



department of communications and digital technologies

BRIEFING BY THE DEPARTMENT OF COMMUNICATIONS AND DIGITAL TECHNOLOGIES ON THE ENTITIES 2022/23 ANNUAL REPORTS

OCTOBER 2023

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PRESENTATION OULTINE



BBI

FPB

ICASA

NEMISA

Postbank

SAPO

SENTECH

SABC

SITA

USAASA

ZADNA

BBI ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	14	14
NOT ACHIEVED	5	6
NO. OF TARGETS	19	20
% ACHIEVED	74	70

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R437m	R469m
EXPENDITURE	R85m	R38m
SURPLUS/(LOSS)	(1,679,666)	R121m
AUDIT FINDINGS	Unqualified	Unqualified

Highlights

- BBI received an unqualified audit opinion with emphasis of matter. The Auditors raised material uncertainty relating to going concern.
- Company revenue increased by 7% from R 437 million in the prior year to R 469 million for the year ended 31 March 2023.
- BBI has been appointed to implement SA Connect project with the CAPEX amount of R1,6bn.

Challenges

- The debt owed to Eskom and Transnet lead to the terminating some of the routes and as such the network performance deteriorated to an extent that BBI has been losing major customers.

Irregular expenditure

- During the year under review incurred R116m irregular expenditure

Strategies to overcome areas of non-performance

- BBI will have to find ways of managing the dept owed to Eskom and Transnet, which will intern improve the network performance and thus increase the revenue whilst decreasing the rebates that are being paid to the customers due poor network performance.

FPB ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	10	12
NOT ACHIEVED	5	1
NO. OF TARGETS	15	13
% ACHIEVED	66.7%	92%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R110.8 million	R118 million
EXPENDITURE	R106.7 million	R119 million
SURPLUS/(LOSS)	R26.5 million	(R918.3 thousand)
AUDIT FINDINGS	Clean Audit	Clean Audit

Highlights

- FPB Achieved a clean audit for the second consecutive FY
- Developed a new fit-for-purpose organizational structure
- Finalised regulatory instruments to be able to function as an online regulator pursuant to the objective of the amendment Act
- appointed an Enforcement Committee, chaired by a retired judge, and established rules for its operations to address cases of non-compliance effectively

Challenges

- Inadequate financial resources
- Declining materials submitted for classification
- Digital Transformation

Strategies to overcome areas of non-performance

- Non-achievement of the one target was attributed to the existential manual classification process
- As a plan of action, the FPB has committed to develop and implement games matrix to reduce classification turnaround times on games.

ICASA ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	46	42
NOT ACHIEVED	7	6
NO. OF TARGETS	53	48
% ACHIEVED	86.8%	87,5%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R501.6 million	R571.9 million
EXPENDITURE	R493 million	R506.9 million
SURPLUS/(LOSS)	R67.1 million	R64.9 million
AUDIT FINDINGS	Unqualified Audit Opinion	Unqualified audit opinion

Highlights

- Published the 8th State of the ICT sector in South Africa report during the 2022/23 FY
- Conducted public hearings to amend the service charter regulations, evaluating applications for Community Sound Broadcasting Service licenses, and publishing Radio Frequency Spectrum Assignment Plans (RFSAPs) for public consultation.
- Review and published key regulations such as End User Subscriber Service Charter

Challenges

- At the beginning of the 2022/23 financial year, Council functioned with a complement of only three (3) Councillors and an Acting Chairperson, instead of the statutory complement of eight (8) Councillors and a Chairperson.
- Underfunded mandate remain a challenge for the Regulator

Irregular expenditure

- Irregular expenditure amounted to R34.2 million, increasing the opening balance to R234.3 million at the end of the 2022/23 financial year

Strategies to overcome areas of non-performance

- Develop and implement an audit action plan to address findings particularly in relation to payment of invoices within 30 days.
- Implement consequence management in instance of non-compliance
- Filling of the financial specialist vacancy,
- Earlier completion of the Annual Financial Statement to allow enough time for detailed reviews

NEMISA ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	21	19
NOT ACHIEVED	1	1
NO. OF TARGETS	22	20
% ACHIEVED	95%	94%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R121,4 million	R148,3 million
EXPENDITURE	R107,8 million	R149,6 million
SURPLUS/(LOSS)	R13.5	(R1,3 million)
AUDIT FINDINGS	Unqualified 12 material findings	Unqualified 5 nonmaterial findings

Highlights

- NEMISA has achieved a clean audit for the first time since its establishment
- A Digital Skills Colloquium and hybrid Datathon were successfully held with participation from various provinces
- NEMISA continued with its organisation culture change journey, ending the year with a production of an organisational efficiency report

Challenges

- Inadequate organisational structure

Irregular expenditure

- During the year under review NEMISA had irregular expenditure amounting to R483 958 and wasteful expenditure amounted to R3 000.

Strategies to overcome areas of non-performance

- Improve controls relating to management of performance information by among others, introducing monthly reporting and verification and auditing of performance information, as well as quarterly audit readiness meetings
- Fully implement the audit action plan to ensure that all the external and internal audit findings for the year 2022/23 are addressed and do not recur in the next audit.

POST BANK ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	2	3
NOT ACHIEVED	14	11
NO. OF TARGETS	16	14
% ACHIEVED	13%	21%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R1.9 billion	R2.1 billion
EXPENDITURE	R568 million	R884 million
SURPLUS/(LOSS)	R302 million	(R2 billion)
AUDIT FINDINGS	Disclaimer opinion 5 audit findings	Disclaimer opinion 7 audit findings

Highlights

- The AGSA has raised a lot of audit findings, some repeat findings most relating to weaknesses in internal controls and awarded Postbank a disclaimer audit opinion. This the third-year consecutive audit opinion from AGSA.
- The net loss was because of increased in expected credit loss to cover SAPO exposure and SASSA project costs incurred. Before provision impairment, Postbank recorded a profit of R194m.

Challenges

- The Bank's capital adequacy ratio decreased to 27% as compared to 55% in the year ended (31 March 2022: 55%) below the minimum required by the Prudential Authority.
- All the Executive position were vacant during the period under review, they were only filled after the financial year has ended. As at the end of July 2023, the bank had filled the positions of Chief Audit Executive (CAE) and the Company Secretary, Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Irregular expenditure

- During the year under review Postbank had irregular expenditure amounting to R165 million and wasteful expenditure amounted to R611 000.

Strategies to overcome areas of non-performance

- Majority of the audit findings for Postbank are reoccurring, Postbank has appointed a service provider to assist to reconcile the other deposit accounts between the IGPS and the accounting system.

SAPO ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	5	2
NOT ACHIEVED	12	11
NO. OF TARGETS	17	13
% ACHIEVED	29%	15%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R3.8 billion	R2.7 billion
EXPENDITURE	R6.2 billion	R5.2 billion
SURPLUS/(LOSS)	R2.4 billion	R2.2
AUDIT FINDINGS	257	165

Main challenges:

- Distressed financial position
- Net loss of R2.2 billion
- Provisional liquidation
- Disclaimer of opinion issued by the Auditor General
- Leadership instability

Main mitigations :

- Post Office of Tomorrow Strategy approved by Cabinet
- Filling of Executive positions -Chief Financial Officer, Group Executive Human Resources
- SAPO has been placed into business rescue by 10 July 2023 Court Order
- Business Rescue Practitioners (BRPs) currently developing the Business Rescue Plan

Irregular Expenditure:

- The majority of the irregular expenditure was caused by the group and company not following supply chain management processes
- The majority of the fruitless and wasteful expenditure was caused by interest and penalties for late payments.
- No sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.

TARGETS	2021/22	2022/23
ACHIEVED	7	12
NOT ACHIEVED	4	3
NO. OF TARGETS	11	15
% ACHIEVED	63.6%	87%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R1.3 billion	R1.4 billion
EXPENDITURE	R1.181 billion	R1.558 billion
SURPLUS/(LOSS)	R119 million	(R147 million)
AUDIT FINDINGS	Unqualified with findings	Clean audit achieved

Highlights

- The entity was able to obtain for this financial year a clean audit report.
- On the BDM project Sentech have already switched off five provinces.
- Sentech is in the process of acquiring 74% of Broadband Infracore. Due diligences were completed, and it is anticipated the transaction will be concluded by end of September 2023.

Challenges

- Sentech has for the FY2022/23 Annual Report showed a positive progress on its non-financial performance, however there is still much regression in their financial performance.
- SENTECH is still operating analogue and digital television simultaneously pending the announcement of ASO this creates dual illumination incremental costs. For FY2022/23, there was a funding deficit of R40 million for dual illumination incremental costs, which contributed to the loss and burdened the fiscus.
- The SABC is unable to pay Sentech in full due to the Corporation's financial crisis. This is negatively impacting Sentech's financial sustainability as well as the ability to deliver services at the agreed level of service.
- The continuous power cuts have a possible impact in the delivery of service to customers by Sentech. There has been an increased failure in back-up generators, leading to the reduction in productivity, non-achievement of set targets and the increase in the cost of operations.

Strategies to overcome areas of non-performance

- Sentech have made submissions for stakeholder intervention on the issues pertaining to BDM costs, BBI acquisition and SABC debt.
- Remedial plans for the non-achieved targets has been put in place to achieve by the entity.

SABC ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	23	9
NOT ACHIEVED	30	17
NO. OF TARGETS	53	25
% ACHIEVED	43.4%	36%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R5.068 billion	R4.666 billion
EXPENDITURE	R5.3 billion	R5.848 billion
SURPLUS/(LOSS)	(R258.5 million)	(R1.2 billion)
AUDIT FINDINGS	Qualified Audit Opinion with 92 findings	Disclaimer with 64 findings

Highlights

- Launched OTT (SABC+) digital streaming platform
- SABC+ platform performed well operationally, with no significant downtimes recorded.
- SABC achieved 79% against the Corporate Plan WSP implementation target of 60%.
- The Corporation continued to work to strengthen internal controls across the organisation.

Challenges

- Declining television audiences hampered efforts to generate planned advertising revenue
- Failure to implement bankable revenue improvement plans adversely affected revenue generation resulted in cash flow challenges
- Severe liquidity challenges resulted in technical insolvent preventing the Corporation to operate as a going concern
- AGSA issued Disclaimer audit opinion due to going concern

Irregular expenditure

- SABC incurred IE amounting to R34.8 million during the year under review

Strategies to overcome areas of non-performance

- SABC Board to expedite development of Revenue Repositioning Strategy
- Board to submit an audit action plan to the Department by the end of October 2023

SITA ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	11	8
NOT ACHIEVED	8	10
NO. OF TARGETS	19	18
% ACHIEVED	57.9%	44.4%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	6 billion	6.7 billion
EXPENDITURE	5.4 billion	6.2 billion
SURPLUS/(LOSS)	436 million (profit)	450 million (profit)
AUDIT FINDINGS	Qualified opinion	Qualified opinion

Highlights

- 44.4% performance is a huge decline when compared to the 72.2% and 57.9% achieved in FY2020/21 and FY2021/22 respectively.
- This drop in performance was noticed from the beginning of the year, and the agency was requested to submit a performance improvement plan, which they did but has not resulted in an improved performance.
- The agency is in a good financial position

Challenges

- Most of the performance related challenges are in the procurement and industry transformation programme. SIAT attributes the underperformance in this program to delays in the procurement process due to capacity constraints caused by the high procurement demands.

Irregular expenditure

- During the year under review SITA had irregular expenditure amounting to R452 million, fruitless and wasteful expenditure of R10.9 million.

Strategies to overcome areas of non-performance

- SITA developed a performance improvement plan and has put in place a number of mitigating plans in order to achieve the desired results in the new financial year.

TARGETS	2021/22	2022/23
ACHIEVED	3	5
NOT ACHIEVED	3	0
NO. OF TARGETS	6	5
% ACHIEVED	50%	100%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R185.415 million	R101.638 million
EXPENDITURE	R86.824 million	R216.088 million
SURPLUS/(LOSS)	R98.591 million	(R114.450 million)
AUDIT FINDINGS	Qualified audit opinion with material findings	Unqualified audit opinion

Highlights

- USAASA has achieved all their planned targets, reporting 100% achievement.
- Furthermore, the Agency received unqualified audit opinion
- The Agency implemented 77% of the audit action plan activities

Challenges

- Higher capacity constraints due to vacancies in executive and senior management resulting from the suspension of 6 senior officials and the dismissal of 1 additional senior personnel.

Irregular expenditure

- During the period under review, the Agency incurred R7.895 million in irregular expenditure and R114 000 in fruitless and wasteful expenditure.
- The Agency closed with a balance of R87.094 million on irregular expenditure and R3.833 million on fruitless and wasteful expenditure.

Strategies to overcome areas of non-performance

- Take effective measures to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency.

USAF ANNUAL PERFORMANCE

TARGETS	2021/22	2022/23
ACHIEVED	3	1
NOT ACHIEVED	3	3
NO. OF TARGETS	6	4
% ACHIEVED	50%	25%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R1 204.356 billion	R285.605 million
EXPENDITURE	R37.215 million	R209.699 million
SURPLUS/(LOSS)	R1 167.141 billion	R75.906 million
AUDIT FINDINGS	Disclaimer audit opinion	Qualified audit opinion with material findings

Highlights

- Despite the many challenges, the Fund certified funding of R321 million for two USAF projects and warehousing and distribution. This is an increase in the project spending/funding from the R34 million incurred in the previous financial year
- The Agency implemented 82% of the audit action plan activities

Challenges

- Implementation of the BDM programme is hindered by delays in the installation of subsidised Set Top Boxes at qualifying households and the low registration rate for qualifying households which are eligible for subsidisation through USAF

Irregular expenditure

- There was no irregular expenditure incurred. The fruitless and wasteful expenditure amounted to R107 000.
- The Agency closed with a balance of R50.337 million on irregular expenditure and R78.259 million on fruitless and wasteful expenditure as a due to balances carried over from previous FY.

Strategies to overcome areas of non-performance

- Take effective measures to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency.

TARGETS	2021/22	2022/23
ACHIEVED	11	16
NOT ACHIEVED	3	2
NO. OF TARGETS	14	18
% ACHIEVED	79%	88%

FINANCIAL PERFORMANCE	2021/22	2022/23
REVENUE	R21.357 million	R24.433 million
EXPENDITURE	R18.456 million	R26.649 million
SURPLUS/(LOSS)	R2.901 million	R2.215 million
AUDIT FINDINGS	Unqualified audit opinion	Unqualified audit opinion

Highlights

- ZADNA reported an increase in the accredited registrars in the 22/23 financial year. This growth could be attributed to the Registrar Reseller training that ZADNA conducted during the year.
- The .za domain namespace retained the growth it achieved in the prior year for the commercial and non-commercial second level domains.

Challenges

- Technical glitches reported with CIPC systems on a numerous occasions, as a results customers could not register the domain names through the CIPC terminals.

Strategies to overcome areas of non-performance

- Continuous engagements with CIPC and ZARC to iron out technical issues and challenges within the CIPC platform
- The CIPC Domain name Registration Promoters have been appointed to bring awareness.

