The Budgetary Review and Recommendation Report (BRRR) of the Portfolio Committee on Communications, dated 18 October 2022

The Portfolio Committee on Communications (PCC), having considered the financial and non-financial performance for the year 2021/22 of the Department of Communications and Digital Technologies (the Department), Sentech, Film and Publications Board (FPB), Independent Communications Authority of South Africa (ICASA), National Electronic Media of South Africa (NEMISA), the Universal Service and Access Agency of South Africa (USAASA)/Universal Service Fund (USAF), the South African Postal Services (SAPO); South African Broadcasting Corporation SOC Limited (SABC) and .ZADNA, and the State Information Technology Agency (SITA) on 11 October 2022 reports as follows:

The PostBank and Broadband Infraco (BBI) had not been tabled by the time this report was adopted.

1. Introduction

In terms of Chapter 4 of the Constitution of the Republic of South Africa, Act 108 of 1996 (the Constitution) gives a mandate to Portfolio Committees to legislate, conduct oversight over the Executive Authority and also facilitate public participation.

1.1 Purpose of the Report

The Money Bills Amendment Procedure and Related Matters Act 9 of 2009 sets out the process that allows Parliament to make recommendations to the Minister of Finance as well as the cabinet Minister responsible for the vote to ensure the effectiveness and efficiency of the use of resources to ensure optimal service delivery.

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 Budgetary Review and Recommendation Report (BRRR) for the Department, as it falls under its oversight responsibilities, for tabling in the National Assembly. This process happens every October of each year, where the Committee assesses service delivery performance given available resources, evaluates the effective and efficient use and forward allocation of resources, and may make recommendations on the forward use of resources.

The BRRR also sources documents from the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance and performance to date form part of this process. The Standing Committee on Appropriations (SCOA) should consider these when considering and reporting on the MTBPS to the National Assembly.

Lastly, this performance report is also in line with Section 195 of the Constitution and other legislative prescripts that guide performance management in the public sector to display and promote transparency and accountability to stakeholders and the general public concerning matters under their control.

2. Role and Mandate of the Committee

For fiscal accountability, government departments must table their annual reports before Parliament to account for fiscal expenditure and service delivery performance. The accountability of public officials, the transparency of public decision-making, access to information, and the implementation of enforceable ethical standards and codes all significantly impact democratic institutions and poverty reduction strategies.

Accountability is the pillar of democracy and good governance that compels the state, the private sector, and civil society to focus on results, seek clear objectives, develop effective strategies, and monitor and report on performance. It implies that Parliament must hold individuals and organisations responsible for the performance, measured as objectively as possible. Therefore the general role of the Committee is to:

- Consider legislation referred to it;
- Exercise oversight over the Department and its entities;
- Consider international agreements referred to it;
- Consider the Budget Votes of the two Departments;
- Facilitate public participation process; and
- Consider all matters referred to it in terms of legislation, the Rules of Parliament and resolutions of the House.

3. Methodology

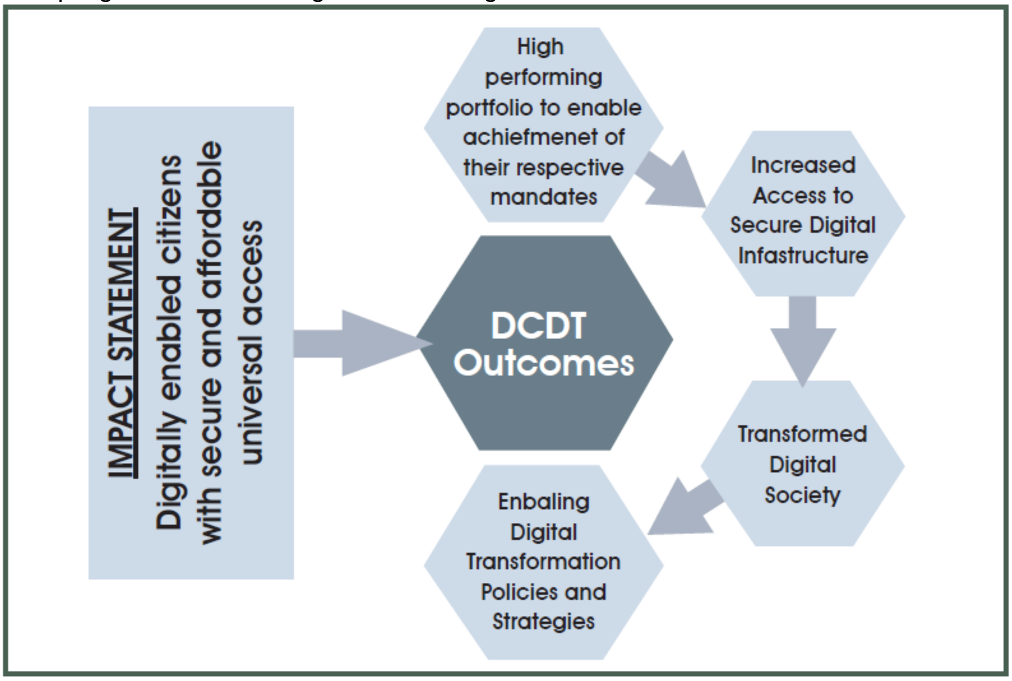
For the period under review, the Committee, in exercising its oversight role, considered the 2021/22 Annual Reports and Financial Statements of the Department; Sentech, SAPO, .ZADNA, SABC, FPB, ICASA, SITA, USAASA/USAF and NEMISA.
The Auditor-General of South Africa (AGSA) also presented the audit outcomes of the Department and its entities for the 2021/22 Financial Year.
The Committee also considered the 2021 State-of-the-Nation Address (SoNA), the National Development Plan (NDP), Committee meetings recommendations, oversight reports (from other committees of Parliament), and the 2020/21 Estimates of National Expenditure (ENE). There was no report from the Standing Committee on Appropriations (SCOA), nor was there a report from the Standing Committee on Public Accounts (SCOPA).

4. Outcomes of the Report

This report is aligned with the broader government policy framework, New Growth Path (NGP), NDP and the governing party's priorities (job creation, poverty alleviation, combating crime and corruption, rural development, education and health). It reviews the initiatives taken by the Department to ensure that the priorities of the plan are realised.
The report also assesses the financial performance against service delivery performance to ascertain whether the budget allocated to the Department was spent as envisaged and annotated in the APP for the period under review. Finally, it summarises the observations made by the Committee after considering quarterly and annual reports, all other necessary documents, as well as presentations generated using oversight instruments before making service delivery recommendations.

4.1 Impacts and Outcomes

DCDT impact statement is: Digitally enabled citizens with secure and affordable universal access. Through this Impact Statement, the Department recognises that the importance of universal access to digital technologies cannot be underestimated, as it enables the citizens to do their work, socialise, access government services, become economically active and hold those in power accountable. However, equally important is that such access is secure and affordable to all citizens irrespective of race, class, or geographic location. The Department will therefore work towards digitally enabled citizens with secure and affordable universal access to digital technologies and services as a key means towards socio-economic growth.
The following diagram illustrates the Impact Statement of DCDT and Outcomes as per the Strategic Plan. The following is the progress made towards achieving the strategic plan's five-year targets in relation to the outcome indicators that highlight significant achievements regarding the contribution toward the 2019-24 Medium Term Strategic Framework.
The progress in achieving these strategic outcomes will be discussed in Section 7 of this report.



5. Service Delivery & Organisational Environment

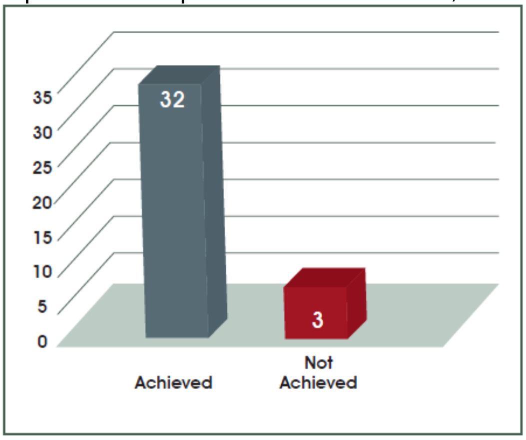
During the reporting period, DCDT revised a number of targets on the 2021/22 Annual Performance Plan to align with the new priorities to ensure that the mandate of DCDT is fully achieved, owing to the budget cuts and fiscal constraints. The 2021/22 Annual Report covers the initial Annual Performance Plan, which was in effect in quarters one, two and three, and the revised APP, which was in effect from quarter four. During the reporting period of the 2021/22 financial year, the government had to reprioritise its budget and related programmes considering COVID-19. Furthermore, there was Cabinet reshuffling in which the Department had a newly appointed Minister and the Deputy Minister.

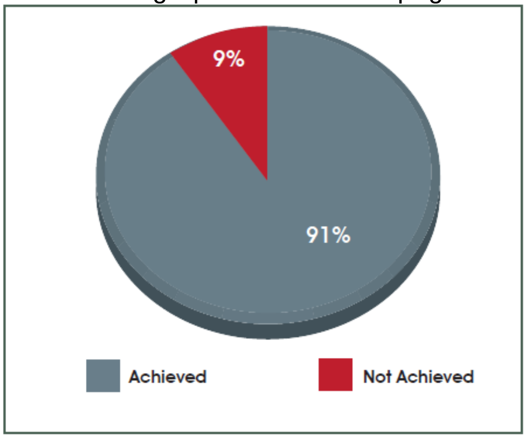
Over and above the budget cut, which impacted planned targets, the revision of the 2021/22 Annual Performance Plan had to also take into consideration the fact that during Quarter three of the 2020/21 financial year, the Executive Authority prioritised several projects such as the SA Connect which needed to take a new direction as the cabinet approved a revised SA Connect implementation plan, set to connect South Africa in three years.

The previous work done by DCDT on Feasibility Study for SA Connect Phase 2 required 57 billion, which State could not fund. The revised model requires state capital funding of 2.5 billion and will ensure that Government achieves its target of 80 per cent broadband access by 2024.

Furthermore, the delivery of the Broadcasting Digital Migration (BDM) projects target, which deals with subsidised digital television, was reviewed, following Cabinet approval of the revised implementation. The new target consolidates the work towards Analogue Switch-Off by 31 March 2022, due to the litigation, the switch off date was moved to 30 June 2022, which led to the target not being achieved during the reporting period.

In terms of the performance against its 2021/22 Annual Performance Plan, the Department planned to achieve 35 targets. Of the 35 planned targets, the Department was able to achieve 32 targets which equates to 91 per cent achievement, as depicted in the graphs on the next page:





The 2021/22 financial year was the second year of implementation of the DCDT 2020-2025 Strategic Plan and the 2021/22 Annual Performance Plan. During this reporting period, the Department continued functioning by an interim organisational structure while it focused on developing an organisational structure aligned to the new mandate of the Department (DCDT). The organisational structure will be finalised during the 2022/23 financial year and implemented.

In terms of acquiring relevant skills to deliver on its mandate, the DCDT undertook the verification of competencies exercise followed by a structured and comprehensive skills audit. Furthermore, the Department has in place a Workplace Skills Plan (WSP) aimed at capacitating employees with requisite skills aligned to the mandate and strategy.

The DCDT is currently prioritising the implementation of the Digital Transformation Strategy with a focus on workflow management systems as we move towards a paperless organisation. This programme will continue within the DCDT through the digitisation of additional business processes and systems as part of implementing the Digital Transformation Strategy. The DCDT has already consolidated some of the processes and systems, including reviewing existing operational policies and procedures. Moreover, the Department will ensure the mainstreaming of critical issues related to designated groups through the Chief Directorate: Gender, Disability, Youth and Children (GDYC). This Unit will also ensure that all Departmental programmes, policies, and processes are inclusive of issues related to such designated groups and will monitor the Departmental and SOC's Gender, Disability, Youth and Children Responsiveness programmes in line with National targets.

With regard to human resource-related matters, as at end of March 2022, the Department had a total head count of 333 staff on its establishment. 290 of these posts were filled, and 43 posts were vacant and funded which equates to a 12.9 per cent vacancy rate.

The Department was allocated a total adjusted and exclusively earmarked amount of R295 831 million for the compensation of employees in the 2021/22 financial year. At the end of March 2022, the Department had spent R271 487 million of its CoE budget. The main reason for the underspending was the non-filling of vacancies as a result of a moratorium on the filling of vacant positions due to the revision of the organisational structure. However, some appointments were made additional to the establishment during the 2021/22 financial year so as to ensure ongoing operations and achievements of strategic priorities.

5.1 Key Policy Developments and Legislative Changes

No major changes to relevant policies or legislation affected the Department's operations during the period under review. It must, however, be noted that following the May 2019 National Elections, the President pronounced the establishment of the National Department of Communications and Digital Technologies. Accordingly, the Presidential Proclamations in Government Gazette dated 14 August 2019 (President Minute: 372) confirmed the transfer of administration, powers and functions entrusted by legislation to the Minister of Communication in terms of Section 97 of the Constitution. Based on the Presidential Proclamation, the revised legislative mandate applies to the newly established Department of Communications and Digital Technologies (DCDT), which came into operation on 01 April 2020 and will inform the operations of the DCDT going forward.

6. Mandate of the Department

In line with such values, the National Development Plan indicates that by 2030, ICTs will underpin the development of dynamic information society and knowledge economy that is more inclusive and prosperous. A seamless information infrastructure will meet the needs of citizens, businesses and the public sector, providing access to the wide range of services required for effective economic and social participation – at a cost and quality at least equal to South Africa's competitors.

DCDT will therefore play a specific role in fostering broader economic and social participation by all citizens through digital transformation underpinned by the Fourth Industrial Revolution (4IR). The Department will focus on creating a South Africa where citizens can enjoy more significant economic and social prosperity, comfort, and higher levels of health, well-being and safety through levering the 4IR. The benefits that come with the adoption of these advanced 4IR technologies bring both economic and social advantages and benefits, transforming how we relate as individuals, groups, and organisations across the globe.

The legislative mandate of the Department is embedded in the legislation as reflected below:

The Sentech Act No. 63 of 1996, Former States Posts and Telecommunications Act No. 5 of 1996, Former States Broadcasting Reorganisation Act No. 91 of 1996, Postal Service Act No. 124 of 1998, Department of Communications Rationalisation Act No. 10 of 1998, Electronic Communications and Transactions Act No. 25 of 2002, Electronic Communications Act No. 36 of 2005, Independent Communications Authority of South Africa Act No. 13 of 2000, South African Post Bank Limited Act No. 9 of 2010, South African Post Office SOC Ltd Act No. 22 of 2011, State Information Technology Agency Act No. 88 of 1998, Broadband Infraco Act, Act No. 33 of 2007.

In executing its role, the Department is also guided, amongst others, by:

- The Constitution of the Republic of South Africa Act 108 of 1996;
- The Public Service Act 103 of 1994 as amended; and
- The Public Finance Management Act 1 of 1999 as amended.

Following the May 2019 National Elections, the President pronounced the establishment of the National Department of Communications and Digital Technologies. Accordingly, the Presidential Proclamation in Government Gazette dated 14 August 2019 (President Minute: 372) confirmed the transfer of administration, powers and functions entrusted by legislation to the Minister of Communication in terms of Section 97 of the Constitution. Accordingly, the mandate of the DCDT is as follows: To lead South Africa's digital transformation to achieve digital inclusion that must result in economic growth through creating an enabling policy and regulatory environment.

7. Achievement of Institutional Impacts and Outcomes

Enabling Digital Transformation Policies and Strategies

With regards to the progress on the implementation of the outcome indicators related to the Enabling Digital Transformation Policies and Strategies, the Department has revised the draft South African Post Office SOC Ltd Amendment Bill and submitted it to Cabinet for public consultation, approval and the Postbank Amendment Bill was introduced in Parliament. The Data & Cloud Policy, which was approved by Cabinet for public comments and subsequently published for public comments through a gazette on 1 April 2021, has been submitted for approval to Minister during this reporting period. The White Paper on the Audio and Audio-Visual Content Services Policy was revised. Furthermore, a Rapid Deployment Policy was also finalised.

The Department developed and approved the Digital Economy Masterplan during the 2020/21 reporting period. Furthermore, a report on coordinating the implementation of identified priority areas of the Digital Economy Masterplan was generated and approved during the 2021/22 Financial Year. The Department has developed the Integrated report on Digital Economy Programmes.

With regards to advancing the country's positions to support the Digital Economy, the Department has advanced the RSA Position Paper for ITU-WRC-19, focused on Spectrum management and allocations for future technologies to support the digital development agenda. Furthermore, the Department participated in the Regional Consultation Meetings through the SADC 6th WRC

Preparatory meeting and the ATU 3rd WRC preparatory meeting. Moreover, South Africa also hosted the 4th ATU APM for the WRC in the 2019/20 financial year. With regards to the UPU, Position papers for UPU and PAPU were developed and approved. During the 2020/21 reporting period, the Department has developed 2 Country Positions to support the National ICT priorities focused on BRICS and WTDC-21. The Department has approved the Business Cases for the State Digital Infrastructure Company Bill and the State Digital Services Company Bill. The focus for the next financial will be on developing and approving three country positions to support the National ICT priorities focusing on BRICS, ITU-PP 22 and WTDC.

In terms of the PC4IR Report, the Department coordinated the Country Report for 4IR development through the Presidential Commission on Fourth Industrial Revolution. A 4IR Project Management Office was established and operationalised within the Department to develop a Strategic Implementation Plan (SIP) focused on implementing the recommendations stemming from the PC4IR Report. The SIP was developed, and consultation was conducted in Provinces and national departments. During the reporting period, the PC4IR Strategic Implementation Plan was submitted to Minister.

The development of relevant policies and strategies, as well as the implementation of the 4IR Strategic Implementation Plan supported by strategic partnerships, were focused on contributing to the outcomes of creating enabling Digital Transformation Policies and Strategies.

Increasing Access to secure Digital Infrastructure

As part of increasing access to secure Digital infrastructure, the Department is responsible for increasing broadband connectivity. Therefore, in the 2020/21 reporting period, the Department concluded the SA Connect Feasibility Study to facilitate broadband connectivity to remaining government facilities. The feasibility study report for Phase 2 funding was also concluded. During the 2021/22 reporting period, the Cabinet approved a revised SA Connect implementation plan, set to connect South Africa in 3 years.

The previous work done by the Department of Feasibility Study for SA Connect Phase 2 required 57 billion, which the state could not fund. The Revised model required state capital funding of 2.5 billion and was to ensure that Government achieves its target of 80 per cent broadband access by 2024. Furthermore, the Department has established the Project Management Office for SA Connect Phase 2; the project team has been appointed, which consists of representation from the entities within the portfolio and the Department to implement the revised SA Connect Phase 2 Model. The Department has also continued monitoring and sustaining the provision of broadband services to all 970 connected sites. In the future, the Department will coordinate the implementation of the revised SA Connect Model on the funded sites.

During the 2021/22 reporting period the preliminary technical and regulatory studies were conducted to inform draft SA's position for WRC-23. The focus for 2022/23 will be on developing Second Draft SA Preliminary Positions for WRC-23. Furthermore, the Department will develop the Policy Direction for 5G deployment and monitor the implementation of social obligations for new spectrum licence holders.

With regards to the roll out of the subsidized digital television installations, the Department continued with the coordination of the Switch-off of SABC analogue television transmitters across provinces. However, Broadcasting Digital Migration (BDM) projects target which deals with subsidised digital television was reviewed, following Cabinet approval of the revised implementation. The new target consolidates the work towards Analogue Switch-Off by 31 March 2022, which the deadline was subsequently extended to end of June 2022 due to litigation. Going forward the Department will focus on coordinating the Household Migration and Analogue Switch-off for the Broadcasting Digital Migration for households registered after 31 October 2021.

Progress with regards to broadband connectivity, broadcasting digital migration and allocation of the national radio frequency spectrum will directly contribute to the outcome related to increasing access to secure Digital infrastructure.

Transformed Digital Society

To have a transformed digital Society, the Department has facilitated the implementation of the National e-Government Strategy and Roadmap, towards digitalization of government services. The Department focused on establishing the National e-Government Programme Governance Structure and monitored the prioritized key public facing services automation (integrating AI and Big Data interventions).

With regards to the Digital and Future Skills Strategy, the Department submitted the Digital and Future Skills Strategy to Cabinet for approval and a draft Digital and Future Skills Implementation Programme was developed. Furthermore, the establishment of the Digital Skills Forum was approved. Through NEMISA, the Department facilitated the implementation of Coursera online digital skills training in the 2020/21 reporting period. For the 2021/22 reporting period with regards to the implementation of the Digital and Future Skills Strategy, the Department has, through NEMISA

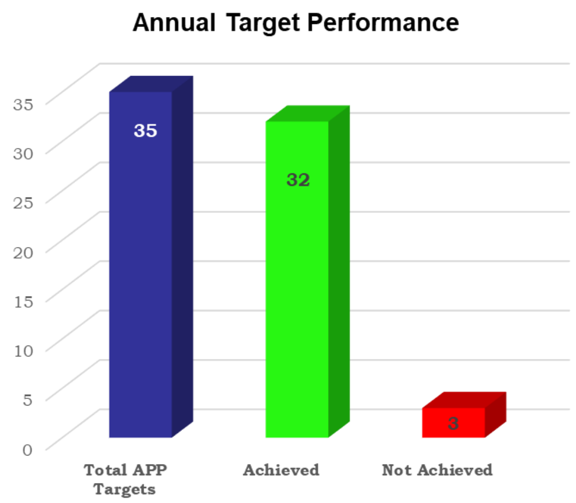
facilitated and monitored the training of young people in pre-entry level digital skills, Data Science, Analytics, and Machine Learning.
The Department coordinated and reported on Partnership Programmes initiatives to support the Digital Economy. Internal engagements to identify priority programmes of DCDT were held with both ICT Policy.
Development and Research and ICT Information Society and Capacity Development Branches. Stakeholders for partnerships for the implementation of programmes were identified. Engagements with concerned Foreign Embassies were conducted to agree on the identified partnership programmes. Implementation of identified partnership programmes status report was developed.
The Department supported and contributed to the SA Investment Conference by advancing the ICT investment initiatives, and the Outcomes report was developed and approved. Implementing the National e-Government Strategy and Roadmap towards the digitalisation of government services and increasing the uptake and usage of digital technologies contribute to a transformed digital society in place.

High Performing portfolio to enable achievement of their respective mandates.

With efforts to achieve a high-performing portfolio to achieve their respective mandate, the Department has digitised its processes and systems, developed the Integrated DCDT Digital Transformation Strategy, and monitored the implementation of priority interventions. The Business needs analysis focusing on prioritised interventions was also conducted. Furthermore, DCDT Digital Transformation Strategy and the cloud strategy were approved as an annexure to the Digital Transformation Strategy in the 2020/21 reporting period. During the 2021/22 financial year, the Department implemented and monitored the Collaboration platform rollout plan as part of the Digital Transformation priority intervention.
Regarding the Approved Strategic Plans and APPs of SOE, the Department continues to analyse Quarterly SOE Performance Reports and submit the Reports to Minister. The Department also undertook an analysis of the quarterly performance reports of the entities and an analysis of the APPs/ Strategic/ Corporate Plans that were submitted by entities. Furthermore, the Department reviewed 2021/22 Shareholder Compacts of Schedule 2 and 3B entities.
Regarding the Performance Management System for ICASA Councillors, the Department tabled the Performance Management System for ICASA Councillors in Parliament. Going forward, the Department will facilitate the monitoring and evaluation of the Performance Management System for ICASA Councillors.
As per the government requirements, the Department also developed and coordinated the Implementation Plan for District Development Model. Furthermore, monitored the Departmental and SOCs Gender, Disability, Youth and Children (GDYC) Responsiveness programmes in line with National targets.
The finalisation of the DCDT organisational structure aligned mandate and strategy, as well as digitised process and systems, will ensure a high-performing organisation as all business units will focus on digitally delivering services aligned to the organisation's mandate. Indicators related to providing oversight on our SOEs will contribute towards to outcomes of a high-performing portfolio with a focus on performance against planned indicators and accountability in this regard.

8. Performance Information

The Department achieved 32 out of the 35 annual targets committed to during the 2021/22 financial year. This equals 91 per cent of the planned targets achieved. It is also a 91.9 per cent expenditure against the budget allocation. 100 per cent of transfers paid to the entities in line with the draw-down schedule.



Performance by Programme
The activities of the Department are structured into six programmes, which are:
Programme 1: Administration
Programme 2: ICT International Relations and Affairs
Programme 3: ICT Policy Development and Research
Programme 4: ICT Enterprise and Public Entity Oversight
Programme 5: ICT Infrastructure Development And Support
Programme 6: ICT Information Society and Capacity Development

8.1 Programme 1: Administration

The purpose of Programme 1 is to provide strategic leadership, management and support services to the Department. For the period under review, this programme had one strategic objective, which is to *create a high-performing organisation to enable the achievement of the Department's mandate.*
Institutional outcome for Programme 1: Administration is a high-performing Portfolio to enable the achievement of their respective mandates.
The Department, in this regard, was able to develop and implement the Workplace Skills Plan (WSP), aligned with the DCDT mandate. Furthermore, Programme 1: Administration, implemented collaborated platform as part of the Digital Transformation priority intervention and coordinated the implemented Annual 2021/22 Communications Plan. Such achievements contributed to the outcome of a high-performing organisation as all business units have well-capacitated staff and are focussed on digitally delivering services aligned to the organisation's mandate.
The Department has ensured the mainstreaming of critical issues related to designated groups through the Chief Directorate: Gender, Disability, Youth and Children. During the reporting period, 50 per cent of the senior management in the Department are women.

Reporting on the Institutional Response to the COVID-19 Pandemic

The Department issued multiple Directions on the Risk-Adjusted Strategy for the Communications and Digital Technologies Sector under Regulation 4(10) of the Regulations made under Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002). In order to facilitate the implementation of the Directions across the entire Sector, a Programme Management Office was still functional as a coordinating mechanism through which the Department, together with the industry service providers, facilitated the provisioning of services so as to ensure smooth operations of the communications industry as essential services during the disaster period. The composition of the COVID-19 Programme Management Office consisted of Departmental officials.

8.1.1 Areas of Underperformance

There were no areas of underperformance in this programme.

8.1.2 Programme Performance Against Budgets

Spending was R228.4 million in the 2021/22 Financial Year and R215.9 million in the 2020/21 Financial Year. Spending under goods and services increased from R72 million in 2020/21 to R94.1 million in 2021/22 financial year. Spending on computer services increased from R6 million in 2020/21 to R19 million 2021/22. Travel and subsistence increased from R5.1 million in 2020/21 to R7.6 million in the year under review due to increased activity since the easing of the 2020 nationwide lock regulations as announced by the president of the country. Spending rate under this program is at 88.7 per cent.

- Underspending in compensation of employees as a result of unfilled posts within the branch. The process of finalising and developing the organisational structure has commenced.
- Underspending under Payment for Capital Assets, mainly under software is because the Integrated Workflow management system was not procured due to reasons stated by SITA for the requirement to deviate from IFMS project. The digital migration project commenced during the financial year but was not finalised at year-end.
- Underspending was impacted by less travel in the Branch as most meetings were held virtually.

8.2 Programme 2: ICT International Relations and Affairs

The purpose of Programme 2 is to ensure alignment between South Africa's foreign policy and international activities in the field of ICT.
Institutional outcomes for Programme 2: *Enabling Digital Transformation Policies and Strategies; Transformed Digital Society; and Increased Access to Secure Digital Infrastructure*.
The Department in its effort to implement the outcome of Enabling Digital Transformation Policies and Strategies has developed 2 Country Positions to support the National ICT priorities focused on BRICS and WTDC-21. Furthermore, the Department coordinated the implementation of the International

Relations and Engagement Strategy and approved the International Engagement Strategy and has also signed a partnership agreement focusing on the Digital Economy.

The development and advancement of Country Positions as well as the related outcomes informed the development of enabling policies and strategies. Furthermore, partnership programmes to support the Digital Economy initiatives focused on contributing towards the outcome of a transformed digital society. Furthermore, to contribute to the outcome of Increased Access to Secure Digital Infrastructure, the Department developed the National BIFN-S priority Programme focusing on Broadband Infrastructure Roll-out, Artificial Intelligence and Cyber-security.

This programme, in its response to prioritising women, youth and persons with disabilities, has ensured youth participation in International fora, working with Progressive Black ICT Forum, an association of ICT SMMEs.

Reporting on the Institutional Response to the COVID-19 Pandemic

The Department issued multiple Directions on the Risk-Adjusted Strategy for the Communications and Digital Technologies Sector under Regulation 4(10) of the Regulations made under Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002). In order to facilitate the implementation of the Directions across the entire Sector, a Programme Management Office was still functional as a coordinating mechanism through which the Department, together with the industry service providers, facilitated the provisioning of services to ensure smooth operations of the communications industry as essential services during the disaster period. The composition of the COVID-19 Programme Management Office consisted of Departmental officials from all six Programmes of the Department.

8.2.1 Areas of Underperformance

Not applicable as all planned targets were achieved within Programme 2.

8.2.2 Programme Performance Against Budgets

Spending was R54.6 million in the 2021/22 Financial Year and R61.5 million in the 2020/21 Financial Year. There was a decrease in transfers and subsidies from R39.5 million in 2020/21 to R32.1 million in the 2021/22 financial year. The variance was mainly due to low exchange rates as the rand was stronger during the transfer of funds for foreign payment to the International Organisation for membership fees. Also the decline was due to non-transfer to Commonwealth Telecommunications Organisation (CTO) due to the government resignation to participate in that space.

However, spending under goods and services increased from R1.9 million in 2020/21 to R3 million in 2021/22 financial year. Spending in consultation fees increased from R-Nil in 2020/21 to R1.2 million in the year under review due to increase in activity since the easing of 2020 nationwide lock down regulations as announced by the President of the country to curb the spread of the corona virus. Spending rate under this program is at 92.7 per cent.

Underspending under goods and services is mainly under travel and subsistence as it is impacted by virtual webinar instead of workshop.

8.3 Programme 3: ICT Policy Development and Research

The purpose of Programme 3 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.

Institutional outcome for Programme 3: *ICT Policy Development and Research is enabling Digital transformation policies and strategies*.

As its contribution to the Outcome related to “Enabling Digital transformation policies and strategies,” the programme was able to develop draft policies as well as coordinate the implementation of the Digital Economy Masterplan. Furthermore, a Rapid Deployment Policy was finalised and submitted to Minister for approval. Such achievements contribute towards creating and enabling digital transformation policies and strategies.

In response to prioritising women, youth and persons with disabilities the programme ensured that during the consultation workshops on the White Paper on the Audio- and Audio-Visual Content Services, more than 50 per cent of participants were women, youth and persons with disabilities.

Reporting on the Institutional Response to the COVID-19 Pandemic

The Department issued multiple Directions on the Risk-Adjusted Strategy for the Communications and Digital Technologies Sector under Regulation 4(10) of the Regulations made under Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002).

In order to facilitate the implementation of the Directions across the entire Sector, a Programme Management Office was still functional as a coordinating mechanism, through which the Department, together with the industry service providers, facilitated the provisioning of services so as to ensure smooth operations of the communications industry as essential services during the disaster period.

The composition of the COVID-19 Programme Management Office consisted of Departmental officials from all six Programmes of the Department.

8.3.1 Areas of Underperformance

Not applicable as all planned targets were achieved within Programme 3.

8.3.2 Programme Performance Against Budgets

Spending was R29.6 million in the 2021/22 Financial Year and R36.1 million in the 2020/21 Financial Year. Spending under goods and services declined from R2.4 million in 2020/21 to R1.7 million in 2021/22 Financial Year. Consultants and business advisory decreased from R170 thousand in 2020/21 to R-Nil in 2021/22 and spending in advertising also decreased from R539 thousand in 2020/21 to R154 thousand in the year under review due to continuous slow spending as a result of the nationwide lockdown. The spending rate under this program is 59.2 per cent.

- Underspending in compensation of employees is as a result of unfilled posts within the branch. The process of finalising and developing the organisational structure has commenced.
- Underspending on Goods and Services is due to delays in drafting Bills and Policies due to a change in direction of the Department.
- Underspending on Goods and Services as a result of work-from-home strategy which caused slow spending on Travelling and Subsistence and Advertising costs.

8.4 Programme 4: ICT Enterprise Development and Public Entities Oversight

The purpose of Programme 4 is to oversee and manage the 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.

Institutional outcomes for Programme 4: *High-performing Portfolio to enable achievement of their respective mandates and enabling digital transformation policies and strategies*.

Achievement has been made with regard to the Outcome of "High performing Portfolio to enable achievement of their respective mandates." Programme 4 is responsible for overseeing and managing the government's shareholding interest in the ICT public entities and state-owned companies. In this regard, the Department as part of its oversight function was able to coordinate the implementation of recommendations from the analysis of SOE Performance Reports and facilitated the tabling of submitted Annual Performance Plans of SOEs in line with the MTSF. Furthermore, Performance Management System for ICASA Councillors was submitted in Parliament.

With regards to the Outcome of "Enabling Digital transformation policies and strategies," the Department introduced the Postbank Amendment Bill to Parliament. Furthermore, developed and approved the Business Cases for both the State Digital Infrastructure Company Bill and State Digital Services Company. Through its stringent oversight of the State-Owned Entities and the development of relevant legislation, the Programme contributed to the outcomes related to creating a High performing Portfolio to enable the achievement of their respective mandates and Enabling Digital transformation policies and strategies.

In response to prioritising women, youth and persons with disabilities the programme ensured that the Entities were aligned in terms of gender representation and compliance with the Framework on Gender, Responsiveness, Budgeting, Planning, Monitoring, Evaluation and Auditing.

Reporting on the Institutional Response to the COVID-19 Pandemic

The Department issued multiple Directions on the Risk-Adjusted Strategy for the Communications and Digital Technologies Sector under Regulation 4(10) of the Regulations made under Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002). In order to facilitate the implementation of the Directions across the entire Sector, a Programme Management Office was still functional as a coordinating mechanism through which the Department, together with the industry service providers, facilitated the provisioning of services to ensure smooth operations of the communications industry as essential services during the disaster period.

The composition of the COVID-19 Programme Management Office consisted of Departmental officials from all six Programmes of the Department.

8.4.1 Areas of Underperformance

Not applicable as all planned targets were achieved within Programme 4.

8.4.2 Programme Performance Against Budgets

Spending was R1.7 billion in the 2021/22 Financial Year and R1.8 billion in the 2020/21 Financial Year. Spending under goods and services increased from R1.6 million in 2020/21 to R2.7 million in the 2021/22 Financial Year. Advertising costs increased from R Nil in 2020/21 to R1.2 million in the year under review due to continuous slow spending due to the nationwide lockdown. The spending rate under this program is 99.7 per cent.

Underspending under goods and services is due to delays in drafting of the Bills for the State Digital Infrastructure Company (SDIC) and the State Digital Services Company (SDSC). The rationalisation project in the Department has taken a different direction, the funds will no longer be spent on the service provider as planned since a legal unit now leads the project.

8.5 Programme 5: ICT Infrastructure Development & Support

The purpose of Programme 5 is to promote investment in robust, reliable, secure, and affordable ICT infrastructure that supports the provision of multiple applications and services**.**

Institutional outcomes for Programme 5: *ICT Infrastructure Development and Support include increased access to secure Digital Infrastructure and enabling Digital transformation policies and strategies*.

The Department's Programme 5 contributed to the Outcome of "Increased access to secure Digital Infrastructure" in this regard, preliminary technical and regulatory studies were conducted to inform the draft SA's position for WRC-23. With regards to broadband, the Department during the reporting period, the revised SA Connect Phase 2 model was approved by the Cabinet, and the provision of broadband services to 970 connected sites was sustained.

Regarding the Outcome of "Enabling Digital Transformation policies and strategies" although the progress was not achieved as planned during the reporting period, the Department coordinated the Switch-off of SABC analogue television transmitters across provinces by 31 March 2022. The target could not be achieved due to litigation, and the new deadline has been extended to the end of June 2022. However, the progress contributed to the outcomes related to Increased access to secure Digital Infrastructure and Enabling Digital Transformation policies and strategies, respectively.

In response to prioritising women, youth and persons with disabilities, the programme ensured that during the implementation of the Broadcasting Digital Migration Programme, 40 per cent of the total number of set-top-box installers were women. This programme also had participation by youth.

Reporting on the Institutional Response to the COVID-19 Pandemic

The Department issued multiple Directions on the Risk-Adjusted Strategy for the Communications and Digital Technologies Sector under Regulation 4(10) of the Regulations made under Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002). In order to facilitate the implementation of the Directions across the entire Sector, a Programme Management Office was still functional as a coordinating mechanism through which the Department, together with the industry service providers, facilitated the provisioning of services to ensure smooth operations of the communications industry as essential services during the disaster period. The composition of the COVID-19 Programme Management Office consisted of Departmental officials from all six Programmes of the Department.

8.5.1 Areas of Underperformance

The Department acknowledges its areas of under-performance related to the target of Switch-off of SABC analogue television transmitters coordinated across all provinces by 31 March 2022, which could not be achieved due to litigation against the Department. As a result, the deadline was extended to the end of June 2022. The Department will ensure the finalisation of the coordination of the switch-off of SABC analogue television transmitters across all provinces in the 2022/23 Financial Year. The completion of the analogue switch-off will have a huge impact on the accessibility of digital content.

8.5.2 Programme Performance Against Budgets

Spending was R1.513 billion in the 2021/22 Financial Year and R1.017 billion in the 2020/21 Financial Year. Spending in goods and services decreased from R217.3 million in 2020/21 to R186.3 million in the 2021/22 Financial Year. Spending in Travel and subsistence increased from R2.9 million in 2020/21 to R5.6 million in the year under review. The transfer to public entities increased from R765.2 million in 2020/21 to R1.291 billion in the 2021/22 Financial Year. These transfers are for the Digital Terrestrial Television Migration project. The variance is mainly due to funds transferred to Universal Service and Access Fund for Broadcasting digital migration project (BDM). The spending rate under this program is at 85.9 per cent.

- Underspending under goods and services is mainly due to R200 million appropriated during adjustment estimates for the Presidential Employment Stimulus not spent as the process to appoint BBI as a designated fund manager for the Broadband Access Fund for which the funds have been allocated was not concluded at the end of the current financial year. The rollover request was submitted to National Treasury in this regard. The Department has yet to formalise the appointment in line with the due governance process.
- The underspending is also due to a request for deviation submitted to National Treasury to appoint CSIR as a strategic partner for hosting the Cybersecurity hub; the response from National Treasury was received in the new Financial Year.

- The underspending on SA Connect Phase 1 was due to non-payment of services that did not meet the Service Level Agreement (SLA)Performance requirements, in line with the contractual agreement between DCDT and the implementing agencies.

8.6 Programme 6: ICT Information Society and Capacity Development

The purpose of Programme 6 is to develop and implement strategies to build capabilities to bridge the digital divide.

Institutional outcomes for Programme 6: *ICT Information Society and Capacity Development include a transformed digital society, enabling Digital transformation policies and strategies, and a high-performing Portfolio to achieve their respective mandates*. The Department's Programme 6 contributed to the Outcome of a "Transformed digital society." In this regard, the Department monitored the implementation of the National e-Government Strategy and Roadmap towards digitalising government services.

The Department's Programme 6 contributed to the Outcome of a "Transformed digital society." In this regard, the Department coordinated the implementation of the National e-Government Strategy and Roadmap towards digitalising government services. The implementation of the Digital and Future Skills Implementation Programme was also facilitated and monitored.

Programme 6 also contributed to the Outcome of "Enabling Digital transformation policies and strategies." During the reporting period, the Department has not achieved the target of submitting the Framework on Digital Transformation and Digital Inclusion for approval and developing the implementation plan as there were delays in the approval process.

This Programme also contributed to the Outcome "High performing Portfolio to enable achievement of their respective mandates" by monitoring the Departmental and SOCs Gender, Disability, Youth and Children (GDYC) Responsiveness programmes in line with National targets and coordinated the implementation of Stakeholder Relations Strategy.

In response to prioritising women, youth and persons with disabilities, the programme ensured that training the Entities are aligned in terms of gender representation and compliance with the Framework on Gender, Responsiveness, Budgeting, Planning, Monitoring, Evaluation and Auditing.

Reporting on the Institutional Response to the COVID-19 Pandemic

The Department issued multiple Directions on the Risk-Adjusted Strategy for the Communications and Digital Technologies Sector under Regulation 4(10) of the Regulations made under Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002). In order to facilitate the implementation of the Directions across the entire Sector, a Programme Management Office was still functional as a coordinating mechanism through which the Department, together with the industry service providers, facilitated the provisioning of services to ensure smooth operations of the communications industry as essential services during the disaster period. The composition of the COVID-19 Programme Management Office consisted of Departmental officials from all six Programmes of the Department.

8.6.1 Areas of Underperformance

The Department acknowledges its areas of under-performance related to the target of Framework on Digital Transformation and Digital Inclusion. It's implementation plan and on the target of the development of the DCDT integrated plan of action in support of the implementation of National Strategic Plan (NSP) on gender-based violence which could not be achieved due to delayed inputs from the stakeholders. The Department will ensure that both targets are approved and finalised in the 2022/2023 Financial Year.

8.6.2 Programme Performance Against Budgets

Spending was R65.1 million in the 2021/22 Financial Year and R49.8 million in the 2020/21 Financial Year. Spending under goods and services increased from R9.5 million in 2020/21 to R23.1 million in 2021/22 Financial Year. Consultants and business advisory increased from R912 thousand in 2020/21 to R6.6 million in 2021/22. The major variance is due to payment made to SITA for National e-Government programme and spending in Travel and subsistence increased from R1 million in 2020/21 to R2.6 million in the year under review due to increased activity since the easing of 2020 nationwide lock down regulations as announced by the President of the country to curb the spread of the corona virus. Spending rate under this program is at 87.4 per cent.

- Underspending in compensation of employees as a result of unfilled posts within the branch. The process of finalizing and developing the organizational structure has commenced.
- Underspending on Goods and Services is due to Underspending on Goods and Services is due to delays in outstanding invoices for the National e-Government Portal.

9. Overview and Assessment of Financial Performance of the Department

PROGRAMMES	2021/22 Adjusted Appropriation	2021/22 Virement	2021/22 Final Appropriation	2021/22 Actual Expenditure	2021/22 Variance	2021/22 Expenditure as % of final appropriation	2020/21 Final Appropriation	2020/21 Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
ADMINISTRATION	272 974	(15 543)	257 431	228 371	29 060	88,7%	260 262	215 901
ICT INTERNATIONAL RELATIONS AND AFFAIRS	56 499	2 385	58 884	54 565	4 319	92,7%	63 114	61 450
ICT POLICY DEVELOPMENT AND RESEARCH	51 173	(1 200)	49 973	29 586	20 387	59,2%	52 368	36 067
ICT ENTERPRISE AND PUBLIC ENTITY OVERSIGHT	1 663 539	19 655	1 683 194	1 678 860	4 334	99,7%	1 789 931	1 783 968
ICT INFRASTRUCTURE DEVELOPMENT AND SUPPORT	1 760 443	3	1 760 446	1 512 955	247 491	85,9%	1 039 854	1 017 415
ICT INFORMATION SOCIETY AND CAPACITY DEVELOPMENT	79 828	(5 300)	74 528	65 127	9 401	87,4%	75 399	49 824
TOTAL	**3 884 456**	**-**	**3 884 456**	**3 569 464**	**314 992**	**91,9%**	**3 280 928**	**3 164 625**

	2021/22 Adjusted Appropriation	2021/22 Virement	2021/22 Final Appropriation	2021/22 Actual Expenditure	2021/22 Variance	2021/22 Expenditure as % of final appropriation	2020/21 Final Appropriation	2020/21 Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	**908 461**	**(15 787)**	**890 576**	**582 288**	**308 288**	**65,4%**	**675 079**	**575 783**
Compensation of employees	295 831	-	295 831	271 487	24 344	91,8%	302 203	270 637
Goods and services	612 630	(15 787)	594 745	310 801	283 944	52,3%	372 876	305 146
Transfers and subsidies	2 953 189	23 487	2 978 713	2 978 399	314	100,0%	2 574 031	2 574 031
Payments for capital assets	22 806	(7 700)	15 106	8 716	6 390	57,7%	31 750	14 743
TOTAL	**3 884 456**	**-**	**3 884 456**	**3 569 464**	**314 992**	**91,9%**	**3 280 928**	**3 164 625**

The Department of Communications and Digital Technologies had a total adjusted appropriation of R3.844 billion for the 2021/22 financial year. The adjusted allocation for 2021/22 was increased by R603.5 million (15.5%) compared to the previous financial year's allocation of R3.280 billion. Of the total allocation, transfers and subsidies amount to R2.978 billion (77%) of the budget. These transfers were mainly to departmental agencies and accounts and an allocation for digital broadcasting migration.

The total revenue collected as of 31 March 2022 amounts to R1.5 million against the adjusted estimates of R1.2 million. The overcollection of revenue results from bursaries' recovery due to a breach of contract for an official who resigned during the last quarter of the financial year. Included in the total revenue is interest received from SABC on loan No.14 in terms of Section 30(1) of the Exchequer Act, (Act No 66 of 1975) interest rate of 6.5 per cent per annum. Payable six monthly on 31 January and 31 July every year.

For the 2021/22 Financial Year, the Department spent R3.569 billion (91.9%) of the adjusted budget of R3.884 billion. The total under-spending was 315 million (8.1%). The underspending on goods and services was mainly due to unspent funds appropriated for Presidential Employment Stimulus payment as the process to appoint BBI as a designated fund manager for the Broadband Access Fund has not been concluded, and consultants' costs due to the expiry of the Memorandum of Agreement (MoA) that governs the relationship between DCDT and the CSIR. Under capital assets underspending is a result of non-procurement of the Integrated Workflow management system as a result of requirements by SITA to deviate from the IFSM project.

The underspending on the compensation of employees is due to critical vacancies not filled due to merger, the organisational structure of the Department not being finalised and a moratorium on the filling of posts, and DPSA's circular allowing only the advertisement of extremely critical positions due to Covid 19 pandemic. Underspending under compensation of employees was due to critical vacancies not filled due to merger, the Department's organisational structure not being finalised and a moratorium on filling posts.

Further underspending under goods and services was due to R200 million appropriated during adjustment estimates for Presidential Employment Stimulus not spent as the process to appoint BBI as a designated Fund Manager for the Broadband Access Fund was not concluded by the end of the financial year.

Underspending under Payment for Capital Assets was because of non-procurement of the Integrated Workflow Management System not procured due to requirement to deviate from IFSM project by SITA.

The transfers were paid to the entities in line with the pre-approved scheduled with National Treasury.

Goods & Services – The increase was due to the Broadcasting Digital Migration project. A deadline for the completion of the BDM was determined to be 31 March 2022 and the Department had to elevate the marketing and advertising interventions of the programme towards supporting the analogue switch off of analogue transmitters across the country. This was also necessitated by the implementation of the reviewed model and plan approved by Cabinet in September 2021.

The allocation for good & services amounted to R594.7 million (15%) of the total budget. The allocation for compensation of employees amounted to R295.8 million (8%), and payment for capital assets was allocated R15.1 million which is less than 1 per cent.
Transfers - The transfers were paid to the entities in line with the pre-approved scheduled with National Treasury.
Capital Assets – In the financial year 2020/21 the Department had purchased laptops for all employees and less laptop were purchased in the current Financial Year
Emphasis of Matter – Impairment of Investment made in SAPO amounting to R8.1 billion (fully impaired) due to the negative net asset value of the entity as 31 March 2021.
Unauthorised Expenditure – Follow ups made with National Treasurer regarding progress on the case as the matter awaits cabinet approval.
Cash & Cash Equivalents – Cash in the bank at end of the year.
Prepayments and advances – The decrease was a result of invoices received from SITA (the advance of R20 million paid in March 2021), DIRCO & GCIS and expensed in the 2021/22 financial year. In the current year prepayment and advances made to staff is R86 000.
Receivables - The amount of R 11 Million is a result of loan repaid by SABC in contravention of section 30 of the Exchequer Act. The money was surrendered to National Revenue Fund and needs to be claimed by the Department and returned to SABC.
Loans – The SABC loan is interest bearing of R27.391 million. A letter was sent to National Treasury to repeal section 28 to 30 of the Exchequer Act. The Department has received the approval to convert the BBI loan amounting to R1.351 billion into equity, The shares certificate is issued.
Payables - An amount of R11.457 million was received from SABC as a settlement of the loan and the amount has be payable to them.

Virements/roll overs
Virements, as reflected on the Appropriation Statement, were applied in terms of section 43(1) of the Public Finance Management Act, 1999 (Act 1 of 1999) which stipulates that virements may not exceed 8 per cent of the amount appropriated under that main division. Funds amounting to R22.9 million from programmes 1.3 and 6 were transferred to programme 2, 4 and 5 to defray excess expenditure. Programme 2 was overspending under compensation of employees, Programmes 4 and 5 were overspending under transfers.
No roll-overs were approved by National Treasury for 2021/22 Financial Year.

Unauthorised, Irregular, Fruitless and Wasteful Expenditure
The Department did not incur any unauthorised expenditure during the period under review. The Fruitless and Wasteful expenditure amounted to R4000 for cell phones and R3000 was recovered from the officials. Fruitless and Wasteful Expenditure and the amounts involved, as well as steps taken to address and prevent a recurrence.
The Department did not incur any Irregular Expenditure during the period under review. However cases amounting to R133 million were resubmitted and referred to National Treasury awaiting condonation. The Department had possible irregular expenditure under assessment amounting to R1.2 million that is being quantified.

10. AGSA Report
The Department received an **Unqualified** audit opinion with 28 findings received. Audit action plan for all the findings have been developed and progress was monitored on a monthly basis and presented in the relevant governance structures.
The AG was unable to obtain sufficient appropriate audit evidence for the achievement of 29 230 subsidised digital television installations coordinated and monitored in 4 provinces reported against target of 840 000 subsidized digital television installations coordinated and monitored in 4 provinces in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.
As reported in the previous year, management does not have adequate internal controls in collecting, collating and verifying the data related to the BDM project, which resulted in material findings on the reliability of the reported performance information . Management must improve internal controls, determine proper accountability and enhance oversight over the BDM project to ensure reliable reporting.

Consequence Management
The AG was further unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into some of the irregular expenditure were not performed. And disciplinary steps were not taken against some of the officials who had incurred and permitted irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.

On next page is a summary of additional findings and corrective actions:

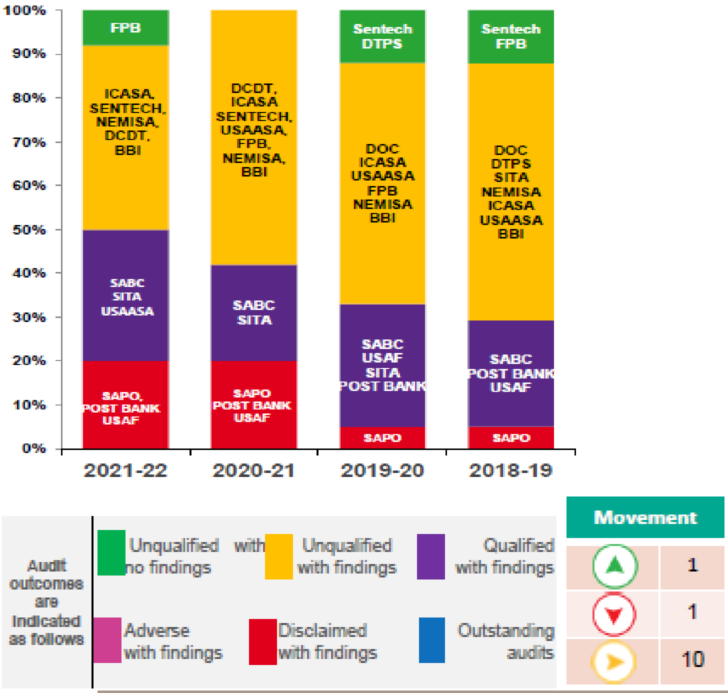
Finding	Details	Action Plan
Performance Information	Reported achievement not supported by accurate and complete listing	• Recruitment of field monitors to strengthen data collection and real-time field monitoring and reporting • The SPM unit will source and analyse detailed list of installations per quarter as opposed to relying on summarized progress reports from the relevant SOEs and the Infrastructure Support Branch • Relationship between SPM and the relevant SOEs will also be further strengthened in order to verify provided information.
Misstatement of financial statements	Material misstatements on advances, goods and services and disclosure notes identified and corrected	• Detailed review of supporting documents and agreements before advances are made and expensed. • Detailed review of the financial statements in accordance with the project plan put in place • Asset register verification and confirmation of amounts disclosed.
Irregular expenditure	Determination assessment of prior year irregular expenditure not conducted.	• Assessment of prior year irregular expenditure has been completed and reports are being compiled. • The reports will be presented in the Governance and Compliance Committee before submitted to National Treasury for condonement. • Consequence management to be taken.

11. Auditor General of South Africa Consolidated Portfolio Report

The Film and Publication Board and the Domain Name Authority obtained clean audits in the Financial Year under review.

The DCDT, together with the Independent Communication Authority of South Africa, the National Electronic Media Institute of South Africa, and Sentech, obtained **Unqualified audit opinions with findings**.

The South African Broadcasting Corporation, the State Information Technology Agency and the Universal Service and Access Agency of South Africa obtained **Qualified audit opinions with findings**. The South African Post Office and the Universal Service Access Fund obtained **Disclaimers with findings**.



As illustrated above, the overall outcomes remained stagnant for the Portfolio. This reflects a state of the internal control environment that requires urgent attention with 6/12 unfavourable outcomes:

- SENTECH-The inadequate accounting records to support the BDM project remained (material PDO finding). Management is encouraged to improve the recording and reporting process via internal audit assistance and additional systems and resources to manage the volume of information and record keeping (AFS).

- DCDT -As reported in the previous year, management does not have adequate internal controls in collecting, collating and verifying the data related to the BDM project, which resulted in material findings on the reliability of the reported performance information. Management must improve internal controls, determine proper accountability and enhance oversight over the BDM project to ensure reliable reporting.
- USAASA-Regressed as the action plan developed was not effective. Significant internal control deficiencies identified in the prior year were not addressed during the year under review. An effective action plan to improve internal controls must be implemented by management.
- USAF-Remaineddisclaimed, mainly as a result of inadequate supporting documentation regarding the BDM project. (Sentech= IA –arrangement entered into in the prior year to install STBs). No controls over the number of STBs and no sufficient supporting documentation resulted in numerous qualification areas which were material and pervasive. Management must ensure proper record-keeping and consequence management.
- SITA -The opinion remains Qualified. Significant findings from the submitted AFS indicated that the accounting standards were not properly applied when preparing the AFS. Refresher GRAP training is encouraged for key officials involved in financial reporting to improve the quality of financial reporting.
- ICASA & BBI-The opinions remained unqualified with material non-compliance matters.
- NEMISA-The opinion remained unqualified with material non-compliance matter.

Total Irregular Expenditure incurred for the Portfolio during the year amounted to R1.2 billion (identified in the current year, relating to current and/or prior).

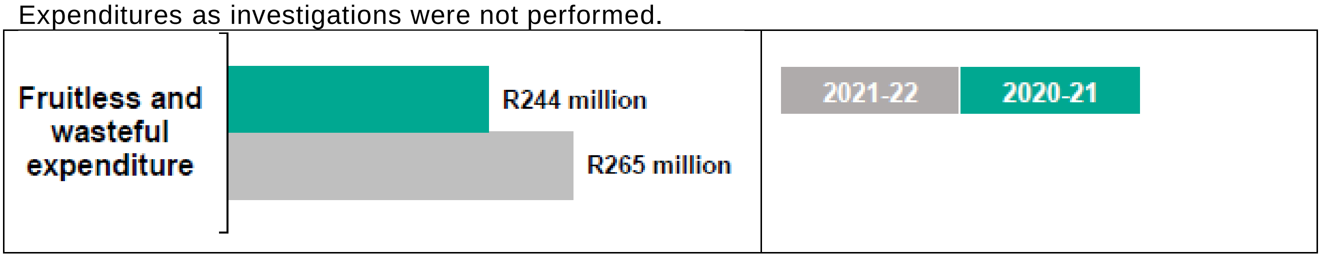
Regarding SITA, services rendered after the contract expiry date, an invalid extension of contracts, payments made to suppliers who was not tax compliant at the date of award, and shortened advertisement periods. R250 million incurred at SITA detected in prior years related to ongoing contracts.

The SABC implemented a project to review the population of procurement transactions from 1 April 2018 to 31 March 2022. In this period, the vendor spending amounted to R14.4 billion, of which R6.9 billion was under investigation. Further Irregular Expenditure relating to the prior period amounting to R43 million was identified and disclosed accordingly. The most significant adjustments to the Irregular Expenditure closing balances regarding write-offs and condonations amounting to R89 million (SABC) in the current year.

The highest contributors to irregular expenditure in the portfolio:

- Payments made to suppliers without a valid contract.
- Incorrect evaluation criteria applied to bids.
- Payments that did not qualify as deviations which is defined as an emergency, sole source or where prior approval.
- Purchase Orders without obtaining the minimum number of quotations.
- Awarded purchase orders /contracts for services without following a competitive bidding or quotation process in accordance with the Policy and PPPFA.
- Tender above R30 million did not include subcontracting as a condition of a tender.
- Variation order in excess of 15% as prescribed by the National Treasury.

R2.9 billion relating to SABC Irregular Expenditure balance is awaiting condonation subject to further investigation. SABC is currently engaging NT to determine the process going forward. For DCDT, USAF and USAASA, disciplinary steps were not taken against officials who had incurred Irregular Expenditures as investigations were not performed.



As illustrated above, there was a general increase in Fruitless and Wasteful Expenditure of 9 per cent compared to prior year. Total Fruitless and Wasteful Expenditure for the Portfolio that was identified during the Financial Year amounted to R265 million. R10 million of which was incurred by the SABC, which mainly relates to content impairment, interest and penalties on late payments and rental paid of unoccupied office space.

SITA, R3.7 million of software licences paid for that were not deployed. For USAF and USAASA, disciplinary steps were not taken against officials who had incurred Fruitless and Wasteful Expenditure as investigations were not performed.

11.1 Auditor General Key Message on Digital Migration Affecting the Lives of Our Citizens

The AG observations are that the citizens are impacted by STB not being installed as planned as follows:

- Statistics from the Digital Terrestrial Television Migration Dashboard (independent source) indicate that audience share have dropped after the switch-off in certain Provinces. This might impact the mandate of SABC as communities are not reached with compelling information, education and entertainment content.
- With these statistics showing a decline in audience share, this might negatively impact on SABC's financials (taking also into consideration all other factors impacting audience share as well).
- Slow release of the spectrum, keeps costs high to run both analogue and digital networks.
- Slow release of the spectrum also keeps data costs high, not allowing all citizens to have access to streaming.

The AG Recommendation:

STB installations are to be effectively monitored and completed to allow for spectrum release to reduce data costs (ICASA to regulate prices) and allow more streaming platforms.

11.2 Going Concern of the SABC

Despite an improvement in the extent of overall loss, the entity continued to suffer losses for a 4th consecutive year. The net loss amounted to R201million (R530m 2020-21).

The income statement projections continue to indicate operating losses of R123 million, which indicates that the entity will continue to operate at a loss for the foreseeable future.

Forecast cash flow shows a decrease of cash collected from customers of 2 per cent from R4.2 billion to R4.1 billion, and this excludes cash collected relating to TV licences with a 9 per cent increase in account receivables.

Cash collected from TV licences indicates an increase of 1 per cent from R889 million to R897 million. This is despite the assessment from management indicating that TV licence shortfall of R122 million is anticipated due to Direct Collection Agencies (DCAs) failing to meet set standards in Financial Year 22 and the contracts of two (2) DCAs being terminated as a result.

Payments to employees show an increase of 3 per cent from R2.1 billion to R2.2 billion excluding the 495 vacancies as at 31 March 2022.

Net cash flow from operation activities shows a negative increase of 14 per cent from R403 million to R459 million.

Cash reserves are forecasted to decrease from R1.1 billion to R775 million as at 31 March 2023 graphs below depict the movement of cash on hand (own cash: R421m) and bailout funds (R353m) (April to June –actual figures).

11.2.1 Implementation of Material Irregularity Process: SABC

Auditee	MI short description	Actual / likely Loss	Actions taken	Status of MI
SABC	Security contract – in contravention of section 2(1)(f) of the PPPFA relating to 2019/2020. The non-compliance is likely to result in a material financial loss as the price of the security service procured from the successful bidder was higher than the price submitted by the bidder that scored the highest preference points	R147 million	Court proceedings still in progress to set aside the award. The matter have been heard on 09 May 2022 and 11 May 2022. Judgement is reserved.	We will follow up in the next audit
SABC	Building in Nelspruit - F&W expenditure incurred on unoccupied floor in one of the rented buildings – MI included in audit report as this resulted in resources of the SABC not being utilised economically as as such is in contravention with section 57(b) of the PFMA. 44.	R12 million	The accounting authority plan to continue with the legal proceedings to recover the money and will abide by the outcome of the court ruling	We will follow up in the next audit

11.2.3 AG Recommendations to be Addressed

DCDT

What should be addressed by the Accounting Officer:

Appropriate oversight controls must be implemented to ensure that installations recorded are supported by evidence to ensure that it is valid and accurate.

What should be addressed by the Executive Authority:

Monitor controls surrounding BDM oversight by the department

These actions to be monitored by the Portfolio Committee:

Follow up on action plans implemented for proper record keeping and reconciliations for all quarterly reports.

SABC

What should be addressed by the Accounting authority:

To complete the process of identifying IE and to re-direct the efforts on initiatives driving output on the turnaround strategy.

What should be addressed by the Executive Authority:

Monitor initiatives on the turnaround strategy

These actions to be monitored by the Portfolio Committee:

Follow up on action plans implemented to address the material matters

SAPO

What should be addressed by the Accounting authority:

Appropriate oversight controls must be implemented to ensure that the turnaround strategy is implemented and monitored accordingly.

What should be addressed by the Executive Authority:

A functioning consequence management system is in place. Ensure there are regular feedback and monitoring processes on the implementation of the turnaround strategy.

These actions to be monitored by the Portfolio Committee:

Follow up on action plans implemented for proper record keeping and reconciliations for all quarterly reports.

Postbank

What should be addressed by the Accounting authority:

Fill key vacant positions to ensure stability and Implement controls to prevent unauthorised access to the Postbank Oracle Databases. Ensure that adequate structures, processes and practices were implemented for the governance of IT and ensure a sound IT control environment that is supported by a sound IT infrastructure

What should be addressed by the Executive Authority:

Ensure that the Postbank board is adequately capacitated at all times . Further ensure that the board includes a member with extensive IT expertise especially in security.

These actions to be monitored by the Portfolio Committee:

Follow up on action plans implemented to address cyber security risks.

ICASA

What should be addressed by the Accounting authority:

To further strengthen its oversight responsibilities over internal controls relating to credible financial reporting to address the payments not made within 30 days.

What should be addressed by the Executive Authority:

To monitor whether entity is on track to achieving desired outcomes of entity's action plans as per mandate.

These actions to be monitored by the Portfolio Committee:

Follow up on progress on audit action plans put in place by the entity.

SITA

What should be addressed by the Accounting Authority:

To further strengthen its oversight responsibilities over internal controls relating to credible financial reporting.

What should be addressed by the Executive Authority:

To monitor whether entity is on track to achieving desired outcomes of entity action plan.

These actions to be monitored by the Portfolio Committee:

Follow up on progress on audit action plans put in place by the entity.

USAASA

What should be addressed by the Accounting Authority:

Appropriate oversight controls must be implemented to ensure that transactions recorded are supported by sufficient and appropriate evidence

What should be addressed by the Executive Authority:

To monitor whether entity is on track to achieving desired outcomes of entity action plan.

These actions to be monitored by the Portfolio Committee:

Follow up on action plans implemented for proper record keeping put in place by the entity.

USAF

What should be addressed by the Accounting Authority:

Appropriate oversight controls must be implemented to ensure that BDM expenditure and installations recorded are supported by evidence to ensure that it is valid and accurate.

What should be addressed by the Executive Authority:

Monitor controls surrounding BDM oversight by the department.

These actions to be monitored by the Portfolio Committee:

Follow up on progress on audit action plans put in place by the entity.

12. Entities of the Department

The following shows the transfer of funds to Entities and Agencies reporting to the Department of Communications and Digital Technologies (excluding international organisations), noting that SITA, .ZADNA and BBI are self funded and therefore are not reflected in the table below:

Name of Entity	Key Outputs	Amount Transferred	Amount Spent	Achievements
FPB	Effective Content Regulation aligned to the Constitution Public Education and Stakeholder Partnering Research and Development Efficient and high performing organisation	R100.9m	R99m excluding commitments R118.6m inclusive of commitments	FPB achieved 80% of planned targets for the 2020/21 financial year. The achievement included the following: production of the Content Classification index; emoluments of the classifiers who have been appointed as independent contractors to classify the films, games, and other publications; enforcing the FPB Act to the training of educators, parents and learners on cyber safety, training workshops for the classifiers and industry Implementation of outreach programmes Improving stakeholder relations for the FPB. distributors through issuing noncompliance notices
ICASA	Access to quality broadband Services Increased Status of Social Cohesion (inclusive of Diversity of Views) enhanced Rights of Consumers Protected Competition in the ICT Sector Promoted	R508.2m	R447.4m	ICASA achieved 89.6% of its targets for the current financial year (Unaudited). ICASA has both monthly and quarterly monitoring system that ensure spending kept on close watch. Forecasting on spending sufficiently done predict overspending future months ahead. 5G spectrum auctioning at close of 2020/21FY was already set to take place with all regulatory requirements in place.
NEMISA	Digital Skills training	R98.5m	R64.5 m	NEMISA has achieved 10 out of 11 planned targets, translating to 90%. Notable achievement include the training of: - 16 296 citizens in basic digital literacy • 117 learners in creative media practitioners • 1126 citizens on specialist technology • 703 government officials in digital transformation advocacy and awareness campaigns Other key achievements include: • The registering of 10492 LMS users on the system
USAASA	Progressive realisation of the goal of universal access and universal service in South Africa	R177.1 m	R64.599 m	The achievement included the: • Filling of the 2 critical vacancies under the organisational structure • Appointment of Sentech to project manage the BDM rollout of Phase 1 installations of 860 000 set-top-boxes in 3 priority provinces, i.e., Free State, Northern Cape, and North West • The establishment of the Enterprise Risk Maturity Level baseline – a baseline of 43% (level 3) was recorded in quarter 4 and 32% (level 2) in quarter 2 • The mapping capability on establishment of the Geographic Information System was developed and approved by EXCO by year end
USAF	Enhanced access to ICT and digital broadcasting services in identified underserviced areas.	1 137m	30.035m	USAF achieved the installation of 12 871 set-top-box kits, compared to 860 000 that were planned. The work done in relation to other targets that were set did not yield any significant results.
SAPO	Provision of Universal Postal Service	R542.6m	R492.1m	529 USO Post Offices Provision of universal postal services
SENTECH	Network availability	R169.7m	R201.5m	SENTECH has managed to achieve the 99.8% network availability for the service provision of television and radio services. Funds are utilised in the managing of analogue and DTT infrastructure (repairs and maintenance) for service provision of uninterrupted quality radio and television service. The network management has been challenging in the wake of rolling blackouts and vandalism. The increasing cost of spares and regular maintenance of the analogue equipment has also been a challenge. In the wake of rolling blackouts, we have put in place diesel generators to power the transmitters to keep transmission on. The costs are monitored on a monthly basis on a set template to calculate the costs when maintenance is carried out. The digital frequency migration project funds are required in advance to allow for advance procurement planning of the frequency migration to free up radio frequency spectrum for mobile broadband.

SABC	The DCDT funding made it possible for the SABC to deliver the following educational programmes to the citizens of South Africa through Radio and Television: 1. Curriculum content for learners & Educators within a formal education environment (Early Childhood Development, Primary and Secondary Schools, Further Education and Training and Adult Basic Education) 2. Non-formal content for learners outside of a formal learning environment. (Children at home). 3. Informal content for the general public in terms of Democracy, Health, Agriculture, Social Welfare, Youth Development, Social Action campaigns. The programmes were also supported by sign language and ubtitling etc.). The SABC also elivered Nation Building programmes to assist in building and strengthening a young democratic South Africa. 4. Channel Africa, the only international radio service of South Africa, is a platform that supports the government's programmes into the continent in spheres of political, social, and economic. It produces content that nforms the African citizens of issues that affect their lives, thereby empowering them to make informed decisions. It assists in the enhancement of the national brand - South Africa, which is critical for business confidence and ultimately economic development for the country. Through its content offering, it creates the Africa that all envisages.	R209.7m	SABC – Public Broadcaster TV and Radio Education program: R79m Tv Programme Productions: 3m Channel Africa: R51m **Total = R133m**	• SABC's educational programmes are the most watched programmes in South Africa compared to other broadcasters, and our radio programmes are very popular with our listeners. • The SABC's Youth Development programme called Skeem Sam is the third most watched programme in South Africa compared to other broadcasters. • SABC's Children and Educational programmes received 12 SAFTA nominations. • SABC also developed an Online Virtual Academy for high school learners, called SEVA (SABC Education Virtual Academy)

Transfer payments to all organisations other than public entities

The Department does not have transfer payments made to provinces, municipalities, departmental agencies, higher education institutions, public corporations, private enterprises, foreign governments, non-profit institutions, and households. The only payment which is made by the Department is the membership fees which are paid to the International Organisations.

Transfer payments made to the international Organisations which the Department is affiliated for the period 1 April 2021 to 31 March 2022 amounted to R32 049 million.

12.1 .ZADNA

The .ZA Domain Name Authority (.ZADNA) is a not-for-profit organisation that manages and regulates the .ZA namespace. The .ZADNA is statutory regulator and manager of .ZA Namespace. The Authority must enhance public awareness on the economic and commercial benefits of domain name registration and it complies with international best practice in the administration of the .ZA domain name space; license and regulate registries and registrars and publish guidelines on .ZA domain namespace. .ZADNA is therefore the custodian of the Internet Governance in South Africa.

.ZADNA is accountable to the South African Department of Communications and Dgital Technlogies, but does not receive government funding which means it is exempted from complying with the Public Finance Management Act.
Section 65(1) of the ECT Act 25 of 2002 forms the core mandate of .ZADNA, but in addition to it, Section 68 gives .ZADNA an ability to make wide-ranging regulations. In addition, Section 69 of the same Act mandated the Minister to promulgate Alternative Dispute Resolution (ADR) Regulations for the resolution of .ZA domain name disputes. .ZADNA is mandated to:

- Comply with international best practice in administration and management of the .za namespace in compliance with international best practice;
- Licensing and regulate registries;
- Licensing and regulate registrars for respective registries;
- Publish guidelines among others; and
- There was a total of 120 targets for the year, and .ZADNA achieved 118 (98%) of the targets. There were 2 targets (2%) that were not achieved are deferred to 2019/2020.

12.1.1 Operational Highlights

The Authority managed an achievement rate of 79 per cent of its targets translating to .ZADNA achieving 11 of the 14 annual targets as illustrated below:

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
14	11	3
% ACHIEVED	79%	21%

This achievement is a testament to .ZADNA's commitment to furthermore achieve its vision, and ensuring it has the expected impact. However, the 2021/22 financial year came with its fair share of challenges; this is shown in .ZADNA's inability to achieve three of its fourteen targets, which include the promulgation of the registry and registrar licensing framework, the namespace growth of 25 000 domains, and increasing the namespace by 0.25 per cent through the CIPC channel.

Key highlights

- Ensured access to the internet through the school digitisation programmes
- Empowered communities through awareness and training programmes
- .za Regulations
- Improved stakeholder engagement

During the course of the 2021/2022 financial year organisations and businesses experienced an adjustment to the "new normal." Some of them recovered from the effects of the pandemic while others, unfortunately, had to terminate their business activities and operations. This in turn, resulted in job losses as businesses could not generate sufficient revenue.
During the 2021/22 financial year, .ZADNA tirelessly worked on the draft .ZA Registry and Registrar Licensing Regulations and Procedure to ensure that a legally sound and constitutionally grounded regulations are produced for public commentary.
The .za domain namespace retained the growth it achieved in the prior year. This stagnation of the namespace was due to the low retention of registered domain names. The Authority embarked on industry market studies and an analysis of socio-economic factors that impact and contribute to the namespace's growth.
Benchmark of top-level domain name regulations and global best practice policies to curb the abuse of the Internet country-code top-level domain. These were supported by the Board and Management's participation in various global policy formulation platforms and local engagements and interventions
Among the organisation's key focuses for the year, the Board of Directors and Management worked tirelessly to ensure that the .za Registry-Registrar Licensing Regulations were gazetted for public comments in preparation for the promulgation of the Regulations which will enable the Authority to license the accredited .za channel partners.
This moment coincided with the most significant milestone of the organisation as it celebrated 20 years of its establishment. In July 2021, the organisation started the process of appointing a new Registry Operator.
.ZADNA successfully rolled-out forty-three (43) awareness campaigns, and forty (40) articles/news reports about this organisation appeared on and in various media outlets.
A total of 19 disputes reached actual adjudication, with 15 decisions accounting for 78 per cent of the disputes, which resulted in the transfer of the disputed domain names to the complainants. The transfer of the four disputes accounting for 22 per cent of the disputes, were refused, and two of the refused disputes accounting for 11 per cent of the disputes, were appealed. No withdrawals were made.
During the same period, we conducted 24 Registrar-Reseller training sessions, empowering 800 South Africans, the majority being female (433 out of the 800). Due to this effort, we produced 18 Resellers and one (1) Registrar.

For the year under review, .ZADNA continued to keep the various stakeholders engaged through **32 internet engagements across the country**, focusing on online child protection, digital skills, women empowerment and access and accessibility to the internet.

12.1.2 Financial Performance and Audit Opinion

.ZADNA earned a net surplus for the year ended 31 March 2022 of R2 901 381 (2021 surplus: R 5 472 275). The 2021/2022 budget was based on the R15.00 per domain name fee.

ZADNA CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R20. 126 million
Expenditure	R17.039 million
Surplus	R2.901 million

.ZADNA continued to show a good and stable financial performance during the 2021/22 Financial Year. .ZADNA managed to keep its expenditure within its budget and collected revenue timeously .ZADNA receives its funding from the co.za, net.za, org.za and web.za per domain name revenue. This was achieved while retaining the surplus at a manageable level.

.ZADNA's performance was reaffirmed by the **Clean audit opinion** (Unqualified with no findings) which was achieved for the 2021/22 Financial Year, and without any Irregular and Fruitless Expenditure.

12.2 SENTECH

Sentech is a South African-based digital infrastructure and content delivery company providing services in South Africa and on the African continent. The Company has an extensive, strategically positioned infrastructure that provides a combined coverage to 100 per cent of the South African population. This enables us to provide facility leasing and co-location on our masts, offering connectivity and infrastructure services to the retail, telecommunications and public sectors. We provide broadcast transmission services to commercial and public broadcasters in the country, including over 150 community radio stations.

As a holder of both an Individual Electronic Communications Network Services (I-ECNS) licence and an Individual Electronic Communications Services (I-ECS) licence, Sentech is able to provide both voice-based telecommunications and multimedia services.

Sentech is a Schedule 3b Government Enterprise and we derive our mandate from legislation, particularly the Sentech Act and the Electronic Communications Act (ECA). It is also a Level 1 B-BBEE contributor. sentech was incorporated as a wholly-owned subsidiary of the South African Broadcasting Corporation (SABC) in 1992. In 1996, the SENTECH Act (No. 63 of 1996) was amended, converting SENTECH into a separate public entity that owns the largest infrastructure in the country for terrestrial signal distribution for both television and radio.

12.2.1 Operational Highlights

The 2021/22 financial year period was characterised by challenges related to slow economic growth, however, it also presented opportunity in the rising need for information communication services. This delicate reality demanded organisations to advance creativity and innovation capabilities to efficiently offer services to economically constrained markets to foster integrated sustainability for Sentech and its customers.

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
11	7	4
% ACHIEVED	64%	36%

As at the end of March 2022, the organisation had successfully transitioned five provinces (the Free-State, Northern- Cape, North-West, Mpumalanga and Limpopo provinces) to digital television. This was immediately followed by the implementation of Spectrum re-farming (digital to digital migration) to ensure the release of spectrum above 690Mhz in line with the National Frequency plan and paved the way for the implementation of IMT services in these five provinces.

Sentech embarked on a few successful 5G pilots with the market and the industry, piloted a digital radio network in Gauteng, and worked with the regulator to advance the digital radio trial to the Western Cape and KZN provinces.

Sentech continued to optimise the use of satellite and energy resources, and as a result, we achieved efficiencies of 18 per cent for satellite and 7 per cent for energy. This productivity efficiency was realised due to optimised contractual negotiations, implementation of a smart energy solution and termination of analogue technologies.

During the reporting period, the energy reduction programme resulted in a decrease of 9 075 tonnes of carbon dioxide equivalent (tCO_2e) in direct (Scope 1) emissions and a reduction of 1 154 tonnes in indirect (Scope 2) emissions.

Sentech rolled out 1 037 training interventions during the reporting period against a target of 1 035, with 22 of these being related to mission-critical skills and also began a process of reviewing our operating model. Sentech missed the revenue target by 3 per cent and noted that alternative revenue sources have significantly reduced the impact of Covid-19 on the organisation.

Some of the innovation projects undertaken during the reporting period included:

- the implementation of cloud computing infrastructure at NASREC to enable public and private computing and storage capacity;
- the implementation of a new standalone 5G radio network to provide cost-effective network infrastructure for government departments and industry; and
- the establishment of the SENTECH Research and Innovation Collaboration Network as a hub for creativity and thought leadership between ourselves, institutes of higher learning, industry and other stakeholders.

12.2.2 Financial Performance

The revenue of R1.373 billion achieved during the period was partly due to the economic recovery and partly due to close collaboration with customers to establish mutually beneficial payment arrangements. Nevertheless, Sentech experienced a loss of revenue in the managed infrastructure services and broadband connectivity businesses resulting from cancellations caused by the pandemic. Sentech's core operations nevertheless generated positive cash flows, and we maintained profitability.

SENTECH CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R1.374 billion
Expenditure	R1.173.
Surplus	R119.3 million

Most notably, the balance sheet improved considerably, with cash reserves above R2 billion by year-end. Accounts receivable also improved due to the settlement of long-outstanding debts following a concerted debt-collection programme.

As of 31 March 2022, satellite capacity Lease Liability was R1.16 billion compared to the prior period's amount of R1.22 billion, mainly attributable to foreign exchange rate fluctuations. Reporting on this is required by IAS 21 as more than 90 per cent of the value of Qualifying lease contracts for satellite capacity is foreign currency denominated.

Sufficient cash reserves were realised to meet our capital projects requirements for the period and, by year-end, had achieved an EBITDA margin of 18 per cent. Sentech improved its cash flow position, closing the year with a cash balance of R2 billion, an increase of R151 million from the previous period.

Outcome Indicator	Annual Target	Actual performance	Comments
Revenue Growth (R)	R1, 257million	R1,237 billion (Cumulative)	The lower revenue growth has been attributed to MIS and broadband revenue targets not achieved for this reporting period.
Number of connected sites	200 connected sites	Eight (9) sites connected	The underlying reasons is challenges in obtaining signed contracts during the reporting period due to conflicting SITA and Sentech broadband markets. Sentech is of the view that phase 2 of SA Connect project has the potential to add 250 VSAT sites and 480 Open Access Base stations (phase 2) to its capacity.
Number of Set Top Box Installations	810 000 Set Top Box installations	170 274 STB installations, project closure final report not developed as the project is not complete	The non-achievement has been attributed to mainly the challenges with Local Municipalities, SAPO and installer performance, this is reported to be addressed. USAASA has raised serious concerns about Sentech's performance. These relate to Sentech's inability to fully and accurately account on the installation that have been made. Sentech Auditors also reported they were unable to audit the reliability of the achievement of 170 274 set-top box installations reported against target of 810 000 set-top box installations in the annual performance report.
Effective corporate governance	Clean audit achieved	Unqualified with findings	Clean audit outcome not achieved, implementation plan in place to strengthen internal controls.

In addition to the above non-achieved targets, the Auditors also indicated that 163 analogue sites switched off were reported as achievements against the planned target of 155. However, the supporting evidence indicated that only 141 analogue sites were switched off in the period under review.

12.2.3 Audit Opinion

The Entity received an **Unqualified audit opinion with findings**. Emphasis of matters on:

- Expected credit losses of R82 million (R74 million 2021) (Note 9 in the consolidated and separate annual financial statements) was raised on the trade debtors balance. More than 80per cent of the expected credit loss pertains to community broadcasters.
- The merger between Sentech SOC Limited and BBI has the potential to embody competitiveness within the core competency market through benefits from economies of scale, increased market share, more efficient resource allocations, a more extensive asset base, increased offering, and instantaneously adopted expert knowledge.

Audit of compliance with legislation

- The annual financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework.
- Adjustment of Material Misstatements - auditors identified material misstatements in the annual performance report submitted for auditing.

Internal control deficiencies raised by the Auditors

Management did not implement adequate period-end controls for the public entity's business processes to support financial statements, compliance with legislation and audit of performance information reporting.

Inadequate oversight responsibility on preparing accurate financial information performance information was not exercised by management, resulting in material misstatements identified.

12.3 USAASA/USAF

The Universal Service and Access Agency of South Africa (USAASA) was established established in terms of section 80(1) of ECA, as a public body mainly responsible to facilitate the bridging of the digital access gaps which are a new form of social inequality derived from the unequal access to the new ICTs, by gender, territory, social class, and so forth. USAASA is under the oversight of the Board created in terms of section 80(3) of ECA and is directly accountable to Parliament, through the Ministry for Communications and Digital Technologies.

In terms of its strategic overview, the mandate/purpose, and vision of USAASA are both aligned to and support the Department of Communications and Digital Technologies' vision to be "a leader in enabling a connected and digitally transformed South Africa." In response, USAASA has the following vision: Universal ICT access and service for all.

- In respect of its mandate, the entity seeks to promote and pursue the goal of universal access and service and to contribute to building South Africa's sustainable knowledge society through a response to the 4IR, innovation, research, monitoring, evaluation and advisory services; and To effectively manage the Universal Service and Access Fund (USAF), whose mission it is to: Facilitate the roll-out of adequate Information and Communication Technology (ICT) infrastructure to enable 4IR readiness and universal access to underserviced areas in South Africa;
- Facilitate ICT service to underserviced areas and thereby contributing to the reduction of poverty and unemployment in South Africa; and
- To broaden access to digital broadcasting services by qualifying households.

In terms of strategic outcomes:

Outcome 1: An optimised delivery system to support the achievement of the mandate.

Outcome 2: A respected thought leader on universal access and universal service.

Outcome 3: A well-governed and high-performance organisation and fund delivering on its mandate.

USAASA is in the process of being dissolution as per the policy recommendations of the National Integrated ICT Policy White Paper. The fast-tracking of the dissolution of the entity by 31 March 2022 which has been deferred to 31 March 2023, affected the implementation of the key performance targets contained in the tabled USAASA targets on APP 2021-2022. Since the Entity will be disestablished, it has resulted in delayed implementation of the USAASA Board-approved response to the Gender-Based Violence and Femicide and Stakeholder Engagement Strategy and Plan. The implementation of the procurement plans in line with the tabled USAASA APP 2021-2022 and budget was put in abeyance and this resulted In some activities being deferred as the entity could not enter into long-term commitments due to the fast-tracking of the winding down process of USAASA.

The Universal Service and Access Fund (Fund) is established in terms of section 87(1) of the ECA, 2005. It is mainly responsible to facilitate the bridging of the digital access gaps which is a new form of social inequality derived from unequal access to the new ICTs by gender, territory, social class, and so forth. USAF is under the oversight of the Board created in terms of section 80(3) and USAF is directly accountable to Parliament through the Ministry for Communications and Digital Technologies.

USAF activities directly contribute to the implementation of the Apex Priority 2: the Economic Transformation and Job Creation of the Revised MTSF 2019-2024. The Priority Projects are as follows:

- BDM programme: Licensing of spectrum for Fifth Generations Networks: installations of STBs to qualifying households to enable viewing migration.
- Broadband connectivity programme: 80 per cent of the population will have access to the internet by 2024 to identified local municipalities and will be monitored and sustained.

12.3.1 Operational Highlights

In this period under consideration, USAASA planned 24 targets per the approved USAASA Annual Performance Plan 2021-2022 and out of the 24 targets planned, only 15 targets were achieved, translating into 63 per cent performance outcomes.

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
6	3	3
% ACHIEVED	50%	50%

USAASA's baseline budget has been substantially reduced, confining the Agency only to perform the administrative function of the Fund. The budget reduction meant that the Entity could not perform the following statutory requirements:

- Conducting the regulatory assessment impact on the provision of universal service and access.
- The setting up of targets to achieve the provision of universal service and access for all.
- The assessment of access gaps in SA and publishing on the state of ICT penetration.
- The dissemination of information on the latest technological developments which affects the provision of universal service access.
- Recommendations of definitions for universal service and access to the Minister for the improvement of ICT penetration in rural areas.
- Determination of needy persons for eligibility for subsidisation.
- The definition of under-service areas to ICASA for determination and the listing of key priority areas for subsidy grants.

The key performance targets of USAASA are not linked to its mandate but more to national priorities such as the following:

- Mainstreaming of gender, empowerment of youth and persons with disabilities.
- Public value and trust, active citizenry and partnership in society.
- Programmatic approaches to asset management, elimination of wasteful and fruitless expenditure, and irregular expenditure.

The main focus area for USAASA is the administrative function of the Fund which is responsible for the key priority projects such as BDM and broadband connectivity which contribute toward the structural reforms intended for economic recovery. On the BDM front, the Cabinet on 30 September 2021 adopted a MIM in line with the State President's pronouncement on the completion of digital migration which is vital to the country's ability to harness the enormous opportunities presented by technological change effectively.

USAASA, after the adoption of the MIM on BDM by Cabinet on 30 September 2021, needed to enter into strategic relations with various entities to support the Revised ASO Plan. After the approved deviation procurement procedure by NT, the Agency has forged multiple formal strategic relations with DCDT, Sentech, SAPO and the broadcast media players such as SABC and others. As at the end of the reporting period, the formal conclusion of strategic relations was concluded with the exception of SITA, Telkom SA Limited SOC, StarSat, eMedia Holdings and MultiChoice, which were still under discussion.

USAASA has not revised its performance targets in the original tabled USAASA APP 2021-2022 on 14 May 2021. Although the USAASA budget allocation for 2021-2022 was substantially reduced there were no activities discontinued.

The USAASA targets that have not been achieved are (i) 100 per cent of valid invoices paid within 30 days from the date of receipt, (ii) Reduction of Wasteful and Fruitless expenditure to 20 per cent of R389 00, USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024, and (iii) Reduction of Irregular Expenditure to 15 per cent of R32 196 000 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024

Non-achievement was attributed to (i) delays in the analysis, classification and investigation of irregular expenditure due to capacity constraints (ii) The departure of the ACFO, led to delays in the appointment of an authorised official to release payments on the banking payment platform.

In this period under consideration, USAF planned 30 targets as the approved Revised USAF Annual Performance Plan 2021-2022. Out of the thirty targets planned, only fifteen targets were achieved, translating into 50 per cent performance outcomes.
For USAF during the reporting period, there were reforms introduced to the BDM programme resulting in significant changes in the delivery model of the BDM programme. The performance delivery environment was severely affected, which led to delayed implementation of the funded programmes in the approved USAF APP targets. USAF was therefore offered an opportunity to revise its annual performance plan to align with Cabinet's newly introduced model. Furthermore, the SA Connect Phase 2 is being revised and adopted by Cabinet on 28 January 2022.
During the reporting period, the changes in the delivery model resulted in delays in the funded programme implementation for broadband targets as the appointment of the service provider for the broadband rollout was subsequently deferred into Quarter four (4) (2021-2022). USAASA has appointed BBI in line with the Revised SA Connect Phase 2 Model to provide broadband connectivity to 300 sites in Eastern Cape and 112 sites in Northern Cape.
The USAF targets that have not been achieved are (i) 810 000 subsidised Set-Top-Box installations coordinated and monitored in four provinces (FS, NC, NW and Limpopo (ii) 2 266 474 DTT subsidised digital television installations coordinated and monitored (iii) 289 058 DTT subsidised digital television installations coordinated and monitored (iv) Provision of broadband internet connectivity sites to 280 sites to identified two local municipalities (v) Reduction of Wasteful and Fruitless Expenditure by 20 per cent of the identified Fruitless and Wasteful Expenditure Register and (vi) Reduction of irregular expenditure by 15 per cent of the identified Irregular Expenditure Register.
Non-achievement was attributed to (i) delays in the analysis, classification and investigation of irregular expenditure due to capacity constraints and (ii) the suspension of the installation of digital television through a voucher system pending the finalisation of the revised delivery model on BDM.

12.3.2 Financial Performance

During the year under review, USAASA spent R81.7 million, representing 46 per cent of the allocated budget of R177 million. Compared to the previous financial year, the spending was R68 million representing 26 per cent of the allocated budget of R261.4 million.
The underspending in the current year compared to the budget is mainly due to the R95 million for South African Post Office (SAPO) distribution costs which were not spent by the 31st of March 2022; no portfolio of evidence was received regarding any work performed. The spending pattern has improved as a percentage of the allocated budget in the current financial year.
Compared to the previous Financial Year, the spending of R81.7 million represents an increase of R13.7 million from R68 million in 2020/21, representing a 20 per cent increase year-on-year. The main reason for the increase in spending was due to the increase in payroll costs due to the appointment of 40 District Coordinators to work on accelerating the switch-off in the identified districts. Another contributing factor was general expenses due to travel costs which have increased significantly.
Revenue was recorded at R185.415 million, as indicated in the table below.

USAASA CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R185.415 million
Expenditure	R81.715 million
Surplus	R103.700 million

USAF's overall financial performance for the period under review shows that the Fund has received revenue of R1.2 billion, which largely consists of R1.1 billion, which can be attributed to Government grants and subsidies received. USAF managed to earn an interest of R66 million. A recorded total expenditure of R40 million was incurred; from this amount, R36 million was spent on implementing the BDM programme. R40 million was spent, representing 3.6 per cent of the allocated budget of R1.1 billion.

USAF CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R1.204 billion
Expenditure	R40.130 million
Surplus	R1.164 billion

Compared to the previous financial reporting period, R11.8 million was spent from the allocated budget of R564 million. Therefore year-on-year spending has shown an upward trend of 239 per cent. 90 per cent of the total expenditure was incurred on Sentech for establishing the call centre support and installation, quality assurance and project management of STB allocations.

12.3.3 Audit Opinion

The Auditor General of South Africa (AGSA) has, after conducting an audit of USAASA financial statements, issued a **Qualified audit opinion with findings** for the Entity with an emphasis on matters. The basis of the qualification relates to receivables from exchange transactions. The emphasis of matters related to Restatement of corresponding figures.

Audit of compliance with legislation:

- Annual financial statements not submitted on time and in the prescribed financial reporting framework.
- Expenditure management - effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R140 000 and irregular expenditure amounting to R17 447 000.
- No consequence management against officials who incurred irregular expenditure and fruitless and wasteful expenditure.

Internal control deficiencies raised by the Auditors:

- Management did not effectively implement the audit action plan.
- Management did not implement proper record keeping to ensure that complete, relevant, and accurate information for staff debt/advances is accessible and available to support financial statements.
- Management did not develop and implement a compliance checklist to monitor compliance with legislation, including procurement legislation.
- The entity did not implement adequate consequence management processes for transgressions against applicable policies, laws, and regulations. Investigations were not undertaken for all instances of irregular, fruitless and wasteful expenditure incurred in the prior year.

Irregular and Fruitless and Wasteful Expenditure

USAASA's Irregular Expenditure amounted to R17.4 million in comparison to R3.1 million in the previous reporting period. The increase to R17.4 million is primarily due to payments for contracts that have already lapsed. However, the services rendered by the contractual parties were still required for operational purposes.

With the above Irregular Expenditure incurred in the current reporting period, the total balance of irregular expenditure is R52 million, including the R3.1 million incurred in the previous financial year. The balance of the Irregular Expenditure of R32 million was accumulated over the years before 1 April 2021.

With regards to Fruitless and Wasteful Expenditure, USAASA had incurred R140 000 in the current reporting period as compared to R722 000 in the previous reporting period. The incurred Fruitless and Wasteful Expenditure resulted from a penalty and interest charged by SARS for late payment of PAYE and SDL to SARS.

USAF received a **Disclaimer audit opinion with findings**. The basis for the disclaimer is that the auditors were unable to obtain sufficient and appropriate audit evidence:

- that management had properly accounted for inventories for the current and previous years, as the public entity did not maintain a register of inventories held by third parties that could be reconciled to the financial statements;
- that broadcasting digital migration project expenses were properly accounted for due to the status of accounting records;
- for the restatement of the corresponding amounts for BDM expenditure and provisions in the financial statements;
- for payables from non-exchange transactions due to the status of accounting records; and
- for administrative expenses due to the status of accounting records.

Emphasis of matter related to:

Uncertainty relating to the future outcome of litigation as USAASA is a defendant in several lawsuits.

Audit of the annual performance report

Sufficient appropriate audit evidence not obtained for the achievement of 22 157 installations of subsidised set-top-boxes at qualifying households reported against the target installation of 810 000 subsidised set-top-box kits at qualifying households, due to the lack of accurate and complete records - Programme 1 – Business Operations: Number of the subsidised Set-Top- Box kits installed at Qualifying households.

Audit of compliance with legislation

- Annual financial statements are not submitted on time and in the prescribed financial reporting framework.
- No consequence management against officials who incurred irregular expenditures and fruitless and wasteful expenditures.

Internal control deficiencies raised by the Auditors

- Audit action plan implemented by management was not effective as significant deficiencies in internal control, identified in the prior year, relating to the accounting for inventory and BDM expenditure was not addressed during the year under review.
- No proper record keeping to ensure that complete, relevant and accurate information for inventory, payables from non-exchange transactions and administrative expenses is accessible and available to support financial statements.
- Lack of appropriate internal control process to properly account for all installations of set-top boxes at qualifying households.
- Lack of adequate consequence management processes for transgressions against applicable policies, laws and regulations.

Irregular and Fruitless and Wasteful Expenditure

USAF has exercised control over Irregular Expenditure as none was incurred for the current year (2021-2022) and the previous financial year (2020-2021). The balance of Irregular Expenditure disclosed for an amount of R63.2 million was accumulated over the period before the previous financial year of 2020-2021.

In terms of Fruitless and Wasteful Expenditure, an amount of R1.431 million was incurred compared to an amount of R193 thousand from the previous financial year that USAASA has identified in the current year.

Disciplinary steps were not taken against officials in both Entities who had incurred irregular expenditures as investigations were not performed.

12.4 NEMISA

The National Electronic Media Institute of South Africa was established as a non-profit institute for education in terms of the Companies Act (1973) and is listed as a schedule 3A public entity in terms of the Public Finance Management Act (1999). The institute's programmes are structured to enhance the market readiness of students in a wide range of broadcasting disciplines. Its mandate was expanded to include the development of South Africans' digital skills capacity, and it is responsible for implementing digital skills programmes, including broadcasting, in collaboration with its partners.

Below are some of the national policies recognising the need for the development of digital skills in South Africa from which the mandate of NEMISA is derived from:

- National Development Plan 2030
- National Skills Development Plan
- 2014 SA Connect Broadband Policy
- 2016 National Integrated ICT Policy White Paper
- White Paper on Post-School Education and Training
- Digital Skills Strategy
- National Human Resources Development Strategy
- National Digital Skills Partnership

The outcomes of NEMISA are structured as follows:

Outcome 1	Transformed Organisation
Outcome 2	Digitally skilled citizens
Outcome 3	Improved applied research & innovation outcomes
Outcome 4	Aggregated digital skills programmes
Outcome 5	Expanded Digital Skills Delivery Model

12.4.1 Operational Highlights

NEMISA's 2021/22 APP and in particular, Programme 3 aimed to substantially increase its digital skills delivery to make headway towards its five-year targets as stated in the 2020 -2025 Strategic Plan. For 2021/22, twenty-one out of twenty-two planned targets were achieved, representing an overall achievement of 95 per cent.

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
22	21	1
% ACHIEVED	95%	5%

During the 2021/2022 financial year, there were in total of 240 beneficiaries trained through NEMISA's accredited training qualifications by the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA). 97 (40%) beneficiaries were trained on a full qualification and 143 (60%) on various youth skills programmes. The newly developed curriculum and learning material for the Digital Photography skills programme generated high interest, with learners skilled in digital content creation, digital photography, and graphic design (editorial design or layout and design).

For the year under review, NEMISA achieved all five skills development, youth and woman empowerment targets. A summarised performance is provided below:

- The target to retain 90 per cent of the interns in the internship was achieved.
- 74 443 people were trained in Digital Literacy, versus the set target of 60 000 people. This constitutes 14 443 more than that planned.
- 240 learners completed their annual training in creative media courses vs the annual target of 120.
- 2 988 citizens were trained in specialist technology courses, which is 238 more than the annual target of 2 750.
- Furthermore, 870 people are reported to have attended the digital transformation advocacy and awareness campaign. This is 70 more than the annual target of 800.

NEMISA, through their provincial CoLabs hosted at local universities, played a vital role in delivering various training programmes across the country during the 2021/22 Financial Year.

The highlight for CoLabs in the year 2021/22 was the training project that saw NEMISA enter into a partnership with SITA and the Department of Military Veterans. The training occurred in various provinces, and the NEMISA LMS was successfully used. The training was done in collaboration with the various CoLabs.

2021/22 Financial Year is the first year of the Coursera project. This project became highly popular with the students. Some students went above and beyond and completed many courses during their six months of access to the site.

The Ya-Rona Digital Ambassadors programme is a digital literacy training programme and was rolled out to Limpopo (Colins Chabanevand Elias Motsoaledi Local Municipalities) and Free State province (Five local municipalities in Lejweleputswa District Municipality) in 2021/22 financial year. The project appointed 105 trainers/ambassadors, some of whom left the programme due to better opportunities.

12.4.2 Financial Performance

The reporting period presents a year where most NEMISA staff worked from home for most of the year. The desired total revenue target of R98.8 million was exceeded by 23 per cent, and training projects put on hold during 2020/21 due to COVID-19 were completed during 2021/22 financial; this increased operating expenses when compared to the 2020/21 financial year.

NEMISA CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R121.4 million
Expenditure	R107.8 million
Surplus	R13.5 million *

* R7.3 million of the surplus related to funds was received from the Department of Military Veterans for digital skills training of military vets. The expenditure will be incurred in the 2022/23 Financial Year.

NEMISA made a surplus of R13,6 million (2021: loss of R82k), total revenue of R121,5 million (2021: R64,9m) increased by 87 per cent when compared to 2020/21, and total expenditure of R107.9 million (2021: R65.0m) increased by 66 per cent when compared to 2020/21.

The Non-exchange revenue accounts for 92 per cent (2021: 97%) of NEMISA’s total revenue, and operating expenses (training-related expenses), as well as employee costs, account for 78 per cent (2021: 65%) of NEMISA’s total expenditure.

The Performance Comparison graph to the right indicates a summary of NEMISA performance for the 2021/22 Financial Year: Statement of Financial Performance (R’m).

NEMISA has an improved net assets of R18.4 million (2021: R4.9m) and a strong cash flow balance of R59.8 million (2021: R62.7m). The Entity remains liquid, and solvent, the cash position and working capital have improved, the company has a net current asset position of R11.3 million (2021:(R1.1m)) and a current ratio of 1.1:9 (2021: 0.9:8).

12.4.3 Audit Opinion

NEMISA received an **Unqualified audit opinion with findings** for the fifth year in a row. Auditors reported material findings on *Compliance with legislation regarding the preparation of Annual financial statements.*

Internal control deficiencies raised by the Auditors

- Lack of adequate oversight responsibility regarding the preparation of the annual financial statements, annual performance report, and compliance, as well as related internal controls, which resulted in material misstatements in the financial statements, and the annual performance report are free from material misstatements.

- Inadequately implementation of proper record-keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting.

12.5 Independent Communications Authority of South Africa (ICASA)

The Constitution of the Republic of South Africa (RSA) mandates Parliament to establish an independent regulatory institution which is required to provide for the regulation of broadcasting in the public interest and to ensure fairness and a diversity of views broadly representing South African society (s 192).

ICASA or 'the Authority' falls under schedule 1 of the Public Finance Management Act No 1 of 1999 (PFMA). ICASA's mandate is set out in the Independent Communications Authority of South Africa Act, Act No 13 of 2000 (ICASA Act), Electronic Communications Act, Act No 35 of 2005, as amended (the EC Act), the Postal Services Act No 24 of 1998 (the Postal Services Act) and he Broadcasting Act, Act No 4 of 1999, (the Broadcasting Act) for the regulation of electronic communications, broadcasting and the postal services in the public interest. The legislation empowers ICASA to grant licenses, monitor compliance with licence terms and conditions, develop regulations, plan and manage the radio frequency spectrum and protect consumers.

ICASA has concurrent regulatory oversight/jurisdiction with the Competition Commission on competition matters in terms of Chapter 10 of the ECA read with 4B(8)(b) of the ICASA Act.

The ICASA Amendment Act 2005 also provided for the incorporation of the Postal Regulator into ICASA. The Amendment Act of 2005 also increased ICASA's council complement from seven to nine councillors. The Independent Communications Authority of South Africa Act 13 of 2000, as Amended The Act establishes ICASA to:

- perform its functions through Council as contemplated in Section 5, and to be independent and subject only to the Constitution and the law, to be impartial.
- and to perform its functions without fear or favour.
- exercise the powers and perform the duties conferred upon it.
- act in a manner that is consistent with the obligations of the Republic under any applicable international agreement, according to section 231 of the Constitution.
- conclude concurrent jurisdiction agreements with any regulator in respect of areas of regulatory overlaps.

The Authority is responsible for regulating the telecommunications, broadcasting and postal industries in the public interest and ensuring affordable services of high quality for all South Africans.

The Authority also issues licenses to telecommunications and broadcasting service providers', enforces compliance with rules and regulations, protects consumers from unfair business practices and poor quality services, hears and decides on disputes and complaints brought against licensees and controls and manages the effective use of radio frequency spectrum. ICASA is a Chapter 9 institution (an institution which supports democracy) in terms of the South African Constitution.

12.5.1 Performance Highlights

The Authority planned to deliver fifty-three (53) outputs during the year under review. Forty-six (46) were delivered, and seven (7) were not delivered, which translated to an overall annual achievement of eighty-six-point-eight per cent (86.8%), see table below:

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
53	46	7
% ACHIEVED	86.8%	13.2%

The forty-six (46) outputs the Authority has delivered through various Programmes during the year under review have contributed to different medium-term outcomes in different ways. ICASA published the ICT COVID-19 National State of Disaster Regulations; the Authority continued to ensure access to broadband connectivity for the increased usage associated with more people working from home and university students conducting online studies.

The Regulator further assigned temporary radio frequency spectrum for the following bands; 700MHz, 800MHz, 2300MHz, 2600MHz and 3500MHz to all stakeholders up to 30 June 2022.

The Minister of Finance, Hon. Enoch Godongwana 2021, during his Medium-Term Budget Policy Statement, identified the release of Spectrum as one of the key structural reforms that will accelerate the South African government's economic recovery plans.

For the year under review, one of the Authority's major victories was licensing a high-demand radio frequency spectrum. This process was marred with various litigation activities due to our important work defending the decisions made within the confines of the regulatory framework.

The spectrum auction yielded over R14 billion for the National Fiscus. The licensing of the spectrum will go a long way in bridging the digital divide gap, facilitating the deployment of digital infrastructure for consumers and the business sector, enabling the digital economy, and participating in the fourth industrial revolution.

During the year under review, the objective was to review various regulatory interventions to ensure continued customer service. ICASA did so by engaging multiple stakeholders in the form of public hearings, responses to questionnaires, comment solicitations and one-on-one meetings to assist us in making informed regulatory decisions.

One of the key documents is the annual State of Information and Communications Technology (ICT) Report. The Authority amended the Must-Carry regulations by inserting Regulation 6A, which aligns the regulations with section 60(3) of the ECA. Amongst others, the Authority published the final Regulations and Reasons Document following the conclusion of the market inquiry into mobile broadband services to assess the state of competition in the mobile broadband services sector and to determine whether there are markets or market segments that may require regulation in the context of a market review in terms of section 67(4) of the ECA.

On 01 November 2021, South Africans took to the polls to vote in the local government municipal elections. The elections are a pivotal historical event for our young democracy, and a right many have fought for. The Electronic Communications Act calls upon the Authority to allocate airtime to political parties and independent candidates to ensure fair coverage of the various political campaigns throughout the broadcasting period. Guided by the regulations, ICASA allocated PEB (s) and PA(s) to ensure that our citizens were equipped and informed in deciding whom they elect as their political representatives.

ICASA's continued participation in the International Fora, coupled with the confidence displayed by our counterparts, demonstrates how our capabilities are viewed internationally and validate South Africa's standing in the global ICT arena. One of the key highlights of the international programme was the signing of the Memorandum of Understanding with the United States Federal Communications Commission.

Non-performance and underlying reasons:

ANNUAL INDICATOR 2021/22	Comments
85% of the EDRMS roll-out plan achieved	This was a dual target where ICASA's EXCO was meant to sign performance contract on the Electronic Document and Records Management System (EDRMS) project. However, this was not accepted since they were already Sponsors of the project
1 SABPP audits completed	SABPP which is the sole provider of the service was not compliant with SARS. As a result, ICASA could not contract them for the audit.
Level4 of Assurance provided	As recommended by Audit, Risk, Ethics and Disclosure Committee (AREDC), the use of panel of consultants has been considered and approved by ICASA to augment the Division's capacity and ascertain a broader audit coverage especially on regulatory work conducted by the Authority.
1 draft of regulations document on subscription television broadcasting market developed	The Draft Regulations were produced and considered by Council. However, given the changes in the market dynamics further consideration is required on the data on which the draft regulations and findings document are premised. The committee will workshop the Council on the findings of the inquiry in Q1 of the 2022/23 FY.
40% of the Network Performance Management System developed	The bid was advertised as a Multi-Modular Compliance system in which Network Performance Management System (NPMS) is one of the modules of the proposed system. The Bid Evaluation Committee (BEC) recommended bidder has proposed two pricing models which are revenue sharing and upfront purchase. After Supply Chain engagement with the National Treasury, the National Treasury was not in support of the revenue sharing model, and the upfront purchase bid price was much higher than the project budget.
4 fixed spectrum Monitoring sites around Karoo Central Astronomy Advantage Area (KCAAA) commissioned	The Bid Adjudication Committee (BAC) requested verification of the bidders' reference letters. However, there was a delay in receiving responses from some of the bidders' referees. Consequently, this resulted in delays with the appointment of service provider and contract finalisation
1 Draft Regulations document on Rapid Deployment as required under Chapter 4 of the ECA completed	This target was not achieved due to delays in finalisation of the Policy and Policy Direction contemplated in Chapter 4 of the ECA. In terms of the ECA, the Regulations must follow only after promulgation of the Policy and Policy Direction

12.5.2 Financial Performance

During the last quarter of the financial year, the Authority successfully auctioned High Demand Spectrum. Invoices for the successful bidders were raised during March 2022, which significantly increased the Receivables from the non-exchange balance. The invoices are due in May 2022, being the 2022/23 financial year.

The statement of financial position also reflects an increase in the bank balances, which represent the timing differences between the licensees paying their invoices and ICASA transmitting the funds to the National Revenue Fund (NRF).

The Authority remains solvent, given that its assets exceed its liabilities.

Revenue increased by just over R20 million compared to the 2020/21 financial year, whereas expenditure increased by R53 million. The increase in expenditure is mainly due to the additional legal fees the Authority incurred in defending the various litigation. The second item that contributed significantly to the increase in expenditure is the increase in consulting and professional fees, which was undertaken as part of the Annual Performance Plan targets. The result is a profit of just over R8 million (R38,8 million for 2020/21).

In conclusion, the Authority spent 72 per cent of its budget of R674 million. The Authority remains a going concern for the foreseeable future.

12.5.3 Audit Opinion

Annual Financial Statements

ICASA received an **Unqualified audit opinion with findings**. The emphasis of matters relates to material Impairments - National Revenue Fund - impaired receivables from non-exchange transactions amounting to R87 770 681 (2021: R71 692 160) because of potentially irrecoverable receivables from non-exchange transactions.

Audit of compliance with legislation

Expenditure management:

- the entity did not take effective and appropriate steps to prevent the irregular expenditure of R33 million as required.
- payments were not made within 30 days or an agreed period after receipt of an invoice, as required.

Internal control deficiencies raised by the Auditors

- Management Controls were not always effective in ensuring oversight, monitoring and review of compliance with laws and regulations.
- Management did not implement adequate controls to prevent and detect non-compliance with laws and regulations, which resulted in irregular expenditure.
- Management did not implement adequate controls to ensure that payments to suppliers are made within 30 days after receipt of an invoice.
- Management did not implement adequate controls to ensure that the submitted annual financial statements were free from material misstatement.

Digital Migration

The court case on the digital migration deadline resulted in ICASA not fully allocating the spectrum amount of R14 billion in the current financial year and only recognising R8.6 billion.

The following recommendations are to be addressed:

ICASA Council should further strengthen its oversight responsibilities over internal controls relating to credible financial reporting to address the payments not made within 30 days.

12.6 Film and Publications Board (FPB)

The Films and Publications Act, 1996 (Act No. 65 of 1996), as amended, regulates the creation, production, possession and distribution of films, games, and certain publications to:

- protect consumers against harmful and disturbing material while allowing adults to make informed choices for themselves and the children in their care by providing consumer advice;
- protect children from exposure to disturbing and harmful material and premature exposure to adult material;
- make the use of children in pornography and exposure to pornography punishable;
- criminalise the possession, production and distribution of child pornography; and
- create offences for non-compliance with this Act.

The FPB Council endorsed the following five priorities during the 2020 – 2025 review of the Strategic Documents:

- Technology-driven content regulation;
- Public education (empower adults and protect children);
  - Legislative review (technologically neutral legislation regime);
  - International and local partnerships (to ensure better regulation of the web) – with a renewed focus on local partnerships;
  - Research, Compliance Monitoring and Monitoring and Evaluation to inform future priorities;
  - Resource mobilisation and develop appropriate funding models; and
  - Strategic institutional alignment.

12.6.1 Performance Highlights

For the period under review, the Entity achieved a 66.7 per cent performance rating against the targets planned for the period translating to 10 of the 15 targets achieved during the reporting period. The amendments to the FP Act expanded the mandate of the FPB to include all content distributed online and on other digital platforms. Whilst the Constitution guarantees the right to freedom of expression, section 16 (2) of the Constitution identifies certain expression which would not be entitled to such protection, such as expression that amounts to propaganda for war, incitement of imminent violence or advocacy of hatred based on race, ethnicity, gender or religion, and that constitutes incitement to cause harm. The regulation of the distribution of content distributed in SA continues to be a core function of the FPB.

The inspection of all content distribution platforms to identify consistent non-compliance results in enforcing compliance through the raids conducted in partnership with Law Enforcement Agencies. The partnership with LEAs is a regulatory imperative for the FPB to yield visible and tangible enforcement of the FP Act, and to assist in expediting and increasing prosecution rates for the illegal distribution of physical content.

Eighty-eight raids were conducted during the year under review, and an estimated 36 066 illegal or pirated discs with a street value of R12 million were confiscated, and analysed. The bulk of it consequently destructed on 18 June 2021, 24 November 2021 and 31 March 2022. An alarming number of discs that were confiscated contained adult pornography. The 3 770 discs confiscated during the raids have multiple individual pornographic films with at least six found to contain scenes that include bestiality – an act of sexual conduct that is illegal and punishable by law in SA.

Non-performance and underlying reasons:

FPB's non-achieved targets related to: (i) production of Content Classification Index indicating baseline confidence levels; (ii) Implementation of the Brand Repositioning Strategy; (iii) Disseminate the findings of the 2019/20 Convergence Survey; (iv) obtaining clean audit opinion; (V) Implementation of the Change Management Projects Phase II and Phase III; as well as (vi) 95 per cent implementation of the ICT plan.

Non-achievement was attributed to (i) failure to find a suitable service provider in the niche market; (ii) The Brand Repositioning Strategy that could not be implemented due to delays in finalising corporate identity guidelines designed. This project depended on the approval of EXCO and the Council; hence it could not be implemented. (iii) one abstract that was submitted to one publisher based on a clause restricting the same research from being published with different publishers (iv) Phase II and Phase III Change Management not being implemented due to the inability to secure a session with EXCO for the service provider as well as (V) the entity delivering 41/44 of planned activities in the ICT plan constituting 93 per cent achievement due to delays in obtaining a proposal for Disaster Recovery and Business Continuity Service from SITA.

12.6.2 Financial Performance

Financially the Entity ended the period in a positive financial position, with our assets far exceeding our liabilities. While revenue, particularly from regulation fees, increased (R8.8m) relative to the previous period (R7m), we are worried by the rising expenses headlined by employee costs (R57m – 2021 and R65m -2022). This amount covers the remuneration of the classifiers as well.

FPB CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R110.8 million
Expenditure	R106.7 million
Cash Surplus as at 2021/22 FY end	R26.5 million

12.6.3 Audit Opinion

The FPB received a **Clean audit opinion** (Unqualified with no findings) from the AGSA in the 2021/22 Audit Report. This implies that there were no material misstatements in the financial statements and non-compliance with all relevant legislation and performance objectives.

12.7 South African Broadcasting Corporation (SABC)

The South African Broadcasting Corporation (SOC) Limited ("The SABC") is a Schedule 2 ("Major Public Entity") entity in terms of the Public Finance Management Act No. 1 of 1999 ("PFMA"), as amended. The Corporation is subject to a list of legislation during its operations.

The Broadcasting Act (The Act) is the SABC's founding statute. In terms of the Act, the SABC's obligations are captured in the Independent Communications Authority of South Africa ("ICASA") Regulations and license conditions of the Corporation's five television channels and 18 radio stations. The business of the SABC is further defined by the Act into two distinct services – Public Broadcasting Services (PBS); and Public Commercial Services (PCS) – which are to be administered separately. Each SABC radio service and television channel is licensed independently by ICASA, and each must adhere to its respective licence conditions and the provisions of the Broadcasting Act, including the SABC Charter. The SABC has advanced the view that the Broadcasting Act should not contain a distinction between the two services because, in practice, it has a unitary model that governs its services.

Due to this arrangement, the SABC is unable o prepare separate Annual Financial Statements for each group of services (PBS 15 radio stations and two TV channels; PCS, three radio stations and one TV channel). However, after developing a framework for allocating overheads, the Management Accounts distinguish between PCS and PBS.

12.7.1 Performance Highlights

During the year under review, the SABC Board has had a full complement of the Executive team, which contributed to the corporation's stability. Even though the financial predicament was also spurred by the COVID-19 pandemic and the subsequent and unfortunate negative economic environment did not assist much in resolving legacy issues.

As the world faced arguably the worst global pandemic for a century, alongside an ‘infodemic’ of pervasive mis/disinformation, the role of an independent, trusted public broadcaster became more important than ever.

The Honourable State President appointed eight Non-Executive Directors (NEDs) on 11 April 2019, resulting in a fully quorate and functional Board. One vacancy arose because of resignation in the previous financial year. Dr Renee Horne was subsequently appointed on 15 June 2022 to the Board of 12 Non-Executive Directors and three Executive Directors.

The general performance of the SABC is summarised below in terms of its Turnaround Plan and is followed by the assessment of each of the five pillars’ performance indicators. The SABC’s Turnaround Plan is based on the principle that the sustainability of the public broadcaster – through the financing of public mandate programming – is crucial to constitutional democracy. During the year under review, the SABC remained steadfast in attaining its strategic imperatives governed by its Turnaround Plan.

The SABC operations include a provincial office in each of the nine provinces. A Regional Operations Manager, representing the Corporation in all the corners of the country, heads each provincial office. The year under review was the first under the new organisational structure informed by the SABC’s new Target Operating Model.

In terms of mandate delivery, the Corporation continued to excel in its quest to keep the nation informed, educated and entertained through content that also promotes social cohesion. In addition to near-flawless broadcast performance for the year, two occasions from the year under review stand out.

The first was the coverage of the unfortunate July 2021 unrest. The second highlight was the outstanding coverage of the local government elections held in November 2021. Furthermore, despite resource constraints, the SABC News provided unrivalled elections coverage, including pre-and post-election coverage.

However, most of its revenue remained challenging. Initial improvements in revenue generation witnessed in the early part of the year could unfortunately not be sustained due to internal and external factors. Internal factors are related to continued audience declines due to challenges in timeously securing new television content and sufficiently marketing it.

The year ended with the SABC having implemented 96 per cent of the key actions in the SABC Turnaround Plan that were within its control.

Strategic Pillar	Comments
Financial Sustainability	Implementation of the Annual Procurement Plan was not achieved due to SCM capacity constraints that delayed completion of critical projects
Content and Platforms	Key targets not achieved related to TV & Radio audience share which was due to the lack of local content properties in key slots, poor marketing, and capacity constraints during the 2021/22FY. Regrettably, the corrective actions to resolve these impediments seemed to be ineffective as the SABC could not fill vacancies in critical functional areas and ramped up marketing of content in current financial year.
Digital Pilar	All key targets under this pillar were not achieved mainly due to delays in SCM processes
Human Resources	It was reported that whilst 90% of employees signed performance contracts, only 1.5% of the contracts were evaluated due to the transition of performance contracting from manual to automated process. The SABC also failed to implement target on the WSP due to SCM challenges.
Governance	The SABC only managed to resolve 84% of AGSA audit findings against the set target of 90%. This is attributed to delays in the finalisation of the audit which impacted on the progress to resolve these findings by year end
Partnerships	Content generation partnerships was not achieved due to delays in completion of business plans and contracting.

12.7.2 Financial Performance

Despite an improvement in an overall loss, the SABC continued to suffer losses for a 4th consecutive year. The net loss amounted to R201 million, a 62 per cent reduction from R530 million in the 2020-21 Financial Year.

The income statement projections continue to indicate operating losses of R123 million, indicating that the SABC will continue to operate at a loss soon.

SABC CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R5.068 billion
Expenditure	R5.3 billion
Net Loss Before Finance Costs and Tax	R258.5 million

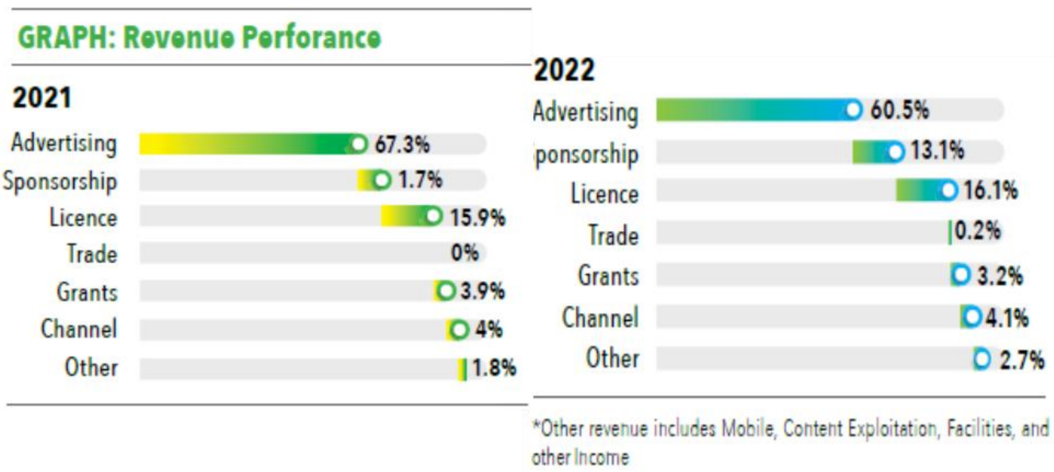
The reporting period constitutes the second full year of implementing the Turnaround Strategy and utilising the R3.2 billion recapitalisation funding from the National Treasury. The desired revenue targets were not met, largely due to a drop in audience share, which impacted advertising revenue (the most significant revenue stream for the Corporation). However, as in previous financial periods, there were savings and underspending of expenditure; see the graph below on Turnaround Strategy implementation.

For the 2022 Financial Year, the SABC experienced a net loss cost-to-income ratio of 105 per cent, a little less than the 112 per cent in 2021; this remains unsatisfactory. Net cash flow from operating activities shows a negative increase of 14 per cent from R403 million to R459 million.

Payments to employees show an increase of 3 per cent from R2.1 billion to R2.2 billion despite the 495 vacancies as of 31 March 2022.

There was an increase in investment of content inventory by 33.9 per cent, up from a 20 per cent decrease in 2021. R119 million worth of capital expenditure was incurred in the current year compared to the R116 million incurred in 2021.

The SABC has experienced a downward trajectory in revenue generated over the past five years. The graphs below (Revenue Performance) indicate the proportionate percentage shares of the various revenue streams to the total revenues of the SABC over the current and previous Financial Years.



While Advertising Revenue has significantly dropped, more important to note is the undesirable decline in grant funding to 3.2 per cent, down from 3.9 per cent whereas it is crucial for the SABC's portion of the unfunded mandate, see graph above.

There is a total reduced Advertising Revenue (AdRev) of R288 million from R3.35 billion in 2021 compared to R3.1 billion in 2022, further splitting advertising revenue between television and radio platforms.

All in all, AdRev declined by 8 per cent in 2022 as compared to 18 per cent in 2021 due to the decline in audience share. In total, revenue was R1.34 billion or 21 per cent below target.

12.7.3 Audit Opinion

The Corporation received a **Qualified audit opinion with findings**. Bases of qualification were that auditors could not obtain sufficient appropriate audit evidence that the irregular expenditure for the previous years had been accounted for due to the public entity not implementing adequate procedures to identify and record all instances of irregular expenditure. R2 898 million (2021: R2 855 million).

Emphasis of matters related to:

Going Concern - the SABC has incurred a net loss of R201 million (2021: R530 million). Significant judgement: defined benefit asset - The SABC has a defined benefit pension plan of R1 670 million (2021: R1 796 million).

Significant judgement: TV licences - the SABC has recognised TV licence fees of R815 million (2021: R788 million) of the total licence fees billed of R4 446 million (2021: R4 416 million). The public entity has not recognised TV licence fees to the amount of R3 631 million (2021: R3 628 million).

Significant uncertainties - the public entity is a defendant in several lawsuits. The ultimate outcome of these matters could not be determined currently.

Audit of annual performance report

Material findings were reported on the usefulness and reliability of the performance information of the selected strategic goal (Strategic Goal 2):

- Content and Platforms: Percentage of new programmes broadcast within the year: achievement of the "not applicable" reported against the target of 20 per cent in the annual performance report due to the unavailability of the programme scheduling system.
- Share of diary quarter-hours listened to percentage: achievement of the "not applicable" reported against the target of planned targets of Public Broadcasting Services (PBS): 67 per cent and Public Commercial Services (PCS): 8 per cent in the annual performance report due to a new measurement not being comparable to the previous measurement.

Audit of compliance with legislation

- the annual financial statements submitted for auditing was not prepared in accordance with the prescribed financial reporting framework.
- uncorrected material misstatement of irregular expenditure resulted in the financial statements receiving a qualified opinion.
- Auditors could not obtain sufficient appropriate audit evidence that disciplinary steps were taken against some of the officials who had incurred and/or permitted irregular expenditure.
- effective and appropriate steps were not taken to prevent irregular expenditure, and fruitless and wasteful expenditure.

Internal control deficiencies raised by the Auditors

- Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

- Non-compliance with legislation could have been prevented if management had properly reviewed and monitored compliance.

12.8 State Information Technology Agency (SITA)

Following the PRC recommendations, SITA was established in April 1999 through the SITA Act 88 of 1998 and is registered as a Schedule 3A Public Entity which is self-sustaining and self-funding, and the government is the sole shareholder. The Minister of Communications and Digital Technologies exercises the custodian rights attached to the shareholder on behalf of the State.

SITA was established with a core mandate to provide IT Services to Government. The establishment was from the amalgamation of several entities listed below, which had different operating methods, procedures, skills sets, infrastructure and technologies which had to work seamlessly to deliver on its mandate:

- Infoplan (Pty) Ltd, the ICT Service Provider to the Department of Defence;
- Central Computer Services of the Department of State Expenditure; and
- Sub-component Information Systems within the Department of Safety and Security.

The mandate of SITA as stated in the Act is as follows:

- to improve service delivery to the public through the provision of information technology, information systems and related services in a maintained information systems security environment to departments and public bodies; and
- to promote the efficiency of departments and public bodies through the use of information technology.

The Minister of Communications and Digital Technologies, Ms Khumbudzo Ntshavheni, appointed the Board of Directors (hereinafter referred to as "the Board") with a balanced set of skills built in line with SITA's needs. The Board has progressively striven to have subcommittees that optimally reflect the strategic priorities of SITA and the diversity of all the stakeholders.

This new Board which took over the baton from its predecessor (hereinafter referred to as "interim Board") in February 2022, is technically a successor in title and had the responsibility to oversee the delivery of commitments SITA had undertaken to its customers, the shareholder and stakeholders up to the end of the financial year.

The 2021/22 financial year was the second year of the newly planned and authorised five-year SITA Strategic Plan, carried out through the 2021/22 Annual Performance Plan (APP).

12.8.1 Performance Highlights

The overall work and performance contract for SITA for this financial year, was built around nineteen (19) targets. Our performance output resulted in eleven (11) targets being fully met, and eight (8) targets were not achieved. The annual performance result is at 57.89 per cent, and more service delivery detail and reasons for variations are included elsewhere in the relevant sections of this annual report.

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
19	11	8
% ACHIEVED	58%	42%

This is a drop compared to the 60 per cent and 72.2 per cent achieved in Financial Year 2019/20 and Financial Year 2020/21, respectively.

SITA has revised its customer-centricity programme to eliminate internal inefficiencies and address critical areas of customer service challenges. Several service improvement initiatives and meaningful customer engagements through various government platforms to improve customer satisfaction and address customer service delivery challenges were also implemented.

SITA continued to prioritise supporting the implementation roadmap of the Department of Communications and Digital Technologies (DCDT) for the national e-Government Strategy, which is focused on digital transformation and modernising the public service to improve service delivery to our citizens.

A key achievement for SITA in this financial year has been the data centre modernisation plan, in which the first phase of the upgrade is almost completed, as we set our sights on meeting hyperscale infrastructure requirements.

A significant number of employees were trained on core skills such as cloud computing and software development. In addition, SITA embarked on a leadership skills assessment.

On 16 February 2022, the Constitutional Court, in a majority judgment, held that the Regulations were invalid and that the Minister of Finance usurped its powers when promulgating the Regulations. As a result, SITA was compelled (complying with a National Treasury instruction) to suspend all procurement processes advertised on or after 16 February 2022 until NT directed otherwise. This negatively impacted some of the planned APP targets for the financial year.

SITA's APP success was predicated on several performance-based elements, most of which were beyond SITA's control. The consequence of the continuing Covid-19 pandemic outbreak, which resulted in protracted procurement procedures, was one of the primary identified performance constraints that have hampered SITA's capacity to deliver quality service delivery.

12.8.2 Financial Informations

The Entity continues to be financially sustainable. The Entity's financial performance has improved compared to the previous financial year despite some of its challenges during the financial period, as illustrated below.

	31 March 2022 Rand (R' 000)	31 March 2021 % change
Revenue	6 022 388	+3.93 %
Net surplus for the year – before tax	539 291	+49.36 %
Total assets	5 109 713	-3.46 %
Net assets	3 954 237	+10.26 %
Net Cash flows from operating activities	581 379	-11.40 %

Even though the Covid-19 pandemic has negatively impacted South Africa's current political and economic landscapes, SITA has achieved an EBITDA of R633.7 million, which is likely to rise further in the current financial year, with a net collection rate of 91 per cent. On the other hand, a 2 per cent growth rate has been realised from the 10 per cent revenue growth baseline based on 2020-2021 SITA's service portfolio in scope.

Fruitless and wasteful expenditure amounting to R3 714 310.45 was incurred in respect of software licences that were not deployed. In addition, a new case was identified amounting to R8 662.80 expenditure paid to the City of Tshwane for interest charges.

12.8.3 Audit Opinion

SITA received a **Qualified audit opinion with findings.** Emphasis of matters was as follows:

Areas of qualification:

- Revenue
- Cost of Sales
- Operating Expenses
- Property, plant and equipment
- Intangible assets
- Trade and other receivables
- Income tax expense
- Capital and Operational commitments
- Cash flows from operating activities

Emphasis of matters related to:

- Restatement of corresponding figures
- Material losses – Disposal of Assets

Audit of compliance with legislation

- Annual financial statements
- Expenditure management
- Procurement and contract management

Internal control deficiencies raised by the Auditors

- Action plan not implemented effectively, resulting in material findings.
- Lack of adequate oversight regarding compliance and related internal controls to prevent irregular expenditure and fruitless and wasteful expenditure.
- Effective systems of internal control were not implemented to ensure accurate financial statements.

Significant findings arising from the submitted AFS indicated that the accounting standards were not applied properly when preparing the AFS. R3.7 million of software licences paid for that were not deployed.

SITA services were rendered after the contract expiry date, an invalid extension of contracts, payments made to suppliers who were not taxed compliant at the date of award, and shortened advertisement periods. R250 million incurred at SITA detected in prior years related to ongoing contracts

Lastly, SITA Accounting Authority must further strengthen its oversight responsibilities over internal controls relating to credible financial reporting.

12.9 SAPO

The South African Post Office 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 Digital Technologies, 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 SA Post Office is also a major state entity in terms of Schedule 2 of the PFMA No. 1 of 1999 (as amended).
There has been an overall decline in the service delivery environment of the SA Post Office because of Covid-19 combined with the constrained financial position.
The strategic objectives over the 2021/22 Financial Year considered 7 key areas focusing the SA Post Office towards ensuring compliance with and supporting the 4IR principles identified by the UPU.

The seven strategic objectives identified for the Strategic Plan:

- Financial Sustainability
- Optimised Assets and Infrastructure
- Customer and Communities First
- Efficient Systems & Processes
- Business Modernisation & Digital Transformation
- Culture of Excellence
- Corporate Governance

12.9.1 Operational Highlights

There was no amendment to the Annual Performance Plan 2021/22 Financial Year as approved by the Board of Directors. A total of 17 Key Performance Indicators (KPIs), aligned towards attaining the strategic objectives per the Corporate Plan, were set and measured for the 2021/22 Financial Year.

NO. OF TARGETS	ACHIEVED	NOT ACHIEVED
17	3	14
% ACHIEVED	18%	82%

Performance for the 2021/22 Financial Year has been poor, with only 3 KPIs achieving 100 per cent of the planned target or 18 per cent overall achievement on target.
Non-achievement was attributed to different reasons ranging from lack of funding to the challenges with the availability of the tools of trade. This also impacted on the entity’s ability to implement corrective measures for previous audit findings. Furthermore, the financial challenges experienced by the SA Post Office have directly contributed to the poor performance on performance targets.
In response to the Covid-19 threat, the Covid-19 Steering Committee was constituted on 23 March 2020, with the Chief Risk Officer as the Chairperson with Executives from various Business Units also forming part of the Committee to ensure representation across the organisation. Similar structures were replicated at the regional level, reporting into the main Steering Committee.
The Steering Committee remained in force to manage the remnant risks associated with the pandemic, in particular, the obligation of the employer to provide an occupationally safe environment.
As at 31 March 2022, the SA Post Office had 2 768 confirmed Covid-19 cases, 2 691 recoveries, 5 active Covid-19 cases and 72 Covid-19-related fatalities. The recovery rate improved from 93.1 per cent to 97 per cent from December 2021 to March 2022, expressed as a percentage of confirmed cases.
During October 2021, the Post Office of Tomorrow strategy was developed under the guidance of the Minister and Deputy Minister of Communications and Digital Technologies and the SA Post Office Board of Directors to move the organisation on the journey towards digitalisation and modernisation.
The SA Post Office had numerous leadership vacancies during the 2021/22 Financial Year, and the new CEO's appointment on 1 April 2021 has brought stability to the Organisation. The positions of Chief Financial Officer, Chief Operating Officer, Chief Information Officer and Chief Audit Executive remained vacant during the 2021/22 Financial Year.
A number of vacancies on the Board of Directors have persisted during the 2021/22 Financial Year. The position of Chairperson of the Board of Directors is currently performed by Mr Sipho Majombozi in an acting capacity.
The average mail carry-over per month increased from 2.73 million items to 4.03 million items at the end of March 2022. The withdrawal of vehicles has further contributed to the decline in delivery performance.
The mail delivery performance as at 31 March 2022 was recorded at 68.36 per cent, substantially below the ICASA regulated standard of 92 per cent.

Social Grants

The payments of social grants are of national importance, and payment continued at the SA Post Office branches and cash pay points during the financial year. The SA Post Office also extended this service to assist with the payment of Special Relief of Distress (SRD) grants, introduced by the SA

Government, to offer relief to South Africans worst affected by the Covid-19 pandemic and the associated economic downturn. Payment of the SRD grants continued during the financial year.
The SASSA/SA Post Office Social Disbursement Accounts (SDAs) decreased by 10% during the 2021/22 FY, bringing the total number of beneficiaries to 7 204 262 compared to 7 964 381 during the 2020/21 FY.

Digital Terrestrial Television (Broadcast Digital Migration Project)

The SA Post Office continued to play a vital role in the objective of migrating television transmission from analogue to digital. During the 2021/22 FY, the SA Post Office registered a total of 362 425 indigent households to receive subsidised Set-Top-Boxes and distributed approximately 356 000 Set-Top-Boxes to qualifying households.

Online MVL

An online platform for the renewal of motor vehicle licences was successfully launched.

eCommerce

Logistics has made good progress in fulfilling the last mile, clearing, warehousing and delivering eCommerce products and services. The Customs Declaration System (CDS) and upgraded International Postal System (IPS) have strengthened the technology backbone to operate in the eCommerce space. Many customers were successfully integrated into the IPS platform, including Wish.Com, Mail Americas, Signature Mail, ICE, and CNE.
A number of vacancies on the Board of Directors and Executive level have persisted during the 2021/22 Financial Year.
The SA Post Office Group headcount was reduced from 15 826 at 31 March 2021, to 14 460 as at 31 March 2022, a reduction of 1366 employees.

12.9.2 Financial Performance

The revenue target of R4.812 billion has not been attained at R3.033 billion (63%). The lower-than-projected revenue performance is due to the lingering effects of the Covid-19 lockdown and the associated business impact, increased customer migration to digital alternatives and transaction volumes, together with the weak financial position of the SA Post Office and suppliers not having been paid, thus withdrawing services, further impacting revenue generation.

SAPO CUMULATIVE FINANCIAL PERFORMANCE	
Revenue	R3.8 billion
Expenditure	R6.2 billion
Operating Loss	R2.4 billion
Loss for the year	**R2.2 billion**

The low revenues have further contributed to the nonpayment of trade, international, and other payables, including accruals, amounting to R4.4 billion. In addition to the above, a further amount of R2.8 billion is owed to Postbank.
The expense budget for the 2021/22 Financial Year at R6.912 billion was achieved at R6.130 billion. Staff expenses comprise approximately 61 per cent of all expenses, followed by Security and Property expenses at 9 per cent, respectively.
During the 2021/22 Financial Year, a total of 3 437 crime incidents were reported with a total reported loss value of R105.2 million.
The SASSA withdrawal cumulative transaction value for the financial year is approximately R119.2 billion, with 55 per cent withdrawn at ATMs, 33.9 per cent at Retailers, 4.4 per cent at SA Post Office branches and 6.6 per cent at Cash Pay Points (CPPs).
During the 2021/22 Financial Year, there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations.
The revenue shortfalls have added further pressure to the already constrained cash flow position of the SA Post Office and the achievement of the planned strategies in the corporate plan.

12.9.3 Audit Opinion

SAPO received a **Disclaimer audit opinion with findings**.
The basis of the disclaimer is summarised as follows:

- Going concern - audited Annual Financial Statements show material losses of R2,181,243,000 and liabilities exceed assets by R4,081,666,000, a material amount
- The Auditor could not obtain sufficient appropriate audit evidence that management had properly accounted for the following in the financial statements. The Auditor was unable to confirm the disclosed amounts by alternative means and determine whether any adjustments were necessary to the disclosed amounts.

- Funds collected on behalf of 3rd parties R467.893.000;
- Trade and other receivables (including uncleared control accounts) R1.478.151.000;
- Payable to the Postbank R1.992.606.000;
- Trade and other payables R1.304.432.000 and R1.263.150.000;
- Financial service revenue R1.256.295.000;
- Other operating expenses R1.979.290.000 and R1.972.420.000;
- Fruitless and wasteful expenditure.

Failure to recognise the following items disclosed in the financial statements according to the requirements of the applicable mandatory accounting standards (IFRS):

- Right-of-use assets and lease liability (IFRS16: Leases) R195.233.773 and R132.829.223;
- Cash and cash equivalents (IAS1:Presentation of financial statements) resulting in R76.497.300 understatement and overstatement;
- Related parties (IAS24:Related party disclosures) resulting in R761.620.215 understatement;
- Accumulated loss (IAS1:Presentation of financial statements);
- Comparative figures (IAS8:Accounting policies, changes in accounting estimates and errors).

The Emphasis of matters related to:

- material impairment of R703 996 000 that was incurred as a result of the impairment of the loan to the Courier and Freight Group (Pty) Ltd;
- material losses due to criminal conduct that was incurred as a result of fraud and theft;
- an amount of R861 000 000 of growth funds that were withdrawn from the PRMA investment to finance a portion of the company's current obligations; and
- contingent liabilities as SAPO group is a defendant in number of lawsuits.

Going concern – SAPO liquidity challenges as a result of losses of R2.4 billion for the 2021/2022 Financial Year and R2.2 billion for the 2022/2023 Financial Year.

Audit of the annual performance report

- Material findings identified on the usefulness and reliability of the reported performance information regarding the following performance indicators under this strategic objective 4:
  - Key performance indicator 4.1 - Achieve the regulated Mail Delivery standard;
  - Key performance indicator 4.3 - Rollout of IPS equipment.

Audit of compliance with legislation

- Annual financial statements were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records.
- Strategic planning and performance management - Corporate plan submitted to the director-general of the Department of Communications and Digital Technologies designated by the executive authority did not include the affairs of the subsidiaries of SAPO.
- Expenditure management - Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R242 637 000 and Irregular Expenditure amounting to R611 708 000.
- No consequence management against officials who incurred irregular expenditure and Fruitless and Wasteful Expenditure and allegations of fraud at the retails which exceeded R100 000 were reported to the SAPS, as required.
- Procurement and contract management - some of the goods and services were not procured through a procurement process which is fair, equitable, transparent, and competitive.

13. Observations

13.1 The Department

The Committee noted:

- its appreciation for the presentation made by the Department;
- that the Department obtained an unqualified audit with findings;
- that the Department achieved 32 out of the 35 or 91 per cent annual targets committed to during the 2021/22 financial year;
- with concern that entities of the portfolio have regressed in most performance areas;
- with great concern that the majority of entities did not correctly apply the Public Finance Management Act (PFMA);

- with great concern that the highly paid financial experts were making mistakes in respect of the application of the PFMA; and that management should be held accountable;
- with concern that management across most entities did not implement proper record-keeping;
- with concern that there were delays in the approval of the final Framework on Digital Transformation and Digital Inclusion;
- with concern that the target of the integrated plan of action in support of the GBV Action was still pending due to the delays;
- that the target for analogue switch-off of SABC television transmitters was not met due to the court litigation;
- that the Broadcasting Digital Migration (BDM) policy has a detrimental effect on all entities implementing the project (USAASA/USAF, SAPO and SENTECH) and directly impacts negatively on the SABC mandate; and
- with great concern that there seems to be a leadership crisis across most entities.

13.2 Sentech

The Committee noted:

- its appreciation for the presentation;
- that Sentech received an unqualified audit opinion with findings;
- that Sentech achieved 7 out of 11 targets which translates to 64 per cent of performance achieved;
- that the expected credit losses of R82 million (R74 million 2021) were raised on the trade debtors balance and that more than 80 per cent of the expected credit loss pertains to community broadcasters;
- that the merger between Sentech SOC Limited and BBI has the potential to embody competitiveness within the market;
- with concern that the annual financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework;
- with concern that the auditors identified material misstatements in the annual performance report;
- with concern that there is inadequate oversight responsibility on the preparation of accurate financial information performance information by management which resulted in material misstatements;
- that the merger with BBI has left the entity with uncertainty and many skilled staff have left the organisation; and
- that Sentech had not incurred any losses.

13.3 SABC

The Committee noted:

- its appreciation for the presentation made by the SABC;
- that the SABC received a qualified audit opinion with findings;
- with concern that the SABC had 50 targets, of which 23 targets were achieved translating to 43.4 per cent performance achieved;
- that the SABC incurred a net loss of R201 million;
- with greater concern that the entity was a defendant in a number of lawsuits;
- that the Auditor General indicated internal control deficiencies,
- with concern that there seems to be a leadership crisis at the entity;
- with respect that the financial statements were not prepared correctly;
- with great concern about the irregularity of the security contract that was wrongly awarded;
- with concern that an amount of R2 million was used for the rental payments of unoccupied offices; and
- that without the Department and the Committee support speeding up enabling legislation, the total turnaround of the SABC shall be impossible irrespective of which Board and Executives are appointed to the Corporation.

13.4 NEMISA

The Committee noted:

- its appreciation for the performance improvement made by NEMISA;
- that NEMISA received an unqualified audit opinion with findings;
- that most targets were achieved except only one target of the 22;
- that AGSA noted internal control deficiencies;
- that there was a lack of adequate oversight responsibility regarding the preparation of the annual financial statements, annual performance report, and ensuring compliance;
- that there was inadequate implementation of proper record-keeping practices.

13.5 .ZADNA

The Committee noted:

- its appreciation for the presentation;
- with further appreciation that .ZADNA obtained a clean audit (unqualified audit opinion with no findings);
- that .ZADNA has managed to achieve 11 out of the 14 planned targets translating to 79 per cent achievement;
- that the targets that were not achieved related to the promulgation of the registry and registrar license framework, the registration of the 25 000 domain names and increasing the namespace by 0.25 per cent through the Companies and Intellectual Property Commission.

13.6 ICASA

The Committee noted :

- appreciated the work done by ICASA to date;
- that ICASA obtained a unqualified audit opinion with findings;
- that ICASA achieved 46 of its planned 53 targets, which translates to a performance of 86.8 per cent;
- with concern that ICASA does not pay debtors on time.

13.7 FPB

The Committee noted :

- its appreciation for the presentation;
- with further appreciation that FPB obtained a clean audit (unqualified audit opinion with no findings);
- that the FPB achieved 10 of its planned 15 targets, which translates to a performance of 66.7 per cent;
- that FPB's non-achieved targets related to: (i) production of Content Classification Index indicating baseline confidence levels; (ii) Implementation of the Brand Repositioning Strategy; (iii) Disseminate the findings of the 2019/20 Convergence Survey; (iv) obtaining clean audit opinion (V) Implementation of the Change Management Projects Phase II and Phase III; as well as (vi) 95 per cent implementation of the ICT plan;
- with serious concern about the vacant posts at the entity;
- that the FPB had accumulated a surplus of R46 million;
- that the assets of FPB exceed liabilities;
- improvement in finances of the FPB; and
- with concern that the R2.8 million was paid to ex-executives.

13.8 USAASA/USAF

The Committee noted :

- its appreciation for the presentation;
- with concern that USAASA obtained a qualified audit with findings;
- that USAASA achieved 3 of its 6 planned targets which amount to 50 per cent;
- with concern that USAASA's audit outcome was a regression;
- that USAASA targets that have not been achieved related to (a) 100 per cent of valid invoices paid within 30 days from the date of receipt, (b) reduction of Wasteful and Fruitless expenditure (c) reduction of Irregular Expenditure;
- that non-achievement was attributed to (a) delays in the analysis, classification and investigation of Irregular Expenditure due to capacity constraints (b) the departure of the ACFO led to delays in the appointment of an authorised official to release payments on the banking payment platform;
- that USAF achieved 6 of its 12 planned targets which translates to 50 per cent achievement;
- that USAF obtained a disclaimer with findings;
- that USAF targets that have not been achieved related to the subsidised Set-Top-Box installations coordinated and monitored in four Provinces (FS, NC, NW and Limpopo), subsidised digital television installations, provision of broadband internet connectivity to 280 sites, amongst others;
- with concern that there was a finding on property, plant and equipment; and
- that a performance improvement was noted in respect of USAF.

14.9 SITA

The Committee noted :

- that SITA achieved a qualified audit opinion with findings;

- that SITA has managed to achieve 11 out of the 19 planned targets translating to 57.8 per cent;
- that the entity continues to be financially sustainable;
- that the financial performance of the entity has improved when compared to the previous financial years;
- with concern that the accounting methods were under par;
- that SITA incurred material losses in respect of the disposal of assets;
- with concern that there was a finding of property, plant and equipment mismanagement; and
- with great concern that R1.5 million was paid for an event that did not happen.

14.10 SAPO

The Committee noted:

- that SAPO's performance worsened compared to the prior year's performance of 29 per cent;
- with great concern that SAPO only achieved three (3) of its planned 17 targets;
- with concern that SAPO obtained a disclaimer however with reduced material matters as compared to the previous Financial Year;
- that the non-achievement of SAPO's targets was attributed to different reasons ranging from lack of funding to the challenges with the availability of the tools of trade;
- that the above impacted the entity's ability to implement corrective measures for previous audit findings;
- with concern that SAPO experienced liquidity challenges as a result of losses of R2.4 billion for the 2021/2022 Financial Year and R2.2 billion for the 2022/2023 Financial Year;
- that SAPO indicated that the implementation of the Post Office of Tomorrow Strategy was expected to improve its financial performance;
- that financial assistance is required to settle the historical debt and implement the Post Office of Tomorrow;
- with concern that the audit opinion of the disclaimer indicated that the information was not available and that it required clarity in this regard;
- that SAPO indicated that no increases were paid to executives and that allowances have been taken away;
- with concern that SAPO has a management problem and that, except for the CEO position, everyone is still acting in a contract position;
- with serious concern that the positions of Chief Financial Officer, Chief Operating Officer, Chief Information Officer and Chief Audit Executive remained vacant;
- with concern that there was an exodus of talented skills;
- with appreciation that SAPO welcomes the investigation by law enforcement agencies on allegations of employees medical aid payments fraud;
- SAPO's assurance that employees were covered by Medipos Medical aid scheme. However, a decision to stop medical aid payments post retirement/employment was taken in 2020 due to financial challenges;
- with concern that the total liabilities of SAPO are more than R4 billion and that SAPO was in a terrible financial state;
- with concern that SAPO gave notification to withdraw its employer group participation resulting in the withdrawal of its representatives in the Board of trustees;
- hat an amount of R457 million was given to support employees who qualified for the post-retirement medical aid, and SAPO was in the process of paying out lump sums to qualifying employees as it is a liability to SAPO; and
- with concern on the accumulation of court litigations at SAPO.

15. Recommendations:

15.1 Department

The Committee resolved that the Minister should:

- ensure that the Department implement daily and monthly controls in respect of consequence management processes;
- ensure that all areas of under-achievement as indicated by the Auditor General are addressed;
- ensure that clear action plans are shown in respect of work done;
- ensure that the Department does not delay the implementation of BDM;
- ensure that the Department reports back to the Committee with updates in respect of timelines on the BDM issues;

- ensure that all entities involved in the BDM project are held accountable for their role in the finalisation of the BDM process;
- ensure that all non-compliant entities are held accountable;
- ensure that the Committee partake in oversight visits to have proper interaction with all entities, including those performing well;
- ensure that remedial action is in place to ensure that all issues across all entities are addressed;
- ensure that we set up a further meeting of the committee to meet with underperforming entities; and
- ensure that progress reports are provided to the Committee ahead of time to deal with relevant issues.

15.2 Sentech

The Committee resolved that the Minister should:

- ensure that the entity has processes in place to comply with the Auditor General's findings; and
- ensure that Sentech addresses compliance issues with the prescribed financial framework for its annual financial statements.

15.3 FPB

The Committee resolved that the Minister should:

- ensure that all vacant posts are filled; and
- ensure that the entity has processes in place to comply with the Auditor General's findings.

15.4 .ZADNA

The Committee resolved that the Minister should:

- ensure that the Entity maintains a clean aidit; and
- ensure that consequence management is applied to the two staff members accused of stealing from the entity.

15.5 NEMISA

The Committee resolved that the Minister should:

- ensure that the entity has processes in place to comply with the Auditor-General's findings;
- ensure that there was an adequate implementation of proper record-keeping; and
- ensure that all key vacancies are filled.

15.6 USAASA/USAF

The Committee resolved that the Minister should:

- ensure that the entity has processes in place to comply with the Auditor-General's findings;
- ensure that all targets are attained;
- ensure that processes in respect of consequence management would be implemented;
- ensure that all key vacancies are filled at USAASA/USAF; and
- ensure that the transition period of winding up USAASA and transformation of USAF into a Digital Development Fund does not compromise adherence to audit action plans that respond to AGSA findings.

15.7 ICASA

The Committee resolved that the Minister should:

- ensure that processes are in place for ICASA to pay its debtors on time;
- ensure that ICASA achieves a clean audit in future; and
- ensure that proper action plans are in place to address all issues raised by the Auditor-General.

15.8 SABC

The Committee resolved that the Minister should:

- ensure that processes are in place to address irregular expenditure;
- ensure that proper action plans are in place to address all issues raised by the Auditor-General;
- ensure that consequence management is implemented;
- ensure that processes are in place to deal with the legislative constraints at the entity; and

- ensure that SABC operations continue irrespective irrespective of whether a new Board is in place or not.

15.9 SITA

- ensure that consequence management processes are applied for the transgressions and mismanagement; and
- ensure that the entity has processes in place to comply with the Auditor General’s findings.

15.10SAPO

The Committee resolved that the Minister should:

- ensure that proper action plans are in place to address all issues raised by the Auditor-General;
- ensure that SAPO expedite the development and implementation of performance improvement plan & audit action plans;
- ensure that SAPO complies with all issues of outstanding legislation;
- ensure that the SAPO is sustainable to provide the much-needed services and this includes mobilising additional funding from National Teasury;
- ensure that all outstanding vacancies are filled;
- ensure that SAPO participate in the investigation by the Hawks into alleged medical fraud; and
- ensure that consequence management is effectively implemented at SAPO.

The Committee noted that the recommendations by AGSA, which suggested a refresher course for all management across all entities, should be considered;
The Committee will do extensive oversight over entities and ensure consequence management prevails;
The Committee will ensure that reports are provided ahead of time in order for the committee to deal with the issue adequately.
The Committee will request the AGSA to submit an explanatory document detailing the rights the Committee has over entities and how to hold entities to account.

Report to be considered.