

Presentation to the Portfolio Committee on Communications: 2019/20 Quarter 1 Performance Report

3 September 2019



the doc

Department:
Communications
REPUBLIC OF SOUTH AFRICA



Presentation overview

- ❑ DoC Vision, mission and values
- ❑ 2019/20 Q 1 programme performance
- ❑ 2019/20 Q 1 financial performance
- ❑ 2019/20 Q1 Performance of entities



The DoC Vision, Mission & Mandate

VISION: A vibrant and sustainable communication services for an informed citizenry and positive image of South Africa

MISSION

Create an enabling environment for the provision of inclusive communication services to all South Africans in a manner that promotes socio-economic development and investment through broadcasting, new media, print media and other new technologies and brand the country locally and internationally.

VALUES

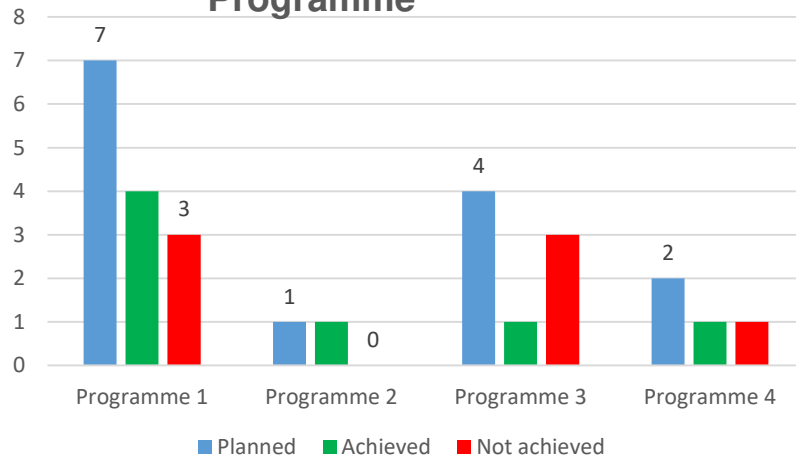
- Certainty of the policy environment;
- People centred;
- Quality standards of products and services;
- Integrity;
- Responsiveness; &
- Innovation.



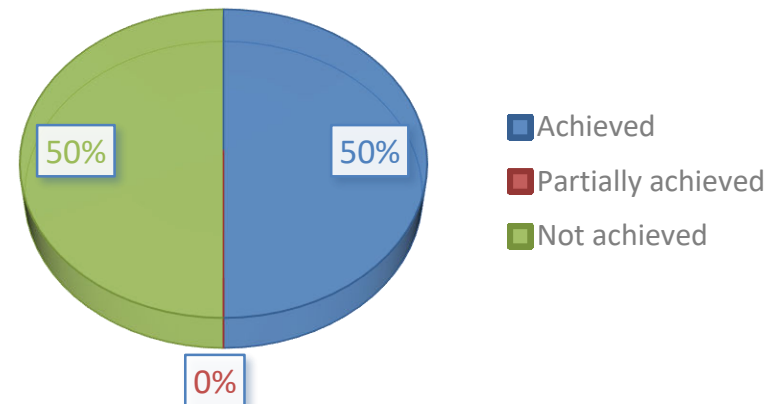
Performance Overview Q1

The department committed to achieving 14 targets for quarter 1 [1 April to 30 June 2019]. 7 targets were achieved and 7 were not achieved.

Quarterly performance per Programme



OVERALL FIRST QUARTER PERFORMANCE



Programme 1: Corporate Services [1]

Strategic Goal: Effective and efficient strategic leadership, governance and administration

Strategic Objective: Ensure compliance with statutory requirements and good governance practices by 2019

Programme Purpose: Provide strategic leadership, management and support services to the department.

Programme performance indicator	2019/20 Annual target as per Annual Performance Plan(APP)	Quarter 1 Target as per APP	Quarter 1 Output-Preliminary	Reason for Deviation and Corrective Action
HRD Strategy implemented	2019/20 WSP and 2018/19 Annual Training Report submitted to the PSETA	2019/20 WSP submitted to the PSETA	2019/20 WSP and 2018/19 Annual Training report were submitted to the PSETA	None
Approved WSP and Quarterly Implementation reports developed	Implementation of approved WSP, in line with the DoC mandate, facilitated	2019/20 First Quarter Training Report submitted to the PSETA	2019/20 first quarter training report was submitted to the PSETA	None



Programme 1: Corporate Services [2]

Strategic Goal: Effective and efficient strategic leadership, governance and administration

Strategic Objective: Ensure compliance with statutory requirements and good governance practices by 2019

Programme Purpose: Provide strategic leadership, management and support services to the department.

Programme performance indicator	2019/20 Annual target as per Annual Performance Plan(APP)	Quarter 1 Target as per APP	Quarter 1 Output-Preliminary	Reason for Deviation and Corrective Action
Reconfigured department to deliver on its mandate	Reconfigured department established to deliver on the new mandate	Reconfiguration Project team and Workstream established in line with MNOG requirements	Reconfiguration Project team and Workstreams were established in line with NMOG requirements	None
Approved Strategic Risk Assessment reports and Risk Register	Strategic Risk Register updated	2019/20 Strategic Risk reports compiled, presented to relevant governance structures and approved	2019/20 Strategic Risk reports were compiled, presented to risk management committee structure and approved.	None

Programme 1: Corporate Services [3]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
100% of invoices paid within 30 days	100% of invoices paid within 30 days	100% of invoices were not paid within 30 days		The System error occurred: 340 invoices were reported to have being paid, however, a total number of 473 invoices were recorded which excluded the month	The April invoices are currently being gathered and counted, a proper monitoring procedure is currently being put in place to avoid future errors.



Programme 1: Corporate Services [4]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
Procurement plan developed and monitored, according to departmental priorities	Implementation of the approved 2019/20 procurement plan, focusing on enhancing industry transformation and youth economic inclusion, monitored	The DoC approved procurement plan was sent to the National Treasury on 31st of March 2019 and for the Quarter 1 period, twenty nine (29) RFQs were developed.		The report on the activities carried on quarter 1 in implement ation of the approved 2019/20 Procurement Plan was not developed .	The report on the activities carried on quarter 1 in implementation of the approved 2019/20 Procurement Plan is being developed.



Programme 1: Corporate Services [5]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
4 Strategic Risk mitigation reports compiled	1 Strategic Risk mitigation reports compiled	Risk mitigation progress report was compiled, however, it was for the activities which occurred in the fourth quarter of 2018-19.		In 2018-19 Financial year APP activities of the previous quarter were reported on the next quarter, however, it changed in 2019-20	Risk mitigation progress report on activities carried out in Quarter 1 is being compiled.



Programme 2: Communications Policy, Research and Development [1]

Strategic Goal: A responsive communications policy regulatory environment and improved country branding

Strategic Objective: Improve universal access to broadcasting services and information by all citizens in 2019

Programme Purpose: Conduct research and develop communications and broadcasting policies

- The Department is finalising the draft **Audio-Visual and Digital Content Strategy for the 4IR** that will be incorporated into the comprehensive Policy Paper for the 4IR
- The draft strategy responds to the following critical areas:
- Increasing foreign direct investment in broadcasting from the current 20% to 49%;
- Stimulating the economy and create potential job opportunities and innovation;
- Addressing the new licensing regime that has to reduce the turnaround times of approval by half;
- Ensuring that there is a fair and effective competition that will reduce costs and introduce new services, address the new digital skills and come up with new agile institutional arrangements and frameworks that are able to support the development of the sector within the 4IR environment
- The Department is also finalising the **Broadcasting Amendment Bill**.
- The purpose of the amendments is to address:
- The governance matters in relation to the size and composition of the SABC Board;
- The appointment procedure for the non-executive board of directors; and
- The removal and resignation of non-executive members of the Board

Programme 2: Communications Policy, Research and Development [2]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
PMO established and operationalised to support the Presidential Commission on Fourth Industrial Revolution	PMO capacity requirements determined to support the Presidential Commission on Fourth Industrial Revolution	PMO capacity requirements determined to support the Presidential Commission on Fourth Industrial Revolution		-	The PMO capacity requirements resulted in the determination of the following required capacity for the PMO: •1 x Head of PMO •1x Senior Research Expert •7 x Research Experts
Broadcasting Amendment Act implemented	Broadcasting Amendment Bill submitted to Cabinet for approval	No target set for Q1.	-	-	The department is currently finalizing the Bill.



Programme 3: Industry and Capacity Development [1]

Strategic Goal: Transformed communications sector

Strategic Objective: Support the growth and development of the creative industries sector by 2019

Programme Purpose: Manage enterprise development, digital migration and industry research. Implement a structured programme of engagement of stakeholders in support of the department's programmes and projects

- Completion of rolling out Broadcasting Digital Migration (BDM) remains key deliverables for the department.
- The process of reviewing the BDM delivery model is underway
- Consumer awareness Education, and registration campaigns continued to clear the affected towns as per the Analogue switch off plans in the Free State province.
- By the end of the quarter, a total number of 5 442 Direct to Home (DTH) additional STBs were produced and delivered to the South African Post Office warehouses.
- This lead to the deliveries to SAPO warehouses making a total of 891 870 and 405 073 Satellite dishes produced and delivered to date.
- Registration statistics for qualifying indigents reached 1 million mark.
- Engagements on the prioritisation of areas that have potential for early release of spectrum have commenced with preliminary report tabled by the CSIR.



Programme 3: Industry and Capacity Development [2]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
Analogue signal switched off in identified provinces	-Revised Analogue Signal Switch off (ASO) Plan developed for early release of digital dividend spectrum	-Not achieved. A Revised Analogue Signal Switch off (ASO) Plan was not produced		A revised Analogue Signal Switch off (ASO) Plan is pending the approval, it will be produced in the second quarter.	The revised analogue switch off plan will be produced in the second quarter.
BDM consumer awareness and education plan implemented	Implement consumer awareness and education plan	Not achieved. A report was compiled however the Consumer awareness and education plan was not approved.		The Consumer awareness and education plan was not approved. The target is currently subject to the APP review since it proved vague when measuring it in terms of the TID.	

Programme 3: Industry and Capacity Development [3]

Strategic Goal: Transformed communications sector

Strategic Objective: Support the growth and development of the creative industries sector by 2019

Programme Purpose: Manage enterprise development, digital migration and industry research. Implement a structured programme of engagement of stakeholders in support of the department's programmes and projects

- The DoC is conducting enterprise development for emerging content producers (mainly youth) through training on entrepreneurship, protection of intellectual property and monetisation of content online and in the digital platforms.
- The programme is conducted with Small Enterprise Development Agency (SEDA) in consultation with the Department of Sports, Arts and Culture and Provincial Departments.
- As per the international participation and engagements, the Sixth SADC Preparatory Meeting for WRC-19 was convened from the 28th to 31st May at the Avani Maseru Hotel in Maseru, Lesotho.
- This event was hosted by the Government of Lesotho, through its National Regulatory Authority (NRA), namely Lesotho Communications Authority (LCA). At this meeting, SADC Member States were invited to consider retaining existing FSS access to 27.5 -29.5 GHz for broadband service to homes and businesses in urban, suburban, rural areas, and for aeronautical, maritime and land-based applications, amongst other aspects



Programme 3: Industry and Capacity Development [4]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
Implementation of the Audio-Visual SMME Programme focusing on 4IR skills and Enterprise Development	Audio-Visual SMME Program developed	Not achieved.		The Audio-Visual SMME Programme was not developed, however, forging partnership with stakeholders such as Small Enterprise Development Agency (SEDA) has taken place	The Enterprise Development will develop the Audio-Visual SMME Programme in the second quarter.

Programme 3: Industry and Capacity Development [5]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
One (1) RSA Position Paper advanced for ITU-WRC-19 focused on Spectrum management and allocations for future technologies to support the development agenda jointly with the DTSP	Regional consultation conducted on preliminary position for WRC-19	Regional consultations were conducted on preliminary position for WRC-19 at the Sixth SADC Preparatory Meeting for WRC-19		-	-



Programme 4: Entity Oversight [1]

Strategic Goal: Effective and efficient strategic leadership, governance and administration

Strategic Objective: Ensure SOC adherence to good governance and Financial stability by 2019; Ensure compliance with statutory requirements and good governance practices by 2019

Programme Purpose: Monitor the implementation of policies by SOEs and regulatory institutions and provide guidance and oversight on their governance matters

- ❑ The three quarterly performance review and compliance monitoring reports were conducted and feedback letters were submitted to the SOE's.
- ❑ The performance review addressed issues of high expenditure costs, the non-signing of performance agreements, encouraging entities to implement projects as planned, resolving audit findings, improvement on curbing late payments to suppliers as well as issues of low achievement of planned targets
- ❑ The performance review sessions were held with each entity and looked at the performance as per the planned target, the 2018-19 audits, continuous disputes with Organised Labour which hampers the process of finalising Performance Contracts, Career Progression model as well as expenditure to date



Programme 4: Entity Oversight [2]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
12 performance review and compliance monitoring reports of SOEs developed	3 performance review and compliance monitoring reports of SOEs developed	3 performance review reports and compliance monitoring reports of SOEs were developed		-	-



Programme 4: Entity Oversight [3]

Annual Target	Quarterly Target	Actual Performance	Status	Explanation of Variance	Current progress to date
12 SOE QPR sessions coordinated	3 SOE QPR sessions coordinated	Not Achieved.		3 reports were not developed on SOE QPR sessions which were coordinated with SABC, FPB and ICASA	3 reports will be developed on SOE QPR sessions which were coordinated with SABC, FPB and ICASA in quarter two



2019 MTEF baseline allocations [1]

MTEF ALLOCATIONS			
	2019/20	2020/21	2021/22
PROGRAMMES			
Administration	64 879	68 920	74 841
Communications Policy, Research and Development	16 412	17 539	18 876
Industry and Capacity Development	47 449	50 756	24 412
Entity Oversight	1 447 351	1 532 888	1 619 757
Total for Programmes	1 576 091	1 670 103	1 737 886
<u>ECONOMIC CLASSIFICATION</u>			
Current payments	143 559	153 079	134 282
Compensation of employees	87 682	94 256	100 383
Goods and services	55 877	58 823	33 899
Transfers and subsidies	1 432 426	1 516 913	1 603 552
Payments for capital assets	106	111	52
Total economic classification	1 576 091	1 670 103	1 737 886



2019 MTEF baseline allocations [2]

DETAIL OF TRANSFERS AND SUBSIDIES			
Recipient	2019/20	2020/21	2021/22
South African Broadcasting Corporation: Channel Africa	61 320	64 693	68 251
South African Broadcasting Corporation: Public broadcaster	123 246	130 025	137 176
South African Broadcasting Corporation: Programme productions	14 450	15 245	16 083
Media Development and Diversity Agency	31 795	33 557	35 402
Brand South Africa	207 914	219 397	231 546
Government Communication and Information System	441 683	471 442	500 309
Independent Communications Authority of South Africa	452 645	477 721	504 186
Film and Publication Board	99 373	104 833	110 599
Total	1 432 426	1 516 913	1 603 552



Financial information [1]

- BUDGET VS EXPENDITURE AS AT 30 JUNE 2019

DESCRIPTION	BUDGET	EXPENSES	VARIANCE	% SPENT AGAINST BUDGET
PER PROGRAMME				
PROGRAMME 1:ADMINISTRATION	64 879 000	13 238 004	51 640 996	20.4
PROGRAMME 2:COMMUNC POLICY RESRCH & DEV	16 412 000	1 769 979	14 647 021	10.8
PROGRAMME 3:INDUSTRY & CAPACITY DEVELOPM	47 449 000	6 254 832	41 281 168	13.2
PROGRAMME 4:ENTITY OVERSIGHT	1 447 351 000	323 780 235	1 123 570 765	22.4
TOTAL	1 576 091 000	345 043 050	1 231 139 950	21.9
PER ECONOMIC CLASSIFICATION				
COMPENSATION OF EMPLOYEES	87 682 000	15 861 993	71 820 007	18.1
GOODS AND SERVICES	55 877 000	6 969 223	48 907 777	12.5
TRANSFERS AND SUBSIDIES	1 432 426 000	322 145 000	1 110 281 000	22.5
MACHINERY AND EQUIPMENT	106 000	43 963	62 037	41.47
PAYMENTS FOR FINANCIAL ASSET	0	22 871	-22 871	-
TOTAL INCLUDING TRANSFERS	1 576 091 000	345 043 050	1 231 047 950	21.9
TOTAL EXCLUDING TRANSFERS	143 665 000	22 898 050	120 766 950	15.9



Financial Information [2]

- BUDGET VS EXPENDITURE PER PROGRAMME AT ECONOMIC CLASSIFICATION

	BUDGET	EXPENSES	VARIANCE	% SPENT AGAINST BUDGET
PER PROGRAMME/ ECONOMIC CLASSIFICATION				
PROGRAMME 1:ADMINISTRATION				
COMPENSATION OF EMPLOYEES	45 904 000	9 908 940	35 995 060	21.6
GOODS AND SERVICES	18 915 000	3 306 193	15 608 807	17.5
HOUSEHOLDS (HH)	-	-	-	-
MACHINERY AND EQUIPMENT	-	-	-	-
SOFTWARE & INTANGIBLE ASSETS	60 000	-	60 000	-
PAYMENTS FOR FINANCIAL ASSET	-	22 871	-22 871	-
TOTAL	64 879 000	13 238 004	51 640 996	20.4
PROGRAMME 2:COMMUNC POLICY RESRCH & DEV				
COMPENSATION OF EMPLOYEES	12 614 000	1 640 560	10 973 440	13.0
GOODS AND SERVICES	3 798 000	85 456	3 712 544	2.3
MACHINERY AND EQUIPMENT	-	43 963	-43 963	-
TOTAL	16 412 000	1 769 979	14 642 021	10.8

Financial information [3]

- BUDGET VS EXPENDITURE PER PROGRAMME AT ECONOMIC CLASSIFICATION

	BUDGET	EXPENSES	VARIANCE	% SPENT AGAINST BUDGET
PER PROGRAMME/ ECONOMIC CLASSIFICATION				
PROGRAMME 3:INDUSTRY & CAPACITY DEVELOPM				
COMPENSATION OF EMPLOYEES	16 447 000	3 120 003	13 326 997	19.0
GOODS AND SERVICES	30 956 000	3 134 829	27 821 171	10.1
HOUSEHOLDS (HH)	-	-	-	-
MACHINERY AND EQUIPMENT	46 000	-	46 000	-
TOTAL	47 449 000	6 254 832	41 194 168	13.2
PROGRAMME 4:ENTITY OVERSIGHT				
COMPENSATION OF EMPLOYEES-	12 717 000	1 192 490	11 524 510	9.4
GOODS AND SERVICES	2 208 000	442 745	1 765 255	20.1
DEPARTMENTAL AGENCIES & ACCOUNTS	1 233 410 000	269 841 000	963 569 000	21.9
PUBLIC CORPORATIONS&PRIV ENT	199 016 000	52 304 000	146 712 000	26.3
TOTAL	1 447 351 000	323 780 235	1 123 570 765	22.4

Budget vs Expenditure

- STATUS OF ENTITIES

ENTITY	BUDGET	Expenditure as at 30 June 2019	Estimated Projections for June 2019	Projected Variance	% spent (Budget Vs Expenditure) as at 30 June 2019
Brand South Africa	207 914 000	47 820 000	160 094 000	-	23
Film and Publication board	99 373 000	24 843 000	74 530 000	-	25
Media Development & Diversity Agency	31 795 000	7 949 000	23 846 000	-	25
Independent Commissions Authority of South Africa	452 645 000	90 529 000	362 116 000	-	20
SABC: Channel Africa	61 320 000	15 330 000	45 990 000	-	25
SABC: Public Broadcaster	14 450 000	2 300 000	12 150 000	-	16
SABC: Programme Productions	123 246 000	34 674 000	88 572 000	-	28
Government Communications and Information Systems	441 683 000	98 700 000	342 983 000	-	22
Total Entities	1 432 426 000	322 145 000	1 110 281 000	-	22



Q1 PERFORMANCE OF ENTITIES



South African Broadcasting Corporation [SABC] [1]

1ST Quarter Financial Performance

- Achieved 53% of key targets
- Cash flow challenges contributes significantly to underperformance
- Incurred losses of R192.3 million
- Recorded a bank balance of R116.7 million
- Owed service providers R1.8 billion
- Addressed 90% of AGSA 2017/18 findings



Turnaround Strategy

- Department appointed GTAC to assist in bolstering the Turnaround Strategy of the SABC
- Department commenced with legislative reviews
- Several engagements between SABC, GTAC and the department took place
- GTAC produced draft Status Quo Report
- Final Turnaround Strategy is expected end September 2019

South African Broadcasting Corporation [SABC] [3]

Financial Bailout:

- SABC applied for R3.2 billion immediate cash requirements
- On 27 August 2019 Minister of Communications and Finance responded to the SABC
- SABC responded to some of the preconditions set out by National Treasury others have not been met
- Process on disbursement of funds to be confirmed by the National Treasury



Independent Communications Authority of SA (ICASA) [1]

1ST QUARTER NON-FINANCIAL PERFORMANCE

- Achieved 71% of key targets for the quarter
- Successfully monitored the 2019 National and Provincial Elections
- Unable to appoint experts to support execution of critical projects (Engineering & Technology) – compromise successful delivery on projects
- Currently undergoing restructuring process
- Critical positions occupied in acting capacities
- Ministerial moratorium lifted on filling of critical vacant positions only
- Advised the Speaker of the National Assembly about the vacancy that has arisen in ICASA Council



Independent Communications Authority of SA (ICASA) [2]

1ST QUARTER FINANCIAL PERFORMANCE

- Total revenue R105.5 million (Department transferred first quarter tranche allocation R90.5 million)
- Total expenditure incurred R108.7 million
- Faces severe financial constraint due to budget cuts
- ICASA Council advised to exercise extreme caution and stay within allocated funding



Film & Publication Board (FPB) [1]

1ST QUARTER NON- FINANCIAL PERFORMANCE

- Achieved 70% of key targets for the quarter
- Implemented the revised classification guidelines;
- Submitted to the Minister of Finance revised tariffs model for his concurrence
- Waiting for the President to assent the FPB Bill
- Moratorium lifted on filling of critical vacant positions only



Film & Publication Board (FPB) [2]

1ST QUARTER FINANCIAL PERFORMANCE

- Total revenue R25.6 million (Department transferred first quarter tranche allocation R24.8 million)
- Remain in a healthy financial position
- Collection R0 of Online Registration fees against a projected annual budget of R6.4 million
- Cash balance at the bank R5.4 million
- Less classification material submitted
- Closing balances: Irregular Expenditure – R898K
- Fruitless – R3.5 million



1ST QUARTER PERFORMANCE

- Planned to deliver a total of two (2) key targets in the first quarter
- Achieved both targets – 100% achievement
- No community Radio or Print Media funded
- Key targets delivered on monitoring of projects and conducting media literacy workshops



1ST QUARTER FINANCIAL PERFORMANCE

- Received first tranche payment of R7.9 million from the Department
- Total revenue received R9.7 million (including interest received)
- Budgeted to receive R17.3 million
- Received R516K funding received from broadcast media houses
- Currently engaging media houses with the aim to lobbying industry contributions
- Financially viable



Brand South Africa (BSA) [1]

1ST QUARTER NON-FINANCIAL PERFORMANCE

- Committed to deliver 25 key targets and achieved 23 - resulting to 92% overall achievement
- Term of office of the board expired on 31 May 2019
- Appointment process currently underway
- The Executives (CEO and CFO) undergoing disciplinary processes and on suspension
- The Department seconded an Acting CEO



Brand South Africa (BSA) [2]

1ST QUARTER FINANCIAL PERFORMANCE

- Generated total revenue of R48 million
- R47.8 million first tranche payment from the Department
- Spent a total of R36.9 million
- Lower expenditure mainly due to vacant positions
- In a healthy financial position as it was able to pay all its short-term financial obligations



THANK YOU

