Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Communications and Digital Technologies, dated 24 October 2023

The Portfolio Committee on Communications and Digital Technologies (the Committee), having considered the financial and non-financial performance for the year 2022/23 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 Institute of South Africa (NEMISA), the Universal Service and Access Agency of South Africa (USAASA)/Universal Service Fund (USAF), South African Broadcasting Corporation SOC Limited (SABC), South African Post Office SOC Ltd (SAPO),Broadband Infraco (BBI), .ZADNA, and the State Information Technology Agency (SITA) on 10 and11 October 2023, reports as follows:

1. Introduction

Chapter 4 of the Constitution of the Republic of South Africa, Act 108 of 1996 (the Constitution), gives mandate to Portfolio Committees to legislate, conduct oversight over the Executive Authority and facilitate public participation. In particular, Section 55 of the Constitution outlines the powers of the National Assembly in that it must provide for mechanisms to ensure that all executive organs of state in the national sphere of government are accountable to it; and to maintain oversight of the exercise of national executive authority, including the implementation of legislation; and any organ of state

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 the 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 service delivery 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 public concerning matters under their control.

2. Role and Mandate of the Committee

For fiscal accountability, the Department must table its annual report 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:

(i) Consider legislation referred to it;
(ii) Exercise oversight over the Department and its entities;
(iii) Consider international agreements referred to it;
(iv) Consider the Budget Votes of the two Departments;
(v) Facilitate public participation process; and

(vi) Consider all matters referred to it in terms of legislation, the Rules of Parliament and resolutions of the House.

3. Methodology

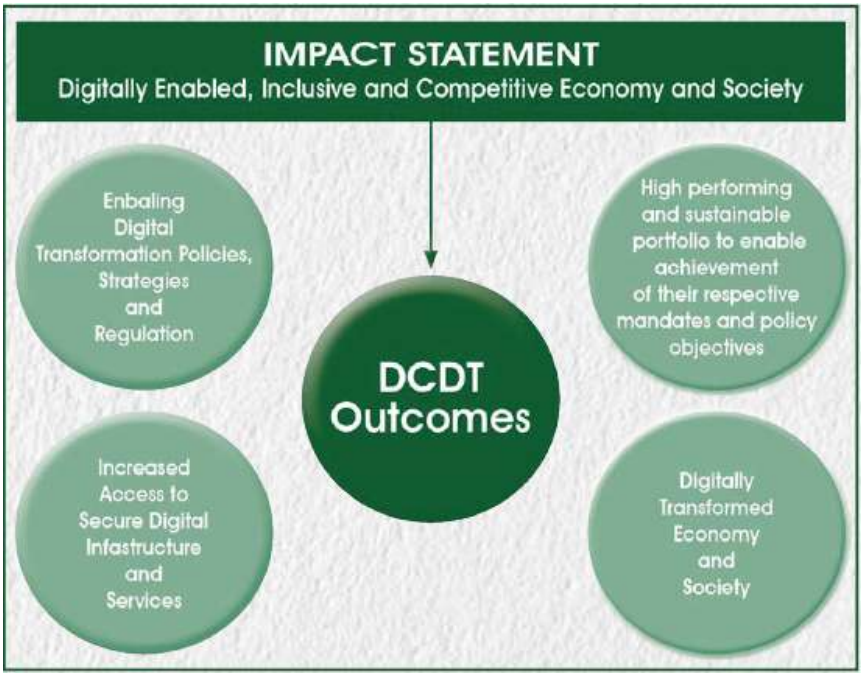
For the financial period under review, the Committee, in exercising its oversight role, considered the 2022/23 Annual Reports and Financial Statements of the Department; Sentech, .ZADNA, SABC, FPB, ICASA, SITA, USAASA/USAF, BBI, SAPO, Postbank and NEMISA.
The Auditor-General of South Africa (AGSA) also presented the audit outcomes of the Department and its entities for the 2022/23 Financial Year.
The Committee also considered the 2022 State-of-the-Nation Address (SoNA), the National Development Plan (NDP) guided by the Medium-Term Strategic Framework (MTSF) of government which outlines specific outcomes and priorities focused at addressing the challenges of poverty, inequality and unemployment., Committee meetings recommendations, oversight reports (from other committees of Parliament), and the 2022 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 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 The Department Impacts and Outcomes

The Department's impact statement is: *Digitally Enable, Inclusive and Competitive Economy and Society*. 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, to socialise, to access government services, become economically active and to hold those in power accountable.
However, what is 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 enable, inclusive and competitive economy and society with secure and affordable universal access to digital technologies and services as a key means towards socio-economic growth.
The diagram below illustrates the Impact Statement of the Department and Outcomes as per the Strategic Plan.



In line with the mandate of the Department, the priorities for the medium-term focused on

(i) Enabling Digital Transformation Policies, Strategies and Regulation
(ii) Increased Access to Secure Digital Infrastructure and Services
(iii) Digitally Transformed Economy and Society and
(iv) High Performing and Sustainable Portfolio to enable achievement of their respective mandates and policy objectives. This contributes to achieving the desired impact of Digitally enabled citizens with secure and affordable universal access.

The following paragraphs speak to the outcomes of the Department in response to service delivery objectives, the progress made towards the achievement of the strategic plan five-year targets. The outcome indicators highlight significant achievements regarding the contribution of the Department and its Entities towards the 2019-2024 MTSF:

To implement its 2022/23 legislative programme, the Department focused on the development of several legislation and strategies as part of contributing to:

(i) **Outcome 1 –** *Enabling Digital Transformation Policies, Strategies and Regulation*: the Department focused largely on creating a conducive policy environment through the development and review of relevant enabling policies, legislation and strategies including the development of the Audio-Visual White Paper which was submitted to Minister for consideration; a draft policy direction on the discontinuation of analogue TV sets from domestic production and imports was developed for Minister approval for submission to ICASA that includes proposal of local manufacturing of digital reception devices; Postbank Amendment Bill monitoring reports were developed and Banking licensing application was facilitated; draft Digital Regulatory Reform Policy document was developed; SABC SOC Ltd Bill was submitted to Cabinet for approval to introduce in Parliament, as well as the Electronic Communications Act Amendment Bill. The Department further focused on the disestablishment of USAASA. Country Positions were developed to support the National Information Communication Technologies priorities focused on forums such as Brazil, Russia, India, China and South Africa (BRICS) and the Inter-Telecommunications Union (ITU) Plenipotentiary Conference. At the same time, the Department was conscious that the global digital environment often poses and requires faster responses by governments to new policy and regulatory challenges.
(ii) **Outcome 2 –** *Increased Access to Secure Digital Infrastructure and Services*: the Department focused on coordinating implementation of the revised SA Connect Model to ensure 80 per cent broadband access to citizens by 2024. The Department also coordinated and monitored interventions related to rapid deployment of digital infrastructure, for ease of access to relevant critical infrastructure and servitudes. The Department further implemented National Cybersecurity programmes, to enable the safe participation of citizens online, as well as safeguarding critical ICT infrastructure. Furthermore, the Department coordinated household migration to digital broadcasting and switch-off analogue broadcasting signal, to enhance TV viewing for information and entertainment. The Department also prioritised the development of

Policy Direction for 5G deployment, to support digital transformation and re-industrialisation of the economy. Another key focus was on the preparations for the World Radio Communication Conference (WRC) which took place during the reporting period, through conducting preliminary technical and regulatory studies to inform South Africa's position on the coordination of radio-spectrum in line with changes in technology and demand, and particularly with respect to our national and regional priorities.

(iii) **Outcome 3 –** *Digitally Transformed Economy and Society*: The Department focused on coordinating the implementation of identified international programmes to support the digital economy. The study on the 'Cost to Communicate' was conducted to inform the revision on the data costs and implemented some of the recommendations stemming from the study. The Department also implemented the National e-Government Strategy and Roadmap towards the digitalisation of government services with a focus on Single Portal. The Department also coordinated the Digital and Future Skills Programmes through local and international Public and Private partnerships. The Department also focused on establishing the Artificial Intelligence Institute and implemented priority programmes, in line with the recommendations stemming the Report of the Presidential Commission on the Fourth Industrial Revolution (4IR).

(iv) **Outcome 4 –** *High Performing and Sustainable Portfolio to enable achievement of their respective mandates and policy objectives*: the Department and the entities focused on the strategic coordination and implementation for the efficient delivery of our respective mandates. The Department monitored the departmental and SOCs GDYC Responsiveness Programmes in line with National targets focusing on the Pillars in the Framework on GRBPME and developed the Department's integrated Plan of action in support of the implementation of National Strategic Plan (NSP) on gender-based violence. The Department also ensured stringent and proactive oversight of the State-Owned Entities (SOEs) in terms of their service delivery performance and compliance against plans and relevant prescripts. The Department facilitated the tabling of the Annual Performance Plans (APPs) of SOEs in line with the MTSF. With respect to ICASA, the Department facilitated the monitoring and evaluation of the performance of ICASA Councillors, in line with the Performance Management System (PMS), however, there was a delay in the approval of PMS for ICASA Councillors by Parliament.

During the reporting period, the Department functioned on a start-up structure whilst the process of developing the organisational structure was still in progress. The Department will, in the 2023/24 financial year, approve the Service Delivery Improvement Plan with main service and standards after the organisational structure is approved.

5. Mandate of the Department

The Department's 2022/23 APP was guided by the MTSF of government, which outlines specific outcomes and priorities focused on addressing the challenges of poverty, inequality and unemployment.

The Department's mandate is 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*.

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, ICASA Act No. 13 of 2000, South African Postbank 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 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 and Digital Technologies in terms of Section 97 of the Constitution.

6. Organisational & Service Delivery Environments

During the reporting period, the Department implemented the 2022/23 APP aligned to the MTSF of government which outlines specific outcomes and priorities to ensure that the mandate of the Department is fully achieved owing to the budget reductions and fiscal constraints. During the reporting period of the 2022/23 financial year, the government continued to re-prioritise its budget. Furthermore, during the fourth quarter of the period under review there was a Cabinet reshuffle which led to the Department having a newly appointed Minister.

The Department continued to implement the Broadcasting Digital Migration (BDM) programme during the 2022/23 financial year. Following the President announcement of the 2022 Speech of Nation Address (SONA), the Department and entities continued with the installations of outstanding registered households and the switch-off of analogue transmissions in the remaining four provinces of Eastern Cape, KwaZulu Natal, Western Cape and Gauteng. To achieve this objective quicker, Sentech has enhanced the capacity of installers across the country. This process was supported by the provincial governments, district and local municipalities as well as the Department of Cooperative Government and Traditional Affairs (COGTA) to raise awareness campaigns about the progress and what was expected of communities. Post installation of infrastructure, a Consumer Contact Centre was established at Sentech as a support centre for beneficiaries.

The SA-Connect programme was implemented in support of the National Broadband Policy that was approved by the Cabinet in 2013. SA-Connect seeks to meet the technology goals of the NDP of creating an inclusive information society and position the government to play an enabling role in the provision of broadband to the number of underserved district municipalities thereby bridge connectivity gaps.

The programme was initially aimed at connecting government facilities, which included all schools, health facilities, post offices, police stations and government offices, in the eight rural district municipalities, to broadband services.

Under Phase one (1), 970 government facilities were connected and sustained. The Department has a revised model and implementation plan for the SA Connect Phase 2 which was approved by Cabinet in January 2022. The Department has since received funding from National Treasury wherein funding to the tune of R1.1 billion (2023/24) and R1.9 billion (2024/25) has already been allocated for 2023/24 financial year.

The Department also received R200 million from the National Treasury as part of the Presidential Employment Stimulus (PES) access fund, the project is underway. SITA connected government facilities in the Eastern Cape. SITA continues working with the other provinces to solicit tasking from the Provincial Governments for the connectivity to government facilities.

Challenges were encountered by the Department when implementing the BDM programme as there were litigations on the analogue switch-off which led to the delays in the SA digital migration, and as a result the switch-off date was extended.

There were external factors that were also impacting on the service delivery of the Department such as the Covid-19 and the impact of the load shedding which have affected the productivity of employees working on the Department's projects.

The 2022/23 financial year was the third year that the Department continued with the implementation of its 2020-2025 Strategic Plan and the 2022/23 APP. During this reporting period, the Department continued functioning in accordance with an interim organisational structure while it focused on developing an organisational structure aligned to the new mandate of the Department. The organisational structure will be finalised during the 2023/24 financial year and be implemented going forward.

The Department was able to finalise the Service Delivery Model (SDM) and consultations with the Department of Public Service and Administration (DPSA) to advise on the draft organisational structure were conducted. The Department continued to function on the start-up structure and a task team was established to complete the process of the Macro Structure.

In terms of acquiring relevant skills to deliver on its mandate, the Department has in place a Workplace Skills Plan (WSP) aimed at capacitating employees with requisite skills aligned to the mandate and strategy.

The Department is currently prioritising the implementation of the Digital Transformation Strategy with the focus on developing the e-Submission System as they move towards a paperless organisation. This programme will continue within the Department through the digitisation of additional business processes and systems as part of implementing the Digital Transformation Strategy.

The Department has already consolidated some of the processes and systems, which include the review of existing operational policies and procedures. Moreover, the Department continues to ensure the mainstreaming of critical issues related to designated groups through the Chief Directorate: Gender, Disability, Youth and Children (GDYC).

This Unit also ensures that all departmental programme, policies, and processes are inclusive of issues related to such designated groups and will monitor the departmental and SOCs Gender, Disability, Youth and Children Responsiveness programmes in line with National targets.
During the reporting period the Department had a moratorium on the filling of vacancies in the Department for most of the financial year and this resulted in an under expenditure of the CoE Budget. The Chief Financial Officer (CFO) resigned with effect from 30 June 2022, however an acting appointment was made, and business continued as usual without any interruption.
The Chief Director: Human Resource Management was transferred to another Department with effect from 01 September 2022, however an acting appointment was made, and business continued as usual.
Officials were also appointed as the Acting Director-General/Accounting Officer, Chief Director Communications and Marketing and Chief Director Integrated Strategic Planning and Monitoring. Business in all areas continued without any interruption.
The following five critical positions were advertised in December 2022 and have been filled except for the Chief Financial Officer (CFO)?? and the Chief Director Human Resource Management (HRM_:

- Director-General (DG)
- CFO??
- Chief Director Communications and Marketing
- Chief Director Integrated Strategic Planning and Monitoring.
- Chief Director: Human Resource Management?

About human resources related matters, as at end of March 2023, the Department had a total of 337 funded positions on its establishment.
A total of 280 of these posts were filled, and 57 posts were vacant and funded which equates to a 16.9 per cent vacancy rate. During the reporting period there were 20 staff appointed additional to the establishment.
The Department was allocated a total adjusted and exclusively earmarked amount of R313 536 million for COE in the 2022/23 financial year. As at the end of March 2023, the Department had spent R264 964 million of its COE budget. The main reason for the underspending was the non-filling of vacancies because of a moratorium on the filling of vacant positions due to the revision of the organisational structure.

6.1 Key Policy Developments and Legislative Changes

During the reporting period the Department processed the SABC SOC Ltd Bill. The Bill amongst other things proposes reducing the size of non-executive Board members from 12 to 11 and the executive members from three to two. It revised the governance structure and funding model of the SABC.
The SAPO Amendment Bill was also submitted to Cabinet for approval to introduce in Parliament. The proposed amendments seek to enable the SAPO to adapt to the technological developments in the courier-service space and expand its mandate.
The changes are in line with the National Integrated Information and Communications Technology Policy White Paper of 2016. These two pieces of legislation will have an impact on the operations of the above-mentioned entities of the Department.
Furthermore, the Electronic Communications Amendment Bill was also submitted to Cluster and Cabinet for public consultation approval. The Bill seeks to provide an opportunity for the Government to make strategic interventions on infrastructure investments whenever it deems necessary.
The purpose of the proposed amendments was to increase the level of competition in the telecommunications sector and drive down prices. The amendments to the Electronic Communications Act will allow ICASA flexibility to regulate competition issues in the sector.

7. Highlight of Achievement of Institutional Impacts and Outcomes

The Department impact statement is: *Digitally Enable, Inclusive and Competitive Economy and Society*. 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, to socialise, to access government services, become economically active and to hold those in power accountable. However, what is 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 enabling an inclusive and competitive economy and society with secure and affordable universal access to digital technologies and services as a key means towards socio-economic growth.

Enabling Digital Transformation Policies and Strategies and Regulation

The Department concentrated primarily on creating a conducive policy environment through the development and review of policies, legislation and strategies in order to achieve the Output: *Enabling*

Digital Transformation Policies, Strategies, and Regulation. The following result indicators show the progress made regarding the strategic plan's five-year targets:

The Department submitted SAPO SOC Ltd Amendment Bill to Cabinet for approval to introduce in Parliament and the Postbank Amendment Bill was monitored in Parliamentary process and the banking licensing application was facilitated during the 2022/23 financial year.

Furthermore, the White Paper on the Audio and Audio-Visual Content Services Policy was revised in the 2021/22 financial year. During the 2022/23 reporting period the Audio-Visual White Paper was submitted to Minister for consideration, however, the Department was unable to submit the Audio-Visual White Paper to Cabinet for approval as planned.

The SABC Bill was submitted to Cabinet for approval to introduce in Parliament, focusing on revision of the governance structure and funding model of the SABC, proposing the reduction of size of non-executive Board members from 12 to 11 and the executive members from three to two.

The Data & Cloud Policy was approved by Cabinet for public comments, and subsequently published for public comments through a gazette on 1 April 2021. During the 2022/23 financial year the Department submitted the Draft National Cloud Computing Policy to the Minister for approval.

The Electronic Communications Amendment Bill was also submitted to Cluster and Cabinet for public consultation approval. The proposed amendments focused on increasing the level of competition in the telecommunications sector and driving down prices will allow the ICASA flexibility to regulate competition issues in the sector.

The Department developed and approved the Digital Economy Masterplan during the 2020/21 reporting period. Furthermore, a report on the coordination of the implementation of identified priority areas of the Digital Economy Masterplan was generated and approved. During the 2021/22 financial year, a report was developed on the Integrated report on Digital Economy Programmes. Digital Economy Strategy was developed by the Department during the 2022/23 reporting period.

During the 2022/23 reporting period, the Department submitted a Cabinet Memo on the disestablishment of USAASA. Disestablishment plan was finalised and submitted for the Minister's approval and the Report on the implementation of the disestablishment plan was developed.

With regards to advancing country 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 that took place through the SADC 6th WRC Preparatory meeting and the ATU 3rd WRC preparatory meeting. South Africa also hosted the 4th ATU APM for the WRC in 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.

During the 2022/23 reporting period the Department developed and approved 3 Country positions to support the National ICT priorities focused BRICS, ITU-PP 22 and WTDC. The focus for 2023/24 financial year will be on developing and approving 3 Country Positions to support the National ICT priorities focused on BRICS, UPU and WRC-23.

In terms of the PC4IR Report, the Department coordinated the development of the Country Report for 4IR, 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 the implementation of the recommendations stemming from the PC4IR Report. The SIP was developed, and consultation was conducted in Provinces and national departments.

During the 2022/23 reporting period the PC4IR Strategic Implementation Plan was submitted to the 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 at contributing to the outcomes of creating an enabling Digital Transformation Policies, Strategies and Services.

Increasing Access to Secure Digital Infrastructure and Services

The Department has made progress towards the achievements to the outcome indicators focusing on *Increasing Access to Secure Digital Infrastructure and Services* in relation to the strategic plan five-year targets.

The Department, in its focus on coordinating implementation of the revised SA-Connect Model to ensure achievement of the target of 80 per cent broadband access to citizens by 2024, concluded the SA-Connect Feasibility Study to facilitate broadband connectivity to government facilities in the 2020/22 reporting period.

The Feasibility Study Report for Phase 2 funding was 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 Feasibility Study for SA-Connect Phase 2 required R57 billion which the state was unable to fund. The revised model required state capital funding of R2.5 billion and was to ensure that the Government achieves its target of 80 per cent broadband access.

Furthermore, the Department has established the Project Management Office for SA-Connect Phase 2, the project team has been appointed which consist of representation from the entities within the portfolio and the Department to implement revised SA-Connect Phase 2 Model. The Department has also continued in monitoring and sustaining the provision of broadband services to all 970 connected sites.

During the 2022/23 reporting period the Department coordinated the implementation of the revised SA-Connect Model on the funded sites. Going forward the Department will focus on coordinating the implementation of the revised SA-Connect Model towards internet access for communities and government facilities.

During the 2021/22 reporting period the preliminary technical and regulatory studies were conducted to inform draft SA's position for WRC-23. The Department during 2022/23 reporting period developed Second Draft SA Preliminary Positions for WRC-23.

Furthermore, the Department developed the Policy Direction for 5G deployment and monitored the implementation of social obligations for new spectrum licence holders. Going forward, the Department will develop the final approved position for South Africa in preparation for WRC-23.

With regards to the roll-out of the subsidised digital television installations, the Department continued with the coordination of the Switch-off of SABC analogue television transmitters across provinces. However, BDM projects target which deals with subsidised digital television was reviewed, following Cabinet approval of the revised implementation plan. The new target consolidated the work towards Analogue Switch-Off (ASO) by 31 March 2022, the deadline was subsequently extended to end of June 2022 due to litigation.

During the 2022/23 reporting period the Department coordinated the Household Migration and ASO for the Broadcasting Digital Migration for households registered after 31 October 2021. Going forward, the Department will continue with the coordination of distribution and installation of decoders and the coordination of ASO in the four provinces of Eastern Cape, Western Cape, KwaZulu-Natal and Gauteng.

The Department will also continue monitoring the implementation of strategic national cybersecurity programmes to ensure the safety of our citizens online, as well as safeguarding the critical ICT infrastructure.

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 and services.

Digitally Transformed Economy and Society

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

During the reporting period of 2022/23, the Department has coordinated the implementation of National e-Government Strategy and Roadmap, with a focus on a Single Portal for prioritised government services. Going forward the focus will be to monitor the automation of e-Government services on e-Portal which is aimed at enabling our citizens to transact with government in real time and in the safety of their homes.

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 training on Coursera online digital skills in the 2020/21 reporting period. Furthermore, the Department has through NEMISA facilitated and monitored training of young people in pre-entry level digital skills, data science, analytics, and machine learning.

During 2022/23 reporting period the Department continued in its focus to coordinate the Digital and Future Skills training programmes through local and international Public and Private partnerships. Going froward the Department will still focus on coordinating the Digital and Future Skills programmes through multi-stakeholder partnerships.

The Department coordinated and reported on Partnership Programmes initiatives to support the Digital Economy. Internal engagements to identify priority programmes of the Department were held with both ICT Policy Development and Research as well as with ICT Information Society and Capacity Development Branches. Stakeholders for partnerships for the implementation of programmes, were

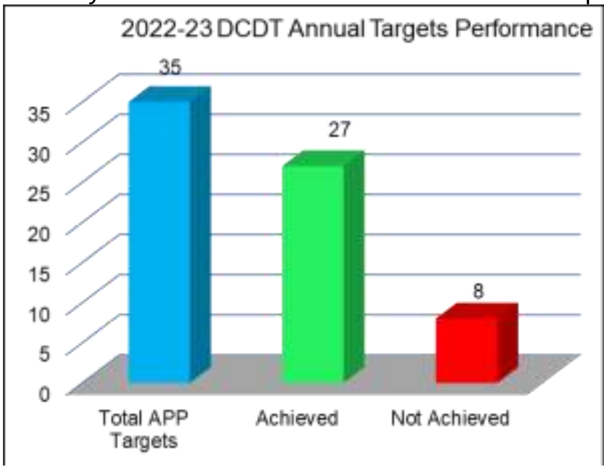
identified. Engagements with concerned Foreign Embassies were conducted to agree on the identified partnership programmes.
Implementation of identified partnership programmes status report was developed. The Department continued in 2022/23 reporting period with the coordinating the implementation of identified international programmes to support the digital economy initiatives and developed the Status report on the implementation of identified international programmes.
The Department supported and contributed to the SA Investment Conference through advancing the ICT investment initiatives and the Outcomes report was developed and approved during the reporting period of 2021/22.
To further contribute to transforming digital society, the Department, University of Johannesburg (UJ), and the Tshwane University of Technology (TUT) on the 30 November 2022 launched the Artificial Intelligence Institute of South Africa (AIISA). AIISA was founded upon the vision of the PC4IR articulated in the Commission's report on the 4IR. AIISA positioned itself as a supporting innovation engine for the public and private sectors. It also seeks to generate knowledge and digital applications to position South Africa as a competitive player in the global AI economy.
The Department will during the 2023/24, focus on including four (4) Artificial Intelligence (AI) Centres of Excellent in the AIISA network and implement priority programmes, in line with the recommendations stemming from the Report of the PC4IR.
The Department will in the 2023/34 financial year facilitate the DigiTech Products and services for adoption by the Government. The purpose of DigiTech is to collect data about digital products developed in South Africa with the aim of supporting the products' technology enablement and promoting to expand their adoption and use.
Through DigiTech, the Department seeks to promote SA-developed digital products in other markets whilst facilitating partnerships with other countries on co-promotion of local technologies.
The implementation of the National e-Government Strategy and Roadmap towards the digitalisation of government services and increasing the uptake and usage of digital technologies contribute to the outcome of having a digitally transformed economy and society in place.

High-performing and sustainable portfolio to enable achievement of their respective mandates and policy objectives.

To ensure a *high-performing* and *Sustainable Portfolio* to achieve their respective mandates and policy objectives, the Department has digitised its processes and systems, developed the Integrated Digital Transformation Strategy and monitored the implementation of priority interventions.
The Business needs analysis focusing on prioritised interventions was also conducted. Furthermore, the Department's 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 has implemented and monitored the Collaboration platform rollout plan as part of the Digital Transformation priority intervention. The implementation of the Digital Transformation Strategy activities will continue in the 2023/24 financial year to ensure that the Department is digitised and there is a paperless environment, and the Department will focus on developing the e-Submission System.
With regards to the Approved Strategic Plans and APPs of SOEs, the Department continues to analyse Quarterly SOE Performance Reports and submit the Reports to Minister. The Department also analysed the entities' quarterly performance reports and the APPs/Strategic/Corporate Plans that the Entities submitted. The Department reviewed 2021/22 Shareholder Compacts of Schedule 2 and 3B Entities.
The ICASA Act stipulates that the performance management system must, inter alia, set key performance indicators as a yardstick for measuring performance, set measurable performance targets, and set a procedure to measure and review performance at least once a year.
The Department tabled and facilitated the PMS for ICASA Councillors in Parliament. Parliament subsequently approved the PMS for ICASA Councillors in the current 2022/23 financial year.
As per the requirements of the government during the reporting period, the Department developed and coordinated the Implementation Plan for District Development Model (DDM) in the prioritised Districts / Metros.
This results from a process by which joint and collaborative planning is undertaken at local, district and metropolitan levels by all three spheres of governance, resulting in a single strategically focused One Plan for each of the 44 districts and 8 metropolitan geographic spaces in the country.
The DDM was introduced and approved by the Cabinet to address the consequence of a lack of coherence in service delivery planning and implementation to deal with the challenges of poverty, inequality and employment.
The Department monitored the Departmental and SOCs Gender, Disability, Youth and Children (GDYC) Responsiveness programmes in line with National targets. Furthermore, The DCDT

integrated plan of action in support of the National Strategic Plan (NSP) on gender-based Violence, focusing on Prevention, Reporting and Economic Power Pillars, was implemented in Provinces and Districts Municipalities working with SOCs focusing on women, youth, Persons with Disabilities Children, Survivors and Victims of Gender Based Violence and a National Stakeholder Engagement and Evolution Workshop was hosted.
The finalisation of the Department's organisational structure aligned to mandate and strategy and digitised processes and systems will ensure a high-performing organisation as all business units will focus on digitally delivering services. Indicators related to providing oversight on our SOEs will contribute towards the outcomes of a high-performing portfolio with a focus on performance against planned indicators and accountability in this regard.
Going forward, the Department will further continue with a stringent and proactive oversight role on its SOEs to ensure performance and compliance reports and facilitate the tabling of submitted APPs of SOEs in line with the MTSF. The Department will be monitoring the implementation of the performance of ICASA Councillors in line with the PMS.
Facilitation of the development of the shareholder compacts of Schedule 2 and 3B will still be the focus. Monitoring the implementation of the SAPO Reposition Strategy, Postbank strategy towards State Bank, SABC Turnaround Plan and developing the monitoring report for both SITA Repurposing and USAASA disestablishment will remain a focus during the 2023/24 financial year.

8. Performance Information and Performance by Programme
In terms of performance against the 2022/23 APP, the Department committed to achieving 35 annual targets during the reporting period. The Department achieved 77 per cent of its annual targets while spending 98 per cent of its adjusted budget allocation, as illustrated in the diagram below.
The difference between the performance achieved and the budget spent is due to the spending on the business (transfers to SOEs and payments of financial assets) and operational plans as well as the monthly administrative commitments of the Department:



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.
Institutional outcome for Programme 1: *create a high-performing and sustainable portfolio to enable achievement of their respective mandates and policy objectives.*
Outcomes, Outputs, Output Indicators, Targets and Actual Achievements
Administration outcome focuses on "High Performing and sustainable portfolio to enable achievement of their respective mandates and policy objectives". The Department, in this regard, was able to monitor the Departmental and SOCs GDYC Responsiveness Programmes in line with National targets focusing on the Pillars in the Framework on GRBPME and implemented the Department's integrated Plan of action in support of the implementation of National Strategic Plan (NSP) on gender-based violence coordinated focusing on prevention, reporting and economic power pillars.

The Department also implemented the DDM Plan in the prioritised Districts/Metros as part of contributing to the joint and collaborative planning that is undertaken at local, district and metropolitan by all three spheres of governance, resulting in a single strategically focused One Plan for each of the 44 districts and 8 metropolitan geographic spaces in the country.

This further impacts on the strategic priorities of government to ensure coherence in service delivery planning and implementation to provide optimal quality services to citizens and diminish the potential impact of government services on the triple challenges of poverty, inequality and employment.

Such achievements contributed to the outcome of a high-performing organisation as all business units have well-capacitated staff and are focused on digitally delivering services aligned with the mandate of the organisation.

Programme 1 has ensured the mainstreaming of critical issues related to designated groups through the Chief Directorate: GDYC. This Unit also ensured that all Departmental programmes, policies, and processes were inclusive of issues related to such designated groups and monitored the Departmental and SOCs GDYC Responsiveness programmes in line with National targets.

8.1.1 Areas of Underperformance

(i) Delay in getting the proposal to appoint a service provider to implement the workflow management system.

(ii) The delay was also caused by the high-pricing proposal received.

8.1.2 Programme Performance Against Budgets

Spending was R225.8 million in the 2022/23 financial year and R228.4 million in the 2021/22 financial year. Spending on goods and services increased from R94.1 million in 2021/22 to R97.1 million in 2022/23 financial year.

Spending in travel and subsistence was up from R7.6 million to R17.4 million in the year under review. The spending rate under this programme was at 82.2 per cent.

Programme 1: Administration Sub-Programme Name	2022/2023			2021/2022		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Ministry	4 697	4 556	141	6 627	4 444	2 183
Departmental Management	63 914	49 342	14 572	56 435	42 161	14 274
Internal Audit	8 660	5 227	3 433	7 623	6 362	1 261
Corporate Services	100 639	88 069	12 570	99 112	95 726	3 384
Financial Management	63 527	45 484	18 043	53 624	48 567	5 057
Office Accommodation	33 367	33 100	267	34 010	31 109	2 901
Total	**274 804**	**225 778**	**49 026**	**257 431**	**228 371**	**29 060**

Strategy to Overcome Areas of Under Performance

The Department acknowledges its areas of under-performance related to the target of the Digital transformation strategy initiative implemented (Workflow management system), which could not be achieved due to delays in getting the proposal so that a service provider can be appointed to implement the workflow management system and high pricing proposal that was received.

The Department, in 2023/24 financial year, will develop the e-Submission System as part of implementing the digital transformation strategy initiatives.

8.2 Programme 2: ICT International Relations and Affairs

The purpose of Programme 2 is to position South Africa as a digital technological infrastructure and innovation hub leading on digital transformation to contribute to the digital economy.

Institutional Outcomes for Programme 2: *Enabling Digital Transformation Policies and Regulation and a Digitally Transformed Economy and Society*.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

In its effort to implement the outcome Enabling Digital Transformation Policies, Strategies and Regulation, the Department has developed 3 Country Positions to support the National ICT priorities focused on BRICS, ITU-PP 22 and WTDC.

Furthermore, in implementing the output of a digitally transformed economy and society, the Department coordinated the implementation of identified international programmes to support the digital economy initiatives.

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

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 R64.6 million in the 2022/23 financial year and R54.6 million in 2021/22 financial year. The spending in goods and services has increased from R3 million in 2021/22 to R6.4 million mainly due to travel and subsistence increasing from R816 000 thousand in 2021/22 to R4.8 million in 2022/23.
Transfer payment also increased from R32.1 million in the 2021/22 financial year to R35.4 million in the year under review. The spending rate under this programme was at 94.1 per cent.

Programme 2: ICT International Relations & Affairs	2022/2023			2021/2022		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
Sub- Programme Name	R'000	R'000	R'000	R'000	R'000	R'000
Programme Management for International Relations and Affairs	3 710	3 005	705	3 378	2 741	637
International Affairs	10 084	9 753	331	10 853	9 676	1 177
ICT Trade/Partnership	54 791	51 795	2 996	44 653	42 148	2 505
Total	**68 585**	**64 553**	**4 032**	**58 884**	**54 565**	**4 319**

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 the accelerated and shared growth of the economy.
Develop strategies that create the uptake and usage of ICT by most of the South African population, thus bridging the digital divide.
Institutional outcome for Programme 3: *Enabling Digital Transformation Policies, Strategies and Regulation*.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

With regards to the "*Enabling Digital Transformation Policies, Strategies and Regulation*", the programme was able to develop strategies, policies and legislations such as the SAPO SOC Ltd Amendment Bill and SABC SOC Ltd Bill which were submitted to Cabinet for approval to introduce to Parliament.
Furthermore, the Electronic Communications Amendment Bill which was submitted to Cluster and Cabinet for public consultation approval and amongst others the Draft National Cloud Computing Policy was submitted to Minister for approval.
The Department has also submitted a Cabinet Memo on the disestablishment of USAASA and developed the Digital Economy Strategy. Such achievements contributed towards creating enabling digital transformation policies and regulation.
In response to prioritising Women, Youth and people with disabilities, the programme ensured that during the consultations on policies, more than 50 per cent participant were women, youth and persons with disabilities.

8.3.1 Areas of Underperformance

(i) Delays in the approval process by Cabinet on the Audio-Visual White Paper.
(ii) External dependencies to conclude the publishing of the final policy directives on policy direction (the DTIC, ICASA, Ministry).

8.3.2 Programme Performance Against Budgets

Spending was R34 million in 2022/23 financial year and R29.6 million in 2021/22 financial year. Spending on goods and services totaled R7.9 million in the year under review and R1.7 million in 2021/22 financial year.
Consultants Business and Advisory Services increased from R0 in 2021/22 to R2.9 million in 2022/22 and Travel and Subsistence increased from R554 000 thousand in 2021/22 to R2.5 million in 2022/23.

Spending rate under this programme is at 75 per cent.

Programme 3 ICT Policy Development & Research	2022/2023			2021/2022		
	Final Appropriation	Actual Expenditure	(Over)Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
Sub-Programme Name	R'000	R'000	R'000	R'000	R'000	R'000
Programme Management for ICT Policy Development and Research	2 504	1 642	862	1 252	713	539
ICT Policy Development	12 437	12 403	34	13 005	8 147	4 858
Economic and Market Analysis	4 856	2 463	2 393	5 391	2 198	3 193
Research	7 284	4 820	2 464	8 926	4 701	4 225
Small, Medium and Micro Enterprise	1 261	1	1 260	775	-	775
Broadcasting Policy	8 607	6 426	2 181	14 872	12 650	2 222
Presidential Commission on 4IR	8 374	6 250	2 124	5 752	1 177	4 575
Total	**45 323**	**34 005**	**11 318**	**49 973**	**29 586**	**20 387**

Strategy to overcome areas of underperformance.

The Department acknowledges its areas of under-performance related to the targets of submitting the Audio-Visual White Paper to Cabinet for approval. There was a delay in the approval of the draft white paper for the final gazetting as a result it was not submitted to Cabinet.

However, the Audio-Visual White Paper was submitted to the Minister for consideration. The target of developing the policy direction on the discontinuation of analogue TV sets from domestic production and imports was not achieved due to the external dependencies to conclude the publishing of the final policy directive.

Furthermore, a draft Digital Regulatory Reform Policy document was developed, however, there was a change in the approach or direction due to a merger of BBI and Sentech to the acquisition of BBI by Sentech. The Department will ensure finalisation of the abovementioned target by 2023/24 financial year.

8.4 Programme 4: ICT Enterprise Development and Public Entity Oversight

The purpose of Programme 4 is to oversee and manage government's shareholding interest in the ICT public Entities and state-owned companies.

Institutional outcomes for Programme 4: *High Performing and financially sustainable portfolio to enable achievement of their respective mandates and policy objectives.*

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Achievement has been made with regards to the Outcome of "*High Performing and Sustainable Portfolio*" to enable achievement of their respective mandates and policy objectives.

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 develop consolidated performance monitoring and reporting for the Portfolio during the reporting period and coordinated the implementation of recommendations from analysis of Departmental and SOEs Performance Reports.

Furthermore, Programme 4 facilitated the tabling of submitted APPs of Department & SOEs, in line with the MTSF.

In response to prioritising women, youth and persons with disabilities, the programme ensured that the entities are aligned in terms of gender representation and compliance with framework on gender, responsiveness, budgeting, planning monitoring, evaluation and auditing.

8.4.1 Areas of Underperformance

The Department acknowledges its areas of under-performance related to the target of Monitoring and evaluation of the PMS for ICASA Councillors facilitated.

8.4.2 Programme Performance Against Budgets

Spending was R4.3 billion in the 2022/23 financial year and R1.7 billion in the 2021/22 financial year. The major increase in 2022/23 financial year was mainly in the *Payment for Financial Assets* due to additional funds received during the second adjustment budget process of R2.4 billion as a recapitalisation for SAPO. The spending rate under this programme is at 99.9 per cent.

Programme 4: ICT Enterprise & Public Entity Oversight Sub-Programme Name	2022/2023			2021/2022		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme Management for ICT Enterprise And Public Entity Oversight	3 429	3 299	130	3 286	3 162	124
Regulatory Institutions	877 744	872 598	5 146	565 396	562 222	3 174
Universal Services and Access	3 318 047	3 317 987	60	1 010 053	1 009 230	823
ICT Skills Development	102 121	102 121	-	98 468	98 468	-
SOE Governance and Support	5 616	4 611	1 005	5 991	5 778	213
Total	**4 306 957**	**4 300 616**	**6 341**	**1 683 194**	**1 678 860**	**4 334**

8.5 Programme 5: ICT Infrastructure Development & Support

The purpose of Programme 5 is to facilitate the provision of robust, reliable, secure and affordable ICT Infrastructure that supports universal access to applications and services.

Institutional outcomes for Programme 5: *Increased Access to Secure Digital Infrastructure and Services.*

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The Department's Programme 5 contributed to the Outcome of "*Increased access to secure Digital Infrastructure and Services.* "in this regard, the Second Draft SA Preliminary Positions for WRC- 23 was developed.

With regards to broadband, the Department during the reporting period, coordinated the implementation of the revised SA-Connect Model on the funded sites to ensure achievement of the target of 80 per cent broadband access to citizens by 2024. The programme further coordinated the implementation of the rapid deployment of digital infrastructure.

The Department further monitored the implementation of strategic national cybersecurity programmes and services to ensure the safety of our citizens online, as well as safeguarding of the critical ICT infrastructure.

The Programme coordinated the Household Migration and Analogue Switch off for the BMD for households registered after 31 October 2021. Furthermore, the Policy Direction for 5G deployment was developed and approved during the reporting period. The implementation of social obligations for new spectrum licence holders was also monitored.

In response to prioritising women, youth and persons with disabilities, the programme ensured that during the implementation of the BDM Programme 825 Installers participated and 40 per cent of the appointed companies of set-top-box installers are women led. This programme also had participation by youth.

8.5.1 Areas of Underperformance

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

8.5.2 Programme Performance Against Budgets

Spending was R533.3 million in the 2022/23 financial year and R1.513 billion in 2021/22 financial year. The net reduction was due to transfers and subsidies amounting to R1 billion made to USAF for BDM during 2021/22 financial year. However, Consultants Business Advisory has increased from R1.8 million in 2021/22 to R207 million due to expenditure for the Provision of Presidential Youth Employment Intervention (PYEI) phase 2 Broadband Access Fund. The spending rate under this programme is at 98 per cent.

Programme 5: ICT Infrastructure Development & Support Sub- Programme Name	2022/2023			2021/2022		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme Management for ICT Infrastructure Development and Support	3 282	3 175	107	2 267	2 265	2
Broadband	436 751	435 240	1 511	472 208	227 987	244 221
ICT Support	9 457	5 748	3 709	7 609	7 558	51
Broadcasting Digital Migration	94 982	89 177	5 805	1 278 362	1 275 145	3 217
Total	**544 472**	**533 340**	**11 132**	**1 760 446**	**1 512 955**	**247 491**

Strategy to overcome areas of underperformance.

Not applicable as all planned targets were achieved within Programme 5.

8.6 Programme 6: ICT Information Society and Capacity Development

The purpose of Programme 6 is to facilitate the development and implementation of interventions that increase the adoption and use of digital technologies to promote digital transformation.
Institutional outcomes for Programme 6: *Digitally transformed Economy and Society and Enabling Digital Transformation Policies, Strategies and Regulation*.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The Departments' Programme 6 contributed to the Outcome of "*Transformed Digital Society*. "In this regard, the Department conducted the study on cost to communicate to inform the revision on the data costs. The programme further developed the strategy to leverage delivery of services through 5G and Wi-Fi 6 to stimulate the digital economy and developed the Policy to discontinue GSM phones. Furthermore, the programme also contributed and focused on coordinating the implementation of National e-Government Strategy and Roadmap, with a focus on a Single Portal for prioritised government services.
The programme also coordinated the Digital and Future Skills training programmes through local and international Public and Private partnerships and coordinated the establishment of the Artificial Intelligence (AI) Institute and developed the AI Strategy.
In response to prioritising Women, Youth and Persons Living with Disabilities, the programme ensured that during training provided by the Entities was aligned in terms of gender representation and compliance with the framework on gender, responsiveness, budgeting, planning, monitoring, evaluation and auditing.

8.6.1 Areas of Underperformance

The Department acknowledges its areas of under-performance related to the target of *Implementing a study on cost to communicate conducted to inform the revision on the data costs and Recommendations stemming from the study* because of delays in finalising cost to communicate study which affected the implementation of the recommendations.
The other area of underperformance is related to the target of *Development of a Green Paper on the Digital Government Act*, owing to the change of approach in driving the Digital Government agenda within government.
Lastly, underachievement in the target relating to the *Implementation of the Digital Economy Masterplan* was as a result of the need to firstly finalise he Digital Economy Strategy Framework before developing and implementing the Masterplan.

8.6.2 Programme Performance Against Budgets

Spending was R63.1 million in the 2022/23 financial year and R65.1 million in 2021/22 financial year. The spending in goods and services has decreased from R23 million in 2021/22 to R 20 million in 2022/23 mainly in Consultants Business and Advisory from R16.6 million in 2021/22 to R5.8 million in 2022/23 due to delays in the procurement processes which led to the digital skills programme and the district digital enablement project not being executed. The spending rate under this programme is 71.9 per cent.

Programme 6: ICT Information Society & Capacity Development	2022/2023			2021/2022		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
Sub-Programme Name	R'000	R'000	R'000	R'000	R'000	R'000
Programme Management for ICT Information Society And Capacity Development	3 008	2 763	245	2 993	2 572	421
Information Society Development	74 102	56 761	17 341	66 555	59 112	7 443
Capacity Development	10 526	3 526	7 000	4 980	3 443	1 537
Total	**87 636**	**63 050**	**24 586**	**74 528**	**65 127**	**9 401**

Strategy to overcome areas of underperformance.

The Department acknowledges its areas of under-performance related to the target of developing the Green Paper on the Digital Government Act which could not be achieved due to a change of approach in driving the Digital Government Agenda within government. Furthermore, the Department did not achieve the target of approving and implementing the Digital Economy Masterplan due to the reason that the Department needed to first finalise Digital Economy Strategy Framework before developing and implementing the Masterplan. The Department will ensure that both targets are finalised in the 2023/2024 financial year.

9. Overview and Assessment of Financial Performance of the Department

The table below depicts the Department's budget allocation per programme over two financial years. It also annotates the Appropriation Per Economic Classification over the financial years. Expenditure for the Department as of 31 March 2023 was R5.2 billion.

	2022/23						2021/22	
	Adjusted Budget	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final budget	Final Budget	Actual Expenditure
Voted funds and Direct charges	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
Programme								
ADMINISTRATION	279 390	(4 586)	274 804	225 778	49 026	82,2%	257 431	228 371
ICT INTERNATIONAL RELATIONS AND AFFAIRS	63 999	4 586	68 585	64 553	4 032	94,1%	58 884	54 565
ICT POLICY DEVELOPMENT AND RESEARCH	45 323	-	45 323	34 005	11 318	75,0%	49 973	29 586
ICT ENTERPRISE AND PUBLIC ENTITY OVERSIGHT	4 304 498	2 459	4 306 957	4 300 616	6 341	99,9%	1 683 194	1 678 860
ICT INFRASTRUCTURE DEVELOPMENT AND SUPPORT	544 472	-	544 472	533 340	11 132	98,0%	1 760 446	1 512 955
ICT INFORMATION SOCIETY AND CAPACITY DEVELOPMENT	90 095	(2 459)	87 636	63 050	24 586	71,9%	74 528	65 127
TOTAL	**5 327 777**	**-**	**5 327 777**	**5 221 342**	**106 435**	**98,0%**	**3 884 456**	**3 569 464**

Appropriation per economic classification

	2022/23						2021/22	
	Adjusted Budget	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final budget	Final Budget	Actual Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
Current payments	953 874	(2 459)	937 912	838 086	99 826	89,4%	890 576	582 288
Compensation of employees	313 536	-	313 536	264 964	48 572	84,5%	295 831	271 487
Goods and services	640 338	(2 459)	624 376	573 122	51 254	91,8%	594 745	310 801
Transfers and subsidies	1 960 420	-	1 963 488	1 960 476	3 012	99,8%	2 978 713	2 978 399
Payments for capital assets	13 483	-	13 483	9 886	3 597	73,3%	15 106	8 716
Payment for financial assets	2 400 000	2 459	2 412 894	2 412 894	-	100,0%	61	61
	5 327 777	**-**	**5 327 777**	**5 221 342**	**106 435**	**98,0%**	**3 884 456**	**3 569 464**

The Department has been allocated an adjusted budget of total budget of R5.3 billion (rounded-off), which consist of Compensation of Employees totalling to R313.5 million or 6 per cent , Goods and Services of R624,4 or 12 per cent, Transfers and Subsidies of R1.9 billion or 37 per cent, Payment of Financial Assets R2.4 billion or 45 per cent which include the R2.4 billion for SAPO, and Payment for Capital Assets of R13.4 million.

During Adjustment Estimates the Department received a rollover approval of R200 million for the implementation of the Presidential Employment Stimulus Broadband Access Fund and R 10.6 million for cost-of-living adjustment.

The expenditure as of 31 March 2023 was 98 per cent against the total adjusted budget of R5.3 billion. The deviation of R106.4 million or 2 per cent is mainly due to:

- Underspending under Compensation of Employees due to vacancies not filled due to the merger; organisational structure of the Department not finalized; moratorium on the filling of posts, and DPSA's circular allowing only the advertisement of extremely critical positions;
- Underspending under Goods and Services is due to projects that could not be implemented and reduced travel due to meetings being held online;
- Underspending under Transfers and Subsidies for international membership fees due to the rand and other internationally currency fluctuations; and
- The underspending on Capital Assets is due to the delays experienced with SITA for invoicing of the Local Area Network upgrade project.

Statement of Financial Position

- **Unauthorised Expenditure –** Follow ups were made with National Treasury (NT) regarding progress on the case as the matter awaits Cabinet approval. The Department appeared before SCOPA on 19 September 2023;
- **Cash & Cash Equivalents** – Cash in the bank at end of the year;
- **Voted funds to be Surrendered** – Voted funds to be surrendered amounts to R106 million;
- **Other receivable and other payables** – The R2.4 billion disclosed are under other receivable and other payable represent the R2.4 billion second adjustment allocation in respect of SAPO. As at 31 March 2023 actual funds were not received from National Revenue Fund (receivable) and a payment was not made to SAPO;
- **Payables** – The increase is due to funds were received from ICASA in the week before the 31 March 2023 and was paid over to NRF and SARS in April 2023; and
- **Loans** – The SABC loan is interest bearing of R27.4 million. A letter was sent to National Treasury to repeal section 28 to 30 of the Exchequer Act and feedback is awaited.

The overall saving of R106.4 million was mainly recorded on Programme 1: Administration, Programme 3: ICT Policy Development and Research and Programme 6: ICT Information Society and Capacity Development.

Of the mentioned amount, a total saving of R48.5 million was recorded on Compensation of Employees and was because of the moratorium on the filling of positions.

A total amount of R51.2 million was recorded on Goods and Services while a saving of R3.5 million was recorded on Payments for Capital Assets.

Programme 1: Administration recorded a total saving of R22.9 million under Goods and Services because of the non-appointment of consultants to conduct IT Audit, non-appointment of consultants for job evaluation on the organisational structure review process and the reduced spending on advertising of positions.

A further saving of R2.3 million was recorded under Payments for Capital Assets which relates to the delays experienced with SITA for the Local Area Network upgrade project invoicing.

Programme 3: recorded a total saving of R5.1 million on Goods and Services due to cancellation of legislative development project which led to a reduction in consultation costs and travelling costs. Online meetings and webinars contributed to a further reduction in travel costs.

Programme 6: recorded a total saving of R17.7 million on Goods and Services due to delays in the roll out of the Digital Skills Programme and the District Digital Enablement Project.

The Department received an additional allocation of R2.4 billion during the 2nd Adjustments Appropriation Act in respect of the recapitalisation of South African Post Office.

As at 31 March 2023, the funds were not yet received from the National Treasury and not disbursed to SAPO.

There was a significant increase in Interest received due to accrued interest received from SABC in respect of SABC Loan 14. The Department has received funds from ICASA on the sale of Spectrum and this has resulted in an increase of bank interest. The increase in transactions in financial assets and liabilities is as a result of debts recovered from previous years.

A total of R10.3 billion was received from ICASA during the 2022/23 financial year of which, the R10.2 billion was earmarked for surrender to the National Revenue Fund (NRF). R10.2 billion was surrendered to the NRF as of 31 March 2023 and R44 million will be paid to the NRF in April 2023. The Department is deemed to be a "*conduit*" as it only passes administrative fees from ICASA to the NRF and SARS and, therefore, the Department does not record the mentioned amounts as departmental revenue in the Statement of Financial Performance (PER) at year end as this will overstate the Department's revenue.

Finally, increase in Receivables is because of debts recovered from previous years.

Virements/roll overs

Virements as reflected on the Appropriation Statement were applied in terms of section 43(1) of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) which stipulates that virements may not exceed 8 per cent of amount appropriated under that main division. Funds amounting to R4.6 million and R2.5 million from programmes 1 and 6 were transferred respectively to Programmes 2 and 4 to defray excess expenditure. Programme 2 was overspending under compensation of employees and programme 4 was overspending under payment for financial assets for SABC loan.

An amount of R200 million was approved by the National Treasury to be rolled over to the year under review for the Provision of PYEI phase 2 Broadband Access Fund.

Unauthorised, Irregular, Fruitless and Wasteful Expenditure

A description of the reasons for unauthorised, fruitless and wasteful expenditure and the amounts involved as well as steps taken to address and prevent a recurrence.

The Department has incurred irregular expenditure amounting to R153 494.00 during the period under review, however cases amounting to R156 million were resubmitted and referred to the National Treasury awaiting condonation. The Department did not incur any unauthorised expenditure during the period under review.

Fruitless and Wasteful Expenditure for the 2022/23 financial year amounted to R61 351.95. During this financial year Fruitless and Wasteful Expenditure to the amount of R56 792.5 was written off and an amount of R1 530. was transferred to receivables for recovery and was ultimately recovered from the official. The total amount outstanding on the Fruitless and Wasteful Expenditure register as at 31 March 2023 amounted to R3 029.7 which is still under determination.

The Department does implement consequence management as and when necessary. The policy also strengthens punitive measures against those officials who negligently commit acts that result in Fruitless and Wasteful expenditure.

The following Section 10 of this report covers in detail the audit findings of the Department.

10. AGSA Report

The overall audit outcome of the Department remained stagnant with an **Unqualified audit** opinion with material findings on predetermined objectives and non-compliance. It is the third consecutive reporting year that the Department has received an unqualified opinion with findings.

10.1 Report on the Audit of the Key Targets of the Annual Performance Report

For the year ended 31 March 2023 for auditing, the AGSA selected programmes that measure the Department's performance on its primary mandated functions and that are of significant national, community or public interest. The material findings on the performance information of the two selected programmes as follows:

(i) Programme 5 - ICT Infrastructure Development and Support

Migrated households.

The indicator was included in the approved annual performance plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance.

Implemented revised SA-Connect Model on the funded sites

The planned target for this indicator was implementation of the revised SA-Connect Model coordinated on the funded sites. However, the **target was not specific in that it was not indicated how it would be measured or when it should be delivered.** Consequently, the information might be **less useful for measuring performance**.

(ii) Programme 6 - ICT Information Society and Capacity Development

Implemented recommendations stemming from the Cost-to-Communicate Study

The planned target for this indicator was *study on cost to communicate conducted to inform the revision on the data costs and recommendations stemming from the study implemented*, however, **the target was not specific in that it was not indicated how it would be measured or when it should be delivered**. Consequently, the information might be **less useful for measuring performance**.

10.2 Report on Compliance with Legislation

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Consequence Management

The AGSA 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 expenditures were not performed.

The root cause is **lack of proper record keeping** relating to the reported irregular expenditure which resulted in some cases not being investigated. It was noted that management did start to address this matter after year-end.

Annual financial statements and performance and annual report

The financial statements submitted for auditing **were not fully prepared** in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(b) of the PFMA.

There were **material misstatements** of non-current assets, current assets, liabilities, disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

The root cause was that material corrections were made as there was an instruction received from National Treasury relating to SAPO recapitalisation funds, which was not aligned to the financial standards and had to be adjusted and there were inadequate reviews.

Internal Control Deficiencies

The matters reported by the AGSA are limited to the **significant internal control deficiencies** that resulted in the material findings on the annual performance report and the **material findings on compliance with legislation** mentioned above.

An adequate review of the Department's annual performance indicators and targets **was not effectively performed** to ensure alignment to the mandate and oversight responsibilities.

The Accounting Officer **did not adequately implement consequence management** processes in relation to contravention of applicable policies, laws and regulations, as a result **material findings were identified** relating to consequence management compliance audit.

The **significant deficiencies** in **Internal Control** that led to the AGSA's overall assessment of the status of the drivers of key controls are described below:

Financial and Performance Management

Management **did not prepare** performance reports that are supported and evidenced by reliable information. Management **did not review and monitor compliance** with applicable laws and regulations to ensure:

- Consequence management is implemented;
- Indicators and targets are well defined and measurable; and
- That the financial statements are prepared in line with the reporting framework.

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.

10.3 Other Matters

The following matters are **material non-compliance matters** that were identified and reported by the AGSA:

Achievement of planned targets

The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

The AGSA identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of **Programme 5:** ICT Infrastructure Development and Support and **Programme 6:** ICT Information Society and Capacity Development. Management did not correct all of the misstatements and the reported material findings in this regard.

11. AGSA Consolidated Portfolio Report

The AGSA noted an **overall improvement** in the Portfolio**.** This was mainly due to the improvement in audit outcome of four auditees as highlighted below:

FPB: – The FPB received a **clean audit** – Best practices included proper reviews of financial statements and performance report for audit and adherence to laws and regulations. The clean audit achieved for the second consecutive financial year reflects the soundness of adherence to compliance frameworks and controls.

Emphasis of matter

Statutory receivables – exchange transactions

The public Entity has a material balance of statutory receivables older than 180 days on the age analysis. Management analysed this balance and concluded that it should not be impaired as the probability of non-payment is negligible.

Other Matter

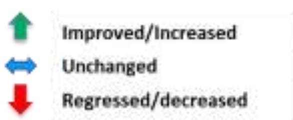
The AGSA did not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Report on Compliance with Legislation and Internal Control Deficiencies

The AGSA did not identify any significant deficiencies in internal control and did not identify any material non-compliance with the selected legislative requirements.

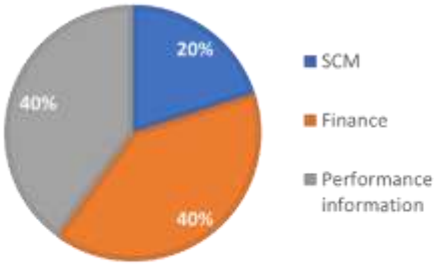
NEMISA: – The AGSA commended NEMISA for receiving a **clean audit** for the first time since its establishment – Best practices included proper reviews of financial statements and performance report for audit and adherence to laws and regulations, see table below indicating Audit Outcomes – **Past Three Years**:

2022/23	2021/22	2020/21
Unqualified *	Unqualified **	Unqualified **
↑	↔	↔



The number of audit findings and analysis of audit findings 2022/23 by AGSA are indicated in table and table below:

2022/23	2021/22	2020/21	Variance
5	12	22	7 (58%)



Sentech: – The AGSA commended NEMISA for receiving a **clean audit** – Best practices included proper reviews of financial statements and performance report for audit and adherence to laws and regulations.
Sentech improved from prior years and is commended for receiving a clean audit opinion and no material misstatements were reported on the programmes selected for audit in the audit report.

Achieving Key Performance Targets – Summarised Information from Performance Report

A total of 87 per cent performance targets were achieved for 2022-23.

Key Targets Not Achieved

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of contracted broadband sites connected	680 connected sites	85 sites connected	Not all contracted material opportunities progressed to order.

Financial Health Risk

The AGSA drew attention to the consolidated and separate financial statements, which indicate that most of the public Entity's revenue is **earned from one customer who experienced cash flow challenges** in the past few years. This indicates the presence of **material uncertainty** relating to financial sustainability risk due to lack of revenue diversification.

Irregular Expenditure Analysis

During the year under review, the public Entity incurred **irregular expenditure amounting to R10 million**, which was disclosed in the financial statements. This irregular expenditure relates to **fraudulent procurement** activities which are currently still in progress with the police involved.

Other Important Matters

Sentech & BBI merger

The AGSA drew attention to the consolidated and separate financial statements that indicate that Sentech is in the process of acquiring 74 per cent of BBI. Due diligence was completed, and it is anticipated the transaction will be concluded by the end of September 2023. There were no significant deficiencies in internal controls**.**

ICASA: –successfully finalised the process to assign broadband spectrum in prior year with however R6 billion of the revenue related to the project was collected in current year on behalf of the national revenue fund. ICASA received an **Unqualified audit** with findings opinion from the AGSA.
Management has not succeeded to address deficiencies in controls around preparation of accurate and complete annual financial statement that are free from material misstatement, identified material misstatement identified were subsequently corrected by management.
Non-compliance with laws and regulations which resulted in the occurrence of irregular expenditure, payments to supplier not made within the required 30 days. Appropriate evidence was not kept confirming that necessary investigations are carried out and that recommended consequence management actions are taken.

Achieving Key Performance Targets – Summarised Information from performance Report

A total of 42 targets out of 48 planned targets were achieved for 2022/2023, which represents an 87.5 per cent achievement based on the annual performance report.

Observation of Possible Impact of Targets Not Achieved – Key Message

- The main observation of possible impact of the non-achievement of the targets:

- The indicators that are not achieved are below the outcome: *Competition in the ICT sector promoted*.
- Not achieving indicators that aim to stabilize the sector through ensuring fair competition has a negative impact to the users.

Financial Health Risk

There is no significant uncertainty that may cast doubt that the Authority may continue as a **going concern** in the foreseeable future, however the following should be noted.

On the average it takes ICASA to pay its creditors, it has decrease from 92 days in prior to 55 days in current year. Although there is improvement, the Entity is s**till not meeting the 30 days payment terms** as required by legislation. This indicates that **internal control deficiency** in terms of ensuring that creditors are paid promptly.

Irregular Expenditure Analysis

During the year under review, the constitutional Entity **incurred irregular expenditure amounting to R33 million**, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure increased by 10 per cent compared to the prior year. The expenditure can be broken down as follows:

Description	Amount (R)	Root cause	Impact
Functionality incorrectly calculated	R33.7 million	Incorrect application of the SCM laws and regulation	The matter has been referred to the loss control committee for further processing.
Other SCM non-compliance	R0.5 million	Incorrect application of the SCM laws and regulation and lack of training of SCM officials to understand latest development on the compliance sections.	The matter has been referred to the loss control committee for further processing.
Total IE disclosed	**R34.2 million**		

Findings on Compliance with Legislation

The following material non-compliance issues were identified and reported:

Description	Root cause
Annual financial statements	The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1) (a) and (b) of the PFMA. Material misstatements of receivables from non-exchange transactions, provisions, unspent conditional grant, commitments and cash flow statement identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion
Expenditure management	Effective and appropriate steps were not taken to prevent irregular expenditure, disclosed as part of note 35 to the financial statements, as required by section 38(1)(c) of the PFMA and treasury regulation 9.1.1. Majority of the irregular expenditure was caused by contracts variations not approved. Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3
Consequence management	Sufficient and appropriate evidence that disciplinary steps were taken against some officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA was not provided. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure. Disciplinary steps were not taken against some of the officials who had incurred and or permitted irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.

Internal Controls

The **significant deficiencies** in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Leadership

Controls were not always effective to ensure oversight, monitoring and review of compliance with laws and regulations as management did not adhere to their audit action plan to implement controls over financial reporting.

Financial and Performance Management

Management **did not implement adequate controls** to ensure that contracted amount is not exceeded without approved variation.

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 take action** against employees who incurred or permitted irregular and fruitless and wasteful expenditure as required by PFMA.

BBI: – The AGSA opinion remained **Unqualified audit** with material non-compliance matters. These matters should be addressed to move the Entity to clean audit outcomes by implementing preventative controls.

Company loss for the year increased from R119 million in 2022 to R121 million to 2023. **BBI** disclosed significant doubt in financial statements about the ability to continue **operating as a going concern** in the foreseeable future.

Sentech is in the process of acquiring 74 per cent of BBI. Due diligences were completed, and it is anticipated the transaction will be concluded by the end of September 2023.

BBI achieved fourteen (14) out of twenty targets, which represents (70 per cent achievement. Of the six targets not met, **three are for financial sustainability**, two relate to network sustainability and one for socio-economic transformation.

The table below is indicative of audit findings that BBI is in process of resolving:

#	Description	Progress Status
1	Material adjustments identified through the audit process were made to the financial statements submitted for audit.	In progress
2	Inadequate re-assessment of useful lives and residual values of property, plant and equipment	In progress
2	Some cost of sales transactions did not agree to the supporting documentation	In progress
4	GRV listing and the general journal listing provided for audit purposes did not seem complete.	In progress

The Department: – The overall audit outcome of the Department remained stagnant with an **Unqualified audit** opinion with material findings on predetermined objectives and non-compliance.

Achieving Key Performance targets – *Summarised Information from Performance Report*:

A total of 27 targets out of 35 planned targets were achieved for 2022/2023, which represents a 77 per cent achievement based on the annual performance report.

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 should improve internal controls, determine proper accountability and enhance oversight over the BDM project to ensure reliable reporting. Management addresses compliance on consequence management and adjustments to financial statements.

The Department's detailed audit report is reflected in the preceding Section 10 of this report.

USAASA – improvement of audit outcomes was due to the effectiveness of the action plans developed and implemented to address previous qualification areas. However, enhancement of internal controls over review of financials should be implemented as material misstatements were still identified as well as non-compliance on incurring of F&W expenditure and consequence management. No material misstatements were reported in the audit report on *Strategic objective – Business support.*

Achieving Key Performance Targets – Summarised Information from Performance Report

A total of 5 targets out of 5 planned targets were achieved for 2022/23, which represents a 100 per cent achievement based on the annual performance report.

Findings on the Audit of Financial Statements

Unqualified opinion

The public Entity improved its audit opinion from a qualified opinion to an **Unqualified audit.** This is mainly due to management providing supporting documentation that was not available for audit in the prior year related to receivables from exchange transactions.

Going Concern Risk

The annual financial statements have been prepared based on accounting policies applicable to a going concern, describes the events or conditions, along with other matters as set forth in note 23 of Annual Report, that may cast **significant doubt** on the public's ability to continue as a going concern and how the public Entity is responding to them.

The Department and USAASA have planned to and are currently implementing activities to disestablish USAASA.

Irregular expenditure analysis: During the year under review, the public Entity incurred irregular expenditure amounting to R7.9 million, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 88 per cent compared to the prior year.

Findings on Compliance with Legislation

The following material non-compliance issues were identified and reported:

Description	Root cause
Annual financial statements	The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(b) of the PFMA. Material misstatements of expenditure and current liabilities identified by the auditors in the submitted financial statements were corrected
Expenditure management	Effective steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure
Consequence management	I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure and fruitless and wasteful expenditure were not performed

Consequence Management

Internal controls

The **significant deficiencies in internal control** that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Leadership

The public 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.

Financial and Performance Management

- Management did not implement adequate internal controls to prevent fruitless and wasteful expenditure;
- Management did not develop and implement a compliance checklist to monitor compliance with legislation, including procurement legislation; and
- Management did not adequately review the financial statements to ensure that material errors were identified and corrected prior to submission for audit.

USAF – Improved from disclaimer opinion, however limitations were noted on inventory resulting in a **Qualified audit** outcome for the reporting year. This was due to management providing information for audit that was not available in the prior year relating to BDM expenditure, provisions, payables and administrative expenditure. Qualifications related to inventory and inventory redemptions remain in the current year.

No material misstatements were reported on in the audit report on **Programme 1 –** *Business Operations*

Achieving Key Performance Targets – *Summarised Information from Performance Report*

One target out of four planned targets was achieved for 2022/23, which represents a 25 per cent achievement based on the annual performance report.

Key Targets Not Achieved

Performance indicator	Target	Actual performance	Reason for non-achievement
Approved funding for subsidised installations by Sentech and other approved service providers for registered qualifying households	100% funding of BDM installations by Sentech and other approved service providers for registered qualifying households	A total number 58380 installations were verified, however, at the end of the period under review, only 48 962 were funded by USAF, resulting in 83% funding	The target has been corrected in line with the processes that are followed; verification and payment processes
Approved funding of subsidised broadband connectivity to identified sites	Funding of the subsidised broadband connectivity to identified sites on service level agreement	None of the identified sites were funded for broadband connectivity during the period under review	Approval of the high sites by the local municipalities is taking too long
Percentage (%) of valid invoices paid within 30 days from date of receipts	100% of valid invoices paid within 30 days from date of receipt	44% of valid invoices were paid within 30 days. 15 out of 34 valid invoices were paid within 30 days.	The following are the reasons for the delays: 1. After market invoices:

The *Percentage (%) of valid invoices paid within 30 days from date of receipts* (above) performance indicator target further indicates delays experienced in the signing of the respective SLA from the Department as another reason for non-achievement of target.

Impact of targets not achieved.

The main impact of the non-achievement of the targets is as the **lack of adequate internal controls** over the recording of the movement of the inventory of Set Top Boxes (STBs) and the actual installation of the STBs contributed to the slow progress in approving payments for installations to the service provider. This also contributes to the non-achievement of government priority to roll-out STBs.

Findings on the Audit of Financial Statements

Qualified Opinion

The public Entity is qualified on inventory and inventory redemptions as follows:

Inventories and Inventory Redemption

The AGSA was unable to obtain sufficient appropriate audit evidence that management had properly accounted for inventories in the current and previous year as the public Entity **did not maintain a register of inventories** held by a third party that could be reconciled to the financial statements. **The AGSA was unable to confirm the inventories** by alternative means.

Consequently, the AGSA was unable to determine whether any adjustments were necessary to inventories stated at R836 164 000 (2022: R807 209 000) to the financial statements and to inventory redemptions stated at R63 980 000 (2022: 0) to the financial statements.

Going Concern

The AGSA drew attention to note 20 of the Annual Report to the financial statements, which indicates that the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern, describes the events or conditions, along with other matters as set forth in note 20 that may cast **significant doubt** on the public's ability to continue as a going concern and how the public Entity is responding to them.

Irregular Expenditure Analysis

During the year under review, the public entity did not incur any irregular expenditure.

Fruitless and Wasteful Expenditure Analysis

During the year under review, the entity incurred fruitless and wasteful expenditure amounting to R107 000, which was disclosed in the financial statements. The analysis of fruitless and wasteful expenditure shows a decrease when compared to the prior year.

Findings on Compliance With Legislation

Description	Root cause
Annual financial statements	The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of current liabilities identified by the auditors in the submitted financial statements were corrected
Expenditure management	Effective steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 14 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the payment of interest on a court order.
Consequence management	I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure and fruitless and wasteful expenditure were not performed

Internal Controls

The **significant deficiencies** in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

- Management did not implement an appropriate internal control process to properly account for inventory balances and the movement of inventory during the year;
- Management did not adequately review the financial statements to ensure that errors are identified and corrected prior to the submission of the financial statements for audit resulting in material corrections to the financial statements; and
- The public 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.

SITA: – The opinion relating to the audit of the annual financial statements remained unchanged – **Qualified audit**. In the current year there is also a **material compliance finding** relating to the audit of pre-determined objectives for Programme 2 - Digital Infrastructure (% provision of broadband services to connected sites sustained) as well as material non- compliance findings.

Significant findings arising from submitted financial statements indicated that the **accounting standards were not applied properly** when preparing the financial statements. Refresher GRAP training is encouraged for key officials involved in financial reporting to improve the quality of financial reporting. Even though the overall outcome remains stagnant, there was an **increase in the matters** contributing to the overall outcome. Material findings on AOPO as well as material non-compliance findings were reported in the current year.

Findings on the Audit of the Annual Performance Report

Material misstatements under Programme 2 – An achievement of 100 per cent provision of broadband services to connected sites sustained was reported against a target of 100 per cent provision of broadband services to connected sites sustained.

However, some **supporting evidence was not provided** for auditing; and, where it was, the AGSA identified **material differences** between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was **not reliable for determining if the target had been achieved**.

Achieving key performance targets – *summarised information from performance report*

A total of 8 targets out of 18 planned targets were achieved for 2022/23, which represents a 44 per cent achievement based on the annual performance report. Key targets not achieved are annotated in detail in the AGSA report to the Committee and available upon request.

Impact of targets not achieved

The main impact of the non-achievement of the targets is as follows:

- There will be no seamless integrated and trusted public services as indicated by the customer satisfaction survey results. Thus, loss of confidence in utilising SITA's services could result in potential customers bypassing regulations and incurring non –compliance by not procuring through SITA as well as incurring Irregular expenditure. Further entities could end up paying more for IT services or goods than they would have paid if they utilised SITA for procurement;

- Lack of increased citizen value through availability and accessibility of core Government public facing services on digital platforms which result in longer service delivery times at the expense of the citizens; and
- Lack of optimised digital infrastructure which results in the networks not being modernised to be more agile and flexible while enabling the network to be intelligently and centrally controlled as well as slow modernisation of strategic data centres in line with industry standards.

Material Irregularities

The Accounting Authority launched a preliminary investigation into the material irregularity on 1 March 2023 to establish who the implicated officials were. After the investigation, the implicated employees were served formal representation letters for disciplinary action.

Based on the outcomes of the responses to letters, a final report will be submitted and approved by the Managing Director whereafter consequence management processes and possible recovery of losses will take place. The AGSA has committed to follow-up on the implementation of the planned actions during the 2023/24 audit once the final report has been received.

On *Payments for services not delivered,* the Accounting Authority instituted legal action on 12 November 2021 to recover the amount from the supplier. A settlement agreement was concluded with the supplier on 10 March 2023.The supplier paid an initial amount of R50 000 but defaulted on the remainder of the payments stipulated in the agreement. SITA via their attorneys approached the court to get a default judgement against the supplier.

As at the date of this auditor’s report, no date has been set by the registrar of the court. The AGSA will follow-up on the implementation of the planned action during the 2023/24 audit to verify if the court date has been obtained to hand down default judgement as well as whether remaining financial loss has been recovered.

Findings on the Audit of Financial Statements

Qualified opinion

The public Entity is qualified on the fair presentation of the financial statements due to the following:

Revenue

The AGSA was **unable to obtain sufficient appropriate audit evidence** for revenue from exchange due to the status of record keeping by the public entity. The AGSA was **unable to confirm revenue** from exchange transactions by alternative means.

Consequently, The AGSA was unable to determine whether any adjustments were necessary to revenue from exchange transactions stated at R6, 686 million in note 16 of the Annual Report to the financial statements.

In addition, in the prior year the public Entity **did not recognize revenue from exchange in accordance with GRAP 1**, *Presentation of Financial Statements*. Revenue from exchange were recorded in the incorrect financial year, consequently the corresponding figures of revenue from exchange disclosed in note 16 to the financial statements was **overstated by R99 million** while the prior year surplus, accumulated surpluses and income received in advance were overstated by the same amount. The AGSA’s opinion on the current financial year annual financial statement is modified because of the effects on the comparability of revenue from exchange for the corresponding figures.

Cost of Sales

The AGSA was **unable to obtain sufficient and appropriate audit evidence** for cost of sales due to their status of record keeping and the underlying accounting records not agreeing to the recorded transactions by the public Entity. The AGSA was **unable to confirm the cost of sales** by any alternative means. Consequently, the AGSA was unable to determine whether any adjustments were necessary to cost of sales stated at R4 732 million (2022: R3 935 million) in note 17 to the financial statements. The AGSA was **unable to determine the consequential impact** on the carrying amount of the property, plant, and equipment; intangible assets; trade and other payables; prior period error note as well as operating expense.

In addition, the public Entity did not recognise cost of sales in accordance with GRAP 1, Presentation of Financial Statements. Cost of sales transactions relating to the previous year and future periods were recorded in the current financial year resulting in the **overstatement of cost of sales by R56 million** (2022: understatement R298 million). There was a resultant impact on the prior year surplus for the period; accumulated surpluses; and trade and other payables.

Operating Expenses

The AGSA was **unable to obtain sufficient appropriate audit evidence** for operating expenses due to status of record keeping. The AGSA was unable to confirm operating expenses by alternative means.

Consequently, the AGSA was unable to determine whether any adjustments were necessary to operating expenses stated at R1 474 million in note 18 to the financial statements. The AGSA **was unable to determine the consequential** impact on the carrying amount of the property, plant, and equipment; intangible assets; trade and other payables; prepayments; prior period error note as well as cost of sales.

In addition, the current financial year annual financial statement is modified because of the effects on the comparability of operating expenses with the corresponding figures.

Property, Plant and Equipment

The public Entity **did not recognise property, plant, and equipment** in accordance with GRAP 17, Property, plant, and equipment. Not all items of property, plant and equipment were recorded in the asset register resulting in the property, plant and equipment disclosed in note 04 to the **financial statements being understated by R63 million**.

In addition, the public Entity di**d not adequately review the useful lives of the property plant and equipment** in accordance with GRAP 17, Property, plant and equipment. Furthermore, the public Entity **did not adequately perform an impairment assessment** at the reporting date for property, plant and equipment in accordance with GRAP 26, Impairment of assets.

As a result, the AGSA **was unable to determine the correct carrying amount** of property plant and equipment, stated at R840 million (2022: R954 million) in note 4 to the financial statements as it was impractical to do so.

The correcting journal for reversal of impairment relating to the prior year was incorrectly processed in the current year, **which resulted in R100 million overstatement** of carrying amount of the property plant and equipment. There is a consequential impact on operating expenses; cost of sales; deferred tax liability; correction of prior period error note; surplus for the period and on the accumulated surpluses.

Intangible Assets

The public Entity **did not review the useful lives of intangible assets** in accordance with GRAP 31, Intangible assets. Furthermore, the public Entity **did not adequately assess intangible assets for impairment** at the reporting date as required by GRAP 26, Impairment of Cash generating assets as well as GRAP 21, Impairment of non-cash generating assets.

As a result, the AGSA was **unable to determine the carrying value of the intangible assets**, stated at R265 million (2022: R279 million) in note 5 to the financial statements as it was impracticable to do so. This had a **consequential impact on operating expenses**; cost of sales; deferred tax liability; correction of prior period error note; surplus for the period and on the accumulated surpluses.

Trade and Other Receivables

In the prior year, the public Entity did not recognise trade and other receivables in accordance with GRAP 1, Presentation of Financial Statements. Trade and other receivables transactions **were recorded at incorrect amounts** resulting in the overstatement of trade and other receivables by R165 million.

The AGSA audit opinion on the financial statements for the period ended 31 March 2022 was modified accordingly. The AGSA opinion on the current year’s financial statements is also modified as there is a possible effect of this matter on the comparability of the trade and other receivables balance. Additionally, there was an impact on related parties’ disclosure, revenue and surplus for the year.

Prior period error

The prior period error note as disclosed in note 30 to the financial statements is incomplete and not in accordance with the requirements of GRAP 3, accounting policies, estimates and errors. The nature and the amount of the corrections for some financial statement items affected, and the amount of the corrections at the beginning of the earliest previous period were not disclosed.

In addition, some of the **amounts included in the disclosure were incorrectly calculated** as they did not agree to the related financial statement items. Consequently, the AGSA was **unable to determine the correct balances** for those prior period errors as it was impracticable to do so.

Irregular expenditure analysis

During the year under review, the public Entity incurred **irregular expenditure amounting to R452 million**, which was disclosed in the financial statements. The analysis of irregular expenditure shows that **irregular expenditure increased by 46 per cent** compared to the prior year. The expenditure can be broken down as follows:

Description	Amount (R)	Root cause	Impact
Deviations	67 878 000	Services rendered after contract expiry date. Invalid extension of contracts Deviations not approved. Awards to bidders not scoring highest points	Investigations are occurring on ongoing basis and consequence management implemented where applicable
Payments without contracts	327 505 000	Continued use and procurement of access links after the expiry of contracts	Investigations are underway and recommendations will be made once concluded
Procurement processes not followed	56 617 000	Payments made to suppliers who were not tax compliant at the date of award. Shortened advertisement periods Local content not evaluated. Incorrect use of PPPFA scoring BEC not constituted in line with policy requirements	Investigations are occurring on ongoing basis and consequence management implemented where applicable

A total R2.8 million expenditure incurred in the prior years was condoned in the current year.

Fruitless and wasteful expenditure analysis

During the year under review, the public Entity **incurred fruitless and wasteful expenditure amounting to R10.8 million**, which was disclosed in the financial statements. The analysis of fruitless and wasteful expenditure shows an increase of 192 per cent when compared to the prior year mainly because of the outstanding payment for SAM licences that were subject to arbitration.

Findings on compliance with legislation

The material non-compliance issues were identified and reported as reflected on below:

Description	Root cause
Annual financial statements	The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatement of the current liabilities, contingent liabilities, commitments and statements of cash flow identified by the auditors in the submitted financial statements were corrected and supporting records were subsequently provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in financial statements receiving a qualified opinion.
Expenditure management	Effective steps were not taken to prevent Irregular expenditure amounting to R452 million, as disclosed in note 27 (a) to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Majority of the irregular expenditure of R 448 million relates to expenditure incurred on ongoing multi-year contracts incurred in prior years. Prepayments were made before goods or services were received and the terms of contract did not specify that payments in advance are required in contravention of treasury regulation 31.1.2(c).
Consequence management	I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

Internal controls

The significant deficiencies in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below. Management developed an action plan to address prior years material audit findings. However, implementation of the action plan was **not effectively monitored**. This resulted in non-adherence to the timelines outlined in the plan and the material misstatements not being appropriately corrected and ultimately repeat modification of the audit opinion. Critical judgements, assumptions and processes applied by management **were inadequately documented and supported by evidence**.

Significant findings identified in the submitted annual financial statements indicated that the Standards of GRAP **were not interpreted and applied properly and consistently** when preparing the annual financial statement.

Effective **systems of internal control were not implemented** to ensure accurate financial statements. The preparation of financial statements **was not adequately executed** to ensure a comprehensive review of year-end adjustments and reconciliations; resulting in material misstatements identified through the audit process, some of which were subsequently corrected.

There is a **lack of credible financial reporting** throughout the year to enable leadership to review and take appropriate and timeous corrective action where required. The inaccuracies in financial statements could have been largely prevented if the information was prepared regularly and diligently reviewed by appropriate members of senior management.

Several instances of **limitation of scope** were identified during the audit where management failed to submit information required for audit purposes in a timely manner, due to lack of efficient record keeping system and this resulted in late finalisation of the audit and limitation misstatements being identified.

Management **did not prepare regular, accurate and complete performance reports** that are supported and evidenced by reliable information when reporting actual achievement made against the planned achievement.

The Accounting Authority needs to **strengthen its oversight responsibility** over the internal controls relating to compliance with laws and regulations.

SAPO: – remained stagnant with a **disclaimer** of opinion with findings on financial statements, predetermined objectives and compliance with legislation. **Financial sustainability remains an issue** at SAPO. Furthermore, the **continued capacity constraints** continued to have an impact on the effectiveness of the accounting authority. As a result, there has been **an increase in the basis for disclaimer** during the 2022/2023 financial year.

SAPO is disclaimed on the fair presentation of the financial statements due to the following among others: *Trade and other receivables*: **SASSA-related receivable balance not supported** by reconciliation and relevant documentation; ***Going concern**:* Significant indicators of **material uncertainty** on going concern present, including **net loss of R2.2 billion** and net current **liability position of R9.7 billion**.

SAPO is **struggling to implement the strategies** due to lack of funding. Further, the AGSA was not able to assess if the plans will be effectively implemented and if implemented will yield the desired results. This is mainly due to **information supporting the assumptions not provided**; *Trade and other payables:* The findings pointed to the **inadequate system of reconciliation** being maintained to name a few.

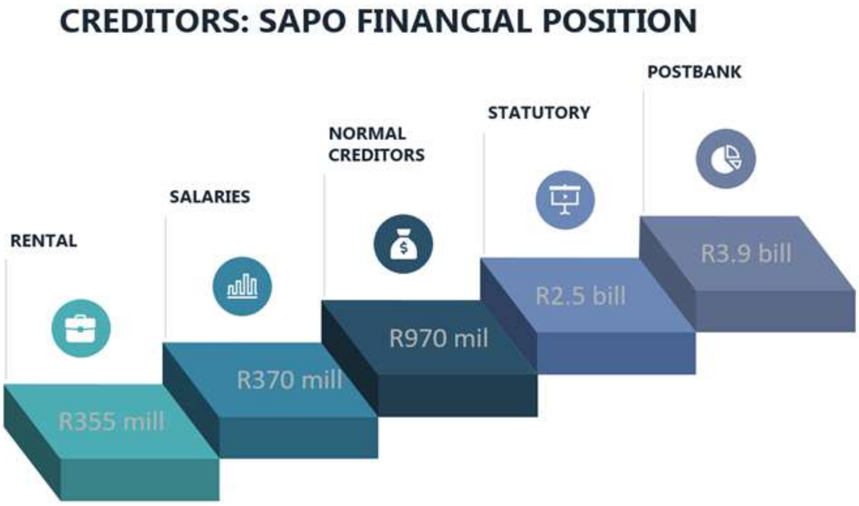
The AGSA **could not obtain sufficient and appropriate information** to enable them to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern assumption.

The financial statements submitted for audit contained several significant **misstatements** that led to audit findings. The AGSA also raised **significant findings in areas such as Supply Chain Management** (SCM), **performance information** and **compliance with legislation** due to:

- Significant internal control weaknesses;
- Inadequate policies and procedures;
- Lack of proper record-keeping, as evidenced by limitation of scope findings that management were not able to resolve in the process;
- Capacity constraints resulted in the entity placing reliance on consultants in preparation of financial statements and for audit process;
- Instability and vacancies in key positions within SAPO; and
- Lack of consequence management for poor performance and transgressions in some instances.

SAPO and Postbank **continue to incur losses** resulting from fraudulent activities in the grant payment system because of **weaknesses in internal controls** within the system. Therefore, the actions the management has taken have proven not to be effective as the same **incidents of fraud continue to negatively affect the Entities**.

In addition, financial health and lack of funding is the **key driver** of the disclaimer of opinion, see chart on next page:



The sequence of key events to SAPO being placed under business rescue have been summarised on next page:

SAPO is **unable to implement the planned strategies**, therefore, it cannot be confirmed whether the strategic initiatives will be able to turn the Entity around. The material uncertainties have a **pervasive impact** on misstatements like going concern, trade payables, lease liabilities, finance costs, property, plant and equipment and investment property etc.

SAPO has run into **severe financial distress** and has a history of losses with **no sustainable income** as a result was placed on business rescue effective from 10 July 2023, the business rescue practitioners are still in the process of compiling business rescue plans that will put SAPO in a future sustainable position.

SAPO recorded a **net loss** after tax for the year ended 31 March 2023 of R2.2 billion (2022: R2.2 billion) and a **negative** net asset value of R4.4 billion (2022: R6.4 billion).

SAPO **revenue decreased** by 23 per cent from R3.0 billion in the prior year to R2.3 billion for the year ended 31 March 2023.

The mail revenue continued to be low, driven mainly by the **decline in mail volumes, logistics volumes and loss of customers**. The mail revenue business represents 61 per cent of total company revenue.

SAPO **did not implement its turnaround plan**, which resulted in a deteriorating financial position, and consequently material uncertainty on financial viability. SAPO's financial **situation has worsened** in the current financial year. SAPO has not been able to successfully turnaround their financial situation.

The vacancies on the Executive Committee (EXCO) contributed to the weak internal control environment at SAPO. In the year under review, several key positions in Exco were filled in an acting capacity. Permanent appointments in these roles will go a long way in addressing the instability caused by the roles being filled in acting capacity and to accelerating the implementation of the strategy to turn around SAPO.

The status of **IT controls requires urgent intervention** from management. The IT control environment of the SAPO was very weak, with minimal to no controls implemented on the IT environment as well as the revenue applications. The weaknesses on the SAPO systems utilised for

financial reporting resulted in no reliance being placed on the systems. Furthermore, the ageing infrastructure and systems negatively impacted on the processing of transactions.
SAPO also relied on transactions from the Postbank's Integrated Grant Payment System (IGPS) for the intercompany revenue. The deficiencies noted on the IGPS system continued to negatively impact the reliability of data on the system.
The AGSA identified significant control deficiencies in the security controls. The IT security controls at the SAPO also **require urgent intervention** from management and those charged with governance. The internal network is exceptionally **vulnerable** to **cyber security attacks**. The combination of weak and/or non-existent controls as well as a lack of best practice fundamentals increase the risk of unauthorised access to the entire network.

In terms of targets, the main impact of the non-achievement of the targets is the **negative public perception** which will result in further **decrease in market share and loosing relevancy**; and implementation of the *Post Office of the Future* to ensure that SAPO has efficient processes and system to attract customers and enhance value chain within the Department.

Irregular Expenditure

During the year under review, the Entity incurred **irregular expenditure amounting to R155 million**, which was disclosed in the annual financial statements. The analysis of irregular expenditure shows that irregular expenditure **decreased by 72.6 per cent** compared to the prior year due to SAPO having financial difficulties that worsened in the current year. Incidents that resulted irregular expenditure are as per the table on next page:

Description	Amount (R)	Root cause	Impact
Bid awards and Contracts not approved at a correct delegated level	141 691 923	SAPO's leadership instability at board level, resulting to the oversight responsibilities over compliance and internal controls not being exercised	Non-compliance with the SCM processes and regulations, resulting to the entity incurring irregular expenditure.
Procurement processes not followed	5 534 550	Negligence on the implementation of procurement processes, policies and regulations.	
Deviations	4 446 228	Inappropriate planning for their operational needs, resulting to the entity unjustifiably deviating from the procurement processes.	
Quotation splitting	3 486 294	Lack of procurement plan, resulting to the entity procuring one service or product multiple times in small quantities.	
Total	**155,158,995**		

Fruitless and Wasteful Expenditure Analysis

During the year under review, SAPO incurred **fruitless and wasteful expenditure amounting to R153 million**, which was disclosed in the annual financial statements. The analysis of irregular expenditure shows that fruitless and wasteful expenditure **decreased by 29.7 per cent** compared to the prior year due to SAPO having financial difficulties that worsened in the current year.
Incidents that resulted to fruitless and wasteful expenditure are as per the table below:

Description	Amount (R)	Root cause	Impact
Interest on pension fund not paid over	90 851 465	Non-payment and late payment to suppliers and to the entity's statutory obligations which is a result of the financial situation due to their going concern issues.	Non-compliance with the SCM processes and regulations, resulting to the entity incurring irregular expenditure.
SARS – Interest and penalties	15 134 705		
Interest / Penalties and legal fees - Real Estate	11 989 782		
Interest / Penalties and legal fees – late payments to suppliers	35 042 048		
Total	**153 018 000**		

Financial and Performance Management

- SAPO did not have a proper record management system to maintain information and support the reported performance in the financial statements and annual performance report. This includes information that is related to the collection, collation, verification, storing and reporting of actual performance information. Adding to the weak internal controls is the decentralised approach and different departments within the Entity working in silos, not recognising the impact they have on the preparation of the financial statements.
- Controls over daily and monthly processing and reconciling of transactions were not adequately implemented by management due to the findings raised on Trade and other receivables and trade and other payables.

- Sufficient attention was not paid to compliance management as instances of material non-compliance were identified by external auditors.
- Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not adequately prepared by management as material misstatements on financial statements and performance information were identified relating to disagreements and limitations.
- There were material differences due to lack of reconciliations which were indicative of fraud, these were not properly investigated which resulted in disclaimer of opinion. However, for the legislated requirement to perform the audit of the entity, I would have withdrawn from the engagement in terms of the ISAs.
- IT controls pertaining to security management, program change management, IT service continuity, user access management and physical and environmental controls were not effectively designed and implemented. The use of outdated infrastructure and systems continues to hamper the implementation of controls in the IT environment as well as business operations.

Lastly, other findings include Findings on compliance with legislation; Material irregularities such as *highest scoring supplier did not award the contract* & *Grant payment internal controls weaknesses (Lack of implementation of effective controls on the SASSA beneficiary payment system (IGPS))*; Consequence management; Internal controls; and Leadership.

Postbank: – The overall audit outcome of Postbank has remained stagnant with a **Disclaimer audit**.
Achieving Key Performance Targets – Summarised Information from Performance Report
Postbank did not achieve its planned target of becoming a retail and a business bank. The Entity reported a R2 billion loss in 2022/23 financial year and its financial position was weakened**.**
Postbank continues to be vulnerable to cyber breaches, it also recently took over the cash pay points from SAPO which increased fraud at Postbank. The AGSA could not determine the full extent of losses. Management must implement key reconciliatory controls, complete investigations. The bank has recently filled key positions at exco level.
Postbank plays a crucial role in the social grant distribution value chain, heavily relying on technology to ensure service delivery. It has faced severe media backlash due to failures in paying beneficiaries on time and numerous technical glitches. The main impact of the non-achievement will result slow improvement in diversification of the bank’s revenue streams such as the credit and insurance markets thereby failing to achieve its overall mandate for financial inclusion to the rural and low-income market.
Effective from October 1, 2022, the SASSA contract for the distribution of social grants was transferred from SAPO to Postbank. This required Postbank to be not only the last-mile distributor in terms of ATMs and POSs but also the hub/owner of the contract.
However, there was poor planning when the contract was handed over, as Postbank did not have proper controls to administer and execute the contract. Social grant beneficiaries often do not receive their grants on time, leading to financial hardships for those reliant on these funds for necessities such as food, shelter, and healthcare.
These issues encompass a range of problems, including paying beneficiaries in undignified environments, dealing with dysfunctional infrastructure, and experiencing challenges with card replacements. Postbank has been unable to supply SASSA with clear reconciliations, resulting in penalties being charged by SASSA and delays in the payment of Postbank invoices.
It is important to note the vital importance of the grants in our country, as they are designed to help improve the living standards in society of people who are vulnerable to poverty and need state support and the tail-end creating social cohesion. Any disruption in the payment is likely to affect over 18 million people and can result in:

- Financial hardships and vulnerable individuals becoming more susceptible to poverty, hunger, and health issues when they don't receive their grants on time.
- Stress and anxiety for recipients, as they worry about how to meet their immediate needs and are unable to provide for their families.
- Repeated delays in grant payments can erode trust to Postbank for disbursing the funds, leading to dissatisfaction and frustration among the affected population. This may also have a negative impact in the entity’s ambition to become a state-owned bank.

Delays in grants can have a ripple effect, affecting not only the individuals directly impacted but also their communities, as local businesses and service providers may also suffer due to reduced consumer spending.

Executives at Postbank did not ensure that the AGSA were provided with **access to all the information needed to perform the planned audit**. Moreover, instances of fraud were not always brought to the attention of the auditors, despite being known.

The Postbank failed to achieve its plans to become a retail and business bank, resulting in an **overall achievement rate of only 20 per cent**. Additionally, Postbank reported a deficit of R2 billion for the year. This further demonstrates the dependency of Postbank to SAPO, as the loss is mostly attributable to the financial situation of SAPO currently. Its net current asset position and available cash have significantly decreased, necessitating close monitoring to prevent severe consequences.

Responses addressing all key prior-year audit findings and internal control deficiencies identified have been slow. **Management has not adequately designed and implemented action plans** to resolve all key prior qualification areas. As a result, there were **repeat material findings** in the financial statements submitted for audit.

The following is a summary of key root causes and recommendations that should be addressed or implemented to improve the audit outcomes which will lead to better service delivery. It is important to note that most of the key root causes and recommendations were raised in the previous audits thus we are concerned that **recommendations are not being implemented**. We have also noted that significant control deficiencies have fueled fraud at Postbank which is resulting in material losses.

The absence of reconciliations with SASSA has resulted to the bank not being paid for its services as a result this may further place a strain on the bank. There were **material differences** due to lack of reconciliations which were **indicative of fraud risk factors**, and these were not investigated which contributed to the limitations that informed the disclaimer of opinion.

The main impact of the non-achievement will result slow improvement in diversification of the bank's revenue streams such as the credit and insurance markets thereby **failing to achieve its overall mandate** for financial inclusion to the rural and low-income market.

Information and communication technology environment/projects

Cyber Security Incidents

The AGSA reported in the 2021-22 audit report paragraph 11 regarding misstatements in the financial statements which were indicative of significant fraud. Some of these matters, although known to the Accounting Authority and management for some time since they occurred, were not always brought to the attention of the auditors and therefore cast doubt on the representations made by management and the Accounting Authority.

The cyber security incidents have expanded to the universal banking system (UBS) in the 2022/23 financial year. The AGSA issued management with a Final Special Management Report on the cyber security audit dated 31 August 2022.

In this report, AGSA alerted management to the assessment of risks in respect of the October 2021 incidents, resulting in an approximate loss of R89 million in the 2021/22 financial year, a subsequent R3.9 million in 2021/22 financial year and with further losses of R26 586 597 from IGPS and R30 716 108 from UBS in the 2022/23 financial year. The following is a summary of the key findings:

- User management in IGPS is poor; for example, there are 1 524 active users with branch manager privilege;
- The transaction logs and related tables are vulnerable as a result of non-sequential transactions numbers and transactions on negative balances;
- There are missing transactions in the transaction log tables;
- SMS functionality to warn customers of amounts exiting or entering their account is not active; and
- There are account and card number correlations and irregularities in IGPS, suggesting that the database is compromised beyond the disappearance of transaction logs.

Findings on the Audit of Financial Statements

The Postbank is disclaimed on the fair presentation of the financial statements due to the following among others: the **AGSA could not obtain sufficient and appropriate audit evidence** for other deposits (grants) due to the limitations imposed by the information system to manage the related transactions.

The required supporting documents such as Bankserv to IGPS recon for IGPS transactions were not provided. Material losses is as a result of insufficient appropriate audit evidence that material losses are complete due to the significance of internal control deficiencies identified on key systems and cyber security incidents.

Irregular Expenditure Analysis

During the year under review, the public incurred **irregular expenditure amounting to R165 million**, which was disclosed in the financial statements. The expenditure can be broken down as follows:

Description	Amount (R)	Root cause	Impact
Incurred in current year	165 000 000	Lack of consequence management enabling a culture of procuring services without contracts in place and non-adherence to procurement processes	Non-compliance resulting in irregular expenditure
Total IE disclosed	**165 000 000**		

There was a number of **material non-compliance issues relating to legislation** that the AGSA identified and reported on including annual financial statements and annual report; expenditure management; procurement and contract management; consequence management; revenue management and strategic planning.

The significant deficiencies in **Internal Control** that led to the AGSA's overall assessment of the status of the drivers of key controls including **Leadership** instability and **Vacancies** *in key leadership and management positions resulting in inadequate implementation of the approved action plan because it was not effectively monitored, and recommendations not properly followed through*.

"Management did not provide the AGSA with access to the data required for the cyber security audit."

In terms of **Financial and Performance Management**, management did not timeously implement **proper record keeping** over information they were responsible for, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting and compliance.

Material non-compliance issues were identified and reported including AFS and Annual Report, Expenditure management, Procurement and contract management, Consequence management, Revenue management, and strategic planning.

Other Important Matters

Investigations

- Final report on Investigation into contract management at Postbank that covered the period 22 December 2017 to December 2022 issued on 23 June 2023;
- Draft report on Investigation into alleged theft from Postbank that covered the period September 2021 to December 2022, the report has not been finalised at the date the auditor's report was signed; and
- Draft report on fraud risk management review at Postbank, the report has not been finalised on the date the auditor's report was signed.

Internal Controls

The significant deficiencies in **internal control** that led to the AGSA's overall assessment of the status of the drivers of key controls including:

Leadership,

Instability and **vacancies in key leadership and management positions** during the year contributed to the inadequate implementation of the approved action plan as it was not effectively monitored, and **recommendations were not properly followed** through.

Leadership and management did not implement oversight responsibilities to ensure that the internal control deficiencies on the IGPS, such as reconciliations of data to the systems are addressed to ensure that the system generates reliable data.

- Management did not implement adequate internal controls to ensure the preparation of accurate financial statements as numerous material misstatements were identified that resulted in the modification of the auditor's opinion;
- Leadership did not ensure that key positions are timeously filled to ensure stability, adequate development, and implementation of the audit action plan. The continuous changes in the Chief Information Officer (CIO) position and inadequate capacitation of the IT function have resulted in the over-reliance on service providers and created an environment that focused more on resolving operational challenges than on the implementation of controls;
- Leadership and management did not exercise oversight responsibility to ensure that the internal control over the IGPS, such as reconciliations of data with other key systems are implemented. The entity did not implement key application controls on the IGPS that can prevent and detect deficiencies whether due to fraud or error. The entity did not implement adequate user access management, particularly those with special access privileges, to protect against misuse and unauthorised access;

- Leadership did not implement effective monitoring controls over services rendered by a shareholding entity on its behalf. Postbank remained over-reliant on the processes and controls of on and compliance requirements of supply chain management processes. This caused significant limitations and delays in the submission of information, material errors and material non-compliance, which resulted in irregular expenditure and an unfavorable audit outcome;
- Management did not timeously implement proper record keeping of information for which they were responsible, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting and compliance, resulting in limitations and exposure in the key business processes, transactions and balances;
- The leadership did not ensure that adequate structures, processes and practices were implemented for the governance of IT. The principles and guidance of good corporate governance (King IV) and IT governance (COBIT) practices were not adequately implemented; and
- Management did not provide me with access to the data required for the cyber security audit.

Financial Performance Management
Management did not timeously implement proper record keeping over information they were responsible for, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting and compliance.

SABC – The public broadcaster performance regressed to a **Disclaimer** audit opinion due to the uncertainty on the going concern matters that remains a challenge. The SABC regressed due to a material limitation on Going Concern. Although some improvements were evident, the state of internal control environments still require attention to drive the portfolio to favorable audit outcomes and service delivery.
The financial bailout of R3.2 billion underpinned by the Turnaround Strategy received in October 2019, improved the cash position of the SABC at that stage. However, the major portion of the funds have been spent with a remaining balance of R234.3 million as of 31 March 2023.
The qualification on the completeness of the opening balance of Irregular Expenditure (IE) in the prior year was cleared based on the reporting framework (National Treasury Instruction No. 4 of 2022/2023). Thus, the disclosure of Irregular Expenditure is now disclosed in the Annual Report.
Management should direct efforts on initiatives driving outcome and impact of the Turnaround Strategy.
There were no material findings reported in the audit of the annual performance report.
Achieving key performance targets – summarised information from performance report
A total of 8 targets out of 25 planned targets were achieved for 2022/23, which represents a 32 per cent achievement based on the annual performance report.
Key Targets Not Achieved
The Entity achieved 66 per cent of the target for the performance indicator: *Percentage of analogue TV transmitters switched off* (in collaboration with Sentech), owing to additional 51 Low Power Low-Cost transmitters being switched off by Sentech. This is after the switch-off of 155 analogues TV transmitters in five Provinces.
Prime time share of television screen rating percentage targets were not met for SABC 1, 2 and 3 and reasons given were that the SABC is awaiting the confirmation of the proposed new final ASO date, lack of strong content, drop in weekend and daytime performance and ASO and power outages playing a significant role.
The *Number of SABC TV programmes in the terrestrial top 20* performance indicator target was not met owing to aggressive competition and drop in content performance.
The performance indicator on *Average number of adult listeners of SABC radio stations per 7-day period* targets were not met for both Public and Commercial Broadcasting Services because (i) target setting was adversely affected by the limited data available at the time, which necessitated the inclusion of this indicator as a temporary measurement; and (ii) the target was narrowly missed due a general industrywide decline in radio listenership. The declining audience problem is further exacerbated by lengthy periods of severe load-shedding.
Impact of targets not achieved
The main impact of the non-achievement of the targets is as follows: SABC’s continued ability to effectively pursue its mandate is largely dependent by being financial sustainable to ensure its urban relevance, which could be affected by the digitization of content and content acquisition tailored for a wider demographic audience.
No new Material Irregularities were identified during the current year’s audit.

Findings on the Audit of Financial Statements

Going Concern

As indicated in the statement of profit or loss to the financial statements, the public broadcaster incurred a **net loss of R1 127 million** as of 31 March 2023 and at that date, its current liabilities exceeded the current assets by R612 million. The public broadcaster was therefore **commercially insolvent** because it was **not able to pay its debts** as and when they were due, even though its assets exceeded its liabilities.

Additionally, the AGSA was **unable to obtain sufficient appropriate audit evidence** to confirm the reasonableness of the cash flow forecasts for the public broadcaster's viability in the foreseeable future. Consequently, the AGSA was unable to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern assumption.

- The SABC completed the three years of its Turnaround Plan, however the financial position of the SABC has not improved since implementation and the bailout funds will be fully utilised by the end of FY2024
- The SABC remains in a net loss position for the current FY and is expected to continue making losses
- Revenue generation has been poor for the SABC, the revenue improvement plans for the current year have not materialized.
- The liquidity risk of the SABC has materialized as the cash flow position of the SABC has continued to deteriorate in the FY23.
- The Multi-choice channel carriage contract for Channel 404 expires in Aug 2023.
- In terms of the technical insolvency definition, the SABC does not meet the definition as its assets exceed its liabilities, however, the SABC is commercially insolvent, as it will struggle to settle its debts as they become due.

Impact: The impact of the negative going concern assessment and the fact that SABC mitigating factors are not sufficient to address the uncertainty of the gong concern it impacts the financial sustainability of the SOE, adding pressure on the fiscus as bailout funds will be required to assist SABC

Expenditure management
Creditor's payment is 115 days (from 23 prior year)
Asset and liability management
A deficit of R1 127 363 000 realised for the year
A net current liability position was realised (total current liabilities exceeded total current assets) - R618 622 000
Cash management
Creditors as percentage of cash and cash equivalents – 163%

Irregular Expenditure

During the year under review, the public broadcaster incurred **Irregular Expenditure amounting to R34.7 million**, which was disclosed in the Financial Statements.

Table: Reconciling notes to the annual financial statement disclosure

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure that was under assessment in 2021/2022	-	-
Irregular expenditure that relates to 2021/22 and identified in 2022/23	16 616	-
Irregular expenditure for the current year	18 283	33 546
Total	**34 799**	**33 546**

Although the audit qualification on completeness of the opening balance of Irregular Expenditure is resolved, based on the reporting framework, the SABC still needs to ensure the investigations are taking place and to follow proper consequence management process to address the Irregular Expenditure under assessment and **identified as R3.9 billion** of Irregular Expenditure balance for 2022/23 is still under assessment and under determination.

Table: Irregular expenditure under assessment, determination, and investigation

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure under assessment	662 603	441 329
Irregular expenditure under determination	3 324 411	3 289 612
Irregular expenditure under investigation	-	-
Total	**3 987 014**	**3 730 941**

Non-compliance transactions totalling R662 million (FY2022 R441 million) were placed under assessment, these figures were not included in the Irregular expenditure disclosure note as the irregularity is not confirmed yet.

Determination tests are currently underway for irregular expenditure incurred in both financial years; consequence management has been completed for some of the transactions. Except for the Mafoko Security matter, which is with SIU, there no ongoing Irregular expenditure investigations relating to fraud or potential fraud.

Fruitless and wasteful expenditure analysis

During the year under review, the public broadcaster incurred **fruitless and wasteful expenditure amounting to R16 million** (2021/22 - R10 million), which was disclosed in the financial statements. The main contributor to fruitless and wasteful expenditure is mainly interest and penalties due to late payments.

Findings on compliance with legislation

Description	Root cause
Material misstatements corrected on the financial statements	Corrections were made on disclosure notes due to inadequate reviews of the financial statements
Consequence management	Not in all cases were disciplinary steps taken due to challenges in acquiring supporting documentation and information as well as personnel responsible for prior year irregular expenditure are no longer working for the SABC.
Expenditure management	The majority of the irregular expenditure was caused by not following due procurement processes. Fruitless and wasteful expenditure was caused by interest and penalties due to late payment of supplier invoices.

Consequence management

The following material non-compliance issues relating to consequence management were identified and reported:

Description	Root cause
As at 31 March 2023 there were 570 cases relating to irregular expenditure with a value of R868 642 185. This amount is irregular expenditure confirmed for the period 1 April 2018 till 31 March 2022. The transactions before 2018 included in the R3.9 billion above, the SABC is in the process of requesting write-off and/or condonations.	Lack of supporting documents from historic transactions and staff constraints to conduct and finalise investigations on time.

Out of the 570 cases, 291 (51%) related to completed investigations, 116 cases (40%) represented completed consequence management. The slow progress in investigating and quantifying prior year Irregular Expenditure is mainly due to the enormity of the transactions emanating from historical transactions. The resource challenges experienced by the investigation team continue to impact the performance of investigations and determination tests which has a knock-on effect on consequence management and condonation of IE.

Internal controls

The significant deficiencies in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Leadership

- Leadership did not exercise oversight responsibility regarding compliance and related internal controls to ensure that compliance requirements are met to prevent irregular and fruitless and wasteful expenditure and consequence management. The public entity continued to incur irregular and fruitless and wasteful expenditure;

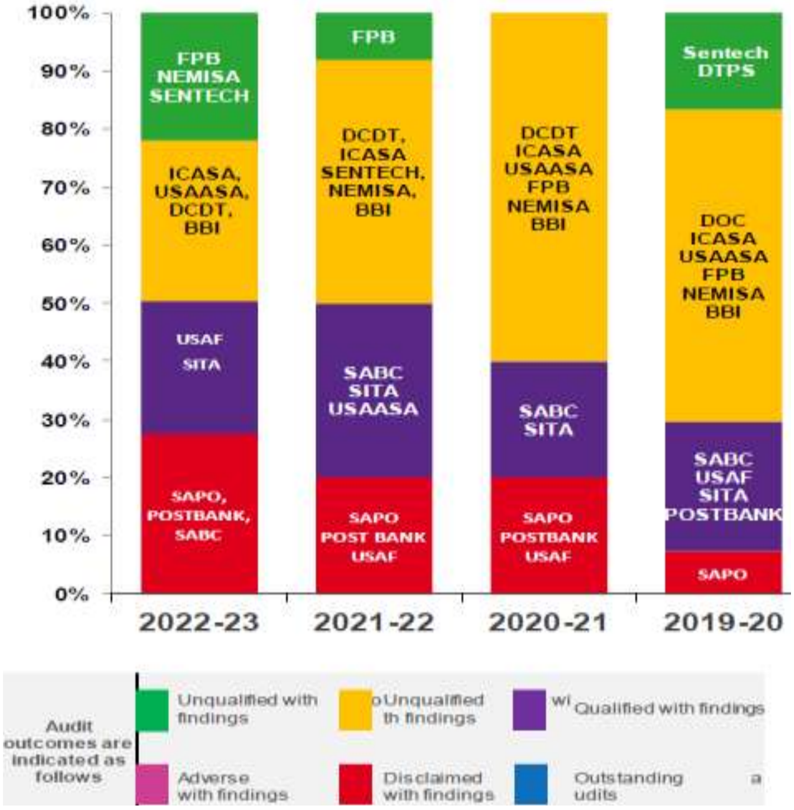
- The action plans to address the internal control deficiencies were not adequately implemented and monitored. The absence of the accounting authority had an impact on the effectiveness of governance and oversight. The accounting authority did not exercise oversight on the annual performance report before submitted for audit; and
- We identified material misstatements to the annual performance report submitted for audit that were subsequently corrected.

Financial and Performance Management

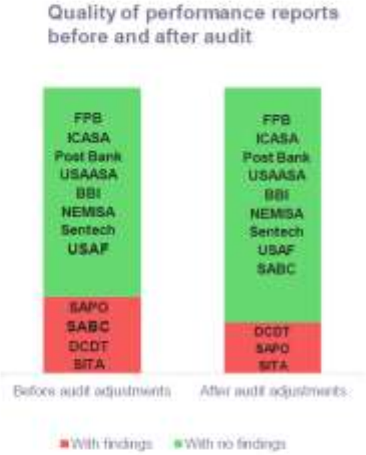
- Management did not implement adequate review controls and an effective system of collating information to ensure that information disclosed in the financial statements agrees with supporting schedules; and
- Non-compliance with legislation could have been prevented if management had properly reviewed and monitored compliance.

11.1 Three Year Performance Audit of the Portfolio 2019/2020 - 2022/23

The overall improvement in the Portfolio. This was mainly due to the improvement in audit outcome of four auditees as was indicated. USAF and USAASA improved in their audit outcomes. The Infor graphs charts below are a summary of the performance of the Portfolio headed by the Department:



11.2 Performance planning and reporting has impact on service delivery.



Findings: Planning for service delivery

- The systems in place to collect the information is not clearly documented this resulted in limitations being raised, in some instances differences were noted(SAPO)
- Targets were not specific in clearly identifying the nature and required level of performance and measurable for two indicators (DCDT) – this relate to the BDM (migrating households) indicator and the SA Connect model

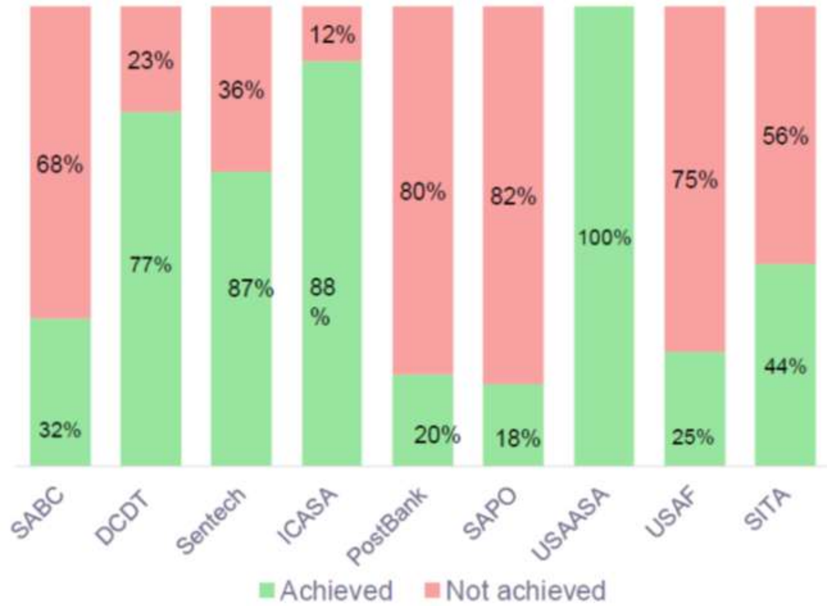
Findings: Reporting

- Targets reported on are not supported by sufficient and accurate data (SITA)
- The were limitations of scope on the portfolio of evidence to support the indicators as SAPO. This was driven outdated systems that were not available.

Impact

- Planned MTSF targets insufficiently tracked and ultimately not being achieved as planned. Thus the cost of communication is not reducing and citizens might not have sufficient access to digital connection
- Citizens might not get their SASSA grants on time
- Institutions might not be able to sufficient provide services to the public as their IT systems might not be working effectively as it either require maintenances or regular updates.

11.3 Performance against targets: *Achievement of annual targets as reported in annual performance report (all indicators) for Department and 8 of the Entities –2022/23*



Key targets not achieved include:

- 100% (58 380) funding of BDM installation and only 83% (48 962) (**USAF**)
- Percentage of analogue TV transmitters switched off (in collaboration with SENTECH) for which 100% was planned for all provinces, resulted in an achievement of 66%, which remains key in pursuit of the MTSF (**SABC**)
- Number of broadband sites connected (target 680 (85 connected) – (**Sentech)**
- Regulated mail delivery standard; system uptime; and the rollout of IPS equipment (**SAPO**).
- Acquire Banking License for **Postbank** SOC Ltd not achieved
- **SITA** - % Legacy systems modernisation plan implemented as per allocated funding

Impact of targets not achieved

- Misalignment with the set targets and reporting achievements set-out in the different role player's APP with respect to the proposed BDM, which affects the cost of communication and providing more people access to digital connections
- Implementation of the post office of the future to ensure that SAPO has efficient processes and system to attract customers and enhance value chain within DCDT.
- Plans of having a state bank are delayed and this might affect their future financial sustainability

11.4 Financial Health: *Management and compliance*

SAPO: The group recorded a net loss after tax for the year ended 31 March 2023 of R2. 2 billion (2022: R2.2 billion) and a **negative** net asset value of R 4.4 billion (2022: R6.4 billion).
Group revenue decreased by 23 per cent from R3.0 billion in the prior year to R2.3 billion for the year ended 31 March 2023.
The mail revenue continued to be low, driven mainly by the decline in mail volumes, logistics volumes and loss of customers. The mail revenue business represents 61 per cent of total company revenue.
SABC: The corporation reported a deficit of R1.1 billion for the year. The creditors' payment period is 115 days. This means that the SABC is not settling its debts when they become due.
BBI: Company loss for the year increased from R119 million in 2022 to R121 million to 2023. BBI disclosed significant doubt in financial statements about ability to continue operating as a **going concern** in foreseeable future.
Sentech: Included an emphasis of matter to draw attention to the fact that there is **over reliance on one customer**. This indicates presence of sustainability risk due to lack of diversification as well as the fact that Sentech is in the process of acquiring 74 per cent of BBI**.** Due diligence was completed, and it is anticipated that the transaction will be concluded by the end of September 2023.
According to the AGSA report, **there is material doubt** whether the SABC (Disclaimer), SAPO (Disclaimer), BBI (Emphasis), Sentech (Emphasis) and Postbank (Emphasis) **can continue as going concern in future which might impact service delivery for what they are mandated for**:

SABC (Disclaimer)	SAPO (Disclaimer	BBI (Emphasis)	SENTECH (Emphasis)	POSTBANK (Emphasis)

With an annual budget of R2 trillion, the country's prospects continue to worsen by the high and volatile global economic climate which has resulted in ongoing supply chain bottlenecks, higher global inflation rates, higher food and energy costs, a cycle of repo rate hikes, and a general increase in living expenses.
Continuous loadshedding challenges are further exacerbating our economic and fiscal pressures and limited economic growth has narrowed government's budget which is already constrained by high debt levels and high unemployment requiring socio support for the vulnerable and initiatives to enable employment.
Weak governmental institutions, particularly SOEs have also contributed to low growth rates and a drain on public funds, exacerbating the country's deteriorating fiscal health.
"If financial health in these Entities does not improve, more pressure might be on the fiscal health of South Africa!"

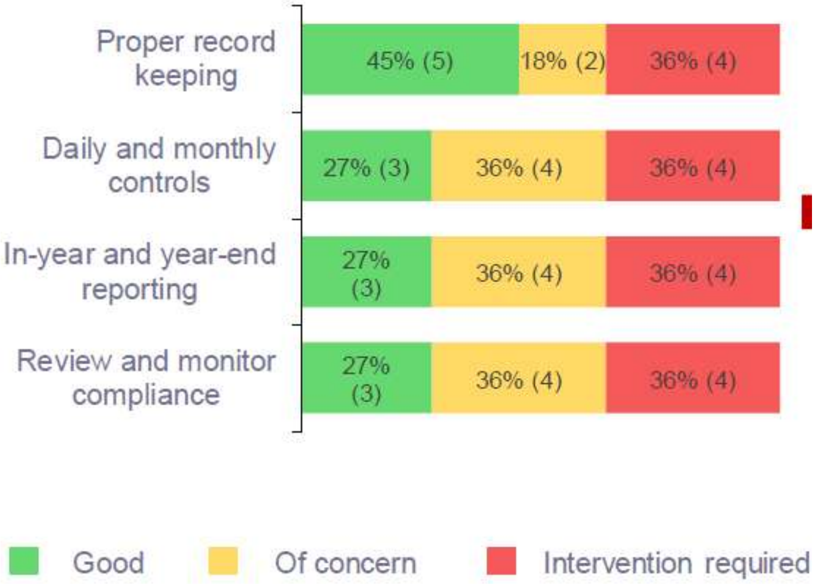
11.5 Key Message on SOE's not Driving Financial Sustainability

SAPO has not been able to fulfil this mandate. This is largely due to its ongoing financial difficulties, as well as a lack of implementation of the turnaround strategy. This is further impacted by the

instability in leadership, resulting in a deteriorating financial position. The delivery of postal and other similar services is a key service to the public, especially when it comes to people living in rural areas. SAPO was also party to the SASSA grant distribution. Whilst this had provided SAPO with an opportunity to increase its revenue, SAPO continued to incur penalties, as they were unable to service their contract fully, due to the malfunctioning of IT infrastructure and other branch challenges. The overall impact of the SAPO's lack of sustainability, inability to maximize revenue, ineffective cost management and lack of sound governance structures has a ripple effect on the lived experiences of the citizens as they are not getting the postal services timeously.
The Postbank's mandate is to promote universal and affordable access to banking services to rural and lower income markets. Postbank provides banking services to the neediest (unbanked –rural and low-income market) and offers book-based accounts which are mostly used by the elderly citizens. Postbank is also involved in the SASSA grant distribution which is of critical importance to the public. A series of control weaknesses resulting in cyber breaches as well as glitches relating to the payment of the SASSA grants continue to be reported to management. These were the main contributors to the basis for the disclaimer of audit opinions for the Postbank over the past three audit cycles. The weaknesses also formed the basis for the variation order issued by the South African Reserve Bank (SARB) in Dec 2021.
The variation order noted a failure to implement its recommendation might result in the bank's privileges being revoked, thereby posing a threat to its ability to render these services.
A new trend has emerged where the Entity is suffering financial losses through the SASSA cash pay-points that have recently been taken over by SAPO.
The overall impact of the challenges relating to the payment of grants results in citizens receiving the grant money late or having to spend money to collect money from another pay point.
Post bank has also not been able to achieve the target of becoming a retail and business bank, further impacting on the Entity's ability to introduce new revenue streams.
The SABC's mission is to be a high-performing, financially sustainable and digitised national public broadcaster that provides compelling informative, educational and entertaining content via all platforms.
The SABC completed its three-year turnaround plan, however its financial position not improved, and the bailout funds will be fully utilised by the end of financial year 2024.
Revenue generation has been poor for the SABC as the revenue improvement plans for the current year were not effective in generating revenue. While the SABC is not yet technically insolvent as its assets exceed its liabilities, it is however commercially insolvent, as it is struggling to settle its debts as they become due.
Should the SABC not be financially sustainable in the near future, they will not be able to deliver on their mandate.

11.6 Quality of Financial Reporting

The info graph on next page is a summary of financial management controls and impact on quality statement submitted for audit purposes of the Department and its Entities:



Main qualification areas

- Disclaimer expressed on numerous Financial Statement line items in **SAPO** and **Postbank**;
- Material limitation relating to going concern of the **SABC**;
- Lack of supporting information to support the inventory balance at **USAF**; and
- **SITA** qualification areas: Revenue; cost of sales; Operating expenditure; property, plant and equipment; Intangibles; Trade receivables and Prior period error.

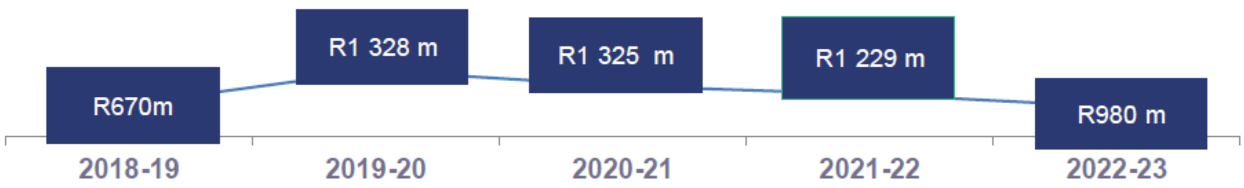
Impact on quality of financial statements submitted for auditing

- In-year and year-end financial reporting and monitoring may not be credible, which exposes management to possibly making inappropriate business decisions as decisions would be based on information with limitations (SAPO &Postbank).
- Impacts on planning and budgeting for the next cycles as budget votes are approved in May annually and may possibly be informed by deficient information.
- If these insufficient internal controls are not addressed, they will result in future unfavorable audit opinions.

11.7 Irregular Expenditure

Although in most instances services were rendered, the key pillars of Fairness and Equitability of section 217 of the Constitution **were not adhered to**.

Annual Irregular Expenditure



Impact of irregular expenditure incurred

<u>Breach of five pillars of procurement –equitable, fair, cost effective, transparent and competitive:</u>

- SITA: R452 million, the main contributor was due to expenditure incurred on ongoing multi-year contracts incurred in prior years;
- Postbank: R165 m mainly contributed to approving agreements without following proper SCM processes and software license purchased and not used; and
- SAPO: R155 million mainly contributed to transgressions where contracts amounting to R62 million were amended without appropriate approvals, R76 million related to a CIT and R17 million related to expenditure around deviations.

Although the audit qualification on completeness of IE at the SABC was resolved based on the changed in the reporting framework, the SABC still needs to ensure the investigations as taking place and to follow proper consequence management process to address the irregular expenditure identified.

Top 5 contributors for 2021-22 to irregular expenditure not dealt with constitute 99 per cent of R8.2 billion, see graphic below:

R3 289 m 1. (SABC)

R2 439 m 2. (SAPO)

R1 716 m 3. (SITA)

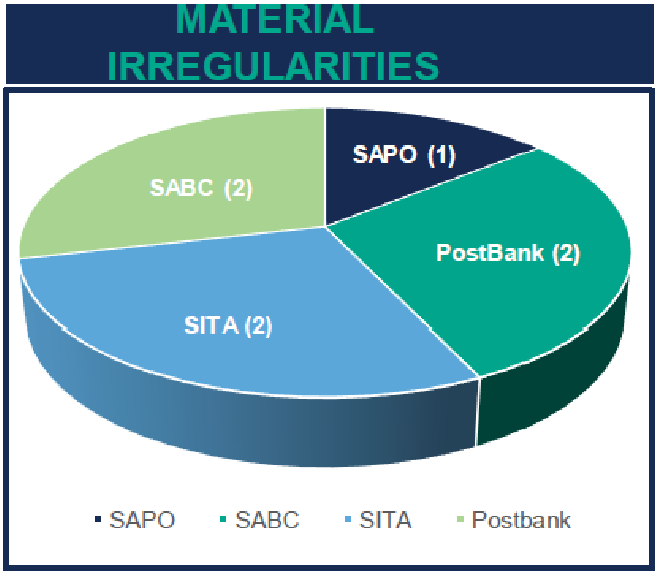
R202 m 4. (Postbank)

R200 m 5. (ICASA)

Reasons for IE not dealt with include:
Investigated and Awaiting Condonation and Investigation in Progress: SITA – R0.5 billion and R1.22 billion respectively.
Investigation in progress: SITA –R1.22 billion
Not yet Dealt With: SABC – R3.2 billion under determination; SAPO – R2.4 billion; Postbank – R0.2 billion; and ICASA – R0.2 billion

MI process implemented and MIs identified
Observations from the **Material Irregularities** (MI) process concluded that (i) appropriate consequence management action should be initiated timeously in addressing the MIs and at the least; (ii) court proceedings prolong the process to recover the losses and to initiate consequence management timeously specifically at the SABC; (iii) Internal Controls should be strengthened and sustained to avoid future or similar MIs at the SABC; (iv) actions taken in addressing MIs were not appropriate or supported by evidence at SAPO; (v) the financial losses continued to exist at Postbank; and (vi) Postbank did not respond to MIs on time.
Below is the detailed description of the MIs of affected Entities of the Portfolio:

- **SAPO:** Grant payment internal controls weaknesses
- **Postbank:** SASSA cards stolen to be used for fraudulent transactions
- **Postbank:** SASSA cards written off due to exposed issuer master key
- **SABC:** Security contract did not follow procurement process
- **SABC:** Rent paid on unoccupied space
- **SITA:** Payment made for excess licenses not utilised
- **SITA:** Payment made for event that did not take place



11.8 Root Causes, Recommendations and Commitments

Key root causes

- Inadequate internal controls to prevent material non-compliance findings
- Management did not implement adequate review and monitoring controls over the preparation of the financial statements
- Management was not effective in developing and monitoring the implementation of action plans / turnaround strategies

Key recommendations

- Enhance and/or monitor the implementation/ updating of action plans to address the recommendations made
- A functioning consequence management system needs to be in place.
- DCDT to ensure there are regular feedback and monitoring processes on the implementation of the updated turnaround strategies (SAPO & SABC)
- Ensure that adequate structures, processes and practices are implemented for the governance of IT and ensure a sound IT control environment that is supported by a sound IT infrastructure (PostBank)

Commitments by executive authority

- To strengthen the new SABC Board
- To monitor and oversee the BDM project
- To monitor the BRP process for SAPO
- Assist with source of funding
- Better manage the grant distribution process for Postbank

11.9 The AGSA Recommendation to the Committee

The Committee should follow up on all action plans per Entity to ensure AGSA's recommendations are tracked, and internal controls are strengthened, which will include:

- Implementation for proper record keeping and reconciliations for all quarterly reports which will effectively feed into the financial statements;

- Compliance with regulations relating to procurement, contract management and performance information; and
- Implement controls at Postbank.

The Committee should further:

- request progress feedback so that it can monitor whether entities are on track in achieving desired outcomes / recover potential/ actual financial losses to address the identified material irregularities;
- request the entities to provide timeous, specific and regular progress reports on the implementation of effective consequence management processes;
- ensure that the entities are also reporting on the rectification/ improvement of internal controls that resulted in the weaknesses which informed the material irregularities;
- follow up on new and updated initiatives (turnaround strategies) to drive financial sustainability within the sector;
- follow up on actions pertaining to consequence management processes to ensure perpetrators are held accountable; and
- monitor the current vacancies to ensure stability of leadership.

12. Entities reporting to the Department

The table below indicates the entities that report to the Minister:

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
NEMISA	The National Electronic Media Institute of South Africa was established as a non-profit institute of education by the Department of Communications in terms of the Companies Act (1973).	Transfer of funds	Offers national certificates and short courses in the areas of television production, animation and radio production. The institute's programmes are structured to enhance the market readiness of students in a wide range of broadcasting disciplines. Deliver digital skills training interventions to enable South Africa's citizens to participate in the digital economy.
USAASA	The Universal Service and Access Agency of South was established in terms of section 80 of the Electronic Communications Act (ECA) No. 36 of 2005 as statutory body.	Transfer of funds	To promote universal service and access in under-serviced areas.
USAF	The Universal Service and Access Fund was established in terms of section 89 (1) of the Electronic Communications Act (2005).	Transfer of funds	To make payments for subsidies towards the provision of ICT services, as well as the construction or extension of electronic communications for needy person in under-serviced areas.
ZADNA	ZADNA is a statutory, not-for-profit entity established in terms of Chapter Ten of the Electronic Communications and Transactions (ECT) Act 25 of 2002.	Self-funded	To administer, manage and regulate the .ZA namespace.
SAPO	The South African Post Office is a government business enterprise that is required to provide postal and related services to the public. It derives its mandate from the South African Post Office SOC Ltd Act (2011) and the South African Postbank Limited Act (2010).	Transfer of funds	It has an exclusive mandate to conduct postal services and makes provision for the regulation of postal services and operational functions of the postal company, including universal service obligations and the financial services activities of Postbank.
SITA	The State Information Technology Agency is governed by the State Information Technology Agency Act (1998), as amended. The Agency is responsible for the provision of IT services to Government. The Act separates the Agency's services into mandatory services and non-mandatory.	Self-funded	Provisioning and procurement of ICT goods and services on behalf of Government departments and public entities.
BBI	Broadband Infraco's legislative mandate is set out in the Broadband Infraco Act no. 33 of 2007.The main objectives as set out in the Broadband Infraco Act are to expand the availability and affordability of access to electronic communications: 1. Including but not limited to under-developed and under-serviced areas; 2. In support of projects of national interests; 3. In accordance with the Electronic Communications Act and commensurate with international best practice and pricing; and 4. Through the provision of electronic communications network services and electronic communications services.	Self-funded	Ensures that the high-capacity connectivity and bandwidth requirements for specific projects of national interests are met. BBI is a Tier-1 Shareholder in the WACS under-sea cable that provides international internet broadband connectivity via the West Coast of Africa to Portugal and London. The company also plays a crucial role in providing connectivity to other companies in the neighbouring countries (SADC)
SENTECH	Sentech was licensed through the Telecommunications Amendment Act (2001) as a state-owned enterprise to provide common carrier broadcasting signal distribution services to licensed broadcasters in South Africa.	Transfer of funds	Provides signal distribution services in the broadcasting industry.

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
SABC	The mandate of the South African Broadcasting Corporation SOC Limited (SABC) as a public broadcaster is defined in terms of the following statues: • The Constitution of the Republic of South Africa, No. 108 of 1996; • The Broadcasting Act No. 4 of 1999, as amended; • The Independent Communications Authority of South Africa Act No. 13 of 2002, as amended; • The Electronic Communications Act No. 36 of 2005, as amended.	Mixture of government funding and self-funding	Providing public broadcasting and commercial services, whether by analogue or digital means, and providing radio and TV programmes of information, education and entertainment funded by advertising, subscription, sponsorship, licence fees or any other means of finance
ICASA	The Independent Communications Authority of South Africa was established by the Independent Communications Authority of South Africa Act (2000) to regulate the South African communications, broadcasting and postal services sectors. The regulator's mandate is defined in the Electronic Communications Act (2005) as licensing and regulating electronic communications and broadcasting services, and in the Postal Services Act (1998) as regulating the postal services sector	Transfer of funds	Monitors licensee compliance with licence terms and conditions, develop regulations for the three sectors, plan and manage the radio frequency spectrum, and protect consumers in relation to these services.
FPB	The Film and Publications Board was established in terms of Films and Publications Act of 1996 to Regulate the creation, production, possession, and distribution of certain publications and certain films by means of classification, the imposition of age restrictions, and giving of consumer advice.	Transfer of funds	Ensures protection of children against premature exposure to adult experiences and harmful materials; provides consumer advice to enable adults to make informed viewing, reading, and gaming choices, for themselves and for children in their care; as well as criminalising child pornography.

The following table is a statement of transfers to Departmental Accounts, noting that SITA, .ZADNA and BBI are self-funded and therefore are not reflected in the table below:

Departmental Agency or Account	2022/23						2021/22	
	TRANSFER ALLOCATION				TRANSFER			
	Adjusted Budget	Roll overs	Adjustments	Total Available	Actual transfer	% of available funds transferred	Final Budget	Actual transfer
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Universal Service and Access Agency of South Africa: Operations	86 033	-	-	86 033	86 033	100%	82 055	82 055
Universal Service and Access Fund: Operations	66 777	-	-	66 777	66 777	100%	64 165	64 165
Universal Service and Access Fund: BDM project	59 406	-	-	59 406	59 406	100%	1 073 366	1 073 366
National Electronic Media Institute of SA: Operations	64 519	-	-	64 519	64 519	100%	50 219	50 219
National Electronic Media Institute of SA: INESI	37 602	-	-	37 602	37 602	100%	48 249	48 249
Independent Communication Authority SA	769 431	-	-	769 431	769 431	100%	508 190	508 190
Film and Publication Board	102 870	-	-	102 870	102 870	100%	100 937	100 937
Universal Service and Access Agency of South Africa: Distribution cost for SAPO for Broadcasting Digital Migration	-	-	-	-	-	100%	95 000	95 000
TOTAL	1 186 638	-	-	1 186 638	1 186 638	-	2 022 181	2 022 181

Statement of Investments in and Amounts Owing by/to National/Provincial Public Entities

NAME OF PUBLIC ENTITY	State Entities' PFMA Schedule type (state year end if not 31 March 2023)	% Shares Held	% Shares Held	Number of shares held		Cost of investments R'000		Net asset value of investments R'000		Profit/(Loss) for the year R'000		Losses guaranteed
		2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	Yes/No
National / Provincial Public entity												
USAASA	3A	100%	100%	-	-	-	-	-	-	(114 450)	98 591	No
USAF	3A	100%	100%	-	-	-	-	-	-	75 908	1 167 141	No
Telkom	2	41%	41%	207 038 058	207 038 058	2 070 381	2 070 381	7 359 399	9 209 053	(9 971 000)	2 631 000	No
South African Post Office Ltd	2	100%	100%	693 115 883	693 115 883	8 164 116	8 164 116	(7 478 805)	(5 250 325)	(2 161 777)	(2 234 848)	No
NEMISA	3A	100%	100%	-	-	-	-	-	-	(1 318)	13 549	No
SENTECH (Pty) Ltd	3B	100%	100%	2 000	2 000	75 892	75 892	1	1	(147 720)	119 331	No
Vodacom Group Limited		0.004	0.004	63 658	63 658	3 743	3 743	7 769	10 185	18 111 000	17 734 000	No
BBI Soc Limited	3A	74%	74%	740 000	740 000	1 351 130	1 351 130	-	-	(121 148)	(119 835)	No
SITA#	3A	100%	100%	-	-	-	-	-	-	569 660	368 088	No
SABC	2	100%	100%	1 000	1 000	3 200 000	3 200 000	1 222 828	935 706	(1 127 363)	(617 992)	No
ICASA	1	100%	100%	-	-	-	-	245 165	180 230	64 934 792	15 098 690	No
TOTAL				900 960 599	900 960 599	14 865 262	14 865 262	(6 003 042)	5 084 850	51 935 584	10 259 157	

SITA's audit is still being finalised and as such the figures provided here are preliminary (unaudited) figures based on the documents that were submitted at at 31 May 2023. The Annexure will be updated with the final audited figures in the 2023/24 financial year Annual Report.

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 with for the period 1 April 2022 to 31 March 2023 amounted to R35 406 million.

Inter-Entity Advances Paid

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/3/2023	31/03/2022	31/3/2023	31/03/2022	31/3/2023	31/03/2022
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperation	-	-	8 686	814	8 686	814
Government Communication Information System	-	4 893	1 460	-	1 460	4 893
Subtotal	-	4 893	10 146	814	10 146	5 707
PUBLIC ENTITIES						
State Information Technology Agency	-	-	-	3 432	-	3 432
Subtotal	-	-	-	3 432	-	3 432
TOTAL	-	4 893	10 146	4 246	10 146	9 139

12.1 .ZADNA

(.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 Department but does not receive government funding which means it is exempted from complying with the PFMA.

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:

- Management and administration of the .ZA namespace;
- .ZA policy, licensing and regulation;
- Monitoring and compliance;
- Domain name awareness and education;
- Research and development;
- Making relevant policy recommendations to the Minister; and
- Alternate Dispute Resolution Regulations.

Additional non-ECT Act Responsibilities
(i) Dotcities
(ii) Internet Governance

12.1.1 Key Operational Highlights 2022/23

Highlights

- .ZADNA reported an increase in the accredited registrars in the 2022/23 financial year. This growth could be attributed to the Registrar Reseller training that ZADNA conducted during the year.
- The .ZA domain namespace retained the growth it achieved in the prior year for the commercial and non-commercial second level domains.

Other Highlights

- .ZADNA managed to achieve an ***88 per cent achievement rate*** of its annual targets;
- .ZADNA obtained an ***unqualified audit outcome*** for the 2022/23 financial year;
- The 2022/2023 budget was based on the R15.00 per domain name fee and revenue;
- In 2022/2023. ZADNA continued to provide an ***expeditious Alternative Decision Resolution*** process and prompt decisions;
- During 2022/23 financial year **40444 domain** names were registered, ***19 awareness campaigns*** were concluded, complimented by ***47 media coverages, 24 registrar-reseller training programs and 27 Internet governance engagements*** *were conducted****;***
- The .ZADNA ***IT infrastructure*** used to manage .ZASLDs ***functioned without any disastrous interruptions*** during the year; and
- The .ZADNA's governance structures continued to function optimally.

12.1.2 Challenges

For the year under review, .ZADNA missed **two (2)** opportunities, these being (i) *Achieving an annual target of increasing the net growth of the domain name by 0.25 per cent through the CIPC*; (ii) *Documenting and digitising internal processes in .ZADNA with a focus on HR, Finance and OPS;* and (iii) *Technical glitches reported with CIPC systems on a numerous occasions, as a results customers could not register the domain names through the CIPC terminals.*

Strategies to Overcome Areas of Non-Performance

- Continuous engagements with CIPC and ZARC to iron out technical issues and challenges within the CIPC platform; and
- The CIPC Domain name Registration Promoters have been appointed to bring awareness.

12.1.3 Performance Information

TARGETS	2021/22	2022/23
ACHIEVED	11	16
NOT ACHIEVED	3	2
NO. OF TARGETS	14	18
% ACHIEVED	79%	88%

Policy and Regulation

<u>.ZADNA Disputes:</u>

- During 2022/23 financial year .ZADNA had a total of 18 disputes reached actual adjudication, 16 of those decisions were transferred and two (2) were refused; and
- There were no mediation requests for this financial year.

<u>Internet Governance (IG):</u>

- **.**ZADNA conducted 27 Internet Governance engagements during the 2022/23 financial year; and
- The engagements covered Alternate Dispute Resolutions (ADR), Intellectual property, domain name abuse etc.

<u>Registry-Registrar Licensing Framework:</u>

- .ZADNA conducted 24 Registry Reseller training, the training is conducted to promote the transformation of the Internet Service Provider (ISP) and to create access to the .ZA domain name space market.

.ZA Namespace Development

Registrar Market Expansion:

- There was an increase in the accredited registrars from 684 60 762 between the 2021/22 and 2022/23 financial year; and
- This growth could be attributed to the Registrar Reseller training that .ZADNA conducted during the year.

Commercial and Non-commercial SLDs Performance:

- .ZADNA retained the growth it achieved in the prior year; and
- This stagnation of the name space was due to the low retention of registered domain names, see graph on next page.

Name Server Infrastructure:

- The .ZA Root Zone is now served with three secondary nameservers –two are Anycast, and one is Unicast.

.ZA Zone Infrastructure:

- .ZADNA owns three physical servers running the .za primary master zone file;
- They are set up into one primary master with two failover servers, whereby one is in the data centre at Xneeloin Midrand, and the other is located at the Terracodata centre in Isando; and
- The above setup is optimized for business continuity, and disaster recovery mitigation controls, to ensure the continuity and resilience of the zone.

.ZADNA .ZA Security Issues:

- The .ZA domain is secured with Domain Name Security Extensions (DNSSEC);
- This security feature creates trust within the DNS space, which provides security between the parent and child communication in the DNS space;

- The signing of the .za root for the SLDs will thus create trust between the parent and a child zone within the .za namespace; and
- The Denic Data Escrow service continues to serve as an Escrow provider for the commercial SLDs. This allows for escrow incremental and full deposits to be made on a daily basis for a Registry backup purpose.

Communication and Awareness

- To maintain competitiveness and to comply with the requirements of the ECT Act,.ZADNA undertook various public relations and marketing initiatives;
- These initiatives aim to raise awareness about .ZADNA's role and educate the South African public about the advantages of establishing an online presence; and
- During 2022/23 financial year .ZADNA executed 19 awareness campaigns and 47 media coverages.

12.1.4 Financial Performance and Audit Opinion

Annual Financial Statements for the year ended 31 March 2023:

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R21. 357 million	R24.433 million
EXPENDITURE	R18.456 million	R26.649 million
SURPLUS/(LOSS)	R2.901 million	R2.215 million
AUDIT FINDINGS	Unqualified audit opinion	Unqualified audit opinion

Revenue is derived from domain name registry fees. ZARC must pay over to .ZADNA the relevant fees as stipulated in the .ZA SLD Pricing and Distribution Schedule (PDS) as amended from time to time, in accordance to the .ZA Second Level Domain (SLD) operating agreement concluded between .ZADNA and ZARC in 2022.

This agreement entitles .ZADNA to receive revenue from ZARC on per domain name basis from, co.za, org.za, net.za , web.za domain name registrations at the rate of R15 excluding VAT per annum.

In accordance with Section 10 for IFRS for SME standards, accounting policies, estimates and errors, there was an adjustment in the current financial year to the carrying amount of Motor vehicles and Office furniture which had a zero net book value and were still in good condition and in use, were revaluated.

These assets which were initially recognised in the cost model were assessed and recognised in the revaluation model. The reassessment resulted in a revaluation gain of R477.397.31. This gain is recorded in 2023 financial year.

Trade Receivables

Trade receivables were overstated with R309 952 in 2022 due to additional assessments by SARS for the VAT period Aug 2021 and Feb 2022 because of voluntary changes that were made to the accounting estimates.

Contingent Assets

A receivable from SARS because of an overpayment due to Input VAT over declaration identified during the year under review. The amount of R 286 352 is based on actual supplier invoices not included in the declaration.

Audit Opinion

.ZADNA achieved an **Unqualified** audit. This reflects the commitment of the regulator's commitment to fiscal responsibility, transparency, and adherence to the highest governance standards without any irregular and fruitless expenditure.

The financial statements of .ZADNA as of 31 March 2023 reveal two notable concerns. Firstly, there is a significant R31 million disparities between reported Value-Added Tax (VAT) in the VAT Statement of Account and the corresponding ledger balance, attributed to VAT input under-declaration. Secondly, .ZADNA's management recognizes a R268 .3 million receivable, stemming from VAT overpayment to SARS due to alleged input under declaration.

It's important to note that no provision has been made for potential liability if SARS rejects the assessment, which could impact .ZADNA's financial position and operations. These matters, though not impacting on the unqualified opinion, require attention and understanding by stakeholders for a complete view of .ZADNA's financial situation and potential future developments.

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. Sentech has an extensive, strategically positioned infrastructure giving coverage to more than 80 per cent of the South African population. This infrastructure gives Sentech the ability to offer facility leasing and co-location on masts, and the site location enables us to provide connectivity and infrastructure services to the retail, Telcos, and public sectors. The Entity provides broadcast transmission services to all commercial and public broadcasters, including daily service to over 150 community radio stations countrywide.

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

Sentech is a Schedule 3B Government enterprise in terms of the PFMA and derives its mandate from legislation, particularly the Sentech Act and the Electronic Communications Act (ECA). The Company is also a B-BBEE level 1 contributor.

Sentech was corporatised as a wholly owned subsidiary of the SABC in 1992. In 1996, the Sentech Act No. 63 of 1996 was amended, converting Sentech into a separate public entity, owning the largest infrastructure in the country for terrestrial signal distribution for both TV and radio. All subsidiaries are 100 per cent owned by Sentech.

Sentech network coverage includes:

- 135 VSAT internet connectivity sites for DSD and Mpumalanga Department of Finance (DoF);
- 114 SA Connect sites (35 + 20 Phase 1A, 59 Phase 1B);
- 20 COVID response connectivity sites (14 fixed wireless + 6 VSAT);
- Satellite coverage for sub-Saharan Africa;
- DTT sites providing a footprint coverage to approximately 84% of the national population;
- 192 Frequency Modulation (FM) sites servicing 151 radiobroadcasters including 1 public broadcaster (SABC), 21 commercial broadcasters, 4 community television broadcasters and 122 community radio stations; and
- Two 5G trial sites.

Performance Snapshot: Infographic

12.2.1 Operational Highlights

TARGETS	2021/22	2022/23
ACHIEVED	7	12
NOT ACHIEVED	4	3
NO. OF TARGETS	11	15
% ACHIEVED	63.6%	87%

- The Entity was able to obtain for this financial year a **clean audit** report.
- On the BDM project Sentech have already switched off five Provinces.

- Sentech is in the process of acquiring 74 per cent of BBI. Due diligences were completed, and it is anticipated the transaction will be concluded by end of September 2023.

Furthermore, the achievement of transformation is a result of:

- preferential procurement spends of R1.578 billion, which benefited SMMEs, youth, black-owned enterprises with black ownership of 51 per cent or more, and black-owned enterprises with female ownership of 30 per cent or more;
- skills development spends of R19 million;
- enterprise and supplier development spend of R6 million on three SMMEs; and
- socio-economic development spends 1.5 per cent of net profit after tax.

Sentech continued improving digital skills training with a roll out of 492 digital training interventions during the reporting period against a target of 480. Sentech managed to convert 12 of our sites to clean energy, bringing the number of converted sites and offices to 19. We aim to convert 100 per cent of the identified sites by 2025. Our energy reduction efforts resulted in a decrease of approximately 35 per cent tons of carbon dioxide equivalent (tCO2e) in indirect (Scope 2) emissions.

Challenges

- Sentech has for the 2022/23 financial year Annual Report, showed a positive progress on its non-financial performance, however there is still much regression in their financial performance;
- Sentech is still operating analogue and digital television simultaneously pending the announcement of ASO this creates dual illumination incremental costs. For the 2022/23 financial year, there was a funding deficit of R40 million for dual illumination incremental costs, which contributed to the loss and burdened the fiscus;
- The SABC is unable to pay Sentech in full due to the Corporation's financial crisis. This is negatively impacting Sentech's financial sustainability as well as the ability to deliver services at the agreed level of service; and
- The continuous power cuts have a possible impact in the delivery of service to customers by Sentech. There has been an increased failure in back-up generators, leading to the reduction in productivity, non-achievement of set targets and the increase in the cost of operations.

Strategies to Overcome Areas of Non-Performance

- Sentech have made submissions for stakeholder intervention on the issues pertaining to BDM costs, BBI acquisition and SABC debt; and
- Remedial plans for the non-achieved targets have been put in place to achieve by the Entity.

Product Performance

Content and Multimedia Services

- Performance was above expectation, showing growth of 39 per cent against targets;
- The BDM project attributed to revenue growth, noting delays experienced in analogue television switch-off within the television portfolio; and
- After-market support service and the supply of dish kits in support of the BDM project also contributed to revenue growth.

Managed Infrastructure Services

Performance during the 2022/2023 financial year was below expectation, showing an under performance of 2 per cent against planned targets.

Broadband Connectivity Services

The number of connected sites stood at 85 and included some of the most rural parts of the country where terrestrial network does not exist.

Data Centre Services

- NASREC data centre has the capability to provide co-location services;
- Upgrading this data centre from Tier 2 to Tier 3 will enable the centre to provide hosting services.

12.2.2 Financial Performance

The organisation experienced a low revenue growth period with overall revenue of R1.4 billion – a 3 per cent increase from the previous year despite a challenging macro environment characterized by high inflation, increasing cost of living, rising interest rates, and geopolitical tensions. Sentech business achieved 76.3 per cent in customer satisfaction against the target of 75 per cent, which indicates focus on implementing the customer centricity.

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R1.3 billion	R1.4 billion
EXPENDITURE	R1.181 billion	R1.558 billion
SURPLUS/(LOSS)	**R119 million**	**(R147 million)**
AUDIT FINDINGS	Unqualified with findings	Clean audit achieved

As at March 2023, Sentech had a cash balance of R1.5 billion which will be used to diversify its products and services. In so doing, Sentech has set five-year targets of R1.8 billion for revenue and R458.5 million for EBITDA and reduction of staff costs to 30 per cent of total expenditure.

EBIT for 2022/23 financial year was a loss of R353 000. This is relatively low compared to 2021/22 financial year EBIT of R200 million. The main contributors to the decline are the increase in energy costs because of rampant loadshedding by ESKOM, and the increased electricity tariff.

The Company has spent a significant amount on fuel costs to power/fuel standby generators to continue meeting its SLA with customers during loadshedding events. The company incurred a net loss of R147 million for the year ended 31 March 2023. The major contributor to the loss is a result of the unrealised foreign exchange loss of R222 million on remeasurement of the lease liability. In terms of IFRS 16, all leases qualifying for recognition as finance leases will attract a right-of-use asset and finance liability and must be separately disclosed in the financial statements.

Furthermore, where the lease liability is foreign exchange denominated, the balance at the end of each reporting period should be remeasured in line with IAS 21: The Effects of Changes in Foreign Exchange Rates. The largest part of Sentech's lease liability, namely satellite capacity rental, is denominated in foreign currency. At the end of 2022/23 financial year, the spot rate was R17.89: US $1 as compared to R14.76: US $1 in 2021/22 financial year. This represents a 21 per cent depreciation of South African Rands against the dollar between the two reporting periods.

Once again, key financial results are shown on next page.

	GROUP & COMPANY	
Figures in Rand thousand	2023	2022
Revenue	**1 411 910**	1 373 161
Operating Profit/(Loss) – EBIT	**(353)**	200 338
Net profit after Tax	**(147 720)**	119 331
Total Comprehensive Income	**(135 917)**	110 773

As part of the national government's imperative to move the public to a digital platform, Sentech commenced with the ASO in the past year. The costs for the ASO are recouped from the dual illumination grant funding that the Company received from the Executive Authority. However, during the year under review there was a dual illumination shortfall with a funding deficit of R40 million for dual illumination incremental costs, which contributed to the loss and burdened the fiscus.

Sentech deploys its available cash resources and healthy balance sheet to leverage new and existing business opportunities. During the period under review, a prospective target for acquisition was identified, assessed, and proposed but the deal could not go through.

Preservation and growth of financial capital is key to sustainability, with a focused effort on possible mergers and acquisitions and strategic alliances.

Sentech is negatively affected as the gross debtors' balance increased significantly, resulting in an additional R59 million recognized for expected credit losses in terms of IFRS 9: Financial Instruments. The non-payment by customers is also apparent in the significant decline in the cash reserve as per our statement of financial position.

12.2.3 Audit Opinion

Sentech received a **clean audit**, which means having no material misstatements in the financial statements; compliance with legislation and policies; and reliable performance information. Over the past eight years the Company realised six consecutive clean audits, followed by two years (FY 2020/21 and 2021/22) of unqualified audits with findings.

Furthermore, during the year, ICASA did not find Sentech to be in violation of any regulations. The external auditors indicated that most of the the public entity's revenue is earned from one customer who experienced cash flow challenges in the current financial year. This indicates the presence of material uncertainty relating to sustainability risk due to lack of diversification. Management has indicated plans to mitigate the risk. Material impairment of R145.6million (2022: R86.5 million) was incurred because of provision for credit losses on trade receivables.

12.3 USAASA/USAF

USAASA was 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 represent 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.

The Agency must contribute toward the revised MTSF 2019 - 2024 on the following two impact outcomes: *Unemployment reduced to 20-24 per cent with 2 million new jobs, especially for youth*; and *economic growth of 2-3 per cent and growth in levels of investment to 23 per cent of GDP1*.

High-Level Overview of the Strategy and the Performance

The rationalisation of the ICT SOEs is defined by the National Integrated ICT Policy White Paper approved by the Cabinet on 28 September 2016. The main objective of the rationalisation process is to move away from the fragmented mode of service delivery into a more consolidated approach. USAASA is one of the Entities identified in the National Integrated ICT Policy White Paper that needed to be disestablished. This process is intended to harmonise and streamline the public entity's capabilities to ensure efficiency in service delivery.

The President announced in 2021 that the completion of digital migration is vital to the country's ability to effectively harness the enormous opportunities presented by rapid technological changes. After several delays, the country has started and is continuing with a phased switch off analogue TV transmitters, which is being implemented Province by Province.

Following the President's pronouncement regarding BDM, a holistic review of the BDM service delivery model was undertaken to fast-track the completion. This resulted in USAASA's role being limited to managing the Fund in an administrative capacity while USAF's role was limited to subsidising projects and programmes geared towards providing universal access to broadcasting and communication services. These roles are currently being reviewed within the review of the ECA by the Department to align to the new era of social and digital economy.

Another project referred to by the President in the SONA 2021 was SA Connect, a programme intended to roll out broadband to schools, hospitals, police stations, and other government facilities. All these facilities and institutions must be connected, and individual citizens should have affordable access to information services and a platform for their own voices. The following interventions affected the Agency's execution of the annual performance plans:

Disestablishment of USAASA

USAASA is being disestablished in accordance with the policy recommendations of the National Integrated ICT Policy White Paper. The uncertainties inherent in the process of disestablishment of the Entity affected the implementation of the key performance targets contained in APP for the year under review.

The Entity was not able to enter medium- to long-term contracts as a result of the pending disestablishment and the moratorium that was placed on the Entity committing to long-term contracts. This was critical to managing exposure to the risks of onerous contracts.

As such, USAASA continued to incur irregular expenditure relating to the rental of the offices and the provision of mobile and data connectivity services.

Strategic Relations

After the adoption of the MIM on BDM by Cabinet on 30 September 2021, the Agency needed to enter strategic relations with various entities to support the Revised ASO Plan. With the approval of the deviation procurement strategy by National Treasury, the Agency forged multiple formal strategic relations with the Department, Sentech, SAPO, and the broadcast media players, such as SABC and others.

Strategic relations are essential for ensuring the seamless digital migration of indigent households onto digital broadcasting platforms, and for ensuring that the policy objectives of the universal and geographic reach of digital broadcasting services to all citizens are met. Facilitating the development of the digital economy is aimed at ensuring inclusivity and sustainable universal access.

The President's pronouncements on SA-Connect emphasized an expeditious response to the growing need for South Africans to participate in the digital economy, and the need to review the delivery model of SA-Connect Phase 2.

To enable universal access to broadband, the approach taken needed to include the release of the spectrum and other digital technologies.

The revised SA-Connect Phase 2 Model was adopted by the Cabinet on 28 January 2022. As a result, USAASA engaged in strategic relations with BBI to subsidies broadband infrastructure and services, which will contribute to South Africans being able to equally participate in the digital economy. in the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong

centres and traditional authority offices will be connected through the licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period, see infographic below.
The Cabinet approved the revised SA-Connect Phase 2 Model which will be rolled out using SOEs such as BBI, SITA and Sentech, and the industry at large. Government will utilise existing capacity and source additional physical networks from the private sector.

Challenges Faced by Board

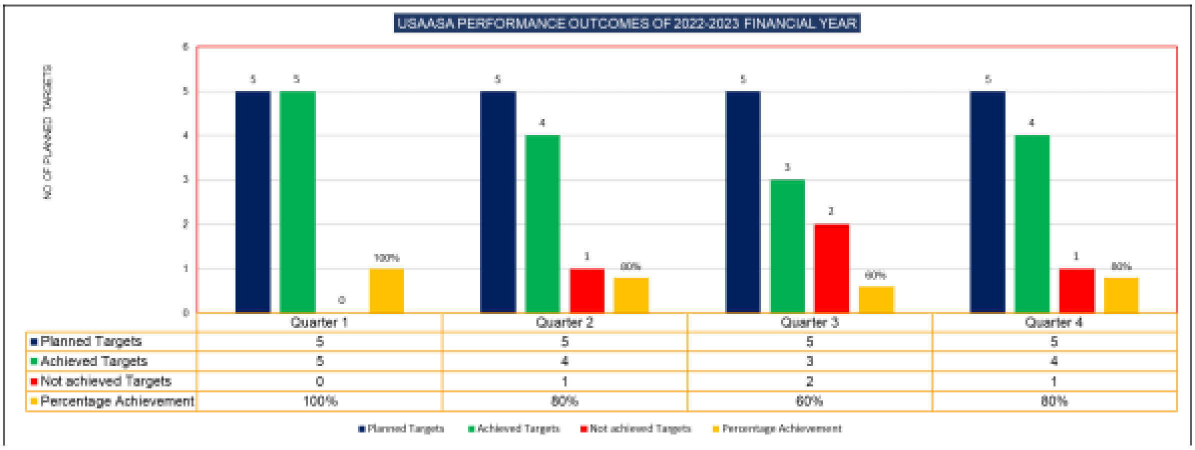
USAASA is experiencing a high vacancy rate of 80 per cent at executive management level arising from uncertainties associated with the disestablishment of the entity. In addition, USAASA is unable to attract the desired skills in the labour market as a moratorium was placed hiring key additional employees on a long-term contractual basis because of the impending disestablishment. Further uncertainties were experienced about the term of the current Board, pending the entity's disestablishment.
The trajectory suffered a loss from one of its members and Chairperson of the Human Resource and Remuneration Committee (REMCO), Mr Talelani Ramaru.
The Board member's passing left the board with a vacuum specifically in his area of expertise, knowledge, and skills in the organization. His absence had an impact on the discussions and decisions related to HR matters as he was passionate about labour issues. The impact was also felt when dealing with issues of an even number of members where there was potential for tie votes on critical decision-making process.

The Strategic Focus Over the Medium to Long-Term Period

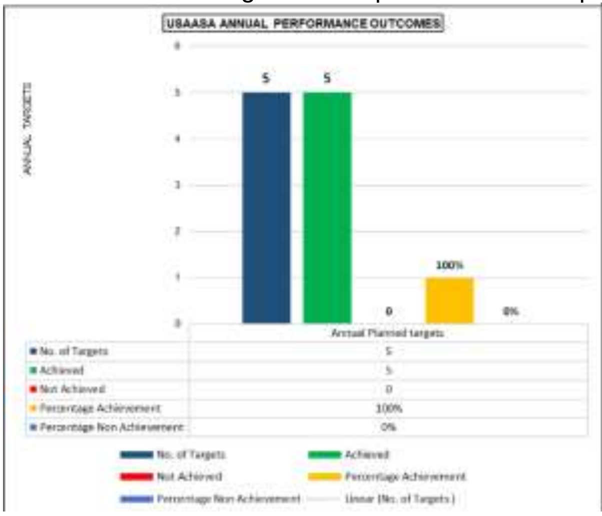
The Department is currently busy with the amendment of the ECA, which will determine the future disestablishment of the Entity. This process has not yet been finalised by 31 March 2023. As such, there are still uncertainties regarding the timing of the completion of the disestablishment. These uncertainties led to USAASA focusing on matters that were possible within the period under review and not committing or contracting beyond this period.
The medium-to-long-term commitments that are included in the MTSF and USAASA's Strategic Plan were, however, not changed. The Board considered the impact of the uncertainty surrounding the disestablishment on the achievement of the Strategic Plan outcomes to be a concern that requires urgent attention.
As mentioned above, the amendments in the ECA will affect the disestablishment and may take longer to complete. In accordance with the transfer of function, as outlined in the PFMA, the Entity can only be deregistered as a Schedule 3A Entity from the date when the ECA amendments are finalised and approved by the relevant authorities / legislature.

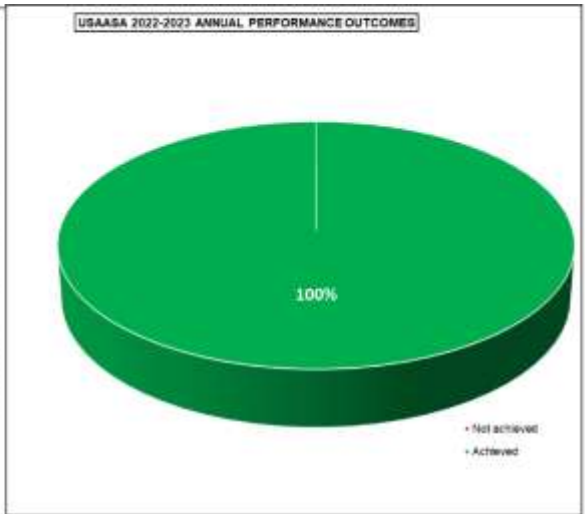
12.3.1 Operational Highlights

In this period under consideration, USAASA planned 5 annual targets as per the approved USAASA Annual Performance Plan of 2022/23 financial year and translating into 20 quarterly targets. Out of 20 quarterly targets only sixteen (16) quarterly targets were achieved translating into 80 per cent performance outcomes and four (4) targets not achieved translating into 20 per cent, see table on next page.



The below graphs depict USAASA's achieved annual targets against the planned annual targets in the USAASA 2022/2023 approved Annual Performance Plan and all five (5) planned annual targets were achieved translating into 100 per cent annual performance outcomes.





Compared to the prior year of 2021/22 and the Agency had six (6) planned targets and achieved three (3) of the planned targets translating into 50 per cent achievement and three (3) targets not achieved resulting into 50 per cent. There is a 50 per cent performance growth registered compared to the previous year of 2021/22. Lastly, the Agency implemented 77 per cent of the audit action plan activities.

Other Challenges: Higher capacity constraints due to vacancies in executive and senior management resulting from the suspension of 6 senior officials and the dismissal of 1 additional senior personnel.

Irregular Expenditure

- During the period under review, the Agency incurred R7.8 million in irregular expenditure and R114 000 in fruitless and wasteful expenditure.
- The Agency closed with a balance of R87.01 million on irregular expenditure and R3.8 million on fruitless and wasteful expenditure.

Strategies to overcome areas of non-performance.

- Take effective measures to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency.

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.

PROGRAMME 1: BUSINESS SUPPORT	2022 -2023			2021 - 2022		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Employee related cost	65,975	67,748	(1,773)	62,268	59,812	2,456
Bad debts Written -off	-	-	-	-	36	(36)
Legal fees	12,856	2,167	10,689	1,186	2,806	(1,620)
Depreciation and amortisation	-	641	(641)	-	103	(103)
Finance costs	-	47	(47)	-	7	(7)
Lease/rentals on operating lease	6,381	5,739	642	6,082	5,640	442
General Expenses	31,239	18,730	12,509	12,519	18,420	(5,901)
SAPO Distribution costs	268,819	121,016	147,803	95,000	-	95,000
Total expenses:	**385,270**	**216,088**	**169,182**	**177,055**	**86,824**	**90,231**

As of 31 March 2023, the entity had an accumulated surplus of R180 million, and the Entity's total assets exceed its liabilities by R180 million. The ability of the Entity to continue as a going concern is dependent on several factors. The most significant of these is that the members continue to oversee budget and financial management processes to ensure an adequate budget is made available for the Entity's operations.

The Agency received an approved appropriation allocation of R86 million. Interest amounting to R15.6 million was earned throughout the year. Thus, USAASA's total revenue for the year under review amounted to R101 million, representing a decrease of R83.7 million on the previous financial year's total revenue of R185 million.

Total expenditure for the current year was R216 million, an increase of R129.2 million compared with the total expenditure in the previous financial year of R86.8 million. This means USAASA had a deficit for the year of R114 million, representing a decrease of R213 million from the surplus of R99 million in the previous financial year.

The main reasons for the costs that were higher than the allocated budget and the deficit were costs incurred for warehousing and distribution costs paid to SAPO for storage and the logistics service of the inventory of STBs, supporting antennas and dish kits, and other accessories required for the rollout of the BDM project.

Total costs incurred for the warehousing and distribution in the current year amounted to R121 million. No budget had been allocated for the warehousing and distribution costs, hence the significant deficit. To provide for the deficit, USAASA obtained approval from National Treasury to retain funds that were appropriated in the previous financial years, amounting to R216 million.

Furthermore, USAASA has incurred additional expenditure relating to employee benefits that were not paid in the previous financial years, i.e. before the 2021/22 financial year. USAASA had adopted the DPSA salary structure and policy which meant that certain benefits accrued to USAASA employees including pay progressions, and COVID-19 leave cash payout dispensation for 2019 and 2020 leave cycles. These policy dispensations were not implemented in USAASA in previous financial years, i.e. before 2021/22.

Payments of these benefits in the current financial year led to additional financial resources being required to meet these costs. USAASA obtained an approval for the retention of funds specifically for the compensation of employees cost line item emanating from these unpaid benefits. Payment of these and the normal cost of living adjustment of 3 per cent led to a significant increase in the compensation of employees of R7.9 million.

Lastly, USAASA continued to have a high vacancy rate in leadership roles of executive and senior management. USAASA bled capacity in the year under review in almost all units, including vacancies in some critical areas in its core activities that could not be filled due to the pending disestablishment and the moratorium on permanent or medium-to-long-term appointments.

12.3.3 Audit Opinion

The AGSA has, after conducting an audit of USAASA financial statements, issued an **Unqualified audit** opinion.

The AGSA did not identify any material findings on the usefulness and reliability of the reported performance information for the audited programme of USAASA.

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements, Performance and Annual Report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.

Material misstatements of expenditure, current liabilities and the statement of comparison between budget and actual amounts identified by the auditors in the submitted financial statement were corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management
Effective steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the fruitless and wasteful expenditure was caused by interest charged on outstanding invoices and penalties for late payment of PAYE.
Consequence Management
AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular, fruitless and wasteful expenditure were not performed.
Internal control deficiencies
Management did not adequately review the financial statements to ensure that material errors were identified and corrected prior to submission for audit. Management did not implement adequate internal controls to prevent fruitless and wasteful expenditure. The accounting authority did not initiate investigations into instances of irregular and fruitless and wasteful expenditure incurred.

Other Reports
This report did not form part of the AGSA opinion on the financial statements or my findings on the reported performance information or compliance with legislation. The previous board instituted a forensic investigation in January 2020 on the SAP support and maintenance services to ascertain facts on the matters around the SAP support and maintenance provision or the lack thereof.
The forensic investigation was concluded in October 2022 and the Board is evaluating the recommendations for further implementation.

12.3.4 USAF
The mandate of the Fund is based on funding projects / programmes that are exclusively contributing towards two strategic pillars: universal access to (i) Broadcasting; and (ii) Broadband infrastructure and services throughout the country. The Fund is created in terms of Section 87(1) of the ECA to ensure USAASA attains its statutory objectives. Licensees are required to contribute to USAF, which is intended to incentivise and subsidise the rollout of electronic communications networks in underserviced areas. It is also established to finance community ICT projects that seek to bring both basic and advanced communications services closer to the poor communities in dire need of those services.
To reach this mandate, the Funds is currently funding / subsidising two (2) apex government priorities, namely, BDM and Broadband Connectivity under Economic Transformation and Job Creation in terms of the Revised MTSF 2019-2024.
USAF continues to play a pivotal role by contributing towards the achievement of Sustainable Development Goals-2030 Agenda and NDP universality policy goals that affect universal service and access. This is contributed through a coordinated approach to subsidising the connectivity of underserved / underserviced communities in the townships and deep rural areas with ICTs thereby contributing to universal access to broadcasting and communication infrastructure and services.
By subsidising connectivity to educational institutions and primary healthcare facilities, and the provisioning of Free Wi-Fi hot spots, USAF is contributing to the connectivity of communities and bringing SA one step closer to achieving its vision as captured in the NDP of "*a connected SA and deployment of a full range of government, educational, and information services by 2030.*"
USAF activities directly contribute to the implementation of the Apex Priority 2: the Economic Transformation and Job Creation, of the Revised MTSF 2019-2024.
Priority Projects
The Priority Projects are as follows:
- BDM Programme: Funding / Subsidising the migration of qualifying households from analogue to digital television – this will contribute to freeing the high demand spectrum that was allocated for analogue broadcasting for auction to industry interested players to support/contribute to the country's digital economy; and
- Broadband connectivity programme: at least 80 per cent of the population must have access to the internet by 2024. USAF will play the role of funding / subsidizing connectivity projects in identified districts to ensure access to broadband / communication infrastructure and services by the marginalized and underserved communities in townships and deep rural areas throughout the country.

USAASA contributes towards the achievement of the SA-Connect Programme by providing funding / subsidizing broadband connectivity infrastructure and services in the above-mentioned identified two (2) districts (OR Tambo District Municipality, Eastern Cape and Pixley Ka Seme District Municipalities

(Kareeberg and Renosterberg Local Municipality, Northern Cape). By the 31st of March 2023, the required infrastructure was procured and delivered, and the respective work commenced to connect the identified sites in the districts mentioned above.
With the delays that were experienced as detailed in the Annual Report, USAASA was not able to execute the subsidisation of the broadband services in the current financial year but is regularly engaging the relevant implementing entity to implement interventions that will assist with fast tracking the implementation of the project in the coming year.
USAF further contributes to the following two impact outcomes on Revised MTSF 2019 – 2024:

- Unemployment reduced to 20 – 24 per cent with two million new jobs, especially for the youth; and
- Economic growth of 2 – 3 per cent and growth in levels of investment to 23 per cent of GDP.

High-level Overview of USAF's Strategy and Contribution in the Digital Economy

BDM

BDM is a large and multi-faceted government programme managed and coordinated by the Department through key SOEs and other stakeholders. These include Sentech (national broadcast signal distributor), USAASA, SAPO, SABC, ICASA, and other commercial broadcasters. In 2006, SA agreed to ITU Regional Agreement in Geneva determining the countries that must migrate from Analogue to Digital TV by 17 June 2015. As such South Africa has started with the process of migrating broadcasting signals from analogue to digital television.
A holistic review of the current BDM service delivery model was undertaken by USAASA to fast track the completion of the digital migration project in collaboration with the abovementioned key strategic role players.
Broadband Project: The NDP requires all schools, health facilities and social institutions to be connected, and individual citizens to have affordable access to information services and a voice of their own.
Another project pronounced by the State President was the SA-Connect Programme. The programme is intended to roll out broadband to schools, hospitals, police stations and other government facilities. Phase One (1) rollout was aimed to connect 970 government facilities however, it never reached the timeliness set by NDP on extended broadband penetration of 100 per cent by 2020, between the medium term: 2015-2020.
The State President's pronouncement on SA-Connect placed emphasis on an expedited response to the growing need for South Africans to participate in the digital economy including the need to review the delivery model of SA-Connect Phase 2.

Challenges Faced by the Board

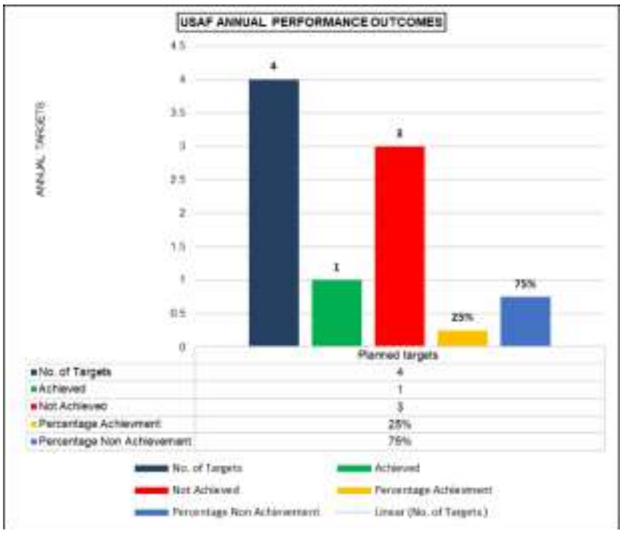
The complexities experienced with the present contractual relationships with the appointed SOEs that are carrying out USAF's key priority projects led to undesirable operational performance.
Furthermore, the legal disputes / litigations that were brought by some institutions with regards to the BDM project led to significant delays in the delivery of the project.
The uncertainties around the disestablishment of USAASA and the future of USAF had also contributed to the number of challenges that were experienced by the Board. The Board was not able to appoint employees in leadership / executive positions due to the moratorium that was placed on USAASA pending the finalisation of the disestablishment of USAASA and determination of the future of USAF.

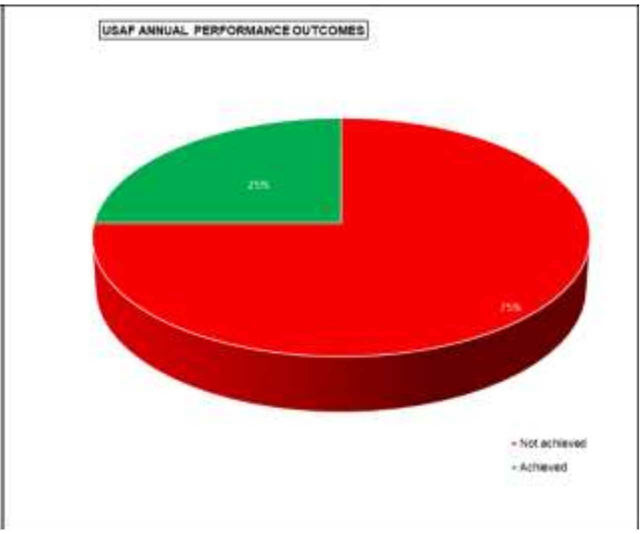
The Strategic Focus Over the Medium-to-Long-Term Period

Due to the rapid changes in digital technologies and digital economy, the mandate of the entity will be refined through the amendment of the ECA that is currently underway from the Department. Currently USAASA is mandated to subsidise projects and programmes that are exclusively for the payment of subsidies.
As per the revised model, USAF's role is now the provision of funding / subsidy towards the implementation of the mandate provided for in the ECA as articulated in the above paragraph. As such USAF will be utilised to fund key strategic projects and/or interventions initiated for the execution of the abovementioned mandate of the entity in the medium- to long-term period.

12.3.5 USAF Operational Highlights

The graphs on below depicts USAF's achieved annual targets against the planned annual targets in the USAF 2022/2023 approved Annual Performance Plan. One (1) out of Four (4) planned annual targets was achieved translating into 25 per cent of the total planned targets, and three (3) planned annual targets were not achieved translating into 75 per cent of the total annual planned targets.





Despite the many challenges, the Fund certified funding of R321 million for two USAF projects and warehousing and distribution. This is an increase in the project spending/funding from the R34 million incurred in the previous financial year. The Agency implemented 82 per cent of the audit action plan activities. Other highlights include:

- Improved audit opinion and control environment from a Disclaimed opinion to Qualification;
- Improved Organisational reputation with Provinces – stakeholders; and
- Improved Stakeholder engagements which improved level of adoption of projects/ believability collaboration – this emanates from surveys conducted on our stakeholder management plan.

Overall performance, outlining its key outputs, particularly relating to services rendered directly to the public, is annotated on next page.

Targets	Key Outputs	Outcomes
100% funding of BDM installations by Sentech and other approved service providers for registered qualifying households.	A total number 58 380 installations were verified. However, at the end of the period under review, only 48 962 were funded by USAF, resulting in 83% funding.	Not Achieved
Develop a BDM monitoring and evaluation report on the migrated households through subsidy.	BDM monitoring and evaluation report on the migrated households was developed as planned in the period under review.	Achieved
Funding of the subsidised broadband connectivity to identified sites on service level agreement.	None of the identified sites were funded for broadband connectivity during the period under review.	Not Achieved
100% of valid invoices paid within 30 days from date of receipt.	Only 44% of valid invoices were paid within 30 days; 15 out of 34 valid invoices were paid because of delays in the finalisation of relevant contracts.	Not Achieved

Progress towards Achievement of Institutional Impacts and Outcomes

Broadened access to broadcast digital services by qualifying households: At the end of the reporting period, the ASO was extended twice, first by the High Court ruling to the 30 June 2022. The 30 June 2022 date coincided with the date ICASA had determined and announced as the end of the transition period for the broadcasting services and signal distributors to vacate the 700MHz to 800MHz band. To meet the announced ASO deadline of 30 June 2022, the Agency embarked on conducting door to door registrations as well as mass distribution of STBs to intensify registrations and installations.

The Analogue switch off in the five (5) provinces of the Free State, Northern Cape, North West, Mpumalanga and Limpopo took place and this, which enabled the conclusion of the process of re-arranging spectrum in these five Provinces, thereby giving way for spectrum to be assigned for future digital services.

Increased access to broadband in underserviced areas: With President Cyril Ramaphosa emphasising the need for SA-Connect to be expedited in response to the growing demand for South Africans to participate in the digital economy, SA-Connect Phase 2 was revised on 28 January 2022. In the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong centres and traditional authority offices will be connected through licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period.

Cabinet approved the revised SA-Connect Phase 2 Model which will be rolled out using SOEs such as BBI, SITA, Sentech, and industry at large. The government will use existing capacity and source additional physical networks from the private sector.

The Entity has appointed BBI to provide broadband internet connectivity to 112 sites in Northern Cape and 300 sites in Eastern Cape.

A well-governed and high-performance organisation delivering on its mandate: USAF obtained a **Qualified** audit opinion in the 2022/23 financial year. This is an improvement compared to the disclaimer audit opinion obtained in the 2021/22 financial year. This demonstrates an improvement in the control environment.

Challenges

Implementation of the BDM programme is hindered by delays in the installation of subsidised Set Top Boxes at qualifying households and the low registration rate for qualifying households which are eligible for subsidisation through USAF.

Other challenges that plagued USAF in fulfilling its role in the Service Delivery Environment of the Fund include:

1. **Disestablishment**
    - Low Staff Morale; and
    - Low investment in relevant systems for the environment we operate in (Has an impact on disclosures as per AGSA.
2. **Delivery Model of Roll out of the projects**
    - Inability to operate effectively and efficiently through means on implementation of the projects USAF;
    - SAPO’s inefficiencies and it effects of the audit opinion; and
    - Sentech and BBIs lack of timeous delivering within timelines.
3. **Myopic delivery strategy of USAF**
    - The organisation is forced to disburse funds through the use of Government Entities;
    - Inability to drive innovation; and
    - participation in research as per mandate with the Centre for Scientific and Industrial Research (CSIR) and private sector.

Irregular Expenditure

There was no irregular expenditure incurred. The fruitless and wasteful expenditure amounted to R107 000.

The Agency closed with a balance of R50.3 million on irregular expenditure and R78.2 million on fruitless and wasteful expenditure as a due to balances carried over from the previous financial year.

Strategies to Overcome Areas of Non-Performance

Take effective measures to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency.

12.3.6 Financial Performance

The Agency received an approved appropriation allocation of R126 million. Interest amounting to R159 million was earned throughout the year. Thus, USAASA’s total revenue for the year under review amounted to R285 million, representing a decrease of R918 million from the previous financial year’s total revenue of R1.204 billion.

Total expenditure for the current year was R210 million, an increase of R173 million compared to the total expenditure in the previous financial year of R37 million, see table on next page. As such, USAASA made a surplus for the year of R76 million, representing a decrease of R1.1 billion from the surplus of R1.2 billion in the previous financial year.

The main reason for the increased spending was due to the improvements in the level of implementation of the two (2) projects in the current year under review. To provide for the improved level of implementation, USAF has obtained an approval from the National Treasury to retain funds that were appropriated in the previous financial years amounting to R2.9 billion specifically for the two key USAF priority projects.

PROGRAMME 1: BUSINESS SUPPORT	2022/2023			2021/2022		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Administration	16,005	9,173	6,832	3,000	3,171	(171)
Broadband infrastructure and connectivity	294,028	49,875	244,153	61,165	-	61,165
Broadcasting Digital Migration	2,565,721	150,651	2,415,070	1,073,366	34,044	1,039,322
Total	**2,875,754**	**209,699**	**2,666,055**	**1,137,531**	**37,215**	**1,100,316**

Another key cost driver in USAF was project travel expenditure by district coordinators for projects monitoring and evaluation in the various districts in which the Entity operates throughout the country. Total costs incurred for travel during the year under review amounted to R6.8 million. The cost is considered reasonable and justifiable considering the magnitude of the projects and the relevant risk exposures managed through this process.

As at 31 March 2023, the Entity had an accumulated surplus of R3.7 billion and the Entity's total assets exceed its liabilities by R3.7 billion. The ability of the Entity to continue as a going concern is dependent on several factors. The most significant of these is that the members continue to oversee budget and financial management processes to ensure an adequate budget is made available for the Entity's operations.

Requests for Retention of Funds

USAF has submitted and obtained approval for retention of funds to cover the costs highlighted in the financial performance section above and other cost pressures. From the requested retention of funds of R2.9 billion, the National Treasury approved the total amount requested. As such nothing was paid back to the NRF in of the PFMA.

12.3.7 USAF Audit Opinion

The AGSA has, after conducting an audit of USAASA financial statements, issued an **Unqualified audit** opinion opinion.

Although there is a positive movement in the audit outcomes in USAF, the issue of the inventory opening and closing balances is still unacceptably affecting the audit outcomes.

This is one of the various risk exposures surrounding the BDM project that is outside the control of the entity; USAF is dependent on the control environment and the systems of internal controls implemented in SAPO to effectively manage the project risks to an acceptable level. However, there are plans to address the key BDM inventory project risks in the next financial year.

Basis for Qualified Opinion

The was unable to obtain sufficient appropriate audit evidence that management had properly accounted for inventories in the current and previous year as the public Entity did not maintain a register of inventories held by a third party that could be reconciled to the financial statements. AGSA was unable to confirm the inventories by alternative means.

Consequently, the AGSA was unable to determine whether any adjustments were necessary to inventories stated at R836 million (2022: R807.2 million) and to inventory redemptions stated at R63.9 million (2022: 0).

Material Uncertainty Relating to Going Concern

The annual financial statements were prepared based on accounting policies applicable to a going concern, describes the events or conditions, along with other matters as set forth that may cast significant doubt on the public Entity's ability to continue as a going concern and how the public Entity is responding to them.

Emphasis on Matters: Uncertainty relating to the future outcome of litigation: –

USAF is a defendant in several lawsuits. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Annual Financial Statements, Performance and Annual Report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by Section 55(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected or the supporting records could not be provided, which resulted in the financial statements receiving a qualified opinion.

Expenditure Management

Effective steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 14 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. Most of the fruitless and wasteful expenditure was caused by the payment of interest on a court order.

Plans to Address

USAASA will continue engaging the National Treasury to be allowed to reconsider USAASA's cost structure and thereby move all project related costs to USAF. These costs include warehousing and distribution costs, as these costs are going to be incurred in the future until the inventory stored at SAPO is depleted.

Consequence Management

The AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by Section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure and fruitless and wasteful expenditure were not performed.

Internal Control Deficiencies

Management did not implement an appropriate internal control process to properly account for inventory balances and the movement of inventory during the year. Management did not adequately review the financial statements to ensure that errors are identified and corrected prior to the submission of the financial statements for audit resulting in material corrections to the financial statements.

USAASA 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.

12.4 NEMISA

NEMISA was established as a non-profit institute for education in terms of the Companies Act (1973) and is listed as a schedule 3A public Entity in terms of the PFMA. 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.

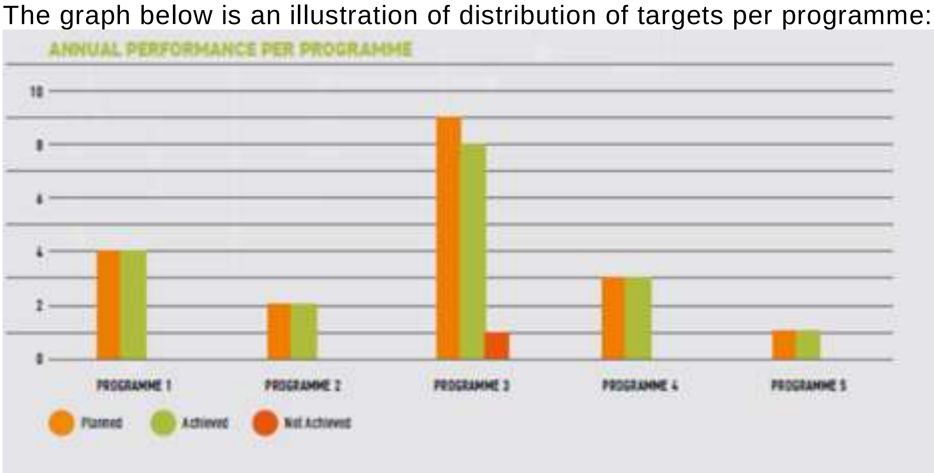
Below are some of the national policies recognising the need for the development of digital skills in South Africa from which the mandate of NEMISA is derived from:

- 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

Impact Statement: *Accelerated use of digital technologies to improve quality of life*

12.4.1 Operational Highlights

NEMISA had 19 planned targets for the year and eighteen (18) of those have been achieved with one (1) target not achieved. This means that the NEMISA has achieved 94 per cent of its annual targets. The graph below is an illustration of distribution of targets per programme:



For the year under review, NEMISA met all the governance requirements of the Shareholder and risk management has also been strengthened.
A key highlight is that the Institute achieved a clean audit for the first time since its establishment and achieved 94 per cent of the planned targets have been achieved.
COVID-19 – NEMISA used experiences from the pandemic to review how it delivers its services. Delivery of training had to transition rapidly to online platforms which proved to mitigate the situation albeit with its challenges.
Data costs remain high in South Africa thus excluding many of them who cannot afford it and making activities such as online learning challenging to be adopted. During the 2022/23 financial period, NEMISA has been successful in implementing a zero-rating of its Learning Management System to mitigate this challenge.
A Digital Skills Colloquium and hybrid Datathon were successfully held with participation from various Provinces; and NEMISA continued with its organisation culture change journey, ending the year with the production of an organisational efficiency report.
During the 2022/2023 financial year, there were in total 240 beneficiaries trained through NEMISA's accredited training qualifications by the Media, Information and Communication Technologies Sector Education and Training Authority (MICTSETA).
The 2022/23 financial year has been particularly good for NEMISA's digital learning. Over the past year, NEMISA has successfully developed and implemented innovative digital learning solutions, empowering learners of all skill levels and backgrounds to acquire knowledge and skills in a flexible and accessible manner.
Upgrades were made to both the NEMISA Learning Management System (LMS) and the NEMISA on Microsoft Community Training (MCT) Platform. NEMISA team collaborated with external service providers, subject matter specialists, designers, and technologists to create engaging online courses, with interactive learning elements.
This year also saw NEMISA's first accredited online course called New Venture Creation go live. NEMISA expanded its reach by forging strategic partnerships, reaching new markets, and delivering online learning nationally. Furthermore, comprehensive training and support was provided to facilitators, enabling them to effectively leverage digital tools for impactful instruction.
For the 2022/23 financial year the project appointed 124 trainers/ambassadors, some of whom left the programme due to better opportunities.
Lastly, the only challenges identified during the reporting year is the inadequate organisational structure.

Stakeholder Engagements and Activities

Table below shows some of the highlights for the year in stakeholder engagement, advocacy and awareness activities:

Stakeholder Engagement	Advocacy and Awareness
Partnered with Department of E-Government for the Youth Tech Expos	Digital Colloquium and Post Graduate Symposium held in Cape Town Proceedings book available on the website www.nemisa.co.za
Initiation of the CHIETA partnership, resulting in a NEMISA-CHIETA signed MoA	Data Science Datathon was held Virtually in all provinces and physically in five provinces.
Partnership with MLab, Mafikeng Innovation Hub, Botshabelo Innovation Hub, Cortex Hub, Vulingondo Innovation Hub and UJ for the NEMISA Datathon	Outreach programmes/exhibition were undertaken with the Minister and Deputy Minister of the Department of Communications & Digital Technologies
Collaboration with STEM Power, Ripples For Change, DHL and WSU – resulting in a STEM Lab launched at WSU – Potsdam Campus	Use of local and commercia and community radio stations, website, and social media platforms as advocacy and awareness tools
Partnered with DHET and CET Colleges	CET National Career Week Exhibitions in 5 Provinces
Partnership with District Municipalities – Ngaka Modiri Molema, Ramotshere Moiloa and Capricorn for the Creative media and Digital Literacy training	Exhibition at the SITA Govtech Conference
NEMISA/Nelson Mandela University, School of IT on the delivery of "The future is digital" women in ICT conversations	Future is Digital Webinars - These dialogues are aimed at amplifying the voices of women ICT with the specific objective of inspiring the 'Next-Gen' of young women to take their space in the ICT sector.

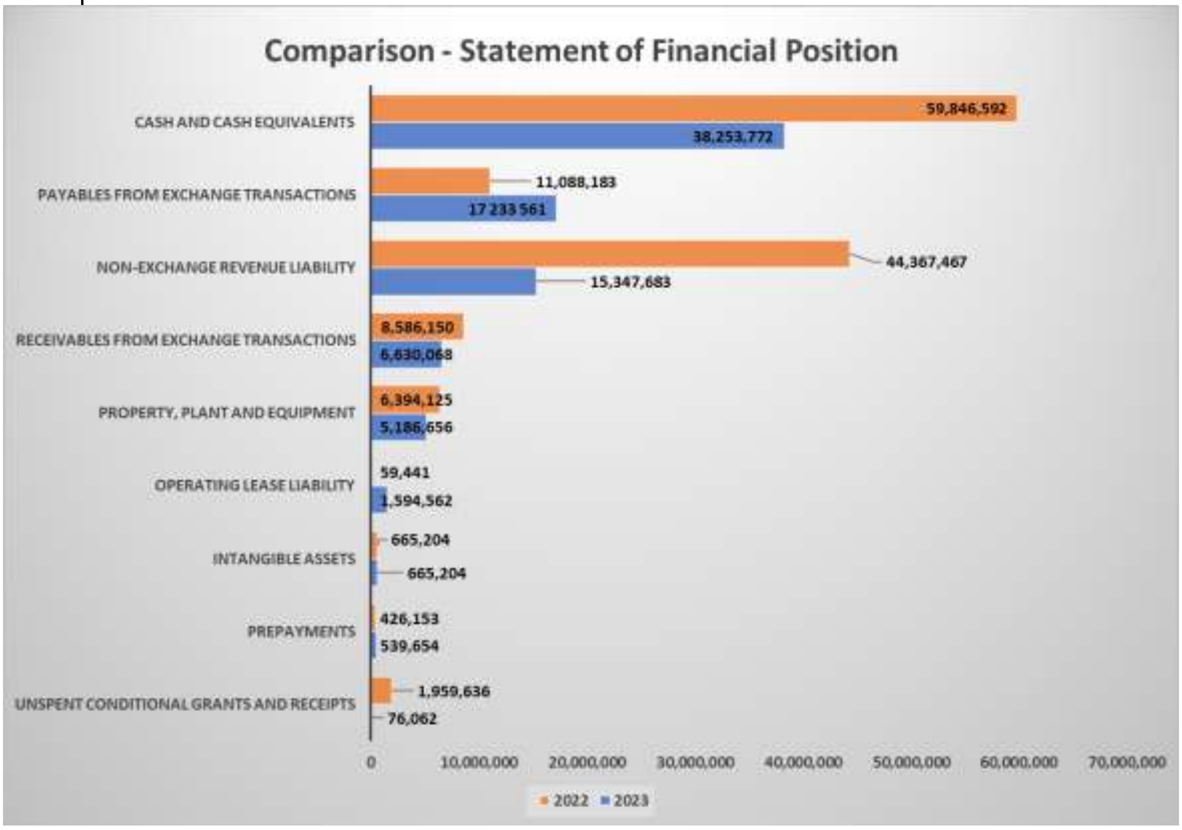
12.4.1 Linking Performance with Budgets

The table below depicts expenditure against the budget for the reporting period under review and the previous financial year for the programme and sub-programmes:

Outcome	2022/23			2021/22		
	Budget R'000	Actual Expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under expenditure R'000
Programme 1	52 586	49 117	3 469	57 537	58 486	(949)
Programme 2	0	0	0	0	0	0
Programme 3	48 091	96 334	(48 243)	37 866	45 380	(7 514)
Programme 4	1 451	2 500	(1 049)	1 875	2 247	(372)
Programme 5	593	1 711	(1 118)	1 500	1 798	(298)
Total expenses	102 721	149 662	(46 941)	98 778	107 911	(9 133)

12.4.2 Financial Performance Analysis

The graph on next page is a detail statement of comparison of the Institute followed by the description:



- **Cash and cash equivalents –** Decreased by R21.6 million (36 per cent). This is due to increased spending in the current year;
- **Payables from exchange transactions –** Increased by R6.1 million (55 per cent). This is due to payables relating to the CoLabs, travel and partners;
- **Non-exchange revenue liability –** decreased by R29 million (65 per cent). The difference is due to 2021/22 training activities conducted in the current year. Some of the revenue deferred last year was recognised in the current financial year;
- **Receivables from exchange transactions –** decreased by R1.9 million (23 per cent). This was due to debt settled in the current year;
- **Property, Plant and equipment –** decreased by R1.2 million (19 per cent). This was due to a decrease in the acquisition of assets and other movement (depreciation, write off .etc.);
- **Operating lease liability –** Increased by R1.5 million. This is due new lease agreement with SABC and the effects of GRAP straightening;
- **Intangible Assets –**No movement;
- **Prepayment -** Increased by R113 000 (27 per cent). This is due to annual software licenses; and
- **Unspent conditional grants –** Decreased by R1.9 million (96 per cent). Training activities for Community Radio completed in the current year.

Deficit for the year

- NEMISA made a deficit of R1.3 million for the year. The deficit is mainly due to the following revenue of R9.9 million – low invoicing versus expense for training by NEMISA partners.

Liquidity and solvent

- NEMISA has a strong cash flow balance (cash balance of R38.3m), thus the entity remains liquid and solvent;
- The current ratio is 1:1, same as the industry norm of 1:1; and
- The debt ratio is 0.7:1.

The above statement indicates that NEMISA **has sufficient funds** and the ability to meet both its short and long-term obligations.

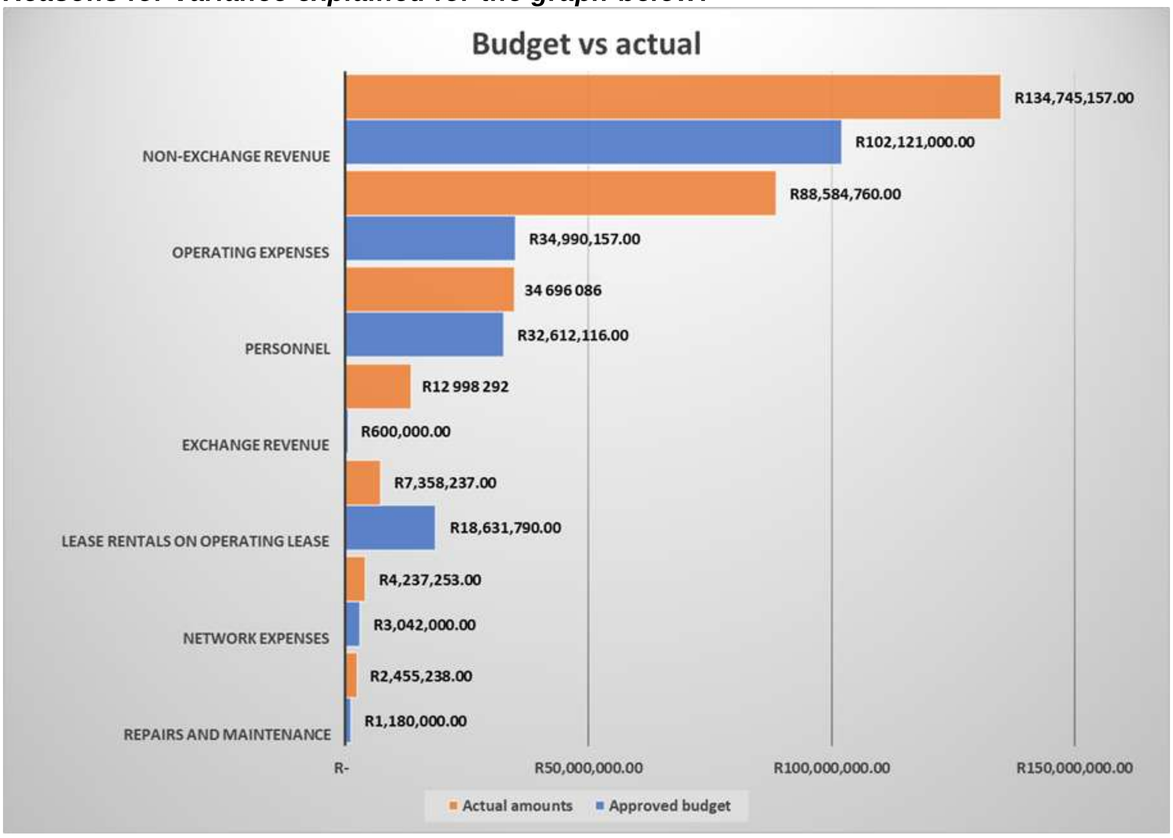
Analysis – Operating Expenses

Operating expenses increased by R32.6 million (58%). The increase relates to eSkill's roll out expenses:

- Digital entrepreneurship – new indicator in 2022/23 financial year; and
- Specialist Technology 2021/22 target of 2750 has increased to 3000 during the 2022/23 financial year.

Budget Versus Actual

***Reasons for variance explained for the graph below*:**



- **Non-exchange revenue –** Above the budget by R32.6 million (32 per cent) for additional training conducted during the 2022/23 financial year, increasing actual expenditure and decreasing non-exchange revenue liability;
- **Operating expenses –** Above the budget by R53.5 million. This was due to additional training conducted during 2022/23 financial year;
- **Employee cost –** Above the budget by 6 per cent due to performance bonuses for 2021/22;

- **Revenue from exchange transactions –** Above the budget by R13 million. This was due to the following:
  - Interest earned on the rollover funds was above the budgeted amount
  - Revenue earned on training provided by NEMISA which was not budgeted for
- **Lease rental –** below the budget by R11.3 million. This was due to NEMISA entering into a new lease agreement with SABC, which decreased actual expenditure by 57 per cent;
- **Network expenses –** Above the budget by R1 million due to increase data on cloud services resulting from additional training conducted during the 2022/23 financial year; and
- **Repairs and maintenance –** The excess of actual expenditure over the final budget by 108 per cent for repairs and maintenance was due to expenditure incurred for the refurbishment of the office rental, building. The terms and conditions of the lease were to reinstate the building to its original state.

A liability for long service awards was not recognised in the previous financial years. The error was corrected in 2022/23 financial year.

Commitments amounted to R48.9 million comprising of Operational expenditure (43.2m) and Capital expenditure (R5.6m).

12.4.3 Audit Opinion

As indicated previously, NEMISA demonstrated an upward movement in its audit outcome as it received a **clean audit** for the first time since establishment, see movement illustration below:

2022/23	2021/22	2020/21
Unqualified *	Unqualified **	Unqualified **
↑	↔	↔

↑ Improved/Increased
↔ Unchanged
↓ Regressed/decreased

*=Unqualified/No material finding
**=Unqualified/Material findings

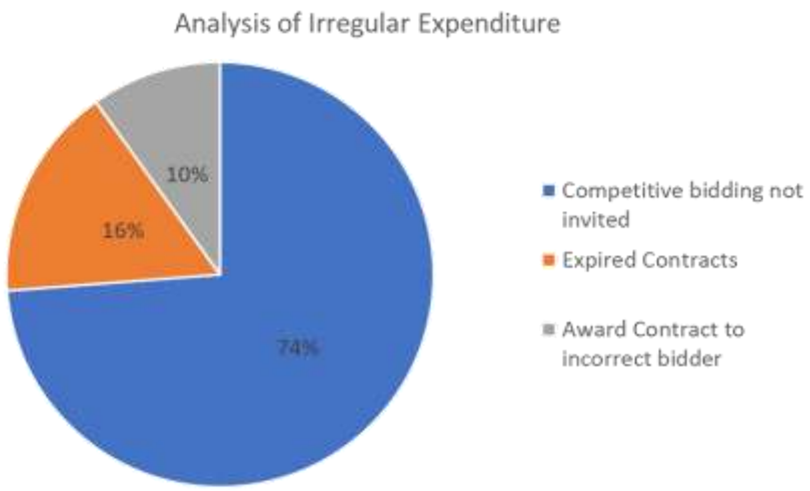
The AGSA did not identify any material findings on the reported performance information for the selected material performance indicators, however, drew attention to the matter of *Achievement of Planned Targets* that annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement's.

The AGSA did not identify any significant deficiencies in internal control.

Irregular and Fruitless and Wasteful Expenditure Analysis

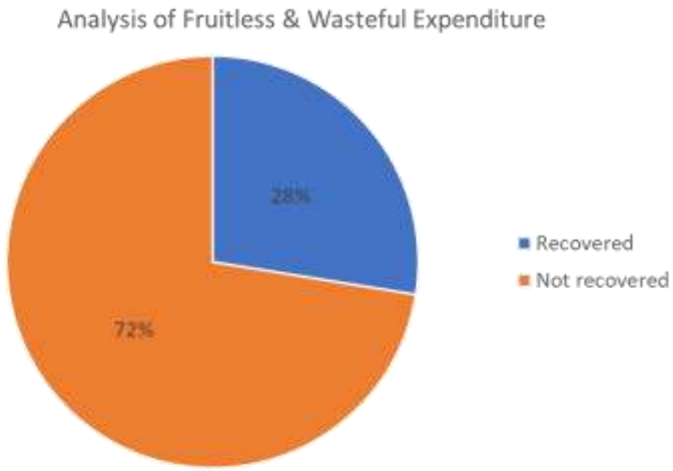
Irregular Expenditure

- During the year under review NEMISA had irregular expenditure amounting to R483 958 and wasteful expenditure amounting to R3 000.



Competitive bidding not invited	R1 604 916,00
Expired Contracts	R355 165,00
Award Contract to incorrect bidder	R215 000,00

Fruitless and Wasteful Expenditure



Recovered	1140
Not recovered	3000

12.4.4 Strategies to Overcome Areas of Non-Performance

Improve controls relating to management of performance information by among others, introducing monthly reporting and verification and auditing of performance information, as well as quarterly audit readiness meetings; and

Fully implement the audit action plan to ensure that all the external and internal audit findings for the year 2022/23 are addressed and do not recur in the next audit.

12.5 ICASA

The Constitution 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 PFMA. ICASA's mandate is set out in the ICASA Act, ECA, Act No 35 of 2005, 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, as well as other legislations with an impact on the sector.

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 ICASA Act 13 of 2000, as amended 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 ensure affordable services of a 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 Constitution.

12.5.1 Performance Highlights

The Authority planned 48 outputs, 42 of which were achieved whilst six (6) were not achieved - the performance translates to 87.5 per cent, a slight legible improvement from 2021/22 financial year, see chart below.

TARGETS	2021/22	2022/23
ACHIEVED	46	42
NOT ACHIEVED	7	6
NO. OF TARGETS	53	48
% ACHIEVED	86.8%	87,5%

The natural environment within which the Authority operated throughout the year also remained ripe for the Authority's projects outlined in its APP 2022/23.

The Finance Unit under Programme 1 achieved the least targets with only 50 per cent achievement of planned targets, while the Policy Research and Analysis Unit under Programme 3 achieved second least of planned targets with 63 per cent, see chart on next page.

Programme	Planned Outputs	Delivered Outputs	Outputs not delivered	Delivered Outputs (%)
Programme 1: Administration				
Corporate Services	8	8	0	100%
Finance	2	1	1	50%
Human Resources	4	3	1	75%
Internal Audit	2	2	0	100%
Legal, Risk & CCC	4	4	0	100%
Programme 2: Licensing and Compliance				
Licensing and Compliance	8	8	0	100%
Programme 3: Policy Research and Analysis				
Policy Research and Analysis	8	5	3	63%
Programme 4: Engineering & Technology				
Engineering & Technology	8	7	1	88%
Programme 5: Regions and Consumer Affairs				
Regions and Consumer Affairs	4	4	0	100%
Total	**48**	**42**	**6**	**87.5%**

The year under review commenced with the prolonged impacts of the COVID-19 pandemic, which necessitated an adjustment to a new working environment. Fortunately, the National State of Disaster on COVID-19, as declared by the National Government, was lifted as of 05 April 2022; this brought with it some normality to the daily operations at ICASA.

During the year under review, the Authority experienced several changes within its' leadership, ICASA bid farewell to the former Chairperson Dr. Keabetswe Modimoeng, who successfully served the Authority since 2016, both as a Councillor and Chairperson. In addition, Mr Willington Ngwepe's term as CEO came to an end. Both esteemed colleagues' leadership spanned significant milestones, including the historic high-demand spectrum auction that took place in March 2022.

During the year under review, ICASA welcomed four new Councillors. Cllr Faye, Cllr Nontombana, Cllr Sithole and Cllr Mushi were sworn in for a four-year term, pledging to serve the South African people, the ICT sector, and the public interest with integrity. This expanded the total number of Councillors to eight.

As the year ended, ICASA welcomed Ms. Tshiamo Maluleka-Disemelo as the Chief Executive Officer for a 5-year term, effective February 1, 2023. Ms Maluleka-Disemelo previously served as the Chief Audit Executive (CAE) at ICASA from 2020.

Other Highlights

Under the year in review, ICASA successfully reached an agreement with Telkom SOC Ltd to settle the litigation over the high-demand radio frequency spectrum licensing. Telkom discontinued the lawsuit, and ICASA committed to issuing an Information Memorandum (IM) for licensing certain spectrum by June 30, 2022.

During the year under review, the Authority published the 8th State of the ICT sector in South Africa report. The report tracks indicators that are used to benchmark values, inform sector policy analysis and ensure compatibility with global benchmarking and data compiled by other regulators.

Among the notable highlights during the year under review includes the Authority's activities which encompassed a range of important actions, such as conducting public hearings to amend the service charter regulations, evaluating applications for Community Sound Broadcasting Service licenses, and publishing Radio Frequency Spectrum Assignment Plans for public consultation.

Some of the Key regulations we reviewed and published include End-User and Subscriber Service Charter (Eussc); Conveyance of Mail; and the Discussion Document on Dynamic Spectrum Access and Opportunistic Spectrum Management. Other highlights including conducting public hearings to amend the Service Charter Regulations, evaluating applications for Community Sound Broadcasting Service licenses, and publishing Radio Frequency Spectrum Assignment Plans (RFSAPs) for public consultation; and reviewing and publishing key regulations such as End User Subscriber Service Charter.

The Authority also undertook a process to amend the Numbering Plan Regulations, 2016 to address a possible exhaustion of numbering resources and this was concluded and gazetted by 23 March 2023.

Achievement of Institutional Impacts and Outcomes

In terms of the Department of Planning Monitoring and Evaluation Revised Framework for Strategic Plans and APPs, December 2019, the outputs a government institution delivers on an annual basis must contribute towards the realisation of its medium-term outcomes and long-term impact outlined in its strategic plan. Therefore, the Authority's outputs delivered under the year in review were geared at contributing towards the Authority's medium-term outcomes and long-term impact annotated in table on next page. The Impact Statement of the Authority is *Access for all South Africans to a variety of safe, affordable & reliable communication services for inclusive economic growth*:

OUTCOME	OUTCOME INDICATOR	BASELINE	TARGET
Access to quality broadband Services Increased	Average download speed	15Mbps	50Mbps
Status of Social Cohesion (inclusive of Diversity of Views) enhanced	Percentage of status of Social Cohesion (inclusive of Diversity Views) enhanced	-	50%
Rights of Consumers Protected	Level of Consumer Rights Protection	-	5
Competition in the ICT Sector Promoted	Number of procompetitive Regulatory interventions	3	15
Organisational Service Delivery Maintained	Organisational Service Delivery Maintained	91%	91%

Overall Performance

The 2022/23 financial year began on a positive note following the successful auctioning of the IMT radio frequency spectrum in March 2022. The Authority also produced a Monitoring Report detailing the impact of 5G deployment in the ICT sector in South Africa.

The Authority gazetted the Position Paper on Optimisation of the Frequency Modulation Sound Broadcasting. The aim is to optimise the sound broadcasting frequency assignment plan with the view of replanning the Terrestrial Broadcasting Frequency Plan 2013.

In the year under review, the Authority continued to ensure that the resolution of reported cases of interference as part of Consumer Protection, is done in an efficient and effective manner, thus resolving 98 per cent of the Radio Frequency Interference cases within 30 working days. Furthermore, the Authority resolved 96 per cent of complaints received during the financial year. All the delivered outputs have contributed significantly to the protection of consumers.

In the year under review, the Authority planned on delivering three outputs: (i) a review of the 2018 Call Termination Regulations as a measure to promote effective competition between operators; (ii) to develop a findings document on Signal Distribution Services which aimed to analyse the competitive landscape in the signal distribution market considering the importance the signal distribution services as an input for the provision of broadcasting services; and (iii) to develop Findings Document on Subscription Television Broadcasting Market which aims to assess the state of competition and determine whether or not there are markets or market segments within the subscription broadcasting services value chain which may warrant regulation in terms of section 67(4) of the ECA.

The Authority was not able to successfully deliver the above-mentioned outputs due to challenges in attracting the requisite service providers that led to delays in procuring the service providers to assist ICASA. Delivery of the outputs will be carried out during the 2023/24 financial year. The Authority managed to maintain a low vacancy rate of 5.9 per cent, which is below the targeted 7 per cent.

Lastly, the Authority conducted a mid-term review to determine the degree of achievement in terms of realisation of the Authority's medium-term outcomes based on the year-on-year outputs the Authority would have delivered by the end of the 2022/23 financial year in total. The report indicates that the Authority is making positive progress towards achieving its outcomes.

Challenges

- At the beginning of the 2022/23 financial year, Council functioned with a complement of only three (3) Councillors and an Acting Chairperson, instead of the statutory complement of eight (8) Councillors and a Chairperson.
- Underfunded mandate remains a challenge for the Regulator.

Irregular Expenditure

- Irregular expenditure amounted to R34.2 million, increasing the opening balance to R234.3 million at the end of the 2022/23 financial year.

Strategies to Overcome Areas of Non-Performance

- Develop and implement an audit action plan to address findings particularly in relation to payment of invoices within 30 days.
- Implement consequence management in instance of non-compliance.
- Filling of the financial specialist vacancy.
- Earlier completion of the Annual Financial Statement to allow enough time for detailed reviews.

Organisational Environment

The Authority's performance on predetermined objectives was attained amid organisational environment factors which either supported or challenged achievement of targets:

Structure

Few changes happened in the financial year under review, four (4) Councillors were appointed and as the financial year closed, the Council comprised of seven (7) Councillors and the Acting Chairperson. Another change involved the end of the contract of the CEO and the resignation of the CFO. The CEO position was filled within the year under review and the process so filling the position of the CFO is underway.

Skills / Staff

The moratorium on recruitment continued to be in force, and the Authority resorted to filling critical positions only.

Strategy

The Authority's organizational environment was reviewed for update during planning for the 2022/23 financial year in line with government legislative prescripts on planning. Their view found the environment relatively stable and needing little update.

Style of Leadership

The organizational leadership formation was found fit for purpose to support the Authority's core business and enable it to deliver on its 2022/23 annual outputs.

Systems

The Authority continued to utilize some of the business systems that came into effect during the pandemic such as the Microsoft Teams, as its virtual platform for teleworking. This continues to be an alternative way of conducting business.

Shared Values

Organisational shared values allowed staff to remain resilient amid the challenging environment exacerbated by COVID-19 and other factors.

Policy and Policy Direction on Rapid Deployment

On 31 March 2023, the Minister of Communications and Digital Technologies published the Final Policy and Policy Direction on Rapid Deployment. Policy and Policy Directions should precede the development of the Regulations on Rapid Deployment under Chapter 4 of ECA.

The Authority, however, could not produce the Regulations in the year under review as the Regulations must follow only after promulgation of the Policy and Policy Direction in terms of the ECA. The project will commence during 2023/24 financial year.

12.5.2 Financial Performance

The Authority received the normal grant of R469 million and ring-fenced funding of R300 million in 2022/23 financial year, this was 100 per cent in line with the ENE allocation letter from the Department, see table below.

Whilst the normal grant was utilised towards ensuring main commitments inter alia staff costs, office rental costs, IT infrastructure, maintenance of equipment & vehicles, travel costs etc. The ring-fenced funding successfully allowed the first round of High Demand spectrum to happen. The remaining funds on ring-fenced will still be utilised in 2023/24 financial year towards the second round of auctioning Lot 9 spectrum and infrastructural multifaceted projects.

NAME OF PUBLIC ENTITY	KEY OUTPUTS OF THE PUBLIC ENTITY	AMOUNT TRANSFERRED TO THE PUBLIC ENTITY (R'000)	AMOUNT SPENT BY THE PUBLIC ENTITY (R'000)	ACHIEVEMENTS OF THE PUBLIC ENTITY
DCDT transfer to ICASA	Ensure access to quality broadband services, issue licences, perform regulatory & monitoring functions, Consumer protection.	R 469 431 R 300 000	R 495 384 R 31 664	Spectrum auction, Frequency migration & IMT roadmap implementation, Amendment of Processes and Procedures Regulations for Individual Licenses, QoS Monitoring in 7 provinces.

ICASA received R300 million as a Conditional Grant towards auctioning of both High Demand and Wireless Open Access Network (WOAN) spectrum and infrastructural multifaceted projects linked to spectrum. The remaining funds will still be utilised towards the second round of spectrum auctioning and for the linked multifaceted spectrum projects.

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R501.6 million	R571.9 million
EXPENDITURE	R493 million	R506.9 million
SURPLUS/(LOSS)	**R67.1 million**	**R64.9 million**
AUDIT FINDINGS	Unqualified Audit Opinion	Unqualified audit opinion

A total of R2.4 million was spent on normal capex, mainly on office renovations (leasehold improvements) and computer equipment.

Staff costs increased by 3.41 per cent from R311.9 million in 2021/22 financial year to R323 million in the 2022/23 financial year. This increase occurred despite a decrease in the total number of employees from 342 to 331 and a significant reduction in training costs, which decreased by 72. per cent from R5.7 million in the 2021/22 financial year to R3.3 million in the 2022/23 financial year. The average employee cost increased from R922 476 in the 2021/22 financial year to R989 680 in the 2022/23 financial year, indicating a more significant investment in the remaining workforce. Basic employee costs also increased by 4.19 per cent over the previous year.

For the 2022/23 financial year, ICASA's overall personnel costs increased by 4.19 per cent, from R306.2 million to R319.5 million.

12.5.3 Audit Opinion

The AGSA audited ICASA's performance information for the 2022/23 financial year and made a finding that *no material findings on the reported performance information for the selected and audited Programmes* (being Programme 2: Licensing & Compliance, Programme 3: Policy Research & Analysis, Programme 4: Engineering & Technology).

ICASA received an **Unqualified audit** with a modification on material findings as annotated below.

Expenditure Management: Effective and appropriate steps were not taken to prevent irregular expenditure of R485 667 incurred in 2022/23 financial year, and requirement of Treasury regulation 8.2.3 was not met of paying invoices within 30 days upon their receipt.

Effective and appropriate steps were not taken to prevent irregular expenditure, disclosed as part of note 36 to the financial statements, as required by section 38(1)(c) of the PFMA and treasury regulation 9.1.1. Most of the irregular expenditure was caused by contracts variations not approved.

Revenue Management: Material misstatement due to understatement of accounts receivable – licensees did not provide revenue projections to be billed.

While irregular expenditure has decreased when compared to 2021/22 financial year, the findings are all repeat findings from the previous reporting year including on revenue management.
The AGSA raised concerns on the **Material Amendments** to the Financial Statements, prevention of irregular, fruitless and wasteful expenditure. Delays in the implementation of consequence management on instances where irregular, fruitless and wasteful expenditure were incurred and non-compliance with the SCM prescripts, laws and regulations and internal controls which were not always effective in detecting and recording irregular expenditure.
The AGSA had emphasis on the matter of **Material Impairments** and that the Entity has impaired receivables from non-exchange transactions amounting to R119 641 110 (2021: R87 770 681) because of potential irrecoverable receivables from non-exchange transactions.
The AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.
The **Financial Statements** submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.
The AGSA was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.
Disciplinary steps were not taken against some of the officials who had incurred and or permitted irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.
The matters reported by the AGSA are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
Controls were not always effective to ensure oversight, monitoring and review of compliance with laws and regulations as management did not adhere to their audit action plan to implement controls over financial reporting. Management did not implement adequate controls to ensure that contracted amount is not exceeded without approved variation.
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 take action against employees who incurred or permitted irregular and fruitless and wasteful expenditure as required by PFMA.

12.6 The FPB

The Films and Publications Act, 1996 (Act No. 65 of 1996), as amended (FP Act), has been promulgated. The FP Act repealed the Indecent or Obscene Photographic Matter Act, 1967 (Act No. 37 of 1967), and the Publications Act, 1974 (Act No. 42 of 1974), and created a new comprehensive regulatory framework for films, games, and certain publications.
The FP Act provides for the establishment of the FPB that is responsible for the classification of films, games and certain publications, and no film or game may be distributed or exhibited in public unless it has been classified by the FPB.
In the main, the FPB is established to regulate the creation, production, possession and distribution of films, games, certain publications to:

a. 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;
b. protect children from exposure to disturbing and harmful material and from premature exposure to adult material;
c. make the use of children in pornography and exposure to pornography punishable;
d. criminalise the possession, production and distribution of child pornography; and
e. 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:

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

Overall, the mandate of the FPB is to protect consumers against harmful and prohibited content as defined in the Act by regulating the creation, production, possession and distribution of films, games, certain publications, and the internet.

12.6.1 Performance Highlights

2022/23 was an extremely challenging year for the organization in that with the Films and Publication Amendment Act being operationalized earlier on 1 March 2023. As a result, the organization had to gear itself for the expanded mandate.
The overall organizational APP targets are 13 and 10 APP targets were achieved for the year which translates to 92 per cent of achievement of targets. Only one target was not achieved in the reporting year.
Unachieved targets equated to 8 per cent and only two indicators had no activities for the year under review, namely: Enforcement Committee indicator had no performance; and percentage of online distributor applications concluded (self-classification), no applications were received in this regard.

The APP has 13 indicators and two of the indicators have annual targets, noting that only 10 targets were verified. 10 (92 per cent) targets were achieved and 1 per cent were not achieved. The unachieved target is Strategic Focus 2.
Commencing the implementation of the new five-year strategy aligned to the new mandate on 1 April 2022: to move with speed to ensure that our organizational transformation permeates across the business instead of focus organizational legacy issues do not hold us back. The progress made during the financial year include:

- A new organizational structure aligned to the expanded mandate was approved by Council and submitted to our shareholder;
- Capacitate the organization to deliver on its priorities for the Financial Year as outlined in the Annual Performance Plan;
- The FPB introduced a new logo aligned with its role as an online content regulator, in accordance with the Films & Publications Amendment Act;
- Key regulatory instruments, such as procedures for registering online distribution certificates/licenses and public complaints, were finalized;
- The FPB continued to support law enforcement agencies, particularly the South African Police Service (SAPS), by analyzing materials and providing credible evidence in court regarding CSAM and CSEM; and
- Several regulatory instruments were finalised to enable us to function as an online regulator pursuant to the objective of the Amendment Act. But more needs to be done because organizational transformation is a journey.

During the year under review, the FPB accomplished remarkable milestones in various areas, including finalising the institutional-readiness assessment. The institutional-readiness assessment was meant to determine the state of the FPB in successfully delivering and performing its functions in terms of the provisions introduced by the Films and Publications Amendment Act, 2019 (Act No. 11 of 2019) (Amendment Act) by critically assessing the institution's current capacity, challenges and risks concomitant to the actions, functions and responsibilities introduced by the Amendment Act.
It further assisted the FPB to identify critical areas of the institution that require attention and the resources needed: human and financial and technological to implement the Amendment Act.
The Board managed to maintain a low vacancy rate of 2.04 per cent, which is below the targeted 10 per cent. All the vacant executive positions were filled which helped to sustain the desirable

productivity-levels across the various programmes and ensure that the strategic priorities of the Board are met.
There were proposed regulatory instruments which were prioritised in the 2022/2023 financial period, after considering the targets which have been set for in the Annual Performance Plan for the FPB. The instruments were arranged in accordance with the FPB's streamlined regulatory schemes.

Challenges

- Inadequate financial resources
- Declining materials submitted for classification
- Digital Transformation
- Declining materials submitted for classification
- Public education and awareness of the new mandate
- Digital Transformation (Inability to procure an online systems for classification and monitoring
- Resource capacity (Funding)
- Reskilling programme, owing to resources and preoccupation with organizational transformation issues

Strategies to Overcome Areas of Non-Performance

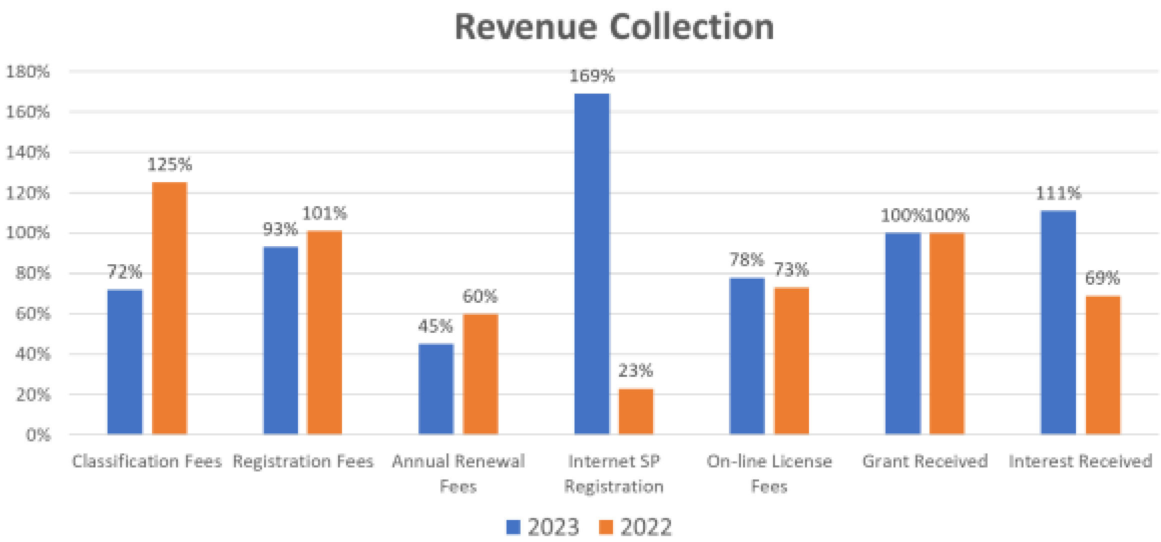
- Non-achievement of the one target was attributed to the existential manual classification process; and
- As a plan of action, the FPB has committed to develop and implement games matrix to reduce classification turnaround times on games.

12.6.2 Financial Performance

The FPB received a Government Grant of R 102.8 million for the period ended March 31, 2023, and R 101 million for the year ended March 31, 2022.
Revenue improved to R118 million in 2022/23 financial year, up from R110.8 million in 2021/22 financial year. Expenditure equally increases to R119 million, and the loss was drastically reduced to R918 000 in the same year, see table below.

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R110.8 million	R118 million
EXPENDITURE	R106.7 million	R119 million
SURPLUS/(LOSS)	**R26.5 million**	**(R918.3 thousand)**
AUDIT FINDINGS	Clean Audit	Clean Audit

Revenue collection increased drastically during the reporting years as illustrated below:



Important to note is that the reliance on public funding by FPB decreased by 4 per cent to 88 million (92 per cent: 2022).

Reasons for Under/Over Expenditure

- Mid-term revenue projections indicated a decrease in regulation fees to be collected for the remainder of the year, budget was therefore adjusted downwards, and this is attributable to the poor performance at the time of less material submitted for classification and the online distributors that could not conclude the license agreements at year end;
- Other revenue is not budgeted for, however FPB received the income from the insurer for an employee who was placed on temporary disability;
- Interest revenue generated surpassed the target as a result of good cash flow management and the effect of high interest rate;
- The personnel budget was adjusted downwards because of the underspend due to vacancies. When positions are filled on an acting basis, the acting allowance is lower than the full time cost;
- The under expenditure was as a result of the lease agreement for Gauteng that was negotiated and the commitments on the revised rate were made which resulted in lower rentals;
- The overspending was mainly due to the additional costs incurred in implementing the expanded mandate and introducing additional outreach activities in all the provinces to disseminate the information about the FPB's new mandate;
- The overspending on staff development was mainly because of the bursaries that FPB offer to its employees which is paid directly to the universities and as a result of late invoicing there is a timing difference, the expenditure was incurred towards the end of the financial year when the universities open;
- The underspending in admin costs is due to the fact that management implemented cost containment measures online items like stationery, workshops and delay in finalisation of projects;
- The underspending was due to delay in the finalisation of the communication strategy and new branding;
- The underspending on consulting was because of some of the project being done internal; and
- The overspending on legal services was largely due to the year-end adjustment on labour costs provision based on the Commission for Conciliation, Mediation and Arbitration (CCMA) award.

12.6.3 Audit Opinion

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

The clean audit achieved during the reporting period is not only a reflection of our commitment to clean governance, but also our governance framework based on the principles contained in the Films and Publications Act, (no.11 of 2019), the Public Finance Management Act (1998) and King IV Report on Corporate Governance for South Africa (2016).

Going Concern

The AGSA drew attention to the fact that at March 31, 2023, FPB had an accumulated surplus of R 46.1 million (R47 064 709 - 31 March 2022) and that its total assets exceed its liabilities by R 46.1 million (R47 064 709 - 31 March 2022).

The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

There is no indication from the Department that the FPB will not continue to receive funding going forward.

12.7 The SABC

The SABC (SOC) Limited is a Schedule 2 (“Major Public Entity”) entity in terms of the 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 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 is required to adhere to its respective license conditions and the provisions of the Broadcasting Act, including the SABC Charter.

12.7.1 Performance Highlights

Despite the fulfilment of many of the objectives of the turnaround plan, the SABC unfortunately continues to trade under very stringent conditions due to the bleak domestic and global economic outlook, prompting aggressive marketing and trading models by competitors, aimed at attracting investor support and enticing clients.

The Corporation has also pursued audience acquisition and retention strategies that continue to secure audience equity in a competitive and fragmented market.

It is encouraging that SABC video entertainment programmes form part of most of the programmes in the top 20 most watched, and SABC radio stations command a 63 per cent listenership share.

On the high-level achievement of **Strategic Outcome Oriented Goals** the public broadcaster reported as follows:

Financial Sustainability

- The completion of the Turnaround Strategy has stabilised the SABC and laid a strong foundation for its operations and requirements for competition in the market.
- During the past year, no borrowings took place, and the SABC has a working capital facility.
- Achieving our growth goals depends on finalising the key actions in the Turnaround Plan relating to legislative and regulatory reforms.

A Competitive and Innovative Multi-Channel Portfolio

- The review and reprogramming of radio shows and talent placement activity is critical for stations to offer fresh content and innovations.
- SABC Radio continued to adhere to its public broadcasting mandate as well as other organisational goals such as broadcasting programmes that support social cohesion, nation building, promotion of democracy and empowerment of citizens.
- SABC managed to have an average of 30 per cent of Fresh content on the channels, excluding renewals.

Content Everywhere for Everyone

- The SABC continued to expand on its third-party digital streaming platform strategy by launching the Over-The-Top (OTT) platform.
- The SABC+ platform performed well operationally, with no significant downtimes recorded.
- SABC content and channels on this platform will provide audiences with more choice and Free-To Air (FTA) services.

A Competent, Dynamic Workforce

- The Performance Management process is now fully implemented with the inclusion of Value Based assessments (360 and 180) as per policy. The automation of this process provides for an end-to-end, user-friendly performance management process and ease of reporting regarding the performance of individuals.
- The SABC achieved 79 per cent against the Corporate Plan WSP implementation target of 60 per cent. Bursaries also increased from 67 to 77 during the reporting period.

Compliant Governance Practices, Risk Management and Sound Internal Controls

- The SABC conforms with the IIA Code of Ethics and Standards.
- The Corporation continued to work to strengthen internal controls across the organisation.
- Implemented a revised Enterprise Risk Management Policy, Framework and Strategy during the year to increase risk integrated thinking and promote risk awareness.

Strategic and Sustainable Partnerships

The Corporation continued to service its existing content distribution partnerships. Efforts are ongoing to secure more such partnerships that enable the further exploitation of SABC's content.

The global and local economic situation has continued to hamper efforts to secure content generation partnerships.

SABC will create added opportunities for talented local producers to showcase more of their work on a platform, which will enable content to live longer.

Other Highlights

- Launched OTT (SABC+) digital streaming platform.
- SABC+ platform performed well operationally, with no significant downtimes recorded.
- SABC achieved 79 per cent against the Corporate Plan WSP implementation target of 60 per cent.
- The Corporation continued to work to strengthen internal controls across the organisation.

Challenges

- Declining television audiences hampered efforts to generate planned advertising revenue.

- Failure to implement bankable revenue improvement plans adversely affected revenue generation resulted in cash flow challenges.
- Severe liquidity challenges resulted in technical insolvent preventing the Corporation to operate as a going concern.
- AGSA issued Disclaimer audit opinion due to going concern.

Irregular Expenditure

- SABC incurred IE amounting to R34.8 million during the year under review

Strategies to Overcome Areas of Non-Performance

- SABC Board to expedite development of Revenue Repositioning Strategy
- Board to submit an audit action plan to the Department by the end of October 2023

12.7.2 Financial Performance

Over a seven (7) year period, the Net Loss improved up to 2022 financial year but significantly regressed in 2023 financial year, see table below.

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R5.068 billion	R4.666 billion
EXPENDITURE	R5.3 billion	R5.848 billion
SURPLUS/(LOSS)	**(R258.5 million)**	**(R1.2 billion)**
AUDIT FINDINGS	Qualified Audit Opinion with 92 findings	Disclaimer with 64 findings

Year-on-year between 2022 financial year and 2023 financial year the Loss increased by R949 million, when compared to 2022 financial year to R1.2 billion, because of the 27 per cent less than budgeted revenue performance (R1.7bn). Although expenditure was R596 million (8 per cent) below budget, at R5.8 billion it was still significantly higher than the actual revenue of R4.7 billion.

Total revenue in 2023 financial year decreased by R1.9 billion (29 per cent) compared to 2017 financial year. Decline in audience share over the period has impacted on SABC's ability to generate growth in the revenue streams.

Although revenue was forecasted to grow in 2024 financial year, the forecast numbers in Quarter 1 of 2024 financial year indicates this is unlikely to be met.

Investment in content was consistent with 2022 financial year, though there was the broadcast of unbudgeted sports events (FIFA Soccer World Cup).

Net loss increased by R949 million (368 per cent) year-on-year, and this is attributable to the following-

Revenue

- Revenue was 7.9 per cent lower than 2022 financial year. The absence of growth in audience ratings made it difficult to grow classical trading revenue deals.
- VE and Radio performance has been on a constant decline year-on-year, with 2023 financial year the worst performing financial year in the past ten years. (FY2023:14 per cent decline, FY2022: 8 per cent decline, FY2021:18 per cent);
- TV License fees has struggled to outperform 2022 financial year, this is largely due to the DCAs lost during the financial year due to underperformance and the resultant poor performance on this revenue stream;
- Year-on-year Advertising revenue has declined by R460 million (15 per cent);
- All revenue streams missed the budget, with an overall revenue shortfall of R1.7billion. R1 billion of the budget shortfall relates to advertising revenue.
- The delays in ASO is a double-edged sword. Whilst this has delayed the anticipated savings in signal distribution costs, it has also resulted in audience losses from transmitter switch-off.

Expenditure analysis is detailed below:-

Expenses

- Employee-related costs increased against prior year by R373 million (19 per cent). Whilst there was an average of 532 vacancies throughout the year, resulting in a saving of R124 million, an adjustment for credit actuarial valuation movements on employee costs of R302 million to R176 million (FY2022: -R46m actuarial valuation movements), resulted in the increase.

- Broadcast costs increased by R92 million due to trade exchange contracts, Royalties paid on Revenues and project services (i.e., costs related to the OTT platform).
- Signal distribution and linking costs decreased by R43 million to R683 million due to a discount received of R43 million.
- Investment in content is like a prior period. Sports amortization was above budget by R87 million (FY22:R72m) due to the FIFA Men's World Cup.
- The cost of the public mandate continues to weigh on the Entity's performance. Included is for example R617 million (FY22:R605m) spent on the News service which carries regulatory restrictions on commercial exploitation. The cost of carrying public mandate content for 2023 final year approximates R1.78 billon (FY22R1.88billion). The unfunded mandate is estimated to be R817 million in 2023 financial year.

Variable costs include the following: -

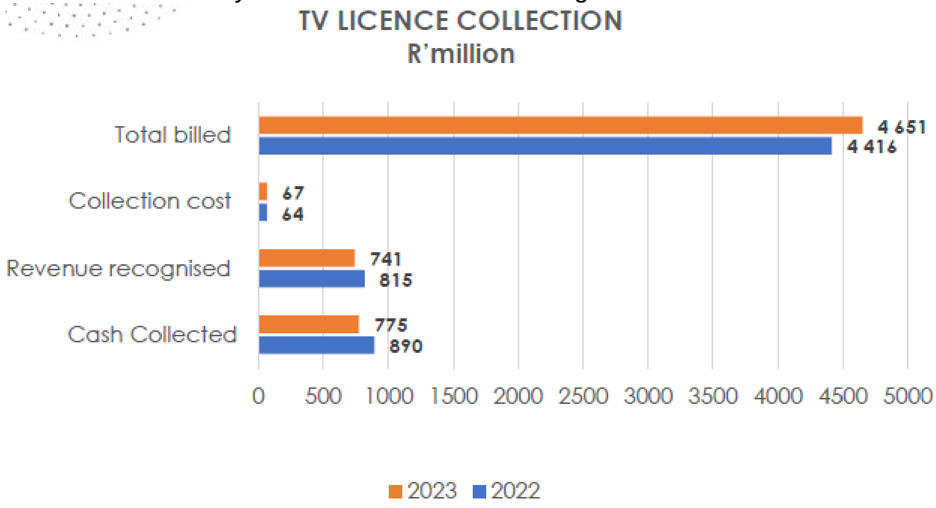
- Marketing
- Direct revenue collection costs
- Professional and consulting fees
- Operational costs
- All other costs are fixed.

At 87 per cent fixed costs, the SABC is heavily operationally geared and hence profitability becomes very sensitive to movements in Revenue.

Summary of Financial Position

As illustrated in bar graph below, TV license cash collection year-on-year reduced by R115 million (13%) due to the following collection initiative: -

- License holders are not willing to engage with the DCAs i.e., they drop calls from the DCAs and do not respond to the electronic communication;
- Noting that it only costs 72 cents a day for a license and that there is a segment of the license holders that can afford to pay but choose not to, the current economic situation and affordability remain further contributing factors.



12.7.3 Audit Opinion

The Corporation performance regressed to a **Disclaimer audit** opinion due to the uncertainty on the going concern matters that remains a challenge.

Audit information is adequately addressed extensively in the preceding *AGSA's Report of the Portfolio* under Section 11 of this report. Analysis of irregular expenditure is briefly annotated below:

- IE incurred is largely attributable to the top 10 suppliers. This illustrates that the number of instances of IE are significantly limited to these suppliers and that irregular awards are not widespread.
- Awards to the Top 10 suppliers are multi-year contracts, and this illustrates improvement in the SCM control environment over the 4 years.
- Although Irregular expenditure incurred is significantly limited to awards to top suppliers, the reported IE decreased by 69 per cent over the 3-year period. The decline is attributable to improvement in the control environment.

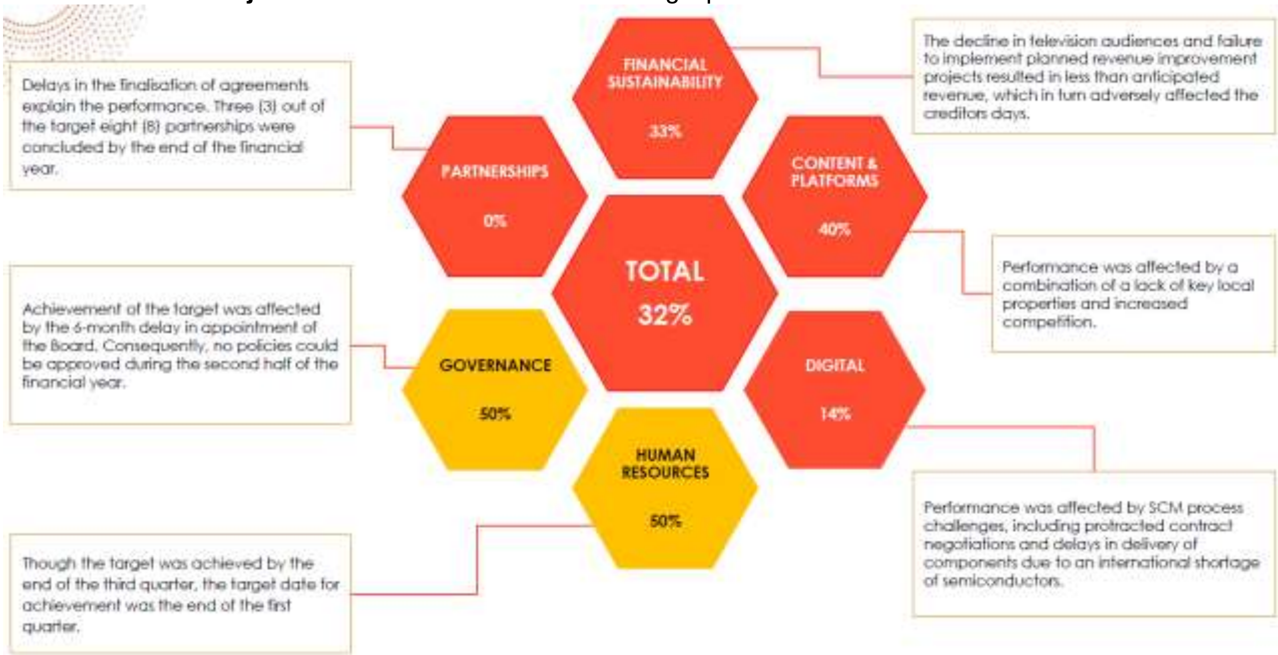
The Corporation has improved the audit outcomes over the period including resolving the long outstanding IFWE matter. National Treasury Instruction 4 of 2022/23 on PFMA Compliance and Reporting Framework, which was effective from 3 January 2023, addresses the IE opening balance. The In-Year IE has, for the past four financial periods, consistently reduced, indicating sufficient controls are in place for it to be managed effectively and in line with PFMA prescripts. Enhancements continue though.

Investigations and Consequence management completed are at 69 per cent as of 30 June 2023.

In general audit findings have reduced from 214 in 2018 financial year to 64 in 2023 financial year.

Finally, and excluding Going Concern the Corporation would have achieved an Unqualified Audit Opinion.

Predetermined Objectives are illustrated in the infographic below:



12.8 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 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 the Government. The establishment was from the amalgamation of a number of entities listed below which had different operating methods, procedures, skills set, infrastructure and technologies which had to work seamlessly in order to deliver on its mandate:

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

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

a) 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
b) to promote the efficiency of departments and public bodies using 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 that is 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.

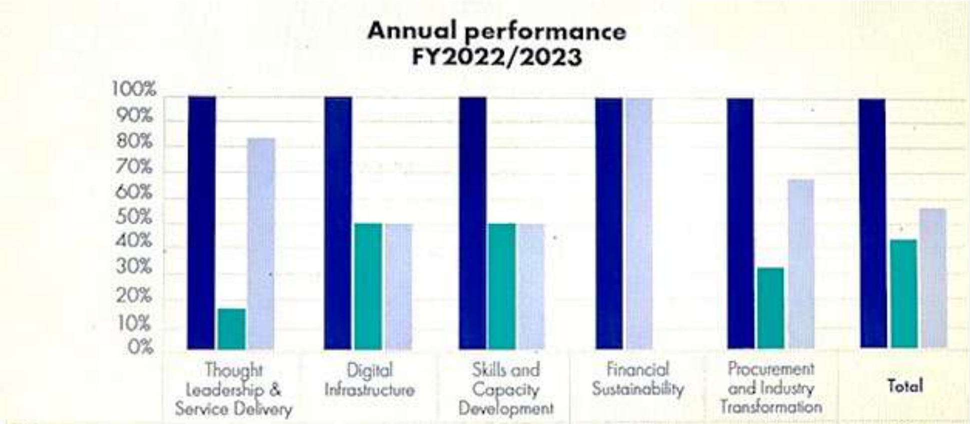
This new Board which took over the baton from its predecessor (hereinafter referred to as “interim Board”) in February 2022, is technically a successor in title, and had the responsibility to oversee the delivery of commitments SITA had undertaken to its customers, the shareholder and stakeholders up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

The 2022/23 financial year was the third year of the newly planned and authorized five-year SITA Strategic Plan. SITA strategic programmes are tabulated below.

Programme	1: Thought leadership and service delivery	2: Digital infrastructure	3: Skills and capacity development	4: Financial sustainability	5: Procurement and industry transformation
Purpose	To provide well researched, tested, innovative and secure solutions, products and services aimed at digitising government and improving citizens' experience of government services	To optimise and/or build the required computing capabilities such as platforms, networks and storage, to enable the provisioning of digital services and solutions at increased availability, flexibility, scalability, predictability and security	To develop, build and/or buy the required digital skills and capability to facilitate the strategic drive to digitise government while building a culture of performance, accountability, and corruption-free and consequence-oriented management	To ensure effective and efficient financial management and commercial awareness in investment decisions to achieve financial growth and sustainability	To advance transformation of the ICT sector to stimulate economic growth and development of local ICT content and radically transform its procurement capability towards the reduction of unemployment and poverty alleviation, supporting skills development and promoting fair, equitable, transparent and cost-effective procurement services

12.8.1 Performance Highlights

SITA continued to drive the government's digitalisation agenda through modernising the foundational infrastructure upon which our systems is built, designing citizen-centric frontend systems and strengthening the digitalisation ecosystem comprising of citizens, SMMEs, ICT Industry and suppliers. Customer service delivery occurred under less-than-ideal conditions such as adverse weather events that caused infrastructure damage and the ever-exacerbating national energy crisis that compromised both SITA and government's digitalisation ambition and related efforts.
The internal organization faced several challenges relating to resource constraints, which exacerbated an already depleted SCM capacity thereby hampering the progress of both SITA and customer procurement transactions. Inevitably execution of planned APP targets in their logical sequence was hampered which subsequently impacted negatively on corporate performance results.
In line with the customer centric approach to doing business, SITA focused on improving service delivery, held regular executive sessions with various customers and prioritised contracting with customers; 94.14 per cent customers service level agreements (SLA) were signed which assisted to improve billing for the 2022/23 financial year.
The overall measures of customer satisfaction increased slightly from 51 per cent in 2018 to 56 per cent in 2023. Service delivery complaints are still a challenge, they emanated from various negative customer experiences relating to procurement request delays, capacity constraints, SITA pricing model, impact of load shedding and network availability.
SITA supported the SA government e-Services strategy through the deployment of various e-Services relating to Information Regulator e-Complaints, liquor license management and student management amongst other, thereby enabling digital transformation of citizen facing services for greater effectiveness, impact, public value and overall improved citizen experience.
In fulfilling its role to manage government operational security, SITA fully established its Security Operations Centre Capability (SOCC) thereby ensuring that information systems utilised by SITA and customers were optimally protected from any cyber threats. Potential threats were identified, detected and isolated in line with cyber security policies and procedures while state of the art technologies was implemented to mitigate against any malicious system attacks.
Various good governance and stringent financial controls were implemented to mitigate against an unqualified audit opinion going forward. During the year under review the upskilling and training of employees in relevant accounting practices and applicable legislation was prioritized.
SITA managed only 44.4 per cent (eight out of a total of eighteen planned targets) performance target achievement which is a huge decline when compared to the 72.2 per cent and 57.9 per cent achieved in 2020/21 financial year and 2021/22 financial year respectively.



	Thought Leadership & Service Delivery	Digital Infrastructure	Skills and Capacity Development	Financial Sustainability	Procurement and Industry Transformation	Total
Targets	6	4	2	3	3	**18**
% Achieved	16.67%	50.00%	50.00%	100.00%	33.33%	**44.44%**
% Non-achievement	83.33%	50.00%	50.00%	0.00%	66.67%	**55.56%**

This drop in performance was noticed from the beginning of the year, and the Agency has since submitted a Performance Improvement Plan to the Department but has yet to witness improvement in performance. It is important to note however that the Agency is in a good financial position as will be demonstrated in following subsection.

Strategies to Strategies to Overcome Areas of Non-Performance

- To improve performance, the identified corrective interventions will be implemented: Implementation of the accelerated SCM reform programme comprising process, technology, structure, and people.
- Technology enablement support is to be expedited, specifically the e-procurement tool.
- Secure customer commitment and budget within planning cycle.
- Improvement of demand management and proposal management turnaround times.
- Improvement on recruitment turnaround times.
- A revised customer service improvement plan to address specific concerns raised.

12.8.2 Financial Performance

The Entity continues to be financially sustainable. While expenditure grew drastically, financial performance of the Entity has improved when compared to the previous financial year and despite the challenges of achieving less target during the financial period. SITA's revenue was recorded at R6.7 billion for the 2022/23 financial year, up by R700 million for the previous reporting year as illustrated below.

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	6 billion	6.7 billion
EXPENDITURE	5.4 billion	6.2 billion
SURPLUS/(LOSS)	436 million (profit)	450 million (profit)
AUDIT FINDINGS	Qualified opinion	Qualified opinion

From the table in the next page, it is evident that SITA has improved its performance from the previous year despite some of the challenges it faced during this financial year. The company continues to be sustainable and financially.

	31 March 2023 Rand (R' 000)	31 March 2022 % change
Revenue	6 688 675	11.42 %
Net surplus for the year – before tax	450 518	3.21 %
Total assets	5 054 825	8.61 %
Net assets	3 936 730	12.92 %
Cash generated from operations	389 418	-34.45%

12.8.3 Audit Opinion

The opinion relating to the audit of the annual financial statements remained unchanged – **Qualified audit**. In the current year there is also a **material compliance finding** relating to the audit of pre-determined objectives for Programme 2 - Digital Infrastructure (% provision of broadband services to connected sites sustained) as well as material non- compliance findings.
The Audit information of SITA has been extensively covered in *Auditor-Generals' Report of the Portfolio* under Section 11 of this report.

12.9 BBI

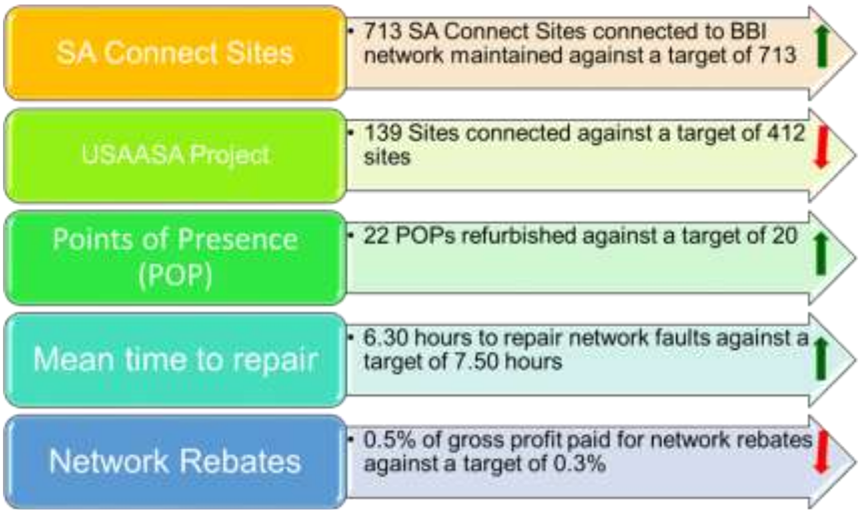
BBI's legislative mandate is set out in the Broadband Infraco Act No. 33 of 2007 (the Act).
BBI is a Schedule 2 entity in terms of the PFMA and is mandated through the Broadband Infraco Act, No. 33 of 2007 (the Act), amongst other key pieces of legislation. The main objectives of the Company as set out in the Act.
The Company has two Shareholders - the Department, representing the South African Government (owning 74% of the shares), and the IDC who owns 26 per cent of the shares.
The two main objectives of the company are (i) Expanding the availability and affordability of access to electronic communications, including but not limited to underdeveloped and underserviced areas, in accordance with the ECA, (Act No. 36 of 2005).; and (ii) The provision of Electronic Communications Network Services (ECNS) and electronic communications services in accordance with international best practice and pricing.
BBI's purpose is in line with the NDP for establishing national, regional, and municipal fibre-optic networks to provide the backbone for broadband access.
BBI has a dual mandate as shown in the figure below.

- Social mandate that seeks to connect people, businesses, and devices – in particular those individuals from underdeveloped and underserviced areas; and
- Commercial mandate that encourages investment and competition in the ICT market, thus promoting financial self-sustainability.

12.9.1 Operational Highlights

Achieved fourteen (14) out of twenty targets, which represents (70 per cent achievement). Of the six targets not met, three (3) are for financial sustainability, two (2) relate to network sustainability and one (1) for socio-economic transformation.

Implementation of the BAF has started and in good progress (first month targets met). All Plans for SA Connect Phase 2 in place for implementation. Awaiting Fund disbursement. The Company maintained a position of net cash inflow from operations, realized in the current financial year, coupled with a positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).
BBI successfully stabilised a key regional client business that was at risk of cancellation due to performance challenges. The service has been restored and the customer is satisfied with the performance of the links.
BBI has been appointed to implement SA Connect project with the CAPEX amount of R1.6 billion.
Company revenue increased by 7 per cent from R 437 million in the prior year to R 469 million for the year ended 31 March 2023.
The upgrade installations for the Botswana traffic through the Ramatlabama cross-border fibre cable capacity have been completed other highlights are indicated in the infographic on next page.



Lastly, a mini-Internet Protocol (IP)/MPLS network was implemented to migrate services of USAASA, SITA and other customers to a more efficient IP network;

Challenges

- The debt owed to Eskom and Transnet lead to the terminating some of the routes and as such the network performance deteriorated to an extent that BBI has been losing major customers;
- Vandalism of network infrastructure persists as the primary cause of network failures, with 35.1 per cent of all incidents attributed to this issue;
- Eskom load shedding has affected customer services at various Points of Presence (PoP) sites across the country that became isolated during Stages 3, 4, 5, and 6, especially during the ongoing Stage 4 load shedding;
- A national shortage of standby batteries continues to pose a significant challenge to BBI in replacing batteries whose condition has been compromised by frequent AC supply interruptions caused by Eskom load shedding. This significantly reduces the lifespan of the batteries;

Strategies to Overcome Areas of Non-Performance

- BBI will have to find ways of managing the dept owed to Eskom and Transnet, which will intern improve the network performance and thus increase the revenue whilst decreasing the rebates that are being paid to the customers due poor network performance.

12.9.2 Financial Performance

BBI's revenue nominally increased by the end of the reporting year to R469 million, up from R437 million in 2021/22 financial year. Expenditure was reduced to R38 million by year end of 2022/23, see table below.

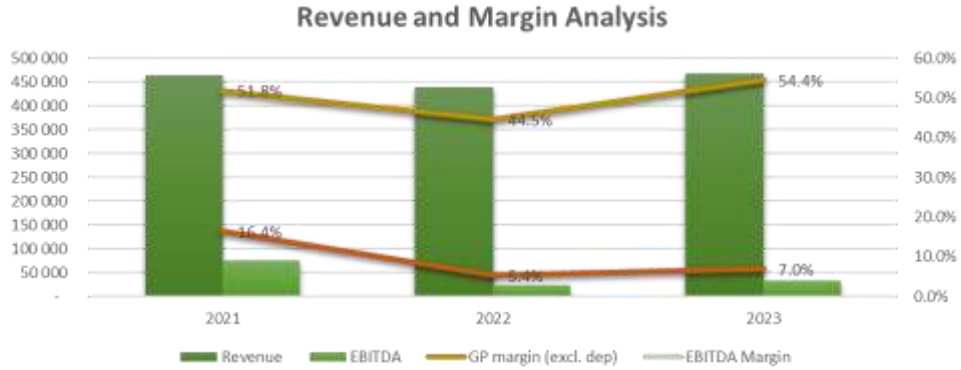
FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R437m	R469m
EXPENDITURE	R85m	R38m
SURPLUS/(LOSS)	(1,679,666)	R121m
AUDIT FINDINGS	Unqualified	Unqualified

A funding allocation letter of R3 billion rand was received from the National Treasury, broken down as R1.1 billion for the first year, starting April 2023, and R1.9 billion for the second year;

There were R54 million new sales contracts against a target of R250 million and the Revenue of 7 per cent year-on-year decline against a target of 30 per cent growth was reported by the end of financial year. For the financial year 2022/23, BBI had a R20 million positive cash balance maintained while operating profit declined by R7 million against a target of R22 million decline.

SMME invoices were paid within 21 days against a target of 30 days and debtors' days were at 55 days against a target of 60 days.

Company revenue increased by 7 per cent from R 437 million in the prior year to R 469 million for the year ended 31 March 2023. GP per cent has been stable since 2018, but even with steady decline in revenue, forecast is reducing due to decline in revenue, see graph below.



As illustrated above, EBITDA has been positive since 2016 and has shown an improvement in 2023 due to continued cost savings implementation. Assets decreased by R59 million while cash decreased from R27 million to R20 million. There was a reduction in equity due to continued losses incurred and non- current liabilities decreased by 4.5 per cent.

Other costs as a percentage of revenue decreased from 25 per cent to 21 per cent in the current year.

Irregular, Fruitless and Wasteful Expenditure

During the year under review BBI incurred R116 million in irregular expenditure while fruitless and wasteful expenditure amounted to R 1.4 million during the same reporting year. The table on next page is a summary of irregular expenditure comparing two financial years.

SUMMARY OF THE IRREGULAR		
Description of the transgression	Audited 2022 R 000	Audited 2023 R 000
Opening balance	56 476	R94 948
Incurred and Identified in the current year		
Continued to utilise services after contract expired		3 141
Contract renewal not approved by National Treasury	30 140	12 513
No competitive bidding process followed	1 660	2
Identified in the current year and incurred in the Previous year		
No competitive bidding process followed	1 345	4 851
Identified in previous years incurred in the current year		
Tender not advertised for 21 working days		
Continued to utilise services after contract expired		957
Contract renewal not approved by National Treasury	5 327	21
Incurred and Identified in the prior years		
Continued to utilise services after contract expired		
Tender not advertised for 21 working days		
Continued to utilise services after contract expired		
Removal from Register		
Total	R94 948	R116 185

12.9.3 Audit Opinion

BBI received an **Unqualified audit** opinion with emphasis of matter. The Auditors raised material uncertainty relating to going concern. A net loss of R121 148 was incurred during the year ended 31 March 2023 and, as of that date, the current liabilities exceeded total assets by R386 447. That a material uncertainty exists that may cast significant doubt on the public Entity's ability to continue as a going concern.

The corresponding figures for 31 March 2022 were restated as a result of errors identified in the financial statements of the entity, and for the year ended, 31 March 2023. irregular expenditure of R21 485 (2022: R37 297) was incurred, as proper tender processes were not followed.

Material Allowance for Impairment

Material allowance for impairment of R32 382 (2022: R11 534) was recorded against trade debtors because of irrecoverable debt.

Number of USAASA Sites connected to BBI network.

An achievement of 139 was reported against a target of 412. However, the audit evidence did not support this achievement. Auditors could not determine the actual achievement; the reported achievement might be more or less.

Percentage of gross revenue paid as network performance rebates.

Auditors were unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and method of calculation to be used when measuring the actual achievement for the indicator. This was due to insufficient measurement definitions and processes. We were unable to test whether the target for this indicator was clearly defined by alternative means.

Other Matters

Achievement of planned targets

The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under-achievements. This information should be considered in the context of the material findings on the reported performance information.
Reasons for the underachievement of targets are included in the annual performance.
report on pages 80 to 81.

Material Misstatements

The Auditors identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Objective 3 - An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services and Objective 4 - The preferred partner of Government in enabling the digital transformation. Management did not correct the misstatements and we reported material findings in this regard.
In accordance with the PAA and the general notice issued in terms thereof, the Auditors must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

Report on Compliance and Legislation

Material findings on compliance with the selected legislative requirements, presented per compliance theme, include Annual Financial Statements, Expenditure management, Revenue management, Procurement and contract management, Consequence management, and SOE oversight and governance.

12.10 SAPO

SAPO SOC Ltd 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). SAPO was designated as a state-owned company (SOC) as per SAPO SOC Ltd Act No. 22 of 2011, as amended. SAPO is also a major state entity in terms of Schedule 2 of the PFMA No. 1 of 1999 (as amended).

During 2022/23FY there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet financial obligations. SAPO has been severely impacted by a loss of customers and planned revenues due to the cash flow effects and consequent non-payment of critical suppliers.

Main Challenges:

- Distressed financial position
- Net loss of R2.2 billion
- Provisional liquidation
- Disclaimer of opinion issued by the Auditor General
- Leadership instability

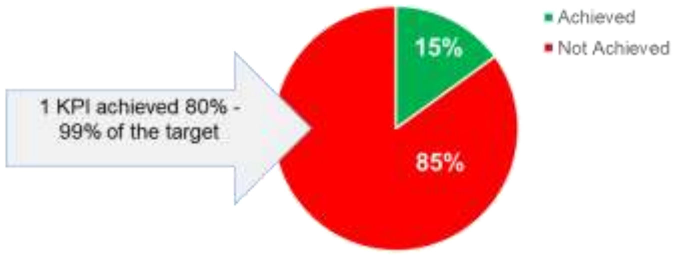
Main Mitigations:

- Post Office of Tomorrow Strategy approved by Cabinet
- Filling of Executive positions - CFO, Group Executive Human Resources
- SAPO has been placed into business rescue by 10 July 2023 Court Order
- Business Rescue Practitioners (BRPs) currently developing the Business Rescue Plan

'The 2022/23 FY has been a most challenging period for the SAPO, and probably the most difficult it has had to face in the history of its existence.'

12.10.1 Operational Highlights

A total of 13 Key Performance Indicators (KPIs) were set and measured for the 2022/23 financial year, aligned towards attaining the 9 strategic objectives. Performance for 2022/23 financial year has been poor when considering only two (2) KPIs achieved 100 per cent of the planned target or a 15 per cent overall achievement on target, see chart on next page.



The table below is the number of targets per Strategic Objective.

Strategic Objectives	Planned Target	Number Achieved 100%	100% Achievement	Number achieved 80% - 99%
Financial Sustainability	1	0	0%	0
Logistics Centre	2	1	50%	0
Logistics Partnerships	1	1	100%	0
eCommerce	1	0	0%	0
Authentication Authority / Trust Centre	1	0	0%	0
Digital Business Hubs	1	0	0%	0
Building Capacity & Capability	3	0	0%	0
Digitalisation & Modernisation	2	0	0%	1
Corporate Governance	1	0	0%	0
Total	**13**	**2**	**15%**	**1**

The Post Office of Tomorrow has set the strategic direction and foundation for the Corporate Plans for the 2021/22 financial year and 2022/23 financial year, with implementation of the strategy critically dependent on the availability of funding.

On 22 February 2023, the Minister of Finance, Mr Enoch Godongwana presented his National Budget Speech to the Members of the National Assembly. An amount of R2.4 billion was allocated to SAPO for the implementation of the Post Office of Tomorrow, however as the organization had been placed in provisional liquidation, the funding could not be accessed.

The SAPO Retail Outlet footprint as of 31 March 2023 comprises of 1 451 points of presence, of which 1 069 are conventional type Post Offices and 382 Retail Post Office Agencies.

Although the network optimisation programme is confronted with forced closure of offices due to non-payment of rental, the program continuously aims to optimise the network through amalgamations and rationalisation of offices.

During 2022/23 financial year, 122 branches have been closed, 64 forcibly by landlords due to non-payment of rental and a further 58 branches as part of the network optimization programme.

The SAPO Group headcount for permanent and non-permanent employees reduced from 14 460 as at 31 March 2022 to 12 640 at 31 March 2023, a reduction of 1 820 employees.

The reduction in headcount was due to resignation, demise, dismissals, end of contract, retirement, and the implementation of a Voluntary Severance Package (VSP) programme.

From introduction of the VSP in December 2022 to March 2023, 1 891 employees were approved for the VSP. An owner driver scheme was also announced, and 234 applications received.

The position of CFO was filled on 1 March 2023. Several vacancies on the Board of Directors and Executive level have persisted during the 2022/23 financial year.

Government Service Delivery

The agreement between SASSA and SAPO for the payment of the Covid-19 Social Relief of Distress grant (SRD) expired on 31 March 2022. In the absence of an extension to the agreement, on mutually agreed conditions, specifically related to reimbursement rate per beneficiary payment and prefunding of SRD payments, SAPO was left with no other alternative but to terminate SRD payments.

Notwithstanding the termination, the final payments of SRD grants continued until May 2022 during which 94 856 SRD grants were paid.

During October 2022, the contract for the payment of Social Grants was ceded to the Postbank.

During the 2022/23 financial year, SAPO registered a total of 403 092 indigent households to receive subsidised STBs and distributed 422 245 STBs to qualifying households.

Notwithstanding approval granted by the Board of Directors for the write-off of fruitless and wasteful expenditure during April 2022 of an amount R648 million, the amount was reversed following audit by the Auditor General due to noncompliance with National Treasury requirements relating to the implementation of consequence management.

Irregular Expenditure:

- The majority of the irregular expenditure was caused by the group and company not following supply chain management processes.
- Most of the fruitless and wasteful expenditure was caused by interest and penalties for late payments.
- No sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.

The organisation has been placed in **business rescue**, the adopted medium-term strategy may be amended.

12.10.2 Financial Performance

The Group recorded a net loss after tax for the year ended 31 March 2023 of R2.1million (2022: R2.3 million) and a negative net asset value of R7.5 million (2022: R5.3 million).
Group revenue decreased by 23.1 per cent from R3 million in the prior year to R2.3 million for the year ended 31 March 2023.
The mail revenue continued to be depressed driven mainly by the decline in mail volumes, logistics volumes and loss of customers. The mail revenue business represents 61 per cent of total company revenues.
The Financial Misconduct Framework (FMF) has been established and mandated through the group's financial misconduct policy to regulate, monitor and report on all fruitless, wasteful and irregular expenditure and institute management consequences that need to be implemented.
The low revenues have further contributed to the nonpayment of critical creditors, outstanding liabilities on 31 March 2023 amounted to R9.5 billion with statutory payments of R2.4 billion. Statutory liabilities include R1.1 billion for the Post Office Retirement Fund, R539 million for SARS, R596 million for Medipos medical aid and R108 million for Unemployment Insurance Fund (UIF). Amounts owed to creditors, rentals, and accruals total R2.7 billion. Unpaid trade vendor and Property rentals continue to negatively impact on SAPO's ability to recover lost revenue. The amount of R212 million is owed to former employees for VSP payments that are paid monthly.

12.10.3 Performance Audit

All identified fruitless and wasteful expenditure for the group under investigation as at 31 March 2023 amount to an accumulated balance of R153 million of fruitless and wasteful expenditure (2022: R218 million).
All identified irregular expenditure for the group under investigation as at 31 March 2023 amount to an accumulated balance of R156 million of irregular expenditure (2022: R567 million).

Going concern

Based on government support we, the directors, believe that the company will have adequate financial resources to continue in operation for the foreseeable future accordingly, the annual financial statements have been prepared on a going concern basis.
SAPO is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

Material Uncertainty – Going Concern

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

- On 09 February 2023, a judgement was issued to place **SAPO under provisional liquidation** which led to a Provisional Liquidator being appointed on 30 March 2023.
- **The Company was subsequently placed under business rescue** on 10 July 2023 by the North Gauteng Division of the High Court of South Africa. Mr Anooshkumar Rooplal and Mr Juanito Martin Damons were appointed as joint interim business rescue practitioners in respect of the business rescue proceedings subject to approval by the Registrar of Financial Services and ratification by the majority of SAPO's creditors. Approval was obtained from the Financial Sector Conduct Authority (FSCA) on 14 July 2023, and the joint BRP's appointment was ratified at a meeting of creditors in terms of section 147 of the Companies Act 71 of 2008 on 24 July 2023. This is a matter that the Committee is preoccupied with for the current financial year.

Mitigation: Management current understanding of SAPO's status is that there is no intention from the Department/Ministry (as shareholder representative) and the Board to liquidate SAPO or to cease its operations. The support of the shareholder for SAPO to continue operating is demonstrated by the

fact that National Treasury has granted, in the 2022 financial year, MTEF Funding of R1.6 billion allocated to fund the public service mandate for the 2022/24 to 2025/26 financial years, and a further R2.4 billion second adjustment appropriation.
Extensive audit information is covered in Section 11 of this report.

12.10 Postbank

Mandate

Postbank's mandate is prescribed by the Postbank Limited Act and extends beyond the scope of traditional banking incumbents.
Postbank's role in South Africa includes *Social Welfare / Social Profitability & Commercial Sustainability:*

- Financial Inclusivity & Accessibility
- Financial security
- Building our communities
- Educating our society
- Affordable products and services
- Digitally driven approach
- Ability to respond to market changes with agility
- Strong partnerships

Highlights

- The AGSA has raised a lot of audit findings, some repeat findings most relating to weaknesses in internal controls and awarded Postbank a disclaimer audit opinion. This the third-year consecutive audit opinion from AGSA.
- The net loss was because of increased in expected credit loss to cover SAPO exposure and SASSA project costs incurred. Before provision impairment, Postbank recorded a profit of R194 million.

Challenges

The Bank's capital adequacy ratio decreased to 27 per cent as compared to 55 per cent in the year ended (31 March 2022: 55%) below the minimum required by the Prudential Authority.
All the Executive position were vacant during the period under review, they were only filled after the financial year has ended. As at the end of July 2023, the bank had filled the positions of Chief Audit Executive (CAE) and the Company Secretary, CEO and the CFO

Irregular Expenditure

During the year under review Postbank had irregular expenditure amounting to R165 million and wasteful expenditure amounted to R611 000.

Strategies to Overcome Areas of Non-Performance

Majority of the audit findings for Postbank are reoccurring, Postbank has appointed a service provider to assist to reconcile the other deposit accounts between the IGPS and the accounting system.

12.10.1 Operational Highlights

Out of a **total of 14** targets for the financial year, Postbank managed to achieve only **three** which translates to 21 per cent achievement for 2022/23 financial year, see table below.

TARGETS	2021/22	2022/23
ACHIEVED	2	3
NOT ACHIEVED	14	11
NO. OF TARGETS	16	14
% ACHIEVED	13%	21%

In terms of strategic outcomes, it is Outcomes 1 & 2 that barely managed to achieve some targets: *Become a Retail & Business Bank* (1 of 5) and *Financial Sustainability* (2 of 4), see table below.

Strategic Outcomes	Number of APP KPIs	Annual Results	
		KPIs Achieved	KPIs Not Achieved
1. Become a Retail & Business Bank	5	1	4
2. Financial Sustainability	4	2	2
3. Enhance Organisational Productivity	3	0	3
4. Increase Accountability	2	0	3
TOTAL	14	3	11
Postbank Overall Performance Rating (%)			**21%**

As at 31 March 2023, Postbank had 20 million active accounts (savings, transactional, and investment) for individuals and groups. Postbank accepted the cession of the SASSA Master Service Agreement from SAPO, effective 1 October 2022, and the bank continues to deliver the mandated social grant disbursement activities including all other related and supporting activities – the parties continue with the process of reviewing the contract to ensure it is mutually beneficial.

More than 7.1 million SASSA social grant beneficiaries receive monthly social grants through Postbank. A total of R101 billion was disbursed annually in the period under review (R102.8 billion in FY2021/22).

More than 2.4 million SRD grant recipients were paid via Postbank accounts and to whom an annual total of R8.09 billion (R8.96 billion in FY2021/22) was disbursed in the period under review.

Postbank continued implementing its programme of educating customers on financial matters and conducted more than 76 financial literacy campaigns during the 2022/23 financial year.

Postbank further diversified its channel footprint by partnering with spaza groups in rural and township areas. This was to ensure the convenient accessibility of its services for customers and beneficiaries residing in these areas.

Postbank continued to address the conditions of the variation notice and with the implementation of the IT modernisation in terms of making available the critical requisite IT assets. Postbank is in the process of replacing SASSA cards as directed by the SARB.

Key Performance Challenges

Key challenges for SAPO during the reporting year include:

Ministerial directive referred to as the moratorium prevented Postbank from entering long-term contracts and the appointment of executives. As a result, the implementation of several strategic initiatives during the 2022/23 financial year was delayed.

Management is focused on the finalisation of IT modernisation, which expedites the migration of critical banking systems out of the Datacentre located at the 7th Church.

The number of system blackouts the bank experienced between quarter three and quarter four of 2022/23 financial year greatly impacted our customers' ability to transact. Postbank plans to establish partnerships with retail merchants as alternatives to the branch channel and forging partnerships with industry peers.

The closure of SAPO branches continues to impact the customer's ability to transact, thus impacting the bank's transactional revenue generation capability. The program to replace the SASSA cards with new cards as directed by the SARB is also advanced.

On December 17, 2021, the SARB issued a variation notice with several conditions, one of which was to avoid on-board new customers or offering new products to existing customers. These conditions hindered the Bank's efforts to increase its deposit base and revenue overall.

Postbank remains focused in addressing the issues raised by the SARB on the variation notice and we are confident that we will adequately address all issues raised before the cut-off date.

12.10.2 Financial Performance

On the Pre-Impairment Operating Profit basis (before tax), the Bank recorded a profit of R194 million. The Bank reported a net loss of R2 billion in 2022/23 financial year as compared to a profit of R302 million in the prior year, see table below. This is mainly attributed to the R2.2 billion expected credit loss provision relating to the R4.3 billion SAPO exposure.

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R1.9 billion	R2.1 billion
EXPENDITURE	R568 million	R884 million
SURPLUS/(LOSS)	**R302 million**	**(R2 billion)**
AUDIT FINDINGS	Disclaimer opinion 5 audit findings	Disclaimer opinion 7 audit findings

The Net interest margin improved to 4 per cent from 3 per cent in the prior year. This improvement in the net interest margin can be attributed to the prevailing high-interest rate regime, which allowed the bank to generate higher interest income.
The Bank’s non-interest revenue declined by 6 per cent to R1.5 billion (31 March 2022: R1.6 billion) because of a decrease in transaction volumes resulting from imposed the closure of the SAPO branches.
The SARB-issued variation notice restricted the bank from onboarding new customers or offering new products to existing ones, exacerbating the situation. The Bank’s attempts to grow its deposit base and revenue were impeded by these circumstances.
The Bank’s deposit book remained flat increasing by 1.6 per cent to R9.7 billion (31 March 2022: R9.5 billion) because of the bank’s inability to onboard new customers or offer new products to existing ones. exacerbating the situation.
The Bank’s attempts to grow its deposit base and revenue were impeded by these circumstances.
Postbank’s Return on Equity (RoE) also worsened from 8.7 per cent of the prior year to -136 per cent in the current year because of a significant decline in retained earnings for the current financial year.
The equity decreased from R3.5 billion in 2021/22 to R1.5 billion in 2022/23 due to reported loss. This resulted in the Bank’s capital adequacy ratio decreasing to 27 per cent (31 March 2022: 55%) below the minimum required by the Prudential Authority.
Postbank must undergo a recapitalization process to minimize the impact of the SAPO loss and execute its 2030 strategy, as well as finalize its Section 16 application to become a state-owned retail bank. This recapitalization should address SAPO’s current exposure and strengthen the bank’s balance sheet.
The Bank has a stable liquidity position with a significant investment of R2.3 billion in HQLA. LCR and NSFR ratios exceed the minimum set by the Prudential Authority, indicating the Bank’s strong liquidity position.

12.10.3 Audit Opinion

As at 31 March 2023, Postbank remained with a Disclaimer and only 28 per cent of all audit findings were resolved and 17 per cent were overdue.

- 83 per cent of all findings were rated significant, 16 per cent were rated material, and 2 per cent rated minor.
- 51 per cent of total audit findings relate to Information Technology, 21 per cent Finance, and 18 per cent Supply Chain Management
- 20 per cent of audit findings were classified as repeat from prior years.
- 86 per cent of repeat findings were identified in both the Finance and Supply Chain Management business unit.

As at 31 March 2023, there were 78 open audit findings, 12 per cent were rated material, 86 per cent significant, and 3 per cent minor. Only 46 per cent of these findings must be closed by December 2023 which is a pre-condition for the banking license application. There were 24 per cent audit findings which have missed the due date (overdue).
An extensive audit report is covered in preceding Section 11 of this report.

13. Observations

13.1 The Department

The Committee noted:

- and welcomed the appointment of the DG of the Department which will assist in bringing stability to the Department;
- with relief that her tenure as Acting Director-General will greatly assist in terms of business continuity;
- congratulate the Minister for having ended the instability to the leadership of the Department;
- with appreciation the presentation made by the Department;
- that the Department received an unqualified audit opinion;
- that the Department achieved 77 per cent of its planned targets and did not achieve 8 of the 35 targets set in the financial year under review;
- with appreciation that, unlike the past three reporting years, the 2022/23 financial year is the first year that the Portfolio receive three clean audit opinions in the form of FPB, NEMISA and Sentech;
- acknowledge the progress made in a number of areas by some Entities such as at FPB and NEMISA;
- further acknowledged progress and effort made by Entities to address the AG's findings and recommendations;
- welcome the PMO set up by the DG and agreed to by the Minister, to monitor the implementation of programmes and establish a consistent system to monitor programmes of the Department and its Entities;
- however, note with great concern the instability at the SABC, SAPO and Postbank;
- that following the engagements with Postbank SAPO and the SABC on 11 October 2023, the Committee is clearer on the way forward of these Entities and is in full agreement with the AGSA's recommendations;
- that the action plans for Postbank, SAPO and the SABC will greatly assist to turnaround the dire situation of the said Entities;
- that while the Oversight Branch of the Department has limited resources, it undertook to engage all Entities every Quarter while prioritising those that are in danger;
- however, with serious concern that Department and its Entities had repeat findings on the audit by the AGSA;
- with concern that irregular expenditure, poor governance and lack of accountability in Entities is not being addressed properly;
- that irregular expenditure in the Portfolio is close to a billion Rands in the current reporting year and some of irregularity is reoccurring (historical) to up to R9 billion;
- that there is a lack of credible reporting information on the part of some Entities;
- with serious concern that the AGSA's findings on Entities have yet to be implemented;
- with more concern that the refusal of Entities to comply with the AGSA's recommendations has resulted in irregular expenditure amongst others;
- that the reoccurrence of matters raised by the AGSA is not desirable;
- with serious concern as reported by the AGSA that management did not correct all of the misstatements relating to the Digital Telestrial Television (DTT) programme;
- with greater concern that there is a culture of setting unrealistic and unachievable targets across the Portfolio;
- that failure to meet targets means important programmes of government, where the funds and other resources could have been used more effectively and efficiently, are compromised;
- and acknowledge all the interventions by the Minister and the Department;
- with disappointment that the implementation of BDM Policy has taken over ten years;
- with serious concern that SAPO and Postbank continue to incur losses resulting from fraudulent activities in the grant payment system, because of *weaknesses in internal controls* within the system;
- that actions the management took have proven not to be effective as the same incidents of fraud continue to negatively affect the Entities;
- with great concern that management does not comply with applicable laws and regulations to ensure (i) consequence management; (ii) indicators and targets are well defined and measurable; and (iii) that the financial statement is prepared in line with the reporting framework.

- with greater concern that the Department's management may not be adequately capacitated to deliver on the mandate of the Department;
- that instability at management is one of the root causes for high staff turnover, the general financial sustainability of Entities, association and reputational risk are also areas motivating the exodus of staff;
- that the impact of poor governance has direct impact to service delivery;
- with serious concern that the AG indicated that (i) statistics from DTT Migration Dashboard of independent sources indicates a sharp drop in audience share after ASO nationally and this reporting is consistent to that presented by the SABC during the meeting of 11 October 2023; (ii) the slow pace of release of spectrum is impacting negatively of the financial health of Sentech as a result of high costs associated with dual illumination; and (iii) that data costs remain high because of the slow release of spectrum, directly depriving citizens the opportunity to benefit from connectivity and improve their lives;
- the indication by the AGSA that investment in skills, systems and capabilities within Entities received qualified and disclaimer findings;
- with concern the lack of consequence management in the Department and its Entities, especially the Postbank;
- with concern that pursuit of aggressive consequence management processes is not in place and no one is held accountable for wastage of State resources;
- with more concern that some of the consequence management is frustrated by lack of cooperation and or delays on cases that are before the courts;
- that there were no reporting systems in respect of internal audits within Entities;
- that there is a culture of mismanagement and maladministration across the Portfolio;
- with concern that the late influx of legislation to be tabled before the Committee with expectation to adopt before end of 6th Parliament creates uncertainty and anxiety to the sector on the basis that only one term is left to process complex pieces of legislation while the Committee does not have adequate time to thoroughly process it, especially considering the upcoming national elections;
- with serious concern that in some Entities, executive management under investigation, suspected of wrongdoing or deliberately embezzling State funds, opt for resignation as means to evade prosecution and cannot be held accountable thereafter; and
- that there is a lack of internal controls to collect and verify data to monitor the implementation of the BDM Policy.

13.2 Sentech

The Committee noted:

- and commended Sentech for the clean audit opinion;
- and thanked Mr Mlambo Booi, the CEO for the excellent service to the Entity and the people of South Africa and for leading the organisation to consistent clean audits irrespective of the difficulties;
- that the loss incurred by the Entity was beyond its control as it pertained to the depreciation of the Rand to the Dollar in respect of the suppliers of satellites abroad;
- that on the issues of the BDM project, Sentech has already switched off transmitters in five Provinces; and
- that Sentech is in the process of acquiring 74 per cent of Broadband Infraco and that the transaction has been concluded.

13.3 SABC

The Committee noted:

- and welcomed the newly appointed Board;
- and commend the SABC for implementing 92 per cent of the activities committed to in the Turnaround Strategy, namely the *Stabilising Phase* and *Sustaining Phase*;
- that only the Growth Phase (8 per cent) was not achieved in the Turnaround Strategy and was a precursor to SABC's financial sustainability;
- that the Going Concern was as a result of (i) audit opinion, (ii) delays in legislative reform; (iii) acquiring compelling content; and (iv) of revenue are among the activities that contributed to the non-achievement of the Growth Phase Turnaround Strategy;
- despite a 70 per cent reduction in Audit findings over a five-year period and significant improvement in financial controls, great concern exists that material uncertainty of the SABC's ability to maintain its Going Concern status exists and is so pervasive that a Disclaimer Opinion was issued;

- that while there is a new Board, concern remains on the monumental challenges at the public broadcaster;
- that the short-term goals are desirable;
- with concern that the SABC’s performance has regressed;
- that the Group CEO has left the position
- that the process to fill the vacancy of the CEO has been concluded;
- with concern that given the dire financial constraints, whether the Entity will be able to fulfil its constitutional mandate;
- with concern that buildings and facilities are not maintained at the SABC;
- with concern that irregular expenditure and consequence management issues have not been addressed and yet the public broadcaster continues to highlight challenges of funding;
- with concern the poor governance practices evident in the poor financial reporting SABC;
- with concern that despite the advice of the AGSA, the SABC regressed to a disclaimer;
- that compelling content drives growth in viewership;
- with concern that the SABC is in the exact position it was under before the bailout;
- that while outcomes were there, expectations were not met;
- with more concern that the SABC recorded a R1.13 billion regression on net losses for the year under review as a result of regression in revenue;
- with greater concern the recurring irregular expenditure of the public broadcaster;
- with anticipation that the position of the CEO will be concluded soon;
- with concern the increase evasion rate of TV license payments;
- with concern that the unfunded mandate of the SABC cost was R817m in 2022/23 financial year
- that despite the dire financial situation, commend the public broadcaster for ensuring that citizens have access to the Cricket World Cup;
- with concern that the SABC internal control environment is under threat and susceptible to compromise;
- that as a result of the Section 189 process, the SABC was able to reduce the permanent compensation bill from R2.5 billion in 2018 to R 1.5 billion in 2001/2022 and to R1.7 billion in 2022/23 Financial Year, which is still far from the initial target of R700 million;
- that some of the investments made by the SABC may not yield immediate results but in the near future;
- that most property assets were sold or are in the process to be sold are with the exception of three who are still subject to eviction court cases. All these assets are not core for the SABC;
- further that the SABC expects to report proceeds of over R121 million from the sale of the above-mentioned assets;
- with concern that the Technology Division, which is tasked with critical CAPEX projects such as IT infrastructure was underfunded by almost 70 per cent, which contributed to non-achievement of targets;
- with concern that SABC IT systems such as DIRA, a playout system used for radio broadcasting, is outdated whereas it is critical to securing advertising revenue for the public broadcaster;
- that investment in tools of trade for the SABC is critical;
- with further concern that the SABC cash reserves decreased by R709 million (60 per cent) as compared to the R300 million recorded in the previous year; and
- with concern that the legal Department has spent excess amounts; however noted further that costs have been reduced by ensuring that more matters are handled internally.

13.4 NEMISA

The Committee noted:

- that NEMISA was doing well and as a result, received a clean audit;
- the progress made in a number of areas which helped to improve audit outcomes;
- with concern that controls relating to management of performance were lacking; and
- that NEMISA has improved its programmes to reach remote areas of South Africa with its projects.

13.5 .ZADNA

The Committee noted:

- and appreciated that .ZADNA obtained a clean audit;

- that the .ZADNA awareness programmes have been successful; and
- with concern that technical glitches were reported with CIPC systems on numerous occasions, as a result customers could not register domain names through the CIPC terminals.

13.6 ICASA

The Committee noted:

- that ICASA received an unqualified audit with findings;
- with serious concern that irregular expenditure amounted to R34.2 million;
- that there is a Loss Control Committee established to oversee irregular expenditure;
- that the highlights of ICASA's performance is that the Regulator conducted public hearings to amend (i) the service charter regulations, (ii) evaluate applications for Community Sound Broadcasting Service licenses, and (iii) publish Radio Frequency Spectrum Assignment Plans for public consultation;
- with regret that Council was forced to initially function with a staff complement of three Councillors and an Acting Chairperson, instead of the statutory complement of eight Councillors and a Chairperson;
- with great concern that the Regulator will have to deliver on the unfunded mandate of National Elections without adequate financial resources;
- that the underfunded mandate will continue to remain a challenge for the Regulator;
- however, with concern that ICASA accumulated irregular expenditure-whereas it seeks more funding without practicing austerity measures;
- with concern that ICASA recently experienced a strike relating to structural issues, affordability of the Regulator and overworked staff;
- that ICASA requires more funding to ensure that the structure is fit for purpose to enable a well-functioning and efficient Regulator, especially in the core business unit;
- with further concern that the IT systems at the Regulator are archaic and out of warranty while the budget is inadequate to procure new and up-to-date IT systems,
- that the irregular expenditure of just over R31 million by the Authority is related to a legacy rental of a building and will be condoned is at an advanced stage because all avenues have been explored without a solution; and
- a disciplinary action as a form of consequence management was undertook, however the senior official resigned before conclusion of process.

13.7 FPB

The Committee noted:

- and commended the FPB for a clean audit outcome;
- that improvement in audit areas identified by the AG has helped improve audit status leading to a clean audit;
- that FPB developed a new organizational structure to deliver on its mandate;
- that the FPB finalised regulatory instruments to be able to function as an online regulator;
- that the Enforcement Committee has been appointed to establish rules for its operations to effectively address cases of non-compliance;
- that the non-achievement of the one target was attributed to the manual classification process;
- and commend the FPB for implementation of the amendment act and to dispel misinformation and disinformation especially towards the national elections;
- that the successful prosecution of offenders is a testament of the direct translation of law to benefit citizens; and
- that the challenges the Board experienced related to inadequate financial resources, the decline in submitted materials for classification and the overall digital transformation of the Entity.

13.8 USAASA/USAF

The Committee noted:

- and applauded the clean audit attained by USAASA and the 100 per cent achievement of targets.
- that dissolution of USAASA is still the policy position emanating from the ICT White Paper of 2016 as gazetted by the Department;
- further that the dissolution of USAASA as an Entity requires a legislative process and for that reason, it is important that the Entity remains functional until that time;

- that the transformation of USAF into a Digital Development Fund was undertook following a Study in partnership with National Treasury;
- that USAASA's disestablishment and repurposing of USAAF will be given a longer period in order to accommodate legislative amendments and this includes filling of vacancies and extending the period for the respective Boards;
- with concern that at USAASA, six senior officials have been suspended and the Committee is not aware of any consequences management;
- that USAASA needs to be transparent as to the suspended individuals involved and provide reasons for the suspensions;
- that the Department indicated that the disestablishment of USAASA comes from a study by the National Treasury;
- as emphasized by the Department that its policy position is still that USAASA will be dissolved and that the concern is what will happen to USAF as they have both are creatures of statute;
- as indicated by Deputy Minister, a further extension of the process of disestablishment of USAASA is required;
- welcome the improvement of USAF opinion from disclaimer, albeit with limitations noted on inventory and resulting in a qualified audit outcome;
- with concern the deficiencies of the internal audit of USAF; and
- that there have been some improvements with resolving inventory imbalances.

13.9 SITA

The Committee noted:

- with concern that SITA achieved a qualified audit opinion with findings;
- with disappointment that SITA achieved only 8 of the 38 planned targets;
- with concern that a 44 percent performance decline in performance was noted for the financial year in review;
- with concern that even though SITA was instructed to submit a Performance Improvement Plan, which they did, this has not yet translated in an improved performance;
- that despite not achieving targets, the Agency is still in a good financial position; and
- that corrective measures as indicated by the Auditor General have been addressed.

13.10 SAPO

The Committee noted:

- with serious concern that SAPO received a disclaimer with findings;
- with regret that while the bailout was meant to assist SAPO to stay afloat, the Entity still received a disclaimer;
- with great concern the discouraging AGSA audit report on SAPO;
- with concern that consequence management as indicated by the AG has not been implemented at the Entity;
- that SAPO managed to reduce its expenses by R72 million;
- with concern that SAPO financial state was still dire;
- with greater concern the poor reporting of financial statements;
- with serious concern that the poor governance at SAPO is evident when interrogating the poor financial reporting particularly;
- that poor governance at the Entity has a direct impact on the service delivery to the citizens of South Africa;
- That an agreement was reached with government to guarantee the resuscitation of SAPO as a form of compensation for its detachment from Postbank and for its long-term investment in infrastructure of which Postbank continues to utilise;
- with relief that additional funding, in addition to the confirmed R2.4 billion, will be made available in support of the business rescue process and in order to effect the turnaround;
- welcome the feedback that as a precondition to the rescue, a structure consisting of the Department, SAPO, BRP's and National Treasury was set up to monitor the turnaround of SAPO;
- commend the improvement in the reduction of expenses to R73 million which is an indication of some progress;
- that based on the interaction with the Committee, there's indication of where the monies were spent;

- however, with greater concern about the poor reporting of financial statements and ongoing irregularities at the Entity;
- with serious concern that SAPO continues to incur losses resulting from fraudulent activities in the grant payment system, because of *weaknesses in internal controls* within the systems;
- that SAPO's performance is a serious concern especially the indication by the AG that the Entity incurred a loss of over R1 billion rand;
- that National Treasury has provisionally granted SAPO with a R2.4 billion rescue fund;
- with concern that there appears to not be sufficient support from the Department towards SAPO.
- that the concern from the Department was the adequate funding of SAPO, which is detrimental to the implementation the strategy of '*Post Office of Tomorrow*;'
- that contrary to the view of the Committee, the facilitation and fast-tracking of the SAPO Amendment Bill is one of the many ways that the Department supports SAPO, including the facilitation of discussions with National Treasury;
- that the SAPO Amendment Bill currently before Parliament will greatly alleviate the challenges faced by SAPO as it proposes among other insertions, the expansion of the mandate and creating a relevant SAPO of tomorrow;
- that SAPO currently has a moratorium due to its dire financial position;
- with concern that the AGSA is gravely concerned about the overall management of SAPO, which includes issues relating to the SASSA transactions not supported, incorrect disclosures, weak control environments, inadequate security systems and processes amongst others;
- and however, welcome the interventions by government thus far to rescue the organisation;
- that having played an instrumental role, it is in the interest of the Committee to conduct oversight and monitor how the R2.4 billion is spent at SAPO, also taking into consideration that the preconditions were clear that the cash injection was to be used for both servicing critical debts as well as stimulate the turnaround of the Entity in order to be sustainable;
- with serious concern that rate at which post office branches are closing down;
- with disappointment that often citizens have to travel long distances to access post office services in order to receive grants, but become stranded because SASSA systems are often offline rendering citizens without means to return home; and
- that inability of SAPO to meet its targets has a direct impact on the poorest of the poor of our society as demonstrated with in the above noting on SASSA grant disbursement challenges.

13.11 The Postbank

The Committee noted:

- concern that the Board was expelled but that no monies have been returned;
- that the Minister had indicated that an Administrator has been appointed for the entity;
- concern that the Postbank have had a failure to launch and that it was still reliant on SAPO. with greater concern over the instability of Postbank and how it will be able to deliver on its mandate in such a state;
- with concern the timing of resignations of executives;
- with concern that the assets of the Entity have been reduced;
- with further concern that the moratorium and the Variation Notice contributed to targets not being achieved by Postbank;
- that the Variation Notice means that Postbank cannot acquire new customers because it is unable to service existing clients;
- that the Variation Notice also related to IT capabilities of the Entity;
- that the Variation Notice is a prerequisite for the banking licence and discussions are ongoing;
- that this might be related to the association of the bank to SAPO, which has accumulated a bad reputation with the public and sector at large;
- with concern that only five people were dismissed for criminal charges for an amount of R90 million;
- with concern that the only investigation was related to the five individuals that have been dismissed, which is minimal considering the level of mismanagement identified by the AGSA;
- with more concern that a vendor was identified by KPMG as not having the appropriate capabilities to deliver for Postbank;
- with great concern the three consecutive disclaimers for Postbank;
- with serious concern that the targets set for the Entity were unrealistic and were not implementable in the year under review resulting in non-achievement of targets;

- that even though the Committee had endorsed these targets on the basis that they would foster growth for Postbank, they were not achieved as a result of the Variation Notice instruction imposed by National Treasury;
- that the Postbank's inability to carry out its mandate impacts negatively to the most vulnerable citizens of South Africa who are dependent on the grant facility offered by government;
- with serious concern of the state of affairs at Postbank and its ability to exist;
- that to date, only six per cent of clients are still dependant on the SAPO, a further testament to its struggle to remain relevant;
- with serious concern about the lack of fit-for-purpose systems for Postbank;
- with serious concern that delivery targets were not met which included the non-payment of SASSA grant beneficiaries;
- with serious concern that the Postbank continues to incur losses resulting from fraudulent activities in the grant payment system, because of *weaknesses in internal controls* within the system;
- with concern the poor governance at Postbank that is evident in the poor financial reporting;
- with concern that Postbank had irregular expenditure amounting to R165 million and wasteful expenditure amounted to R611 000 during the reporting year;
- with further concern that since 2021, R89.5 million fraud has occurred, however only 5 employees were dismissed as a form of consequence management;
- with concern the lack of consequence management at Postbank;
- that an agreement was reached with government to guarantee the resuscitation of SAPO as a form of compensation for its detachment from Postbank and for its long-term investment in infrastructure of which Postbank continues to utilise; and
- that the Postbank's inability to carry out its mandate impacts negatively to the most vulnerable citizens of South Africa who are dependent on the grant facility offered by government.

14. Recommendations:

14.1 Department

The Committee resolved that the Minister should:

- ensure that the Department deploys systems to ensure that there are no repeat findings on all of the Audits of the Portfolio for the next years financial reporting;
- enhance the oversight function of the Department in order to ensure all priority projects of government remain on track;
- Identify areas that need bolstering at the Department and its Entities and report back to the Committee before the end of 2023/24 financial year;
- endeavor to equip the Portfolio with necessary resources and expertise to help plan, assist, empower and where applicable, intervene to guarantee service delivery objectives of government are not compromised;
- ensure that the Department conducts a comprehensive review of the current performance measures, with a specific focus on aligning them with the direct impact the Department has on the BDM project outcomes and the SA-connect project;
- ensure that the Department reconciles the progress performance for the BDM and SA-Connect projects' actual outcomes and report to the Committee when required to by the Committee;
- ensure the Committee receives regular status updates on both projects before the end of 2023/24 financial year;
- ensure that the Department improves internal controls, determine proper accountability processes and enhance oversight over the BDM project in order to ensure reliable reporting;
- ensure that the Department addresses non-compliance to the PFMA in relation to consequence management and misleading reporting on financial statements that contradicts all reporting frameworks;
- ensure that the Accounting Officer outlines performance measures explicitly that reflect the Department's true influence on both projects' progress and success;
- ensure that the Department appears before the Committee to present on business tools used by the Department to monitor and evaluate the implementation of the BDM and SA-Connect

Policies of government, as well as for the Cost-to-Communicate projects no later than the 4th Quarter of the 2023/2024 financial year;

- ensure the Department also presents Project Management Tools used to monitor implementation of the programmes above including the implementation of the Spectrum Policy;
- ensure that the Department also presents a project plan on the connectivity of the remaining government facilities in the next 36 months as committed;
- that the Department and related Entities present to the Committee no later than the 4th Quarter of the 2023/2024 financial year, a comprehensive audit of the above-mentioned projects so as to measure in real-time the impact of Departmental programmes to ordinary citizens;
- should ensure that the Accounting Officer enhances the performance measuring processes in order to improve internal control deficiencies and guarantee submission of credible financial statements of the Department as required by section 40(1)(b) of the PFMA;
- therefore, appear before the Committee together with the Department to present a skills audit of the Department no later than the 4th Quarter of the 2023/2024 financial year;
- ensure that the Accounting Officer complies with section 38(1)(h)(iii) of the PFMA by ensuring that investigations into irregular expenditure are performed and disciplinary steps are taken against officials who incurred irregular expenditure;
- ensure that the Department reports quarterly to the Committee, beginning the 4th term of the 2023/2024 financial year, on progress made to comply with the above-mentioned sections of the PFMA;
- ensure that the Accounting Officer ensures consistency in developing annual targets with conviction for both the Department and its Entities in order to impactfully improve on the outcomes of the Department;
- candidly address the concerns of the prolonged timelines and success of the projects under the political leadership, namely the BDM and the SA-connect project;
- instruct the Department to monitor ALL role player and keep them accountable;
- with the assistance of the AGSA and Government Technical Advisory Committee (GTAC), and as originally directed by the High Court in 2022, undertake a forensic audit of the entire value chain of the digital migration project since its inception, and this should include everything from the communications campaign, manufacturing, storage and distribution, installation and installer contracting, number of STBs activated and percentage of active STB's, post-installation support, and evaluation of the track and trace system. The audit should measure the impact on SOEs such as the USAF, SABC and Sentech. In addition to the focus on the subsidised STBs, the audit should include the rollout of STBs through the retail for households that don't qualify for the subsidised STBs including the availability of STBs for purchase. Regarding the households that rely on Free-To-Air Television, the audit should also investigate the number of households that remain without STBs including those that remain without signal. The audit should include an assessment of the extent to which the legislative requirements relating to Universal Service and Access have been achieved: that is the definition of under serviced areas by ICASA, and the determination of needy people by the Minister in terms of s88 the Electronic Communications Act;
- with the assistance of the AGSA conduct an audit of the reasons for failure for implementing SA-connect to realize vision of 100 per cent broadband connectivity of the Republic by 2030;
- ensure the successful implementation of the transition from analogue to digital broadcasting because it is pivotal to realising the NDP's vision of an inclusive and dynamic information society by 2030;
- at all times maintain the posture to uphold the values enshrined in the Constitution and the Bill of Rights by ensuring that all citizens have equal access to the benefits of the digital and knowledge economies;
- 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 AGSA are addressed expediently;
- ensure that the Department outlines clear action plans and present to the Committee how the Department will adhere to the AGSA's recommendations;
- ensure that Entities prioritise the resolve of repeat findings as indicated by the AGSA;
- ensure that where applicable, personal accountability for non-compliance to AGSA recommendations is penalised;

- ensure that Entities are in religiously held accountable for irregular expenditure and that the 30-day rule payment of service providers is adhered to;
- ensure that officials who resign due to maladministration are held accountable and handed to the judicial institutions of the State;
- ensure the religious implementation of consequence management across the Portfolio;
- ensure that processes are in place to urgently address concerns of irregular expenditure and poor governance by Entities;
- ensure that the action plans submitted by all Entities;
- ensure that sound consequence management is implemented;
- ensure that a balance is considered in respect of the action taken by the Department which must be carried out within the confines of the law;
- ensure that management improves internal controls and determines proper accountability in respect of BDM;
- ensure that remedial actions are in place to ensure that all challenges facing the Portfolio are addressed; and
- ensure that progress reports are provided to the Committee well in advance of the time to address relevant issues.

The Committee will:

- continue to ensure that it is more aggressive in respect of addressing deficiencies at internal audit units of Entities; and
- undertake rigorous and frequent oversight visits to the Department as well as to conduct proper interaction with all Entities, especially those identified by the AGSA as under-performing.

14.2 Sentech

The Committee resolved that the Minister should:

- ensure that the Entity has processes in place to comply with all AGSA's findings;
- ensure Sentech provides a report of the implications of ASO to the financial health of the Entity;
- ensure the Entity finds alternatives to mitigate financial losses incurred even when beyond Sentech's control; and
- guarantee business continuity after the departure of the CEO.

14.3 FPB

The Committee resolved that the Minister should:

- make provisions to digitise the laborious manual classification processes;
- ensure that the Entity has processes in place to maintain clean audit and ensure consistent compliance with the AGSA; and
- ensure that processes are in place to address the challenges of inadequate financial resources, ensure the Board mitigates for the declining materials submitted for classification and the overall digital transformation of the Entity.

14.4 .ZADNA

The Committee resolved that the Minister should:

- ensure that the Entity maintains its systems to ensure that technical glitches reported with CIPC systems are resolved;
- ensure the Entity increases its revenue for better service delivery in the domain name space;
- ensure that the Entity sustains the clean audit going forward;
- appear before the Committee to present the impact of the awareness programmes; and
- ensure that technical challenges do not compromised customers when registering domain names.

14.5 NEMISA

The Committee resolved that the Minister should:

- ensure that the Department puts processes in place to address the AGS''s recommendations of the Entity;
- ensure that the Department put improve controls relating to to management of performance information;

- ensure that there is adequate and proper record-keeping;
- ensure that all key vacancies are filled;
- ensure that monthly reporting and verification of audit performance information takes place;
- ensure that the audit action plans are implemented; and
- that NEMISA continue to improve on reaching remote areas of the country with its projects.

14.6 USAASA/USAF

The Committee resolved that the Minister should:

- strive to maintain the cleaned audit by the Entity;
- ensure that USAASA maintain the 100 per cent of target achievement;
- guarantee the Committee that USAASA will remain functional;
- ensure that all entities to emulate USAASA's performance;
- Appear before the Committee before end of 6th Parliament, to bring into confidence, Parliament about the feasibility study for the transformation of USAF into a Digital Development Fund;
- ensure that the USAF has processes in place to comply with the AGSA's findings;
- ensure processes are in place to improve internal controls;
- ensure that fruitless and wasteful expenditure is diminished; and
- ensure that issues of consequence management are addressed expediently.

14.7 ICASA

The Committee resolved that the Minister should:

- that the technology refresher plan must be formulated in upgrading the absolute IT infrastructure which has impacted the performance of the Regulator; and
- that those implicated in corrupt practices must be held accountable including those who have left the Regulator;

14.8 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 AGSA;
- ensure that consequence management is implemented;
- ensure that proper action plans are in place to address all issues raised by the AGSA;
- ensure that the buildings and facilities at SABC are properly maintained;
- ensure that all vacancies are filled;
- ensure that irregular expenditure is addressed;
- ensure that key vacancies are filled including the position of the Group CEO;
- ensure that management addresses compliance and consequence management issues;
- ensure that employees who resigned and was responsible for mismanagement are prosecuted;
- ensure that the Department puts systems in place to ensure compliance to the advice of AGSA;
- ensure that the SABC improves the regressed disclaimer opinion;
- ensure that the Board turns around the fortunes of the SABC;
- that SABC endeavours to prepare well in advance to participate in bidding for events and sports of national interest;
- that because the governing structure is in place, the Board should be able to turnaround the SABC for the benefit of the citizens of the Republic;
- ensure the Board appear before the Committee to present on compelling content acquisition strategy before the end of the 2023/2024 Financial Year;
- report to the Committee on status the Board found at the public broadcaster before being appointed;
- must improve on project planning in order to fully achieve set targets for the Department and its Entities;
- ensure that the Department monitors the Board's Action Plans in order to minimise challenges at the public broadcaster;
- that people are held accountable for misuse of State funds;
- that SABC must provide an investment audit report to the Committee before the end of the Financial Year 2023/24; and

- ensure that SABC operations continue irrespective if there is a new Board.

14.9 SITA

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

14.10 SAPO

The Committee resolved that the Minister should:

- ensure that proper action plans are in place to address all issues raised by the AGSA;
- ensure that processes are in place to hold board members liable for the mismanagement of SAPO;
- ensure that the business rescue practitioner is called to account to the Committee; and
- ensure that the Department provides sufficient support as it relates to funding of SAPO;
- ensure that the matters of oversight on SAPO as it relates to its business rescue and the appropriation of R2,4 billion is spent properly;
- ensure the sustainability of SAPO;
- ensure that there is compensation for SAPO as it relates to how it invested in Postbank and that these figures be made clear and given attention by the National Treasury;
- ensure that the Department addresses poor financial reporting by SAPO;
- that Business Rescue Practitioners (BRP) should appear before the Committee post finalisation of their report, to present an update into the work they undertook at SAPO before the end of the 2022/23 financial year;
- thereafter, appear before the Committee during the Third and Fourth Quarters of the 2023/2024 Financial Year and regularly until completion of the rescue process;
- that the Department also quantifies the investment and present to the Committee before the end of the 2023/2024 Financial Year.
- ensure that there needs to be compensation for SAPO as it relates to how it invested in Postbank and that these figures be made clear and given attention by the National Treasury; and
- that National Treasury should be afforded the platform to make the final decision on the matter.

14.11 Postbank

The Committee resolved that the Minister should:

- ensure that proper action plans are in place to address all issues raised by the AGSA;
- ensure that processes are in place to hold board members liable for the mismanagement of SAPO;
- ensure that the business rescue practitioner is called to account to the Committee; and
- ensure that the Department provides sufficient support as it relates to funding of SAPO;
- ensure that the matters of oversight on SAPO as it relates to its business rescue and the appropriation of R2,4 billion is spent properly;
- ensures the sustainability of SAPO;
- ensure that there needs to be compensation for SAPO as it relates to how it invested in Postbank and that these figures be made clear and given attention by the National Treasury;
- addresses the poor financial reporting at SAPO;
- that Business Rescue Practitioners (BRP) should appear before the Committee post finalisation of their report, BRP appear before the Committee to present an update into the work they undertook at SAPO;

- thereafter, appear before the Committee during the Third and Fourth Quarters of the 2023/2024 Financial Year and regularly until completion of the rescue process;
- that the Department also quantifies the investment and present to the Committee before the end of the 2023/2024 Financial Year;
- ensure for investment in fit-for-purpose systems at Postbank;
- ensure that the Postbank improve on technology to ensure clean audits;
- and that National Treasury should be afforded the platform to make the final decision on the matter;
- appear before the Committee to present salient aspects of the KPMG report;
- that timelines must be provided to the Committee for the IT modernisation of Postbank;
- that the results of the KPMG forensic report needs to be made available to the Committee;
- ensure that there is compensation for SAPO as it relates to how it invested in Postbank; and
- that these figures be made clear and given attention by the National Treasury.

15. General Recommendations

The Committee notes that following the engagements with Postbank, SAPO and the SABC on 11 October 2023, the Committee is clearer and in agreement with AGSA recommendations; and that the action plans for Postbank, SAPO and the SABC will greatly assist to turnaround the dire situation of the said Entities.

That the Minister must:

- ensure that the action plans are implemented in full;
- ensure that mismanagement is vigorously scrutinised by way of implementation of consequence management, especially at Postbank, where the responses to AGSA's instructions were not forth coming;
- ensure that the Department and its Entities are responsive to the AGSA's highlight of Material Irregularities; and
- Address the instability of SABC, SAPO and Postbank.

Furthermore:

- The Committee is committed to ensuring the sustainability, efficiency and effectiveness of the three troubled Entities;
- The Committee will monitor more closely the Oversight Branch of the Department;
- The Department and its Entities must appear before the Committee to present on forensic investigations, budget spending on legal matters and an audit report of all other matters currently in our legal system within the portfolio.
- ICASA should present to the Committee on how it protects the interests of the Constitution by regulating Sports of National Interest;
- That the Department and its Entities provide assurance to the Committee that set targets will be met;
- With great concern that there is a culture of setting unrealistic targets across the portfolio
- That the Department should guard against deliberate misleading of Parliament by setting unrealistic targets;
- With concern that failure to meet targets means important programmes of government where the funds and other resources could have been used more effectively and efficiently are compromised;
- That the Department its Entities desist from planning for failure as it is unacceptable;
- That all set targets should ultimately benefit ordinary citizens;
- The Committee noted that the recommendations made by the Auditor General.
- The Committee will endeavour to improve and ensure that there is a close working relationship with the Office of the Auditor General in order to adequately assess entities and strengthen the oversight work of the Committee;
- that in order to fully realise potential of the organisational structure;
- all vacant executive positions across Entities must be filled urgently;
- that mismanagement should be vigorously scrutinised by way of implementation of consequence management, especially at Postbank where the responses to AG's instructions were not forthcoming; and
- The Committee will call some Entities back to make further updates.

Report to be considered.