THE BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON TELECOMMUNICATIONS AND POSTAL SERVICES, DATED 20 OCTOBER 2015

The **Portfolio Committee on Telecommunications and Postal Services (PCTPS)**, having considered the performance and submission to National Treasury for the medium term period of the Department of Communications (DoC)[1]. The BRRR being presented is for the former DoC and the Department of Telecommunications and Postal Services (DTPS) as it covers the period 01 April 2014 to 31 March 2015, reports as follows:

1. INTRODUCTION

Over the last 21 years of a democratic South Africa, major transformation has taken place in in the Information and Communication Information (ICT) legislation, policy, regulation and the delivery of services to all South Africans. In line with the 21st years of democracy theme, in February 2015, the Committee hosted an ICT Seminar with all role players which focused on the sector developments[2] (telecommunications, postal services, e-government and the ICT ecosystem to strength its oversight function.

One of the policy goals of the Department, however, is to make telecommunications services accessible and available to the widest number of people at affordable prices. To this end, the Electronic Communications Act of 2005 introduced a converged unified licensing regime and witnessed the surge of hundreds of alternative service providers. Other technologies have since emerged, research has proven broadband is directly linked to high speed
Internet. Although broadband is defined differently in different countries, given the level of bandwidth provided in a country. However, it is commonly defined as “always on access, at work, at home or on the move provided by a range of fixed-line, wireless or satellite technologies to progressively higher bandwidths capable of supporting genuinely new and innovative interactive content, applications and services and the delivery of enhanced public services.[3]

South Africa has a history of social exclusion by virtue of differentiated access to employment, income, assets and education. In the present day, social exclusion affects approximately 32% of the working age population, if employment or self-employment is used as the main criterion; while digital

[1] After 2014 May General Elections, President Jacob Zuma published a proclamation dissolving the Department of Communications and transferring its administrative powers and function to a newly-created/ established Department of Telecommunications and Postal Services(Government Gazzette No. 2889). For the purposes of continuity, this BRR Report will reflect the DoC as the lead department to the new DTPS and refer to all the new entities as instructed by the Presidential Proclamation.

[2] What results have been achieved during these previous periods in the ICT sector? What do we hope to achieve in future?

[3] Sawyer *et al*, (2003)

exclusion affects more than 80% of households, if household combined mobile and Internet access is used as the main criterion.[4]

The National Development Plan (NDP) called for "100% broadband penetration[5]" and the target for the Department in the 2014/15 financial year was to implement the Digital readiness strategy focussing on regulatory, policy and legislation; Study on rationalisation of relevant ICT State-Owned Companies(SOCs); Rapid Deployment policy; Feasibility study on Wholesale Open Access Network Options etc. An imperative step by the Department towards enabling further ICT sector growth after the last 15 years was achieved through the Department's gazetting a Discussion Paper and the ICT Policy Recommendation Report by the ICT Policy Review Panel to enable government to focus sharply on the policy environment that will advance the development of the ICT sector.

2. MANDATE OF COMMITTEE

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. The Committee may also investigate any matter of public interest that falls within the ICT area of responsibility.

The Portfolio Committee on Telecommunications and Postal Services derives its mandate from the Constitution and guided by the Rules of Parliament to play an oversight role over the Department and its entities; facilitate the passing of legislation; and approve annual departmental budgets. Moreover, the role of the Committee is to consider the Budgets, Strategic and Annual Performance Plans of the Department and its entities that fall within its portfolio.

3. THE DEPARTMENT

3.1. DEPARTMENT OF TELECOMMUNICATIONS AND POSTAL SERVICES (DTPS)

3.1.1. OVERVIEW OF DTPS

The DTPS is mandated to create a vibrant ICT sector that ensures that all South Africans have access to robust, reliable, affordable and secure ICT services in order to advance socio-economic development goals and support the Africa agenda and contribute to building a better world. The

[4] Abrahams L, Burke M, Elliott L & Hero W, 2010)

[5] National Development Plan(2013)

mandate is further embedded in legislation as well as other policy frameworks. The legislative framework for the work of the DTPS is contained mainly in the:

- Electronic Communications and Transactions Act (Act No. 25 of 2002);
- Electronic Communications Act (Act No. 36 of 2006);
- Independent Communications Authority of South Africa Act (Act 13 of 2000);
- SENTECH Act (Act No. 63 of 1996);
- Postal Services Act (Act No. 124 of 1998);
- South African Post Office SOC Ltd (Act No. 22 of 2011); and
- South African Postbank Limited Act (Act No 9 of 2010).

3.2. DESCRIPTION OF CORE FUNCTIONS OF THE DEPARTMENT

The Department is mandated to perform the following issues:

- 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;
- To ensure the development of robust, reliable, secure 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;
- To 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;
- To contribute to e-Skilling the nation for equitable prosperity and global competitiveness;
- To strengthen the Independent Communications Authority of South Africa (ICASA), in order to enable it to regulate the sector in the public interest and ensure growth and stability in the sector;
- To enhance the capacity of, and exercise oversight over, State Owned Companies (SOCs) as the delivery arms of Government; and
- To fulfil South Africa's continental and international responsibilities in the ICT field.

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

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

The activities of the Department are organised in six programmes, comprising Programme 1: Administration; Programme 2: ICT International Affairs; Programme 3: ICT Policy Development, Research and Capacity Development; Programme 4: ICT Enterprise Development and SOE Oversight; Programme 5: ICT Infrastructure Support.

The Department is also responsible for seven (7) entities that report to the Minister as the executive authority. These entities are:

New Department of Telecommunications and Postal Services (Former DoC Budget Vote 27)	
Entities	SENTECH
	Broadband Infraco(BBI)
	State Information Technology Agency (SITA)
	Universal Access and Service Agency of South
	Universal Access Fund(USAF)
	.ZA Domain Name Authority(.zaDNA)
	South African Post Office(SAPO)
	National Electronic Media Institute of South Africa(NEMISA)

3.3. DURING THE 2014/15 FINANCIAL YEAR, THE DEPARTMENT FOCUSED ON THE FOLLOWING STRATEGIC PROGRAMMES:

- **ICT Policy Review**

In the current financial year, the Department was meant to take the ICT Policy Review forward by developing and publishing the draft White Paper on National Integrated ICT Policy.

- **National Development Plan[6] Focus area: Broadband**

The target for the DTPS in the 2014/15 financial year was to ensure the implementation of the following:

[6] National Development Plan(2013)

- Implement the digital readiness strategy focussing on regulatory, policy and legislation;
- Implementation plan;
- Study on rationalisation of relevant ICT SOCs;
- Rapid Deployment policy;
- Feasibility study on Wholesale Open Access Network Options;
- Cyber security hub;
- Policy directives on spectrum for broadband;
- Focus on development and implementation of an Internet Strategy;
- Implement Digital opportunity strategy focussing on innovation, entrepreneurship, Research and Development(R&D) and Skills Development

- **National Development Plan Focus area: e-Strategy**

In the 2014/15 financial year, the Department was meant to take this forward by developing and gazetting the National e-Strategy.

- **National Development Plan Focus area: Cost to Communicate**

In the 2014/15 financial year, the Department was meant to implement phase 2 of the Cost to communicate programme with regards to the 4 identified interventions aimed at price reduction, quality and expansion of services and this was going to be done in the following manner:

- Issue Policy directive on Pricing Transparency;
- Issue Policy directives on Premium Content;
- Conduct Study on National Roaming to address high cost of communications; and
- Conduct a Benchmarking study on mobile data pricing

- **2014 State of the Nation Focus area: Postbank, E-Government and Broadband**

The 2014 second State of the Nation Address (SoNA) called for a number of issues which affects the sector namely "Postbank, expand, modernise and increase affordability of ICT infrastructure"[7] and, "Cabinet adopted South Africa Connect,[8] a Broadband Policy and Strategy".[9]

The target for the DTPS was to ensure the implementation of Postbank Corporatisation[10] and the South African Post Office (SAPO) turnaround plan.

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[8] South Africa Connect(2013)

[9] Broadband Policy and Strategy(2013)

3.4. PURPOSE OF THE BRR REPORT

Section 77 (3) of the Constitution of South Africa provides for an Act of Parliament which will provide for a procedure to amend the Money Bills before it. The Money Bills Amendment Procedure and Related Matters Act, 2009 (Act 9 of 2009) thus enables Parliament to amend aspects related to tabled Money Bills.

According to section 5 of the Money Bills Amendment Procedure and Related Matters Act, the National Assembly, through its Committees, must annually asses the performance of each national Department. 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 in November of each year and should be submitted to the Minister of Finance and the relevant portfolio Minister. Therefore, the annual assessment of the Department provides the starting of the procedure for the BRRR.

The Act also requires Committees of the Assembly to annually submit the BRRR after the adoption of the Appropriation Bill and prior to the adoption of the reports on the Medium Term Budget Policy Statement (MTBPS). The BRRR and the reports on the MTBPS serve as an indication whether amendments might be proposed to the fiscal framework and the budget bills when these are introduced the following year. In fact, when the Minister of Finance introduces the National Annual Budget, a report to Parliament setting out how the Division of Revenue Bill and the national budget give effect to, or the reasons for not taking into account, the recommendations contained in the BRRR and the reports on the MTBPS.

The purpose of this report is to provide an account of the Committee work during the 2014/15 financial year. The focus will be to highlight key achievements made as well as challenges encountered as reported in the 2014/15, to establish whether the Department and its entities have achieved their aims and objectives, set out in their Annual Performance Plans, with reference to the following:

- Medium Term estimates of expenditure, its strategic priorities and measurable objectives;
- Prevailing strategic plans;
- Expenditure reports relating to such department published by National Treasury in terms of Section 32 of the Public Finance Management Act;
- Financial statements and annual reports of such departments;
- Reports of the Committee on Public Accounts relating to the department; and
- Any other information requested by or presented to a House of Parliament.

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[10] obtain approval to establish the Bank in terms of Section 12 of Banks Act; participate in the fit and proper assessment of identified Postbank Board members, in terms of the Banks Act, as well as implement

Furthermore, the report also makes reference to the previous financial years (2013/14) BRRR to ascertain whether they have been acted upon.
Finally, it summarises the observations made by the Committee after considering all necessary supporting documents, presentations and oversight visits and or public hearing before making recommendations aimed at improving service delivery.

3.5. METHODOLOGY

The newly established PC on Telecommunications and Postal Services after the 2014 National General Elections considered both the 2014/15 Annual Performance Plans (APP) of Department and entities and audit outcomes on 15-16 October 2015.

The Committee met with the Department and the following entities: SENTECH, National Electronic Media Institute of South Africa (NEMISA), State Information Technology Agency (SITA) and .ZA Domain Name Authority (.ZADNA). Prior to this prologue of the meeting, the Minister of Telecommunications had written to the Speaker of the National Assembly and the Committee requesting an extension for the tabling of the South African Post Office (SAPO) and Broadband Infraco (BBI) Annual Reports for the second consecutive financial year.

In addition, the Committee consulted various sources, in order to make objective and informed assessment and recommendations on the Department's performance during the 2014/15 financial year. The source documents consulted are:

- The 2014 State of the Nation Address (SoNA);
- The DOC and DTPS Strategic and Annual Plans 2014/15;
- The DOC and DTPS Annual Report and Financial Statement for 2014/15;
- The Strategic Plans and Annual Performance Plans of the entities that fall under the DOC and DTPS , as well as their Annual Reports and Financial Statement for 2014/15;
- Quarterly reports of the Department;
- Auditor-General of South Africa reports presented before the Committee on the audit outcomes of the Department;
- National Development Plan;
- National Treasury Section 32 Reports;
- 2013/14 BRR Report;
- 2014 Oversight Report to Gauteng and KwaZulu-Natal; and
- Committee meetings.

4. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

4.1. State of the Nation Address (SoNA)

During his second State of the Nation Address (SoNA) in 2014, President Jacob Zuma highlighted a number of issues which affect the ICT sector and these were:

- The call for government to reduce the cost of communications;
- 100 % Broadband roll-out by the year 2020;
- Postbank to play a leading role in expansion of banking services to the poor and working class;
- Government will expand, modernise and increase affordability of ICT infrastructure; and
- Adoption of South Africa Connect,[11] which is a Broadband Policy and Strategy.[12]

4.2. Contribution to the Outcomes approach (Outcomes 6) and Five Priorities of Government

In terms of the DoC and DTPS contribution towards achieving the 5 Priorities of Government, which are creating decent work, health, education, fighting corruption and combating crime and rural development, during the 2014/15 financial year, it implemented the following:

Education: The Department finalised the Broadband Strategy and Plan-*SA Connect* in December 2013. One of the focuses of the Broadband Strategy is to connect schools and educational institutions. The Broadband Strategy has specific targets related to the education system. During year under review a total of over 90 **schools were connected.**

SENTECH reported that it had **connected 14 schools** across provinces for the period under review;

SITA reported that it had connected **11 schools** across provinces for the period under review;

USAASA reported that it had **connected 65 schools across** provinces for the period under review;

Job Creation:

The Department presented a value proposition on how broadband can contribute to job creation, skills development and innovation, thus contributing to the African Union Commission Agenda (AU 20630) and Programme Infrastructure Development for Africa (PIDA2063) Agenda, of creating as self-sufficient, industrial knowledge society.

[11] South Africa Connect(2013)

[12] Broadband Policy and Strategy(2013)

The establishment of the ICT Charter Council was not achieved as per the initial APP of meeting the Department of Trade and Industry's deadline of 01 April 2015. The Department aimed to finalise the appointment of council members by the middle of June 2015, which was not achieved.

This year, SITA ensured that 60 students (40 female and 20 male) were given the opportunity to further their Information Communication Technology (ICT) studies at recognised higher learning institutions, while 208 interns were employed across the agency (against the initial target of 200 interns)

Health: The Broadband Strategy and Plan commonly referred to as SA Connect targets hospitals, clinics and health institution. USAASA has connected over 21 clinics in North West and Northern Cape respectively

Fighting Crime:

The Department established a Virtual Cybersecurity Hub, which offers services inclusive of alerts and warnings; announcements; incident handling; incident response support and security related-information dissemination. However, the Virtual Cybersecurity Hub will be launched in the 2^{nd} quarter of 2015/16 financial year after piloting and commissioning has been completed.

Rural Development: 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.

During the 2014/15 financial year, SENTECH provided FM Broadcasting Signal Distribution (BSD) to 16 new community radio stations. Sentech also provided broadband connectivity to the 105 community broadcasters and linked them to the Parliamentary Audio Channel

Other initiatives include USAASA's broadband rollout network for Joe Morolong in the Northern Cape and Ratlou in the North West local Municipalities respectively. These two network upgrades and extensions were a combination of fibre and wireless deployments yielding speeds of no less than 10Mbps.[13] The Agency was able to deploy well beyond expectation; an additional nine (9) schools and an additional twenty one (21) clinics over and above what was planned and budgeted for.

4.3. NATIONAL POLICY FRAMEWORKS

Discourse around digital divide typically refers to socio-economic inequalities in access to and use of ICTs. The assumption is that use of such technologies, particularly the Internet, might results in several beneficial outcomes and that non-use excludes people from full participation in contemporary society. In the past decade, digital divide discussions have moved from the use or non-use, to a

[13] Radebe, P.(2015) Foreword by the Chairperson, pg 12

nuanced recognition of different types of access, motivation, skills and Internet use in a discourse that centres on digital inclusion and inequality.[14]

Internet access is now considered in terms of quality, ubiquity, and mobility.[15] It is important to stress that tangible outcomes result from the combination of all these components in South Africa and the rest of the world. There are 12,3 million adults in South Africa (aged 15 or older) who now use the Internet- one in three of the population. Internet use has more than doubled in the last four years. If this rate of growth is maintained, then more than half of the population will be online by end of 2015 and more than two thirds could be online by 2016.

At the same time, National Development Plan, 2014 State of the Nation Address by President that pronounced 100 % connectivity in South Africa by 2030. Therefore, as the Internet and Broadband makes its full weight felt in more high-impact areas such as healthcare, education and government services, access to digital services will only become more essential for everyone in the years to come.

4.3.1. The National Development Plan (NDP*)*

Government has a number of key policies and these include the long-term plan, the NDP, which aims to eliminate poverty and reduce inequality by 2030. In addition, it identifies the ICT sector as one of the main contributor to job creation by reducing the cost to communicate, as well as putting policies and regulations. Chapter Four of the NDP, entitled *Economic infrastructure- the foundation of social and economic development* focuses on three pillars where the ICT sector has a critical role. These are:

- South Africa needs to maintain and expand its telecommunications infrastructure in order to support economic growth and social development goals;

- Social services and wage goods should be affordable so that the majority can achieve decent standard of living; and

- There should be channels to influence factors that influence citizens well-being

4.3.2. The Strategic Integrated Plan(SIP) 15

[14] van Dijk (2005),

[15] Helsper, (2012).

The aim of SIP 15 is ensure 100% access to digital ICT's to all South Africans by 2020 as a driver of new economic opportunities and digital equity.[16] Some of SIP 15's interim Implementing Agencies, includes: Sentech, Broadband Infraco (BBI), Telkom, South Africa National Road Agency Limited (SANRAL), Eskom, Transnet, Universal Service and Access Agency of South Africa (USAASA) and the private sector.

4.3.3. Medium Term Expenditure Framework

The BRR Report also includes the assessment of performance and is guided by the Medium Term Expenditure Framework (2014-2019).

4.3.4. National Broadband[17] Policy

South Africa Connect, the national broadband policy and the associated strategy and plan, gives expression to South Africa's vision in the National Development Plan (NDP) of "a seamless information infrastructure by 2030 that will underpin a dynamic and connected vibrant information society and a knowledge economy that is more inclusive, equitable and prosperous". In this regard, the Department contributes to the development of an efficient, competitive, and responsive economic infrastructure network (outcome 6) by developing ICT policies and legislation as well as overseeing the operation of public entities within the sector.

5. STRUCTURE OF PROGRAMMES IN 2013/14 AND 2014/15 (IF THERE ARE ANY CHANGES AFTER THE ELECTIONS)

During the 2014/15 financial year, the Department had five programmes; Programme 1: Administration; Programme 2: International Affairs; Programme 3: Policy, Research and Capacity Development; and Programme 4: Broadcasting and Communications Regulations and Support; as well as Programme 5: ICT Infrastructure Support. The Programmes were supported by the Regulator and six entities SENTECH, National Electronic Media Institute of South Africa,(NEMISA) Universal Access Agency of South Africa (USAASA), South African Broadcasting Corporation (SABC), Independent Communications Authority of South Africa (ICASA); South African Post Office (SAPO) and ZA Domain Name Authority (Zadna).

However, the aforementioned administrative powers and functions of the Departments and entities would not remain as is in the fifth Parliament. On 07 May 2014, upon his re-election into Office,

[16] SIP 15

President Jacob Zuma pronounced that the Ministry of Communications will now be divided into two ministries, namely:

- Ministry of Communications is headed by Minister Faith Muthambi; and
- Ministry of Telecommunications and Postal Services headed by Minister Dr Siyabonga Cwele.

The appointment of the Executive by the President on the 26 of May 2014 (President's Act No. 135 and No. 136) various administrative and legal steps were taken to give effect to the new Executive portfolios. The National Macro Organisation of the State (NMOS) Steering Committee was established comprising the Director General: Presidency as the Chairperson, Directors General of all affected Departments; the Department of Public Service and Administration, National Treasury, Government Communication Information System and Department of Public works.

The MNOS process is limited to giving effect to the Presidential proclamations regarding the establishment of a new or amended Executive portfolio, the remaining and establishment of new departments, and the transfer of the legislation between Ministers in terms of the Constitution. In this regard the following has happened;

- The President issued Proclamation No. 43 of 8 July 2014 to amend Schedule 1 of the Public Service Act to establish new and renamed Departments;

- A second Proclamation was issued Proclamation No. 47 of 15 July 2014 to transfer the administration of legislation and entities from one Minister to Another in terms of section 97 of the Constitution;

- Proclamation No. 27 of 26 September 2014) was gazetted to transfer powers and functions entrusted to the Minister of Public Enterprises by the Broadband Infraco Act, 2007 to the Minister Telecommunications and Postal Services;

- The MNOS process was to be concluded by October 2014; and

- Practically the GCIS became a new Department of Communications with its Vote and the current Department of Communications became the Department of Telecommunications and Postal Services.

In terms of transfer of functions and entities to new Department the following is worth noting:

- Government Communications and Information System functions;

- ICASA moves from 'old' Department of Communications to New Department of Communications;

- SABC moves from ‘old’ Department of Communications to new Department of Communications;

- Broadband Infraco moves from Department of Public Enterprises to new Department of Telecommunications and Postal Services;

- State Information Technology Agency (SITA) moves from Department of Public Service and Administration to new Department of Telecommunications and Postal Services;

- USAASA moves from ‘old’ Department of Communications to new Department of Telecommunications and Postal Services;

- NEMISA moves from ‘old’ Department of Communications to new Department of Telecommunications and Postal Services;

- Universal Service Fund moves from ‘old’ Department of Communications to new Department of Telecommunications and Postal Services;

- SENTECH moves from ‘old’ Department of Communications to new Department of Telecommunications and Postal Services; and

- South African Post Office Limited moves from ‘old’ Department of Communications to new Department of Telecommunications and Postal Services.

6. Evaluation of Response by the Department and Minister of Finance

In tabling the MTBPS in 2014, the Minister of Finance raised the following generic issues and agreed with recommendations made by all Committees’ BRR Reports:

- The urgent need to fill vacant positions, especially at senior management level and in critical or priority;
- The Department should institute indicators and targets that are SMART-Specific, measurable, achievable, realistic and time-bound;
- Performance targets should be aligned with budgets and organisational structures;
- Stricter adherence to the PFMA and National Treasury regulations;
- Supply Chain Management needs to be improved;
- Department must address concerns raised by the Auditor-General;
- Improved cooperation across government;
- Fraudulent or unethical behaviour should be eradicated;

- Staff should be made accountable for unauthorised, irregular, fruitless and wasteful expenditure;
- Internal audit functions and governance structures should be adequately capacitated;
- The funding arrangements of government entities should be reviewed;
- Information and Communication Technology should be upgraded;
- Issues raised in the previous BRR Reports should be addressed;
- Performance agreements should be in place for staff at all departments;
- Mechanisms are needed to monitor and evaluate government programmes; and
- On Emergency Call Centre; Both Ministers of Finance and of Telecommunications and Postal Services met, and noted the consistent underspending on the 112 Emergency Call Centre and agreed that its funding should be reprioritised towards Digital Migration Strategy and Broadband planning. Broadband places significant pressure on the department's budget.

7. 2014/15 Committee Budget Report

On 01-08 July 2014, the Committee considered the Strategic Plan of the DTPS and its public entities for the 2014/15 financial year, and it was satisfied with the Strategic Plans 2014 – 2019 and Annual Performance Plans for 2014 – 2015 of the Department, USAASA,.ZA Domain Name Authority; SAPO, SENTECH, ICASA and INeSI. The Committee, however, recommended that the Minister:

(i) Ensure DoC and all its entities fill all funded vacant positions especially those at Senior Management Service (SMS) level;

(ii) Ensure the finalisation of new policy directive on Transparency Pricing Policy to an effort to deal with the cost of communications;

(iii) Ensure the finalisation of new policy directive National Spectrum Policy that will support the digital dividend;

(iv) Ensure that sub-programmes, Research, Market and Economic Analysis are allocated sufficient resources;

(v) Submit a detailed report with timelines on how to address negative audit findings by the Auditor-General of South Africa (AGSA) in the past financial years, as well as in both the Budgetary Review and Recommendation Reports (BRRRs) and the fourth Parliament's Legacy Report;

(vi) Should ensure that the mandate and funding of SABC, funding model and budget of SAPO and funding of ICASA are reviewed;

(vii) Should ensure that all entities include timeframes against their targets;

(viii) Ensure that the Department and its entities have existing Disaster Recovery Plans;

(ix) Ensure that USAASA mandate is reviewed to be in line with the modern broadband and data services; and

(x) Ensure that INeSI develops new marketing strategy to ensure that more people are aware of the e-skills initiative.

8. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

Budget Allocation of the Department of Telecommunications and Postal Services

	2013/2014	**2014/15**
Administration	R 212.00	R 237.50
International Affairs	R 36.60	R 45.60
Policy, Research and Capacity Development	R 88.90	R 111.30
ICT Enterprise Development and SOE Oversight	R 759.00	R 786.60
ICT Infrastructure Support	R 1 275	R 1 055.50
Total	**R 2 372.10**	**R 2 236.60**

The Department programmes comprised the following:

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*

8.1. Entities of the DTPS reporting to the Committee

The Department has seven (7) State-Owned Companies (SOCs) that report to Parliament via the Minister of Telecommunications and Postal Services/Department of Communications.

Name of Entity	**Mandate of Entity**

Sentech	To provide the Electronic Communications and Electronic Communications Network Services as stipulated in the Electronic Communications Act No 36 of 2005.
Ikamva National e-Skills Institute (iNeSI)-launched in February 2014	A merger between the former National Electronic Media Institute of South Africa (NEMISA), Institute for Satellite and Software Applications (ISSA) and the e-Skills Institute. All were entities of the Department which were merged in order to address existing overlaps and avoid duplication and undue competition within the Department. iNeSI is a national collaborator and facilitator to develop e-skills within the country for equitable prosperity and global competitiveness. A multi-stakeholder collaborative network ensures impact.
Universal Service and Access Agency of South Africa (USAASA)	USAASA is established in terms of an Act of Parliament. The existence, functions, duties and mandate of the Agency are governed by sections 80 – 91 of the Electronic Communications Act No 36 of 2005 ("the EC Act") which came into operation on 19 July 2006. ASAASA promote the goal of universal service access and construct infrastructure in under-serviced areas.
.za Domain Name Authority	The za Domain Name Authority (za.DNA) was established to assume responsibility for the za Domain Name Space. The entity was established in terms of Chapter 10 of the Electronic Communications and Transaction Act(ECTA), 2002
South African Post Office (SAPO)	To provide affordable and accessible postal and financial services to South Africans.
State Information Technology Agency Act (SITA)	To provide for the establishment of a company that will provide information technology, information systems and related services to, or on behalf of, participating Departments and in regard to these services, act as an agent of the South African Government; and to provide for matters connected therewith.

Broadband Infraco (BBI)	To provide for the main objects and powers of Broadband Infraco (Proprietary) Limited; to provide for the borrowing powers of Broadband Infraco (Proprietary) Limited; to provide for servitudes and additional rights in favour of Broadband Infraco (Proprietary) Limited; to provide for the expropriation of land or any right in land by the Minister on behalf of Broadband Infraco (Proprietary) Limited; to provide for the conversion of Broadband Infraco (Proprietary) Limited; into a public company having a share capital incorporated in terms of the Companies Act, 1973; and to provide for matters connected therewith

8.1.1. Telkom

In addition to the State-Owned Companies mentioned above, Telkom historically evolved as part of the then Department of Posts and Telecommunications that existed prior to the demise of Apartheid. It is now a listed company on the Johannesburg Stock Exchange (JSE). Government is a majority shareholder. As at 31 March 2011, the shareholding structure at Telkom was:

- Government 39.8 %;
- Public Investment Corporation 10.9 %;
- Telkom Treasury 2.0 %; and
- Free Float 47.3 %.

8.2. DEPARTMENT'S FINANCIAL PERFORMANCE 2014/15

8.2.1. Programme 1: Governance and Administration – R237.5 million

The purpose of this programme is to provide strategic support to the Ministry and overall management of the Department.

In the 2014/15 financial year, programme one has been allocated R 237.5 million compared to R212.0 million in the previous financial year. This programme's amount constitutes about 14 % of the overall allocation. In terms of the Nominal Rand change though, this allocation increased only by R 300 000 or 0.14 %.

From a total allocation of R 237.5 million under programme 1, R226.6 million was spent which represents 95.4% expenditure as well as a regrettable under-expenditure of R10.8 million under this programme.

8.2.2. Programme 2: International Affairs – R45.6 million

The purpose of this programme is to ensure alignment between South Africa's international activities and agreements in the ICT sector and the country's foreign policy. It has since become a norm for this programme as evidenced by the three financial years when it is allocated the least amount, which constitutes an average of 2 % of the total budget.

In the current financial year programme 2 is allocated R45.6 million compared to the previous year's adjusted allocation of R36.6 million. From a total allocation of R 45.6 million, R45.4 million was spent which represents 99.5 % expenditure as well as an under-expenditure of R236 000 under this programme.

8.2.3. Programme 3: Policy, Research and Capacity Development – R111.3 million

The programme develops legislation that supports the development of an ICT sector that creates favourable conditions for accelerated and shared growth of the economy. It also develops strategies that increase the uptake and use of ICTs by the majority of the South African population in order to bridge digital divide.

The Policy, Research and Capacity Development programme receives 6.15 % of the total budget and has been allocated to DoC R98.0 million compared to the previous financial year adjusted allocation of R88.9 million.

From a total allocation of R111.3 million under programme 3, R78.1 million was spent which represents 70.2 % expenditure as well as an under-expenditure of R33.1 million under this programme

8.2.4. Programme 4: This programme known in the outer year as Broadcasting and Communication Regulation Support has been altered to: ICT Enterprise Development and SOE Oversight – R786.6 million

The purpose of this programme is to oversee and manage government's shareholding interests in the ICT public entities. This programme also facilitates growth and development of Small Micro Medium Enterprises (SMMEs).

In the last financial year, the programme was allocated the most funds which constituted 45 % of the total Communications budget. During the 2013/14 financial year it was allocated R759.0 million compared to the 2014/15 allocation of R786.6 million. The shortfall is due to the shifting of functions, and activities which initially belonged to programme 4 before some of its sub-programmes and functions were moved to other programmes and therefore shifting of functions was accompanied by the financial allocation in those functions.

From a total allocation of R786.6 million under programme 4, R785.7 million was spent which represents 99.9 % expenditure as well as an under-expenditure of R821 000 under this programme.

8.2.5. Programme 5: ICT Infrastructure Support – R1 .05 billion

The purpose of this programme is to promote investment in robust, secure and reliable ICT infrastructure that supports the provision of a multiplicity of applications and services.

This programme has received the largest allocation from the Department's total budgets of R2.2 billion. During the 2013/14 financial year it was allocated R1.27 billion compared to the 2014/15 allocation of R1.05 billion.

From a total allocation of R1.05 billion under programme 5, R1.0 billion was spent which represents 99.1 % expenditure as well as an under-expenditure of R9.8 million under this programme.

8.3. FINANCIAL ALLOCATION TO ENTITIES OF THE DEPARTMENT OF COMMUNICATIONS AND DEPARTMENT OF TELECOMMUNICATIONS AND POSTAL SERVICES

The following shows the transfer of funds to entities and agencies reporting to the Minister of Communications and the ICT regulatory authority.

8.3.1. South African Post Office (SAPO) – R00[18]

SAPO is a schedule 2 public entity in terms of the PFMA. It is a government business enterprise established to provide postal and related services to the public, and derives its mandate from the South African Post Office SOC LTD Act (Act 22 of 2011) and the South African Postbank Limited Act (No 9 of 2010). The Postal Services Act (Act 124 of 1998) grants SAPO the exclusive mandate to conduct postal services. This Act further makes provision for the regulation of postal services and the operational functions of the postal company, including Postbank's universal service obligations and associated financial services.

SAPO's strategic goals over the medium term are to:

[18] In 2014/15 financial year and in the outer financial years, government decided not to fund the Universal Service Obligation(allocation) to SAPO

- Maintain good corporate governance principles;
- Remain customer centric by providing quality services;
- Invest in employees by building capacity and implementing transformation programmes;
- Attain financial sustainability while delivering on government's social mandate;
- Provide affordable postal and related services that meet the needs of customers;
- Remain environmentally conscious by promoting green practices;
- Provide a secure, efficient and integrated infrastructure for better responses to its stakeholders; and
- Continue the corporatisation of Postbank and the upgrading of its banking system.

In addition, the key focus areas will be on: property evaluation, balance sheet structure, funding solutions, capital adequacy, implementation of turnaround plan, and Postbank Corporatisation.

8.3.2. Sentech – R138.8 million for Digitisation

Sentech Limited is an SOE established in terms of the Sentech Act (Act 63 of 1996) and is listed as a schedule 3B public entity in terms of the PFMA. Its mandate is to provide broadcasting signal distribution for broadcasting licensees, with a particular focus on accelerating the implementation of government ICT interventions within the framework of the NDP and the strategic integrated project for expanding access to communication technology.

Sentech's strategic goals over the medium term are to:

- Align its strategic roadmap with shareholder programmes to enable the development of open access government participation in the communications industry through infrastructure based investment;
- Continue working to support and realise government's ICT vision and goals, including innovation in broadcasting and media services and content management distribution;
- Create solutions that enhance the customer experience and are in line with government's mandate of providing all citizens with access to communication services; and
- Repackage social responsibility interventions and create community social investment ICT programmes that improve lives, create value and are sustainable.

8.3.3. Universal Service and Access Agency of South Africa – R65.3 million and USAF R49.9 million

USAASA was established in terms of section 80 of the Electronic Communications Act (ECA) (2005) as a statutory body and is listed as a schedule 3A public entity in terms of the PFMA (1999). Its sole mandate is to promote universal service and access to electronic communication services, electronic communications network services and broadcasting services.

In order to contribute to the achievement of government priorities and outcomes; USAASA is to pursue the following strategic goals over the medium term:

- Facilitate the rollout of broadband infrastructure in the 250 identified underserviced areas;
- Ensure that all identified needy households are subsidised in the switch to digital broadcasting;
- Ensure the effective and efficient administration of the USAF;
- Enhance the strategic and operational capacity of the agency and maintain good corporate governance;
- Facilitate connectivity in primary health care facilities and government institutions; and
- Facilitate connectivity in all schools, including schools for people with disabilities.

8.3.4. National Electronic Media Institute of South Africa(NEMISA)– R 37.9 million and R6 million for e-Skills

The Broadcasting School of South Africa was established in 1988 as section 21 Company in terms of the Companies Act to deliver requisite skills for the broadcasting industry (radio and Television. In 2001, the school was renamed National Electronic Media Institute of South Africa (NEMISA) and was re-launched in 2006 to include qualifications in animation and graphic design. The entity was established as a non-profit institute in terms of the Companies Act (1973) and is listed as a schedule 3A public entity in terms of PFMA (1999).

Formed as part of government's initiative in 1998 in response to the White Paper on Broadcasting Policy, the institute's main purpose is to train previously disadvantaged individuals, particularly women, to equip them with the necessary skills to play significant roles in the constantly changing broadcasting environment.

In contribution to this broader mandate of DTPS, NEMISA provides much needed skills training at an advanced level for the broadcasting industry. It is accredited by the Council for Higher Education and offers diploma courses, short courses and internships in three subjects: TV production, radio production and creative multimedia.

In the 2013/14 financial year, the Department merged NEMISA with e-Skills and ISSA into a single entity called Ikamva National e-Skills Institute (iNeSI). The following are the strategic objectives of NEMISA:

- Transforming NEMISA into a technology, research, training and development Centre of Excellence on ICT**;**
- Ensuring financial viability and institutional sustainability;

- Having a secure, efficient and effective organisation with key outcome; high performance organisation;
- Improving and aligning stakeholder and strategic partnerships both internally and externally; and
- Expanding the accessibility and reach of NEMISA's product offerings with **key** outcomes; a recognised training institution of choice from all over South Africa.

8.3.5. SABC (R97 million for Public Broadcaster) and R47 million for SABC Channel Africa) R44 673 million and ICASA - R376 million

During the 2013/14 financial year, both ICASA and SABC were transferred to GCIS. As a result, the Portfolio Committee on Communications established after the 2014 general election will reflect on the Annual Reports and Financial Statements of the entity and the regulator for 2013/14 in its BRR Report.

8.3.6. za Domain Name Authority – R00

The za Domain Name Authority (za.DNA) was established to assume responsibility for the za Domain Name Space. The entity was established in terms of Chapter 10 of the Electronic Communications and Transaction Act (ECTA) 2002. Since the 2012/13 financial year no amount has been allocated to the entity.

9. NEW ENTITIES THAT JOINED THE DEPARTMENT OF TELECOMMUNICATIONS AND POSTAL SERVICES AS A RESULT OF THE PRESIDENTIAL PROCLAMATION

9.1. State Information Technology Agency - No allocation from Programme 4 of Vote 11: Department of Public Service and Administration[19]

The government of the Republic of South Africa is the sole shareholder of the State Information Technology Agency SOC Limited (SITA), and the shareholder representative is the Minister. A shareholder performance compact is concluded annually between SITA and its shareholder that details the agreed key performance objectives and indicators for the organisation.

SITA was established in 1999 to consolidate and coordinate the South African Government's information technology resources to achieve cost savings through economies of scale, increased delivery capabilities and to enhance the interoperability system. SITA is committed to leveraging Information Technology (IT) as a strategic resource for government, managing the IT procurement

[19] SITA is registered a schedule 3A Company, therefore the Agency does not receive any funding from government and is self-sustaining.

and delivery process to ensure that government receives value for money, and using IT to support the delivery of e-government services to all.

SITA is governed by the founding State Information Technology Agency Act (Act 88 of 1998), as amended by the SITA Act of 2002 (Act 38 of 2002). Section 6 of the Act states the following as the objectives of the agency:

- To improve service delivery through the provision of information technology, information systems and related services in a maintained information system security environment to government departments and public bodies; and

- To promote the efficiency of government departments and public entities through the use of information technology. In addition, the Act separates SITA's services into mandatory services (services that SITA must provide) and non-mandatory services (services that SITA may provide). The agency's strategic goals over the medium term are to:

  - Significantly improve service delivery to its client;

  - Prioritise citizen-focused projects;

  - Attain best practice in people management and leadership;

  - Overhaul internal and external communications to improve transparency, visibility and image; and

  - Build an appropriate organisational structure and team to achieve its strategic objectives.

9.2. Broadband Infraco – R0 00 (No Allocation from Vote 12: Department of Public Enterprises)

Broadband Infraco SOC Limited (BBI) is a state-owned company (SOC) in the telecommunications sector intended to improve market efficiency in the long-distance connectivity segment by increasing available long-distance network infrastructure and capacity to stimulate private sector development and innovation in telecommunications services and content offerings, as well as to provide long-distance national and international connectivity to previously under-serviced areas. Broadband Infraco is majority owned by government with 74 % while the Industrial Development Corporation owns the remaining 26%.

Broadband Infraco was created as an SOC in 2007 to provide Information Communication Technology (ICT) infrastructure and broadband capacity. In October 2009, the company obtained an

Individual Electronic Communications Network Services (I-ECNS) licence and launched commercially in November 2010 in order to broaden its customer base to other licenced operators.

Expenditure Trend of the Department for 2014/15

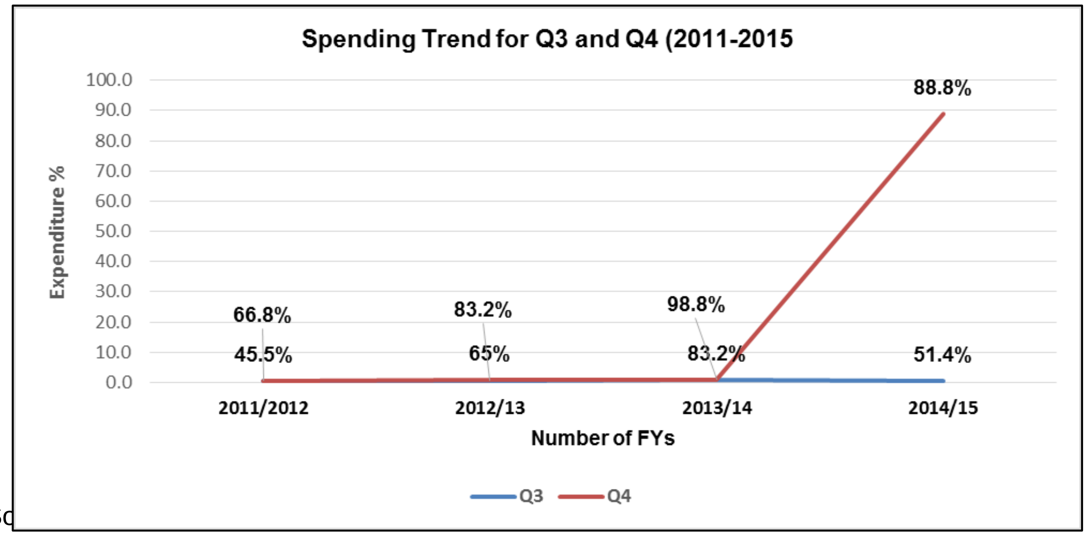
The under collection of revenue is mainly on the dividends received by the Department. There was a decrease in the dividends declared by VODACOM for the 2014/15 financial year as compared to the dividends declared in the 2013/2014 financial year. Dividends declared in the 2014/15 financial year decreased by R41,317 million as compared to the previous financial year, whereas the Department had anticipated an increase.

The Department's final allocation for the 2014/15 financial year amounted to R2.237 billion, which is made up of a base line of R1.593 billion and an adjusted estimates allocation of R643.2 million. The adjusted estimates include R551 million to the Universal Service and Access Fund for set top boxes and antenna costs and R69 million to Sentech for dual illumination.

The Department has spent R2,182 billion from the adjusted budget of R2,237 billion with the spending rate of 97.5%, which is 2.1% less than the previous year's expenditure. The underspending is mainly under the compensation of employees and goods and services due to the delay in filling vacant positions and the non-implementation of the Digital Terrestrial Television awareness campaign which emanated from the prolonged engagement between the former Department of Communications and the service provider. This project was also put on hold due to the Presidential Proclamation No 37839 of 15 July 2014 which approved that the administration of the Broadcasting Act (No 4 of 1999) be transferred to the new Department of Communications.

10. 3RD QUARTERLY SPENDING TREND OF THE DEPARTMENT (2009/10 - 2014/15)

Table 1 on: Expenditure Trends for 2011/12 - 2014/15 – Third and Fourth Quarter Expenditure



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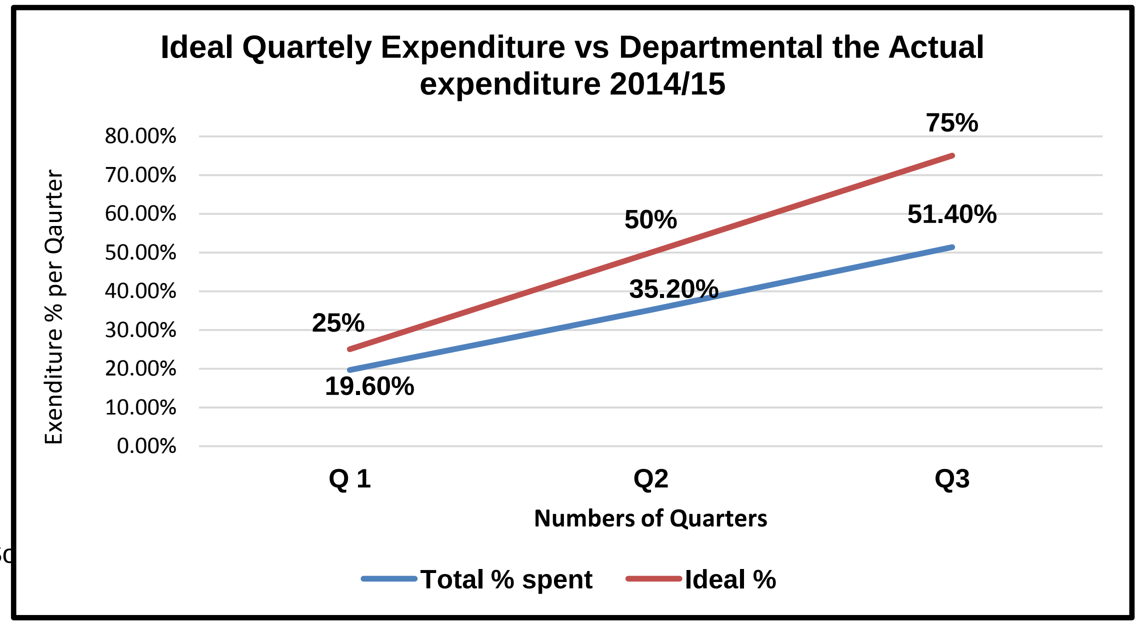
During the previous financial years (2011/12 and 2012/13), the DoC was identified as reflecting unbalanced expenditure patterns by underspending significantly in the first nine months of the financial year and then spending large amounts of the budget in the last quarter of the financial year. The graph below highlights that an expenditure trend or fiscal dumping of the department in the last 2 quarters which are by their nature very short, December holidays, people take leave etc.



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Graph 2 above: shows: Expenditure Trends for 2009/10-2013/14 – Third Quarter Expenditure

The graph above shows that the Department of Communications spent between R99.8 million (19.6%); R179.1 million (35.2%) and R271.8 million (51.4%) from quarter 1 to quarter 3.[20] It must, however, be noted that the Department was always short of meeting the National Treasury benchmark[21] that requires government departments to spending at least 25% in each quarter, which means the 3rd quarter expenditure (September-December 2014) should have been at 75% and not 51.4% to avoid a spike or fiscal dumping in the fourth quarter (January-March 2015).

11. DEPARTMENT OF COMMUNICATIONS ADJUSTMENTS FOR 2013/14

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

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[20] National Treasury (2014-2015)

National Treasury benchmark(2006)

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 Public Finance Management Act provides that "the amount of a saving under a main division of a vote that may be utilised and may not exceed 8% 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 other institutions; and (iii) an amount appropriated for capital expenditure to defray current expenditure.

During the year under review, virements was effected from all programmes except programme 1. This is mainly due to savings being realised from different items in different programmes to defray excess expenditure on all programmes and items. Virement was done in accordance with section 43 of the PFMA.

11.1. Rollovers

A request was made to National Treasury in terms of section 30 of the PFMA, as well as the applicable guidelines to roll-over the unspent funds on goods and services. A roll-over of R11.3 million was submitted to finalise the projects that were in progress. A rollover request of R22 million under goods and services was also submitted as deviation for the funds to be allocated to the new Department of Communications to implement the Digital Terrestrial Television (DTT) awareness campaign due to the function shift in line with the Presidential Proclamation No 37839 of 15 July 2014.

12. SUMMARY OF KEY ISSUES CONTAINED IN REPORTS OF FINANCE APPROPRIATION COMMITTEES

12.1.1. Standing Committee on Appropriations

The Department did not appear before the Standing Committee on Public Accounts (SCOPA) 2014/15 financial year.

12.1.2. Financial and Fiscal Commission Recommendations to the Department

In September 2004, the Department of Basic Education was the first government department to publish a White Paper on e-Education which sought to ensure that

> *"every South African learner in the general and further education and training band will be ICT capable (that is, use ICTs confidently and creatively to help develop the skills and knowledge*

they need to achieve personal goals and to be full participants in the global community) by 2013."

This policy goal is supported by the Information Society and Development (ISAD) Plan of the Department of Communications 2006, which gives e-education as one of three priorities. Paragraph 4.1.1. of the Strategic Plan of the Department states:

The education systems of this country, therefore, have an obligation to support the development of a citizenry that can actively participate in this new (information) society and deliver on public expectations of delivering quality education for economic growth and social development . Two of the main targets for e-education are:

- All schools connected and using ICT for teaching and learning; and
- All provinces have budget allocations for e-education.

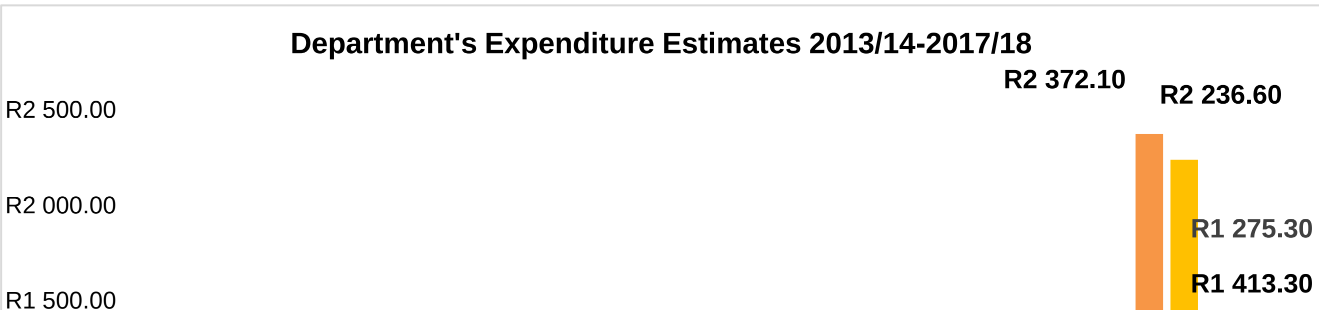
According to the Financial and Fiscal Commission (FCC), there are 24 861 public schools in South Africa with almost 12.1 million learners. Most of these learners and schools have not yet benefited from the White Paper on School Connectivity. Based on this and in light of the 10-year anniversary of the White Paper on e-education which stipulated that all schools should be connected in 2013. The FCC put different financing and non-financial proposals to all stakeholders.

12.1.3. FCC recommendations

- South African government needs to find long-term, sustainable ways of financing e-learning in government schools;
- The assumptions of the e-education model (physical buildings, desktop and laptop computers) can be amended towards a much less costly infrastructure approach and a stronger e-education approach (tablet-type devices and content);
- Requirement for explicit budget allocations for e-education at national and provincial levels;
- Supporting strategies and funding from institutions such as the DoC, ICASA, telecoms operators; and
- Building public accountability for policy implementation into the education ecosystem.

12.2. 2016/17 MTEF FINANCIAL ALLOCATIONS OF THE DEPARTMENT

The graph below shows the summary of funding submissions to National Treasury for the 2016/17 MTEF:



13. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

Overview of the Vote allocation and spending

13.1. Financial Performance of the Department for 2013/14

During the 2013/14 financial year, the DoC and DTPS received a total budget allocation of R2 billion which excludes the adjustment appropriation. During the adjustment period, the Department received R328.2 million. The final allocation amounts to R2.3 billion, which represents a nominal increase of R717.1 million or 43% from the 2012/13 financial year.

The actual expenditure amounted to R2.3 billion, representing 99.6% of the allocation spent by the Department. However, in the process the Department has recorded an under-expenditure of R9.3 million or 0.2% compared to the previous years' R3.8 million under-expenditure. The under-expenditure relates to Programmes 1, 3 and 4. It should be noted that Programme 2: International Affairs overspent its allocation by R4.7 million. Programme 5: Infrastructure Support continued to spend all its allocation, including the previous financial year. However, as was the case in the previous financial year, not a single programme achieved all set targets.

Overall, the DoC achieved a total of 17 targets or 51 % of the 28 planned targets. These included partially achieved targets.

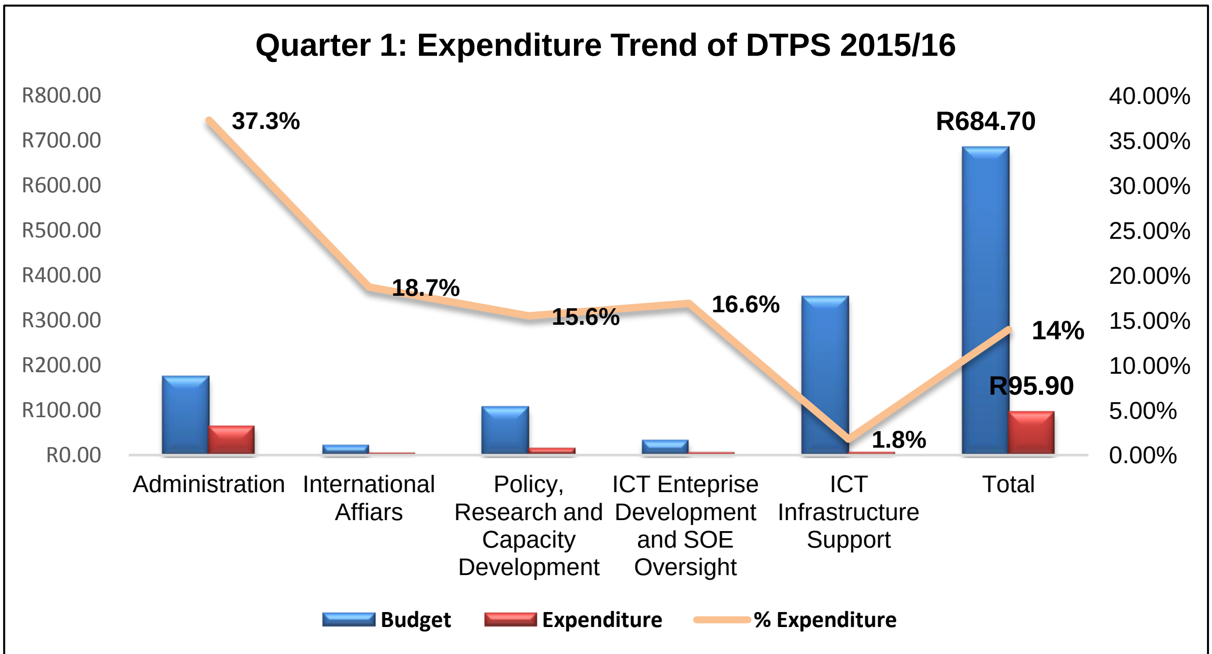
13.2. Financial Performance of the Department for 2014/15

In the 2014/15 financial year, the Department's final allocation amounted to R2.237 billion, which is made up of a base line of R1.593 billion and adjusted estimates allocation of R643.2 million. The adjusted estimates include R551 million to the Universal Service and Access Fund for set top boxes, antenna cost, R69 million to Sentech for dual illumination. Sentech and Telkom was reimbursed R23.2 million for expenses incurred for services provided during the funeral of the former President Nelson Mandela.

The Department spent R2,182 billion from the budget of R2, 237 billion with the spending rate of 97.5%, which is 2.1% less than the previous year's expenditure. The underspending is mainly under compensation of employees and goods and services due to the delay in filling vacant positions.[22] The total amount of R54.981 million was recorded as underspending for the 2014/15 financial year. Underspending of funds happened mainly in programme 3: ICT Policy, Research and Capacity Development (R33.164 million). This is followed by Administration (R10.884 million) and ICT Infrastructure Development (R9.876 million).[23]

Overall, the Department achieved a total of 8 targets or 28% of the 29 planned targets. This included partially achieved targets.

14. SUMMARY OF THE 2015/16 FIRST QUARTER BUDGET AND EXPENDITURE OF THE DEPARTMENT



14.1. Overview of the Department's Quarter One 2015/16 spending patterns

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[22] Department of Communications(2015) Annual Report, pg, 13

[23] Ibid

The Department of Telecommunications and Postal Services has a 2015/16 available appropriation of R1.4 billion. This is a new department which was established on 1 April 2015. The Department has an available budget of R684.7 million for operations. Of this, it has spent R95.9 million, or 14%, the majority of which has been used on goods and services and compensation of employees. Fourteen per cent is 5% worse than the 19% spent in the previous financial year. The Department's expenditure, however, should be in line with the benchmark of 25% expenditure per quarter, where possible, to minimise a spending in the last quarter which is normally referred to as fiscal dumping.

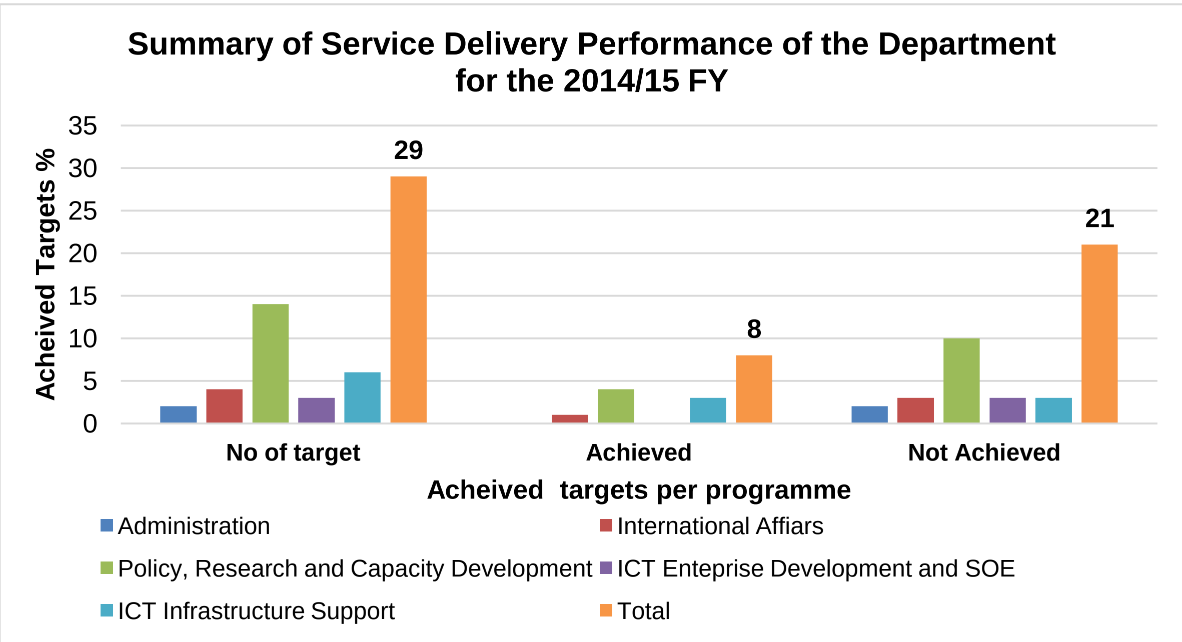
Transfers and Subsidies

Transfers and subsidies account for R728.6 million of the available budget and of this amount the department has so far transferred R354.3 million, or 48.6%, mainly to departmental agencies and accounts. An amount of R115 million was transferred to USAASA for its operations (R17 million) and for the Distribution and Project Management Costs (R98 million associated with the Broadcasting Digital Migration Project (BDM); R28 million to Sentech for Dual Illumination costs; R11.8 million to NEMISA for its operations; R174.5 million to USAF for its operations (R24.5 million) and the payment of subsidies for the Broadcasting Digital Migration Project (R150 million) as well as R28.4 million to the South African Post Office (SAPO) as a subsidy to implement a new delivery model to meet its universal service obligations.

Operational expenditure

The largest element of operational expenditure to the end of quarter 1 in 2015/16 was R64.7 million spent under the Administration programme mainly on goods and services and compensation of employees. The next largest element was R15.4 million under the Policy, Research and Capacity Development programme, followed by R6.5 million under the ICT Infrastructure Support programme, again primarily for goods and services and compensation of employees. Spending under these programmes cannot be compared to the previous financial year because DTPS was established effectively in the 2015/16 financial year.

14.2. SERVICE DELIVERY PERFORMANCE FOR 2013/14



Key reported achievements recorded in the year under review:

There are a number of successfully achieved targets in the Department for the year under review and these include:

- The Department gazetted a Discussion Paper and the ICT Policy Recommendation Report by the ICT Policy Review Panel to enable government to focus sharply on the policy environment that will advance the development of the ICT sector;

- The Department gazetted the National Integrated ICT Policy Paper Recommendations Report which will inform the Development of the White Paper on National Integrated ICT Policy;

- The Department developed the Internet Strategy to support the advancement of Digital Opportunities in line with SA Connect. The Internet Strategy is implemented through the school connectivity project;

- The Department developed a Research Programme with all role players which focussed on potential areas of research in the ICT field. This is in line with the ICT Research and Development Roadmap of the Department of Science and Technology;

- The Department presented a value proposition on how broadband can contribute to job creation, skills development and innovation, thus contributing to the African Union Commission Agenda (AU 2063) and Programme Infrastructure Development for Africa (PIDA2063) Agenda of creating a self-sufficient, industrial knowledge society; and

- **Use of consultants -** In 2014/15, the Department reduced the number of consultants used from 24 (cost R10.4 million) to 10 consultants. In real terms, however, only R1.7 million was saved. The 2014/15 year's usage of consultants and amount is as follows:

Table showing the use of Consultants for 2014/15

Total number projects	Total individual Consultants	Total worked days	Total contract value in Rand
3	9	23 months	R **8 735 880.00**

Source: Department of Communications (2015)

14.2.1. Key Non-Achieved Targets (non-achieved targets both in terms of actual targets achieved against the performance indicators as per the APP) in the year under review include the following:

- The Department did not achieve 21 targets from a total of 29 targets for the current financial year;

- During the current year, the Internal Audit Committee warned the Department about its consistently poor service delivery performance which had not improved in the last four financial years, despite the countless recommendations by Internal Audit, Parliament and the AG in regard to the performance of the Department. This is the fourth year in a row where a significant percentage of planned targets has not been achieved. The Audit Committee has also urged the Department to hold relevant members of management accountable for the non–achievement of their targets in their particular areas;[24]

- The Department has been unable to fill the Chief Financial Officer (CFO) position due to staff turnover in this position. This is after almost four financial years during which the Department operated without a CFO. In the previous financial year, the CFO was appointed and later resigned hardly eight months into the job. In the current financial year, the Department was unable to fill the CFO position;

- There are 39 vacant positions in the Department. The employment figures of the current financial year show a slight improvement of 11.5% down from 19%. However, 18 positions from the total of 39 vacancies are at the critical SMS leadership level, which if these are not filled, they have a potential to bring about leadership instability with the Department;

- The Department did not have the Human Resource Plan;

- The financial allocation/transfer from the Department to NEMISA on e-Skills was only done in December 2014 or at the end of the 3rd Quarter of the financial year;

    - ICT Policy White Paper was not achieved and will now be completed by the end of March 2016;[25]

    - In 2011, Cabinet issued a directive to all departments to have 50% gender representivity at Senior Management Service (SMS). The DoC has not achieved this target together with 2.2% representation of people with disabilities in the entire complement;

[24] Annual report(2015) pg 12

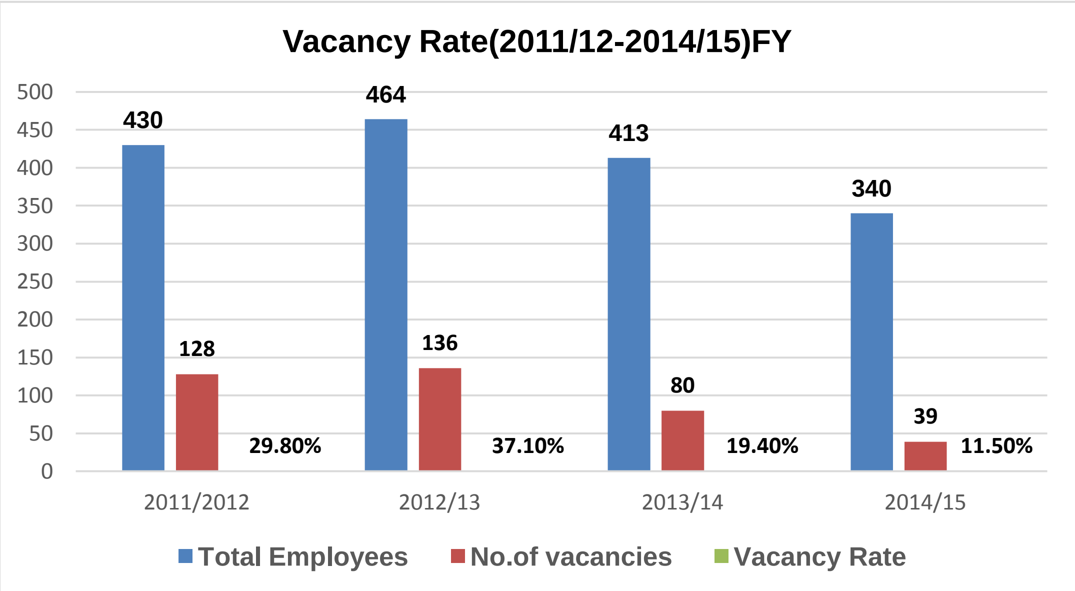
[25] Ibid

- ICT B-BBEE Council: The Department missed the April deadline by which to establish the ICT B-BBEE Charter Council. The extension date of June 2015 was also not met. However, the target was only achieved in September 2015, long after the current financial year had ended.

- The Department established a Virtual Cybersecurity Hub, which offers services inclusive of alerts and warnings; announcements; incident handling; incident response support and security related-information dissemination. However, the Virtual Cybersecurity Hub will be launched in the 2nd quarter of the 2015/16 financial year after piloting and commissioning has been completed. The launch was supposed to have taken place within the 2014/15 financial year.

- **Human Resources- (2011/12 to 2014/15 Financial Years)**

In the 2014/15 financial year, departmental targets were not met due to "HR constraints", some of which are as a result of the high vacancy rate. The Department is evidently unable to function optimally because of high vacancy rates. The graph bellows depicts the vacancy of the Department over the years:



14.3.1. Financial Performance and Audited Financial Statement of the Department

Table 9.1: Summary of Audit Outcomes for the last five financial periods

DEPARTMENT	2010/11	2011/12	2012/13	2013/14	2014/15
Communications	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with

DEPARTMENT	2010/11	2011/12	2012/13	2013/14	2014/15
					findings

Source: AG (2010/11-2014/15)

14.4 Report of the Auditor-General Audit Outcomes of the Department 2014/15

Table 3: Irregular, fruitless, wasteful and unauthorised expenditure

Year Incurred	Irregular Expenditure R'000	Fruitless and wasteful expenditure R'000
2011/12	**R 116 701**	**R 11 553**
2012/13	**R 44 910**	**R 1 075**
2013/14	**R 73 55**	**R 774**
2014/15	**R 1 182**	**R 21 000**

14.4.1. Irregular, fruitless, wasteful and unauthorised expenditure

While the DoC has consistently acquired unqualified audit opinions over the past four financial years, at the same time it incurred irregular expenditure amounting to R196 million by 2014/15. This amount accrued over the period 2010/11-2014/15.[26] During the 2014/15 financial year, an additional sum of **only R1.1 million** was incurred and R196 million is awaiting condonation.[27] From the R196 million irregular expenditure, R71.6 million is the subject of investigation.[28]

14.4.2. Fruitless, wasteful and unauthorised expenditure

In the past four financial years, **R12.2** million has been incurred as fruitless and wasteful expenditure; it should be borne in mind that for the 2014/15 financial year, the DoC only incurred **R21 000** compared to the previous financial years'.[29] The expenditure incurred shows a decrease from the

[26]Department of Communications(2010/11); Department of Communications(2011/12) Department of Communications(2012/13); Department of Communications(2013/14 and Department of Communications(2014/15).

[27] Department of Communications(2014/15),pg 217

[28] Department of Communications(2014/15),pg 218

[29] Department of Communications(2014/15),pg 218

previous financial year's amount of R749 000. While this marks a big improvement, fruitless and wasteful expenditure should not be incurred at all.

14.5 Other Issues raised by the AG

Compliance with legislation

It is useful to draw attention to findings of the AG that have been repeated in successive years, indicating that sufficient remedial steps have not been taken.

Expenditure management (2012/13**;** 2013/14; 2014/15**)**

Contractual obligations were not settled within 30 days, as required by section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3.

Financial statements, performance and annual reports (2012/13; 2013/14; 2014/15**)**

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section (4)(1)(b) of the PFMA. Material misstatements of expenditure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Human resource management (2013/14; 2014/15)

A human resource plan was not in place as required by Public Service Regulation 1/III/B.2(d).

Internal control

Leadership (2012/13; 2013/14; 2014/15**)**

Inadequate consistent oversight over compliance with laws and regulations and complete, accurate financial reporting was cited.

Financial and performance management (2012/13 and 2014/15)

Management did not have adequate processes and capacity in place to ensure that all financial reporting matters are addressed timeously to enable complete and accurate financial statements.

Investigations (2013/14; 2014/15**)**

Investigations initiated in terms of presidential proclamations and conducted by the Special Investigating Unit (SIU) were still in progress at the end of the financial year. These proclamations referred to tender irregularities, incorrect processes followed for recruitment of an official and improper and unlawful conduct by officials. Some of the matters included in the proclamation had already been finalised.

14.6. Service Delivery Performance for 2014/15

During the current year, the Committee embarked on a number of activities to sharpen its oversight function as well as to conduct the actual oversight visits. The initiatives were as follows:

- Capacity building workshop to the Committee conducted in June by Swedish Telecommunications and Postal Service Regular in partnership with Ericsson;
- Oversight visit to Gauteng and KwaZulu-Natal (due to MPs being requested to return to Parliament (Thursday and Friday's planned visit around KZN was subsequently cancelled);
- Public hearing conducted by the Committee on the cost to communicate with all telecommunications operators in Parliament;
- Public hearing on Broadband conducted by the Committee; and
- Two-day Seminar on 21 years of ICT with all role players hosted by the Committee at Parliament, looking at what has been achieved in the sector, weaknesses and strengths, as well as challenges facing the sector in the broadband era.

14.6.1. Cost to communicate programme

The high cost of calls, amongst other factors, has been attributed to the high interconnection rates that operators charge to terminate calls on mobile and fixed line networks. ICASA acknowledges reductions in the mobile and fixed line telephony retail prices as a result of the introduction of the mobile termination rates glide path. However, ICASA is still concerned that the costs of communication are still high, and that competition in this market is still inadequate. Recent regulatory intervention in reducing the cost to communicate in South Africa includes the collection and analysis of information and communications technology indicators from licences regarding the provision of communication products and services, including broadband, voice and data.

The Department is working towards ensuring sustainability of the ICT sector through a policy and regulatory environment that enables new entrants to compete fairly in the ICT market space. South African prepaid mobile costs are still amongst the most expensive in the world and we have to ensure that we lower the cost to communicate. While the cheapest prepaid mobile product prices have come down in relative terms, South Africa's lowest-cost product is still said to be five times more expensive than the lowest-cost product in Africa.

The Department will prioritise targeted initiatives within the Cost to Communicate Programme of Action to address the issue of high costs and poor quality of services. In this regard, the Department will conclude a study on National Roaming, which relates to the agreement and costs that operators charge to use each other's networks to provide services in geographic areas where they have no coverage. The study will investigate this matter so as to inform whether national roaming regulation can enhance government's policy objectives, including the reduction of the cost to communicate. A policy position on National Roaming will be developed in the 2015/16 financial year which will be informed by the outcomes of the study.

The Department plans to develop a draft Local Loop Strategy that will take into consideration existing local loops in the context of open access principles and the development of new Loops, thus ensuring that quality improves, costs are reduced and fixed line coverage is expanded. In the 2015/16 financial year, the Department will, in consultation with ICASA, develop a Policy Direction on Data Costs to direct the appropriate interventions by ICASA to address ineffective competition in the value chain. This intervention at wholesale level usually translates to improved competition at retail level and consequent reduction of retail data charges.

The Department's projects aimed at reducing the cost to communicate will not only contribute to the reduction of communications costs, both voice and data, but will also ensure that the quality and coverage of electronic communications networks are expanded. It further supports growth of new entrants and increased competition.

15. OTHER SOURCES OF INFORMATION

15.1. Findings of the 2013/14 BRR Report by the Committee

The Committee analysed 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, and Committee oversight reports.

The Committee noted the following:

- The Department and its entities were not adequately following supply chain management processes when procuring goods and services as required by the Treasury Regulations.
- 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.
- Respond to 2013/14 BRRR recommendations.
- Status report following the President's signed proclamation authorising the SIU to investigate certain matters relating to the affairs of the Department.
- Status report on SAPO SIU report.
- Status report on price transparency issues.

- A report on the development of a comprehensive plan on ICT and disabilities, in addition to the scope of the National Universal Access and Service strategy.

- Status report on the Regulatory Impact Assessment (RIA) framework to the Committee.
- 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.
- Set realistic achievable targets for the Department in line with SMART principle.
- Status report on Spectrum Audit.
- Status report on cyber security initiatives by the Department.
- Status report on issues of people with disabilities in terms of DTT;
- Status report on launch of DTT in rural areas.
- Status report on Auditor-General recommendations.
- Status report on National Treasury, the DoC and SAPO negations on the issue of the government subsidy for the entity.

16. CONCLUDING COMMENTS ON SERVICE DELIVERY PERFORMANCE 2014/15

During the period under review, the Department of Telecommunications and Postal Services achieved 28% of its planned target, at the same time it spent 97.5 % of its budget allocation. The Department included ‘partially achieved targets’ which was rejected by the Committee and in some instances the Department reported achievements of the 2015/16 financial year as achievements of the 2014/15 financial year. This too was rejected by the Committee.

Telecommunications, transportation, financial services and so forth are not only important in their own right, but are also important inputs into other industries. Because service outputs feed into other industries, economies with highly priced and inefficient service sectors will find their competitiveness in extractive and manufacturing industries affected as well.

The successful development of e-commerce and e-government requires that business and government have efficient telecoms links with consumers and citizens. If the majority of the population is either not connected or cannot afford to use the services, e-commerce and e-government initiatives will falter, economic growth will be restricted, and South Africa’s Information Society will be confined to an elite minority. If people are not connected, they cannot participate. Therefore, a key performance indicator for the ICT sector in South Africa is the relative price structure of services in an international context. Relative prices affect the competitiveness of the South African telecoms industry in export markets. High ICT service prices have a negative effect on economic activity.

Parliament's oversight over the departments is critical to ensure that departments spend according to their strategic plans and cash flow projections. It should ensure that departments and state-owned enterprises have plans in place for spending the funds before the financial year commences, and proceed to monitor implementation of these budgets and programmes to ensure that departments adhere to their strategic and expenditure plans.

17. COMMITTEE'S OBSERVATIONS AND RESPONSE 2014/15

Under Programme 4: I**CT Enterprise Development and SOE Oversight**, the Committee observed that neither of the planned targets were achieved. In addition, the programme listed R15 million given to SAPO to deal with its pending legal issues as an achievement. This achievement was disputed by Minister Cwele before the Committee during Annual Report presentation.

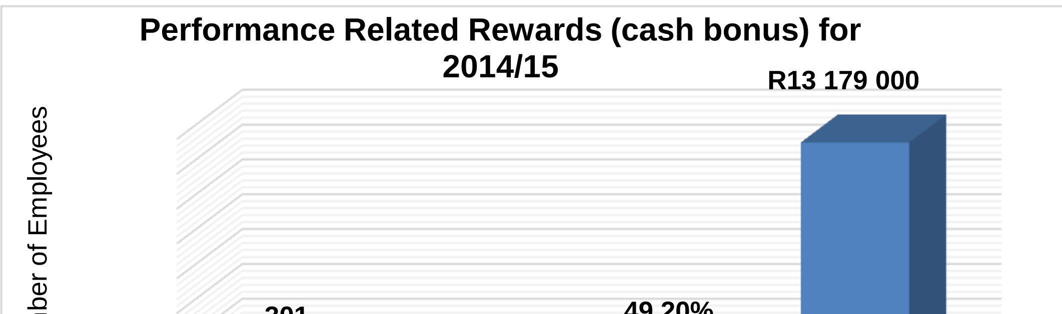
Transfer of Functions

The Committee observed that the President signed a proclamation for the reconfiguration of national departments on 25 May 2014. The existing Department of Communications was affected by the change as it is now called the Department of Telecommunications and Postal Services (DTPS).

The proclamation also resulted in the Department of Telecommunications and Postal Services being allocated two additional state-owned agencies in the form of Broadband Infraco and the State Information Technology Agency (SITA) reporting to the Department. The proclamation furthermore resulted in two existing entities, namely ICASA and the SABC now reporting to the newly established Department of Communications. An estimate of the financial effect cannot be made. The transfer of functions would be concluded and disclosed in the 2015/16 financial year.

Performance Rewards & Non-Achievement of Targets

To encourage good performance, the Department has granted the following performance rewards during the year under review. This was despite the Department's performance under-achievement of just 28%.



In the 2013/14 financial year, the Department awarded performance rewards **to 177** employees with an average cost per employee of **R16.998** from the total staff establishment of **333.**[30]

For the 2014/15 financial year**,** the graph above indicates that although the Department fully achieved 8 targets from a total of 29 targets, 148 or 49.2% of the staff members received performance bonuses. It should be stressed, however, that only 3 or 3.2% of the Senior Management Service (SMS) received performance bonuses from a total of 95 or 96.8% of the SMS employed. During the Committee meeting, the Department later rectified this figure and confirmed that no SMS employee received performance rewards.

Table 3.8.1 Performance Rewards by race, gender and disability for the period 1 April 2014 to 31 March 2015

Race and Gender	No. of Beneficiaries	No. of Employees	% of total within a group	Cost (R '000)	Average cost per employee
African					
Male	37	110	34.6	474	12 803
Female	75	139	54.3	1 023	13 637
Asian					
Male	1	4	25	10	10 060
Female	3	6	50	30	9 959
Coloured					
Male	0	5	0	0	0
Female	11	12	100	141	12 855
White					
Male	7	11	63.6	115	16 383
Female	12	14	85.7	136	11 331
Total	**148**	**301**	**49.2**	**1950**	**13 179**

18. SUMMARY OF REPORTING REQUESTS

[30] Department of Communications(2014)

The Committee requested additional matters from the Department to report on:

Reporting matter	Action required	Timeframe
Schools connectivity-entities to provide a breakdown list/ report, of names of schools, provinces and municipal areas where schools are located, types of connection, duration, and training offered to educators and the amount spent on each school connected.	Written plan from Sentech, USAASA, and SITA	Within 90 days of the adoption of this report
Development of a recruitment plan for all funded positions including strategies to attract employees with disabilities.	Written plan from Department, SITA, Sentech, USAASA, NEMISA on strategy to expedite the process of filling all funded position and timeframes attached by each organisation.	Within 90 days of the adoption of this report
Strategy to strengthen supply chain and procurement issues	Written plan from Department, USAASA, SITA,NEMISA,	Within 90 days of the adoption of this report
Strategy to improve the performance of set targets. The Department has for the past four financial years consistently under-performed and under-achieved in all of its set targets and it has on occasions included targets achieved in the proceeding financial years on a preceding financial years	Written plan from Department to address the issue of underperformance	Within 90 days of the adoption of this report

19. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE

19.1. 2014/15 BRRR recommendations

Achievements of Entities

In respect of Sentech, the Committee noted the following:

- Sentech had received a clean audit for the 2014/15 financial year. The company is liquid and operating as a going concern and has a healthy balance sheet. The Committee commended Sentech's achievement of a clean audit for the third consecutive financial year.

- Sentech has achieved 90.9% of its objectives, which represents 10 out of 11 targets. In this regard, the Committee noted the company's exemplary work in respect of both organisational performance and financial management. The level of employee engagement and satisfaction is the only key performance indicator not achieved.

- Sentech increased its Group Revenues by 13% to R1 107 billion and also increased the company's cash generated from operation by 218% to R 124 million.

- The roll-out of Digital Terrestrial Television (DTT) is the only key performance indicator not achieved. However, certain targets have been set by National Treasury for the next financial year.

- Sentech finished the financial year without the Chief Executive Officer (CEO) Dr Setumo Mohapi. However, the Committee welcomed the appointment of the new CEO, Mr Mlamli Booi, who was appointed in the 3rd quarter of the 2015/16 financial year.

- A key highlight for Sentech was that the DTT network population coverage increased to 84% after the completion of 178 sites.

- The number of new Direct-To-Home Satellite customers and Multi-channel Content Distribution Platform users exceeded the target by 60%.

- Customer satisfaction levels improved above target at 67%.

- The installation of 148 VSAT terminals was achieved.

- The implementation of 88% of training interventions was 10% above target.

- Network availability of 99.89% exceeded the annual target.

- The vacancy level is too high and needs to be addressed. Sentech needs to address its employment equity numbers as it does not have enough females employed at a professional level.

- Sentech addressed the issues of payment of incentives and the 13th cheque to staff on condition that all staff sign performance contracts starting in the 2015/16 financial year.

- Sentech has written off R20 million in respect of stock due to redundant technology.

- The Committee was concerned about the non-existence of a strategy at Sentech to attract and procure some of its services and goods from ICT SMMEs.

- The Committee was concerned about the high vacancy rate at Sentech and the company's repeatedly failure to employ 50% women at Executive level, as well as the failure to comply with the public service regulations which require employing 0.2% of people with disabilities.

In respect of .ZA Domain Name Authority, the Committee noted the following:

- The entity consistently continues to receive clean audits. In this regard, the Committee commended .zadna for its clean audit and its business model. It is self-funding and receives monies from fees collected. It has managed to raise adequate capital to sustain itself.

- The Committee noted that the entity is doing well but it requires some level of promotion and awareness of its services in government and the private sector.

- An overall performance of 75% was received by .zadna for the 2014/15 financial year. This was due to the fact that some targets were deferred which resulted in a decrease of 25% in its overall performance. The Committee questioned the decision to defer such targets without informing Parliament which approved the APP.

- The Committee noted the use of a credit card with an outstanding debt of R29 000 and advised that it should be used in line with National Treasury regulations.

- The Committee noted with concern that under-expenditure of funds is reflected as a surplus.

- The Committee noted with concern that the entity uses 'partially achieved' for performance indicators or targets not achieved.

- The Committee congratulated the newly appointed chairperson of the Board, Adv Yvonne Ralefatane.

- The Department and .ZA Domain must work together to develop a strategy that mitigates against the risks associated with inadequate financing of the entity.

In respect of SITA, the Committee noted the following:

- SITA has received an unqualified audit opinion for the 2014/15 financial year. Irregular expenditure has been reduced from R35.1 million in the previous financial year to R13.9 million. At the same time, SITA has regressed in relation to amounts incurred as fruitless and wasteful expenditure. In the previous financial SITA incurred no amount and in current financial year it incurred R8.5 million.

- The Agency had a total of 25 targets of which 19 were achieved and only 6 were not achieved. This means that SITA achieved 76% success against its planned target, which is an improvement on what the Agency achieved in the past two financial years.

- On the request by National Treasury, SITA successfully implemented the Tender Portal which was launched on 1 April 2015. Its objective is to eliminate duplication and fragmentation of government tenders, as well as to establish a central supplier database that consolidates supplier information across all spheres of government.

- SITA successfully implemented, the Electronic Case (or e-Case) service which was successfully piloted at the Benoni Magistrate's Court in January 2015. E-Case integrates processes of the South African Police Service (SAPS), the Departments of Justice and Correctional Services, and the National Prosecuting Authority.

- Revenues generated: SITA achieved a net surplus after tax of R144.289 000, or 2.8% of the R5.090 billion total revenue generated. This equates to an 8.54% year-on-year growth.

- In 2014/15, only about 19% of the allocated CAPEX investment was spent.

- The lack of governance structures responsible for managing CAPEX led to its approval not being done in a controlled manner, resulting in a lack of proper monitoring of the adequacy of the plans to achieve their targets.

- SITA is the subject of various ongoing investigations, including two Special Investigating Unit (SIU) investigations. Internally, there were seven other cases in respect of SCM.

- According to the Auditor-General of South Africa (AGSA), several instances of non-compliance with laws and regulations pertaining to procurement processes, contract management, adherence to internal controls, financial and performance management, expenditure management and various investigations have been identified. The report of AGSA was of concern to the Committee.

- Effective steps to prevent irregular expenditure as per the requirements of the PFMA were not taken. The Committee strongly cautioned that the issue of non-compliance of entities in respect of the laws that govern them would not be tolerated.

- The Committee was concerned about the high vacancy rate at SITA - there are 667 vacant positions in the current financial year.

- Employee turnover for the period was 16.8%, which is above the industry norm of 15.2%.

- SITA was still struggling to attract suitably qualified black females into Senior Management Service. The employment equity (EE) ratios were 45% for gender (annual target was 50%) and 1.2% for disability (annual target was 2%). These targets were all not achieved.

- At the end of the financial year, only 1 116 of the 1 127 employees who were previously in a pool have been placed, and the remaining 11 employees were still not placed within the structure of the organisation by the end of the financial year.

- Responding to the decision taken to have two Deputy CEOs instead of appointing a Chief Operations Officers (COO) and the Project Management Unit in the Office of the CEO, the Committee was told by SITA that this was never approved by the SITA board, but that it was a decision taken by the CEO and the previous Minister responsible for the Department of Public Service and Administration (DPSA).

- Concern was expressed about the inadequate SMME support despite SITA having spent just under R274 million on SMMEs.

- The Committee expressed concern that the number of days taken to finalise contracts in terms of procurement was not achieved. In addition, the 34 contracts conducted through deviations points to a lack of control in SCM internal systems.

- Performance contracts should be addressed and accountability and clarity of responsibilities of staff in respect thereof should be ensured.

In respect of NEMISA, the Committee noted the following:

- The entity received an unqualified audit opinion with findings.

- The audit did not identify any material findings on the usefulness and reliability of reported information for programme 2 dealing with multi-stakeholder collaboration, programme 3 dealing with e-Astuteness development and programme 4 dealing with knowledge for innovation.

- According to AGSA, several instances of non-compliance with laws and regulations pertaining to procurement processes, contract management, adherence to internal controls, financial and performance management, expenditure management and various investigations have been identified. The report of AGSA was of concern to the Committee.

- The CEO was appointed at the end of this financial year, in July 2015.

- The Committee was concerned that the property donated to NEMISA was not reflected in the Annual Report.

- The Committee was concerned about the disjuncture between the academic year and the financial year of NEMISA's budget allocation.

- The Committee was concerned about the ineffectiveness of NEMISA's debt collections, in that it took 118 days to recover outstanding fees from students.

- The Committee was concerned about the disjuncture between the academic year and the financial year of NEMISA budget consolation;

- The Committee noted that payments of rates were in excess of R1 million whilst the only (property) sectional title owned by NEMISA was less than R200 000;

- The Committee expressed concern that the Chairperson of the Board was not present at the BRRR meeting held within Parliament and that this happens regularly.

- The Committee expressed concern that the Academic Committee (AC) within NEMISA only had two board meetings for the financial year.

- The Committee noted that the term "partial achievement" should not be used in the context of the consideration of annual reports but rather that the target was "not achieved".

- The Committee noted with concern that peer-performance assessments among the Board were not be concluded.

- The Committee noted with concern that the proposed Bill to establish a new entity was taking too long.

In respect of USAASA and USAF, the Committee noted the following:

- Both USAF and USAASA received unqualified audit reports.
- The Committee commended USAASA for the sterling work and extended its appreciation to the outgoing Board of USAASA for achieving more than 70% of its performance target.
- There were internal and financial management issues raised by the AGSA.
- The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the Public Finance Management Act.
- Management did not have adequate systems in place to ensure that all financial information is accurate and classified correctly. The Committee noted that this could lead to regression in respect of financial accountability.
- An investigation by the SIU was still in progress.
- USAASA had 15 unfunded vacancies that remained unfilled for the 2014/15 financial year. This included 40% of employment vacancies in respect of top management.
- The interest and penalties accrued by USAASA were exorbitant.
- The Committee noted that 80% of USAASA and USAF's procurement was achieved in respect of the utilisation of BBBEE companies.
- The Committee noted with concern that under-expenditure of funds was reflected as a surplus.
- The Committee noted that USAASA used 'partially achieved' for performance indicators or targets which were not achieved.
- The Committee noted and welcomed the new USAF and USAASA Boards and warned that performance of these entities must not regress after the entities had undergone such a drastic and welcome improvement.

In respect of SAPO, the Committee noted the following:

The Committee reflected its concern that it did not engage with SAPO as per the submission date of Annual Reports and Financial Statements for 2013/14 and again in the 2014/15 financial year in accordance with the PFMA. The Committee was concerned that SAPO must expedite the successful implementation of the turnaround strategy to ensure long-term financial and non-financial sustainability in order to meet its legislated mandate to provide a quality and continually improved level of postal services to the general public.

In respect of BBI, the Committee noted the following:

The Committee reflected its concern that it did not engage with BBI as per the submission date of Annual Reports and Financial Statements for the 2014/15 financial year in accordance with the PFMA. The Committee was concerned that BBI must expedite the successful implementation of the turnaround strategy to ensure long-term financial and non-financial sustainability in order to meet its legislated mandate.

20. BRRR RECOMMENDATIONS FOR 2014/15 BY THE COMMITTEE

20.1 Recommendations by Committee

The Committee recommends that the Minister of Telecommunications and Postal Services should:

- Ensure that the Department and all entities respond to previous as well as the 2014/15 BRRR Reports;
- Ensure that the Department and its entities review outdated legislation;
- Ensure that transfers from the Department to entities are not done towards the end of the 3rd Quarter of the financial year;
- Ensure that under-expenditure of funds in the Department and in all entities are not reflected as a surplus;
- Ensure that the Department and all entities do not use 'partially achieved' for performance indicators/targets not achieved;
- Ensure SMME support and issues of ICT transformation are clear;

- Ensure that all SMS and all staff members have signed performance agreements and are assessed quarterly before the payment of bonuses;

- Ensure that the Department and its entities have Disaster Recovery Plans;

- Ensure that the establishment of broadband access points in major cities and under-serviced areas is increased from 5 to 18 in the 2015/16 financial year;

- Ensure that the Department and all entities have realistic targets;

On Sentech

- Ensure that Sentech address its employment equity numbers in respect of the representation of staff on the basis of gender and disability;

- Ensure that Sentech develops and urgently implements a strategy that seeks to benefit the ICT SMMEs in some of its goods and services requirements;

- Ensure that Sentech's DTT tariffs charged to community media are in line with section 62(3)(i),(ii) and (iii) of the ECA in respect of its mandate and the developmental agenda of the country;

- Ensure that Sentech improves on its procurement to ensure that no service providers are paid in full without services being rendered. The premature payment of service providers is a contravention of the PFMA and Treasury Regulations;

On SITA

- Ensure that SITA implements strategies to improve staff morale within the entity;

- Ensure that SITA addresses its employment equity numbers in respect of the representation of female staff in strategic management positions;

- Ensure that SITA's processes are streamlined in respect of the timeframes within which contracts in terms of procurement are finalised;

- Ensure that SITA implements dedicated SMME development plans;

- Ensure that SITA's founding legislation, which is outdated; is reviewed;

- Ensure that investigations at SITA are completed and that the relevant people are held accountable for losses in terms of fruitless and wasteful expenditure;

- Ensure that SITA's processes in respect of staff who have not declared their interest are prioritized;

- Ensure that corrective measures are taken in terms of irregular expenditure, non-compliance with legislation, lack of proper contract management and lack of proper systems;

- Ensure that with regard to SITA's high vacancy rate all funded positions are filled;

- Ensure that SITA's long tender processes are strengthened both in terms of writing correct tender specifications and regular meetings of the Bid Adjudication Committee, which will minimize the current high rate of tender cancellations;

- Ensure that under-expenditure of funds is not reflected as surplus; and

- Ensure that SITA does not use 'partially achieved' performance indicators for targets not achieved;

On NEMISA

- Ensure that NEMISA implements remedial action in respect of issues of non-compliance with legislation;

- Ensure that the Academic Committee reviews its procedures in respect of the necessary quorum required to hold meetings;

- Ensure that a new strategy is developed and implemented to expedite the debt collection process;

- Ensure that a peer-assessment of the Board is conducted, as this was not complied with in the year under review;

- Ensure that conditional grants are spent in line with the relevant legislation;

- Ensure that NEMISA improves awareness programmes (e-skills, animation and broadcasting training) and training, especially in rural areas;

- Ensure that under-expenditure of funds is not reflected as a surplus;

- Ensure that NEMISA does not use ‘partially achieved’ performance indicators for targets not achieved;
- Ensure the finalisation of the iNeSI bill to broaden the mandate and activities of the new entity;

On .ZADNA

- Ensure that the entity does not defer performance indicators without informing Parliament which approves the APP;
- Ensure that the use of a credit card is done in line with National Treasury regulations;
- Ensure that an under-expenditure of funds is not reflected as a surplus in future;
- Ensure that the entity does not use ‘partially achieved’ for performance indicators or targets which have not been achieved;

On USAASA and USAF

- Ensure that USAASA fills critical, funded vacancies;
- Ensure that USAASA reduces risks associated with litigation, in particular the costs for civil litigation processes which should be lowered;
- Ensure that USAASA reduces future risks of interest and penalties accrued;
- Ensure that disciplinary and/or corrective measures are taken in respect of all irregular expenditure;
- Ensure that where possible, USAF minimises delays in the implementation of its projects;
- Ensure that an under-expenditure of funds is not reflected as a surplus in future;
- Ensure that the entity does not use ‘partially achieved’ for performance indicators or targets which have not been achieved;

On SAPO and BBI

- Ensure that the matters in respect of BBI and SAPO are resolved in order to allow these entities to submit their financial reports; and

- Ensure a financial resolution in terms of BBI and SAPO.

Note of Appreciation:

The Committee extends its appreciation to the Auditor-General of South Africa, the DTPS and all its entities for their contributions during this period.

Report to be considered.

Glossary of Terms	
AENE	Adjusted Estimate of National Expenditure
AFCON	African Cup of Nations
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BDM	Digital Migration Policy
BRRR	Budget Review and Recommendations Report
CAPEX	Capital Expenditure
CTRs	Call Termination Rates
CIO	Chief Information Officer
DBE	Department of Basic Education
DoC	Department of Communications

Glossary of Terms	
DPSA	Department of Public Service and Administration
DTI	Department of Trade and Industry
DTT	Digital Terrestrial Television
GCIS	Government Communication and Information System
GDP	Gross Domestic Product
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ISSA	Institute for Software and Satellite Applications
MIS	Management Information Systems
MTRs	Mobile Termination Rates
MTSF	Medium Term Strategy Framework
NDP	National Development Plan
NEMISA	National Electronic Media Institute of South Africa
NEPAD	New Partnership for Africa's Development e-Africa Commission
NGP	National Growth Path
OECD	Organisation for Economic Co-operation and Development
OFCOM	Office of Communication
PCC on TPS	**Portfolio Committee on Telecommunications and Postal Services**
PCC	**Portfolio Committee on Communications**
PFMA	Public Finance Management Act
SABC	South African Broadcasting Corporation
SAPO	South African Post Office
SCM	Supply Chain Management

Glossary of Terms	
SCOA	Standing Committee on Appropriations
SOCs	State Owned Companies
SoNA	State-of-the-Nation Address
STB	Set Top Box
The Institute	NEMISA
TR	Treasury Regulations
USAASA	Universal Service and Access Agency of South Africa
USAF	Universal Service and Access Fund
USO	Universal Service Obligations
.zaDNA	.zaDNA
ITU	International Telecommunications Union
UNESCO	United Nations Educational, Scientific and Cultural Organisation