6. Budgetary Review and Recommendation Report of the Portfolio Committee on Communications on Government Communication and Information System, dated 23 October 2012

The Portfolio Committee on Communications (the Committee), having assessed the performance of the Government Communication and Information System (the Department), reporting to the Minister in the Presidency: Performance Monitoring, Evaluation and Administration, reports as follows:

1. Introduction

1.1 Mandate of the Committee, including the provision of Section 5 of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009

According to Section 5 of the Money Bills Amendment Procedure and related Matters Act, the National Assembly, through its Committees, must annually assess the performance of each national Department. The Committee must submit an annual Budgetary Review and Recommendation Report (BRRR) for each Department that falls under its oversight responsibilities for tabling in the National Assembly. These 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.

The Committee considered the Strategic Plan and Budget, 1st Quarter Expenditure Report 2011/12 and the Annual Report of the Department on 9 October 2012.

2. Government Communication and Information System (GCIS)

2.1 Mandate, Vision and Mission

Mandate

- The Department is mandated to co-ordinate, guide and advise on government communication, including liaison, development communication and marketing.

Vision

- The pulse of communication excellence in government.

Mission

- Lead the strategic communication of government, ensure coherence of message, and open and extend channels of communication between government and the people, towards a shared vision.

The aim of the Department is to provide a comprehensive communication service on behalf of government to facilitate the involvement of the majority of South Africans in governance, reconstruction and development, nation building and reconciliation.

2.2 Strategic Priorities and Measurable Objectives of the Department

The Department's core functions are to:

- Provide strategic leadership in government communication;
- Strengthen the government-wide communication system for effectiveness and proper alignment;
- Learn and explore communication methods and practices to enhance communication;
- Lead and guide the domestic and international marketing of South Africa;
- Build partnerships with strategic stakeholders in pursuit of GCIS' vision;
- Operate communication platforms that will keep public servants informed; and
- Operate an efficient, effective and compliant government communication organisation.

3. Allocations and Expenditure 2011/12, and Analysis of Annual Reports and Financial Statements of the Department

During the 2011/12 financial year, the Department was allocated R496,5 million. The budget allocation had a net decrease of R54 million during the Adjusted Estimates of National Expenditure (AENE), resulting in a total of R441 943 000 in votes' funds.

The breakdown of the net decrease is as follows:

- Brand South Africa, formerly known as the International Marketing Council (IMC), was transferred to The Presidency during 2011/12. The transfer payment to Brand South Africa was reduced with R62,5 million; and

- R8 million in additional funds were allocated, broken down as follows:
  R6,5 million being the roll-over of funds from the 2010/11 financial year to cover the cost associated with relocation of the Department to a new building;
  R1,5 million allocated for higher personnel cost than the main budget provided for.

Of the allocated budget of R441,943 million, R421,221 million (95, 3 per cent) was spent, resulting in an under-spending R20,722 million (4, 7 per cent). The breakdown of this under-spending is as follows:

- R20,3 million was allocated for leases in respect of the new GCIS head office building but the occupation date was postponed to May 2013; and
- R408 000 was allocated towards the printing Programme of Action booklets. The under-spending occurred due to the fact that the service-provider did not deliver full quantity of booklets by year-end, hence full payment could not be effected.

During the 2011/12 financial year, the Department reduced or compressed its programmes from six to four, that its: (i) Administration; (ii) Communication and Content Management; (iii) Government and Stakeholder Engagement; and (iv) Communication Service Agency.

Following the shifting of IMC, now Brand South Africa, to The Presidency, the
Communication Service Agency became a sub-programme of programme 3.

3.1 Programme 1: Administration

The purpose of the programme is to provide an efficient and effective support services to GCIS. It is responsible for the following sub-programmes: Office of the Chief Executive Officer; Human Resources; Office of the Chief Financial Officer; Information Management and Technology; Strategic Planning and Programme Management and Internal Audit.

Out of R121,6 million appropriated, the Department managed to spend R101,3 million which represents an under expenditure of R20,3 million. The under-spending was due to funds that were allocated for the new head office building but occupation was postponed to May 2013. National Treasury approved that R20 million be rolled over to the 2012/13 financial year to fund the infrastructure for the new building.

3.2 Programme 2: Communication and Content Management

The purpose of the programme is to provide strategic leadership in government communication. The programme is responsible for the following sub-programmes: Policy and Research; Media Engagement; Communication Service Agency (CSA); Content and Writing; and the International Marketing Council (now Brand South Africa).

Out of R222,6 million appropriated, the Department managed to spend R222,2 million which represents an under-expenditure of R408 000. The under-expenditure was due to a service provider that did not deliver all the booklets by 31 March 2012 in respect of the Programme of Action.

Programme 3: Government and Stakeholder Engagement

The purpose of the programme is to build partnerships with strategic stakeholders within three spheres of government and with external strategic stakeholders within the broader society in pursuit of GCIS's vision. The programme is responsible for the following sub-programmes: Provincial and Local Liaison; Cluster Supervision; and the Media Development and Diversity Agency.

Out of R97,7 million appropriated, the Department managed to spend R97,7 million which represents 100 per cent expenditure.

4. Virements and shifting of funds

Though section 43 of the Public Finance Management Act (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 the programme, there are certain requirements that need to be met by an accounting officer. These conditions are as follows:

Section 43(2) of the Public Finance Management Act 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 virements were approved through the Adjustment Estimates and by the Accounting Officer and National Treasury after the Adjusted Estimates of National Expenditure as follows:

- Programme 1: Administration – R2 796 000 was a function shift of Web Infrastructure activities from Programme 2 within the Electronic Information Resources (EIR) Section to Programme 1 within the Information Technology (IT) Section;
- Programme 3: Government and stakeholder Engagement – increased with R6 339 000 due to a function shift of the National Liaison Section from Programme 2 to Programme 3; and
- Programme 2: Communication and Content Management - decreased with the total of R2 796 000 and R6 339 000 as both function shifts referred to in Programmes 1 and 3 were shifted from Programme 2.

5. First Quarter Expenditure Report for Financial Year 2012/13

During the first quarter of the 2012/13 financial year, the Department's total planned expenditure and projected cash flows amounted to R92,950 million which is equivalent to 21, 6 per cent of the total available budget allocation of R429,1 million

The Department spent R93 million or 12, 7 per cent of the total available budget by the end of the quarter. Planned expenditure by this point in the year was R102,9 million which is equivalent to 24 per cent of the total available budget, resulting in a deviation in total spending of R9,9 million. This deviation is mainly in Programme 2: Communication and Content Management (R9,7 million) due to the delayed printing and distribution of the Vukuzenzele newspaper. However, it must be noted that, Programme 4: Communication Service Agency is ahead of its projected spending by R3,1 million, as a result of payments of billboards for the Infrastructure Campaign as announced during the president's State-of-the-Nation Address.

In most cases spending in the previous quarters was lower than the approved projections, mainly in Programme 2: Communication and Content Management, as a result of delayed printing and distribution of communication products and electronic payments, due to delays in the finalisation of the National Communication Strategy.

The spending trends by the Department emanated from the following programmes:

Programme 1: Administration: expenditure was R21,4 million or 12 per cent of the available budget of R172,1 million. Planned expenditure was R22,6 million resulting in a deviation of R1,3 million. This is primarily due to a lower than anticipated spending in the *Office Accommodation* sub-programme, due to outstanding invoices relating to municipal and accommodation costs.

Programme 2: Communication and Content Management: expenditure was R19,2 million or 17, 4 per cent of the available budget of R110,2 million. Planned expenditure was R28,9 million resulting in a deviation of R9,7 million. The lower spending is primarily in the Content and Writing sub-programme as a result of delays in the publication and distribution of communication products. However, the higher than anticipated spending of R2,3 million against projections of R1,2 million in the Programme Management sub-programme must be also noted.

Programme 3: Government and Stakeholder Engagement: expenditure was R42,2 million, or 36, 2 per cent of the available budget of R116,5 million. Planned expenditure was R44,2 million resulting in deviation of R2 million. The lower than anticipated spending in this programme is mainly in the Provincial and Local Liaison sub-programme, in the goods and services as result of slower spending related to the 1st Generation clean-up project.

Programme 4: Communication Services Agency: Communication: expenditure was R10,2 million or 33, 6 per cent of the total available budget of R30,3 million, against projections of R7,1 million. This resulted in a negative deviation of R3,1 million, mainly in the Marketing, Advertising and Media Buying sub-programme, mainly due to higher spending related to billboards for the Infrastructure Campaign that was announced during the president's State-of-the-National Address.

6. Report of the Auditor-General of South Africa

In expressing his opinion, the Auditor-General indicated that the financial statements present fairly, in all material respects, the financial position of the Department as at 31 March 2012 and its financial performance and its cash flow for the year then ended in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury and the requirement of the PFMA. This means that the Department received an unqualified (clean) audit with the following matters:

6.1 Compliance with laws and regulations

6.1.1 Annual financial statement

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the PFMA. Material misstatements of disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion

6.1.2 Procurement and contract management

Contract and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3

Contract and quotations were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of supply chain management system and non-performance which is prescribed in order to comply with Treasury Regulation 16A9.1

6.1.3 Leadership

The key management did not exercise adequate oversight responsibility regarding financial and pre-determined objectives reporting and compliance with laws and regulations.

6.1.4 Financial and performance management

Inadequate monitoring by supervisors resulted in material misstatement in the financial statements, report on pre-determined objectives, and non-compliance with laws and regulations.

6.1.5 Investigations

An investigation is being conducted to establish whether procurement and approval processes were followed prior to payments being made to service provider.

7. Consideration of Reports of Committee on Public Accounts

The GCIS did not appear before the Committee on Public Accounts.

8. Consideration of Reports of Standing Committee on Appropriations

The Department did not appear before the Standing Committee on Appropriations.

9. Consideration of the State-of-the-Nation Address (SoNA)

In his State-of-the-Nation Address (SoNA) in February 2012, his Excellency President Jacob Zuma stated: “For the year 2012 and beyond, we invite the nation to join government in a massive infrastructure development drive.”

In accordance with the outcomes-based performance management framework adopted by government, GCIS contributes to the development of an efficient, effective and development-orientated Public Service and an empowered, fair and inclusive citizenship (outcome 12).

In an effort to communicate, market and publicise government’s infrastructure led economy to every corner, street and avenue of the country, the Department has developed a five-year National Communication Strategy (NCS) in line with the Cabinet and public needs, which has been endorsed by Cabinet in 2011.The NCS is developed to drive the communication priorities to the Medium Term Strategy Framework (MTSF) and is updated annually to ensure that it remains relevant and highlights communication priorities that may have arisen in the course of the year. The Strategy is also cascaded down to all national and provincial departments to ensure uniformity.

10. Entities reporting to the Department

The Department had two entities reporting to it, Media Development and Diversity Agency and Brand South Africa. However, Brand South Africa was shifted to The Presidency from mid 2011/12.

10.1 Media Development and Diversity Agency

MDDA was set up in terms of the MDDA Act, 2001 to enable historically disadvantaged communities and individuals to gain access to the media. The mandate of the MDDA is to: (i) create an enabling environment for media development and diversity that reflects the needs and aspirations of all South Africans; (ii) redress the exclusion and marginalisation of disadvantaged communities and people from access to the media and the media industry; and (iii) promote media development and diversity by providing support primarily to community and small commercial media projects.

The overall objective of the agency is to ensure that all citizens can access information in a language of their choice and to transform media access, ownership and control patterns in South Africa.

The number of community media projects funded per year is expected to decrease from 29 in 2011/12 to 19 in 2014/15 as the entity consolidates support for projects funded in previous years to ensure their viability. In 2013/14 and 2014/14, few projects will be funded, in line with the aim of consolidating funding for previously supported projects. The number of projects supported also depends on the quality and quantity of applications received.

The Media Development and Diversity Agency has been allocated an amount of R19,115 million for the 2011/12 financial year.

10.1.1 Auditor-General Report

The AGSA highlighted following matters

Procurement and contract management: a contract was awarded to a bidder based on preference points that were not correctly calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

*Expenditure management***:** the accounting authority did not take effective and appropriate steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Leadership: management did not adequately monitor adherence to adopted policies and procedures with regards to supply chain management resulting in the identified instance of non-compliance with the applicable laws and regulations.

10.2 Brand South Africa

The International Marketing Council (IMC), now known as Brand South Africa, was transferred to The Presidency during 2011/12. The IMC's main objective was the marketing of South Africa through the Brand South Africa Campaign.

The IMC was established in 2002 to develop and implement a proactive and coordinated international marketing and communication strategy for South Africa to contribute to job creation and poverty reduction, and to attract inward investment, trade and tourism.

Brand South Africa received two quarterly transfer payments totalling R77,636 million for the 2011/12 financial year.

10.2.1 Auditor-General Report

The AGSA highlighted the following matters:

Achievement of planned targets: only 54 of the 71 planned targets were achieved during the year under review, and this represent 24 per cent not achieved planned targets.

Expenditure management: the accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Procurement and contract management: (i) quotations were awarded to suppliers whose tax matters had not been declared by SARS to be in order as required by TR 16A9.1(d) and Preferential Procurement Regulations, (ii) contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with TR16A9.1, (iii) the preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and TR 16A6.3(b), and (iv) contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

Budget: the approved budget was overspent in contravention of section 53(4) of the PFMA.

Leadership: management did not exercise adequate oversight responsibility regarding compliance with laws and regulations.

Financial and performance management: management did not adequately review and monitor compliance with applicable laws and regulations.

11. Committee Oversight Reports

During 2012, the Committee undertook oversight visits to the following provinces: Northern Cape and Western Cape (Springbok, West Coast and the City of Cape Town) from 17 – 20 January 2012; Limpopo from 5 – 8 February 2012; Mpumalanga from 18 – 23 March 2012; North West 6 – 8 June 2012; and Gauteng from 18 – 22 June 2012, to execute its Constitutional mandate.

The oversight included visits to Regional Offices of GCIS, Thusong Service Centres (TSC's) and MDDA projects. The purpose of the visits served as the measurement indicator against the service delivery commitments by the executive and enabled the Committee to conduct on-site visits to services delivered by MDDA and the Department.

12.1 GCIS Thusong Services Centres

During the oversight visits to Thusong Service Centres, the Committee noted the following:

(a) There are many TSCs that are: (i) underutilized or can be classified as" white elephants" especially in the North West Province and other areas; (ii) still carry the branding of the old Multi-Purpose Centre (MPCs) while others are not branded at all thus making it difficult for walk-in customers to identify the Centres (Gauteng, Mpumalanga); (iii) built and owned by the Department of Public Service and Administration without the involvement of GCIS; (iv) operating without lease agreements being signed between various departments and in some cases all service providers including GCIS have not been paying rent for their spaces for years;

(b) Many TSCs have been operating for years without being officially launched and this is despite the rule which states that that Centres need to operate for a maximum of six months before a formal launch takes place; and

(c) There is also a lack of clarity on the ownership of these Centres. In Mpumalanga, centres are owned by the provincial Department of Cooperative Governance and Traditional Affairs. In the Free State centres are under the Department of the Premier, while in North West and Gauteng, the ownership of the physical structures lies with the municipalities.

12.2 MDDA projects (community radio station, community newspapers and community television stations)

During oversight visits to MDDA projects, the Committee noted the following:

(a) Community Radio Stations: (i) Sentech high signal distribution tariff costs; (ii) Negative cash flow due to late payments from sectoral government departments in the provinces; (iii) Lack of funds for continuous training; (iv) stipends offered instead of salaries due to lack of income; (ee) prescribe fees from government for adverts put constraint on growth; (v) non-adherence to corporate governance by the Board; (vi) uneven spreading / distribution of government adverts and programmes (vii) old equipment and maintenance costs are too high; (viii) lack of alternative energy resources in the event of power failures; (ix) political pressure from different political organizations that monopolises current affairs programmes; (x) South African Advertising Research Foundation (SAARF) not producing expected research results for community media

(b) Community Newspapers (i) escalating printing costs on annual basis; (ii) South African Advertising Research Foundation (SAARF) not producing expected research results for community media; (iii) Minimal copies are printed mainly due to lack of staff and funding; (iv) Advertisements are going predominantly to big, well established newspapers; (v) State-owned enterprises do not support community media through placement of advertisements***; (vi)*** Reluctance by government structures, departments, para-statals and municipalities to advertise in the newspaper published in indigenous languages (preferring English publications instead); (vii) Municipalities running programs (newsletter) parallel to the community newspapers; (viii) Difficulty to retain staff as there are no stipends paid; (ix) Lack of proper printing equipment, (x) Lack of transport for distribution, and (xi) Government officials asking for discounts when placing adverts

(c) Community television stations: (i) the National Film and Video Foundation (NFVF) do not consider community TV to be part of its mandate; and (ii) Community television stations are under-funded, making it difficult to fulfil its mandates.

13. Committee’s Observations

The Committee noted with concern that:

(i) GCIS cannot confirm functionality of all Thusong Service Centres;

(ii) there was no accountability for funds generated from advertising through its magazines;

(iii) an amount of R3,5 million was owed to GCIS by the Department of Home Affairs;

(iv) contracts and quotations were being awarded to bidders without declaration forms;

(v) no strategy for disseminating oral information to people living with disabilities either than people who are blind;

(vi) there is no solid distribution strategy to ensure that documents reach intended target markets;

(vii) MDDA did not follow proper supply chain management processes when procuring goods and services;

(viii) there were far too many Non-Executive Directors in the Brand South Africa Board, however, few Board meetings were attended;

(ix) 23 per cent of the Brand South Africa targets were not met due to delays in finalising the agency's pay off-line;

(x) Brand South Africa did not employ people living with disabilities;

(xi) Brand South Africa indicated difficulty in marketing South Africa as a investment destination;

(xii) Brand South Africa did not have supply chain management unit or a system in place / policy in place;

(xiii) some national departments failed to comply with a Cabinet resolution of centralising of ad spends;

(xiv) some national government departments, including the Department of Communications, failed to advertise through community media as defined by the MDDA Act, No. 14 of 2000;

(xv) the discussion by the MDDA, Print Media South Africa, GCIS on the transformation of the print media and transformation of the advertising industry was ongoing;

(xvi) the contributions by the media sector towards the transformation of the sector had declined;

(xvii) the Department and its entities do not have a Green Policy and supporting programmes to contribute towards lowering the nation's carbon footprint conserving resources and lowering costs; and

(xviii) the roles between the MDDA and the Department of Communications in regard to community broadcasting support programme were continuously being duplicated.

14. Recommendations

The Committee recommends that the Minister should:

(i) continue to encourage all Departments to comply with the Cabinet resolution for centralized government ad spend and also ensure that a certain percentage of that ad spend goes to community media;

(ii) engage with the Minister of Communications and Minister of Finance on the relocation of functions and budget from the Department of Communications to the MDDA through GCIS's budget vote;

(iii) look into the issue of bloated structure of non-executive directors at Brand South Africa;

(iv) institute a turnaround strategy for the maximum functionality of Thusong Service Centres across the country;

(v) provide a detailed report on how much revenue is generated through advertising in GCIS magazines;

(vi) ensure that all monies owed to GCIS are paid;

(vii) ensure the development of strategy to deal with all issues raised by the Auditor-General (compliance with laws and regulations, supply chain management processes, treasury regulations, PFMA) in regard to GCIS and the MDDA;

(viii) develop a strategy to ensure that all persons living with disabilities have access to information;

(ix) ensure compliance with the 2 per cent requirement of employing people living with disabilities;

(x) ensure that BSA prioritises the marketing of the country as an investment destination;

(xi) together with the Minister of Trade and Industry spearhead the ongoing discussion on the transformation of print media and advertising industry;

(xii) investigate a viable funding model for the transformation of the print media sector;

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

(xiv) 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.

Report to be considered.