

Report of the Portfolio Committee on Telecommunications and Postal Services on the First Quarterly Report on the Performance of the Department of Telecommunications and Postal Services in a meeting of its Strategic Objectives for 2015/16, dated 10 November 2015

Overview of the ICT sector

South Africa is a member of the World Trade Organisation (WTO) and is therefore bound by the General Agreement on Trade in Services (Gats), a multilateral international agreement setting out rights in respect of trade in services, including telecommunication services, as well as specific commitments made by member countries in terms thereof. The Internet and broadband have truly become mainstream knowledge economy which is itself a complex aggregate of many possible concepts tied together in many possible combinations. This is due to South Africa's long history of social exclusion by virtue of differentiated access to employment, income, assets, and education. Therefore, the thrust of the Department of Telecommunications and Postal Services' existence is to promote policies that push for universal access and universal broadband and related services which can contribute to reducing the digital divide and help citizens to benefit from the digital economy.

The Minister of Finance, Nhlanhla Nene, in his 2015 Budget Speech highlighted global economic growth which is expected to remain sluggish over the period ahead, rising from 3.3 per cent in 2014 to 3 per cent in 2015. The Minister said: "Electricity shortage hold back growth in manufacturing and mining and also inhibit investment in housing and raise costs for business and households. For this reason, South Africa projected economic growth for 2015 is just 2 per cent, down from 2.5 per cent indicated in October 2014."¹ Recent research has found that South Africa's telecommunications industry will grow at a compound annual rate of just 1.4% over the next five years, meaning that in real terms - adjusted for inflation - the sector is shrinking.² Despite the poor overall growth forecast for the industry, there are pockets that are growing much quicker than the commoditised areas. These include data centre services, cloud computing and video on demand.

Overall, research forecasts a solid growth rate in home Internet revenues, whether they are based on fibre, traditional copper lines or wireless connections," it says. "While new wireless technologies such as Long term evolution (LTE)-Advanced are opening up new possibilities for fixed-line replacement, it is believed that fixed-line connectivity will benefit from the trend towards video on demand."³

The Portfolio Committee on Telecommunications and Postal Services, having considered the First Quarterly Report on the performance of the Department of Telecommunications and Postal Services (DTPS) in meeting its strategic objectives for 2015/16, reports as follows:

1. Introduction

The Portfolio Committee on Telecommunications and Postal Services considered the First Quarterly Report on the performance of DTPS and its entities in meeting its strategic objectives for 2015/16 on 4 August 2015.

The Committee reviewed the performance of DTPS, Sentech, Universal Service Access Agency of South Africa (USAASA), Broadband Infracore (BBI), South African Post Office (SAPO) and the State Information Technology Agency (SITA). Two entities, namely iNesi and .zadna, had not been invited to report on their first quarterly review performance.

This report gives an overview of the presentations made by the DTPS and its entities, focusing mainly on its achievements, output in respect of the performance indicators and targets set for 2015/16 and the financial performance. The report also provides the Committee's key deliberations and recommendations relating to the performance of the Department and its entities.

2. Committee deliberations

¹ Nene, N. (2015)

² Tech Central(2015)

³ BMI-T(2015)

During deliberations on the First Quarterly Report of the Portfolio Committee on Telecommunications and Postal Services the Committee was briefed by DTPS and its entities. The presentations covered the following issues:

a. Briefing by Department of Telecommunications and Postal Services (DTPS)

Acting Director-General, Mr Ngobeni made the presentation on behalf of the DTPS on its first quarterly performance for the 2015/16 financial year. The presentation highlighted the following issues:

- Significant achievements
- Quarter 1 performance against each 2015/16 target as identified in the 2015/16 Annual Performance Plan
- Status of progress per quarter 1 target (achieved, delayed or no/minimal progress)
- Reasons for delays or no/minimal progress
- Cross-cutting challenges
- Financial performance as at 30 June 2015.

b. Briefing by Sentech

Sentech Board Chairperson, Mr Mello made opening remarks and indicated that the performance of Sentech was positive in terms of budget and net revenue. Sentech had received a clean audit for the last financial year. The company had completed two projects on digital terrestrial television (DTT). Certain human resources issues, such as the 13th cheque, would be addressed by management.

Acting CEO, Ms Rasikhinya made the presentation on behalf of Sentech on its first quarterly performance for the 2015/16 financial year. The presentation highlighted the following issues:

- Performance overview
- Financial performance
- Dual illumination
- Revenue per service
- Pre-determined objectives
- Key projects progress
- Human resources.

c. Briefing by Universal Services Access Agency of South Africa (USAASA)

USAAASA and USAF Board Chairperson, Mrs Radebe, made opening remarks and indicated that there had been progress with USAASA and the Universal Service and Access Fund (USAF) as they had received clean audits.

The CEO, Mr Nkosi, and Acting Executive Manager Performance and Projects, Mr Mngqibisa, made the presentation on behalf of USAASA on its first quarterly performance for the 2015/16 financial year. The presentation highlighted the following issues:

- Programme performance reporting
- Quarter 1 performance
- Summary of Quarter 1 performance
- Synopsis of quarterly achievement per sub unit
- Summary of cumulative targets and delayed targets
- USAF: Performance report.

d. Briefing by Broadband Infracore (BBI)

Board Member, Ms Maponya, made opening remarks and noted that BBI was listed as a company with a going concern and that its financial stability was top priority.

The CEO, Ms Kwele and Acting CFO, Ms Pama, made the presentation on behalf of BBI on its first quarterly performance for the 2015/16 financial year. The presentation highlighted the following issues:

- Delivery of mandate
- Performance against predetermined objectives
- Financial overview
- Procurement overview
- Network infrastructure
- Human capital

- Internal Controls: Irregular expenditure
- Governance: External audit findings 2013/2014
- Strategic risks.

e. Briefing by South African Post Office (SAPO)

Acting Group CEO, Mr Mathonsi, and Ms Dewar made the presentation on behalf of SAPO on its first quarterly performance for the 2015/16 financial year. The presentation highlighted the following issues:

- Overview
- Financial overview
- Progress on implementation of the Strategic Turnaround Plan (STP)
- Performance indicators
- Next steps.

f. Briefing by the State Information Technology Agency (SITA)

The CEO, Dr Mohape, made the presentation on behalf of SITA on its first quarterly performance for the 2015/16 financial year. The presentation highlighted the following issues:

- Strategic programmes
- Financial sustainability
- Procurement
- Service delivery
- Organisation
- Governance and administration.

3. Performance Indicators and Targets

The priorities of DTSP in the 2015/16 financial year were anchored on the following key programmes:

4. Performance per Programme

4.1 Programme 1: Administration

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

4.1.1 Programme 1 Achievements

Within this programme, DTSP reported the following achievements:

- Revised Information Technology (IT) and Knowledge Information Management (KIM) Strategy was developed and approved; and
- Internal Control Framework developed, approved and implemented.

4.2 Programme 2: ICT International Affairs

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.⁴ The objective is to achieve the harmonisation and coordination of the frequency spectrum with neighbouring countries through bilateral agreements with neighbouring countries by March 2016.⁵

⁴ Department of Telecommunications and Postal Services (2015)

⁵ Ibid

4.2.1 Programme 2 Achievements

Within this programme, DTPS reported the following achievements:

- A Draft e-Government exchange programme was developed and engaged with China, Russia and India; and
- Proposed Bilateral agreements were developed, with input from DTPS's Legal Unit. In addition, the draft bilateral agreements incorporate SADC MOU guidelines on Cross-Border Coordination.

4.3 Programme 3: Administration

The programme develops legislation that supports the development of an ICT sector that creates favourable conditions for accelerated and shared growth of the economy. The development of strategies that increase the uptake and use of ICTs by majority of the South African population in order to bridge digital divide.⁶

4.3.1 Programme 3 Achievements

- As part of addressing the high cost to communicate in South Africa, a draft policy direction on data pricing was developed;
- The Department developed the concept document for the Framework for Monitoring and Evaluation of Policy Implementation in the sector;
- Alternative Dispute Resolution Regulations have been developed and finalized to include an additional second level domain for phase one;
- Benchmark research was conducted and a draft benchmark report was developed on the National Address System;
- A concept paper on the National Address System was developed and approved by the Social Protection, Community and Human Development Cluster;
- A draft Philatelic Strategy was developed
- ICT capacity building needs analysis was conducted through consultation with the relevant stakeholders such as NHI sites, NEMISA and ISSA;
- Child Online Protection Awareness Projects were implemented in three provinces, namely Eastern Cape, Free State and North West;
- An e-Social Cohesion Programme focusing on youth was implemented at NHI sites in three provinces (Eastern Cape, Free State and North West);
- ICT and Gender mainstreaming was promoted through the implementation of the Mobinet and Techno Girl projects, which included the updated Mobinet website and the review of projects under Phase 2 in collaboration with Women's Net;
- Data to support the ICT indicators compendium was sourced and assessed with relevant stakeholders, and where the data gaps were determined a report was developed in this regard.

4.4 Programme 4: ICT Enterprise Development and SOC Oversight

The purpose of this programme is to oversee and manage government's shareholding interests in the public ICT entities. This programme also facilitates growth and development of Small Micro Medium Enterprises⁷ (SMMEs). The main objective is to ensure optimally function ICT state owned companies that effectively deliver on their respective mandates.

4.4.1 Programme 4 Achievements

- Progress report developed on licensing of Postbank;

⁶ Department of Communications (2013)

⁷ Department of Communications (2014)

- Terms of Reference developed for the review of Sentech’s mandate and funding model;
- Terms of reference for reviewing SITA’s mandate finalised in concurrence with key stakeholders;
- The report on alignment of USAASA projects with SA Connect Specification was finalized;
- Relevant stakeholders consulted and consent secured (Minister of Finance and Minister of Department of Public Service and Administration (DPISA) on the establishment of iNeSI as a legal entity;
- Establishment of a task team to initiate a process of drafting an iNeSI Bill; and
- Implementation of SAPO’s Strategic Turnaround Plan facilitated and quarterly report developed.

4.5 Programme 5: ICT Infrastructure Support

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.⁸

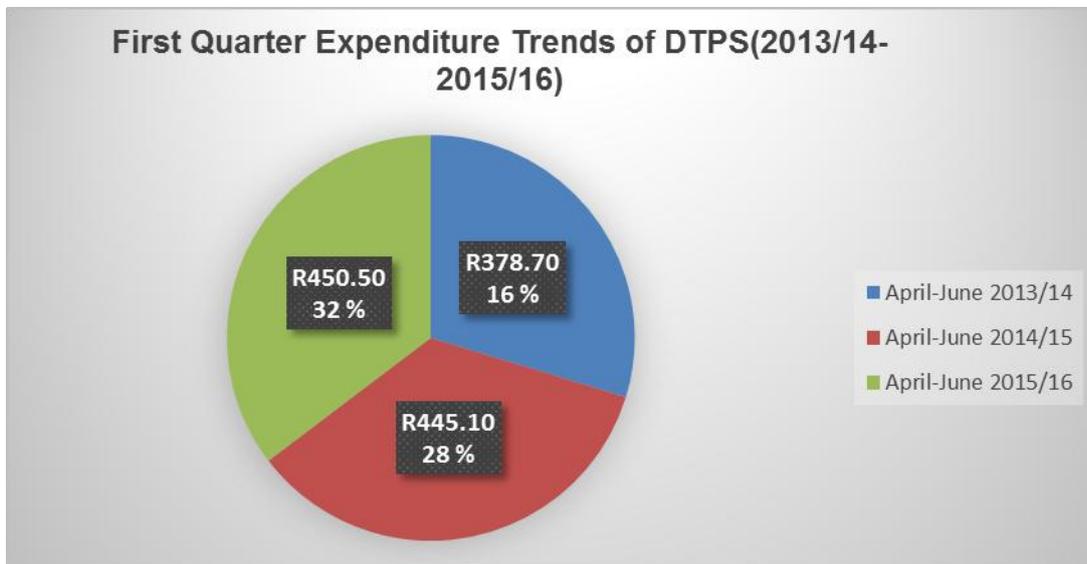
4.5.1 Programme 5 Achievements

- Development of SOC’s Cybersecurity strategies on securing government communications facilitated;
- A Cybersecurity Awareness Implementation Plan and Media Strategy was developed and the Cybersecurity awareness was undertaken; and
- Preliminary SA Positions and proposals developed Stemming from the Conference Preparatory Meeting (CPM) Report and in this regard, a draft SA position and proposal papers were developed and the RSA Position was also benchmarked with SADC positions.

5. Financial Report

Budget and expenditure Performance Information

Pie Graph: Overall Budget Performance per Quarter in the past three financial years (2013/14; 2014/15 and 2015/16



Analysis of Quarterly Expenditure

According to National Treasury, a complete/adjusted budget is not made available to a Department at the beginning of the year, but instead funds are drawn from the National Revenue Fund on a monthly basis. At the prologue of each financial year, each Department must submit a schedule for these drawings which is used as a proxy for planned spending. Schedule drawings are also used to check whether the Department’s expenditure is on track or not.⁹

⁸ Department of Communications (2014)

⁹ Budget and expenditure summary(2014)

In 2015/16, the Department was allocated R1.4 billion. 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 per cent, mainly to departmental agencies and accounts. For Quarter 1 of the current financial year, the Department had an available budget of R684.7 million for operations. Of this, the department has spent R95.9 million, or 14 per cent, the majority of which has been used on goods and services and compensation of employees. If transfers are added to the normal expenditure, the department has spent 32 per cent of its allocation for the quarter.

This expenditure is driven largely by three programmes, namely programme 1 Administration (largest) programmes 3 Policy, Research and Capacity Development (second), and programme 5 ICT Infrastructure Support (third) 1 mainly for goods and services and compensation of employees. 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.

Scheduled drawings

In terms of the scheduled drawings, the department has spent R450.6 million to the end of quarter 1, whilst originally scheduling drawings of R455.6 million leaving a lag of R5.1 million at this point in the year. This is mainly due to under-spending in Goods and Services due to some projects such as the broadband rollout starting later than anticipated and invoices not yet paid for orders as well as under compensation of employees due to savings on vacant posts. The lag represents an issue for the department if invoices are not paid and vacancies are not filled on time.

Furthermore, due to non-compliance with the Section 4 of the Appropriation Act, 2014 which required an implementation plan to be submitted to the National Treasury for the Digital Development Broadband Programme, the drawing schedule for the programme was shifted to March 2016 subject to an implementation plan being submitted.

The final appropriation of the Department for the 2015/16 financial year amounted to R1.4 billion

Table 4.1: Allocation against Actual Expenditure per Programme for the 2015/16 Financial Year

	Quarter 1 2015/16		% for the Quarter
	Budget	Actual Expenditure	
Administration	R173 650	R 65 177	38%
ICT International Affairs	43 447	R 3 980	9%
Policy, Research and Capacity Development	R 105 578	R 15 355	15%
ICT Enterprise Development and SOC Oversight	R 447 889	R 181 527	41%

ICT Infrastructure Support	R1413 328	R450 550	29%
Total	R1413 328	R450 550	32%

The Department gave the Committee the following explanations regarding deviations in respect of the above:

- **Programme 1:**

The Department reported that the target of achieving phase 1: Business Architecture was not reached in this quarter as per the Annual Performance Plan (APP) target submitted and approved by Parliament. There department cited delays in the appointment of a service provider. This is despite the Enterprise Architecture (EA) Business Case as well as the Terms of Reference and Memo for the Environmental Assessment developed for the quarter.

- **Programme 2:**

Target One Framework for cooperation agreed upon and developed with SAPO, ITU and UPU

The Department reported that the target of achieving phase 1: Framework for cooperation agreed upon and developed in conjunction with SAPO, ITU and UPU was not reached in this quarter as per the Annual Performance Plan (APP) target submitted and approved by Parliament.

As a corrective measure for this non-performance, the Department was in the process of finalising the agreement between the parties.

Target Two: Implementation of Postbus project

Another target not achieved in this quarter relates to the implementation of the Postbus project by SAPO and facilitated by Universal Postal Union (UPU). The reason for non-achievement of the target was as a result of the current challenges at SAPO. As a corrective measure for this non-performance, the Department appointed the Project Manager and consulted with relevant government department on the operationalisation of the Postbus in Quarter 2.

- **Programme 3:**

Target One: Rapid Deployment Guidelines

The Department reported that the target of achieving the Rapid Deployment policy developed and approved was not reached in this quarter as per the Annual Performance Plan (APP) target submitted and approved by Parliament. The reason for non-achievement of the target was as a result of the delays in appointment of the Service Provider, it delayed the initiation of the project.

As part of the corrective measures for this non-performance, the Department indicated in engaged stakeholders to finalise the draft Policy by Quarter 2.

Target Two: Roaming Policy/Policy Direction developed and approved

Another target not achieved in this quarter relates to the draft Roaming Policy direction developed. The reason for non-achievement of the target was due to delays in the appointment progress which prevented the timely appointment of a service provider. As a corrective measure for this non-performance, the Department was in the process of appointing a service provider to draft the Roaming Policy and has concluded the draft Policy directives which will be developed by October 2015.

Target Three: White Paper on National Integrated ICT Policy finalized and gazetted

The quarterly planned target was not achieved in this quarter. The reason for non-achievement of the target was due to the fact that further research was required on certain areas on which the ICT Policy Recommendations Report could not make policy recommendations without detailed research.

As a corrective measure for this non-performance, the Department was in the process of finalising the appointment of ICT Policy Council members.

Target Four: ICT B-BBEE Charter Council established and resourced

The planned quarterly target was not achieved in this quarter. The reason for non-achievement of the target was due to the fact that the Department at time of reporting or at the end of the Quarter 1 was still in consultation with stakeholders on the criteria and sectorial representation of the Council members.

Target Five: The ICT B-BBEE Sector Code Series 000 – 300 aligned to the Generic Code of Good Practice

Although the Department drafted and aligned B-BBEE Sector Codes 000 -300 for consideration by the B-BBEE Council when established, the target for this quarter was not achieved. The reason for non-achievement of the target was due to the delays in the establishment of the Charter Council which impacted on the alignment of the ICT B-BBEE code.

Target Six: International Benchmark report developed

In this respect, benchmark research was conducted and a draft benchmark report developed, however the actual target was not achieved. The benchmark report will now be published in Q2. In addition, The outstanding Q1 target will be achieved in Q2 including the and the overall achievement of all the planned targets for Quarter 2.

Target Seven: Information Ethics Programme implemented in Eastern Cape, Free State & Mpumalanga Provinces

Consultative meetings were held with EC, FS, MP Provinces to present the Digital Opportunities, however the actual target was not achieved. This is due to the fact that there were delays in the finalisation of the MOUs, and the department's legal unit was finalizing this process.

Target Eight: Digital Entrepreneurship Capacity Development Framework developed focusing on e-commerce and ICT applications, prioritizing NHI sites

Consultative meetings were conducted at NHI sites in April 2015 where the Digital Opportunities framework was presented, however the actual target was not achieved. This is due to the fact that the Digital Entrepreneurship Capacity Development Framework has not as yet been developed. A structured governance structure needs to be established first which will operate in the form of a Broadband Provincial Steering Committee.

Target Nine: Research Experts Reference Group established

During this quarter, the ICT Research Group nominees were finalised and the Terms of Reference was developed. However, the actual target was not achieved. As a corrective measure the Department has indicated that the finalisation and operationalisation of the ICT Research Group was underway, but no timeframe was attached to the completion of this process.

Target Ten: Consultation with stakeholders conducted on the Draft National e-strategy

During this quarter, not much progress was made, except the delayed appointment of the service provider as proposals received were above the R500 000 threshold. As a corrective measure the Department is developing a consultation document, which will be finalised by August 2015.

- Programme 4:

Target One: Draft ICT SMME Support Programme developed and gazetted for public comment

During this quarter, the following issues were achieved in preparation for the achievement of the quarterly target, namely the Department drafted and developed a support programme; international benchmarks with comparator countries were completed; and a proposal for an international benchmarking tour to the selected countries was

developed. Despite this, the actual target was not achieved. This was as a result of capacity constraints which delayed this process.

As a corrective measure the Department has indicated that the finalisation of the ICT SMME Support Programme, including the international study tour, is scheduled to be completed in Quarter 2.

Target Two: Secure the concurrence of the Minister of Finance

During this quarter and in preparation for the achievement of the quarterly target, the Department prepared and finalised a list of approved candidates for fit and proper assessment approved by the Minister of Telecommunications and Postal Services. The list was forwarded to the external auditors for the completion of the fit and proper assessments. Despite this, the actual target was not achieved. This was as a result of the background checks of the participating candidates taking longer to complete than anticipated. The Department only completed 94% of the interviews and 78% of the background checks on all participating candidates was completed.

As a corrective measure the Department has indicated that it will submit a list of completed assessments to the South African Reserve Bank with the time frame attached.

Target Three: Base Document developed on the establishment of the Postbank Controlling Company

During this quarter and in preparation for the achievement of the quarterly target, the Department engaged with the SARB and National Treasury (NT) on the Bank Controlling Company structure. However, the actual target was not achieved because the decision on the Bank Controlling Company still had to be resolved.

As a corrective measure the department has indicated that it will be working with NT on options for the BCC. In addition, the department in studying the exemptions provided in the Banks Act, will make recommendations on statutory clauses for the establishment of the Postbank Holding Company. No time frame has been attached.

Target Four: Adoption and lodging of Memorandum of Incorporation (MOI) facilitated

During this quarter and in preparation for the achievement of the quarterly target, the Department drafted and reviewed the MOI but the Department did not finalise it as the actual lodging is dependent on obtaining the SARB's decision on the request for authorisation to establish the Bank and the Postbank Board appointments. This was not achieved because the SARB's decision on the request for authorisation to establish the Bank was still being awaited as it is dependent on the conclusion of the fit and proper assessment of the Postbank Board designates.

Target Five: Deployment of Post Offices/Points of Presence (PoPs) infrastructure monitored

During this quarter and in preparation for the achievement of the quarterly target, the Department engaged with SAPO to request the submission of their Quarter 1 progress report (covering the period 1 April to 30 June 2015). However, the actual target was not achieved because the department was awaiting Quarter 1 performance report that was due on 31 July 2015.

Target Six: A SITA review task team established

During this quarter and in preparation for the achievement of the quarterly target, the department established and proposed task team members. However, the actual target was not achieved because of the delays in the appointment of task team members. As a corrective measure the department has indicated that it will appoint task team members in July 2015.

Target Seven: Research on determining the economic value of SAPO commenced

During this quarter and in preparation for the achievement of the quarterly target, the department established and developed the Terms of Reference (ToR) for the appointment of a service provider. However, the actual target was not achieved because the department changed its approach. As a corrective measure the department indicated that it is pursuing alternative options for the achievement of this target.

Target Eight: International and national benchmarking exercise on oversight models commenced

During this quarter and in preparation for the achievement of the quarterly target, there was no progress made in this regard, hence this target was completely missed. As a corrective measure the department indicated that work has commenced internally.

- **Programme 5:**

Target One: Implementing Agent appointed

During this quarter and in preparation for the achievement of the quarterly, target the department did not achieve its planned target as due process was still being followed in terms of appointing the implementing agency. The target was not achieved because the department changed its approach. As a corrective measure the department indicated that consultation with relevant stakeholders was ongoing.

Target Two: Procurement Strategy developed

During this quarter and in preparation for the achievement of the quarterly, target the department did not achieve its planned target due to the fact that it developed a draft procurement strategy which will form the basis for the procurement plan in the near future. The quarterly target was subsequently not achieved owing to a prolonged process of engagement. As a corrective measure the department indicated that it was in the process of finalizing a procurement strategy.

Target Three: Project Management Plan developed

During this quarter and in preparation for the achievement of the quarterly target, the department did not achieve its planned target due to the fact that only a draft Project Management Plan was developed. The target was not achieved because the finalisation of the project plan is dependent on the appointment of the implementing agency which was not appointed.

Target Four: Phase 2 business case developed

During this quarter and in preparation for the achievement of the quarterly target, the department did not achieve its planned target despite the fact that a gap analysis was completed and a draft business case document was developed. The target was also not met because of a need to finalise costing based on different technologies.

As a corrective measure the department indicated that it was going to ensure that a business case is completed and submitted to NT in July 2015.

Target Five: Transactional Advisor appointed for the establishment of a wholesale open access network and SOC Rationalisation

During this quarter and in preparation for the achievement of the quarterly target, the department did not achieve its planned target despite the fact that all SOCs have been requested to evaluate their asset value to inform the rationalisation process. The target was also not met because of a change in approach in terms of appointing a Transactional Advisor (TA) As a corrective measure the department indicated that it was awaiting a report due in August 2015.

Target Six: Draft policy direction on spectrum for broadband developed and approved

During this quarter and in preparation for the achievement of the quarterly target, the department did not achieve its planned target despite the fact that the Draft policy direction on spectrum for broadband has been developed. The target was also not met because it dependent on finalisation of Spectrum Policy.

Target Seven: Virtual Cybersecurity Hub commissioned and launched

During this quarter and in preparation for the achievement of the quarterly target, the department did not achieve its planned target despite the fact that the Virtual Cybersecurity Hub ICT Infrastructure has been reconfigured and relevant stakeholders consulted in support of piloting. In addition, the target was also not met because there were further delays in finalising the accommodation tender for the Virtual Cybersecurity Hub.

As a corrective measure the department indicated that a service provider would be appointed and the refurbishment of the building was underway.

Target Eight: Stakeholder consultation conducted on draft Internet strategy

During this quarter and in preparation for the achievement of the quarterly target, the department did not achieve its planned target despite the fact that a draft stakeholder consultation document was developed. In addition, the target was also not met because of a proposed change in the consultation approach.

As a corrective measure the department indicated that engagement with Government would be conducted.

Table 4.2: Allocation against Actual Expenditure per Economic Classification for the 2015/16 Financial Year

PROGRAMMES	2014/15			Expenditure as % of Appropriation
	FINAL APROPRIATION	ACTUAL EXPENDITURE	VARIANCE	
	R'000	R'000	R'000	
Administration	R173 650	R65177		38%
ICT International Affairs	R43447	R3 980		9%
Policy Research and Capacity Development	R105 578	R15 355		15%
ICT Enterprise Development and SOC Oversight	R447 898	R181 527		41%
Infrastructure Support	R642 764	R182 511	R 5 057	29%

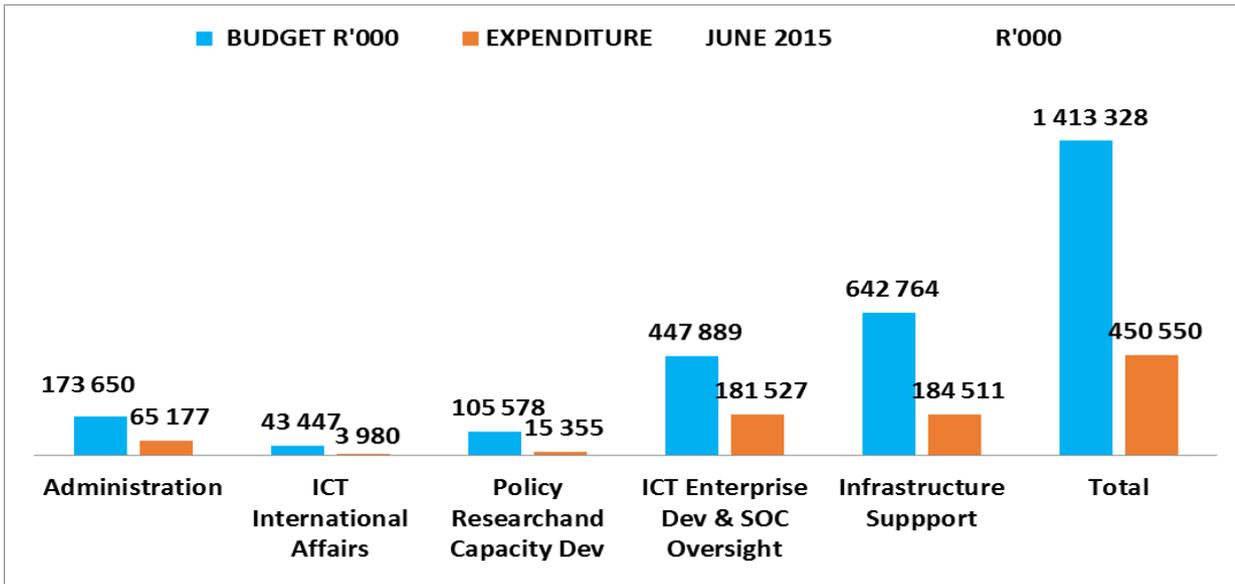
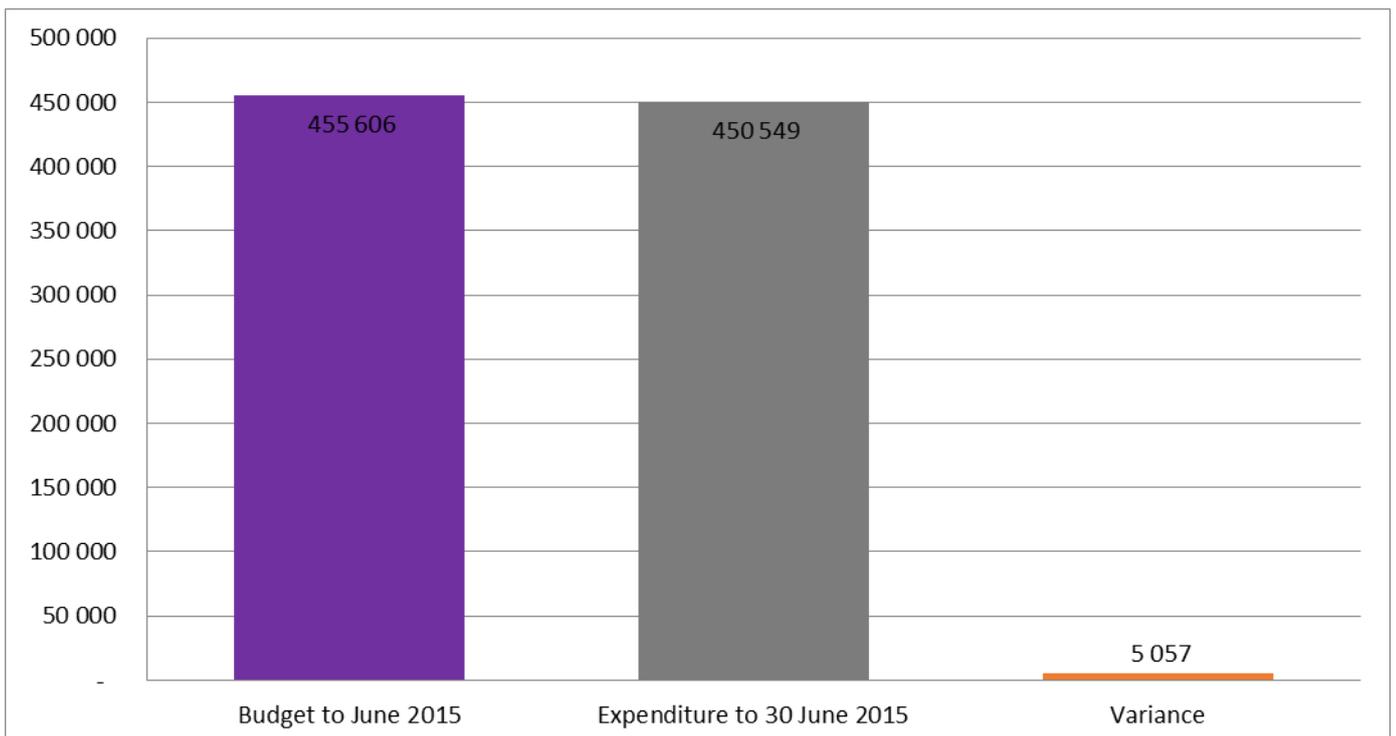
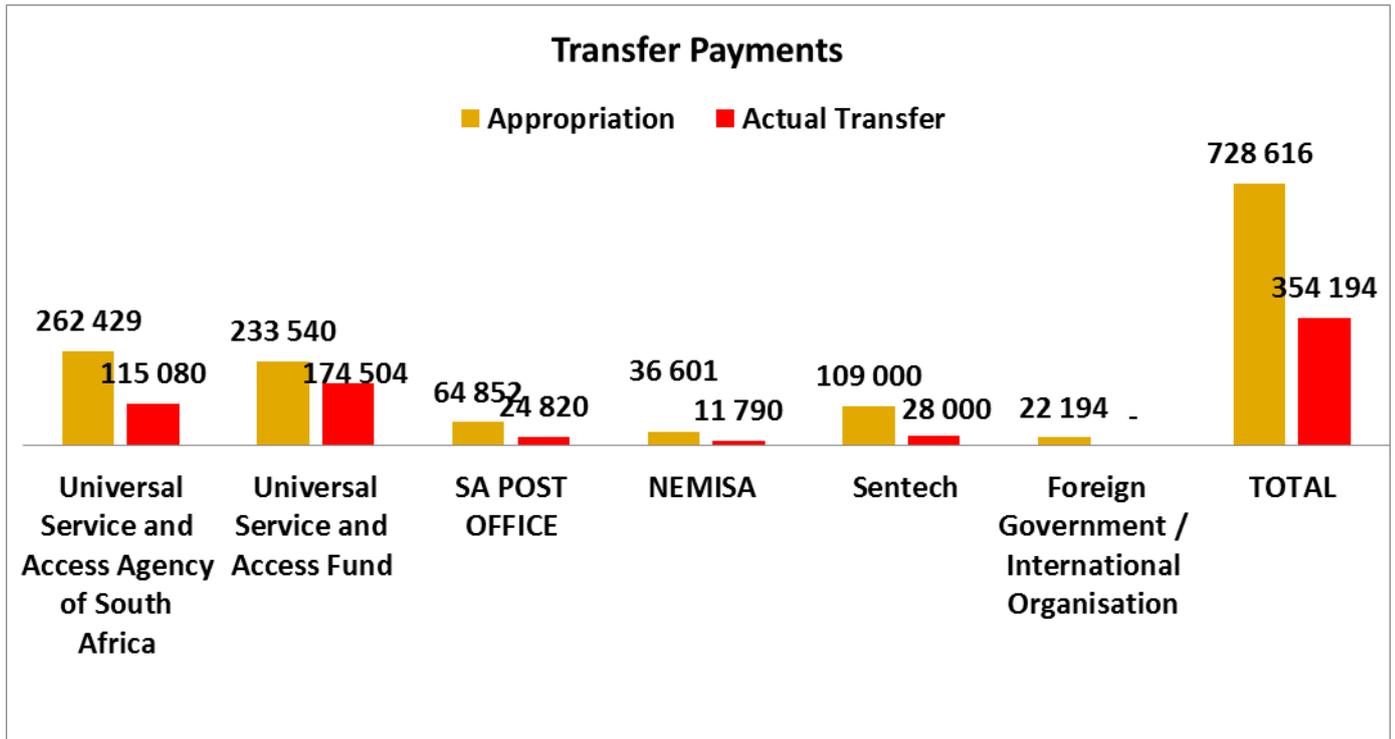


Table 4.3: Allocation against Actual Expenditure per Item for the Quarter 1 of the 2014/15 Financial Year

SERVICE	2015/16			Expenditure as % of Appropriation
	FINAL APPROPRIATION	ACTUAL EXPENDITURE	VARIANCE	
	R'000	R'000	R'000	
	R455 606	R450 549	R5 057	

Explanations for deviations in respect of the above were as follows depicted in the following graph:





6. Portfolio Committee Observations

The Portfolio Committee raised the following with DTSP in respect of the First Quarterly Report for 2015/16:

- The Committee observed the delays in the rapid deployment policy project which were due for completion by May 2015. The delays were necessitated by the complexity of the work and the collaboration with various stakeholders, including municipalities. However, work was on track and a service provider had been appointed.
- The Committee requested clarity on the budget for staff salaries that had been allocated R 62 million, which was an increase of 7, 4 per cent, and the increase in the use of consultants. The Department identified a need for the use of consultants due to the complexity of issues and further noted that skilled staff was used where necessary.
- The Committee requested reasons for the non-compliance by the administrative branch of the Department to respond to the Minister's request to provide a report on the reasons for its poor performance. The Department noted that the relevant report had been sent to the DG's office that morning.
- The Committee observed that the target in terms of cyber security included an awareness plan which had been completed. The launch of the cyber hub was delayed due to the unavailability of a building for the cyber hub.
- The Committee noted that the Department indicated that there was a link between spending patterns and that of its performance targets.
- The Committee observed that 2 450 SAPO outlets needed to be transformed in order to achieve its customer-centric target. Investment in training would be critical. The Committee further noted that SAPO intended to transform itself in future. However, this was dependent on the amount of funds it would be able to generate.
- The Committee observed that the late payment of service providers by SAPO was due to cash flow constraints. SAPO would try to ensure that suppliers are paid but a huge backlog still existed.
- The Committee further noted that SAPO's property targets concentrated on the rental of the operational centres whilst the retail side of the property would still need to be addressed.
- The Committee requested Sentech to identify the steps it had taken to retain skills within the entity and deal with its vacancies. The Committee was informed that Sentech was at an advanced state of filling the vacancy of the acting CEO. A recommendation had been made to the Minister and the final discussion with

the Minister still needed to be concluded. In addition, skilled staff were reaching retirement age and plans were in place to ensure that skills would be transferred and that it was able to maintain skilled staff.

- The Committee noted that BBI had indicated that various interventions were undertaken and that they were working closely with partners such as Eskom and Transnet to remedy the lack of funds. This collaboration has ensured that they have gained time until December 2015.
- The Committee also highlighted issues which included clarity in respect of National Health Insurance (NHI) sites, delays in vetting of service providers, international benchmarking, the role of the private sector in the open access network, new appointments, discrepancies in the budget of the Department, the time frame for the appointment of the SAPO board, the roll out of fibre by BBI, overtime policy of BBI, strategy used by Department to retain skills and sustain capacity and the budget of SITA.

7. Portfolio Committee Recommendations

Based on the observations made above, the Portfolio Committee requests that the Minister of Telecommunications and Postal Services ensures that the Department of Telecommunications and Postal Services takes the following into consideration:

- The Committee appealed to the Minister to expedite the appointment of the SAPO Board. The Committee intends to engage with SAPO in a future meeting to plan a way forward.
- The Committee noted a need to ensure that the Department implements consequence management in respect of the performance of its staff.
- The Committee noted that BBI had too many programmes and suggested that they should rather scale down to remedy the situation of running out of funds by December 2015.
- The Committee congratulated USAASA in respect of its performance turnaround and noted a huge improvement. However, the Committee cautioned against the depiction of “non-spending” and noted that it should not be depicted as a surplus in its report.
- The Committee further noted that the confusion experienced by state-owned entities (SOEs) within the Department was a direct indication that officials were not doing their work. The Department was advised to consider the report of the Presidential Review Committee on SOEs.
- The Committee requested that entities create a tracking mechanism to track comments made by the Committee and the Auditor-General for future interactions.

Report to be considered.