



department of communications and digital technologies



BRIEFING BY THE DEPARTMENT OF COMMUNICATIONS AND DIGITAL TECHNOLOGY ON SEVERAL ISSUES

PCC MEETING

30 August 2022

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PRESENTATION OULTINE

1. Vetting of the SABC Executives and turnaround strategy
2. Progress towards implementation of controls to improve audit findings of the portfolio
3. Progress on configuration of State entities
4. Merger of regulatory authorities

VETTING OF SABC EXECUTIVES

Pre-employment vetting

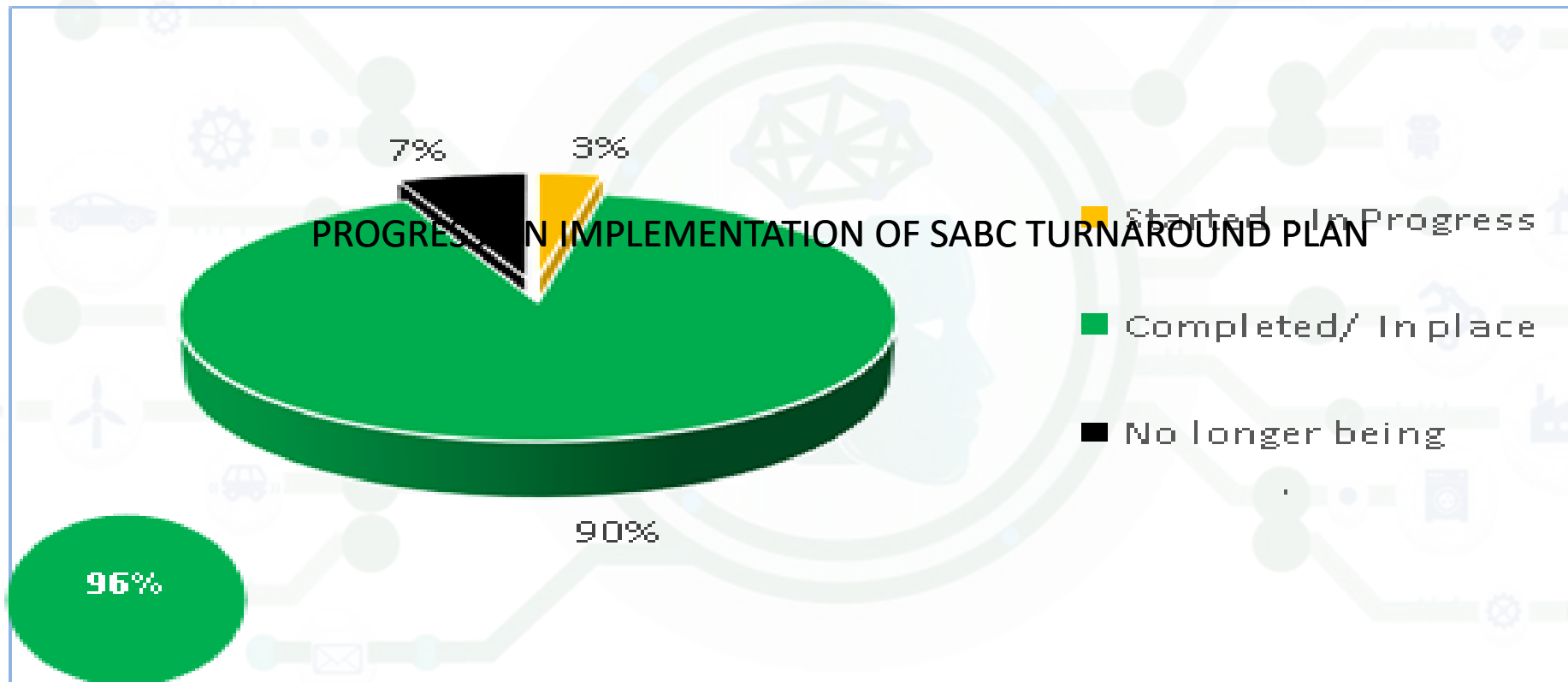
- The SABC does conduct vetting for all new employees, including Executives, through a vetting agency.
- This vetting includes credit checks, qualification verification, and criminal record checks.

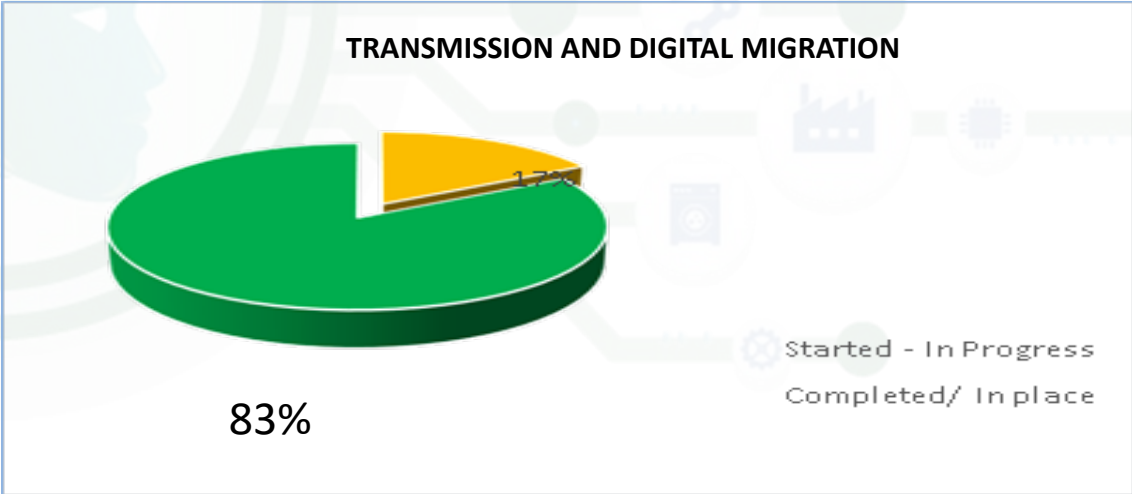
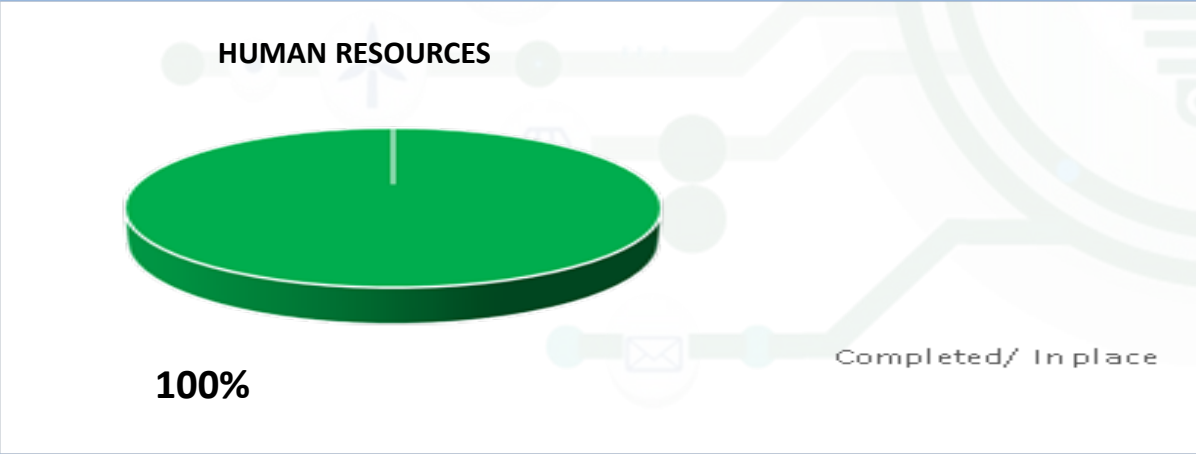
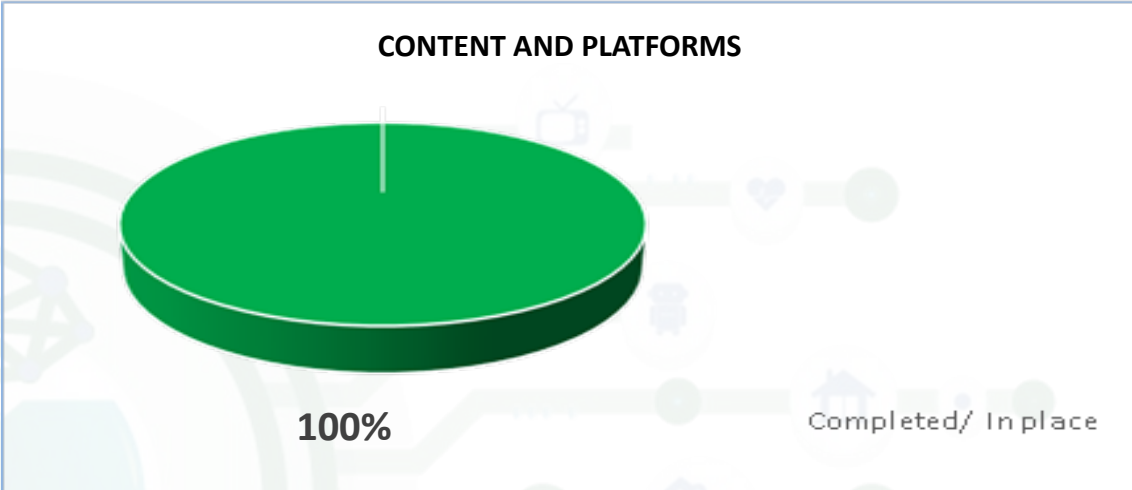
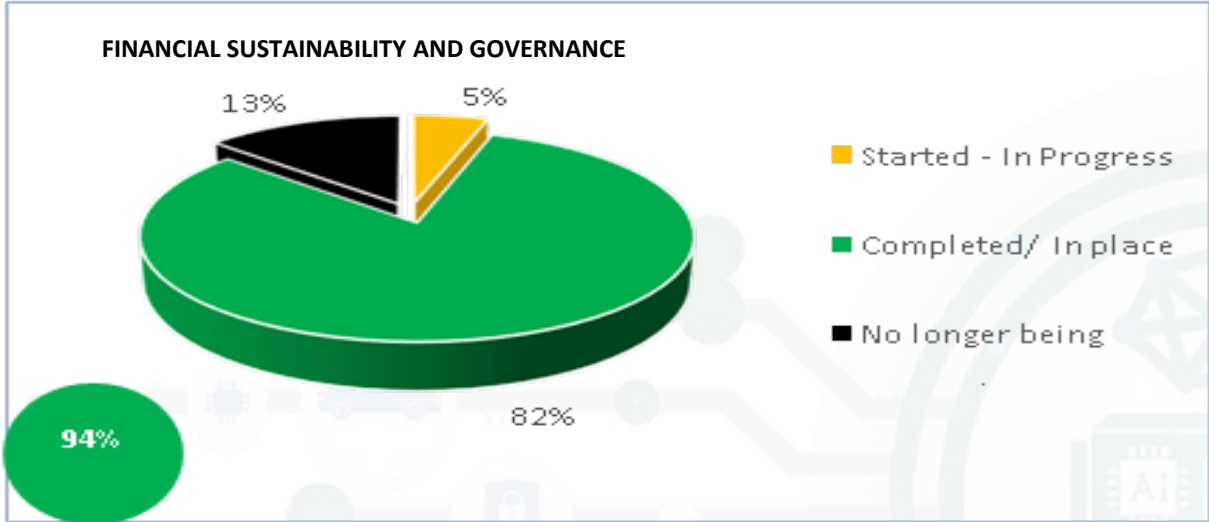
Post-appointment vetting

- The only executives who are vetted by SSA are the three (3) Executive Directors – all done
- The SABC has 8 Group Executives – all completed their forms & submitted.
- Of these, there are 3 which final reports from the Agency are due (GE Sales, GE TV & New Head of Audit).

PROGRESS ON IMPLEMENTATION OF SABC TURNAROUND PLAN

PROGRESS – OVERALL TURNAROUND IMPLEMENTATION







□ Financial Sustainability:

- SABC must still complete the following under this pillar (i) the development a costed time-bound implementation plan based on transparent revenue enhancements and cost savings; (ii) website enhancements to improve online payments; and (iii) Implementation of TV Licence Amnesty.
- Financial sustainability initiatives have not yet yielded positive impact on targeted revenue performance
- In effect, SABC reported a net loss of R210 million as at 30 June 2022 due to declining audience shares resulting in poor revenue performance



❑ Human Capital:

- While all initiatives have been completed, vacancy rate remains high.
- Total of 489 vacancies resulting in cost savings of R42.5 million as at 30 June 2022
- Critical vacancies in Radio and Sales Divisions continued to hamper revenue growth

❑ Content and Platforms

- Spent R833 million against a total budget of R1.2 billion allocated for the procurement and acquisition of new compelling TV content as 30 June 2022
- Currently in the process of developing SABC OTT Platform

❑ Transmission and Digital Migration:

- Completed radio frequency network plan - next in the process is the application to ICASA for the identified transmitters to be repurposed
- Outstanding initiatives related to obtaining chart of accounts for signal distribution costs from SENTECH
- Dispute between SABC and SENTECH on signal distribution before Competition Commission for mediation
- Mediation sessions on SABC and SENTECH matter schedule to take place in due course

ANNEXURE 1: BAIL-OUT UTILISATION SUMMARY AS AT 30 June 2022 (R3.2bn)

Description	Balance as of 30 Sep 2019 (RM)	Cross reference Annex.	Split of Funding Received Oct '19 & March '20 (RM)	Funds Utilisations as at 30 June 2022 (RM)	Cross reference Annex.	Remaining Funds (RM)
TRADE & OTHER PAYABLES						
Trade Payables	- 975 290,9	2.1		974 401,8	3.1	
Accruals	- 296 485,0	2.3		274 512,9	3.2	
GRIR Clearing	- 25 173,6	2.2		25 164,6	3.3	
Royalties	- 92 500,0			92 500,0		
TOTAL	- 1 389 449,5		1 400 000,0	1 366 579,3		33 420,7
NEW EXPENDITURE CONTRACTED AFTER 30 SEP 2019						
TV Content	-		1 200 000,0	833 176,0	3.4	366 824,0
Long term Capex	-		600 000,0	191 298,0	3.5	408 702,0
GRAND TOTAL			3 200 000,0	2 391 053,3		808 946,7



Progress towards implementation of controls to improve audit findings of the portfolio



MONITORING AUDIT FINDINGS

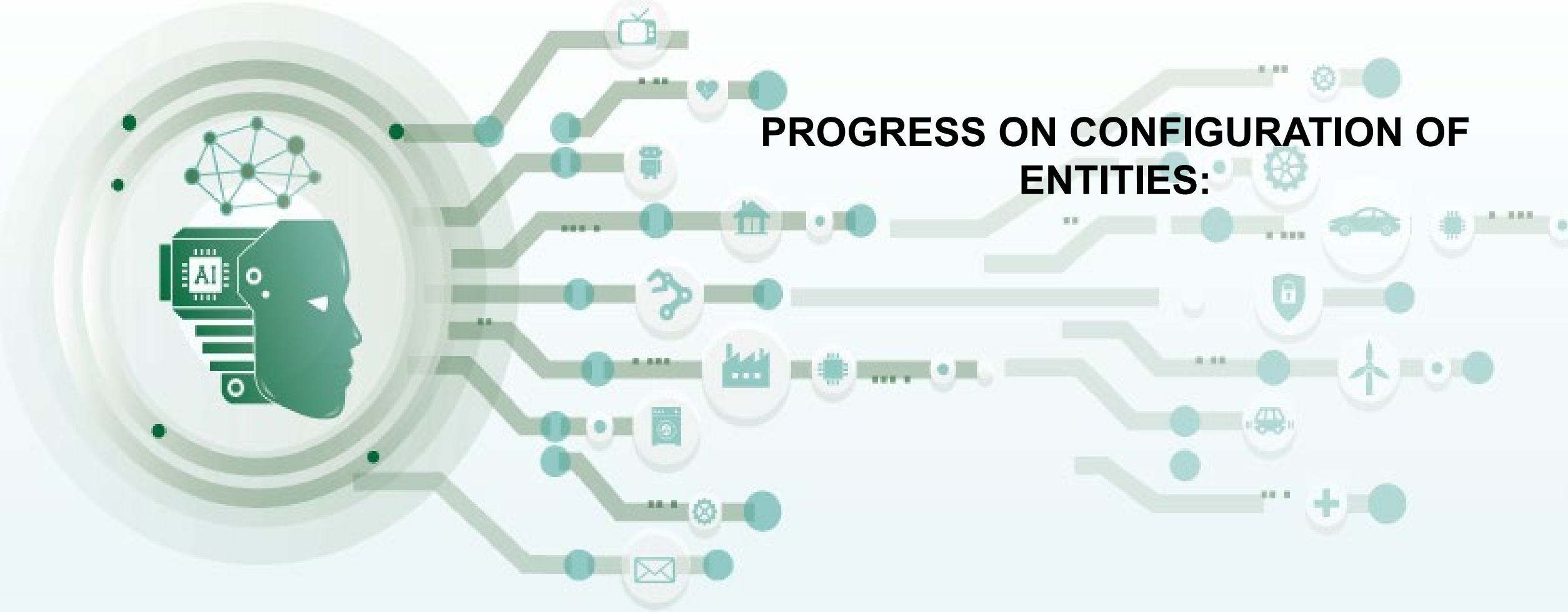
- The department follows up with entities through audit action plans and monitors implementation progress
- It is ensured that action plans deal with root causes and not the symptoms
- Part of the resolution of findings include development and implementation of internal controls to avoid recurrence of findings
- Findings are summarized hereunder in terms of number and status (resolved, in progress or not yet started)

PROGRESS TOWARDS IMPLEMENTATION OF CONTROLS TO IMPROVE AUDIT FINDINGS OF THE PORTFOLIO

SOE	No of findings	Resolved	In progress	Not yet started
BBI	8	4	1	3
FPB	8	2	6	-
ICASA	43	33	5	5
NEMISA	22	18	4	-
SABC	94	87	7	
SAPO	255	60	191	11
SENTECH	19	15	3	1
SITA	151	66	20	65
USAASA	16	9	7	-
USAF	16	10	6	-
ZADNA	53	48	5	-

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PROGRESS ON CONFIGURATION OF ENTITIES:



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Acquisition of BBI by SENTECH

- Over the years the Department envisaged the merger between BBI and SENTECH to form the State Digital Infrastructure Company (SDIC).
- Legal opinions have suggested that first and foremost, the transaction can be done through the Companies Act and perhaps later promulgate an SDIC Bill.
- On 18 of November 2021 the Board of SENTECH submitted expression of interest for the acquisition of Broadband Infracore (BBI).
- According to this process the Board of SENTECH must be the one that takes the decision (through the Board resolution) to acquire BBI and inform, in writing, National Treasury (in accordance to section 54 of the PFMA) and Minister (DCDT) of the transaction and submit details of the transaction to the Minister.
- Thus on 1 March 2022 SENTECH submitted the acquisition Plan for the transaction, which the Minister approved on 22 April 2022.
- In accordance with the Companies Act, the board of SENTECH must table the agreement that sets out the terms of the acquisition at a shareholder's meeting requiring a 75% of the vote in support of the transaction.

Acquisition of BBI by SENTECH

- The proposed transaction will be undertaken in terms of the Companies Act, 2008.
- From a legislative perspective, it may not be necessary to develop a dedicated new Act for the SDIC, since Sentech and BBI will continue to exist, albeit that shareholding will change.
- It will be considered whether any amendments are required to either the BBI Act or the Sentech Act, though it is unforeseen at this stage.



OTHER RECONFIGURATIONS

- The development of the disestablishment plan of USAASA is underway – the Electronic Communications Act will need to be amended for this.
- SITA to reposition and shift focus from a procurement agency to a centre of excellence for government digital services.
- SAPO and Postbank to be separated (while utilizing the same infrastructure) to facilitate the application for the banking licence – the Postbank Amendment Bill is under consideration by the Portfolio Committee.

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Merger of regulatory authorities

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MERGER OF REGULATORS

- ❖ The decision to merger of FPB and ICASA is being reviewed.
- ❖ The two regulatory authorities will no longer be merged.
- ❖ The FPB Amendment Act has widened the scope of the FPB into a fully fledged content regulator
- ❖ Accordingly, has developed its strategy which aligns to the Act.
- ❖ A budget request has been made in line with this expanded mandate.

