenged by the global COVID-19 pandemic, for the year under review, the SABC expedited the launch of a dedicated Educational Channel on multiple platforms but also interrupted scheduled free-to-air programming to bring #WozaAfricato millions of Matric households. The public broadcaster cemented its place in our democracy during a time of national crisis. The 2019/20 financial year began in very uncertain conditions. A combination of unfilled vacancies and five resignations in the previous fiscal had left the board inquorate with only four non-executive directors remaining.

During significant periods of the year under review, the SABC contended with operating without permanent employees in key positions, including the Chief Operations Officer, Media Technology Infrastructure, Television and Commercial Enterprises Group Executives, as well the Head of Supply Chain Management. As a resultof not having permanent employees in such key roles, performance suffered as implementation momentum could not be sustained. The SABC also faced the challenge of covering the national elections in May 2019 without the Board being able to take decisions as the accounting authority.

The first half of the year under review saw the SABC's leadership team devote vast amounts of time and effort to developing the Turnaround Plan, which supported the organisation's request for government funding. Crafted jointly with GTAC and DCDT, the plan was successful, with the first tranche of the bailout being received in the third quarter, while the balance was paid out during the last month of the financial year.

The SABC met all of Government's Preconditions for the recapitalisation of the organisation and received a R3.2 billion bailout in two tranches – R2.1 billion in October 2019 and R1.1 billion in March 2020.The receipt of the bailout enabled the activation of content acquisition and capital expenditure investment plans that are aimed at putting the SABC on a firmer financial position in the medium to long term.

In addition, for restoration of stability to the institution, in April 2019, the constitution of the SABC Board was refresh with the addition of eight new non-executive members.

During the period under review, which also saw the election of the country's sixth administration, the public broadcaster continued to offer comprehensive compelling coverage reflecting a variety of views and analyses, while providing entertainment that displayed South Africa's diverse cultural heritage. SABCNews was widely-praised for delivering highly balanced radio, television and digital coverage of the national elections in May 2019.The positive endorsement of the SABC's coverage of the 2019 National Elections by the watchdog, Media Monitoring Africa, provided the added reassurance that the organisation is on the right path.

The year also saw the continued rise in the emergence of SABC News as the premier source of incisive journalism in the country and on the continent. The public news service's ethos 'Independent and Impartial,' continues to be its moral and ethical compass in the ongoing efforts to affirm it as the number one news source in the country.

By the end of the year under review, the SABC News Channel led the 24-hour television news market in the country with an improved market share performance of 42 percent and 40 percent in the free-to-air and pay-tv news markets, respectively. Further proof that audiences want credible news they can trust from a broadcaster they can believe in. The SABC News Online is also the 2nd most accessed online news source in the country Despite years of editorial interference at the SABC as reported by Independent Thloloe Commission in August 2019, management has gone a long way to rebuilding public and employee trust.All SABC platforms exceeded the local content targets.

The SABC Board has further approved an Over-the-Top (OTT) streaming strategy with the short-term goal that the SABC will leverage online and mobile platforms to allow customers to access ALL SABC content and services anywhere, anytime and on any device.

The efforts to strengthen governance restore SABC's accountability, and rebuild public trust and confidence in the SABC were enhanced, as well as initiatives to stabilise leadership and turnaround the dire state of the Corporation's finances.

In terms of listenership, SABC radio recorded a combined weekly average of 37.5 million adults who tuned in in a typical month. With regard to television viewership, the SABC's free-to-air channels continued to attract significant audiences. SABC1, SABC2 and SABC3 garnered average audiences of 26.2 million, 24.8 million and 20.2 million adults in a typical month, respectively.

The SABC News channel and SABC Encore channels, which are delivered through satellite broadcast, reached an average of 1.5 million and 5.8 million viewers in a typical month, respectively. As an indication of the universal appeal of SABC content, at least 13 of the nation's Top 20 most watched television programmes were SABC programmes.

During the period under review, Parliament published several important Acts and Bills which (if passed into law), will impact the SABC to various degrees. In addition, to which the SABC made submissions and representations, including the Critical Infrastructure Protection 2019 (Act No. 8 of 2019): Continued Application of the National Key Points Act 102 of 1980; the Copyright Amendment Bill 13B of 2017, Local Content Regulations published by ICASA, Broadcasting Amendment Bill among others.

By the end of the financial year, the average creditors' days stood at 51 days against a target of 60 days. Outstanding accounts were settled from the first tranche of the bailout funding received in October 2019. Average debtors' days ended the year at 38 days, also against a target of 60 days.

Further progress was made in the establishment of performance management throughout the SABC. A commendable 68 percent of all employees had signed performance contracts by the end of the financial year

With regard to the strengthening of internal controls, 61 percent of the previous year's external audit findings had been resolved by the end of the year, against a target of 50 percent.

2.2 Financial Performance

Amid lackluster economic activity and due to internal challenges, revenue collected for the year under review was R5.7 billion which was 23 percent under budget. This figure was 23 percent (R1.7 billion) below budget and 12 percent (R790 million) below the prior year revenue generated. The decline was impacted by the late delivery of the bailout funds resulting in below budget advertising revenues, impacted by a combination of declining television audiences owing to insufficient levels of fresh and compelling content, and the generally depressed national and global economic performance.

While the Corporation recorded a R511 million loss for the year, this was 20 percent better than the budgeted loss.Exceptional financial management saw the SABC end the year with a lower loss before interest and tax than expected (R534 million loss recorded against a projected loss before interest and tax of R639 million).The net loss is mainly due to the following:

(i) Cost to income still exceeds 100 percent (FY19107%);
(ii) Salarybillamountsto45 percent of the total costs (50%ofrevenue);
(iii) Conventional signal transmission costs the Group a significant amount of money;
(iv) Advertising is moving more towards digital media coupled with deterioration in economic conditions which puts pressure on commercial revenue;
(v) Mandate content impacts Group's liquidity and in turn doesn't attract desired revenue margins;
(vi) PCS made a small profit (R61m) of which Radio contributed the majority. PBS reported a loss of R577 million with News and Sport being the main contributors; and
(vii) Analysis of the group`s net loss over a 4-yearperiod: -

	Forecast 2021	2020	2019	2018	2017
EBIT EBIT (Norm)	(988,007)	(533,877) (497,872)	(443,764) (546,728)	(634,732)	(1,143,390)

The work done to enhance the cost allocation model has afforded the SABC an enhanced view of the true financial performance of each of the radio stations and television platforms. This has enabled us to devise more appropriate interventions to address the challenges identified.

For the 2018/19 financial year, SABC's situation had worsened to a cash balance of only R72 million, and a net loss for the year was R482.4 million at year ended March 2019. However, for the 2019/20 financial year ended March 2020, the Corporation's cash balance had improved to R 2.133 million albeit with a net loss of R511 million.

As mentioned previously, during the year under review, the SABC received a R3.2 billion bailout from National Treasury with strict conditions. The bailout was provided primarily to pay creditors, procure compelling content, and acquire broadcast critical infrastructure. In fact, the moment the R3.2 billion bailout reached SABC accounts, over R2.2 billion of the funds went to paying off our historic debts.

In the month received the final tranche of the bailout, the country, like the rest of the world, found itself in the grip of the deadly COVID-19 pandemic. Cash reserves closed off the year at R2 billion.

The efforts consisting of key actions, as outlined in the SABC's Turnaround Plan were initiated and they paid off. Despite the reduced revenue for the reporting period, costs were significantly reduced, yielding a 19 percent better than the budgeted year-end position.

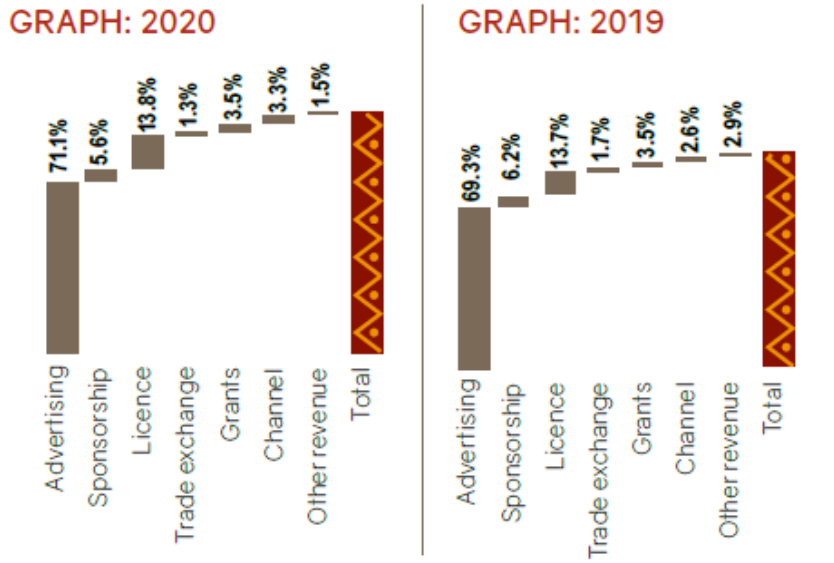
This strengthened the financial position of the SABC, as evidenced by the resultant current ratio of 2.37. Solvency of the SABC also ended the year in a much healthier position with a 2.51 coverage ratio.

Key achievements against the Corporate Plan:

(i) Ensured the Corporation was able to meet its financial obligations through adequate Cash Management. By March 2020, Creditors days were 51, well within the set target of 60, concurrently Debtors collection period was 38 days against a set target of 60.

(ii) The Corporation managed its expenditure in accordance with the Approved budget, with R1.8 billion budgetary saving in expenditure. This was a result of the Corporation taking a measured approach of conserving the available cash resources by delaying and in some cases deferring spending. However, this was offset by the revenue results being R1.7 billion less than budgeted.

SABC has been struggling with declining revenues over the past five years. The table below indicates the proportionate percentage shares of the various revenue streams to the total revenues of the SABC.



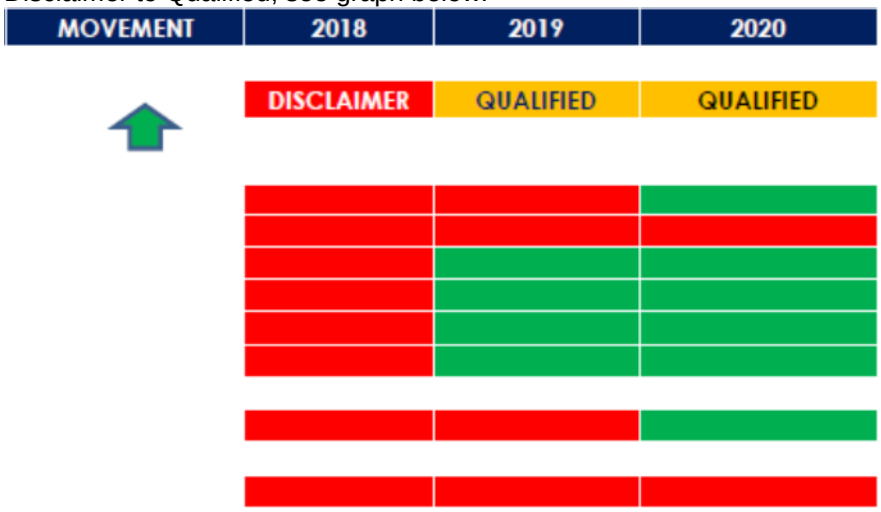
*Other revenue includes Mobile, Content Exploitation, Facilities, and other Income

Advertising revenue declined by 11 percent (2019: 6%) due to market pressures, constrained investments in content leading to declining audiences, limited marketing initiatives as well as the general economic decline which led to clients reducing their overall advertising spend. Advertising revenue from radio stations declined across all the platforms, with the Commercial Stations (MG5)

declining by R48 million, Fortune 4 (Radio 2000, Lotus FM, SAFM, and Radio Sonder Grense – RSG) declining by R19 million and African Language Stations (ALS) regressing by R 46 million.
Financial difficulties resulted in reduced investment in television program content. This negatively influenced the audience share and put further downward pressure on advertising and sponsorship revenue.
The SABC managed to generate R9 million (2019: R14 million) from digital and mobile platforms. It was able to realize only 19 percent of the total licence fees billed during the 2019/20 financial year, lower than the previous period of 31 percent. Collection cost rate was lower at 4 percent (2019: 12 per cent). The lower collection cost was due to the absence of Debt Collection Agencies (DCAs), who were only contracted in October 2019. The licence fee collection rates indicate an evasion rate of 81 percent.
Lastly, the SABC invested R103 million in capital infrastructure during the financial year and spent R16.2 million (2019: R17.7 million) on maintenance of buildings. Total expenses before interest and tax declined by 10 percent (R702 million) to R6.2 billion from prior year levels. A significant portion of the decrease was due to deliberate and targeted cost saving initiatives.

2.3 Audit Opinion

The SABC received a qualified audit opinion. This is similar to the previous financial period. The basis of qualification was on Irregular Expenditure. There was, however, an improvement in the audit results as the qualification on property, plant and equipment was resolved.
Total findings raised for the 2019/20 audit are 97. Even though internal controls require improvement, the audit results do show an encouraging improvement. Out of 127 2018/19 findings, 85 percent (108) were resolved by the reporting period. The outstanding findings relate mainly to Policy and Procedure reviews that were still in the process of being implemented.
Over the past three financial years, the audit opinion has improved significantly, moving from Disclaimer to Qualified, see graph below:



Even though the qualified audit opinion was sustained from prior year, but areas resulting in the qualification have reduced. Only qualification on the AFS in the current year relates to Irregular Expenditure. Strides were made in internal controls around PPE and Performance information.

2.3.1 Irregular Expenditure

(i) Irregular expenditure incurred during the year decreased by R134millionfrom prior year to R202.4 million;
(ii) The SCM internal control environment is improving but a lot of work still remains;
(iii) The application of incorrect evaluation criteria to bids remain the biggest stumbling block to not following procurement policy/processes as it increased by R32million from prior year;
(iv) Payment without contracts although significant decreased by R36million from prior year remained high; and
(v) Consequence management is also being implemented on the already identified IE though it was too late for the year in question.

2.3.2 Fruitless & Wasteful Expenditure

(i) Fruitless wasteful expenditure incurred during the year decreased by R197 million from prior year to R27.4 million;

(ii) Impairment of content reduced significant due to non-recurring incident in the prior year of South African Football Association (SAFA) sports rights;
(iii) Improvement in the liquidity position of the Group reduced interest on late payments;
(iv) Significant portion of fruitless and wasteful expenditure relates to interest payments relating to late payment of broadcast costs; and
(v) Fruitless and wasteful expenditure written off amounting to R183 million reduced the opening balance.

2.3.3 Going concern

The SABC had operating losses of R511 million and negative cash flows from operations for the financial reporting period to 31 March 2020 amounting to R1.2 billion. However, due to R3.2 billion recapitalisation funding from the shareholder, the working capital position remained healthy with a net current asset position of R1.8 billion. It remains uncertain when the Company will return to profitability and positive cash flows from operations. Together with the impact of the COVID-19 pandemic, these uncertainties cast significant doubt on the SABC's ability to continue as a going concern. Various measures are in place and continue to be put in place to manage this risk.

2. USAASA/ USAF

USAASA is a public body as confirmed by Schedule 3A of the Public Finance Management Act 1 of 1999. The existence, functions, duties and mandate of the Agency are governed by sections 80 – 91 of the Electronic Communications Act 36 of 2005 ("the ECA") which came into operation on 19 July 2006. The new amendments to ECA, which have a direct bearing on governance of the Agency, came into operation on 21 May 2014.
The main aim and objective of USAASA is to ensure accessibility, affordability and availability of such universal services within the shortest possible walking distances from such communities.
The Agency, which is the administrator of the Universal Service Access Fund, was placed under the management and control of the Executive Caretaker and Accounting Authority (EC). Placing the entity under the management and control of the EC was furthermore to assist in overseeing the seamless rollout of a new delivery model that encompassed the direct appointment of local decoder installers.
USAF is established in terms of section 87(1) of the Electronic Communications Act, (Act No. 36 of 2005) as amended by Act No. 1 of 2014) as a financing vehicle to spur Information and Communications Technologies (ICT's) and rapid expansion in unserved and underserved areas.
Over the years, the Fund has transformed from the ubiquitous deployment of basic telephone equipment and services into funds that are used to support ICT/broadband programmes, which include access to personal computers (PCs) and other digital devices, broadband internet connection, and localized content and services.
USAASA, which is the administrator of USAF, was placed under the management and control of the Executive Caretaker and Accounting Authority (EC). Placing the entity under the management and control of the Executive Caretaker was furthermore to assist in overseeing the seamless rollout of a new delivery model that encompassed the direct appointment of local decoder installers.

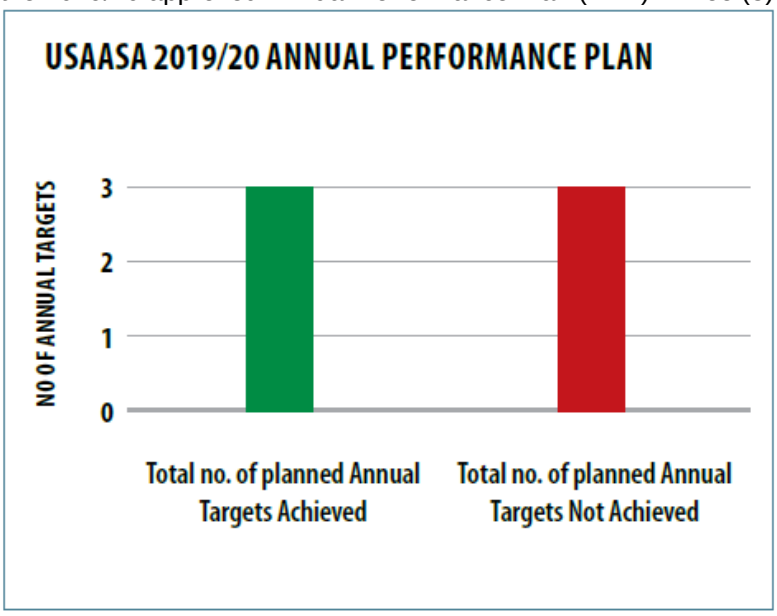
3.1 USASA/USAF Performance Information

South Africa's macroeconomic environment has mostly been under pressure for the period of USAASA's strategic plan, characterized by a lower than expected growth rate, high structural unemployment, among the highest inequality levels in the world, and unsustainable poverty levels.
The MTSF 2014- 2019 period has fallen far short of the trajectory required by the National Development Plan (NDP) to reduce unemployment to 6 percent, eliminate poverty, and sharply reduce inequality by 2030.
The optimal functioning of USAASA was obstructed by several foundational and historical issues that and therefore the fulfilment of its mandate, the first of these was a clear Leadership and Management crisis following the dissolution ofthe USAASA board in August of 2018 and once again in 2019.
The crisis was further exacerbated by the departure of the thenChief Executive Officer (CEO) in May of 2019 and his subsequent replacement by threeacting CEOs leading up to the period of the Administrator's appointment on 28January 2020.
The Leadership and Management crisis at USAASA paralysed the Agency to the extent that it was rendered incapable of delivering on its targets. The lack of delivery by the Agency in the Broadcast Digital Migration Programme (BDM) moved the DTPS to directly intervene on a number of occasions where it attempted to restart the process of installing set-top boxes.
The crippling effects posed by these challenges contributed to a large extent to the ineffective application of broadband connectivity to underserviced areas and also resulted in the inefficient

application of the infrastructure subsidy, which led to inefficient expenditure and use of funds by the Agency and also to the long term sustainability of the subsidised network.
All of this culminated to various disciplinary actions, which further affected the Agency's ability to function effectively.
To date, USAASA has completed the rollout of broadband infrastructure at:

1. A total 165 broadband sites in the three years prior to the 2016/17 financial year;
2. A total 295 sites in the OR Tambo District Municipality during the 2016/17 financial year; and
3. Total 76 and 199 broadband sites in the underserviced municipalities of Impendle Local Municipality (KZN) and Nyandeni Local Municipality (EC), respectively in 2017/18.

A further two municipal areas in the OR Tambo District Municipality are targeted for completion in 2018/19. This means that there has been over 100 per cent increase in terms of the broadband sites that need to be maintained by USAASA, although there has not been any increase in budget or human resources capacity in order to enable the Agency to deliver on its legislated functional and national policy mandates.
Furthermore, the implementation of the BDM policy, which mandated USAASA to subsidise around five-million qualifying, needy households (earning below R3200 a month) for the acquisition of the set-top-boxes (STBs) has created a challenge in terms of the additional reporting responsibility to the DoC. The Department is responsible for the administration of the BDM Policy and the overall oversight of the BDM programme implementation.
A root cause of one of the audit findings issued by the Auditor-General on USAASA's and USAF's 2017/18 financial statements is the Digital Terrestrial Television (DTT) inventory, which has gone missing due to the inability to implement effective stock control measures.
The graph below depict the Agency's achieved annual targets against the planned annual targets in the 2019/20 approved Annual Performance Plan (APP). Three (3) of the six (6) planned targets:



Some of the significant achievement in the financial year under review include the cumulative 60 percent of the Business Risk Action Plans as per the Risk Register were implemented during the financial year. The ICT Master plan benchmark report was developed and approved by the Board. In addition, the Board approved the USAASA 2020-2023 multi-year Procurement Plan.
Areas of underachievement during the reporting period include:

- The Agency and the Fund for Q1,Q2 and Q3 of the 2019-2020 financial year managed to meet the target of payment of invoices received within 30 days from the date of receipt;
- In quarter 4 one invoice under USAASA was not paid within 30 days and USAF invoices were all settled within 30 days;
- The outstanding invoice was paid in Q 1 (2020-21) resulting on the target being subsequently achieved;
- The Agency and the Fund for Q1, Q2 and Q3 of the 2019-2020 Financial Year managed to meet the target of payment of invoices received within 30 days from the date of receipt;
- In quarter 4 one invoice under USAASA was not paid within 30 days and USAF invoices were all settled within 30 days;

- The outstanding invoice was paid in Q 1 (2020-21) resulting on the target being subsequently achieved; and
- The approval of the 2020-2023 Research Plan was approved by the Executive Committee in Q1 (2020-21) as the initial plan tabled to the Executive Committee was not approved in Q4.

For USAF, the 89.1 percent of the internet access at existing connected sites as the end of the financial year was achieved. The Board approved the multi-year Procurement Plan of USAF 2020-2023.

Arears of under-achievement during the reporting period include a compliment of 61 sites connected in previous financial years in Joe Morolong and Ratlou Local Municipalities, however, they were not reconnected by year end due to irregularities identified in the initial appointment of the service provider. An open review by Internal Audit was commissioned to informed the cancellation of the reappointment of the service provider.

The reasons for underachievement are the revision of the BDM service delivery model which resulted in the delayed installation of set-top-boxes in Free State, North West, and Northern Cape. As at the end of the financial year under review, there were only 4 387 installations of STB's that took place in Q1 (2019-2020) following the contract expiry on 31 January 2019 for appointed panel of installation companies.

The Fund achieved annual targets against the planned annual targets in the 2019/20 approved USAF APP. Two (2) of the Four (4) planned targets were achieved, being 50 percent of the total planned targets

2.2 Financial Performance

USAASA recorded a total expenditure of R92.1 million against a total budget of R85.4 million which means that a deficit of R7.3 million was recorded at year-end. The mentioned expenditure includes an amount of R16.3 million in respect of Depreciation and Amortisation, which is a non-cash item.

The Agency is currently involved in a few legal matters and it was confirmed that the contingent liability at 31 March 2020 was estimated at R126.6 million. Should the outcomes not favor USAASA, the funding will have to be sourced outside the appropriation of the agency.

An amount of R32.2 million was recorded as irregular expenditure at 31 March 2020 of which R30.5 million stems from previous financial years. USAASA will deal with the Irregular Expenditure decisively in the following financial year and make sure that consequence management will be applied where required. A full-time BAC was already appointed to deal with these cases.

For USAF, the initial approved budget was R88 million. A budget reduction of R24 million was done as an adjustment during the year. Adjustment was done on the BDM project allocation. There was also an addition of approved retention of funds amounting to R340.4 million from 2018/19 financial year.

Installation costs incurred relating to distribution of STBs during the year amounted to R1.8 million. The balance of R26 million relates to contractual escalation costs on previous installations claimed during the year. Committed funds amounting to R1.1 billion from previous financial year are available to complete the project.

During the 2019/20 financial year, the Agency has received approval from the National Treasury to retain surplus funds for the amount of R340.4 million. There was, however, a budget reduction recorded against the Broadband Project of R24 million as mention above.

3.2.1 Prior Period Adjustments

Expenses and related liabilities to an amount of R648 000 for the 2018/19 financial year were under stated. An amount of R5.7 million relating to the outstanding cost of the SAP system was initially disclosed as a commitment. However, in the year under review, this amount has been capitalized to the cost of the intangible assets and the related accumulated amortization of R3.8 million recognised.

For USAF, since the initiation of the BDM project in December 2015, the entity had been making prepayments to SAPO for installation costs paid to installers. As a result of these prepayments, it was discovered during the 2019/20 financial year that the receivables balance of SAPO as at 31 March 2019 was R16.73million. The prior year adjustment was done to rectify the records.

There was another prior period adjustment with a net amount of R315 000 relating to the change of project implementation. Initial implementation of the project involved the inventory issued directly to beneficiaries until year-end 2017. Subsequently, the project was rolled out with BDM inventory being issued in bulk to installing companies. This created an overstatement of inventory balance due to inventory being issued but not installed.

Invoices of Broadband projects amounting to R3.3 million from services providers, affecting prior year, were submitted in the 2019/20 financial year and prior year accrued invoices amounting to R2.5

million were disputed in 2019/20 and subsequently reversed. A net effect for prior year period adjustment of R711 000 was effected.

2.3 Audit Opinion

USAASA also received an unqualified audit outcome in the 2019/20 financial year to maintain the status quo. The unqualified report is based on two findings on non-compliance and no findings in respect of the Annual Financial Statements and Performance Information affected the final audit report.

The basis for the opinion was due to uncertainty relating to the future outcome of litigations with the public entity being the defendant in a number of lawsuits. The ultimate outcome of the matters cannot presentlybe determined and no provision for any liability that may result has been made in the financial statements. For an example, there is litigation with eight employees who received increases in salary, which USAASA is challenging. The legal counsel estimates the financial exposure of approximately R200 000.

USAASA is engaged in another litigation with an employee who is challenging his dismissal. There is a review application pending. The legal counsel estimates the financial exposure of approximately R650 000 and Duma Travel issued summons against the Agency for services rendered and has not been paid a total amount of R169 000.

Respective officials have not been properly reviewing compliance matters and monitoring to ensure full compliance concerning fruitless and wasteful expenditure. Consequence management processes were not in all instances sufficient, as the leadership did not take the appropriate action required in a timely manner for all irregular as well as fruitless and wasteful expenditure incurred by the entity.

The previous Board has instituted a forensic investigation/review in January 2020 on the SAP support and maintenance services to ascertain facts on the matters around the SAP support and maintenance provision or lack thereof. National Treasury conducts a forensic investigation and at the date of the audit report, the investigation was not concluded.

To ensure full compliance on fruitless and wasteful expenditure, compliance matters have not been properly reviewed and monitored by the respective officials. Consequence management processes were not in all instances sufficient, as the leadership did not take the appropriate action required in a timely manner for all irregular as well as fruitless and wasteful expenditure incurred by the entity.

For USAF, the six unresolved matters will be subject matter of forensic investigation. The Agency has conducted an open review process on the inventory balances, the Agency agreed with SAPO for an independent auditor to review the inventory in SAPO warehouses, and SAPO will abide by the outcomes of the investigation.

The 2019-2020 external audit by the AGSA resulted in a qualified opinion for USAF in relation to BDM Inventory Management. USAF was qualified for three consecutive years on inventory. This was due to Auditor-General not obtaining sufficient appropriate audit evidence for the inventory disclosed relating to STBs and antennae owned by the entity and held by third parties (SAPO). Internal Audit conducted an open review that resulted in confirming the basis for the qualification.

3.3.1 Irregular Expenditure

During the period under review, ‘Irregular expenditure’, as defined in Section 1 of the PFMA, to the total value of approximately R1.5 million emanated from expenditure beyond the contract period. The irregular expenditure amounting to R207 000 was due to noncompliance with DPSA circular as per Public Protector Report. The Board resolved on 30 April 2019 for an investigation to be conducted into the irregular, fruitless, and wasteful expenditure.

The investigation has commenced.

For USAF, irregular expenditure of R60,1 million that was incurred in the previous years was still under investigation. The AGSA was unable to obtain sufficient appropriate audit evidence for the inventory disclosed, as internal controls were inadequate to ensure that all items of inventories relating to STBs, including antennae owned by the entity and held by third parties are properly safeguarded and properly recorded during recognition, as well as when the inventory should be expensed when issued or returned by installers.

There is reason to believe that there is a substantial amount of inventory that cannot be accounted for. SAPO and USAASA have agreed to appoint an independent forensic investigator to confirm existence of inventory. The outcome of the investigation may affect the inventory balances in the following reporting period.

The AGSA could not confirm whether all related transactions pertaining to inventory had been appropriately recorded by alternative means. Consequently, AGSA was unable to determine whether

any adjustments were necessary to inventory stated at R889. 6 million (2019: R509.2 million) in the financial statements.
The AGSA was further unable to obtain sufficient appropriate audit evidence for the achievement of 0,36 percent STBs at qualifying households installed reported against target of 66.6 percent of STBs installed in the annual performance report, due to the lack of accurate and complete records. The AGSA was unable to confirm the reported achievement by alternative means. Consequently, the AGSA was unable to determine whether any adjustments were required to the reported achievement.
The Board resolved on 30 April 2019 for an investigation to be conducted into the irregular, fruitless, and wasteful expenditure.

4. SAPO

The SAPO SOC Limited was established on 1 October 1991 as a company in terms of the Companies Act, No. 61 of 1973. The State (Republic of South Africa) represented by the Minister of Communications and Postal Services, is the sole Shareholder.
Following the repealing amendment of the Companies Act, No. 61 of 1973, and the enactment of the Companies Act, No. 71 of 2008 (as amended), the SA Post Office was designated as a state-owned company (SOC) as per the South African Post Office Limited Act, No. 22 of 2011, as amended.The SAPO is also a major state entity in terms of Schedule 2 of the PFMA, No. 1 of 1999 (as amended).
The SAPO is afforded a legislated monopoly over reserved services. The Postal Services Act of 1998 charges the regulator, ICASA, with protecting the provision of the universal service through the reserved postal services licensee, namely the SAPO.
Through the SAPOs Universal Service Obligation (USO), a strategic priority for the Company is rolling out new addresses and branches in remote areas, in line with the government's developmental programme for 2030. The Postal Services Act further requires ICASA to monitor the incumbent against 'anti-competitive' behaviour.

4.1 Performance Information

There is a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations, which has now been aggravated by COVID-19. The R2.9 billion funding allocation received on 25 January 2019 has been utilised to settle all loans and the payment of critical suppliers, and as at 31 March 2020, the funding has been depleted.
The Mail delivery standard has steadily improved over 2019/20 FY and the annual target of 80 percent was achieved at 89.25 percent, just below the ICASA regulated standard of 92 percent.
ATM and POS (Point of Sale) uptime as well as the IT Network upgrade did not achieve the annual target; however, both at a level of 80 to 99 percent of target with the IT Network upgrade attaining 81 percent of target whilst the ATM and POS uptime attained 99 percent of target. A total of 17 Key Performance Indicators (KPIs) were set and measured for the 2019/20 FY, with only 6 KPIs achieving 100 percent of target resulting in overall performance of 35 percent.
Performance highlights for the year under review include the following:

- The delivery standard of 89,25 percent improved by 12.85 percent from the prior year;
- Delivery of approximately 535 million items during the year;
- Security features at branches improved;
- Postbank ATM and point of sale transactions at 99 percent of industry standard and
- Reduction of 45 percent in crime incidents from 4876 to 2682;
- Universal Service Obligation to 529 USO branches located in rural and under-serviced communities;
- The target for Carbon emission (Scope 1 and 2) was achieved with an annual performance of 2 percent above target;
- Appointment of the six Regional General Managers for Operations;
- Total 8.1 million SASSA beneficiaries paid monthly;
- Total 2.6 million schoolbooks delivered to 3,873 schools in Limpopo and Northern Cape;
- Total 637 094 new street addresses rolled out; and
- Total 1 151 194 qualifying beneficiaries registered for the DTT subsidised set-top box and 549 426 STBs issued.

The planned investment in property maintenance was not achieved due to funding challenges however both the maintaining of the USO points of presence and increasing the number of postal addresses was achieved.The annual target of 500 000 addresses has been achieved and substantially exceeded by 137 094 additional addresses, an achievement of 127.4 percent of target.

The total actual addresses rolled-out is 68 percent in rural and 32 percent in urban communities. All addresses rolled out for 2019/20 financial year have been for street delivery.

The annual revenue is below target by 8 percent due to lower than projected revenue performance. Mail revenue remains the main contributor but on a steady decline due to traditional mail substitutions.
There is a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations, which has now been aggravated by COVID-19.
Whilst the digital strategy towards attaining Vision 2030 was developed and approved, the launching of the E-Pay and Omni-Channel Platforms were delayed due to procurement and related matters.
During the 2019/20 financial year, the term of the non-executive directors of the Board expired and new Directors were appointed with a new Chairperson. The positions of CEO and COO also became vacant during the financial year. The position of CFO also remained vacant. The position of CEO is now finalised with the appointment of Ms Nomkhita Mona, and a headhunting process is underway to replace the CFO who resigned after a short tenure.
A number of other Executive positions have remained vacant during the 2019/20 financial year but are currently moving into the recruitment phase

4.2 Financial Performance

Revenue of R4.1 billion for the year ending 31 March 2020 (2019: R5.3 million) with Postbank revenue of R1.8 billion included in 2019. The Postal services revenue of R2.8 billion (increase of 0.2%). The financial services revenue of R1.2 billion increased by R606 million due the full year revenue of R735 million for SASSA transactions in 2020 (2019: R108 million for SASSA transactions).
The R2.9 billion funding allocation received on 25 January 2019 was utilised to settle all loans and the payment of critical suppliers.
The annual revenue is below budget due to lower than projected revenue performance in Postal Services Revenue -R36m, Courier and Parcel Revenue -R187 million, and Sundry Revenue -R274 million. Included within Sundry Revenue, is the 2019/20 Revenue Initiatives which did not deliver as expected.
Operating costs of R6.5 billion was reduced by 5 percent from R6.8 billion in 2019 and staff costs increased by 3.6 percent to R3.9 billion and contribute to 60 percent of operating costs.
Loss for the year increased by R689 million to R1.8 billion with R1.1 billion loss for year for 2019.
By 1 April 2019, Postbank is required to prepare separate annual financial statements and cannot be consolidated into SAPO Group financials from 2020. Postbank profit of R544 million reduced the Group net loss position in 2019.Therefore, group loss excluding Postbank for 2019 was R1.6 billion.
Expenses have exceeded revenue, resulting in operations utilising cash of R716 million for 2020 and R1 billion for 2019.Net cash from finance activities includes an amount of R2.9 billion equity received in January 2019 and amount of R1 billon was utilised to settle terms loans. A total of R475 million subsidy to fund USOs reinstated in 2020. And R42 millionwas utilised for capex in 2020.
Following are copies of slide presentations made to the Committee indicating erratum on tabled Annual Report:

SAPO Annual Report: Erratum

No	Page / paragraph no	Information on Annual Report	Feedback / Erratum
1	Page 2 (high lights)	• Revenue increase year-on-year of R616 m (12%)	• Revenue 2020: R4.1 bn • Revenue 2019: R3.5 bn (excluding Postbank revenue of R1.8 billion) • Revenue increased by R591 m (17%)
2	Page 2 (high lights)	• Docex subsidiary posted a net profit of R1.6 m	• No change required
3	Page 2 (high lights)	• Recapitalisation funding of R2.947bn received on 25 January 2019. • The funding was utilised to settle term loans of R1.035 billion and pay long outstanding creditors	• Recapitalisation funds were received in 2018/19 FY. • Assisted in liquidity as funds were available to meet liabilities.
4	Page 2 (high lights)	• Revenue from motor vehicle licences improved by R23,9 m	• Revenue from motor vehicle licences improved by R27 m
5	Performance Information – Performance by function (Page 24)	• Diversify funding and revenue • Revenue for operations is about 15% higher than the previous year's Revenue	• Sentence deleted, does not relate to Corporate revenue performance

15

SAPO Annual Report: Erratum

No	Page / paragraph no	Information on Annual Report	Feedback / Erratum
6	Human Resource Management (Page 48)	• Operating Expenditure of R6 434 867 000	• Operating expenditure R6 475 860
7		• Personnel Expenditure of R3 871 934 000	• Employee costs R3 891 315 • Employee cost to operating expenditure – 60% • Average staff cost – R232 484
8	Directors' Report (Page 68) Paragraph 9	• Net loss after tax for the year ended 31 March 2020 – R1.789 bn	• Net loss after tax for the year ended 31 March 2020 – R1.768 bn
9	Directors' Report (Page 68)	• Paragraph 9 • Group Revenue 2020: R4.155 bn	• Group Revenue 2020: R4.102 bn
10	Notes to financial statements (Page 119)	• Deferred tax (Note 13) • Unrecognised deferred tax asset (total balance for the note) • 2020 (Company) • R2 216 858	• Unrecognised deferred tax asset (total balance for the note) • 2020: (Company) • R2 216 585
11	Notes to financial statements (Page 121) (Note 16)	• Trade and other receivables • Deferred loss on hedges of R36 000	• Not Applicable and to be deleted in the annual report

SAPO Annual Report: Erratum

No	Page / paragraph no	Information on Annual Report	Feedback / Erratum
12	Notes to financial statements (Page 131) Note 29	• Other operating income total Group: • 2019 R233 846 000	• Other operating Income Group: • 2019: R223 846 000
13	Notes to financial statements (Page 136) (Note 37)	• Cash generated from operations Company: 2020 • Interest and Dividend Income: R742 751 000	• Cash generated from operations Company: 2020 • Interest and Dividend Income: R752 271 000
14	Notes to the annual financial statements (Page 157) (Note 46)	• Going concern (Note 46) - Annual Report – There are parts that are not in the audited financial statements. Furthermore, a large section of note 46 (Going Concern) of the audited financial statements was not included in the Annual Report.	• Included in the next slides

17

Erratum: Going concern (note 46)

SAPO, as a state company, plays a strategic role in the provision of essential goods and services. The activities of the SAPO impact on the quality, accessibility and affordability of services provided to the community, especially the poor and vulnerable.

In determining the appropriate basis of preparation of the financial statement, management are required to consider whether the group will continue in operational in the near future.

The conditions noted below resulted in a material uncertainty that might cast significant doubt on the SAPOs ability to continue as a going concern:

Group and company reported a net loss of R1.79 billion. This represents a 39 percent increase in losses since the prior year. The substantial movement was as a result of the transfer of assets to Postbank during the current year. The transfer saw an estimated value of R400 million in profits being shifted to Postbank.

Group is faced with a low revenue base and high fixed costs. Employee costs comprised of 94 percent of a reduction in revenues.

Essentially, for every R100 rand generated by the group, R95 is used to pay salaries. This high employee cost based renders most plans ineffective with only negligible funds available for operations. This ratio increased by 40 percent since 2019.

Existence of contingent liabilities, provisions, tax liabilities disclosed in the annual financial statements, the group have contingent liability to the value of R122 million as at year-end. Financial difficulties such as defaults on suppliers' agreements, denials of trade credit from suppliers, this included the effects of COVID regulations.

Lack of funding to fund for new capital projects and revenue initiatives, old and aging infrastructure backlog and outdated operating assets making competing in the market space almost impossible.

Outdated IT solutions making competing in the market space almost impossible and an inappropriate and inefficient business model that has resulted in the Group not generating sufficient revenue to finance its high cost base.

Continuous decrease in mail volumes and revenue due to emergence of a highly successful competitor - there has been a number of competitors that have captured the courier market and the migration to digital communication has resulted in a significant decline in mail business over the past years.

Loss of a major market, revenue from mail services has been on a declining trend, a number of key customers are migrating to digital platforms, and a significant decline has been noted for the courier business.
Based on the above events the SAPO is without doubt currently experiencing substantial doubt on going concern,notwithstanding the substantial doubt based on the above events and conditions, management has adequate plans in place to mitigate this risk as detailed below:

- The group has requested COVID-19relief for the current year.
- The group has also developed a turn-around strategy to improve the financial position of the group.
- The following interventions will improve revenue performance for short and long-term financial year(s).
- ICASA has approved a 7.7 percent increase for postal services (reserved area).
- Standard letter increase by 35 cents from R4.55 to R4.90 (including VAT) 5.5 percent increase for the unreserved markets.

DTT project revenue of R158 million for 2020/2021 FY and R141 million for 2021/2022 FY is included in the budget. This is based on funds already received from the DTPS and awaiting the rollout of the DTT STB kits.
Through partnerships, revenue will also be generated directly from citizens, not included in the subsidy, through purchasing the devices from the SAPO. SASSA transaction fees generated from the disbursements of social grants to the beneficiaries are as reflected below and included in the budget as part of the financial services revenue.

- 2020/2021 financial year - R805 million, 2021/2022 financial year - R845 million, 2022/2023 financial year - R888 million

SAPO is engaging in partnerships to grow the current revenue streams by undertaking the following initiatives:

- Entering into partnerships with lessees on the basis that they are exempt from rental payments for a period covering the lease allowance amount that would be incurred. This will improve the rental revenue base in the Medium Term Expenditure Framework (MTEF) period.
- Increasing the number of post office branches offering the motor vehicle licensing services. The increment on this revenueis expected to yield R48 million in the current financial year.
- Increase in revenue by R100 million due to expansion of the AARTO infringements' notices delivery services. The rollout is to be expanded over the areas currently covered.
- R50 million increment in the recovery of costs incurred pertaining to transfer pricing to Postbank for the use of Post Office branches.
- Implementation of e-commerce, which will have a direct impact on the number of parcels couriered through items purchased on our e-commerce platform.
- The increment in revenue is expected to be R36 million, R200 million from sale of properties that were approved for disposal.

The services covered in the partnership is to exclude services already offered. - Enter into a partnership with a service provider on the distribution and warehousing of medical supplies. Currently the post office is providing pick up points and the other services, distribution and another company provides warehousing. The partnership is for the post office to expand its scope and participate in the distribution and warehousing of the supplies. This will yield additional R87 million on revenue.
Staff voluntary severance packages approved in the 2019/2020 financial year will result in lower staff cost for the 2020/2021 financial year and further cost reductions of R300 million has been included in the budgets for the 2021/2022 financial year. This reduction is made possible by the severance packages that were paid in the 2019/20 financial year relieving the payroll bill as of 1st April 2020 with the cost associated with the employees that have left. As a result of the severance payments planned prior to the end of the 2019/20 financial year, the base cost (2019/20 financial year became higher. Some of the part time employees were also absorbed and this results in curbing the over-time payments previously made to them. Due to excess staff within the organization, overtime and night duty allowances are also managed to further realize cost reductions and have already been adjusted for in the budgeted amount.
Security costs have been reduced by R286 million due to lower contractual obligations and cost optimization due to the investments that will be made in improving the security infrastructure.
The above revenue and expense initiatives are crucial to ensure that the SA Post Office financial position is improved over the medium term with the net loss of R177 million projected for the 2020/2021 financial year.

4.3 Audit Opinion

The AGSA issued a “Disclaimer of Opinion” for the year under review. Management to focus on resolving the significant matters to improve the control environment and audit outcome in the 2020/21 financial year.
The group and company incurred losses of R1.8 billion R1.7 billion, respectively, for the year ended 31 March 2020. Furthermore, at that date, their current liabilities exceeded their current assets by R1.5 billion and R1.4 billion for the group and company, respectively. The group and company were therefore commercially insolvent because they were unable to pay their debts as and when they were due, even though their total assets exceeded their total liabilities.
The group and company incurred irregular expenditure of R215.9 million and R198.4 million, due to payments made for procurement in contravention of treasury instruction notes relating to uncompetitive bidding processes.
The amounts of R122.6 million and R120.9 million have been disclosed as contingent liabilities for the group and company respectively.

5. Committee Observations

The Committee made the following observations to the entities:

5.1 SABC

The Committee noted:

(i) and expressed appreciation for the annual report presentation by the SABC;
(ii) with concern that only 59 percent of the annual performance targets were received, with a net loss of R511 million;
(iii) with concern that for the high distribution costs charges by Sentech which impacts the SABC;
(iv) and appreciated interventions made by the Department relating to the Section 189 retrenchment process;
(v) and commended communication improvement between all relevant stakeholders such as the unions, freelancers and the SABC board, which resulted in a reduction in the figure of retrenched workers from 600 members to 303 members;
    a. with reservation that the Section 189 retrenchment process is the favourable option after all other avenues had been explored to reduce the retrenchment numbers;
    b. with caution that the SABC is perceived to be negotiating in good faith with all the stakeholders;
(vi) with concern that TV licence collections are still below target;
(vii) the need for the SABC to be futuristic and thereby become self-sustainable;
(viii) with great concern the weakness in internal control measures in the procurement process leading to high irregular expenditure;
(ix) with concern the performance decline of the SABC;
(x) with appreciation that the SABC,under the stewardship of management and board, is headedthe right direction as is expected by the Committee; and
(xi) with great concern that the SABC was still paying service providers without the necessary contracts.

5.2 USAASA/ USAF

The Committee noted:

(i) withserious concern that the Minister is regularly absent from meetings whereas she is the political head of the Department legislated to account before the Committee;
(ii) with appreciation the appointment of the USAASA Acting Chairperson of the Board;
(iii) with concern that the Committee was not informed of the appointment of the interim Board;
(iv) with serious concern the mediocre performance of USAASA having not achieved half of its set targets;
(v) with concern that USAASA lacks capacity to deliver on its mandate;
(vi) the progress made by the Department to recruit personnel and that the Rapid Response Team was not yet finalised; and
(vii) with serious concern that National Treasury may not intervene and guarantee funds towards distribution of IDTVs.

5.3 SAPO

The Committee met on 12 May 2021 to deal with the outstanding issues dealing with the 2019/20 Annual Report. The Committee received this presentation in conjunction with the presentation by SAPO on its 2021/22 Annual Performance Plan and Budget. Below find the observations and recommendations in respect of the briefing.
The Committee noted:

(i) thatamendments were made to the Annual report as submitted to Parliament and that the AGSA indicated there would be another submission of the Annual Report for 2019/20;
(ii) with great concern the low level of performance by SAPO as reflected in the annual report; which is a reflection of the dire state of affairs at the post office;
(iii) that the strategic objectives of SAPO focused on improving the effectiveness of its business processes and operational environment;
(iv) that the mail delivery standard has steadily improved and the annual target of 80 per cent was achieved;
(v) that the planned investment in property maintenance was not achieved due to funding challenges;
(vi) that the R2.9 billion funding allocation received on 25 January 2019 was utilised to settle all loans and the payment of critical suppliers;
(vii) that the term of the non-executive directors of the Board expired and new Directors were appointed with a new Chairperson;
(viii) with great concern the future sustainability of SAPO, in light of the AGSA's emphasis of the entity's going concern basis; and
(ix) that the position of CEO has been finalised with the appointment of Ms Nomkhita Mona.

6. Recommendations

The Committee made the following recommendations to the entities:

6.1 SABC

The Committee resolved that the Minister should ensure that:

i. public broadcasting remains a service delivery priority for the purposes of protecting the democratic ideals of South Africa;
ii. the SABC addresses the root cause of performance decline and continues to reduce unnecessary spending;
iii. the SABC improves on annual performance targets;
iv. the SABC improves internal control measures in all procurement processes;
v. the SABC urgently addresses and halts the payment of service providers without the necessary contracts;
vi. the SABC strengthens internal capacity to deal with all audit challenges;
    a. the SABC improves on its audit report for the financial year 2021/22, to an unqualified audit opinion;
    b. processes are in place to address audit outcomes and ensure that irregular expenditure issues are addressed;
vii. the SABC improves internal controls at leadership and financial management levels;
viii. the appointment of a Senior Manager, Supply Chain Division is expedited in order to guarantee accountability;
ix. processes are in place for the SABC to implement consequence management where needed;
x. the SABC provides a detailed report to the Committee on (i) plans to improve internal control measures in the procurement processes; and (ii) plans to address high irregular expenditure;
xi. consultation between all stakeholders, including unions and SABC Board members, continues in good faith;
    a. the SABC management, in particular, engages in good faith and is able to engage within reason considering it is a matter involving people with families;
    b. retrenchments are a last resort after all other alternatives have been explored;
    c. the SABC considers reskilling employees as a measure to absorb and retain skills;
xii. an action plan is in place to regularly address all concerns raised by the Committee and that the SABC provides the Committee with this action plan for monitoring of implementation;
xiii. the Department facilitates continuous engagement between Sentech, ICASA and the SABC, in order to ensure that broadcasting signal distribution costs are reasonable for public broadcasting;
xiv. the funding model of the SABC is urgently addressed and that there is clarity about the SABC's public mandate and ring-fenced funding and that processes are in place for the SABC to generate alternate income streams;
xv. the Presidency urgently addresses the SABC's public mandate matter by: (i) looking at available State resources to support the public broadcaster; and (ii) appointing a team of experts to assist the repositioning of the SABC as a world-class public broadcasting corporation;

xvi. the Department, in consultation with National Treasury, assists the SABC in financing its public mandate interventions brought about by the COVID-19 pandemic and that further negotiations are undertaken in view of all other unfunded mandates;
xvii. the SABC retains and increases audience viewership by offering compelling content;
xviii. the SABC improves TV licence collection processes;
xix. the Department considers regulating all streaming services as alternative or additional TV licence fees collection streams;
xx. the digital system to notify consumers on licence renewals is updated and, where possible, a request option for debit orders be offered as an alternative; and
xxi. the Department provides the Committee with an update on discussions with ICASA regarding the Must-Carry and Sports Broadcasting Regulations and how these will impact on the sustainability of the SABC.

The Committee will approach the StandingCommittee on Appropriations to request assistance on all challenges facing the SABC. Furthermore, the Committee will endeavour to meet with all social media network operators to ensure that these organisations, when doing business in South Africa, are acting in a fair and competitive mannerthat is in the interest of the Republic.

6.2 USAASA/USAF

The Committee resolved that the Minister should ensure that:

(i) the executive is present at all important briefings of the Committee such as annual report tabling;
(ii) all critical vacancies are filled in the Department and its entities;
(iii) SAPO supports USAASA in the rollout of Set Top Boxes (STBs);
(iv) USAASA provides the Committee with timelines with which it will successfully deliver on its targets;
(v) the Committee receives progress reports on the processesrelating to reconfiguration of the Department, rationalisation, recapitalisation and mergers of entities which must include a roadmap and timelines;
(vi) the Committee receivesregular updates with clear timelines on the progress in respect of the establishment of the Digital Development Fund;
(vii) the response team functions efficiently and effortlessly without governance challenges;
(viii) all performance issues at USAASA are addressed expediently and consider the capacity challenges as fundamental to successful performance;
(ix) USAF addressesall skills gaps;
(x) USAF demonstrates serious commitment to meet its targets;
(xi) the Committee is responded to on all previous questions, and in particular, whether the IDTVs process would be completed;
(xii) the relevant people are present and available in future meetings so that it does not give an impression of dysfunctionality;
(xiii) USAASA adheres to resolutions made by the Committee, failing which it should provide reasons;
(xiv) the focus by USAASA be towards the implementation of digital transformation;
(xv) the major challenges in contract management and evaluation at USAASA are resolved;
(xvi) USAASA provides the Committee with updates in order for it to monitor its progress in respect of the improvement of its financial position;
(xvii) USAASA provides a report about the challenges to improve sites connectivity in the North West Province;
(xviii) USAASA provides a plan to complete the delivery of Set Top Boxes (STBs) in problem areas; and
(xix) USAASA updates the Committee comprehensively on all disciplinary proceedings at the Agency.

6.3 SAPO

The Committee resolved that the Minister should ensure that:

(i) measures were in place to improve SAPO performance for the year ahead and in order to change the situation as was reflected in the annual report of 2021/22 at it could not be implemented in the 2020/21;
(ii) all critical vacant posts are filled;

(iii) management resolves the significant matters as identified by the Auditor General so as to improve the control environment and audit outcome in the next financial year;
(iv) SAPO finalises its turnaround strategy so as to address the sustainability and relevance of the entity;
(v) SAPO improves on its operational performance to achieve local and international compliance standards;
(vi) digital migration is fast-tracked by reducing the warehouse stock of DTT equipment;
(vii) there is better collaboration between SITA and SAPO in addressing the matter of repositioning of SAPO in order to stabilise and speed up IT and digitisation;
(viii) the Department urgently addresses the issue of SAPO funding and the going concern; and
(ix) an updated annual report is tabled inParliament as soon as possible.

Report to be considered.