**Budgetary Review and Recommendation Report of the Portfolio Committee on Communications, dated 31 October 2013**

**Table of Contents**

1 Introduction. 4

1.1 Mandate of Committee. 4

The Role and Mandate of the Committee is to: 4

Description of Core Functions of the Department: 4

1.2 Mandate, Vision and Mission. 4

The Department’s Core Functions are to: 5

Purpose of the BRRR Report 5

Method. 5

Outline of the Contents of the Report 6

2 Overview of the key relevant policy focus areas. 6

2013 State-of-the-Nation Address (SoNA) 6

Strategic Outcome Oriented Goals of the Department 7

Industrial Policy Action Plan (2013-2015) 7

2.1 Set-Top Boxes (STBs) 7

2.2 Telkom.. 7

Programme Structure Trends. 7

3 Summary of Previous key financial and performance recommendations of the Committee. 8

2011/12 BRRR Recommendations. 8

3.1 Summary of key financial and non-financial performance recommendations made by Committee 8

2013/14 Committee Budget Vote Report Recommendations. 10

3.2 Department of Communications. 11

3.3 Independent Communications Authority of South Africa (ICASA) 11

3.4 South African Broadcasting Corporation (SABC) 11

3.5 Universal Service and Access Agency of South Africa (USAASA) 11

3.6 South African Post Office (SAPO) 11

3.7 National Electronic Media Institute of South Africa (NEMISA) 12

4 Overview and assessment of financial performance. 12

Overview of Vote Allocation and Spending (2009/10 - 2014/15) 12

Financial Performance 2012/13. 14

4.1 Quarterly Spending Trends. 14

Reported Spending Pressures. 15

Public Entities Reporting to the Department 16

4.2 SENTECH. 16

4.3 South African Broadcasting Corporation (SABC) 17

4.4 South African Post Office (SAPO) 18

4.5 Independent Communications Authority of South Africa (ICASA) 18

4.6 National Electronic Media Institute of South Africa (NEMISA) – The Institute. 19

4.7 Universal Service and Access Agency of South Africa (USAASA) 20

Departmental Adjustments for 2012/13. 22

Post Adjustment Virement 22

Final Total and Programme Expenditure. 22

Auditor-General Report 2012/13. 23

4.8 Predetermined objectives. 24

4.9 Compliance with laws and regulations. 24

4.10 Internal Control 24

Finance / Appropriations Committees. 24

4.11 Independent Communications Authority of South Africa. 25

4.12 South African Broadcasting Corporation. 25

Financial Performance 2013/14. 25

1        Introduction

The Portfolio Committee on Communications (the Committee), considered the performance and submission to National Treasury for the medium term period of the Department of Communications (the Department) and reports as follows:

### 1.1       Mandate of Committee

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

According to Section 5 of the Money Bills Amendment Procedure and Related Matters Act, the National Assembly’s Portfolio Committee on Communications must annually assess the performance of the Department of Communications. The Committee must submit an annual Budgetary Review and Recommendation Report (BRRR) for the Department in terms of its oversight responsibilities for tabling at National Assembly. The report should be considered by the Committee on Appropriations when it is considering and reporting on the Medium Term Budget Policy Statement (MTBPS) to the House and should be submitted to the Minister of Finance and all relevant Ministers.

## The Role and Mandate of the Committee is to:

·         Consider legislation referred to it;

·         Exercise oversight over the Department and it entities;

·         Consider International Agreements referred to it;

·         Consider Budget Vote of the two Departments;

·         Facilitate public participation process; and

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

## Description of Core Functions of the Department:

### 1.2       Mandate, Vision and Mission

Mandate:

To create a vibrant Information and Communication Technology (ICT) Sector that ensures that all South Africans have access to affordable and accessible ICT services in order to advance socio-economic development goals, support the African Agenda and contribute to building a better world.

Vision:

South Africa as a global leader in the development and use of ICTs for socio-economic development.

Mission:

Build a better life for all through an enabling and sustainable world-class ICTs.

The aim of the Department is to develop ICT policies and legislation that stimulate and improve the sustainable economic development of the South African first and second economies and positively impact on the social wellbeing of all South Africans. The Department also aims to oversee the performance of state-owned entities within its portfolio.

## The Department’s Core Functions are to:

·         Develop ICT policies and legislation that create conditions for an accelerated and shared growth of the South African economy, which positively impacts on the well being of all our people and is sustainable;

·         Ensure the development of robust, reliable and affordable ICT infrastructure that supports and enables the provision of a multiplicity of applications and services to meet the needs of the country and its people;

·         Contribute to the development of an inclusive information society which is aimed at establishing South Africa as an advanced information-based society in which information and ICT tools are key drivers of economic and societal development;

·         Contribute to e-Skilling the nation for equitable prosperity and global competitiveness;

·         Strengthen the Independent Communications Authority of South Africa (ICASA), to enable it to regulate the sector in the public interest and to ensure growth and stability in the sector;

·         Enhance the capacity of, and exercise oversight over, State-Owned Enterprises (SOEs) as the delivery arms of government; and

·         Fulfill South Africa’s continental and international responsibilities in the ICT field.

## Purpose of the BRRR Report

According to Section 5 of the Money Bills Amendment Procedure and Related Matters Act, the National Assembly, through its Committees, must annually assess the performance of each national department. The Committee must submit an annual BRRR for each Department that falls under its oversight responsibilities for tabling in the National Assembly. The Standing Committee on Appropriations (SCOA) should consider these when it is considering and reporting on the MTBPS to the House. The Committee considered the Strategic Plan and Budget of the Department on 20 and 26 March 2013. Furthermore, the Committee considered the Department’s Annual Report 2012/13 on 9 and 17 October 2013.

## Method

For the period under review, the Committee, in exercising its oversight role, interacted with the Department and analysed its 2013-2015 Strategic Plan, the 2012/13 Annual Report, the Auditor-General (AG) Report, the State-of-the-Nation Address (SoNA), Industrial Policy Action Plan (IPAP) 2013 – 2015, National Development Plan (NDP), SCOPA report, Committee meetings and oversight reports and the 2012/13 Estimates of National Expenditure (ENE).

To date the Committee has held meetings with the Department, Independent Communications Authority of South Africa (ICASA), South African Broadcasting Corporation (SABC), SENTECH, Universal Service and Access Agency of South Africa (USAASA), The Institute (formerly the National Electronic Media Institute of South Africa – NEMISA) and South African Post Office (SAPO). During the same period it has undertaken oversight visits to the Eastern Cape and also held public hearings on the Cost to Communicate in Johannesburg, Durban and East London.

## Outline of the Contents of the Report

This report is aligned to the broader government policy framework, New Growth Path (NGP), National Development Plan (NDP) and the ruling party 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. Furthermore, the report reviews the recommendations made in the previous year’s BRRR to ascertain whether they have been acted upon. It also looks at the recommendations made by the Committee regarding the 2012/13-budget vote report. The report then assesses the financial as well as service delivery performance to ascertain whether the budget allocated to the Department was spent as envisaged in the Annual Performance Plan. Finally, it summarises the observations made by the Committee after considering all necessary documents, presentations and oversight visits before making recommendations aimed at improving service delivery.

2        Overview of the key relevant policy focus areas

## 2013 State-of-the-Nation Address (SoNA)

In his 2013 SoNA President Jacob Zuma pronounced that “to prepare for the advanced economy we need to develop; we will expand the broadband network. Last year, the private public sector laid about 7 000 new fibre cables. The plan is to achieve 100% broadband Internet penetration by 2020.”

In accordance with the outcomes-based performance management framework adopted by government, the Department contributes to the development of an efficient, competitive, and responsive economic infrastructure network by developing ICT policies and legislation, as well as overseeing the operation of public entities within the sector. To expand access to ICT services throughout the country, the President identified the rollout of National Wireless Broadband (NWB) countrywide, which will expand access to ICT services in the country, as a vital project. It is to be embarked upon by the Department in 2013/14.

This pronouncement also follows one made in the 2012 SoNA, in which President Zuma highlighted an Infrastructure Development-led economy as a priority area. To this end, the President noted that government would invest more than R800 billion in infrastructure in coming years. According to the NGP infrastructure development could, between 2011 and 2015, produce 250 000 jobs per year in energy, water, communications and housing industries.

In its infrastructure deployment to expand access to ICT services throughout the country, the Department facilitates universal access to ICT networks and applications for schools, health and government centres. Therefore in communications, the President noted vital ICT projects that should benefit from this investment, namely: (i) migrating to digital broadcasting; (ii) promoting cooperation on ICT issues with Africa and the rest of the world; (iii) promoting affordable and accessible financial services; (iv) creating opportunities within the economy; (v) using ICT to advance cultural and heritage objectives; (vi) the rollout of NWB countrywide as well as in other areas in which the ICT sector can also play an indirect but significant role; and (vii) the development of a broadband legislative framework.

## Strategic Outcome Oriented Goals of the Department

The strategic outcome oriented goals of the Department are as follows:

·         competitiveness and economic growth of the ICT Industry;

·         accessibility, reliability and affordability of secured ICT Infrastructure;

·         building of an inclusive Information Society;

·         performance of the Department and ICT SOEs; and

·         contribution to the Global ICT Agenda.

## Industrial Policy Action Plan (2013-2015)

### 2.1       Set-Top Boxes (STBs)

·         In September 2012, the Department undertook a soft launch of digital migration in the Northern Cape.

·         The South African Bureau of Standards (SABS) launched the technical standard (SANS 862) for STBs in June 2012 during the ICT Indaba. The process of manufacturing the STBs and rollout of digital migration will be kick-started as soon as conditional access has been sorted out with broadcasters.

### 2.2       Telkom

Under competition policy of the IPAP 2013 – 2015, Telkom was fined R449 million for market abuse.

## Programme Structure Trends

The Department programmes comprises of the following: (1) Administration; (2) ICT International Affairs and Trade; (3) ICT Policy Development; (4) Finance and ICT Enterprise Development; (5) ICT Infrastructure Development; and (6) Presidential National Commission (PNC).

Over the period under review, the Department did not alter its programmes. However, once completed and approved, the restructuring exercise that started in the 2010/11 financial year will result in a revised structure of the Department. The aim of the changes is to ensure that the Department has the capacity to deliver its mandate. The Department’s new structure will consist of the following programmes: Programme 1 -Administration; Programme 2 - International Affairs; Programme 3 - Policy, Research and Capacity Development; Programme 4 - Broadcasting and Communications Regulations; and Programme 5 - ICT Infrastructure Support.

3        Summary of Previous key financial and performance recommendations of the Committee

## 2011/12 BRRR Recommendations

### 3.1       Summary of key financial and non-financial performance recommendations made by Committee

In terms of the 2011/12 BRRR, the Committee noted with concern that:

(i)       Most of the issues that have been raised in the AGs report during 2011/12 were raised by the Committee during the Department’s Annual Report presentation in 2009/10 and 2010/11;

(ii)      Many of the 2012/13 Strategic Plan and Budgets submitted before it, did not take into consideration the Committee’s oversight recommendations;

(iii)     All entities’ audit committees were chaired by an independent person with the exception of the SABC and NEMISA;

(iv)     The Department and its entities were not adequately following supply chain management processes when procuring goods and services as required by the Treasury Regulations (TRs);

(v)      In spite of the Department and its entities being unable to achieve its set targets for the year under review, performance bonuses were nonetheless paid to senior managers and staff;

(vi)     The ICT Enterprise Development branch is not adequately resourced to deal with public entity oversight;

(vii)    The ICT Infrastructure Development programme has consistently under-performed;

(viii)    The process to change the PNC to Information Society and Development (ISD) is still pending;

(ix)     The assurance by the Department to fill critical funded vacant positions has not been achieved;

(x)      The Department and its entities, with the exception of SAPO, do not have a Green Policy and supporting programmes to contribute towards lowering the nation’s carbon footprint conserving resources and lowering costs;

(xi)     The Department did not appear before SCOA to present its fourth term quarterly report;

(xii)    The Department does not have evidence-based progress reports on the discussion which it was supposed to have initiated with National Treasury regarding the SAPOs universal service obligation subsidy which is coming to an end in 2012/13;

(xiii)    Section 9(2) of the Broadcasting Act, No 4 of 1999, requires that the public and commercial services divisions be separately administered and a separate set of financial records and accounts are to be kept in respect of each division;

(xiv)   The SABC does not seem to be ready for Digital Terrestrial (DTT) implementation due to capacity constraints, a non-established technology division, and non-qualified staff to handle the transition;

(xv)    There is a disregard for corporate governance at the SABC and ICASA;

(xvi)   The SABC is still not meeting the Government Guarantee conditions;

(xvii)   The poor performance of the SABC Audit Committee and internal audit contributes towards the non-compliance with laws and regulations;

(xviii) The current funding model of the SABC contributes to its inability to fulfil its public mandate;

(xix)   There was a high vacancy rate at executive management level across all the entities;

(xx)    ICASA has a 0, 8 per cent employment rate on people living with disabilities;

(xxi)   There was a lack of leadership at all levels at ICASA as well as the alleged mistrust between the Council and the Executive and between the Executive and the staff;

(xxii)   ICASA organogram is not in line with section 14 of the ICASA Act of 2006;

(xxiii)  The process to review the mandate of USAASA as per the Committee’s recommendation during 2010/11 has not been undertaken;

(xxiv) The findings of the AG which refer to the ongoing investigations at USAASA, the SABC and SENTECH as well as the independent auditor’s investigations regarding the matter of Eco Park Post Office Building; and

(xxv) The AG has raised a number of issues in the 2011/12 financial year as compared to 2010/11 regarding SENTECH.

Having noted the above, the Committee recommended that the Minister should:

(i)       establish a Ministerial Task Team (MTT) to address issues raised by the AG, in particular the recurring issues that have been raised in the past three financial years;

(ii)      ensure that corrective and remedial measures are taken against the accounting officers and other senior managers for failing to comply with sections 38, 39, 40, 41 and 12 of the Public Finance Management Act (PFMA);

(iii)     expedite corrective measures to ensure that issues raised during Committee meetings or oversight visits are adequately addressed;

(iv)     urge state–owned entities to ensure that Audit Committees are chaired by independent people to enhance transparency, good governance and uniformity;

(v)      ensure the filling of all vacancies with people that have requisite skills, including compliance with the 2 per cent  representation of people living with disabilities and ensure that all financial controls are in place and are adhered to;

(vi)     furnish the Committee with a detailed report on the process that was followed which led to the payment of performance bonuses to senior management and staff at the Department, USAASA and ICASA;

(vii)    urgently capacitate the ICT Enterprise Development and ICT Infrastructure Development branches to ensure maximum achievement on service delivery;

(viii)    expedite the finalisation of the process to change the PNC into ISD which has been underway since 2009/10, 2010/11 and 2011/12;

(ix)     ensure that the Green Policy is embedded in the Strategic Plan of the Department and its entities;

(x)      expedite the process of engaging with National Treasury regarding the possibility of extending the Universal Service Obligation (USO) subsidy of SAPO;

(xi)     ensure that the SABC has the required capacity and financial resources to implement  DTT;

(xii)    investigate leadership challenges in the accounting authority of ICASA and the SABC;

(xiii)    ensure that shareholder compacts are finalised timeously as per Treasury Regulations;

(xiv)   ensure that the Performance Management System (PMS) to monitor performance of the ICASA Chairperson and Councilors is implemented as prescribed by section 6Aof the ICASA Act;

(xv)    institute a process with a possibility to review the funding model of ICASA and the SABC as well as reviewing the mandate of USAASA;

(xvi)   ensure implementation of the recommendations of the investigations currently underway;

(xvii)   ensure that the business model of the SAPO is reviewed; and

(xviii)  upon receipt of the letter from the Speaker of the National Assembly communicating the Committee’s recommendations in this report, provide the Committee with timeframes linked to her responses thereto.

Furthermore, the Minister must ensure that:

(i)     the SABC complies with section 9(2) of the Broadcasting Act of 1999; and

(ii)    the ICASA organogram is in line with the provision of section 14 of ICASA Act.

## 2013/14 Committee Budget Vote Report Recommendations

During the Budget Vote of the Department, the Committee recommended that the Minister must:

(i)     prioritise the policy review for Broadcasting, Telecommunications, Postal and ICASA amendments; and

(ii)    respond in writing on all outstanding policy directives that impacted negatively on the regulator performing its regulatory function.

In addition, the Committee recommended that the Minister should provide:

### 3.2       Department of Communications

(i)    a list of all areas in which the 104 low power transmitters has been rolled out;

(ii)    a report detailing the date and process followed after receiving strategic plans of all entities;

(iii)   a geographical audited list of all schools with total solution connectivity, and those with point connectivity only. In addition, the Minister should provide a detailed plan and budget that demonstrates the migration of point connectivity to total solution connectivity of all schools.

The Minister should further:

(iv)  institute a skills audit in the Department, USAASA, NEMISA, ICASA and Post Office;

(v)   ensure the implementation of the Memorandum of Understanding (MoU) between the Department and Government Communication and Information System (GCIS) in relation to the community programme production, whilst policy discussions as to where the cost centre will reside are ongoing;

(vi)  expedite the process of appointing the .za Domain Name Authority (.zaDNA) Board of Directors.

### 3.3       Independent Communications Authority of South Africa (ICASA)

The Minister should provide:

(i)  an audited comprehensive report of all monies owed to ICASA by licensees and cause of action to be taken;

(ii) an update on the finalisation of ICASA’s new organogram; and

(iii) a detailed report about the allocation of ICASA offices at regional level.

### 3.4       South African Broadcasting Corporation (SABC)

The Minister should ensure:

(i)   that the SABC programmes are accessible to all persons with disabilities especially the provision of subtitles.

### 3.5       Universal Service and Access Agency of South Africa (USAASA)

The Minister should provide:

(i)  a quarterly progress report and budget on USAASA’s schools connectivity programme; and

(ii) a list of all operational and non-operational Telecentres throughout the country, including those requiring refurbishment.

### 3.6       South African Post Office (SAPO)

The Minister should provide:

(i)     a detailed report about the findings of the internal investigations into the recent SAPO strike;

(ii)    an audited outcome on the progress made in the implementation of the 1998 White Paper on Postal Services; and

(iii)   a turnaround strategy for SAPO given the decline in mail volumes, corporatisation of Postbank and government subsidy coming to an end.

### 3.7       National Electronic Media Institute of South Africa (NEMISA)

The Minister should:

(i)     provide an update on the progress made by NEMISA in establishing partnerships with the Department of Higher Education and Training (DHET), the Department of Trade and Industry (DTI), the Department of Arts and Culture (DAC) and other role players; and

(ii)    expedite the finalisation of the merger and the development of the Institute’s organogram.

4        Overview and assessment of financial performance

## Overview of Vote Allocation and Spending (2009/10 - 2014/15)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Programme | 2009/10 | 2010/11 | 2011/12 | 2012/13 | | | 2013/14 | 2014/15 |
| Outcomes | Outcomes | Outcomes | Main | Adjusted | Outcomes | Estimates | Estimates |
| Administration | 163.2 | 145.6 | 156.2 | 197.0 | 197.0 | 195.9 | 216.1 | 208.3 |
| ICT International Affairs And Trade | 44.6 | 35.2 | 41.6 | 41.0 | 41.0 | 44.1 | 33.3 | 36.8 |
| ICT Policy, Research And Capacity Development | 77.9 | 95.3 | 104.8 | 107.9 | 107.9 | 113.3 | 84.4 | 98.0 |
| Broadcasting and Communications Regulations and Support | 1 713.5 | 1 041.4 | 1 052.6 | 1 073.6 | 1 073.6 | 1 070.2 | 1 129 | 1 129.7 |
| ICT Infrastructure Support | 302.7 | 108.9 | 436.7 | 235.5 | 235.5 | 227.7 | 580.1 | 125.5 |
| Total | 2 301.1 | 1 426.5 | 1 792.0 | 1 655.0 | 1 655.0 | 1 651.2 | 2 043.9 | 1 598.4 |

The table above seeks to provide an overview of expenditure and forecast estimate patterns of the Department based on its programmes. It is evident that the noticeable decline in budget allocation which started in earnest in 2009/10 to 2011/12 can be attributed to many factors such as the successful hosting of the World Cup 2010 by South Africa as well as the hosting of African Cup of Nations (AFCON) 2013, see Graph 1 below.

**Graph 1**

Having said that, Graph 2 (next page), paints an encouraging picture in that it reflects a Department that has progressed in expenditure patterns between 2010/11 and 2012/13 financial years.

**Graph 2**

Even though during the 2011/12 financial year, the Department received a total budget allocation (inclusive of the budget requested by it during the adjustment period which was R113.8 million) of R 2 billion, but the actual expenditure amounted to R1.8 billion, representing 89.5 per cent; and in the process recording an under-expenditure of R210.9 million or 10.5 per cent. This is a stark improvement considering the fact that it was post the 2010 World Cup where the Department witnessed an increase in funding and also had a larger under-expenditure when compared to the 2011/12 and 2012/13 financial years, see Graph 2 above.

The spending for the 2012/13 financial year amounted to R1.6 billion which equates to 99.8 per cent and there is an under-spending of R3.8 million. The under-spending is mainly on transfer payments to New Partnership for Africa’s Development e-Africa Commission (NEPAD). The huge spending is mainly under programme 4, which constitutes 73 per cent of the budget on transfer payments to entities. This expenditure trend is commendable and should be encouraged granted it is a reflection of expenditure in relation to service delivery objectives of the Department.

Furthermore an additional R1.6 million was allocated to the Department through the adjustment estimates for higher personnel remuneration. An amount of R59 million was reduced through the adjustment estimates. The Department identified this reduction as savings.

The total departmental adjusted budget amounts to R1.6 billion for the 2012/13 financial year. Graph 3 below seeks to outline expenditure patterns by programme allocation of the Department. Programme 4 accounts for the majority of the budgets with 73 per cent while Programme 1 accounts for 12 per cent. Programme 3 and programme 5 accounts for 5 per cent of the total budget respectively while programme 2 and programme 6 accounts for 2 percent respectively.

**Graph 3**

|  |
| --- |
|  |
|  |  |

## Financial Performance 2012/13

### 4.1       Quarterly Spending Trends

4.1.1.1      First Quarter Financial Performance 2012/13

The Department spent R348 million or 20 per cent of the total available budget by the end of the first quarter. Planned expenditure by this point in the year was R350.8 million – equivalent to 20.5 per cent of the total available budget. The Department was therefore behind on total spending by R2.3 million or 0.7 per cent. This was mainly due to the delay in submitting membership invoices by the international organisations to the Department and lack of spending broadband funds as a result of delays in the implementation of the project. A total of 65 per cent of expenditure to this point was under transfers and subsidies, with 35 per cent spent on departmental operations.

Of operational expenditure, 30.5 per cent was on compensation of employees, 68.6 per cent on goods and services, and 0 per cent on interest and rent on land. 0.6 per cent of expenditure was on payments to capital assets, and 0.3 per cent on payments for financial assets.

4.1.1.2      Second Quarter Financial Performance 2012/13

The Department spent R764 million or 46 per cent of the total available budget by the end of the second quarter. Planned expenditure by this point in the year was R904 million – equivalent to 54.6 per cent of the total available budget. The Department was therefore behind on total spending of R141 million or 15.6 per cent. This was mainly due to the delay in the implementation of Broadband and the 112 Emergency Call Centre projects.

4.1.1.3      Third Quarter Financial Performance 2012/13

The Department spent R1.2 billion or 70.8 per cent of the total available budget by the end of quarter three. Planned expenditure by this point in the year was R1.3 billion or 80.1 per cent of the total available budget. The Department spent R153.4 million or 11.6 per cent less than estimated. This was mainly due to the 112 Emergency Call Centre and Broadband allocations of which bulk of the money was projected to be spent in August, but due to the reprioritisation exercise done, the funds were not spent and were redirected to fund the 2013 AFCON and DTT awareness campaign, and procedures needed to be followed to spend these funds accordingly.

The overall variance is slightly higher following the reprioritisation of the Broadband and 112 Emergency Call Centre funds, which were the main cause of the previous quarter’s variances.

4.1.1.4      Fourth Quarter Financial Performance 2012/13

The Department spent R1.7 billion or 99.8 per cent of the total available budget by the end of quarter four. Planned expenditure by this point in the year was R1.7 billion or 99.8 per cent of the total available budget. The Department was therefore behind on total spending by R3.6 million or 0.2 per cent. This was mainly due to the large under-spent budget on goods and services particularly on advertising and travel and subsistence items.

## Reported Spending Pressures

**Graph 4**

When analysing Graph 4 above, it is evident that the Department had the least spend during the first and second quarters when compared to last two quarters. Towards the end of the financial year, the Department spent the bulk of its allocation with quarter 4 having the highest expenditure. The low first quarter spending pattern needs to be corrected so that it eases the pressure on programmes towards the financial year-end and should be in line with Treasurer Regulations. The Financial Management of the Department needs to put systems in place to monitor consistency of spending between the quarters. It should not be interpreted to mean that the Department is merely spending its allocation because of poor planning whereas the plans are submitted and approved before the commencement of a financial year.

## Public Entities Reporting to the Department

### 4.2       SENTECH

SENTECH derives commercial revenue from terrestrial television services, terrestrial FM and AM radio services, satellite linking, facility rentals sales, and the sale of satellite decoders. The entity also receives transfers from the Department for DTT and to provide for the dual illumination period.

The spending focus over the medium term will be on investing in capital assets to expand the network to new sites in areas that were previously not covered and preparing for the launch of the commercial DTT. SENTECH has been allocated additional funding of R277 million in 2013/14 to expedite the rollout of the DTT project, of which R171 million will be spent on digitisation and R106 million on dual illumination.

Expenditure decreased between 2009/10 and 2012/13 as unprofitable products were discontinued, such as the carrier of carriers business, which led to decreased expenditure on goods and services over this period. Expenditure on compensation of employees increased to R291. 7 million in 2012/13 as new employees were appointed and to provide for improved conditions of service. Spending is expected to increase to R1 billion over the medium term, mainly due to higher operational expenditure for human resource development, operations maintenance and expenses related to DTT. As a result of the higher expenditure on maintenance, expenditure on goods and services is expected to increase to R504. 3 million.

As at 30 September 2012, the entity had a total funded establishment of 569 posts. The number of filled posts increased from 551 in 2011/12 to 566 in 2012/13 as the new organisational structure was implemented following the approval of the new operating model in 2011/12. The number of filled posts is expected to increase to 650 over the medium term.

As at 30 September 2012, 3 posts were vacant due to natural attrition. The vacancies were mostly at the skilled and middle management levels, but are not expected to affect service delivery.

Expenditure on consultants was equivalent to 4.9 per cent of expenditure on compensation of employees in 2012/13, as the entity lacked personnel capacity in certain areas.

Lastly the Committee noted:(i) progress made in relation to the appointment of both Chief Operations Officer and Chief Financial Officer; (ii) that SENTECH has reached its target of 80 per cent population coverage for digital migration; (iii) the improvement in the relationship between SENTECH and municipalities which has unlocked access to low power transmitter sites; and (iv) that SENTECH has received a clean audit.

### 4.3       South African Broadcasting Corporation (SABC)

Revenue in the SABC is generated mainly from television licenses, advertising and sponsorships, and allocations from the Department. Revenue is expected to increase to R7.2 billion over the medium term due to an increase in advertising revenue in line with the new multichannel environment created by the expected rollout of DTT.

The spending focus over the medium term will be on rebuilding the corporation’s financial position, adopting good governance and realigning the organisation’s operating model with the requirements of digital broadcasting. The latter explains why operational expenditure related to DTT is projected to increase to R2.4 billion by 2015/16.

The increase in expenditure between 2009/10 and 2012/13 was due to higher signal distribution costs and higher revenue collection costs as the corporation attempted to improve liquidity. The deficit increased from R492 million in 2009/10 to R617 million in 2012/13. Expenditure is expected to increase to R8.1 billion over the medium term, due to the rollout of additional low power transmitters, higher marketing costs to promote revised channel and radio schedules, and increased investment in content. Television license collection costs are also projected to increase in view of the annual increase in the number of registered license holders.

The corporation had a funded establishment of 3 717 posts, all of which are filled at the end of September 2012. The number of filled posts is expected to increase to 3 881 over the medium term due to the requirements for implementing DTT and the organisation’s strategy to expand regional content and thus contribute to job creation.

Consultants are used to provide business advisory services, including those related to the development of the corporation’s turnaround strategy. Expenditure on consultants was approximately 5.8 per cent of expenditure on compensation of employees in 2012/13.

The AG could not express an opinion on the financial statements of the SABC because of the significance on the following matters: property, plant and equipment; intangible assets; license fee revenue and related receivables; programme, film and sports rights; trade and other receivables; irregular expenditure; taxation; expenditure; post retirement evaluation.

The Committee noted with great concern that the SABC: (i) has received a disclaimer from the AG; (ii) non-achievement of planned targets; and (iii) the non-filling of critical vacancies.

However the Committee welcomes the intervention by the Minister in establishing a Joint Task Team (the Department, National Treasury and the SABC) to address the challenges that led to the disclaimer, those raised above, as well as previous qualified audit reports. Despite the fact that there is no 100 per cent coverage by the SABC in certain areas, the Committee commends the rollout of low power transmitters, which gave universal service access to South Africans who previously never had access to radio and television.

Furthermore, the Committee commends: (i) the initiative by SABC and SENTECH to expedite broadcasting services access to South Africans through Direct-To-Home (DTH) Satellite service; (ii) the SABC for broadcasting all games of the AFCON in January 2013 in standard as well as high definitions.

### 4.4       South African Post Office (SAPO)

SAPO generates revenue from the provision of postal, courier and banking services, and from financial transaction fees. The post office also received government subsidy, which came to an end in 2012/13, to fund Universal Service Obligations (USOs) and investment in infrastructure. Revenue increased only slightly between 2009/10 and 2012/13 as a result of difficult trading conditions, declining mail volumes and lower interest rates. Revenue is expected to grow to R7.2 billion over the medium term, and due to expected increase in postal and courier services.

The spending focus over the medium term will be on continuing to provide for USO by creating 50 new post office points of presence per year, increasing the number of addresses to allow wider access to postal and financial services in under-serviced areas, and continuing with the corporatisation of Postbank. This accounts for upward adjustments to performance indicators relating to the number of service points, new post offices, and growth in Postbank depositor funds.

The increase in expenditure between 2009/10 and 2012/13 was due to higher utility costs as a result of Eskom’s electricity tariff increases, and higher maintenance and property costs due to the increase in the number of retail outlets. Spending on compensation of employees is expected to increase to R3.9 billion over the medium term to provide for improved conditions of service.

SAPO had a funded establishment of 22 451 posts, 718 of which were vacant as at 30 September 2012. The number of filled posts increased from 15 895 to 21 733 in 2012/13, mainly at the skilled and semi-skilled levels. In 2013/14, filled positions are expected to grow to 22 451 as demand for postal and financial services recovers.

Expenditure on consultants was equivalent to 0.8 per cent of expenditure on compensation of employees in 2012/13. Consultants provide specialised skills related to technology, communication, financial services and the Postbank corporatisation.

The Committee welcomed the appointment of the Chief Financial Officer. However, it noted with concern: (i) that the Chief Operations Officer of the Post Office and the Managing Director of Postbank vacancies have not yet been filled; (ii) the labour unrest which has been going on for sometime in the Post Office.

Furthermore, the Committee commended SAPO for the conversion of the services of the labour brokers into full-time temporary employees.

### 4.5       Independent Communications Authority of South Africa (ICASA)

ICASA derives its revenue mainly through transfers from the Department and other sources, such as finance income from interest earned on cash and bid handling fees. Transfers received increased to R405.8 million in 2012/13 to accommodate higher operational expenses. Total revenue is expected to increase to R398.6 million in 2015/16 due to increase in transfers received to fund improved conditions of service and the office relocation.

The spending focus over the medium term will be on enhancing regulatory capacity, improving access to broadband services and optimising the use of radio frequency spectrum to extend access to affordable ICT services to all South Africans. In order to ensure effective compliance with the legislation, regulations and license terms and conditions, the authority will procure equipment for monitoring activities of licensees who provide postal and broadcasting services by 2013/14. The authority will also acquire customer relations management and spectrum management tools to ensure the optimal use of spectrum by license holders. In addition, hand held spectrum analyses will be bought and test equipment upgrades made in order to support digital technology.

The increase in expenditure between 2009/10 and 2012/13 is mainly due to funding made available in 2012/13 for projects relating to DTT, the provision of broadband services and additional commercial radio services, and broadcasting the 2013 AFCON soccer tournament.

Over the medium term, expenditure is expected to increase to R398.6 million largely due to the relocation of the head office. The decrease in expenditure on goods and services is due to funds being reprioritised toward capital assets to procure equipment for monitoring the activities of licensees who provide postal and broadcasting services. R31.9 million, the equivalent of 16.3 per cent of allocation for spending on compensation of employees, is allocated for spending on consultants in 2012/13. Consultants are used to provide specialised skills and capacity related to the development of the two-phased proposal on frequency migration strategy to inform roadmap for the licensing of spectrum to support the broadband 2020 vision. In addition, consultants are to be used to assist in finalising licensing additional broadcasting services by 2013/14 to promote competition by enabling new entrants to participate in the broadcasting sector and remove bottlenecks to competition.

ICASA expects to realise savings of R2.5 million each year over the MTEF period by moving its head office to a less expensive premises and bringing in international training facilitators instead of sending personnel overseas. In addition, savings of R360 000 have been realised in communication costs since the organisation introduced the voice over Internet protocol system in 2008/9.

As at 30 September 2012, ICASA had a funded establishment of 359 posts, all of which were filled. The number of filled posts increased from 355 in 2011/12 to 359 in 2012/13. The authority is currently undertaking an organisational review, which may change the projected number of posts for the medium term.

The Committee noted: (i) that for the first time ICASA has achieved an unqualified audit.

The Committee commended: (i) ICASA for purchasing broadcasting monitoring equipment at a cost of R10 million. Furthermore, in the outer year ICASA has committed to purchase postal as well as additional broadcasting equipment to the value of R24 million respectively; (ii) ICASA for their renewed commitment on bringing services to the people in all nine provinces; and (iii) the work done by the outgoing Chief Executive Officer of ICASA, Mr Themba Dlamini and wishes him well in his future endeavors.

### 4.6       National Electronic Media Institute of South Africa (NEMISA) – The Institute

NEMISA derives revenue from government allocations, student fees and other revenue derived from training and partnerships.

The spending focus over the medium term will be on repositioning the institute and improving courses on offer by designing skills programme that target women and members of the disabled community, and developing and delivering programmes customised to the needs of community television and radio. The curriculum for all programmes will be reviewed over the medium term, which in some instances will result in a decrease number of students being recruited for full time programmes.

Expenditure on compensation of employees increased significantly between 2009/10 and 2012/13, as the institute reprioritised fund from non-essential items to provide for additional staff employed over this period. In 2009/10, the institute completed a job evaluation and job grading process as part of its objective to attract and retain staff. The process resulted in the institute appointing additional staff members on a part time basis. However, this has turned out to be more expensive, so staff will now be appointed on a permanent basis and the number of part-time lecturers reduced.

The institute expects to realise savings of R372 000, R742 000 and R1.2 million over the medium term as it implements cost saving measures to reduce spending on advertising, repairs and maintenance, and board costs. The measures include opting to advertise in the Government Gazette and newspapers with lower advertising rates, and ensuring that the meetings for different board committees are scheduled on the same day.

As at 20 September 2012, the institute had an establishment of 81 posts, all of which were funded and none were vacant. The number of filled posts increased from 32 in 2011/12 to 81 in 2012/13 due to the filling of critical vacant posts over the period. The number of filled posts is expected to decrease over the medium term as the institute reduces the number of part time lecturers.

The Department is in a process of merging NEMISA, e-Skills and Institute for Software and Satellite Applications (ISSA) to form a new training institute responsible for a national agenda on e-Skills development in the country. Strategic Plan as well as an Annual Performance Plan to that effect were developed and presented to both the Department and the Committee.

The key focus of the Institute will be “ to contribute to the National Development Plan in making South Africa an e-literate society by 2030.” The Institute aims to increase the e-skills capacity across government, business, education, organised labour and civil society to make impact in inequity, participation, social economic independence, job creation and to increase efficacy in business and service delivery.

The Committee noted with great concern: (i) that the Chief Executive Officer and other critical funded positions have not been filled.

The Committee commended the initiation by the Department on integration of the ISSA, e-Skills Institute and NEMISA to form an Institute.

### 4.7       Universal Service and Access Agency of South Africa (USAASA)

USAASA receives its revenue mainly through a transfer from the Department. The increase in revenue between 2009/10 and 2013/13 was due to an increase in transfers for building capacity and work on the broadcasting digital migration project.

The spending focus over the medium term will be on meeting universal access obligations by enhancing the effectiveness of interventions and projects subsidised by the Universal Service and Access Fund (USAF), including thee-connectivity project, and providing subsidies for set top boxes as part o f the DTT migration, The e-connectivity project relates to schools where centres with computers are build to give learners access to internet connectivity. This entails purchasing computers, servers and printers, as well as paying for Internet connectivity. In addition, there will be a review of the agency in order to inform a re-positioning of the entity.

Expenditure on compensation of employees and the related goods and services increased between 2009/10 and 2012/13 due to a new structure that was developed and implemented in 2010/11. However, reductions of R4 million over the medium term have been effected, which accounts for the relatively slower growth in spending over the period. The reductions are to be effected on spending on various items, such as compensation of employees, catering, communication, and travel and subsistence.

As at 30 September 2012, the entity had an establishment of 65 posts, all of which were funded and one was vacant due to natural attrition. R1.6 million has been allocated for expenditure on consultants over the medium term mainly to provide IT support for certain computer applications used by the agency. Expenditure on consultants was equivalent to 4.4 per cent of expenditure on compensation of employees in 2012/13.

The commencement of the 2012/13 financial year was indeed a year punctuated by challenges at USAASA. Not only was there no Board, there was a temporary Audit & Risk Committee. With such a vacuum at the helm of the organisation, the former Minister had appointed two Executive Caretakers to manage both the strategic and operational risks within the agency.

Subsequent to the appointment of the new Board on September 1, 2012 the then Minister further extended the capacity of the USAASA and USAF Board Chairperson to that of Caretaker CEO from October 1, 2012 until March 31, 2013 to stabilise and provide focus on the organisation while a permanent CEO was being sought. The new CEO commenced duties on 2 April 2013, bringing about greater normality in the organisation.

The Committee commended: (i) the swift action by the Department to implement the Committee recommendation of dissolving the previous Board; (ii) the speedily appointment of Executive Caretakers as a stopgap measure; and (iii) the subsequent appointment of the new Board by Minister.

Furthermore, the Committee commends the Board for the swift action taken to deal with all outstanding disciplinary actions involving previous employees and appointing senior managers to critical positions.

The Committee noted that the USAASA Draft National Strategy is finalised and has been submitted to the Department for approval.

## Departmental Adjustments for 2012/13

The budget for payment to international organisations totaling R16.1 million for membership fees was reclassified from goods and services to transfer payments .The Department was allocated R100 million for broadband ICT- universal access and R123.4 million for 112 Emergency Call Centre. The Department declared savings of R58.9 million from these allocations and reprioritised R164.4 million from these allocations as follows: The transfer to ICASA was increased by R16 million for AFCON and to fund the Complaints and Compliance Committee; R65 million to increase transfer payment to the SABC to fund AFCON; R10 million to defray excess expenses under SMME sub-programme;R6 million to defray excess expenses under ISAD cluster sub-programme;R3million to defray excess expenses under ICT Trade / Partnership; R20 million under Application and Research sub-programme and R44.4 million for DTT awareness.

## Post Adjustment Virement

Though section 43 of the Public Finance Management Act (PFMA) (No 1. of 1999) makes provision for virements and the shifting of funds from one programme to another, as well as the movement of funds within a programme, there are certain requirements that need to be met by an accounting officer. These conditions are as follows:

Section 43(2) of the PFMA provides that “the amount of a saving under a main division of a vote that may be utilised in terms of (1) may not exceed 8 per cent of the amount appropriated under that main division.” Moreover section 43(4) states that this section does not authorise the utilisation of a saving if: (i) an amount is specifically and exclusively appropriated for a purpose mentioned under a main division within a vote; (ii) an amount appropriated for transfers to another institutions; and (iii) an amount appropriated for capital expenditure to defray current expenditure.

The following virements were affected by the Department to defray excess expenditure:

·         A virement of R2.8 million was effected from programme 1 to programme 2 (R2.7 million) and to programme 3 (R128 000);

·         R4.8 million was viremented from programme 4 to programme 3 (R2.5 million), programme 2 (R1.4 million) and R875 000 to programme 1; and

·         A further R6.4 million was viremented from programme 5 to programme 2 (R3.1 million), programme 3 (R2.7 million and R512 000 to programme 6).

## Final Total and Programme Expenditure

The Department’s total expenditure for 2012/13 financial year amounts to R1.6 billion. Graph 5 below illustrates percentages of expenditure per programme.

**Graph 5**

## Auditor-General Report 2012/13

The Committee notes with concern the general findings of the AG in relation to the regression of the Department and its entities with the exception of SENTECH, NEMISA and Telkom.

In expressing his opinion, the AG indicated that the financial statements of the Department present a fairly, in all material aspects, the financial position of the Department as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury and in line with the requirements of the PFMA. The Department obtained an unqualified opinion with other matters.

The Department’s audit outcome overall regressed. This is as a result of the disclaimed opinion for the SABC and the qualification opinion for Universal Service and Access Fund (USAF). The regression could be attributed to the leadership instability and the lack of consequences. The slow response by the executive to fill critical vacancies and a lack of technical accounting skills further contributed to the audit outcome for SABC.

ICASA improved to financially unqualified with other matters as a result of the interventions from Council to obtain information previously not available.

Overall no progress has been made in addressing the key risk areas. The Department improved with no findings on SCM and no material corrections were required to the financial statements, it however did not address the human resources findings previously reported.  Except for USAF the other entities had SCM findings, as procurement procedures were not adhered to, these entities also had to make material corrections to their financial statements.

Information Technology (IT) controls are still a concern, as most of the issues identified in the prior year have not yet been resolved at the end of the 2012/13 financial year. Financial health findings were only raised at the NEMISA.

### 4.8       Predetermined objectives

Measurability: The National Treasury Framework for Managing Programme Performance Information (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 25 per cent of the targets selected for audit purposes were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management did not include the indicator description as part of the manual performance plan. Furthermore, FMPPI requires that performance targets be measurable. The required performance targets could not be measures for 25 per cent of the targets. This was due to management not including the indicator description as part of the annual performance plan.

### 4.9       Compliance with laws and regulations

Expenditure management: payments to suppliers were not made within 30 days as required by TR 8.2.3.

Human resource management and compensations: appointments were made in posts which were not approved and funded, as required by Public Service Regulation (PSR) 1/III/F.1(a) and (d). Employees were appointed without following a proper process to verify the claims made in their applications in contravention of PSR 1/VII/D.8. Employees received overtime compensation in excess of 30 per cent of their monthly salaries, in contravention of PSR I/V/D.2(d). The Department did not always have a written policy of overtime as required by PSR 1/V/D.2(b). Funded vacant posts were not filled within 12 months as required by PSR 1/VII/C.1A.2. Employees acted in higher vacant posts for more than 12 months in contravention of PSR 1/VII/B.5.3. The accounting officer did not ensure that all leave taken by employees were recorded accurately and in full as required by PSR 1/V/F(b).

### 4.10     Internal Control

Leadership: the accounting officer did not always exercise oversight responsibility in regard to proper processes in place to ensure compliance with laws and regulation.

Financial performance management: management did not adequately review and monitor compliance with applicable laws and regulations to prevent non-compliance. Management did not ensure that there are policies and procedures in place to ensure a consistent understanding and implementation of performance information.

## Finance / Appropriations Committees

The Department was not called to appear before the Committee on Public Accounts (SCOPA). However, ICASA appeared before SCOPA on 20 August 2013 and SABC on 20 November 2012for consideration of the Auditor-General report on its annual report and financial statements for the 2011/12 financial year.

### 4.11     Independent Communications Authority of South Africa

SCOPA has identified the following shortfalls: (i) irregular expenditure; (ii) national revenue fund receivable and national revenue fund payable; (iii) strategic planning and performance management; (iv) annual financial statements; (v) expenditure management; and (vi) overall recommendations.

The Committee noted and is in concurrence with the findings and recommendations by SCOPA. (See annexure 1 for a full report).

### 4.12     South African Broadcasting Corporation

SCOPA has identified the following shortfalls: (i) trade and other payables; (ii) impairments; (iii) fruitless and wasteful expenditure; (iv) predetermined objectives; (v) compliance with laws and regulations; (vi) procurement processes and contract management; (vii) annual financial statements; (viii) audit committee; (ix) asset and liability management; (x) human resources management and compensation; (xi) and overall recommendations.

The Committee noted and is in concurrence with the findings and recommendations by SCOPA. (See annexure 2 for a full report)

## Financial Performance 2013/14

### 4.13     First Quarter Expenditure Report for 2013/14 Financial Year

During the 2013/14 financial year, the Department commenced with the implementation of the revised budget programme structure which informed the development of the 2013/14 APP.

The revised budget programme structure consists of the following five programmes:

·         Programme 1: Administration

·         Programme 2: ICT International Affairs

·         Programme 3: Policy, Research and Capacity Building

·         Programme 4: Broadcasting and Communications Regulation & Support

·         Programme 5: ICT Infrastructure Support

The Department has an annual allocation of R 2 billion. As at 30 June 2013, the Department spent R378. 7 million (18.5 per cent), however it had projected to spend R400.9 million by end of the first quarter.

The Department committed to achieving 139 quarterly targets for the first quarter of the 2013/14 financial year (from 01 April 2013 to 30 June 2013). This is a total number of quarterly targets of all five (5) Programmes of the Department of Communications. Of these, only 75 (54 per cent) of the quarterly targets have been fully achieved while 46 (33 per cent) of these quarterly targets were delayed and no/minimal progress was made on 18 (13 per cent) of the quarterly targets.

### 4.14     Summary of targets per programme as at 30 June 2013

The largest element of operational expenditure to the end of the first quarter in 2013/14 was R80.3 million spent under this programme mainly on goods and services. The next largest element was R20.6 million under the ICT Policy Development, followed by R18.1 million under the ICT Infrastructure Development programme, primarily for compensation of employees and goods and services.

Programme 1:The programme committed to achieve a total of 66 targets in the first quarter of 2013/14 financial year.  Of these targets, 38 (58 per cent) are achieved, while 24 (36 per cent) targets are delayed and 4(6 per cent) targets had no/minimal progress.

Programme 2:The programme committed to achieve a total of 16 targets by first quarter of 2013/14. 15 (94 per cent) targets were achieved, while 1 (6 per cent) target was delayed and had no targets with no/minimal progress.

Operational expenditure to the end of 2013/14 was R4.7 million, the majority of which was spent on compensation of employees and goods and services (mainly for travel and subsistence, and contractors). The main cost driver in this programme is compensation of employees. Spending under this programme cannot be compared to the previous financial year due to the departmental structure change in 2013/14.

Programme 3: The programme committed to achieve a total of 23 targets in the first quarter of the 2013/14 financial year.  Of these targets, eight (35 per cent) were achieved, and seven(30 per cent) were delayed, while on eight (35 per cent) targets there was no/minimal progress.

Operational expenditure to the end of the first quarter was R20.6 million, the majority of which was spent on compensation of employees and goods and services. The main cost driver in this programme is compensation of employees, which accounts for 71 per cent of the programme budget. Spending under this programme cannot be compared to the previous financial year due to the departmental structure change in 2013/14.

Programme 4:The programme committed to achieve a total of 9 targets in the first quarter of the 2013/14 financial year. Of these targets 7 (78 per cent) are achieved and 2 (22 per cent) targets are delayed.

Operational expenditure to the end of the first quarter was R8.7 million, the majority of which was spent on goods and services (mainly for external audit costs, and business and advisory consultancy services). The main cost driver is transfers to entities, which accounts for 89 per cent of the total budget. Spending under this programme cannot be compared to the previous financial year due to the departmental structural change in 2013/14.

Programme 5:The programme committed to achieve a total of 25 targets for the first quarter. Of these targets 7 (28 per cent) were achieved, while 20 (48 per cent) are delayed and 6 (24 per cent) with nominal progress.

Operational expenditure to the end of the first quarter was R18.1 million, the majority of which was spent on goods and services and compensation of employees. Spending under this programme cannot be compared to the previous financial year due to departmental structure change in 2013/14. The main cost driver was the transfer to SENTECH for DTT, which accounts for 92 per cent of the total allocation. The increase is due to the previous year’s outstanding commitments for the appointment of service providers that were assisting the Department in the Research and Audit project on cyber security.

At the end of the first quarter for the 2013/14 financial year, the Department had transferred R246.3 million or 15.8 per cent of the total available budget for transfers. Nominal growth in transfers from the same period in 2012/13 was 5.3 per cent or R12.4 million, with the growth being in those to Public Corporations and Private Enterprises.

Transfers to Departmental agencies and accounts to the end of the first quarter were R106.7 million, the majority of which was for the ICASA: operations, and USAASA: Operations transfers. This represents increase of R0.4 million, or 0.3 per cent, when compared with the same period in 2012/13. The majority of this increase was under the ICASA: Operations transfer.

There have not yet been any transfers to foreign government and international organisations, all of which was to the Universal Postal Union: International Organisations: membership fees transfer. This was also the case at the end of the first quarter in the 2012/13 financial year.

Transfers to public corporations and private enterprises to the end of the first quarter were R139.2 million, the majority of which was for the SENTECH: Digitisation, and the SABC: Operations – public broadcaster transfers. This represents an increase of R12.1 million or 9.5 per cent, when compared with the same period in 2012/13 financial year.

## 2014/15 MTEF Financial Allocations

In line with the Treasury guidelines for the preparation of expenditure estimates for the 2014 MTEF, the Department undertook a rigorous baseline assessment and reprioritisation, which lead to the identification of the following areas for funding. The additional funding submissions are from the Department as well as the entities and are comprised of Capital Expenditure (CAPEX)  and Operational Expenditure (OPEX) funding requirements.  This will be presented to Cabinet’s Treasury Committee on Budget:

·           ICASA (R571.1 million) for both CAPEX and OPEX in support of the Government’s broadband, cost to communicate and DTT initiatives;

·           SENTECH (R256 million) for DTT and AFCON;

·           SAPO (R1.8 billion) for Postbank corporatisation and USO;

·           SABC (R1 billion) for national and provincial government elections 2014, SABC Radio FM universal access projects and sports of national interest;

·           NEMISA  (R896 million) for integration of e-Skills, ISSA and NEMISA;

·           USAASA/USAF (R81 billion) to lay broadband network; and

·           Procurement and distribution of digital migration STB **(**R4.5 million).

## Concluding Comments on Financial Performance

The Department spent R1.651 billion (99 per cent) of its adjusted allocation of R1.655 billion for the 2013 financial year. The under-spending was R3.8 million mainly because of transfers to NEPAD. The Department is implementing a new organisational structure to ensure that service delivery is not impacted on. However, this new structure is not fully funded while the Department is expected to gradually critical vacancies. An increase in this line item should result in the reduction of use of consultants. Transfer payments constitute between 73 and 76 per cent of the Departmental budget.

The goods and services budget is under pressure due to the number of projects the Department is implementing and high fixed costs e.g. rental, travel, advertising for DTT awareness. The low budget leads to critical projects being underfunded and therefore cannot be implemented.

It is also important for the Department to pay special attention to Programmes 3 and 5 who are worst performers in terms of achieving the set targets for the 1st quarter of the 2013/14 financial year. Although it is understandable that the underperformance of these two programmes is influenced by the structural changes of the organisation, the Department should in future provide strategic guidance when undertaking such structural changes in order to ensure that the service delivery targets as set by the Department are not compromised.

In conclusion, and taking into consideration the critical skills shortage and the expensive nature of skills associated with the sector, it is advisable that National Treasury reviews the Departmental budget allocation to enable it to fully deliver on its mandate. Furthermore the ICT sector requires specialised skills, which are expensive to acquire. The Department must consider special dispensation in order to offer competitive remuneration so as to attract the best in the sector. It is therefore the responsibility of the Department (Finance and HR departments) to engage the Treasurer, DPSA and Parliament in an attempt to ensure that they can compete equally with the private sector to pay market-related salaries for the high-demand skills that the Department is short. Of utmost importance will be to ensure alignment of such an initiative to the PFMA regulation and any other related policies and legislations.

5        Overview and assessment of service delivery performance

## Service Delivery Performance for 2012/13 and Programme Performance

### 5.1       Annual Performance Plan targets for 2012/13

During the 2012/13 financial year, the Department committed to achieve a total of 39 targets across its six programmes. In terms of progress made, the Department was able to fully achieve 54 per cent of the total targets.

## Programme Performance

### 5.2       Programme 1: Administration

As per the 2012/13 APP, programme 1 committed to achieve a total of five targets by the end of the financial year. Of these targets, four were achieved while one was not fully achieved.

### 5.3       Programme 2: ICT International Affairs and Trade

As per 2012/13 APP, programme 2 committed to achieve a total of four targets by the end of the financial year. Of these targets, two were achieved while two were not fully achieved however the Department made some progress towards achieving these targets.

### 5.4       Programme 3: ICT Policy Development

As per the 2012/13 APP, the programme committed to achieve a total of 11 targets by the end of the financial year. Of these targets, five were achieved while six were not fully achieved however the Department made some progress towards achieving these targets.

### 5.5       Programme 4: ICT Enterprise Development

As per the 2012/13 APP, programme 4 committed to achieve a total of two targets by the end of the financial year. Of these targets, one was achieved while one was not fully achieved however the Department made some progress towards achieving these targets.

### 5.6       Programme 5: ICT Infrastructure Development

As per 2012/13 APP, programme 5 committed to achieve a total of eight targets by the end of the financial year. Of these targets, four were achieved while four were not fully achieved however the Department made some progress towards achieving these targets.

### 5.7       Programme 6: Presidential National Commission (PNC)

As per 2012/13 APP, the programme committed to achieve a total of nine targets by the end of the financial year. Of these targets, five were achieved while four were not fully achieved however substantial progress towards achieving these targets was made by the Department.

## Key Reported Achievements

Amongst others, the Department reported the following achievements.

### 5.8       Policy and Legislation

In terms of the National Integrated ICT Policy, a National ICT Policy Colloquium was held on the 19th and 20th April 2012 after which a draft colloquium report and a draft framing document was developed. Furthermore, a literature review of ICT policies was conducted and shared with the ICT Policy Review Panel, which was appointed by the Minister in January 2013.

### 5.9       Broadcasting Digital Migration

·         The Set-Top-Box (STB) technical specifications were finalised and gazetted in June 2012; and

·         The Minister approved the appointment of candidates to be appointed to serve on the Production Advisory Body.

### 5.10     Community Radio Station Support

The implementation of the community radio station support programme also included the roll-out of a new signal distribution subsidy prioritising rural based stations which ensured a 100 per cent subsidy for rural based and needy stations and a 70 per cent subsidy for the rest of the stations in the support programme.

### 5.11     E-Skills

·         The Department hosted the 3rd research colloquium, which was held at the University of the Western Cape in October 2012; and

·         Three provincial application factories became operational as part of the activities of the provincial co-labs.

### 5.12     Broadband

·         The National Broadband Policy was gazetted and the development of the strategy and implementation plan commenced under the auspices of SIP 15; and

·         In terms of school connectivity, 852 of the 1650 identified schools were connected (Wireless Access Network (WAN) installation).

### 5.13     National Radio Frequency Spectrum

·         The National Radio Frequency spectrum was validated from 9 KHz to 500 MHz;

·         Strengthening Africa Multilateral and Bilateral Relations;

·         The Department engaged in Programmes of Cooperation (PoC) and Memorandums of Understanding (MoU) with various countries including amongst others: Egypt, Algeria, Angola, Ghana, Mozambique, Uganda, Zimbabwe, DRC, Malawi, Lesotho, Nigeria, Tunisia, and Ethiopia;

·         In advancing RSA ICT Position, South Africa was elected for the first time to the Council of Administration (CA), and re-elected to the Postal Operations Council (POC); and

·         South Africa hosted and chaired the 2nd African WTSA/WCIT Regional preparatory meeting to develop an African position for both the World Telecommunications Standardisation Assembly and the World Conference on International Telecommunications.

## Key Reported Challenges

As mentioned in Section 4.1.2 of this report, the Department competes with the private sector in attracting critical and highly technical skills. However, considerable progress towards achievement of the Department’s targets is commendable. The non-achievement of some targets can be attributed to the structural changes the department undertook in this financial year and can also be attributed to various project specific challenges as well as crosscutting challenges that were experienced by the Department during the reporting period, namely:

·         HR capacity constraints in certain key areas affecting its skills base to deliver on specific areas, e.g. DTT and Broadband;

·         Finalisation of the migration process had a further negative impact on recruitment, specifically at Senior Management Service (SMS) level;

·         Delays in funding certain key projects due to budget constraints;

·         With regards to the ICT Policy review, delays were as a result of a change in the ICT Policy review process, which was revised in line with international best practices during the period under review;

·         In terms of implementing the legislative programme, significant delays were due to lengthy periods of public consultation on respective Bills; and

·         Delays related to the BDM project were largely related to the court proceedings regarding the management of the STB control mechanism.

## Non-financial Audit Outcomes

According to the AG, the Department’s audit outcome overall regressed. This is as a result of the disclaimed opinion for the SABC and the qualification opinion for Universal Service and Access Fund (USAF). The regression can be contributed to the leadership instability and the lack of consequences. The slow response by the executive to fill critical vacancies and a lack of technical accounting skills further contributed to the audit outcome for SABC.

No progress has been made in addressing the key risk areas. The Department improved with no findings on SCM and no material corrections were required to the financial statements, it however did not address the human resources findings previously reported.  Except for USAF, the other entities had SCM findings, as procurement procedures were not adhered to, these entities also had to make material corrections to their financial statements.

Information Technology (IT) controls are still a concern, as most of the issues identified in the prior year have not yet been resolved at the end of the financial year.

Appointments were made in posts which were not approved and funded, as required by PSR 1/III/F.1(a) and (d).

Employees were appointed without following a proper process to verify the claims made in their applications in contravention of PSR 1/VII/D.8.

The accounting officer did not ensure that all leave taken by employees were recorded accurately and in full as required by PSR 1/V/F(b).

The accounting officer did not always exercise oversight responsibility in regard to proper processes in place to ensure compliance with laws and regulation.

Management did not adequately review and monitor compliance with applicable laws and regulations to prevent non-compliance. Management did not ensure that there are policies and procedures in place to ensure a consistent understanding and implementation of performance information.

### 5.14     Steps taken by the Department to address the audit outcomes

The following measures have been put in place to improve the performance of the Department:  (i) all key and critical projects have been prioritised and are monitored on a monthly basis by various governance structures in the Department; (ii) all managers are required to provide evidence on all completed projects for verification by internal audit; (iii) projects have been aligned to budgets to ensure expenditure is tracked on a monthly basis; (iv) migration of staff to the new structure has commenced and will be finalized by 1st November 2013; (v) 38 critical and funded vacancies have been identified and will advertised by 1st November 2013. Priority will be given to policy, broadband and state-owned entities oversight; (vi) the Department is currently reviewing all its policies to ensure that they are in line with legislative prescripts, National Treasury and Public Service Regulations; (vii) Compliance and Governance Unit has been established on a pilot basis to ensure that sufficient level of assurance is provided on all processes of the Department; (viii) management has put in place stringent measures to ensure that there are consequences on all instances of non-compliance - workshops are regularly conducted to raise awareness amongst staff on the importance of complying with the applicable laws and regulations; (ix) the Department has engaged National Treasury Technical Assistance Unit to ensure that the targets set by the Department are SMART.; (x) DPSA has further designated an official at a DDG level to assist the Department to expedite all outstanding Human Resources issues pending the appointment of the Head of Human Resources, i.e. migration of employees and filling in of vacancies; and (xi) Internal Audit unit will be capacitated by appointing the Chief Director and Director responsible for Internal Audit. (xii) Lastly, during their presentation to the Committee on 17 October 2013 with respect to response of issues raised by the AG, the Department assured the Committee that they are also attending to AG findings of its entities and have put measures in place so as to respond appropriately to the findings.

## Service Delivery Performance for 2013/14

·         The Postbank Bill was approved by the Cabinet Committee on 19 June 2013, and subsequently approved by Cabinet on 26 June 2013. Furthermore a draft Regulatory Impact Assessment was prepared on the Postbank Amendment Bill;

·         The SAPO SOC Limited Amendment Bill was approved by the Cabinet committee on 19 June 2013 and subsequently approved by Cabinet on 26 June 2013;

·         The Electronic Communications Amendment Bill and the ICASA Amendment Bill have been introduced to Parliament;

·         The e-Skills aggregation monitoring and evaluation mechanism was finalised and approved;

·         The submission of unaudited financial statements to the external auditors was facilitated for all entities. All SOCs have submitted their unaudited 2012/13 Annual Statements to the Auditors;

·         Review of National Frequency Plan was conducted in consultation with ICASA, taking into account all relevant outcomes of the WRC-12 and the outcomes of the Radio Frequency Spectrum audit;

·         The spectrum requirements for exclusive allocations for Security Services was compiled and approved by Minister for incorporation by ICASA in the National Radio Frequency Plan; and

·         SA chaired the PAPU Committee on strategy and reported to the Bureau with respect to work of the Committee, including the development of a 3 year and one year work-plan, the implementation of the Doha World Postal Strategy, and the African Regional Strategy, and the development of the new Postal Strategy.

## Other Service Delivery Performance Findings

### 5.15     Oversight visit reports

As part of fulfilling its legal and constitutional obligations, oversight visits conducted by the Committee in 2012/13 to the North West, Gauteng and the Eastern Cape played an important role in measuring service delivery, and whether budget allocations were appropriate.

In addition, the public hearings on the state of readiness for DTT migration (27 – 28 November 2012) and on the cost to communicate (29 – 30 November 2012) focusing on the major players in the ICT sector, assisted the Committee to respond to matters that had emanated from the above-mentioned oversight visits.

### 5.16     Key service delivery issues raised during Committee meetings

Amongst others, the following issues / concerns were raised during Committee meetings: (i) the slow pace by the SABC in the rolling out of low power transmitters throughout the country; (ii) the lack of subtitles in most programmes of the SABC, which disadvantages deaf viewers; (iii) the closure of ICASA Regional Offices in Mpumalanga, Limpopo and North West provinces; (iv) lack of skills audit within ICASA; (v) the sustainability and efficient operations of the Tele-Centres (Thusong Centres); (vi) the inaccessibility of post offices by people living with disabilities; (vii) the manner in which the recent strike-action by post office employees was managed, and the non-existence of a proactive plan to address striking workers, or to mitigate the losses suffered during the 2012/13 strike; (viii) delays in filling critical funded vacant positions in the Department and its entities.

## Concluding Comments on Service Delivery Performance

Government has identified access and use of ICTs as an enabler to socio-economic development and service delivery and the Department’s strides towards ensuring this is commendable. However more needs to be done to ensure that the coordination of ICT infrastructure projects, efficient spectrum allocation, and a coordinated implementation of legislative instruments are fast tracked so that all South Africans can enjoy the same benefits as articulated in Constitution.

Importantly, the Department needs to strengthen its oversight mechanism over its entities, as they are the vehicles through which the Department meets its service delivery targets. Furthermore, by virtue of the fact that ICTs are crosscutting in nature, the Department is encouraged to develop an inclusive strategy through its Intergovernmental and Stakeholder Relations Unit to engage all other Departments so as to streamline collaboration to ensure that government leverages from the benefits of ICT’s and utilise globally-available literature to unpack how ICT programmes are coordinated by governments around the globe.

6        Finance and service delivery performance assessment

Notwithstanding the service delivery performance noted below and given the issue of leadership instability in the Department, the Department could have been more efficient and effective in deriving Economic Value Add (EVA) in relation to the budget allocations and service delivery performance.

The Department and its entities contributed towards the five government priorities (job creation, education, health, fighting crime and rural development) as follows:

## Job Creation

The areas of focus for job creation identified by the Department were as follows: (i) broadband Infrastructure and services; (ii) DTT Infrastructure; (iii) creative industries; (iv) SMME and Human Capital Development; (v) regulatory environment for sector competitive growth and development;(vi) postal sector including postal services; and (vii) manufacturing of electronics.

The Department sources quarterly job creation figures from the State Owned Enterprises such as SENTECH, USAASA, Telkom, NEMISA, SABC and SAPO. In addition, the ICT sector stakeholders, through various operators such as MTN, Vodacom, Multichoice and others report on their contributions towards government's job creation priority of creating over 100000 jobs as per the New Growth Path (NGP).

A total of 36 500 jobs were created from the period 2010 to March 2013.During the current financial year from April to September 2013, 823 jobs were created. Of these, 39.6 per cent (326) were females, 39.8 percent (328) were males and 66.7 per cent (549) of these individuals were youth. Of the total employed, 22.4 per cent (185) were employed on a permanent basis, while 57 per cent (469) were employed on a temporary employment. Only 1.8 per cent of the total employed consists of people living with disabilities. The consolidated number of jobs created from 2010 to date within the ICT sector is therefore 37 323. This figure includes direct and indirect jobs, as well as permanent and temporary appointments. It is important to note that these figures are mainly for SOEs and private companies that have responded to the Department’s questionnaire on Job creation.

Currently, the Department is focusing on development of a Programme of Action (POA) for the Creative Industries Sector geared towards job creation. This POA includes but not limited to content generation, intellectual property, content quotas, skills development, infrastructure, policies and strategies. Through the implementation of its Internship Programme, the Department employed twenty one (21) interns in 2011/2012; thirty (30) in 2012/2013 and twenty nine (29) interns in 2013/2014.Through the Unemployed ICT Youth Project, the Department deployed 130 young people in Mpumalanga, North West, Free State and Eastern Cape provinces to provide ICT technical and administrative support in schools and Education District offices. A total of 192 young people have participated in the National Digital Repository (NDR), developing the stories and documentaries in preserving the cultural heritage.

## Education

The Department through the Institute (e-Skills, NEMISA and ISSA) is continuing to play a national catalytic and change agent role in the development of e-skills human capacity for the country.  Its contribution can be seen in the following interventions:

·         Strengthening the National Platform for e-Skills: Second National e-Skills Summit that produced the National e-Skills Plan of Action (NeSPA) 2013 targeting new skills (e-skills) for a growing and inclusive economy. The approach developed was endorsed by the ITU and recommended to other 52 countries as a template to be followed;

·         Developed an e-Skills Value Proposition which positions the importance of e-skills (ICT) effort within a benefit value for all stakeholder groups;

·         Commenced on an audit of South African Government department’s (Department of Higher Education and Training (DHET), Department of Basic Education (DBE), Department of Science and Technology (DST), Department of Labour (DoL), Department of Trade and Industry (DTI), Department of Defence (DoD), Department of Health (DoH), Department of Public Service and Administration (DPSA), Department of Rural Development and Land Affairs (DRDLA), Department of Agriculture (DAC), Department of Economic Development (DED), Cooperative and Traditional Affairs (COGTA) and Department of Minerals and Energy (DPME)) contributions to the national e-skills agenda;

·         Led an international investigative mission to Australia and New Zealand to examine major Government, Education, and Research and peak representative bodies in coordinating e-skills delivery, policy development, evaluation and research;

·         Commenced an approach of formalizing relationships with major research entities and collaborating on material for publication. This has led to a formal relationship with the Informing Science Institute, which conducts a number of annual conferences, publishes 8 open journals with direct relevance to e-skills human capacity development;

·         Developed applications for Australia Aid (AusAid)funding to assist the Institute to take 14 South African leaders to a specially developed Creative and New Media Industries short course hosted by the Queensland University of Technology;

·         Delivery on an EU/SA funded project aimed at developing a collaboration national e-skills action plan with the EU;

·         Provided leadership to develop a collaborative approach towards a dedicated approach to e-skills across SA Government with Human Resource Development Council, inter-governmental meetings (DHET etc) and Portfolio Committee on Basic Education. Immediate outcome was the e-Skills Roadmap for Further Education and Training (FET) Colleges that supports the DHET’s Turnaround Strategy for FET Colleges and the establishment of a joint task team between the Institute and DBE;

·         Continue to strengthen the role of provincial e-skills CoLabs in promoting the importance of e-skills human capacity development at a provincial and community level especially in the areas of planning, teaching and learning and new targeted job opportunities (investment);

·         Decision makers and learners were e-skilled in specific areas of ICT for Rural Development, Connected Health, Creative and New Media industries, e-Enablement of Effective Service delivery, Knowledge-based economy and e-social astuteness (e-literacy), e-Inclusion and social innovation, mobile apps development and as e-Leadership;

·         With regards to the implementation of the service deployment component of the e-Cadre programme, the Department concluded the recruitment of the 150 students for the e-Cadre programme;

·         The ICDL Training was conducted in all participating colleges and the implementation plan for the 3rd ICDL Training Intake of an additional 210 students to participate for the e-Cadre Programme was developed;

·         The Department trained five female e-Cadres on Data Capturing as part of the exit strategy for the e–Cadre Program to enable them to provide support to the Women’s Ministry on capturing the results on the research on the treatment of disabled children in Special Schools;

·         The Department also trained 16 women from the Mali Martin Centre for Abused women in introduction to computers through the Vodacom ICT Centre in Sunnyside as part of the Gender Literacy and ICT Program; and

·         The Department has developed an implementation plan for connectivity of 1650 schools. A total of 916 of identified schools have been connected to date and implementation was monitored accordingly.

### 6.1       The entities of the Department reported on education as follows:

6.1.1.1      South African Post Office (SAPO)

Invested R40.7m on learning and development interventions on staff for the year

6.1.1.2      SENTECH

·           SENTECH provided bursaries to 7 people and held e-Learning workshops;

·           trained 326 employees in 934 programmes; and

·           supported 5 ICT CSI programmes supported.

6.1.1.3      South African Broadcasting Corporation

Educational programmes are divided into formal education and informal knowledge building.  The informal knowledge building is dealt with on a daily basis but with the exception of those months when the schools are closed. Since there is a direct correlation between education, poverty alleviation and job creation, education is key programming and content with the SABC’s platforms. To this effect, SABC Radio has awarded 1200 minutes to educational programmes. In a similar vein to radio, television stations across all channels also produce a number of education programmes, splitting programmes into children and adult educational programmes.

## Health

The Department developed the Health Content Policy Framework for Television Broadcasting in line with clause 6.1.6 of the Broadcasting Digital Migration Policy 2008, which proposes that the public broadcaster, on its own or in partnership, should cater for three public regional television channels as well as channels prioritising education, health, youth, SMMEs etc.

The Health Content Policy Framework for Broadcasting in South Africa has undergone all the necessary interdepartmental and public consultative processes and was gazetted for public comments on the 2 October 2012. Comments received were taken into consideration in the final draft of the policy framework. The framework is at the stage in which the Minister of Communications is requested to promulgate.

### 6.2       The SABC reported on health as follows:

Health content at SABC is dealt with in much the same way as educational programming.  Radio stations feature all international health days, such as Malaria Awareness Day, Epilepsy day etc.  SABC TV produces many programmes focusing on health issues such as Intersexions and Siyayinqoba. “Beat it” - deals specifically with HIV/Aids related issues. “Brothers for Life” - focuses on Men’s Health issues.

“Motswako” - deals with Women’s Health issues. Further programmes are Bonitas, Shift, Dr Mol, Doctors Orders, 3 Talk, Live It! And Vuka Kleva which are all programmes related to health issues and general wellbeing.

## Fighting Crime

Cabinet approved a National Cybersecurity Policy Framework on 8 March 2012.With regards to establishing a Cybersecurity Hub, a project plan was finalised and the implementation of CSIRT has commenced. SAPS conducted a physical security assessment of the Cybersecurity premises while an information security assessment was conducted by the State Security Agency. A Virtual Cybersecurity lab has been established and business processes and internal policies have been developed.

### 6.3       The SABC reported on fighting crime as follows:

a)         SABC Limpopo Province

Partnered with the provincial South Africa Police Service (SAPS) in driving features around crime awareness and prevention.

b)         SABC North West Province

Motsweding FM supported the Provincial South African Police Services during commemoration of the National Police Day in line with the SABC’s Nation Building and Social Cohesion responsibilities.

c)         SABC Gauteng Province

National awareness campaigns were developed for government and the police, domestic violence, violence against women and children, coverage of court cases.

d)         SABC Western Cape Province

Annual partnership with Umhlobo Wenene FM focused on broadcast from within the prisons and facilitated rehabilitation of convicts, emphasizing the importance of support from their communities and families.

Taking back our community - Is an initiative by Good Hope FM (GHFM) where radio personalities & local celebrities from the same communities visit schools in deeply gangster infested communities around the Western Cape, with the aim to motivate the kids and show them there are other avenues for them to pursue in life.

e)         SABC Free State and Northern Cape

Crime statistics are highlighted, Interviews held with Police Spokespersons from big cities, Interviews with ex -prisoners and Interviews with Community Policing Forums.

f)          SABC KwaZulu-Natal Province

News division largely reported on the recently held International Police Women Conference, thereby reflecting on efforts to reduce crime.

The anti-drugs campaign; the stations largely supported moral regeneration and men’s’ movement initiated by the premier in an effort to build responsible communities and thereby reduce crime.

Crime fighting initiatives by the Provincial Prisons department, including the award for the best performing staff in the prisons, were highlighted and supported by the stations.

## Rural Development

With regards to ICT Rural Development, the Department developed a research report as well as a benchmarking report, which entailed a baseline study of ICT status in provinces. The Department thereafter developed business plans for the 61 rural sites to facilitate the implementation of identified ICT interventions.

Furthermore, a baseline study has been conducted by USAASA in underserviced areas and the Agency is currently in a process of deploying more ICT Community Access Centres and interventions at identified areas.

### 6.4       On rural development, the entities of the Department reported as follows

a)         SENTECH

·         Conducted a feasibility study on ICT interventions in some of the identified CRDP sites and has commenced with the deployment of low power transmitters to allow access to broadcasting services;

·         18 new sites powered with low power transmission;

·         14 Schools connected with computer labs with VSAT Internet connectivity. 1 each in NC, FS, NW, WC and 2 each at KZN and EC, 3 each at MP and LMP;

·         25 schools connected through VSAT broadband;

·         28 self help sites installed and activated;

·         Services to 6 new FM community broadcasters; and

·         The Committee further commends SENTECH on the launch of the Universal Access Direct-To-Home Satellite (DTH-S) platform service that compliments the Digital Terrestrial Television (DTT) transmitter network to ensure 100 per cent access to digital broadcasting services in line with the DTT programme implementation. It is important to note that this DTH-S called FREEVISION is a service based on 'open access and interoperability' principle, thus making the platform available to multichannel and single channel Free-To-View (FTV), Free-To-Air (FTA) or Subscription broadcasting service operators. It will ensure alignment of technologies to support the most under-privileged sectors of our society.

b)         South African Broadcasting Corporation (SABC)

As mentioned in previous section, SABC has partnered with SENTECH in connecting the masses to the outside world through their communication infrastructures of Low Power Transmitters in order to enable communities who previously did not receive a broadcasting signal. To date 104 transmitters have been deployed across the country and 44 are due to be completed during the 2013/14 financial year.

SABC Limpopo Province

Issues of public service delivery were regularly highlighted through talk shows and promos, and through current affairs.

SABC Western Cape Province

SABC News in partnership with the Dept. of Correctional Services built houses in impoverished communities.

SABC KwaZulu-Natal Province

The ‘back-to-school’ campaigns at the beginning of the year ensure that Ukhozi and Lotus FM support schools through uniform supplies for the needy and computer equipment; playground facility improvement is enhanced. Listeners are also encouraged to participate in improving the schools where their children are learning or where they were educated themselves. Schools in the rural areas are the largest beneficiaries.

Ukhozi works closely with the office of the Royal monarch to promote rural development; farming; self help projects. The MC for Co-Operative governance in rural areas facilitates Municipal awards that are largely aimed at promoting service delivery in the rural areas.

SACB Free State and Northern Cape Provinces

·         Women organizations share experiences and guidance on farming;

·         Daily slot of agriculture to help rural and small farmers; and

·         Information on accessing government resources.

SABC Mpumalanga Province

In partnership with J4Joy built a house for a destitute family in Emagogeni, Nkomazi.

SABC Eastern Cape Province

·         Low power transmitter launch

·         School shoes for rural children

·         Ntakana destitute family received a fully furnished house

·         Christmas party for vulnerable children

·         Stakeholder Relations in partnership with SENTECH switched on low power transmitters for benefit of rural communities in the Eastern Cape.

c)         South African Post Office

The post office rolled out 1201263 new addresses.

7        Committees observations and response

## Technical Issues

On 16 September 2013, the Minister of Communications wrote to the Speaker of the National Assembly, explaining the delay in the submission of the annual report of .Zadna for 2012-13.

On 19 September 2013, the Minister of Communications wrote to the Speaker of the National Assembly, explaining the delay in the submission of the annual report of ICASA for 2012-13.

## Governance and Operational Issues

Based on the AG findings about consistent leadership instability, the Department needs to prioritise the lowering of the vacancy rate, which has influenced service delivery of the Department. It should be noted that the Department undertook a migration process to the newly approved structure and is expediting the filling of critical posts. Interviews for the DDG posts have already been conducted during the first quarter of financial year 2013/14. The Department must further assess the effectiveness of its performance management system. In terms of the Department entities, they too have not been performing well in terms of filling critical posts, supply chain management and financial management compliance in their organisations as advised by the AG.

Furthermore the AG has consistently highlighted the non-performance in terms of the implementation of a disaster recovery plan and the development and testing of a business continuity plan, which is already underway given that the CIO vacant post has already been filled. In terms of the Department entities, they too have not been performing well in terms of evaluating the effectiveness of IT systems in their organisations as advised by the AG.

## Service Delivery Performance

As in March 31 2012, the Department’s vacancy rate stood at 29.8 per cent. However, during the year under review, the Department had vacancy rate in excess of 37.1 per cent which as a result the following programmes were affected the most: ICT Infrastructure Development (54.4 per cent); Presidential National Commission (45.8 per cent); ICT Policy Development (35.2 percent); ICT International Affairs (30.8 per cent); Administration (29.3 per cent).

The Committee welcomes with appreciation the commitment by Minister Carrim, as presented on 20 August 2013, to address the previous challenges so that the Department can optimally deliver on its mandate.

## Financial Performance Including Funding Proposals

The Postbank corporatisation has commenced and National Treasury has allocated funding of R481 million over the MTEF period.

8        action plan to address ag findings

9        Recommendations

The Committee analyzed the Department’s 2013-2015 Strategic Plan; the 2012/13 Annual Report of the Department of Communications and its entities; the 2012/13 Estimates of National Expenditure Reports; the Report of the Standing Committee on Accounts; the Industrial Policy Action Plan 2013 - 2015, and the Committee oversight reports.

## The Committee recommends that the Minister should:

(i)         set realistic and achievable targets for the Department;

(ii)        ensure that corrective and remedial measures are taken against the accounting officers and other senior managers for failing to comply with the relevant sections of the PFMA and Treasury Regulations;

(iii)        ensure that the Department engages the Treasurer, DPSA and Parliament to address the market-related salaries for the high-demand and scarce skills;

(iv)        urgently fill all funded vacant positions in the Department and its entities;

(v)        develop adequate performance management systems;

(vi)        improve monitoring mechanisms over the entities;

(vii)       capacitate the Department’s internal auditing systems; and

(viii)      adhere to the Committee’s seven-day rule on submission of documents.

10     Appreciation

The Committee would like to thank the Minister of Communications, Mr Yunus Carrim, and his Deputy, Mrs Stella Ndabeni-Abrahams, as well as the Director-General, Ms R Sekese and team DoC, and the Board Members, Executive Management and staff of the entities of the Department. The Committee also wishes to thank its committee support staff, Committee Secretaries, Mr Thembinkosi Ngoma and Ms Teboho Sepanya, the Researcher, Mr Sandile Nene, the Content Advisor, Mr Mbombo Maleka and the Committee Assistant, Mr Edward Vos for their professional support, commitment and dedication to their work. The Chairperson wishes to thank all the Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

**Report to be considered.**

|  |  |
| --- | --- |
| 11     Glossary of Terms | |
| AFCON | African Cup of Nations |
| AG | Auditor-General |
| APP | Annual Performance Plan |
| AusAid | Australia Aid |
| BRRR | Budget Review and Recommendations Report |
| CA | Council of Administration |
| CAPEX | Capital Expenditure |
| CIO | Chief Information Officer |
| COGTA | Department of Cooperative Governance and Traditional Affairs |
| DAC | Department of Arts and Culture |
| DBE | Department of Basic Education |
| DED | Department of Economic Development |
| DHET | Department of Higher Education and Training |
| DoH | Department of Health |
| DoL | Department of Labour |
| DPSA | Department of Public Service and Administration |
| DRDLA | Department of Rural Development and Land Affairs |
| DST | Department of Science and Technology |
| DTH-S | Direct-T-Home-Satellite |
| DTI | Department of Trade and Industry |
| DTT | Digital Terrestrial Television |
| ENE | Estimates of National Expenditure |
| EVA | Economic Value Add |
| FET | Further Education and Training |
| FMPPI | Framework for Managing Programme Performance Information |
| FTA | Free to Air |
| FTV | Free to View |
| ICASA | Independent Communications Authority of South Africa |
| ICT | Information Communication Technology |
| IPAP | Industrial Policy Action Plan |
| ISD | Information Society and Development |
| ISSA | Institute for Software and Satellite Applications |
| IT | Information Technology |
| MoU | Memorandum of Understanding |
| MTBPS | Medium Term Budget Policy Statement |
| MTEF | Medium Term Expenditure Framework |
| MTT | Ministerial Task Team |
| NDP | National Development Plan |
| NDR | National Digital Repository |
| NEMISA | National Electronic Media Institute of South Africa |
| NeSPA | National eSkils Plan of Action |
| NGP | New Growth Path |
| NWB | National Wireless Broadband |
| OPEX | Operational Expenditure |
| PFMA | Public Finance Management Act |
| PMS | Performance Management System |
| PNC | Presidential National Commission |
| POA | Programme of Action |
| PoC | Programme of Cooperation |
| POC | Postal Operations Council |
| PSR | Public Service Regulations |
| SABC | South African Broadcasting Corporation |
| SABS | South African Bureau of Standards |
| SAPO | South African Post Office |
| SAPS | South African Police Service |
| SCM | Supply Chain Management |
| SMMEs | Small Micro and Medium Enterprises |
| SMS | Senior Management Service |
| SCOA | Standing Committee on Appropriations |
| SCOPA | Standing Committee on Public Accounts |
| SENTECH | Sender Technologies |
| SOCs | State Owned Companies |
| SOEs | State Owned Entities |
| STB | Set Top Box |
| The Institute | NEMISA |
| TRs | Treasury Regulations |
| USAASA | Universal Service and Access Agency of South Africa |
| USAF | Universal Service and Access Fund |
| USO | Universal Service Obligation |
| WAN | Wireless Access Network |
| .zaDNA | .za Domain Name Authority |