Budgetary Review and Recommendation Report of the Portfolio Committee on Communications, dated 25 October 2016

The Portfolio Committee on Communications (the Committee), having considered the performance and submission to National Treasury for the medium term period of Department of Communications (the Department); Government Communication and Information System (GCIS) Films and Publications Board (FPB); Independent Communications Authority of South Africa (ICASA); Media Development and Diversity Agency (MDDA); and (iv) Brand South Africa (BSA), reports as follows:

1. Introduction

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

1.1. Purpose of the report

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance as well as the cabinet Minister responsible for the vote to ensure the effectiveness and efficiency of the use of resources to ensure optimal service delivery.

According to Section 5 of the Money Bills Amendment Procedure and Related Matters Act, the National Assembly, through its Committees, must annually assess the performance of each national Department. The Committee must submit an annual Budgetary Review and Recommendation Report (BRRR) for the Department as it falls under its oversight responsibilities, for tabling in the National Assembly. This process happens every October of each year where the Committee assesses service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on the forward use of resources.

The BRRR also sources documents from the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process. The Standing Committee on Appropriations (SCOA) should consider these when it is considering and reporting on the MTBPS to the National Assembly.

2. Role and mandate of the Committee:

- Consider legislation referred to it;
- Exercise oversight over the Department and it entities;
- Consider International Agreements referred to it;
- Consider Budget Vote of the two Departments;
- Facilitate public participation process; and
- Consider all matters referred to it in terms of legislation, the Rules of Parliament and resolutions of the House.

3. Organisational environment

The year under review was marked by historic milestones for the Department because this was the first annual reporting for new Department, following the general elections in May 2014 when President Jacob Zuma announced the establishment of a new Ministry of Communications. Proclamation 43 of 2014 gave effect to the establishment of the new Department of Communications. In the 2014/15 financial years, the Department reported under the auspices of the GCIS because it was still in its inception stages.

The Department is a new department that came into being after a proclamation transferring powers to new Ministers, as announced by President Zuma on 25 May 2014. Following the proclamation, the Minister of Public Service and Administration issued a determination on the transfer of functions and organisational structures in respect of the GCIS and the Department.

4. Methodology

For the period under review, the Committee, in exercising its oversight role, interacted with the Department and GCIS on 12 October 2016; ICASA; and FPB on 13 October 2016; and BSA and MDDA on 18 October 2016 respectively for briefings on 2015/16 Annual Performance Plans (APPs).

The Auditor General of South Africa (AGSA) also presented the audit outcomes of the Department, GCIS, ICASA, SABC, FPB, BSA and MDDA for 2015/16 financial year. The Committee also considered the 2015 State-of-the-Nation Address (SoNA), National Development Plan (NDP), Committee meetings, oversight reports and the 2015/16 Estimates of National Expenditure (ENE). There was no report from the Standing Committee on Appropriations (SCOA).

4.1 Outcomes of the report

This report is aligned to broader government policy framework, New Growth Path (NGP), NDP and the governing party's priorities (job creation, poverty alleviation, combating crime and corruption, rural development, education and health). It reviews the initiatives taken by the Department to ensure that the priorities of the plan are realised. Furthermore, the report reviews the recommendations made in the previous year's BRRR to ascertain whether they have been acted upon. It also looks at the recommendations made by the Committee regarding the 2015/16 budget vote report. The report then assesses the financial against service delivery performance to ascertain whether the budget allocated to the Department was spent as envisaged in the APP. Finally, it summarises the observations made by the Committee after considering quarterly reports, all necessary documents, presentations and any other oversight instrument before making service delivery recommendations.

5. Mandate and legislative framework of the Department

The Department is responsible for overarching communications policy and strategy, information dissemination and publicity, and the branding of South Africa. Improved communication and marketing will promote an informed citizenry and assist in promoting investments, economic growth and job creation. The department's mandate is derived from section 192 of the Constitution, which provides for the independence of broadcasting regulation in the public interest, the international Telecommunications Union and the World Intellectual Property Organisation

The Department's mandates are also derived from the President's proclamation when establishing the Department, and these are:

- Develop an overarching communications and broadcasting policy and strategy;
- Provide information dissemination and publicity to promote an informed citizenry; and
- Brand South Africa abroad to assist the country promote investments, economic growth and job creation.

Furthermore, the legislative framework for the work of the Department is contained primarily in the following legislation which it must administer and implement:

- Broadcasting Act, 1999 (Act 4 of 1999);
- Electronic Communications Act (ECA), 2005 (Act 36 of 2005);
- ICASA Act, 2000 (Act 13 of 2000);
- Films and Publications Act, 1996 (Act 65 of 1996); and
- MDDA Act, 2002 (Act 14 of 2002).

The Department is also guided, amongst others, by:

- The Constitution of the Republic of South Africa of 1996;
- The Public Service Act, 1994 (Act 103 of 1994), as amended;
- The PFMA of 1999, as amended;
- International Telecommunications Union including International bilateral and multilateral agreements;
- National Treasury's Framework for Strategic Plans and APPs; and

- World Intellectual Property Organisation.

5.1 Description and core functions

Chapter 15 of the NDP[1] focuses on Transforming Society and Uniting the Country. The NDP notes that inequality and inequity are still prevalent in the country despite the work being done in uniting the country since 1994. The NDP further envisages an active citizenry that participates in the socioeconomic life of the country, and the Department's work contributes in particular to outcome 14 (nation building and social cohesion) of the 2014-2019 medium term strategic framework.

Therefore the Department has a vital role to play in fostering unity and "Forging a new overarching identity". Nation-Building and social cohesion matter; both as an end-state and as a facilitator. A balance needs to be found between healing the divisions of the past, broadening economic opportunities (particularly for black people) and building a sense of inclusion and common purpose among all the South Africans. It should be emphasised that communications plays an essential part in the development process. There is therefore the continuous need to strengthen existing forums of people's participation and enable our people to play a greater role in development, as well the fact that "the democratic government supports the right of citizens to express themselves.

Every citizen irrespective of their social class (where ever located, rural or urban, poor or rich) should have access to a choice of a diverse range of media and impart information. This is guaranteed by chapter two, the Bill of Rights of the country's Constitution. Access to communications and information empowers citizens to facilitate participatory democracy, and assists in defending, advancing and deepening democracy. Moreover, in South Africa's old media (industry in general and radio sector in particular) is not comparable to it in 2014; it has changed for the better and for deepening democracy. The media informs, educates and entertains society and continues to empower citizens with alternative information.

Through its entity oversight unit, the Department analyses funding requests and ensures that transferred funds are properly used. Accountability instruments include quarterly and annual reports, monthly and quarterly accountability forums, and shareholder compacts. Spending is in the Entity Oversight programme.

Apart from administering the transfers it makes, the Department researches and develops broadcasting policies for the communications cluster, which comprises the Department of Communications, GCIS, SABC, BSA, ICASA, FPB and MDDA. The Department also develops standards, manages technology and engineering services, and develops print media, new media and communication policies, as well as branding and messaging policies.

5.2 Key strategic objectives per programme

During the period under review the department allocated spending to four programmes. **Programme One: Administration**, the strategic objectives were:

- Develop and implement effective HRM&D plans that support the strategic objectives of the Department by 2019;
- Provide information and technology solutions and services to support the department in meeting its objectives by 2019;
- Provide effective facilities and security management services by 2019;
- Provide communication services to the department and production of publications, graphic designs, branding and marketing by 2019;
- Provide legal service and advice to the Department by 2019;
- Develop, report and monitor the implementation of the Strategic Plan and the APP, and ensure that planning and performance reporting is coordinated across the department by 2019;
- Plan the department's budget, manage budget expenditure, prepare and submit regular reports and prepare financial statements by 2019;

[1]National Development Plan (2014)

- Render efficient and cost-effective supply chain and asset management by 2019;
- Implement and maintain effective, efficient and transparent systems of risk management and control by 2019; and
- Render effective internal audit function by 2019.

During the period under review **Programme Two: Communication Policy, Research and Development**, the strategic objectives were:

- Conduct research in order to improve universal access to broadcasting services by 31March 2019;
- Develop broadcasting policy papers for international engagements;
- Conduct research and develop the broadcasting spectrum policy and plan in order to ensure equitable allocation of spectrum to public, private and community players by 31 March 2017;
- Conduct research and develop media policies in order to broaden access to information by all citizens by 31 March 2019; and
- Conduct research and develop branding policies that positively market the country locally and internationally in a manner that promotes socioeconomic development and investment by 31 March 2019.

During the period under review **Programme Three: Industry and Capacity Development**, the strategic objectives were:

- Build a competitive communications industry through the implementation of targeted interventions to support the growth and development of the creative industries by 31 March 2019;
- Manage digital broadcasting migration to ensure the successful migration from analogue to digital TV in South Africa within two years;
- Manage industry research and trend analysis on an ongoing basis to ensure evidence-based policy making through the provision of qualitative and quantitative analysis; and
- Develop and implement structured programmes of intergovernmental and stakeholders engagement in order to leverage support to strategic priorities of the Department by 31 March 2018.

During the period under review **Programme Four: Entity Oversight**, the strategic objectives were:

- Provide guidance in and oversight of the governance matters of SOEs on an ongoing basis;
- Monitor the implementation of communications and branding policies by SOEs to ensure the strategic alignment with the department's priorities, by 31 March 2018;
- Issue policy directions to the regulatory institutions as required from time to time;
- Ensure timeous submission of entity funding requests within the stipulated timelines in order to ensure their viability and sustainability; and
- Provide guidance in and oversight of the governance matters of SOEs on an ongoing basis.

5.3 Technical quality analysis

The Department's annual report is within the prescribed format and most of the targets are clearly set, thus making it possible to determine whether they have been achieved or not. However, there are a few misrepresentations of set targets versus strategic objectives that were somewhat vague according to the Members and therefore determining achievement was seen as subjective to the Department's own interpretation. This issue is addressed in the recommendations section of this document and consistent across all entities in as far as the misalignment of the mission, strategic objectives and targets. A directive is directed towards the Minister of Communications to implement a strategy to streamline performance information as well as reporting processes of the Department and its entities.

5.4 Strategic outcome-oriented goals

The Department plays a role in implementing Outcome 14: Nation-Building and Social Cohesion. The Department has a role in "Forging a new overarching identity". It needs to influence citizens to be proud of being South Africans and it has to improve the target from 66% to 75% of South Africans reflecting pride to be South Africans. It also has a role in improving identity based on self-description, from 52% to 60% target. The Department has managed to drive a broadcasting system that preserves, informs and reflects the cultural heritage of all South Africans with a view to achieving 70% content that reflects South Africans. The above targets formed part of the Performance Agreement of the Minister of Communications and the President.

Some 60 per cent of content reflecting South African perspectives and cultural diversity on SABC 1, 2 and 3 in accordance with Outcome 14 impacts the activity of promoting social cohesion across society through increased interaction across race and class. BSA conducted a national perception study key objectives of this study was to identify the trends that are shaping South African society. The results of the study indicates that citizens show a strong devotion to their country – 65 per cent of the population describe themselves as South Africans first and 84 per cent South Africans, reflecting pride to be South Africans.
The table below is an overview of the Department in relation to the strategic outcome oriented goals:

Nation-building pillar	Impact Indicator	2015/16 targets	Actual Achievement
Promotion of social cohesion across society through increased interaction across race and class	Percentage of local content on SABC 1 and 2 Percentage of local content on SABC 3	53% of content reflecting South African perspective and diversity	60% of content reflecting South African perspective and diversity on SABC 1, 2 and 3
Forging a new overarching identity	Pride in being South African	35% of South Africans reflecting pride to be South African	Domestic Perceptions Studies were concluded and results from the studies indicate that 84% of South Africans reflecting pride to be South Africans
	Identity based on self-description	53% improvement in South African national identity based on self-description	Domestic Perceptions Studies were concluded and show a 65% improvement in South African national identity based on self-description

5.5 Policies and legislative goals for 2015/16 financial year

The Department and its entities must nurture a shared vision for the country's future. As leaders in communication; they must continuously promote governments' priorities, policies, actions and process to the electorate. They must assist others see opportunities and current realities with a new lens and thus enable everyone to act in harmony. Communication has become service delivery itself; providing for information for action, that people can use to access services that will improve their lives.

Communication now stands as a central support to the visible implementation of Governments Programme of Action[2]. Every citizen must become an actor and object of development and access to information will be a great enabler for this. It is only when citizens of a country have nurtured a true-shared vision, transcending personal agendas, can the process of national development reach the tipping point for accelerated growth. Indeed, a country may develop only when its leaders realize the wisdom in the principle – power shared is power multiplied, not power diminished.

Given the fact that the Department is a new department also composed of entities that previously reported to various budget votes; and in order to become more effective in delivering in its mandate, the Department embarked on a policy and legislative review of (i) Broadcasting Amendment Bill; (ii) Films and Publications Amendment Bill; and (iii) National Communication Policy for the period in review. Table below is the purpose for each of the amendments and policy review:

Name of Act	Purpose
Broadcasting Amendment Act	The objective of the amendment is to address the governance matters in relation to the size of the board, appointment procedure for the non-executive board of directors as well the removal and resignation of non-executive board members.
FPB Amendment Bill	The objective of the amendment is to align the Act and strengthen the capacity of the FPB to perform its functions.
National Communication Policy	To provide a vision and a framework within which the communication sector can grow and develop.

5.6 Overview of financial performance

The Department received a total allocation of R 1. 290 billion in the 2015/16 financial year, of which R1. 288 billion was spent, refer to Table 1 below for Summary of final appropriations and expenditure. The Department organises its expenditure into four programmes, i.e. Administration, Communications Policy, Research and Development; Industry and Capacity Development, and Entity Oversight. Expenditure for the 2015/16 financial year was 99.8 percent.

There was an underspending of R2, 846 million which represents 0, 22 percent of the total budget. The saving can mainly be attributed to the fact that the R10 million for the Digital Terrestrial Television (DTT) Awareness Campaign was only made available by the Department of Telecommunications and Postal Services (DTPS) in the third quarter of the financial year, and spending only took place from the fourth quarter due to planning and procurement processes. It is worth noting that the Department had made a request of the sum of R1.3 million as a roll-over for DTT project.

Table 1

Programme	Final Appropriation and Expenditure Patterns for 2015/16		
	Final Appropriation	Actual Expenditure	Over/Under Expenditure (R'000)
Administration	48 207	48 206	1
Communications Policy, Research and	7 266	4 896	2 370

[2] Chabane, O.C (2011).

Industry and Capacity Development	20 843	20 385	458
Entity Oversight	1 214 572	1 214 555	17
Total	**1 290 888**	**1 288 042**	**2 846**

The Department had a total revenue of R1, 294 374 billion which was made up of final appropriation of R1 290 888 billion and Departmental receipts of R3 486 million. The total current expenditure (inclusive of compensation of employees and goods and services) for the reporting period was R76, 279 million whilst the total expenditure was R1, 288 042 billion as illustrated in Table 1 above. The Department spent R47, 592 million on compensation of employees; which represents 4 per cent of total expenditure. An amount of R1, 210 156 billion went to transfers and subsidies, whilst R2, 416 to legal services. The Department had only incurred fruitless and wasteful expenditure under investigation of R13 000.

5.7 Non-financial performance per programme

The APP of the Department took into consideration the short to medium-term focus areas stemming from the NDP, the Medium Term Strategic Framework (MTSF) and the 2015 SoNA. As a result of that specific interventions had been prioritised for the 2015/16 financial year, taking into consideration available resources and identified risks.

The Department had set itself the following strategic goals which will be achieved when implementing the President's mandates:

(i) A responsive communications policy and regulatory environment;
(ii) Improved government communications and country branding;
(iii) Improved capacity of the department and its entities to deliver; and
(iv) Transformed communications sector.

These goals will be achieved through the following strategies:

(i) Developing and reviewing communications and broadcasting policies and legislation that ensure the growth and development of the communications sector;
(ii) Improving communications systems in order to inform and disseminate information to the public as well as marketing the country abroad;
(iii) Strengthening the capacity of the department and that of its SOEs to effectively deliver on their public mandates; and
(iv) Broadening the participation in the communications and broadcasting sectors to promote economic development and transformation.

The general performance of the Department is summarised below in terms of each strategic objective and it is followed by the assessment of each programme's performance:

- The DTT Project Management Office continued consultations with individual key role players and finalised a South African DTT Ecosystem. Set Top Box (STB) Conformance regimes for both DTT and Direct-To-Home (DTH) were finalised and implemented. The Digital Switch-On (DSO) and Analogue Switch-Off (ASO) plan has been completed by Sentech and adopted for implementation. This plan is aligned with the South African Post Office (SAPO) registration and STB distribution and installation plan;
- A panel of manufacturers was established in August 2015. Six companies that were appointed to supply STBs received their certification to begin mass production of the devices, particularly the three to supply DTT and DTH STBs;
- Public-awareness campaigns to educate the citizens about the need to migrate and the benefits of the Broadcast Digital Migration (BDM) programme were launched on 3 July 2015;
- The Minister of Communications hosted an STB registration process event on 2 October 2015 in the town of Keimoes, Northern Cape, within the Kai !Garib Municipality. Commencement of

the registration process was launched in line with the countrywide DSO and ASO plan of Sentech;

- The Department established the South African Broadcast Production Advisory Body (SABPAB) as entailed in Section 38 of the Broadcasting Act of 1999 in order to advise the Minister on how the development production and display of local TV and radio content can be supported. The SABPAB convened two meetings during the financial year;
- The Department undertook a series of bilateral engagements with Botswana, Namibia Mozambique, Swaziland and Lesotho to ensure the harmonisation of the radio frequency spectrum in order to develop plans to reduce any potential broadcast signal interference;
- Broadcasting Amendment Bill was approved by Cabinet and introduced to Parliament for public hearings and enacting into law. The Department presented the memorandum and objectives of the Bill to Parliament in February 2016 and
- FP Amendment Bill was approved by Cabinet and submitted/tabled in Parliament for public hearings. The Department presented the memorandum and objectives of the Bill to Parliament in February 2016.

5.7.1 Programme 1: Administration

The purpose of the programme is to provide coordinated strategic and administrative support services to enable the Ministry and the department to deliver on mandates.

A total appropriation of R48 207 million was allocated to this programme and R48 206 million was spent. The total appropriation allocated under this programme represents 4 percent of the total appropriation. The Department's performance was above average on this programme; the Department becoming operational on 1 April 2015 proved to be a hindrance in achieving certain targets. For an example it could not implement learnership programmes and compile four reports as it had prioritised filling of core functions in the Department. Another challenge was that the Department was underfunded. The Department could not procure a building of its own due to financial constraints.

A MoU was signed between the Department and GCIS which allows GCIS officials to provide corporate services related support to the Department in managing and implementing key corporate services functions until such time as the department is able to fully perform these functions.

There was over spending of R328 000 under the Departmental Management sub-programme.

5.7.2 Programme 2: Communication Policy, Research and Development

The purpose of the programme is to conduct research, develop communications and broadcasting policies. The programme's functions are organised into the following sub-programmes; Broadcasting Policy, which conducts research and develops broadcasting policies; Technology and Engineering Services, which conducts research and develops broadcasting spectrum policy and plan, develops standards and manages technology and engineering services; Media Policy, which conducts research and develops print media, new media and communications policies; and Branding Policy, which conducts research and develops branding and messaging policies.

The Department performed well under this programme with some of its achievements were; two broadcasting policy papers were produced for international engagements: the position paper for the World Radio Conference 2015 (WRC 15) that was held in Geneva and the South African position paper on establishing the Pan-African TV and Radio network; the Broadcasting Amendment Bill and FP Amendment Bill were approved by Cabinet and submitted to Parliament. The Department produced and delivered 303 360 Set Top Boxes to the South African Post Office warehouse branches; this was 68 360 more than the set target.

This programme had a total appropriation of R7, 266 million for the reporting period and R4, 896 million was spent leaving a variance of R2, 370 million.

5.7.3 Programme 3: Industry and Capacity Development

The purpose of the programme is to manage enterprise development, BDM and industry research and analysis.

The programme's functions are organised into the following sub-programmes:

(i) Enterprise Development, which manages enterprise development;
(ii) Broadcasting Digital Migration, which manages BDM;
(iii) Industry Research and Analysis, which manages industry research and analysis; and
(iv) Intergovernmental Relations and Stakeholder Management, which manages intergovernmental relations and stakeholder relations.

The Department had a final appropriation of R20, 843 million and spent R20, 385 million and leaving a variance of R458 000. There was overspending in three of the sub-programmes under this programme, namely BDM R775 000; Industry Research and Analysis R599, 000 and Intergovernmental Relations and Stakeholder Management R802 000. This is however compensated for by the under expenditure of R, 634 million under the sub-programme Enterprise Development.

Though the Department did cover the overspending with the surplus under sub-programme one, it is recommended to the Committee that the Department clarifies reasons for over expenditure in its sub-programmes.

The Audio-Visual Green Paper was developed and is ready to be published for public comments. The Department established the SABPAB and two meetings of the body were convened. Industry research reports were compiled on the South African audio-visual industry trends and regulation of the online content.

5.7.4 Programme 4: Entity Oversight

The purpose of the programme is to monitor the implementation of policies by state owned and regulatory institutions and to provide guidance and oversight on their governance matters.

The final appropriation under this programme was R1, 214 572 billion; with expenditure reaching R1, 214 555 billion. This left a variance of R17 000. There was also over expenditure in three of the subprogrammes. Programme Management for entity Oversight had an appropriation of R2, 105 million and expenditure for the reporting period was R2, 559 million overspending by R454 000. Broadcasting and Community Media has a final appropriation of R 196, 048 million and expenditure of R196 875 million, overspending by R328 000. There was no budget allocated for the reporting period for the sub-programme Strategy and Policy Alignment and as a result overspending was R7000. Under the sub-programme Communications and Branding the final appropriation was R540, 441 million and expenditure for the reporting period was R539, 136 million. As a result of the under spending on this sub-programme, the Department's finances were in order.

Though the Department did cover the overspending with the surplus under sub-programme three, it is recommended to the Committee that the Department clarifies reasons for over expenditure in its sub-programmes.

Key achievements under this programme include the development and implementation of the "Policy Framework and Procedure on Oversight and Governance of Public Entities and Statutory Institutions. Furthermore the 2015/16 quarterly oversight reports for the Department's public entities were analysed and submitted to the Executive Authority.

5.8 Department Virements / Rollovers

Since the Department is effectively in its first year of operation, no rollover funds from 2014/15 could have been received during the 2015/16 financial year.

Main division	AENE	Virement	Final appropriation
	(R'000)	(R'000)	(R'000)
1. Administration	42 414	5 793	48 207
2. Communications, Policy Research and Development	7 897	(631)	7 266
3. Industry Research and Capacity Development	20 197	646	20 843
4. Entity Oversight	1 220 380	(5 808)	1 214 572
TOTAL	**1 290 888**	**0**	**1 290 888**

The Department was underfunded in the 2015/16 financial year and savings under Compensation of Employees were mainly used to fund expenditure under Goods and Services as well as Capital Expenditure of the Department. Since the Department was only established on 1 April 2015, many positions remained vacant for the bigger part of the financial year due to the recruitment, selection, verification and appointment processes that are taking long.

The increase in Programme 1: Administration was mainly funded by savings under Programme 4: Entity Oversight. Since the department was established with the Ministry, the expenditure in Programme 1 was mainly to fund operations of the Minister and Deputy Minister who mainly spent funds on travelling between Pretoria and Cape Town to honour their parliamentary duties.

The saving of R2, 370 million under Programme 2: Communications, Policy Research and Development could not be reprioritised to other programmes due to the 8 per cent virement limitation in terms of Section 43 of the Public Finance Management Act (PFMA) of 1999. The Department did not have any fruitless and wasteful expenditure during the period under review.

5.9 AGSA report

Table 2 below is merely to illustrate the Audit outcomes of the last four financial periods of the then Department of Communications which split to form a new independent Department of Communications and DTPS as proclaimed by President Jacob Zuma in June 2014.

For the 2015/16 reporting period the Department received a clean audit opinion from the Auditor General.

Table 2: Summary of Audit Outcomes for the last four financial periods

DEPARTMENT	2012/13	2013/14	2014/15	2015/16
Communications	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with no findings

The Auditor General performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2016:

- Programme 2: Communication Policy, Research and Development
- Programme 3: Industry and Capacity Development; and
- Programme 4: Entity Oversight

The Department received an unqualified opinion based on usefulness and reliability of the reported performance information in this regard.

6. A Department reporting to the Department of Communications

6.1 Mandate and legislative framework of the GCIS

The GCIS was formally established in terms of section 239 of the Constitution of the Republic of South Africa of 1996 and as a strategic unit in The Presidency in terms of section 7 of the Public Service Act, 1994 (Act 103 of 1994). Furthermore GCIS's mandate is derived from section 195(g) of the Constitution of South Africa (1996), which stipulates that the public should be provided with information that is timely, accurate and accessible. This is in support of the constitutional principles of freedom of expression, and transparency and openness of government.

The GCIS's mandate is to provide strategic leadership in government communications and coordinate a government-wide communication system that ensures that the public is continuously informed of government programmes and policies in order to improve their lives.

The GCIS accordingly develops overarching communication policies and strategies for government; disseminate information, publicity and marketing on government programmes; and promote an informed citizenry through facilitating integrated, coordinated and clear communication between government and South African citizens, to enable citizens to be involved in the country's transformation.

The GCIS started operating as a department under the Ministry of Communications, through the Department's Vote 3. The financial year under review was the Department's inaugural year as a newly reconfigured department after the state was reconstituted following the 2014 general elections.

The work of the GCIS is further informed by:

- The Constitution of the Republic of South Africa of 1996;
- The PFMA of 1999, as amended;
- International bilateral and multilateral agreements;
- National Treasury's Framework for Strategic Plans and Annual Performance Plans (APPs); and
- The Medium Term Strategic Framework (MTSF) 2014-2019.

6.2 GCIS strategic overview

The GCIS's strategic outcome goals are in conformity with the SoNA 2015; the NDP 2030 and the MTSF 2014-2019, amongst others. The NDP contributes to the country's development agenda, and its explicit objective is to eliminate poverty, reduce inequality and create more job opportunities by 2030. In broad terms, the blueprint charts a way forward to accelerate economic growth, create decent work and promote investment in a competitive economy.

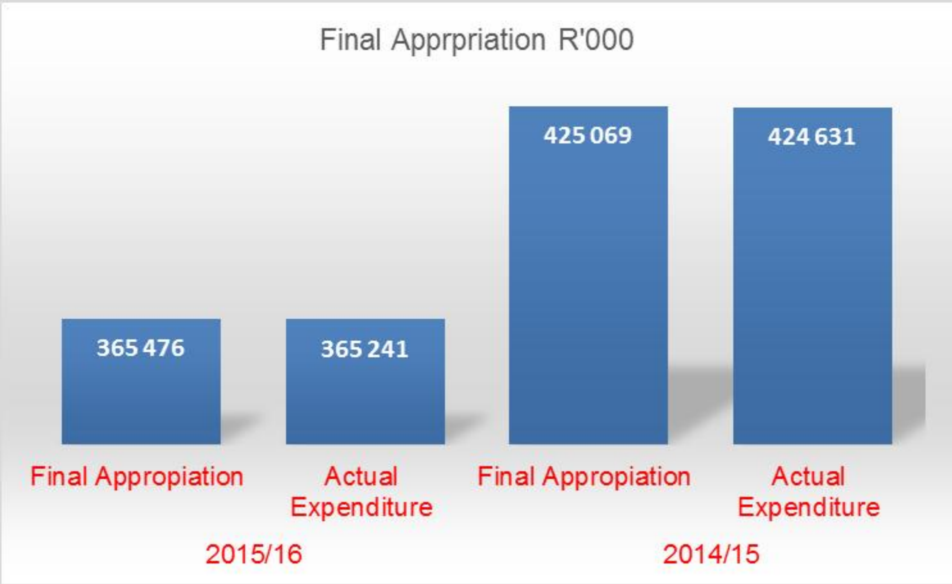
It is an indisputable fact that the myriad of developmental opportunities that government offers to South Africans in order to improve their lives remain untapped. Hence one of the primary objectives of Vision 2030 is to highlight existing opportunities that citizens, especially the youth, should access in order to reverse the legacy of inequality in our society.

The GCIS has a strategic role to play in ensuring heightened awareness among intended beneficiaries of the opportunities for socio-economic development. There is therefore a need to customise government's messages to be able to popularise all life-changing programmes and plans that government offers, especially how citizens can access them.

6.3 GCIS overall programme financial performance

The GCIS received a total allocation of R365, 476 million for the 2015/16 financial year; and R365, 241 million was spent, see graph below summary of final appropriations and expenditure. There was a R59, 593 million decrease in the final appropriation to GCIS when compared to the previous financial year (2014/15). The GCIS organises its expenditure into four programmes: (i) Administration; (ii) Content Processing and Dissemination; (iii) Intergovernmental Coordination and Stakeholder Management; and (iv) Communications Service Agency. Expenditure for the 2015/16 financial year was 99.9 per cent.

Graph 1 below is a comparative overview of the final appropriation for GCIS over two financial periods.



6.3.1 GCIS expenditure per programme for 2015/16 financial years

The final appropriation for the programme Administration was R141, 921 million and actual expenditure was R144, 920 million; there was a R21, 306 million decrease in funds allocated under this programme when compared to the 2014/15 financial year. The GCIS spent 100 percent of the funds allocated for three of its programmes, namely (i) Administration; (ii) Intergovernmental Coordination and Stakeholder Management; and (iii) Communications Service Agency. Under the programme, Content Processing and Dissemination the GCIS only spent 99.7 percent of their funds leaving a variance of R233 000 from the allocated appropriation of R75 178 million. The underspending in Programme 2 relates mainly to compensation of employees in respect of a senior manager that is seconded to The Presidency of which the monthly salary cost is claimed and paid by The Presidency. Goods and Services under spent due to lesser research cost and travel and subsistence.[3]

Departmental revenue for the reporting period was R369, 679 million which comprised of the annual appropriation R365, 476 million and R4, 203 million in departmental receipts. There was a decrease in GCIS revenue (R425, 816 million) for the reporting period when compared to the 2014/15 financial year. This could be largely attributed to the decrease in funding of the department. It should be noted that if the cuts in budgets persist; it will have a negative impact Government's ability to deliver optimal transparent and productive, communication.

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[3] GCIS Annual Report 2015/16
[4] GCIS Annual Report 2015/16

that if the cuts in budgets persist; it will have a negative impact Government's ability to deliver optimal transparent and productive, communication.

Total expenditure for the reporting period was R365, 241 million. A huge contributor to expenditure was compensation of employees. The GCIS has an average of 500 employees[5]; total compensation to employees was R202, 461 million. There was under expenditure of R215 000 for compensation of employees.

Transfers and subsidies for the reporting period were R1, 019 million. These comprised of transfers to Departmental Agencies and transfers to households. The amount of R56 000 was transferred to the South African Broadcasting Corporation (SABC).

For training and development GCIS spent R827 000 and R460 000 for employee bursaries. As a result of finance support by GCIS six bursary holders successfully completed their studies. One received a PhD degree and the other was awarded a Master's degree.

6.4 GCIS strategic outcome oriented goals

The GCIS, a transversal strategic communication organisation, provides strategic communication support to the implementation of government's 14 outcomes. The programme indicators below will measure progress over the five-year period.

Outcome	Performance Indicators
Outcome 14: Nation-building and social cohesion	• Number of community and stakeholder liaison visits undertaken. • Reports on the number of *Izimbizo* programme events held. • Number of reports on Post-Cabinet media briefings and/or statements issued after ordinary Cabinet briefing. • Percentage of approved requests for radio products and services responded to. • Number of marketing events per Thusong Service Centre. • Number of copies of *Vuk' uzenzele* published. • Number of media briefing requests, per year.

Source: GCIS Strategic Plan Medium – Term Period 2015/16-2019/20

The GCIS over achieved with regard to the programme indicators of the strategic outcome-orientated goals.

- For the first performance indicator, the GCIS had a target of 1800 for the reporting period and the achievement was 2192;
- For the second indicator the GCIS met their target of four by producing four quarterly reports (hosted 326 events);
- For the third indicator the GCIS set a target of 18 and this target was met;
- The achievement for the fourth indicator was met; the GCIS received 220 requests.
- The GCIS set a target of 486 for the fifth indicator; it overachieve, 580;
- Sixteen editions of *Vuk' uzenzele* were published; the GCIS overachieved by 5 editions; and
- One hundred and thirty media briefing requests were achieved against a target of 100 for the reporting period.

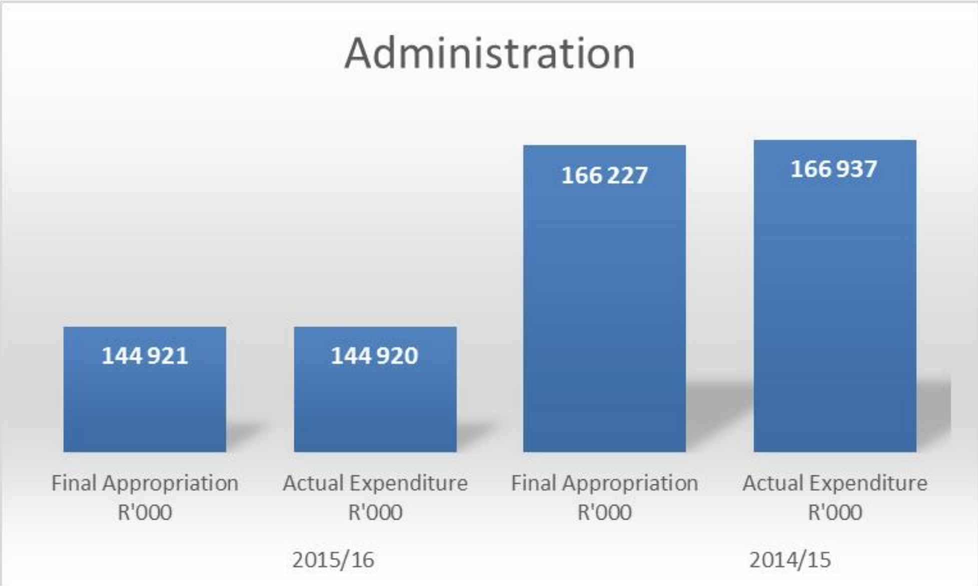
[5] Ibid. Pg. 151

6.5 Performance information by programme
6.5.1 Programme 1: Administration

The purpose of this programme is to provide overall management and support for the department. The GCIS has five sub-programmes under this the Programme: Administration. These are Strategic Planning and Programme Management; Human Resources (HR), Information Management and Technology; Finance, Supply Chain Management and Auxiliary Services and Internal Audit.

A total appropriation of R144 921 million was allocated for this programme and R144 920 million was spent. There was a decrease of R21, 306 million when compare to the previous (2014/15) financial year. The Graph 2 below illustrates the expenditure and total appropriation of the financial year 2015/16 and 2014/15 respectively.

Graph: 2 Programme 1: Administration



The GCIS met all its targets under this programme. Achievements under the sub-programme Strategic Planning and Programme Management were the facilitation of the review and tabling of the 2016/19 APP to Parliament during the reporting period. It compiled four quarterly performance reports and submitted the first, second and the third 2014/15 quarterly performance reports to the Committee. Four quarterly reports were approved and submitted to oversight bodies and the Executive Authority as required by regulations. The sub-programme coordinated the development of the 2014/15 Annual Report which was tabled in September 2015 as a legislative requirement. The decrease in allocation of funds and human capacity challenges put a strain on the existing human capital the sub-programme has left.

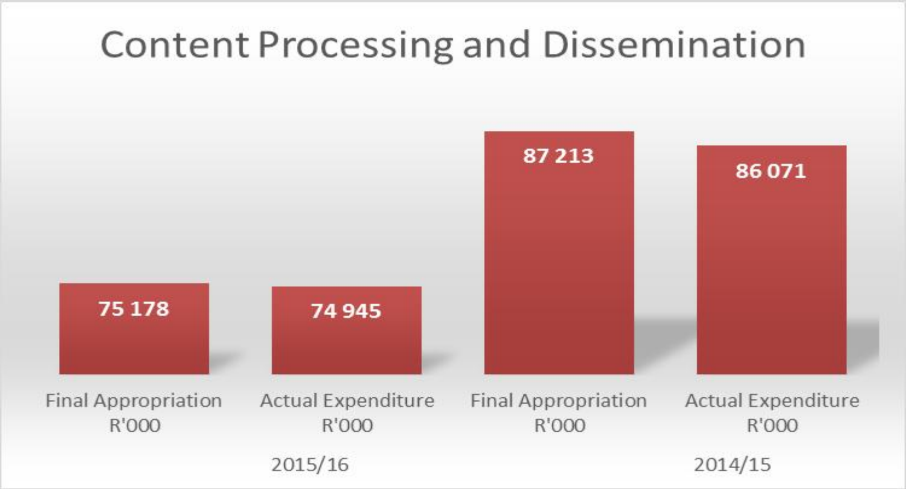
Under the Human Resource sub-programme the department has maintained a vacancy rate of less than 10 per cent throughout the year. Employees with disabilities made up 2 per cent of the departmental staff complement. The department also implemented a departmental HR Plan (HRP) and 98.2 per cent of departmental staff performance agreements signed within legislated time frames. Challenges under this programme were ensuring that GCIS employed women at Senior Management Service (SMS) level to meet government's target of 50 per cent and an insufficient training budget has led to the department not achieving its training and development targets as set out in the Work Skills Plan.

It is also crucial to highlight that under the sub-programme Finance, Supply Chain Management and Auxiliary services GCIS submitted twelve 30 days payment reports to National Treasury; 85 per cent of all requisitions that were received were processed within 48 hours. The standard was exceeded by 15 per cent despite the shortage of staff and increased workload; 31 bids (six tenders and 25 request for quotations) were also handled during the financial year.

6.5.2 Programme 2: Content Processing and Dissemination

The purpose of this programme is to provide strategic leadership in government communication to ensure coherence, coordination, consistency, quality, impact and responsiveness of government communication. The department has three sub-programmes under this programme; Products and Platforms, Policy and Research; and Communication Service Agency. Graph 3 below illustrates final appropriation and expenditure for the financial years 2015/16 and 2014/15. It is evident from the graph that despite the financial constraint as a result of decreased funding the department continues to make significant strides. Owing to cost-containment measures, the GCIS's budgets were cut across the board thus leading to the *Vuk'uzenzele* unit producing 18.7 million copies instead of 20.4 million copies as per the original target.

Graph: 3 Programme 2: Content Processing and Dissemination



For the sub-programme Products and Platforms 18, 7 million copies of Vuk' *uzenzele* in all official languages and 9 600 Braille copies were distributed. Under the sub-programme the South African Government News Agency (SAnews.gov.za), another of GCIS's flagship platforms, continues to grow its presence in the digital media and communication space.

Under the Policy and research sub-programme the Directorate: Research and Knowledge Management produced comprehensive research cluster reports that guided planning and informed communication strategies of government communication clusters. Furthermore during the reporting period the Directorate: Communication Resource Centre (CRC) saw an increased demand for the production of key messages spanning from various topics and themes.

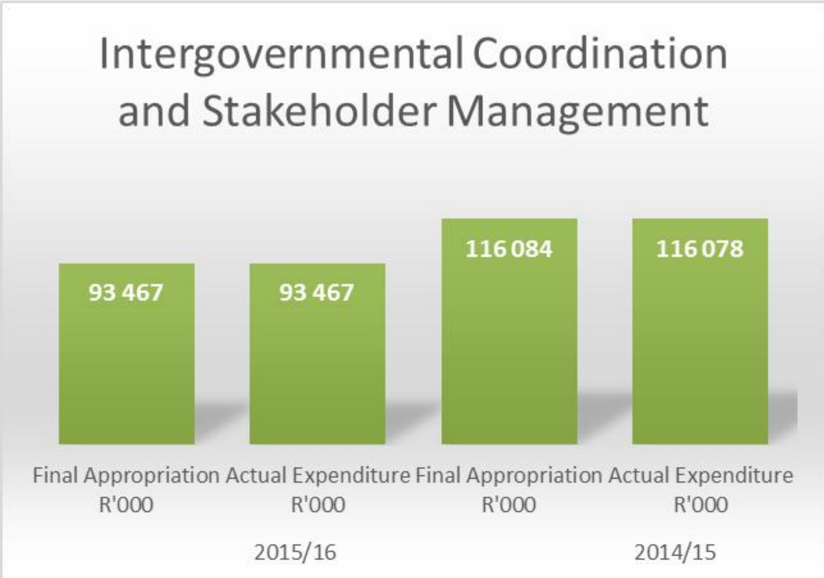
Another challenge for the GCIS was that some government departments were still not making use of its media bulk-buying and the media production services, and continue to produce and place adverts directly or through advertising agencies as there is no directive that forces government departments to use media buying and media-production services which would enable GCIS to negotiate better discount rates for departments and ensure coherence in terms of government's messaging and adherence to the corporate identity.

6.5.3 Programme 3: Intergovernmental Coordination and Stakeholder Management

The purpose of this programme is to implement development communication through mediated and unmediated communication and sound stakeholder relations and partnerships. There are three sub-programmes under this programme which are Provincial and Local Liaison, Cluster Communication and Media Engagement.

During the reporting period the Provincial and Local Liaison sub-programme implemented 1 920 development communication projects, reaching more than 47 million people through community radio programmes, door-to-door household crusades, print-media features/advertorials, outreach campaigns, community dialogues, seminars, mall/ taxi rank activations, and road intersection distribution drives, among others. District and provincial offices conducted 2 170 community and stakeholder liaison visits and GCIS supported political principals in 326 Izimbizo where they interacted with communities in deepening our participatory democracy. Graph 4 below illustrates final appropriation and expenditure for the financial years 2015/16 and 2014/15.

Graph 4: Programme 3: Intergovernmental Coordination and Stakeholder Management



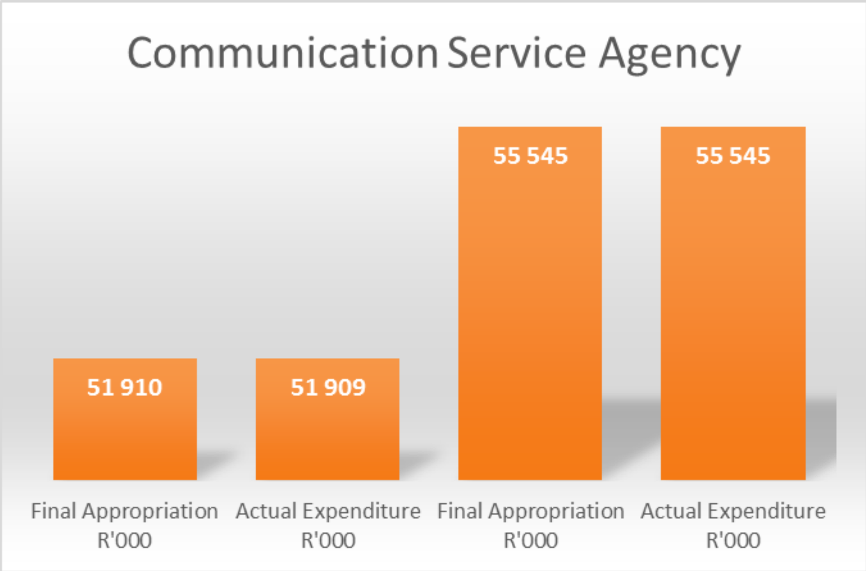
During the reporting period, the GCIS provided strategic leadership and communication support in the planning and implementation of major government campaigns per cluster. Financial constrains remain a persistent challenge and creates challenges in the GCIS achieving it objective. The GCIS noted that its training budget posed a serious challenge in fulfilling the departmental communication training mandate.

6.5.4 Programme 4: Communication Service Agency

Programme four, which is also a sub-programme of programme 2 focused on Marketing, Advertising and Media Buying; and Media Production. During the reporting period media-buying clients increased from 40 (2014/15) to 53 in 2015/16 and the number of campaigns increased from 272 in 2014/15 to 280 in 2015/16. The total billing for this period was also increased from R273 253 041.98 in (2014/15) to R283 061 705.02 in (2015/16). Furthermore, the advertising expenditure on community media was also increased from R35 621 403.36 to R36 194 629.31. There was an increase in the discount amounts received on behalf of departments and entities from R24 636 398.98 in 2014/15 to R40 572 885.88 cents in 2015/16.

The Marketing and Distribution unit successfully implemented a Government Exhibition Day event, which will now be an annual event. Graph 5 below illustrates final appropriation and expenditure for the financial years 2015/16 and 2014/15. The reductions in appropriation were not as high when compared to other programmes for the 2014/15 financial year.

Graph 5: PROGRAMME 4: Communication Service Agency



6.6 GCIS Virements / rollovers

No roll-overs were requested from the 2014/15 to the 2015/16 financial years. Table 4 reflects virement that was applied through the adjustments budget process:

Main division	Original budget (R'000)	Virement (R'000)	AENE (R'000)
1. Administration	139,828	-	139,828
2. Content Processing and Dissemination	86,587	(4,845)	81,742
3. Intergovernmental Coordination and Stakeholder Management	94,721	-	94,721
4. Communication Service Agency	44,340	4,845	49,185
TOTAL	365,476	-	365,476

The increase in Programme 1: Administration is due to funds that were shifted from Programme 2: Content Processing and Dissemination and Programme 3: Intergovernmental Coordination and Stakeholder Management to fund the projected deficits in Information Management and Technology as well as Facilities Management as a result of contractual obligations. The net increase in Programme 4: Communication Service Agency funded the travelling expenditure of media production staff that accompanied the President and Deputy President on domestic and foreign visits to provide photographic and video coverage.

The net result of the above virement had the following effect on the economic classification of expenditure: Savings of R6.7 million that realised in Compensation of Employees due to the period that lapse before a vacancy is filled were used as follows: Goods and Services increased with R6.1 million due to the funding of projected deficits as a result of contractual obligations as well as travel and subsistence.

Transfer and subsidies increased with R319 000 to fund leave gratification and leave discounting of staff. Payment for Capital Assets increased with R300 000 to fund the purchase of capital assets.

No unauthorised expenditure, fruitless and wasteful expenditure or irregular expenditure occurred in the 2015/16 financial year.

6.7 GCIS AGSA report

Table 3 below illustrates the audit outcomes of the previous three financial years of the GCIS. The GCIS has over the past two financial years successfully instilled fiscal discipline on expenditure trends that are noncore to the business of the department. Over two financial years the GCIS has received clean audits from the Auditor General.

In line with National Treasury instructions, the GCIS successfully implemented cost-containment measures.

Table 3: Summary of Audit Outcomes for the last four financial periods

DEPARTMENT	2013/14	2014/15	2015/16
GCIS	Financially unqualified with findings	Financially unqualified with no findings	Financially unqualified with no findings

The Auditor General performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the GCIS for the year ended 31 March 2016: (i) Programme 2: Content Dissemination and Processing; and (ii) Programme 3: Intergovernmental Coordination and Stakeholder Management.

The GCIS received an unqualified opinion with no findings based on usefulness and reliability of the reported performance information in this regard.

7. Public entities reporting to the Department

Government recognizes State-Owned Companies (SOCs) as strategic instruments of industrial policy. This, among other things, means that SOCs' key programmes must be integrated into the broader industrial policy and economic cluster programme of government, both in terms of funding and policy support. SOCs are to reflect in their mandates the socio-political objectives of government. To do so, they will need to create a delicate balance between SOCs' strategic purposes and SOCs' commercial viability.

Thus SOCs need to reach towards the twin goals of attaining the country's socio-economic developmental goals and maximising operational efficiency and financial sustainability.

7.1 FPB

The FPB derives its mandate from the Film and Publications Board Act (Act 65 of 1996), as amended in 2004 and 2009. The Act is the enabling legislative framework and thus outlines the key functions, powers and duties as conferred to the Board. Through the above mentioned legislation, the FPB is mandated to regulate (i) the creation, production, possession and distribution of films, games and certain publications and certain films by means of classification; (ii) the imposition of age restrictions, and giving of consumer advice; and (iii) make exploitative use of children in pornographic publications, films, or on the internet punishable.

In summary, the FPB mandate is to:

(i) Regulate the creation, production, possession and distribution of films, games and certain publications by way of classification;

(ii) Protect children from exposure to disturbing and harmful material and from premature exposure to adult material; and

(iii) Render the use of children in and exposure of children to pornography a punishable offence.

The board provides leadership and strategic oversight, and oversees the internal control environment sustaining value to the company's shareholder and stakeholders. The board ensures adherence to principles of good governance and accountability as espoused in King III[6] and its board charter.

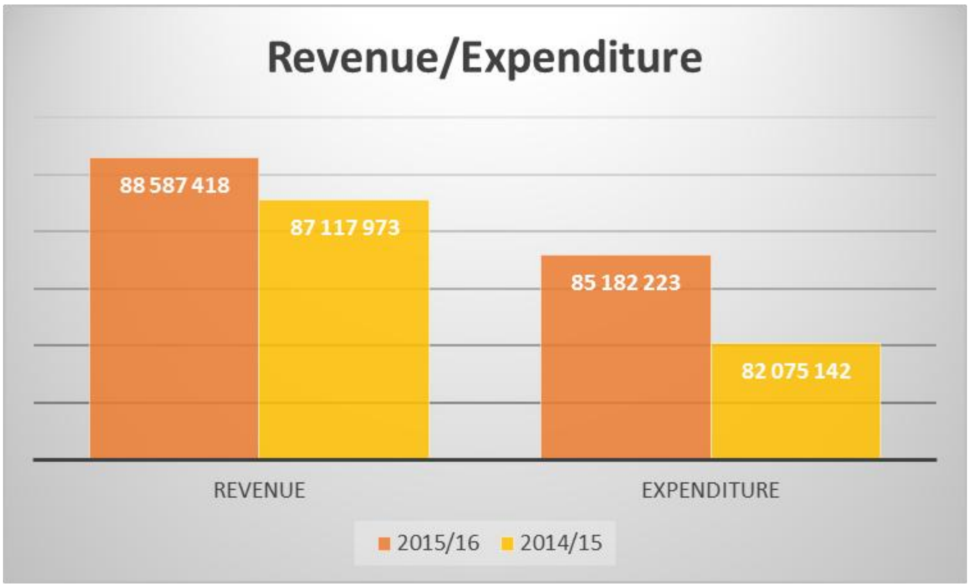
[6] King III is a corporate governance standard to be implemented by all businesses to ensure standardised corporate governance practices in South Africa.

7.1.1 Financial performance

The total amount of R82 359 000 was allocated to FPB by the Department for 2015/2016 financial year.

Total revenue for the reporting period was R88, 587 418. Revenue increased by R1, 469 445 when compared to the 2014/15 financial year. Revenue mainly comprised of transfers from other government entities, regulation fees (fees charged for classification and registration fees). Operating expenditure for the reporting period was R85, 182 223 which resulted in an operating net surplus of R3, 405 195. There was a decrease in surplus of R1, 637 636 when compared to the 2014/15 financial year. This is because of the increase in expenditure. This is illustrated by the Graph 6 below.

Graph 6: Revenue and expenditure last two financial years



There was a slight increase in employee costs for the reporting period. Employee costs increased by 8 per cent or R3, 369, 457 when compared to the 2014/15 financial year. Expenditure under employee costs for the reporting year was R45, 168 525.

Operational expenditure increased by only 1.5 per cent from the previous financial year indicating some results from cost saving measures, for example a 43 per cent reduction in consulting and professional fees can be reported.

Fruitless and wasteful expenditure refers to expenditure that was made in vain and could have been avoided had reasonable care been exercised. The Auditor General's audit opinion was based on issues surrounding expenditure management. For the reporting period fruitless and wasteful expenditure incurred was R231 878. Expenditure was attributed to payment of VAT to a service provider that was not registered for VAT; accommodation booked and paid for but not utilised by an employee amongst other things.

Irregular Expenditure for the reporting period was R184, 398. The total amount for irregular expenditure awaiting condonement was R254, 735. This figure is inclusive of an amount of R270, 978 of prior year discovered in the current year.

7.1.2 Human resource

The FPB has a staff compliment of 88 with a support staff compliment of 72 employees. The current vacancy rate at the support staff level is 5, 6 per cent of the total staff compliment; and 36 percent of the total staff compliment at senior management level. At the end of the reporting period the FPB's expenditure for training was R1, 046 000.

The programmes aligned to achieving the performance outcomes are discussed below.

7.1.3 Overview and assessment of strategic outcome performance

Strategic Outcome 1: Effective and visible monitoring of films games and certain publications throughout the entire value chain (content creators, producers and distributors of films) to protect children and inform the general public.

Under this programme the FPB had one sub-programme which was Industry Compliance. There are 31 programme indicators. The FPB achieved 12 of its annual targets; one was partially achieved and three were not achieved. For an example the FPB was unable to conduct a Review of the FPB online Audit Process because the model was developed late due to poor participation by key role players.

Strategic Outcome 2: Consumers, general members of the public and industry informed about the mandate of the FPB.
The FPB had two sub-programmes; these were branding and marketing and public education and awareness. The FPB performed exceptionally well under this strategic outcome when comparing its set targets against achievements. There were eight annual targets for the reporting period and the FPB achieved all of their set targets. This is commendable.

Strategic Outcome 3: Effective and efficient management of FPB Operations.
There were six sub-programmes under this strategic outcome; organisational capacity capability, implementation of an efficient customer care centre, implementing a fully functional integrated client support administration systems, maintaining acceptable queries management standards, marketing and publicity of the contact centre; and administration and compliance.

Out of the 37 performance targets, the FPB achieved 32 of its targets, four partially achieved and one not achieved. The target that was not achieved was conduct quarterly trends analysis. The reason for this variance was insufficient information available.

Strategic Outcome 4: Ensure effective and innovative regulation of content distributed online, mobile and related platforms to protect children and inform the general public.
The reporting entity had two sub-programmes for the 201516 financial year under this programme. The FPB had 13 targets and 10 were achieved whilst three were partially achieved.

7.1.4 FPB AGSA report

Table 1: Summary of Audit Outcomes for the last three financial years

ENTITY	2013/14	2014/15	2015/16
Film and Publications Board	Financially unqualified with findings	Financially unqualified with findings	Financially unqualified with findings

The FPB has received the same audit opinion from the Auditor General for the last 3 consecutive financial years. The AG did not identify any material findings on the usefulness and reliability of the reported performance information.

The basis of the audit opinion in the reporting period is as follows:

- Effective steps were not taken to prevent irregular expenditure, as disclosed in note 26[7] of the AFS, as required by section 51 (b)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.
- Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 25 of the AFS, as required by section 51 (b)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

The root causes for this audit opinion was that management did not implement adequate controls to ensure that the procurement of goods and services comply with the requirements of the entity's Supply Chain Management Policy. In addition, management did not implement adequate controls to

[7] See FPB Annual Report

ensure that proper review and approval processes are in place in order to identify payments that do not comply with requirements of the entity's Supply Chain Management Policy.

Additional matters: Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

7.1.4.1 Compliance with legislation
Material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

7.1.4.2 Expenditure management

(i) Effective steps were not taken to prevent irregular expenditure, as disclosed in note 26 of the AFS, as required by section 51 (b)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

(ii) Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 25 of the AFS, as required by section 51 (b)(ii) of the PFMA and Treasury Regulation 9.1.1.

7.1.4.3 Internal control
Internal control is relevant to the audit of the financial statements, and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on noncompliance with legislation included in this report.

7.1.4.4 Financial and performance management
Non-compliance with laws and regulation could have been avoided had effective review process over the monitoring of compliance with laws and regulations been implemented.

7.2 Independent Communications Authority of South Africa
ICASA was established by the ICASA Act of 2000, as amended, to regulate the South African communications, broadcasting and postal services sectors. The regulator's mandate is defined in the Electronic Communications Act (ECA) of 2005 as licensing and regulating electronic communication and broadcasting services, an in the Postal Services Act (1998) as regulating the postal services sector. Enabling legislation also empowers the regulator to monitor licensee compliance with licence terms and conditions, develop regulations for the three sectors, plan and manage the radio frequency spectrum, and protect consumers in relation to these services.

The NDP sees ICT by 2030 underpinning a dynamic, inclusive and prosperous information society and knowledge economy, in which seamless information infrastructure will meet the needs of citizens, business and the public sector, providing access to a wide range of services required for effective economic and social participation at a cost and quality at least equal to South Africa's competitors. The NDP explicitly states the need to strengthen ICASA's mandate for nation building, thereby contributing to outcome 14 of government's 2014-2019 medium term strategic framework (nation building and social cohesion). This is in addition to ICASA's indirect contribution to outcome 6 (an efficient, competitive and responsive economic infrastructure network).

Government has set the foundation to overcome the existing digital divide and improve South Africa's infrastructure with the finalisation of the South Africa Broadband Policy - South Africa Connect. The ICASA's Strategic Plan and its activities during the 2015-19 period is to facilitate the achievement of the South Africa Broadband Policy and Vision 2020 of 'Broadband for All' by passing regulations that will support the ever-increasing consumer demand for low cost, high-speed access to broadband services.

Strengthening ICASA will afford the country to leverage the economic benefits that come with ICTs thereby contributing to the NDP's aim of eliminating poverty and reducing inequality by 2030.

During SoNA in February 2015, President Jacob Zuma, among other things, announced the Nine-Point Plan to grow the economy and create much-needed jobs.

The Nine-Point Plan was a response to surmountable challenges affecting South Africa, which included:

(i) Electricity challenges;
(ii) Inadequate economic infrastructure in general;
(iii) Unwieldy regulatory processes which delay investment; and
(iv) Insufficient government coordination, which contributes to investor uncertainty.

In addition to the projected growth of 2 percent in 2015, the Nine-Point Plan could potentially accelerate the growth of the economy by 0, 8 percent in the short term and 1 percent in the medium to long term.

ICTs have contributed to carving out an alternative path to development. Connectivity; whether the Internet or mobile phones is increasingly bringing market information, financial services, health services to remote areas, and is helping to change people's lives in unprecedented ways.

ICASA therefore plays a critical role in ensuring that there is efficient rollout of modern communications technology that would enable the country to be competitive. The ICT market in South Africa has been expanding quickly and is likely to continue at an exponential rate in the years ahead, driven by rapid growth in mobile telephony, Internet economy- e-commerce, and the advent of broadband.

7.2.1 Strategic Overview 2015/16

During the reporting period ICASA's SOOGs identified the areas of institutional performance that are critical to the achievement of its mandate.

The associated strategic objectives are the areas of focus for the outputs, annual targets and quarterly deliverables in the Annual Performance Plan to achieve the predetermined goals. Strategic objectives are linked to the Government's outcomes-based approach. The figure below represents the strategic outcome oriented goals of ICASA as outlined in the Strategic Plan for the fiscal years 2015-2019 and the APP for the fiscal year 2015-2016.[8]

Figure 1: Strategic outcomes oriented goals

[8] ICASA Strategic Plan for the fiscal years 2015-2019 and the Annual Performance Plan for the fiscal year 2015-2016.

For the reporting period; ICASA achieved 63 percent of its targets and did not achieve 36, 4 per cent under SOOG 1 and 2. For SOOG 3 the Authority performed above average and achieved 80, 2 per cent and 19, 8 percent was not achieved. Under the SOOGs ICASA spent 92, 2 per cent, 95, 9 percent and 95, 7 percent of the full year budget. Table 5 below illustrates ICASA's performance against the budget.

Table 5: SOOG performance against budget

	Full Year Budget	**Expenditure**	**Variance**
SOOG 1	88 123 029	81 277 214	6 845 815
SOOG2	26 745 853	25 658 324	1 087 529
SOOG3	272 143 857	260 485 276	11 658 581
OPEX	**387 012 739**	**367 420 814**	**19 591 925**

7.2.3 Programme performance

The general performance of the ICASA is summarised below by assessing each programme's performance and budget. ICASA summarises its overall performance in line with its strategic objectives outlined; see figure 1 above as follows:

(i) The final Radio Frequency Spectrum Regulations were gazetted in March 2015. One of the main purposes of these Regulations were to establish the framework through which the Authority may allocate and assign radio frequency spectrum under the South African National Radio Frequency Plan;
(ii) Local Content regulations for sound and TV were gazetted. The Regulations on South African Music will apply to sound broadcasting services i.e. all public, commercial and community radio services, whereas, the South African TV Local Content regulations will apply to programming on television such as drama, documentaries, soap operas etc;
(iii) A Graduate Development Programme has been launched to give young South Africans an opportunity to acquire work experience and get them ready for the workplace;
(iv) About 1 799 inspections were completed to protect audiences and consumers;
(v) Amended Regulations on equitable treatment of political parties during municipal elections;
(vi) Audited 60 licensee retail outlets to assess compliance with consumer protection regulations;
(vii) Timely authorisation of new equipment could not be done due to the lack of an online type approval system; and
(viii) Timely allocation of broadcasting spectrum could not be done as per target.

The APP of ICASA was revised during the year in order to address the Auditor- General's 2014/15 findings. The Minister of Communications approved the revision in January 2016. The revision involved making changes to performance indicators to ensure accurate measurability when monitoring of strategic objectives, outputs and targets in order to ensure clarity on what had to be achieved.

7.2.3.1 Programme 1: Licensing

The Licensing Division is responsible for service licensing; spectrum licensing and numbering and type approval. During the reporting year; the Division was required to also consider:
(i) Numbering applications within 21 working days;
(ii) Spectrum licence applications within 60 working days;
(iii) Applications for authorisation certificates and type approval for line equipment within 15 working days;
(iv) Amendment and transfers of Individual licences within 180 working days; and
(v) Class service licence applications, postal service certificates, licences exemptions and channel authorisations within 30 working days.

Table 6 below gives a breakdown of spending under this programme in the last two financial years.

Table 6: Licensing Division performance according to budget

	2015/16			2014/15		
	Budget	**Expenditure**	**Variance**	**Budget**	**Expenditure**	**Variance**
Licensing	48 060 711	59 507 485	-11 446 773	37 939 358	30 095 061	23 384 137

The total budget under this programme was R48, 060 million and expenditure was R59, 507 million. ICASA overspent by R11, 446 million. One could conclude from this that ICASA did not spend in line with its priorities under this programme considering that in the previous year ICASA underspent by R23, 384 million under this programme. It could also mean that there was misalignment between planning and budgeting under the programme. It is recommended that ICASA clarifies to the Committee as to what was the reason for over expenditure.

The Authority had 14 planned outputs under this programme; 10 were achieved and four were not achieved. Some of the achievements and failures are as follows. One of ICASA's strategic objectives for the programme was to facilitate an efficient operational environment to reduce regulatory burden. Only 81 per cent service licensing applications were processed as per statistical reports on 2014/15 performance. The planned target was a 100 per cent so there was a 19 per cent deviation from the planned target. ICASA had a similar performance in the previous financial year.

Another strategic objective under this programme was the facilitation of an efficient operational environment to reduce regulatory burden. The Authority states that four sets of amended regulations on Standard Terms and Conditions and Processes and Procedures were published on 30 March 2016.

7.2.3.2 Programme 2: Regions Division

The mandate of the regions divisions is to enforce compliance applicable regulations. In particular, Regions undertake the following activities in executing their mandate;

- Conducting compliance inspections
- Investigating all reported cases of interference
- Conduction consumer education and awareness workshops The Strategic Objective for the Regional Offices falls under SOOG3, 'which is to Improve Stakeholder and Consumer Experience'. Activities within the regions are mainly focused on Strategic Objectives 3.3: 'Protect consumers from harmful practices'.

Table 7 below gives a breakdown of spending under this programme in the last two financial years.

Table 7: Regions Division performance according to budget

	2015/16			2014/15		
	Budget	Expenditure	Variance	Budget	Expenditure	Variance
Regions	60 605 586	54 433 737	6 171 849	53 122 524	39 350 311	13 772 213

There was an increase of R7, 483 million in the budget of this programme when compared to the budget allocation from the previous financial year (2014/15). The budget allocated for 2015/16 was R60 605 million; and there was under expenditure of R6, 171 million.

The Authority had nine outputs for the reporting period; only 8 were achieved. ICASA should be commended as it performed very well in this programme, overachieving in three of their planned targets. Only one strategic objective was not achieved. ICASA had planned to achieve at least 50 percent Standard Operating Procedures (SoP's) for Regulatory Divisions Implemented as per project plan. The project will be carried over to the 2016/17 financial year.

7.2.3.3 Programme 3: Policy, Research and Analysis

The PRA Division focuses on qualitative and quantitative research to inform regulation making processes that are conducted through Council Committees. The Division is also tasked with conducting market reviews to establish the level of competition in identified markets. Furthermore, the Division provides support in the investigation and analysis of disputes such as facilities leasing disputes between licensees. The Division comprises of three units, namely Market Regulation Unit, Social Policy Unit and Sector Forecasting.

ICASA had 13 planned outputs for this programme; eight was achieved and five not achieved. The Table 8 below gives a breakdown of spending under this programme in the last two financial years.

There was under expenditure of R15, 070 million under this programme. The budget for the reporting year was R33, 808 million; and increase of R 633, 401 when compared to the previous financial year.

Table 8: Policy, Research and Analysis performance according to budget

	2015/16			2014/15		
	Budget	Expenditure	Variance	Budget	Expenditure	Variance
Policy, Research and Analysis	33 808 918	18 738 856	15 070 062	33 175 517	30 159 088	3 016 428

A few projects under this programme were deferred to the 2016/17 and 2017/18 financial year making performance uneven considering the number of projects deferred, achieved and not achieved. For the reporting period ICASA had planned to amended regulations on contributions to the Universal Service and Access Fund (USAF); these regulations were not published. The reason for the decision was that the proposed amendments dealt with policy matters that can be best addressed through the broader policy consultations on universal service and access. ICASA also revised Regulations governing broadcasting for municipal elections.

7.2.3.4 Programme 4: Engineering and Technology Division

The E&T Division comprises of the following sub-units: Network Systems and Research and Engineering Facilities and Research. The functions of the Division amongst others include assisting Council in planning the use of the radio frequency spectrum, especially with regards to emerging new technologies and including updating, from time to time, the national radio frequency plan and developing the necessary migration plans.

ICASA performed well in this programme; it had 12 planned outputs and ten were achieved. Four Quality of Service Monitoring reports were produced and four more reports on efficient use of spectrum.

Table 9 below gives a breakdown of spending under this programme in the last two financial years.

Table 9: Policy, Research and Analysis performance according to budget

	2015/16			2014/15		
	Budget	**Expenditure**	**Variance**	**Budget**	**Expenditure**	**Variance**
Engineering and Technology	31 749 824	12 053 979	19 695 845	45 656 900	47 424 837	-1 767 937

ICASA did well in ensuring there was no over expenditure in this programme when compared to the previous financial year (2014/15). The budget for the reporting period was R31, 749 million and expenditure was R12, 053 million leaving a variance of R19, 695 million.

7.2.3.5 Programme 5: Compliance and Consumer Affairs Division

The Compliance and Consumer Affairs (CCA) Division comprises of two units with the following functions:

Consumer Affairs Unit: the unit is responsible for ensuring that the interests of consumers are protected and complaints are resolved speedily. This includes a specific focus on engagement and protection of the needs of persons with disabilities.

Compliance Unit: the unit is responsible for ensuring compliance with legislation, regulations, licence terms and conditions. Collectively, the two departments carry out enforcement actions as and when necessary.

ICASA had planned outputs under this programme; achieved 10 and five were not achieved. One of the key outcomes in this programme was Broadband access for public institutions by drafting USAF Amendment Regulations to sustain schools' connectivity mode. ICASA also could not finalise internal draft discussion document on equity and ownership and control of licensees on ICT sector because the document required further consultation.

Table 10 below gives a breakdown of spending under this programme in the last two financial years.

Table 10: Compliance and Consumer Affairs Division

	2015/16			2014/15		
	Budget	**Expenditure**	**Variance**	**Budget**	**Expenditure**	**Variance**
Compliance and Consumer Affairs	9 728 783	11 682 321	-1 953 537	22 296 842	17 937 354	4 359 488

There was over expenditure of R1, 953 million under this programme even though over expenditure under certain programmes does not negatively impact ICASA in terms of causing a deficit.

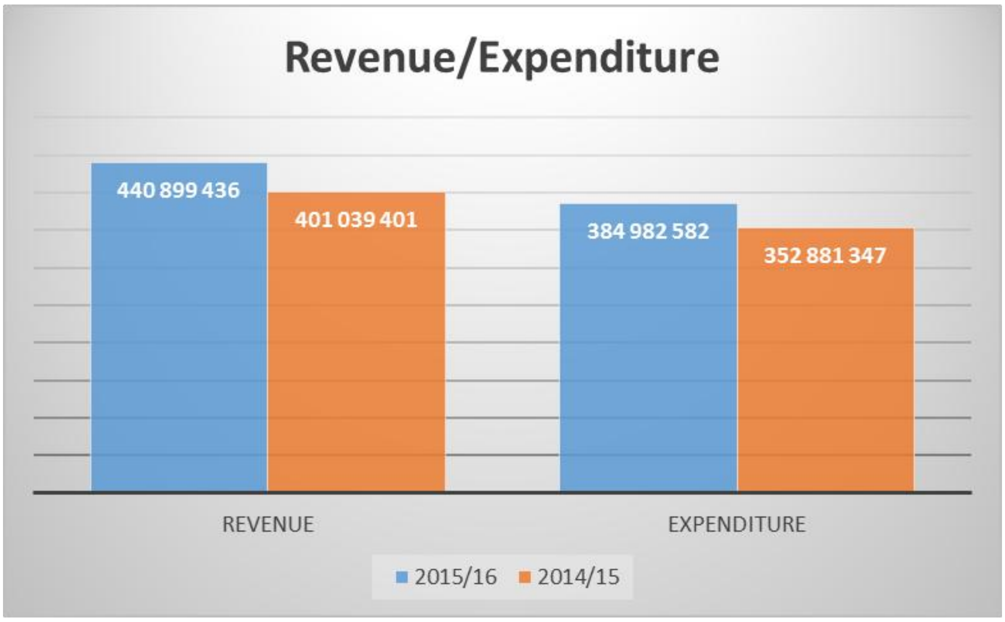
7.2.4 Human Resources

At the end of reporting period, ICASA had a total of 353 staff members. It has managed to reduce vacancies form 80 to 36 when compared to the previous financial year. The highest number of vacancies were mainly at three occupational levels; professionally qualified (14), skilled (15) and semi-skilled (6). During the reporting period ICASA had 33 resignations.

7.2.5 Financial Performance

Total revenue for the reporting period was R440, 899 million. This increased by R39, 860 million when compared to the previous financial year (2014/15). Revenue was mainly comprised of the grant received from the Department and unspent grants of prior year recognised.

Graph 7: Revenue and Expenditure last two financial years



Surplus for the reporting period was R56, 058 million; this increased by R7, 888 million from the previous financial year. ICASA organises its expenditure across six programmes, namely Governance and Administration, Licensing, Engineering & Technology; Policy, Research and Analysis, Compliance and Consumer Affairs; and Regions.

Employee related costs for the reporting period were R220, 962 647.

The Auditor General defines unauthorised expenditure as expenditure that was in excess of the amount budgeted or allocated by Government to the entity or that was not incurred in accordance with the purpose for which it was intended.[9] The total amount for fruitless and wasteful expenditure is R2, 878 million. This figure includes the balance brought forward from the previous financial year. Fruitless and wasteful expenditure incurred for the reporting year was R202, 054. This figure increased from the previous financial year by R64, 072. Expenditure has been attributed to failure to pay a supplier on time, cancellation of flights and accommodation, precooked accommodation not utilised amongst others.

Fruitless and wasteful expenditure refers to expenditure that was made in vain and could have been avoided had reasonable care been exercised. This includes penalties and interest on late payments, as well as payments for services not utilised or goods not received.[10] Irregular expenditure amounted to R1, 179 million. Expenditure has been attributed to failure to pay a supplier on time and as a result incurring storage costs for a hail damaged vehicle amongst others.

7.2.6 Auditor General's report

[9] Auditor General (2015).

[10] Ibid.

Table 11: Summary of Audit Outcomes for the last three financial periods

ENTITY	2013/14	2014/15	2015/16
ICASA	**Financially unqualified with findings**	**Financially unqualified with findings**	**Financially unqualified with findings**

ICASA has received the same audit opinion from the Auditor General for the last 3 consecutive financial years. The basis of the audit opinion in the reporting period is as follows:

- The Auditor General raised concern with regard to significant uncertainties. ICASA was often a defendant in a number of lawsuits. The ultimate outcome of these matters cannot currently be determined and no provision for any liability that may result has been made in the financial statements.[11] This matter was recurring as at formed part of the Auditor General's Report in 2014/15.
- Effective steps were not taken to prevent irregular expenditure as required by section 38(1)(c)(ii) of the PFMA and TR 9.1.1. One of the root causes was that there was a lack of adequate oversight by management to ensure that procurement processes comply with supply chain management regulations and instructions.
- The Auditor General was unable to obtain sufficient appropriate audit evidence to support the reasons provided for the variance between planned targets and actual achievements. Furthermore performance indicators were not well defined and targets were not SMART for the following programmes; Programme 1: Policy Research and Analysis; Programme 2: Regions and Programme 3: Licensing.
- The Auditor General further raised that management did not ensure that proper records are maintained to support the reasons for non-achievements. Management did not implement adequate controls to ensure that supporting information submitted by the division heads were sufficient and appropriate.
- As disclosed in note 14 of the financial statements, ICASA has materially underspent on the conditional grant to the amount of R60 661 162 (2014/15: R85 858 047).

7.3 Media Development and Diversity Agency

The MDDA was set up in terms of the MDDA Act of 2002 to enable historically disadvantaged communities and individuals to gain access to the media. The mandate of the MDDA is to create an enabling environment for media development and diversity which reflects the needs and aspirations of all South Africans; redress the exclusion and marginalisation of disadvantaged communities and people from access to the media and the media industry; promote media development and diversity by providing support primarily to community and small commercial media projects; encourage ownership and control of, and access to, media by historically disadvantaged communities as well as by historically diminished indigenous language and cultural groups; encourage the development of human resources and training, and capacity building, within the media industry, especially amongst historically disadvantaged groups; encourage the channelling of resources to the community media and small commercial media sectors; and raise public awareness with regard to media development and diversity issues.

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

7.3.1 Programme Performance

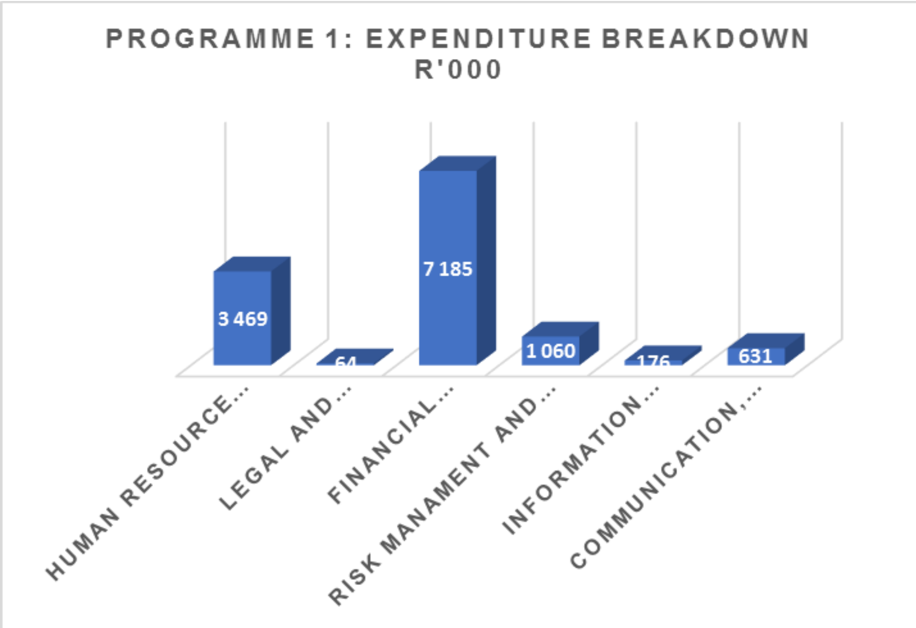
The general performance of the MDDA is summarised below by the assessing each programme's performance and budget. The MDDA summarises its overall performance in line with regulations, strategy, business plan and budget:

[11] See note 28 in the Annual Report

7.3.1.1 Programme 1: Administration

Appropriation for programme 1 for the reporting period was R12, 585 million. Expenditure is divided into 6 sub-programmes under this programme. The sub-programmes are Human Resources Management; Legal and Regulatory Affairs, Financial Administration and Auxiliary Services; Risk Management and Internal Audit, Information Management and Technology; Communication, Branding and Stakeholder Management. Graph 8 below gives a breakdown of expenditure per sub-programme.

Graph 8: Programme 1: Expenditure Breakdown



Sub-programme 3: Financial Administration and Auxiliary Services had the highest expenditure, R7, 185 million followed by sub-programme 1: Human Resource Management R3, 469 million. There was a decrease of R453 000 in the funds allocated for sub-programme:3 when compared to the 2014/15 financial year and an increase of R1, 670 million in the funds allocated to sub-programme 1: Human Resource Management when compared to 2014/15 financial year. The table below gives a breakdown of how each sub-programme performed.

Table 12: Breakdown of Performance according to Sub-programme

Sub-programme	Sub-programme Output	Performance Indicators	Achieved	Not Achieved
Human Resource Management	8	20	11	9
Legal and Regulatory Affairs	5	9	4	5
Financial Administration and Auxiliary Services	10	19	14	5
Risk Management and Internal Audit	3	10	8	2
Information Management and Technology	7	17	11	5

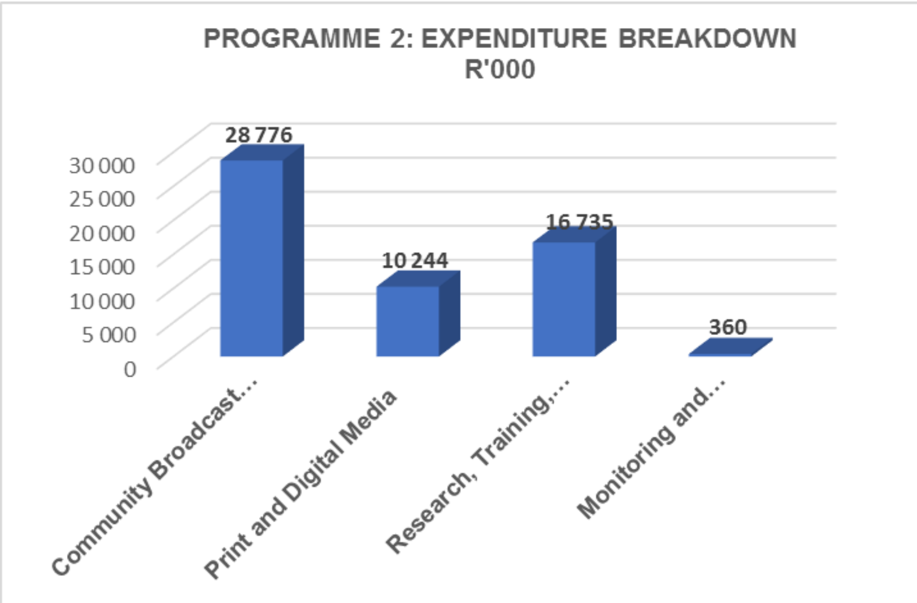
Communication, Branding and Stakeholder Management	**4**	**15**	**11**	**4**

The MDDA performed exceptionally when under sub-programme 3 when comparing achieved targets against those not achieved. Under this sub-programme there were 10 sub-programme outputs, 19 performance indicators of which 14 were achieved whilst 5 were not achieved. One of the outputs that was not achieved was ensuring that there 100 percent adherence to management policy, PFMA and Treasury Regulations. Reason for this was because critical positions in Finance and Supply Chain were vacant during the year; therefore standard procedures were not followed. Performance for sub-programme 2: Legal and Regulatory Affairs was average. The MDDA only achieved almost half of its set indicators; there were 5 sub-programme outputs, 9 performance indicators of which 4 were achieved and 5 not achieved. Two of the indicators that the entity did not achieved was resolving litigation cases and Compliance with laws and regulations particularly with regard to ensuring that EMP201 Unemployment Insurance Fund (UIF) monthly payments were submitted. The MDDA also performed really well under sub-programme 5: Information Management and Technology and sub-programme 6: Communication, Branding and Stakeholder Management. There was one indicator under sub-programme 5 that did not have a set target for the reporting period.

7.3.1.2 Programme 2: Grand Funding and Non-Financial Support

The 2015/16 final appropriation for programme 2 was R56, 115 million. Expenditure is divided into 4 sub-programmes under this programme. The sub-programmes are Community Broadcast Media, Print and Digital Media; Research, Training, Development, Capacity Building and Other; and Monitoring and Evaluation. Graph 9 below gives a breakdown of expenditure per sub-programme.

Graph 9: PROGRAMME 2: EXPENDITURE BREAKDOWN



There was a slight increase of R50, 000 under the sub-programme 4: Monitoring and Evaluation when compared to the 2014/15 financial year. The allocated funds for this sub-programme for the reporting period was R360, 000. Sub-programme 3: Research, Training, Development, Capacity Building and Other received R16, 735 million, increasing by R14, 811 million when compared to the 2014/15 financial year. Table 13 below gives a breakdown of how each sub-programme performed.

Table 13: Breakdown of Performance according to Sub-programme

Sub-programme	Sub-programme Output	Performance Indicators	Achieved	Not Achieved
Community Broadcast Media	11	12	11	1
Print and Digital Media	8	13	9	4
Training, Development, Capacity Building and Other	4	12	9	3
Monitoring and Evaluation	5	8	7	1

Success under sub-programme 1: Community Broadcast Media can be largely attributed to the rollover funds from the 2014/15 financial year approved by Treasury which enabled more projects to be supported. Only one indicator could not be achieved under this sub-programme; this was because disbursements are done in tranches and as a result this slowed down the rate at which projects are fully paid. This is a monitoring and control measure.

Sub-programme 4: Monitoring and Evaluation had 5 performance outputs, 8 performance indicator and 7 were achieved. When taking into consideration that the MDDA had 4 new indicators under this sub-programme; and the achieved indicators against those not achieved this sub-programme performed exceptionally well. Overall performance under programme 2 was above average.

7.3.2 Human Resources

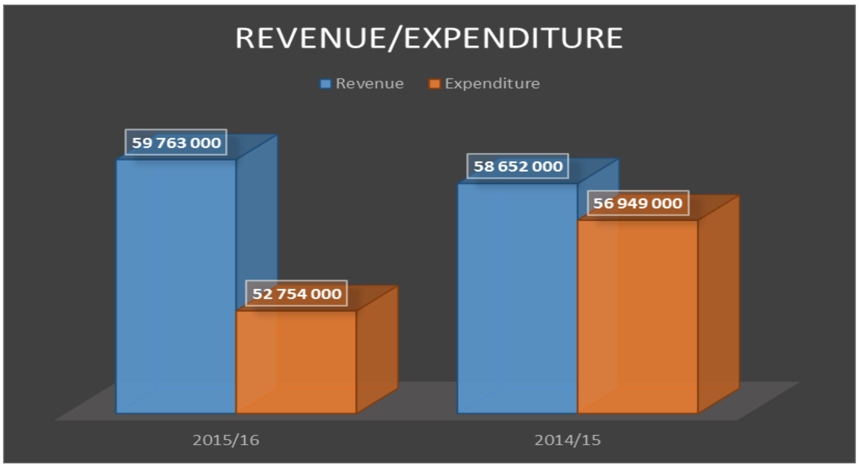
There was a total permanent staff complement of 16 at the end of the period under review, out of 32 approved positions. The staff complement came about as a result of recruitment being put on hold due to revision of strategy and a concomitant revision of the organizational structure. There were four terminations and six appointments. At the end of the reporting period; the MDDA had 16 vacancies. Most of the vacancies were at three highly skilled production (levels 14 – 15); high skilled supervision (level 16 – 17) and senior management (levels 19 – 21). Five of these vacancies were in the CEO's office, 3 in projects, 3 in finance and 5 in HR and CA.

A total cost of R28 465.41 was spent on skills development. A skills audit was undertaken to ascertain the gap in the skills required against those that exist within the organization.

7.3.3 Financial Performance

Total revenue for the reporting period was R59, 763 million. This increased by R1, 111 million when compared to the previous financial year (2014/15). Revenue was mainly comprised of the government grants and subsidies from the broadcasting sector; and levies and interest received from investments.

Graph 10: Revenue and Expenditure last two financial years



Surplus for the reporting year was R7, 009 million. This amount has increased by R5, 306 million when compared to the previous financial year (2014/5).

Employee related costs for the reporting period were R9, 220 million. This figure was lower when compared to the previous financial year. There was a decrease of R2, 302 million which could be attributed to vacancies within the organisation.

Fruitless and wasteful expenditure refers to expenditure that was made in vain and could have been avoided had reasonable care been exercised. This includes penalties and interest on late payments, as well as payments for services not utilised or goods not received. For the reporting period the MDDA incurred fruitless and wasteful expenditure to the sum of R1, 156 million. Details of fruitless and wasteful expenditure incurred in the current year relate to Interest on late payments for the following accounts - Alchemy properties, Telkom and South African Revenue Service - Payroll deductions. Details of the CEO settlement made in the current financial year relates to a settlement paid to an appointed CEO whose offer of employment was subsequently withdrawn.

Irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. For the reporting period irregular expenditure was R5, 325 million.

7.3.4 Auditor General's Report

Table 14: Summary of Audit Outcomes for the last three financial periods

ENTITY	2013/14	2014/15	2015/16
MDDA	**Financially unqualified with no findings**	**Financially unqualified with findings**	**Financially unqualified with findings**

The MDDA has regressed from having receiving a clean audit opinion in 2013/14 to receiving the same audit opinion in the last two financial years (2014/15 and 2015/16). The basis of the audit opinion in the reporting period is as follows:

- Financial statements submitted were not credible and reliable. Two material misstatements were subsequently corrected. Employee and Cost and Prior Period error: Statement of changes. The root cause of this was that there was an inadequate review of financial statements by management against the supporting schedules and the IFRS check list prior to submission for audit purposes.

- Procedures for quarterly reporting to the Department and the facilitation of effective performance monitoring, evaluation and corrective action were not established as required by

Treasury regulation 30.2.1. The root causes were that management did not develop procedures for quarterly reporting and standard operating procedures for all performance indicators in order to facilitate effective performance monitoring as required by Treasury Regulations.

7.3.4.1 Procurement and Contract Management

- Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.
- Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.
- The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3(b). The root cause for this was that management did not implement adequate controls to ensure that the procurement of goods and services comply with the requirements of the entity's SCM policy. In addition, management did not have adequate controls to ensure that proper review and approval processes are in place for payments that do not comply with requirements of the entity's SCM policy.

7.3.4.2 Expenditure Management

- Effective steps were not taken to prevent irregular expenditure, amounting to R5 324 585 as disclosed in note 34 of the Annual Financial Statements, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.
- Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R1 156 000 as disclosed in note 33 of the AFS, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

7.4 BSA

BSA was established as a trust in 2002 and gazetted as a schedule 3A public entity in accordance with the PFMA in 2006. Its purpose is to develop and implement a proactive and coordinated international marketing and communications strategy for South Africa; to contribute to job creation and poverty reduction; and to attract inward investment, trade and tourism.

7.4.1 Strategic Objectives

Strategic Objective 1: Ensure that Brand South Africa is a sustainable and high-performance organisation.

Strategic Objective 2: Tell the South African story to key audiences to influence both awareness and perceptions positively.

Strategic Objective 3: Provide insights, information and inspiration for others to tell the South African story.

Strategic Objective 4: Rapidly and effectively counter negative messages about South Africa.

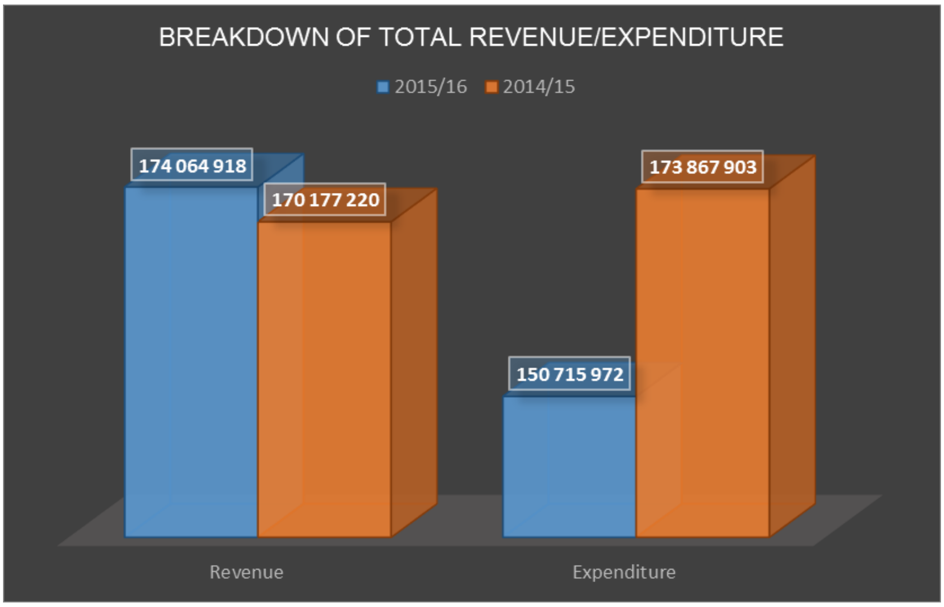
Strategic Objective 5: Orchestrate and align communication by various stakeholders.

As mentioned previously in this report, the Department and its entities play an important role in the implementation of Outcome 14: Nation Building and Social Cohesion. BSA's mandate as the authority on the Nation Brand is to promote social cohesion and nation building.

7.4.2 Financial Performance

This section gives an overview of the financial statements and Auditor General's report for the reporting period. Total revenue for the reporting period was R174, 064 918. This increased by R3, 887 698 when compared to the previous financial year (2014/15). Revenue was mainly comprised of the government grants, partnership income and interest received from investments. Government grants received were R173, 160, 000; an increase of 3 percent[12] when compared to the 2014/15 financial year.

Graph 11: Revenue and Expenditure last two financial years



As a result of the increase in revenue which is attributed to the increase in the government grant and increased returns from invest revenue; BSA had a surplus of R23, 348 946. This is a commendable achievement considering that the entity reported a surplus for the first time in three years. In the 2014/15 financial year the entity had a deficit of R3, 690 183.

Employee related costs for the reporting period increased by R14, 606 092; from R33, 266 263 in 2014/15 to R47, 872 355 in 2015/16.[13]

Fruitless and wasteful expenditure for the reporting period was R150 278; the amount slightly decreased by R17, 696 when compared to the 2014/15 amount of R168 274. This is attribute to interest incurred on late penalties to SARS is mainly attributable to the late receipt of a tranche for the first quarter.

For the reporting period the entity also invested in skills development. An amount of R792 121 was utilised on various development programmes spanning bursaries and short courses.

7.4.3 Auditor General Report

Table 15 below illustrates the audit outcomes of the previous three financial years of Brand SA. The entity has made great improvements in ensuring that it receives a clean audit opinion; demonstrating that it had addressed issues raised by the Auditor General in 2013/14 and 2014/15 with regard to its predetermined objectives.

Table 15: Summary of Audit Outcomes for the last three financial periods

ENTITY	2013/14	2014/15	2015/16

[12] In 2014/15 Brand SA received a government grant of R167, 686 000.
[13] Employee costs listed in the unaudited supplementary information presented does were R52, 401 025 for 2015/16 and R33, 315 965 in 2014/15.

ENTITY	2013/14	2014/15	2015/16
Brand South Africa	**Financially unqualified with findings**	**Financially unqualified with findings**	**Financially unqualified with no findings**

The Auditor General performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of BSA Trust for the year ended 31 March 2016:

- Programme 2: Brand marketing and reputation management
- Programme 3: Stakeholder relationships

The Auditor General found the information presented to reliable and useful; furthermore the information was presented in accordance with the National Treasury's annual reporting principles.

7.4.4 Human Resources

BSA has a permanent staff compliment of 59, both locally and in its China, US and UK offices. The total salary bill is about 30% of the allocated grant. There has been considerable effort by Brand SA to reduce the vacancy rate; which stood at 4 percent for the reporting period. A significant drop from 11 percent of the 2014/15 financial year. The entity has also come up with innovative mechanisms to that will assist in motivating employees to be loyal, engaged and improve their increased levels of performance. Management developed the Employee Brand Loyalty Award Programme (EBLAP), which links rewards and outstanding, inspiring, innovative and loyal employees.

There was a percentage decrease of six in the overall staff turnover. A significant improvement when comparing the reporting period to 2014/15. Overall staff turnover was 21 per cent in 2014/15 and 15 percent in 2015/6.

The year under review brought with it changes to the executive leadership of the entity, with the appointment of the new CEO, Chief Marketing Officer (CMO) and Director: Corporate Services. These changes have had a positive ripple effect on the organisation in terms of stability. The new executive team has conducted extensive talent reviews in the latter part of the year to ensure that its dynamic team remains strong.

The entity also has a commendable female representation across its various occupational levels. Middle management occupational level was constituted by females only.

As part of its objectives for the reporting period, the entity notes that it planned to increase the representation of people with disabilities by filling one management position with such candidate.

7.4.5 Programme performance

The general performance of BSA is summarised below by assessing each programme's performance and budget.

7.4.5.1 Programme 1: Administration

Strategy: Ensure BSA is sustainable and a high performance organisation

The entity performed well in this programme when considering set targets against achievements. Under this programme; the entity had two key result areas and 14 targets for the period under review. The result areas were Develop & manage the organisational capabilities we need both locally and globally; and Legal Compliance. BSA achieved 13 targets in this programme and one was not achieved. The target was deferred to 2016/17 due to budgetary constraints.

Some of the achievements under this programme include securing trademarks in 30 countries and timeous submissions of statutory documents.

7.4.5.2 Programme 2: Brand marketing & reputation management

There are three strategic objectives under this programme. The strategies are:

Strategy: Tell the SA story to key audiences to positively influence both awareness and perceptions/provide insights, information and inspiration (pride and patriotism) for others to tell the South African story.

Strategy: Provide insights, information and inspiration (pride and patriotism) for others to tell the South African story.

Strategy: Rapidly and effectively counter negative messages about South Africa/orchestrate and align communication by various stakeholders.

BSA achieved 24 of its targets and 7 were partially achieved. Under this programme the entity had 4 key result areas; 11 outputs/key activities and 27 targets. Some of the targets achieved include the completion of phase 1 of institutionalising Nation Brand Alignment Training and participate in Brand and Branding alignment workshop; and conducting perception studies in Democratic Republic of Congo (DRC), Senegal and Angola and Russia and produce reports.

In International markets; the entity met 54 of its targets and 11 were partially met. The entity partially met all its targets under this programme in the United States.

7.4.5.3 Programme 3. Stakeholder relationships

Strategy: Orchestrate and align communication by various stakeholders/tell the SA story to key audiences to positively influence both awareness and perceptions.

There were three key result areas under this programme. This was by far the best performing programme. The entity met all its targets. Some of the achievements under this programme include leveraging and/or participate at China Expo, Young Global Leaders, WEF Africa, China, Davos and implementing relevant international media partnerships.

In international markets the entity only had one target which was not achieved in the United States and three targets were partially met in India and the United States. No reason given as to what were reasons are that it was unable to achieve the one target.

8. Summary of previous key financial and non-financial performance recommendations of the Committee

8.1 2014 BRRR recommendations

While the Committee notes that some of the matters raised in the 2014/15 financial year BRRR report were responded to by the Minister during her interactions with the Committee, no formal written response to the specific recommendations as made by the Committee during the 2014/15 financial year were received. For this reason, they are included in this BRRR for further action by the Minister:

The Committee recommended to the Minister that she should:

i. report to the Committee on streamlining of reporting on performance of the Department and its entities (Quarterly and Annual Reports);
ii. report to the Committee on her processes to ensure that the Department and its entities align targets and mechanisms to measure progress for achieving these targets;
iii. report to the Committee on measures put in place by the Department to ensure that all entities fulfil their mandate;
iv. present to the Committee concrete plans to ensure the Department and its entities respond expeditiously to the recommendations of the AGSA;
v. propose a business model to ensure that the public broadcaster secure adequate funding from government above the current 2 per cent;

vi. present to the Committee mechanisms to circumvent underspending by the Department and its entities;
vii. review mechanisms of pay out of bonuses while targets are not met and while there is prevalent underspending;
viii. monitor and report back to the committee on systems developed to ensure the tender processes of the Department and its entities adhere to government procurement policies;
ix. report to the Committee on steps developed towards ensuring consequence management and the reduction of use of consultants by the Department and all its entities; and
x. report to the Committee on transparency issues relating to sharing of information between the Department and its entities.

8.1.1 ICASA

In relation to ICASA, the Minister should provide a detailed report on:

i. analysis and findings of exit interviews conducted and exit reports for outgoing Councillors as a means to prevent future resignations;
ii. plans to address consequences for poor performance at the regulator;
iii. consultants contracted to ICASA including the time frames;
iv. processes to resolving complaints;
v. ICASA's involvement in support of people living with disabilities;
vi. progress made to fill critical and vacant posts; and
vii. the support to be provided towards resolving challenges faced by community media.

Furthermore, the Minister should ensure that there is adherence on the moratorium put in place for funding of new community media projects.

8.1.2 GCIS

In relation to GCIS, the Minister should provide a detailed report on:

i. analysis of the impact of Izimbizo including the mechanisms with which the communities can be updated on queries they have submitted;
ii. progress made to fill critical and vacant posts;
iii. plans to address consequences for poor performance at GCIS;
iv. consultants contracted to GCIS including the time frames; and
v. a provincial break-down of the Press Conferences related to Cabinet briefings.

8.1.3 FPB

In relation to FPB, the Minister should provide a detailed report on:

i. the plans for tighter financial control at the FPB;
ii. plans to address consequences for poor performance at the FPB;
iii. consultants contracted to FPB including the time frames; and
iv. the solutions to regulating online content efficiently and effectively.

8.1.4 MDDA

In relation to the MDDA, the Minister should provide a detailed report on:

i. progress made to ensure compliance to the recommendations of AGSA;
ii. progress made to fill critical and vacant posts;
iii. plans to address consequences for poor performance at the MDDA; and
iv. the strategy to minimize the use of consultants at the MDDA.

8.1.5 SABC

In relation to the SABC, the Minister should provide a detailed report on:

i. the TV licence collection process, current statistics as well as the concession scheme aimed at supporting indigent families;
ii. the value chain associated with royalties derived from the DSTV channel and partnership;
iii. all external service providers and the scope of work contracted for;
iv. the status of performance agreements and remuneration of management including bonus structure;

v. plans to address consequences for poor performance at the SABC; and
vi. alternative revenue-generating strategies to make SABC more profitable.

8.1.6 BSA

In relation to BSA, the Minister should provide a detailed report on:

i. matters relating to recruitment of more females at senior management;
ii. broader integration of people living with disabilities;
iii. strategies to conscientise and ensure that South Africans become patriotic;
iv. the impact of Visa Regulations on the brand;
v. progress made to minimize fruitless and wasteful expenditure;
vi. plans to address consequences for poor performance at the BSA;
vii. consultants contracted to BSA including the time frames; and
viii. progress made to reduce Board members and strategies to remunerate them.

9. Other service delivery findings

9.1 Oversight visits

The Committee did not embark on any oversight visits during the period due to a tight Parliament schedule.

9.2 Standing Committee on Appropriations (SCOA)

The Department did not appear before SCOA.

9.3 Standing Committee on Public Accounts (SCOPA)

The Department did not appear before SCOPA.

10. Committee observations and recommendations

10.1 Observations of the Department

The Committee noted:

i. with great concern that the new Department was under-funded and therefore unable to fill in vacancies, the current vacancy rate was 90 per cent;
ii. the mismatch between the strategic goals and strategic objectives;
iii. with concern that the consistent findings against the irregular and wasteful expenditure of the SABC is damaging its integrity;
iv. the Memorandum of Understanding (MoU) signed between the Department and GCIS on shared services which demonstrate the flexibility that exists and the willingness of the Department to work towards stability;
v. that the new Department of Communications has not made use of consultants since its establishment;
vi. the prolonged process of consultation has a negative impact on the achievements of targets for Programme two (2) of the Department in relation to drafting of policies and amendments to Bills due to the fact that the process for engagement are not always determined by the Department but by other stakeholders;
vii. the Department’s 5 per cent of over achievement which included the STB allocation to the Northern Cape community. This is a reflection of moneys well spent on the part of the Department;
viii. with concern the lack of consequences management for non-performers in the Department and entities;
ix. with concern that the compensation of employees budget is larger than the budget of its core business;
x. that the moratorium on the applications for community radio projects does not apply to pending applications that were received before September 2015;
xi. with concern that the lack of consequence management (with support from performance agreements) in all entities for transgressions in relation to the Auditor General’s findings;
xii. with concern that the report does not reflect properly on people living with disabilities;
xiii. the distribution of Vukuzenzele to remote areas of the country and that the Department must seek to partner local government for the purpose; and
xiv. the recurrence of irregular and fruitless expenditure as reported by the Auditor General.

10.2 Observations of the GCIS

The Committee commended GCIS for:

i. getting a clean audit opinion for over three years
ii. printing 9 600 braille copies of Vuk' uzenzele during the year under review; and
iii. making efforts to try spending in line with their priorities/strategic objectives, particularly considering that there was a decrease in funds allocated to the Department.

The Committee noted with concern that the Accounting Officer has been in an acting capacity for almost two years.

10.3 Observations of the FPB

The Committee commended the FPB for receiving an unqualified audit opinion for the last three consecutive years and for the reduction in use of consultants.

The Committee noted with concern that no steps were taken to prevent fruitless and wasteful expenditure for over the years and the FPB did not employ people with disabilities during the financial year under review.

10.4 Observations of ICASA

The Committee noted with concern the 13 per cent increase in fruitless and wasteful expenditure; and the R15 million of legal costs incurred by ICASA for the failed Neotel / Vodacom deal and consequence management for Councillors involved.

10.5 Observations of the BSA

The Committee commended BSA for achieving a clean audit and for a low vacancy rate. The achievement can be attributed to the guidance provided by the Minister of Communications and the commitment displayed by employees of BSA;

The Committee was concerned that BSA only has 1.8 per cent of employees living with disabilities;

The Committee noted BSA effectiveness of the whistle-blowing policy and suggested that the policy be shared with other entities; and

While fruitless and wasteful expenditure is minimal, members raised concern over the increase patterns.

10.6 Observations of the MDDA

The Committee commended MDDA's role during local government elections with its limited budget.
The Committee welcomed and supports the piloting of Radio Prison which seeks to rehabilitate young prisoners;
The Committee was satisfied that MDDA has recently conducted a Skills Audit.
The Committee welcomes the planned review of the MDDA Act by the Minister of Communications

The Committee noted with concern:

i. that the accountability mechanism of community media projects was not tight;
ii. that the critical positions were still not filled, such as that of the Chief Executive Officer; Chief Operations Officer and Programme Director;
iii. the usage of consultants that does not even relate to specialized services;
iv. that the regression of the qualification at the MDDA was as a result of instability in key leadership positions;
v. that some of the appointed Board members do not attend meetings;
vi. that there was no employment of people with disabilities within the agency;
vii. that MDDA funding has been impacted by the Print and Digital Media of South Africa (PDMSA) withdrawal of its contributions to the agency;
viii. the long process of applying for funding for community media projects at MDDA;

ix. the planned engagements with SALGA to ensure that municipalities advertise on community media projects; and

x. patterns of fruitless and wasteful expenditure

10.7 General observations of the Department

The Committee noted with concern that:

(i) with the exception of the Department, the consistent use of consultants is unacceptable when there is personnel employed and able to carry out the functions;

(ii) the SABC failed to submit documents relating to tender procurement processes to the Auditor General due to its records management system not being effective;

(iii) the SABC's *qualified audit opinion* was mainly caused by procurement processes that were not properly followed in prior years as well as during the current financial year;

(iv) the patronising and disrespectful use of language by officials from the SABC in the past;

(v) there is non-existence of consequence management system for the Department and its entities;

(vi) there was no commitment by the Department and its entities on upholding Government's 2 per cent policy on employment equity relating to people living with disabilities

The Committee acknowledged that more financial support is needed for the portfolio as a whole.

The Committee commended the Minister for her exemplary leadership in the Department, especially the establishment of the Chief Financial Officers (CFOs) Forum. The Committee further thanked Mr Momeka for providing services as CFO to both the Department of Communications and GCIS.

11. Recommendations

The Committee recommends that the Minister should:

(i) ensure that the Department reports quarterly on the implementation of the Committee recommendations;
(ii) ensure that the Department and entities implement the recommendations of the Auditor-General;
(iii) ensure reduction in the use of consultants by the entities of the Department;
(iv) speed up the process of filling critical vacancies within the two Departments;
(v) ensure that Board Chairpersons of entities speed up the process of filling critical vacancies in key leadership positions;
(vi) make available the shareholder compacts that she has signed with the entities to enable the Committee to track progress; and
(vii) prioritise the transformation of the Print Media.

The Committee will invite the National Treasury to address challenges of underfunding of the new Department of Communications.

The Committee is of the view that there is a need for audit of government property as a lot of money was spent on office rental. Other government departments must be brought in to assist the Department of Communications in acquiring its own building.

11.1 ICASA

On ICASA the Committee recommends that the Minister should ensure that:

i. Council provides a plan towards how the reduction of fruitless and wasteful expenditure will be accomplished;
ii. Council provides a comprehensive report on consequence management for Councillors involved in the Neotel / Vodacom deal;
iii. ICASA employs people living with disabilities; and
iv. ICASA adheres to gender balance in terms of employment.

11.2 GCIS

On GCIS, the Committee recommends that the Minister should expedite the filling of the vacancy of the Director-General.

11.3 FPB

On FPB, the Committee recommends that the Minister should ensure that:

(i) Council provides a comprehensive report on how FPB plans to curb the persistent fruitless and wasteful expenditure patterns; and
(ii) Council employs more people living with disabilities.

11.4 BSA

On BSA the Committee recommends that the Minister should ensure that:

(i) BSA shares the details of its effective whistle-blowing policy with other entities of the Department;
(ii) BSA employs more people living with disabilities
(iii) BSA provides a comprehensive report on how it plans to curb the increase in fruitless and wasteful expenditure patterns.

11.5 MDDA

On MDDA the Committee recommends that the Minister should ensure that:

(i) MDDA makes available the Skills Audit report to the Committee;
(ii) MDDA provides a comprehensive report on the compliance of government advertising in community media projects;
(iii) MDDA reports to the Committee on how it plans to ensure that the prolonged process for application of license for community is shortened; and
(iv) MDDA develops a plan that will assist community media projects when applying for funding as well as resolving governance concerns at community media projects.

While the SABC has officially tabled its annual report, the Committee resolved on 13 October 2016 not to consider the report until there is stability in the Corporation.

It should be further noted that the observations made in reference to the SABC are based on the Committee's interaction with the Auditor-General of South Africa during its presentation on the audit outcomes of the Department and its entities.

12. Conclusion

The Department should be commended for its smooth-running in its first year of establishment and also for receiving an unqualified report within its first financial year of operation. Going forward, the new Department will be expected to continue to expand its capacity in order to ensure successful implementation of its mandate in line with the National Development Plan. Communication within the Departments' portfolio should become central to its operations so that the transformation agenda of the communications sector is accelerated especially to the rural communities who are always in need to be integrated into mainstream economy. A vibrant communication environment will ensure broader economic, social and political participation of the entire South African citizenry.

13. Appreciation

The Committee would like to show appreciation and thank the Minister, Ms Faith Muthambi, and her Deputy Minister, Mrs Stella Ndabeni-Abrahams, and looks forward to a working relationship and the task that lies ahead to continue to implement the agenda of government.

The Committee also wishes to thank its committee support staff, namely the Committee Secretary, Mr Thembinkosi Ngoma; the Content Advisor, Mr Mbombo Maleka; Committee Researcher, Mr Lethabo Dibetso and the Committee Assistant, Mr Edward Vos, for their professional support, commitment and dedication to the work.

Lastly the Chairperson wishes to thank all the Members of the Committee, current and previous, for their active participation during parliamentary engagements and deliberations and their constructive recommendations as reflected in this report.

The Democratic Alliance reserved its position on the report.

Report to be considered.