



# **EXHIBIT CC 22**

**AFFIDAVIT & ANNEXURE**

**OF**

**BALDWIN SIPHO  
NGUBANE**



**JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE,  
CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE**

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**IN THE COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE  
CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR  
INCLUDING ORGANS OF STATE ("THE COMMISSION")**

<b>STATEMENT</b>
------------------

I, the undersigned,

**BALDWIN SIPHO NGUBANE**

hereby state as follows:

1. I am an adult male South African citizen currently retired and self-employed.
2. My qualifications are Bachelor of Medicine and Bachelor of Surgery (MBChB) (Natal); MPRAX Med (Master of Family Medicine) (Natal); DTM&H & DPH (Diploma in Tropical Medicine & Hygiene) (Wits) Dip. Economic Principles (London). My full curriculum vitae is annexed hereto as Annexure **BSN001**.
3. The content of this statement is true and correct and falls within my own personal knowledge, unless the contrary clearly appears from the context or is otherwise stated.



4. I have been approached by investigators associated with the Commission of Inquiry into Allegations of State Capture, Fraud and Corruption in the Public Sector and certain Organs of State (**"the Commission"**) and have been requested to provide a statement which details my dealings with the South African Broadcasting Corporation (**"SABC"**).
6. I have agreed to provide this statement as well as evidence to the Commission freely and voluntarily.
7. I was appointed Chairperson to the Board of the South African Broadcasting Corporation in 2010. I resigned as Chairperson and member of the Board in 2013.

#### FINANCIAL POSITION OF THE SABC DURING MY TIME

8. Prior to my arrival, the SABC had been given a Government Guarantee because it was on the brink of insolvency, having not achieved a profit since 2007. The Government Guarantee was for the sum of R1,473 billion. On the back of this guarantee Nedbank Limited gave a five year-term loan facility to the SABC.
9. At the time of our appointment we were given a strict and definite mandate to put SABC finances into a sustainable trajectory. Our first task





was to stop the haemorrhaging of money out of the SABC and to provide a turn around strategy that would be acceptable to our line Minister, Hon Ret General Sphiwe Nyanda and to the Minister of Finance Hon Pravin Gordhan and to implement the terms of the Government Guarantee. These conditions stipulated an austerity programme, which included reduction of the wage bill through reduction of staff numbers; elimination of bonus payments for senior management, containing film costs which **had spiralled out of hand and flighting film products that were in line with the requirements of the advertising industry.**

10. To achieve increased revenues from advertising agencies our film and other programmes had to be attractive to various South African audiences i.e. our audience ratings had to keep rising, which is the basis for advertisers to increase the buying of advertising space.
11. The Board changed the process through which film products were bought. Film titles were first reviewed with the advertising agencies before being bought. Sports and film rights that had not been secured by the previous sports management were reinstated with PSL and this in itself added significantly to audience ratings.
12. Reducing staff numbers as part of the turnaround process presented significant challenges with the trade unions at SABC. However the SABC line Minister had insisted that the conditions of the Government



Guarantee had to be met. These conditions were premised on, among others (1) the Board providing to him the revenue turnaround plan; (2) the headcount strategy plan;(3) austerity measures;(4) half year financial reports; and (5) financial year forecasts for FY2011.

13. Austerity measures for cost cutting had been implemented in that the costs for 2010 financial year were reduced by R480 million and the costs for year to date were less than budget. However, design and implementation of headcount strategy had not been finalised and there was no concrete strategy for right sizing the organisation. The headcount, the Minister had insisted, had to be reduced by one thousand of the staff complement. The growth in staff numbers over the four years preceding our appointment had ballooned by over R350 million in employment costs.
14. There were other strict conditions to the Government Guarantee. One of them was a performance plan with a monitoring and evaluation procedure built into it. It was an austerity measure. We had to work on the reduction of the staff. This meant looking into performance management and contracts for all the staff, including senior staff.
15. We had two monthly meetings or so with the Minister where we needed to report on our progress. The issue of reduction of staff would come up as a top priority because there was no way we were going to meet the



conditions of the Government Guarantee unless we cut the wage bill. There was no political pressure applied to us. It was the reality of the situation, and it was all financially driven.

We managed to pay off the Government Guarantee in 1½ years or so, which was quite an achievement and after that there was still money in the pot to finance our operations.

16. Our support structures were essentially the Department of Communications, that kept very close oversight on us, and the Portfolio Committee of Parliament.
17. My view is also that the private sector did not interfere with our work. The only influence they had over us was the fact that our audience ratings had to be high for us to get advertising money.

#### **RELATIONSHIP WITH MEMBERS OF THE GUPTA FAMILY**

16. When I came to the SABC there was no direct linkage with the Gupta family. However, as time went on our news people, the editorial desk, started dealing with the New Age Newspaper that the family owned.
17. I think it was Phil Molefe and Mike Siluma, who were in the news section at that time that first dealt with the New Age Newspaper. The New Age



Newspaper was supplied at SABC. Later on the New Age business breakfast shows became part of programming at the SABC.

18. I went to some of those breakfast meetings. I met some of the New Age editorial staff and guests.
19. On a few occasions I attended social/cultural events at the Gupta family home in Saxonwold.
20. I was not part of any business discussions between the New Age Newspaper and the SABC. We (the board) only received a report. I did not influence any of the contracts that the SABC concluded with the New Age Newspaper.

## **BUSINESS BREAKFAST SHOWS**

21. The business of broadcasting really is to get audiences because that is what you want to build in terms of audience ratings which give you advertising revenues. The more the audience grows, the more powerful advertising revenue comes in.
22. These breakfast shows were part of Morning Live. There was no direct payment for the breakfast shows apart from SABC staff to record and broadcast the discussions. The SABC was bringing the audience to



communicate with the ministers. The programme format provided for a session of questions by people inside. There would also be telephonic questions by people from outside and ministers had to respond to these wide ranging questions.

23. This created that sort of outreach. We saw it as outreach to the community and the interest was very high. We got a lot of questions from outside because the minister would be held to account in terms of his or her Department. So we believed it was value adding.
24. These shows were not events the SABC would be able to do or run on its own. To bring people to a hotel, have breakfast tables etc, was a huge task. It would have been a huge expense to the SABC. So we had production material prepared and presented to the SABC to broadcast and add to its archives.
25. There was definitely value for money as far as I am concerned because our audience ratings during that time were always high.
26. We never asked the Treasury for further bail- outs as SABC revenues were steadily growing through good broadcast content, thus hastening the settlement of the Nedbank loan based on the Government Guarantee.



27. SABC was making money and was producing new programming and creating new content.

#### **STAFF ISSUES AND PURGING**

28. As previously stated, the Government Guarantee came with conditions. Initially it was a general retrenchment demand. But we said we were in such a poor relationship with the Unions it would lead to strikes. So the Minister instructed that we should start with management who are not unionised and we agreed to that.
29. Robin Nicholson was CEO at that time. He came to the Board with the suggestion, which was approved, that whenever a contract ends for senior management personnel, who are on five- year contracts, such contracts would not be renewed as part of austerity.
30. This meant shaving off the numbers without physically disrupting the business.
31. All the people who went out and later said they were purged, as far as I am concerned, having known that process, are wrong because if the Board decides, as policy not to renew contracts that are expiring, and after proper consultation with members of management who are affected, surely this cannot be referred to as purging of staff.



## MY DEALINGS WITH HLAUDI MOTSOENENG

32. When Hlaudi Motsoeneng (“**Mr Motsoeneng**”) came the SABC Head Office I was already Chairperson of the Board.
33. Solly Mokoetle (“**Mr Mokoetle**”), the Group Chief Executive Office at SABC, at the time, said, if I remember well, that our stations were in trouble. They were losing money. The only station that was not losing money was Bloemfontein. And so he wanted Mr Moetsoeneg to come to Head Office to help deal with regional radio stations.
34. I recall Mr Mokoetle saying that *“that fellow in the Bloemfontein editorial office has managed to make Sesotho news to be a hit in the Free State. Let’s bring him here to work with our regional officers to try and see if we can’t infuse whatever strategy he has used to make Bloemfontein profitable...”*
35. So it was Mr Mokoetle’s idea to bring Mr Motsoeneng to Head Office, and I was convinced there was a need for that, as we were struggling. We were losing out in terms of regional broadcasting revenues.
36. So Mr Motsoeneng came, and worked in Mr Mokoetle’s office. He was responsible for stakeholder relations in the Group Chief Executive



Officer's office and for the Board. He also served as spokesperson for the Board.

37. He took me around to all the stations, Mpumalanga and others, to address the workers. We were well received everywhere we went. Our roadshow was absolutely a success.
38. Subsequent to that we noticed an improvement. People were working, they improved their audience numbers and revenues.
39. But soon thereafter people who were charged with the turnaround strategy, who worked in the office of the CEO left because of money issues. Mr Motsoeneng was then elevated into group management because of the vacancies that had been created with the departure of these people.
40. He then used to come to the board meetings, at my request and the Board concurred. My view to the Board was that if we are going to achieve this turnaround, the person doing it internally must attend the board meetings. He would however not participate in board proceedings because he was not a board member. I considered his attendance necessary because I was of the view it would enable him to communicate and implement the turnaround strategy effectively.





41. As part of implementation of the turnaround, Mr Motsoeneng was tasked to handle negotiations with the Unions so that the Unions came to accept what we were offering in terms of headcount reduction. I remember they had a series of meetings with the Unions at the Irene Country Club. I attended one of the sessions. The Unions bought into the idea of not renewing contracts that were ending. They were content with that approach, as long as we did not embark on a general staff reduction.
42. Mr Motsoeneng took instructions directly from the Board as well as from the GCEO.
43. The Auditor General had made findings that there were around 1400 or so SABC employees who were doing business with the SABC. This had received sharp attention of the Standing Committee on Public Accounts in Parliament (SCOPA). SABC had previously failed to convince SCOPA that it had a plan to deal with and discipline staff members so implicated.
44. The Board was required to develop a satisfactory response to the questions raised during the SCOPA hearings of October 2010.
45. So the board resolved to task Mr Motsoeneng as Acting COO, to work on the response to SCOPA questions. He was to deal with the Auditor General's report and bring finality in the new year so we could present a credible report at the next SCOPA meeting.



46. Mr Motsoeneng set up a task team to work through the December period. They worked right through the holidays, the December holidays. When we came back and went to SCOPA our report was accepted. I attach hereto as Annexure **BSN002** a copy of said report.
47. In terms of an accelerated salary adjustment, Human Resources Division at SABC decided to review Mr Motsoeneng salary scales as he had come in from a provincial salary scale much lower than the salary levels at SABC Head Office. Since these were adjustments outside the normal time-periods, the Board was required to sign off on these adjustments.
48. Mr Motsoeneng had jumped about three steps in salary categories, having come from a provincial scale to Group Executive Scale.
49. I had announced the appointment of Mr Motsoeneng, by the SABC Board, as Acting COO, in a letter to staff on 15 November 2011.

#### **FILLING THE POST OF CHIEF OPERATING OFFICER**

50. So then came the issue of appointing a permanent COO. The advert for the position of a permanent COO was published on 15 February 2013. It was not in any way related to the appointment of Mr Motsoeneng as Acting COO. It prescribed the educational qualifications required for the position of the SABC Chief Operations Officer.



51. I resigned from SABC Board in 2013 and the appointment of a permanent COO had not happened.
52. I wish to reiterate that I did not in any way suggest or recommend that qualifications be excluded to pave the way for Mr Motsoeneng.

#### **MULTICHOICE AGREEMENT ON 24 HOUR CHANNEL**

55. The issue of a 24-hour SABC news service had been discussed at the SABC News Committee for almost a year
56. Phil Molefe had initially suggested, as the head of the news editorial board, that we use SABC3 and turn it into a 24-hour news channel so that it remained as part of the public broadcaster and therefore "*free to air*".
57. Then I think reference was made to ICASA. ICASA had issues and said we cannot convert it to a 24-hour news channel as the license conditions for SABC3 was as a Commercial Channel. Then Mr Molefe and Mr Motsoeneng went to India with the intention of finding a broadcasting partner to flight a 24-hour news channel. If I remember correctly they even went to London to negotiate with ITV which could be a partner for this brand new news channel.



58. These trips did not seem to bear any fruit. Then the Minister (Dinah Pule) suggested we talk to MultiChoice and summoned the GCEO, Ms Lulama Makhobo and myself as Chairperson, to any early morning meeting to discuss partnering with Multichoice.
59. The discussions with Multichoice at that stage were abandoned as the terms were not in favour of the SABC.
60. Later on, somehow there was a coming together of minds. But I was not part of this phase of the discussions because by then I had left the SABC.
61. There was also a discussion about encryption or non-encryption. Our view was that being a free to air service, SABC could not use encryption. SABC as public broadcaster had to be accessible for all citizens.

### GENERAL COMMENTS

62. Because of the turnaround project, the Board tended to be probably too involved. In terms of the conditions of the Government Guarantee the Board had to ensure that all predetermined objectives, such as austerity measures, were met timeously. This meant close monitoring and supervision of management in implementing turnaround measures.



63. This is all I wish to state and accordingly reserve my rights to provide further documents to the Commission as and when they may become available or come into my possession and insofar as they may be relevant to the investigation.

Dated and signed at Ballito on this the  
27 of August 2019.

  
BALDWIN SIPHO NGUBANE

" BSN001 "

**baldwin ngubane**  
<baldwin.ngubane@gmail.com>

Aug 29, 2017, 9:55 AM



Jenny

Date of birth:  
Camperdown 1941 October 22

Education and professional qualification;

Matric:

St Francis College, Mariannhill, Pinetown KZN

University:

M B ChB (natal)

MPRAX MED (natal)

Post Graduate Diplomas:

DTM&H (wits)

DPH (wits)

Economic Principles (london)

Public Service:

Minister of Arts Culture Science and Technology 1994 to 1996

Premier of KwaZulu Natal 1997 to 1999

Minister of Arts Culture Science and Technology 1999 to 2004

Ambassador to Japan 2004 to 2008

Awards:

Grand Cordon of the Order of the Rising Sun bestowed by the Emperor of Japan for meritorious achievements in building up Science and Technology cooperation between South Africa and Japan

LLD (hc) University of Natal

Phd (hc) University of Zululand

PhD (hc) MEDUNSA

PhD (hc) University of Free State

Doctor of Humane Letters(hc) International Christian University, Tokyo, Japan



" BSN0002 "

BSN-17

By



**EMBARCKING ON  
A NEW ERA**

**CONNECTING  
CITIZENS  
THROUGH DIGITAL  
BROADCASTING**

**VISION  
EMPOWERMENT**  
Empowering for Total Citizen Empowerment.

**MISSION**  
To be a people-centred, content-driven, technology-enabled, strategically focused and sustainable public service broadcaster.

**VALUES**  
Convergence and partnerships.  
Inclusiveness and human dignity.  
Building a common future.

**PRESENTATION TO STANDING  
COMMITTEE ON PUBLIC ACCOUNTS**

**20 November 2012**

*Prepared by Tian Olivier*  
**Chief Financial Officer (acting)**

By

**SCOPA**

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- SUMMARY OF GROUP RESULTS
- REVENUE SOURCES
- OPERATIONAL EXPENSES
- WORKING CAPITAL MANAGEMENT RATIOS
- PROGRESS ON INDEPENDENT AUDITOR'S REPORT
- SCOPA QUESTIONS



SABC 2



## SCOPA

## • SUMMARY OF GROUP RESULTS

## Summary of Group results

Income Statement  
(AFS page 89)

	FY2011/12			FY2010/11		
	Actual Rm	Budget Rm	Variance Rm	Actual Rm	Variance Rm	Var %
Revenue & Other Income	5 680	5 618	62	5 293	387	7
Expense	-4 077	-5 213	236	-4 968	-8	0
Depreciation & Amortisation	-286	-289	23	-360	94	26
Net Financial Income/(Loss)	-84	-105	41	-86	21	26
Income Tax Expenses	-29	0	-29	-10	-19	190
Profit/(Loss) for the year	344	11	353	-131	475	363

Balance sheet  
(AFS page 89)

	FY2011/12		FY2010/11	
	Open balance Rm	Close balance Rm	Open balance Rm	Close balance Rm
Assets				
Non-current Assets	2 981	-252	2 764	1 740
Current Assets	4 746	377	4 746	3 131
Equity	851	125	851	4 871
Equity	851	266	851	1 119
Non-current Liabilities	2 208	-376	2 208	1 832
Current Liabilities	1 687	233	1 687	1 920
Liabilities	3 895	-143	3 895	3 752

Comprehensive Income  
(AFS page 90)

	FY2011/12			FY2010/11		
	Actual Rm	Budget Rm	Variance Rm	Actual Rm	Variance Rm	Var %
Profit/(Loss) for the year	343	12	331	-130	473	384
Actuarial Gain/(Loss) - PRMA	-45	0	-45	-80	35	44
Recognition of Pension Surplus/(De Avail. for Sale of Financial Assets	-80	0	-80	-39	-21	54
Income Tax relating to TOCI	29	0	29	0	1	0
Total Comprehensive Income/(Loss)	268	12	256	-139	-4	12

Cash flow statement  
(AFS page 92)

	FY2011/12		FY2010/11	
	Open balance Rm	Close balance Rm	Open balance Rm	Close balance Rm
Cash flows from operating activities	491	152	491	843
Cash flows from investing activities	-624	260	-624	-354
Cash flows from financing activities	128	-287	128	-188
Net Incr/(dec) in cash & cash equiv.	-6	115	-6	109
Cash & cash equiv. at beginning of the year	115	-6	115	109
Exchange rate changes on cash held in Forex	0	0	0	0
Cash & cash equiv. at end of the year	109	109	109	218

Differences may arise between actual and budgeted figures.

By

SCOPA

## REVENUE SOURCES

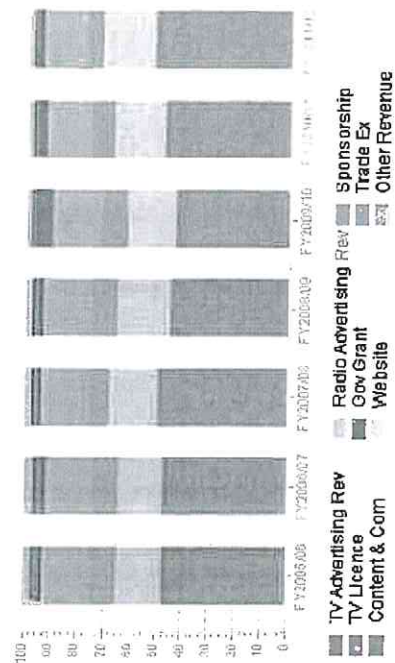
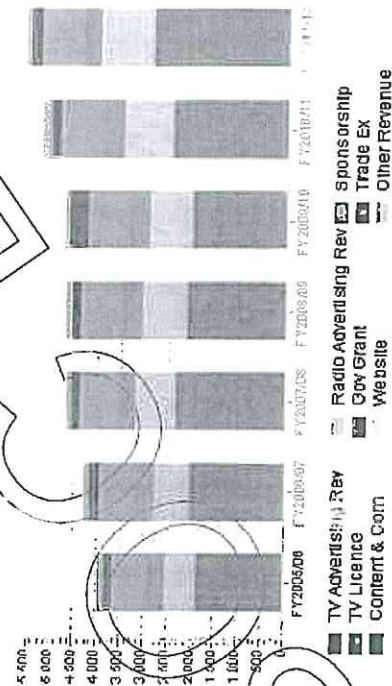
## Revenue sources

## Company Results

## Major Revenue Items

TV Advertising Revenue	2 919	2 539	380	14	2 494	425	17
Radio Advertising Revenue	1 116	1 054	62	6	1 011	105	10
Sponsorship Revenue	361	566	-205	-36	484	-123	-25
Other Revenue	01	77	14	18	118	-27	-23
Content & Commercial Explo	31	91	-60	-66	38	-7	-18
Revenue Website	2	8	-6	-75	3	-1	-63
Other Income	65	75	-10	-13	62	3	5
TV Licence Fees	893	809	-16	-2	872	21	2
Government Grants	130	145	-15	-10	145	-15	-10
Trade Exchange	69	129	-60	-47	65	4	6
<b>Total Revenue</b>	<b>5 677</b>	<b>5 613</b>	<b>64</b>	<b>1</b>	<b>5 292</b>	<b>385</b>	<b>7</b>

Rounding differences between schedules may occur





By

SCOPA

## • OPERATIONAL EXPENSES

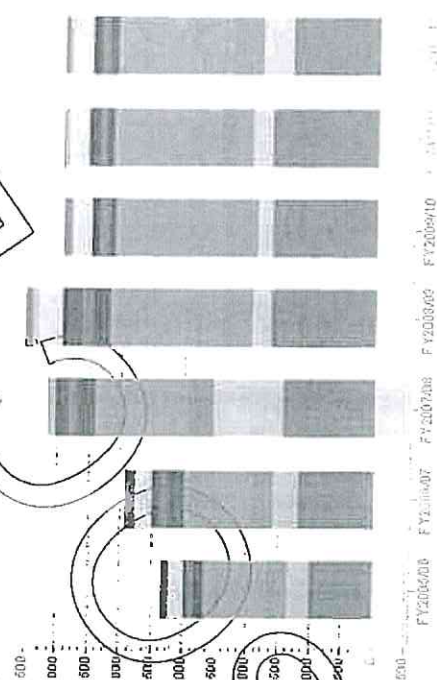
## Operational expenses

## Company Results

## Major Expense Items

	FY2011/12			FY2010/11		
	Actual Rm	Budget Rm	Variance Rm	Actual Rm	Variance Rm	Var %
Amort. & Imp. Prog, Film, & Sports	1 387	1 480	93	1 677	310	18
Broadcast Costs	470	380	-90	306	-174	-57
Signal Distribution And Linking Co	458	551	93	495	37	7
Employee Compensation & Benefits	1 840	1 759	-81	1 706	-135	-9
Productivity Gains	0	-122	-122	0	0	0
Marketing Costs	124	232	108	109	-15	-14
Direct Licence Collection Costs	131	188	58	127	-4	-3
Professional And Consulting Fees	133	136	3	163	30	18
Other Expenses - Operational	310	402	92	307	-3	-1
Other Expenses - Personnel Cost	50	134	84	48	-2	-4
Other Expenses - Administrative	77	64	-13	25	-52	-208
Other (profits)/loss	3	1	-2	3	0	0
<b>Total Operational Expenses</b>	<b>4 972</b>	<b>5 208</b>	<b>236</b>	<b>3 964</b>	<b>-9</b>	<b>0</b>

(Rounding differences between schedules may occur)



### Debtors

Average total debtor days:

51 days – 2 days faster

Average Advertising debtor days:

59 days – 2 days faster

### Programme Inventory

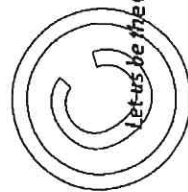
- Local & Foreign stock days: 285 days vs. 327 days last year
- Sport rights stock days: 196 days vs. 124 days last year (pre-paid Olympic rights)

### Creditors

- Average total creditor days: 123 days vs. 109 days (increase in accrual & provisions)

### Impact on Cash

- ✓ Faster debt collection
- ✓ Lower stock levels
- ✓ Longer payment cycle
- = **Improved cash management and balance**





Bey

**SCOPA****• PROGRESS ON INDEPENDENT AUDITOR'S REPORT****BASIS FOR QUALIFIED OPINION****PROGRAMME & FILM IMPAIRMENTS**

- Disclosed in the financial statements are programme, film and sports rights with a carrying amount of R862.4m and related accruals of R598.8m included in trade and other payables.
- The income statements disclose amortisation and a reversal of impairments of these rights of R1.37bIn and R3.3m respectively.
- Management maintained lists to support the amortisation and impairment, the auditors were unable to obtain sufficient appropriate evidence to substantiate the reconciliations of the supporting lists and schedules to the financial statements.
- The auditors were unable to determine whether the carrying amount of the rights and related accruals and commitments, amortisation and impairment, as well as the cost price of fully amortised rights, were materially misstated, or to quantify the effect on the financial statements.

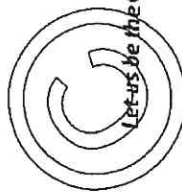
**FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE**

- Fruitless and wasteful and irregular expenditure were incurred during the year under review. The SABC does not have a formal process in place to assess the completeness of these disclosures.
- Impairments of programme, film and sports rights constitute fruitless and wasteful expenditure. The auditors were unable to obtain sufficient appropriate audit evidence to support the impairments of these rights and to determine whether this matter had an effect on the fruitless and wasteful expenditure disclosed.

## PROGRESS / ACTION STEPS ON PROGRAMME AND FILM IMPAIRMENTS

### RESOURCES

- The entire TV Finance team is now logistically seated in a centralised environment and that has improved the communication and process alignment between the various finance team members.
- During October 2012 a decision was taken to allocate finance staff to specifically focus on the stock project and relieve the staff from their day to day operational duties. The team is split into two to deal with stock and operational matters.
- Weekly meetings are held to drive performance and monitor the progress on the project. There are still challenges to overcome example the skills levels of the team, system and process issues. The meeting is attended by systems and finance staff involved with stock and amortisation.
- The lack of capacity has been addressed by the secondment of two internal staff members to the finance team and the approval of a temporary resource plan. The resources will be employed by December 2012 to assist with both operational and legacy data issues.
- The channel reconciliation schedule and addressing the live event activities are running slightly behind schedule. The Gf: TV has introduced new measures before creating live events and this should assist with the reduction of live events. The additional resources will also be deployed to assist the business with reconciling the legacy live events.





## PROGRESS / ACTION STEPS ON PROGRAMME AND FILM IMPAIRMENTS

### PROCESSES

- There are some data table issues still prevailing when trying to reconcile the G/L and Content stock report. The report is reading from the incorrect source cube when extracting data from the SAP financial system. The SAP Department is still working on a solution.
- The reconciliation issue between G/L and Asset register has been resolved. These are now in balance except for the stock adjustments accounts.
- The documentation of the processes and procedures for the accounting and recording of transactions has not started and is behind schedule due to the current workload, the introduction of additional resources will assist.
- A number of "live" events are still being created in the Television Broadcast Management System (TVBMS) which will require clean-up. The TVBMS data needs to be cleaned first before finance can place reliance on the data on the play histories (Broadcast information report). Group internal audit will be requested to review the TVBMS reconciliation process once the schedules are reconciled.
- A stock count of physical tapes will be performed before year-end and the team is working on a report to make the reconciliation process easier. (Tape count level).
- There are still inconsistencies between the financial genre captured in SAP financial system and TVBMS. The financial system does not allow the change in genre once the asset has been capitalised. The inconsistencies will be quantified by end of November 2012.

Let us be the One...



Bany

# SCOPA

## • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

### PROGRESS / ACTION STEPS ON PROGRAMME AND FILM IMPAIRMENTS

#### SYSTEMS

- The remaining balances on the stock adjustment accounts are reducing every month as and when the system is updated. The progress is 70% complete.
- The amortisation reports and charges for FY12/13 are now prepared from the daily reconciliation reports received from the channel scheduling department. The schedule reconciliation reflects all programmes including live events that were broadcast. To date the amortisation for FY 12/13 has been processed by manual journal and the target is to have the current year amortisation loaded on the system by the December month-end (April '12 to October '12).
- The new process is now followed to capitalise assets. The production houses are capitalising directly into the final asset accounts in the channels and the transfer process has been removed. This allows for amortisation in the same month.
- A new system validation control was finally introduced in November 2012 whereby the system now performs a combination check between external and internal accounts to ensure that these are not swapped during the accounting process. There is still an accumulated external / internal error of +/- R30.4m that has been carried forward since 2008.

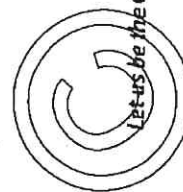


SABC 10



**PROGRESS / ACTION STEPS ON PROGRAMME AND FILM IMPAIRMENTS****SYSTEMS (continued)**

- Exception reports have been developed to make the review process easier. The roll out will start shortly (Changes in planned values, records created for the year)
- There is still no system interface between SAP and TVBMS which will enable alignment of info between the two environments consistently.
- The team is still working on finding a process solution to account for production savings made especially where the assets have been fully amortised. The system may have to be configured for any changes required.



2014

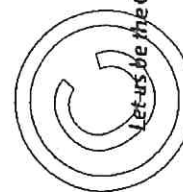
SCOPA

## • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS  
PUBLIC AUDIT ACT REQUIREMENTS (PAA)

## PREDETERMINED OBJECTIVES

ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
Achievement of planned objectives	Evaluation of reported performance against predetermined objectives.	Of the total number of 66 planned KPAs, only 20 were achieved (70% of planned KPAs not achieved). Reasons for not achieving the planned KPAs have been disclosed in the report of the Performance of the SABC.	A number of the key performance indicators still outstanding from FY2011/12 has been reviewed and are continuing in the SABC's Corporate Plan for the new fiscal. Progress and achievement of same are being tracked on a quarterly basis through quarterly feedback reports to the Board, Ministerial Task Team and Shareholder.	31 March 2013



SABC 12



## COMPLIANCE WITH LAWS AND REGULATIONS

ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
1. Strategic planning and performance management.	1.1 SABC to maintain an effective, efficient and transparent system of risk management.	Risk management strategy, policy framework and risk registers were finalised in 4 <sup>th</sup> quarter of 2011/12 and approved in February 2012. Progress made i.t.o. implementing risk instruments, risk management still need to be fully embedded throughout the SABC.	Embedding risk management in the operations is in progress. Risk assessments for the individual Divisions are done on a monthly basis to track progress. All Divisional risks are captured on the CURA Risk System and monthly tracking and reporting are performed.	Ongoing
	1.2 Policies and procedures to describe how the SABC's processes of performance planning, monitoring, measurement, review and reporting should be conducted.	Policies and procedures only drafted during 4 <sup>th</sup> quarter. Still need to be presented and approved by accounting authority and rolled out / embedded throughout the SABC.	A Performance Management Policy has been drafted and is currently being consulted with organised Labour. Planning is to present this to Board for approval.	December 2012
	1.3 Annual conclusion of a Shareholder compact prior to the commencement of the reporting period.	The FY2011/12 Shareholder compact was only approved by the Minister of Communications on 20 April 2012.	The Shareholder Compact for the 2012/2013 year was approved by the Board at its meeting of 4 May 2012 and submitted to the Minister. The SABC's Corporate Plan and Shareholder compact for FY12/13 have been completed and will be presented to the SABC Board for approval.	December 2012

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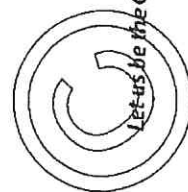
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## SCOPA

## • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

## COMPLIANCE WITH LAWS AND REGULATIONS

ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
		<ul style="list-style-type: none"> <li>No evidence that quarterly reports on the SABC's compliance with the PMFA were prepared, approved and submitted to the Shareholder.</li> </ul>	<p>This process is being refined and the Board and Committee meetings have been aligned to coincide with the submissions of the quarterly reports</p>	Done
	1.4 The SABC was required to undertake numerous activities in addition to the strategic objectives and outcomes set out in the Shareholder compact.	<ul style="list-style-type: none"> <li>No evidence could be found that the Corporation performed quarterly assessments on the SABC as a going concern and developed procedures and mechanisms to fulfill its responsibilities.</li> </ul>	<p>The Audit Committee's Terms of Reference together with a schedule of the required submissions to the Audit Committee has been revised and approved by the Audit Committee and the Board at its meetings in July 2012. The submissions to the Audit Committee will be based on these requirements to ensure that the all required matters are reported and proper monitoring by the Audit Committee and Board is done.</p>	Done



SABC 14



**COMPLIANCE WITH LAWS AND REGULATIONS**

ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
2. Annual financial statements	2.1 SABC to keep full and proper records of the financial affairs of the company.	Material misstatements were identified during the audit. Certain of these were corrected by management and those who were not are included in the basis for the qualified opinion.	A detailed project regarding TV Stock was approved in July and additional resources were requested. Weekly meetings are taking place to update the system and automate the 2012/13 movements.	31 March 2012
	2.2 The SABC need to submit its Annual Report and Annual Financial Statements to National Treasury within 5 months after financial year end.	The Annual report and Annual Financial Statements were for the year ended 31 March 2011 were submitted on 16 September 2011.	This process has changed and the 2011/2012 Annual Report and Annual Financial Statements were submitted to National Treasury by the 28 <sup>th</sup> of August 2012. Every effort will be made to ensure that this process continues.	Ongoing



*Buy*

COMPLIANCE WITH LAWS AND REGULATIONS			
ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS
3. Audit committees		<ul style="list-style-type: none"> <li>Company Secretary should facilitate the evaluation of the performance of the audit committee on an annual basis. Consolidated responses and feedback was not formally tabled to the committee for consideration.</li> </ul>	<p>A performance evaluation of the Board and its Committees is currently being conducted with the assistance of Internal Audit. This will be an annual process going forward.</p>
		<ul style="list-style-type: none"> <li>Internal audit reports were not consistently tabled at the audit committee meetings between April-August 2011 in order to consider the impact of findings and corrective action.</li> </ul>	<p>This process is now changed and Internal Audit is required to report to the Audit Committee on a quarterly basis.</p>
	3.1 The SABC to comply with the requirements of Treasury Regulations and the audit committee terms of reference.	<ul style="list-style-type: none"> <li>Evidence could not be found that the audit committee had reviewed the processes and controls designed to ensure the communication of the codes of conduct and ethics to all SABC personnel.</li> </ul>	<p>All employee matters, including Ethics, falls under the responsibilities of the Governance, Nomination &amp; Remuneration Committee. An Ethics Policy for employees is in the process of being finalised and will be tabled at the Governance, Nomination &amp; Remuneration Committee for review and recommendation to the Board for approval. The role of the Social &amp; Ethics Committee is to monitor compliance of the Ethics Policy and to report to the Board in this regard.</p>
			<p>Done</p>
			<p>November 2012</p>



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## • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

COMPLIANCE WITH LAWS AND REGULATIONS			
ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS
3. Audit committees	3.1 The SABCO to comply with the requirements of Treasury Regulations and the audit committee terms of reference	<ul style="list-style-type: none"> <li>Evidence could not be found that the controls designed to ensure that assets are safeguarded, were monitored and reviewed by the audit committee.</li> </ul>	Please refer to 1.4 above
		<ul style="list-style-type: none"> <li>Financial and performance information was not consistently evaluated by the audit committee in order to assess the adequacy, reliability and accuracy of such information. The National Treasury pack was submitted without review by the audit committee.</li> </ul>	Please refer to 1.4 above
			DUE DATE
			Done
			Done

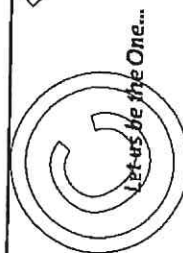


SABCO 17



SABCO

COMPLIANCE WITH LAWS AND REGULATIONS				
ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
4. Internal Audit	4.1 According to Treasury Regulations, the internal audit plan for FY2011/12 should include planned work relating to operations in the form of a review of performance against predetermined objectives.	Internal audit did not evaluate quarterly reports to management on performance against predetermined objectives.	These quarterly audits are now included in the current approved Internal Audit Plan. GIA is busy finalizing Q1 audit of performance objectives which will be reported in the next Audit Committee meeting.	Done
5. Procurement and contract management	5.1 Compliance with Procurement Policy and Content Commissioning and Acquisitions Policy.	<ul style="list-style-type: none"> <li>Instances of premature procurement (ordering taking place without appropriate legal contracts with suppliers).</li> </ul>	The procurement of content is being migrated to be in line with standard procurement policy guidelines as defined by the PFMA (sections 44 and 56) practice note Treasury Regulations 16A6.2 as pertaining to Supply Chain Management and the institution of Bid Adjudication and Bid Evaluation committees.	In progress



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COMPLIANCE WITH LAWS AND REGULATIONS			
ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS DUE DATE
6. Human resource management and compensation.	6.1 Vacancies at senior management level.	Several senior management positions vacant at end March 2012: Chief Operating Officer, Company Secretary, Group Executive Content, Group Executive Legal and Chief Technology Officer.	Permission has been received from the Minister to fill the COO position. Company Secretary position was filled in May 2012. The positions of GE: Radio and GE: Television were filled in October 2012.
	6.2 Declarations of interest	Numerous employees were found to have interests in companies that could not be supported by signed declaration of interest forms. No centralised register to track and monitor whether all employees have declared their interest.	For employees, new and comprehensive declaration forms were created. Extensive communications were carried out to ensure employees understand the process. A central repository was created for each division. Declarations of interest are requested from senior executives and the Board through the Company Secretary and kept on file.
	6.3 Schedule of outcomes of disciplinary hearings and criminal charges.	The SABC did not submit to the Auditor-General and National Treasury a schedule of any disciplinary hearings and/or criminal charges, the names and ranks of employees involved, the sanctions and further actions taken against these employees.	The required information will be made available no later than 05 October 2012.

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## SCOPA

## • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

## COMPLIANCE WITH LAWS AND REGULATIONS

ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
7. Expenditure management	7.1 SABC to take appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with operational policies of the company.	Policies and procedures to prevent these types of expenditure and losses were not always complied with during FY2011/12, and as such not always effective. Fruitless and wasteful expenditure incurred as a result of ineffective operational policies.	The proposed disciplinary code has incorporated the PFMA offences which addressed the stated financial misconducts. It should be forwarded to Board for approval by no later than November 2012.	31 November 2012
	7.2 SABC officials are responsible for the effective, efficient, economical and transparent use of financial and other resources within their area of responsibility.	Fruitless and wasteful expenditure of R22,420,000.00 was incurred indicating the lack of effective, efficient, economical and transparent use of financial resources.	Please refer to 1.4 above. Based on the required submissions to the Audit Committee quarterly reports in respect of any irregular, unauthorised or fruitless and wasteful are required to be submitted to the Audit Committee. This will assist the SABC to properly monitor these matters and to ensure that the proper controls are working and to institute the required disciplinary actions	Ongoing

SABC 20



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# • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

## COMPLIANCE WITH LAWS AND REGULATIONS

ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
8. Asset management and liability management.	8.1 SABC Board to manage and safeguard the assets of the SABC.	<ul style="list-style-type: none"> <li>No full asset stock counts were completed for the year under review.</li> </ul>	<p>A tape count will be performed as soon as the additional resources (students) have been secured.</p>	30 Nov 2012
	8.2 The borrowing programme included in the Corporate Plan must include all information required in terms of the Treasury Regulations.	<ul style="list-style-type: none"> <li>The automated programme, film and sports rights management system was not fully implemented (currently maintained manually). Reconciliation between the manual listing and general ledger was only performed at year end and was still in progress.</li> <li>Presented information was deficient in the following areas:               <ul style="list-style-type: none"> <li>Terms and conditions on which money is borrowed;</li> <li>Information on proposed domestic borrowing;</li> <li>Confirmation of compliance with existing and proposed loan covenants;</li> <li>Debt guaranteed by the government.</li> </ul> </li> </ul>	<p>Project is ongoing and manual entries e.g. "Live events" are still being created but measures are in place to identify and clear the live events on the TV Broadcast Management System (TVBMS).</p> <p>The required information will be included in the SABC's next Corporate Plan.</p> <p>The required information will be reported on in future progress reports e.g. quarterly reports to Management, Board, Ministerial Task Team, Shareholder and National Treasury.</p>	31 March 2013
				Dec 2012

SABC 21

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INTERNAL CONTROL			
ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS
Internal controls relevant to audit of financial statements, reports on predetermined objectives and compliance with laws and regulations.	Significant deficiencies relating to leadership, financial and performance management and governance that resulted in the basis for a qualified opinion.	<ul style="list-style-type: none"> <li>Due to poor Information Technology governance structure, line managers are allowed to operate at their own discretion and thus compromise the ability to use the IT systems to support accurate and reliable reporting.</li> </ul>	Projects are underway to replace the Radio Ad Sales system and enhance Television systems to ensure the integrity of information.
		<ul style="list-style-type: none"> <li>No effective oversight responsibility regarding reporting of performance against predetermined objectives, compliance with laws and regulations and related internal controls as this information was not always presented on a timeous basis to oversight bodies.</li> </ul>	The findings were due to fragmentation of the compliance function. Consolidation of the compliance function into a single unit should address this concern.
			31 March 2013





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## SCOPA

## • PROGRESS ON INDEPENDENT AUDITOR'S REPORT

INTERNAL CONTROL ISSUE	DESCRIPTION	FINDINGS	MANAGEMENT COMMENTS AND PROGRESS	DUE DATE
Internal controls relevant to audit of financial statements, reports on predetermined objectives and compliance with laws and regulations.	Significant deficiencies relating to leadership, financial and performance management and governance that resulted in the basis for a qualified opinion.	<ul style="list-style-type: none"> <li>HR management to ensure that adequate and sufficient skilled resources were in place and that performance was monitored was not always effective.               <ul style="list-style-type: none"> <li>Staff in various departments lacked capacity to perform roles and responsibilities – monthly reconciliations not performed timeously.</li> <li>Delays in receiving vital audit information and in certain instances, said information was erroneous.</li> <li>Lack of segregation of duties – prepare and review same information (or prepare and authorize same information).</li> </ul> </li> </ul>	Five senior Financial positions have been advertised and the recruitment process is in progress. Financial processes and controls need to be reviewed to ensure proper segregation of duties. A plan to clear all internal and external audit issues is in place and the processes will be reviewed and monitored at the monthly financial review meetings. Reports on the progress on clearing audit issues will be tabled at the Audit Comm on a quarterly basis for review and monitoring.	31 March 2013
		<ul style="list-style-type: none"> <li>Regular reconciliations of programme, film and sports rights to safeguard the assets of the SABC were not performed.</li> </ul>	The asset register and Gen. Ledger were reconciled for end of August. Assets are still being transferred between Content and TV channels. The content stock report does not agree with G/L balances. This is currently being investigated.	Done
		<ul style="list-style-type: none"> <li>Policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities were not always established and communicated or reviewed or revised.</li> </ul>	A project to determine the required internal controls is in progress and will be approved by the Audit Committee and Board for implementation.	Oct'12 on wards
		<ul style="list-style-type: none"> <li>The SABC did not have an effective process in place to review and monitor its overall compliance with applicable laws and regulations.</li> </ul>	Consolidation of the compliance function into a single unit should address this concern. The consolidation has been included into the revised org. structure.	Monthly

SABC 23

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**SCOPA****• SCOPA QUESTIONS**

The list of employees who did not declare their business interest, what business they did, for what amount?

Please see Annexure A.

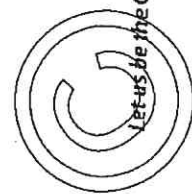
**SABC** 24

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**SCOPA****• SCOPA QUESTIONS**

The number of employees who were taken through disciplinary or in the process of going through disciplinary hearing, the nature of the charges against them and their position in the organisation?

Please see Annexure B.

**SABC** 25

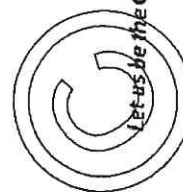


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**SCOPA****• SCOPA QUESTIONS**

A detailed breakdown of irregular expenditure, the persons involved their position and action taken.

Please see Annexure C.

**SABC** 26

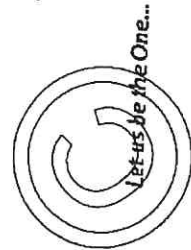


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**SCOPA****• SCOPA QUESTIONS**

Assessment of controls by Internal Audit for the period ending 31 March 2012 (p25 of SABC FY2011/12 Annual Report)

Please see Annexure D.

**SABC** 27

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## 1) NON-DECLARATION OF BUSINESS INTEREST – SIU REPORT AND RECOMMENDATIONS

Nr.	EMPLOYEE	SABC DIVISION	INTEREST	PAYMENTS MADE (for review period)(R)	DECLARATION OF INTEREST	CURRENTLY EMPLOYED	SIU RECOMMENDATIONS
1	Mr Nhlanhla Paul Sibisi	Content Enterprises	Recording Industry of South Africa (RISA)	11,206,761	No	Yes	Yes, disciplinary action for failure to declare interest.
2	Ms Eunice Junior Motsoagae	Sales and Marketing	Mamepe Communications CC	64,478	No	Yes	Yes, (1) lodge criminal complaint for corruption, (2) disciplinary action for failure to declare interest.
3	Mr Kristnan Madurai Nair	Radio Division	Nash Nair Photographs CC	42,750	No	No	Yes. (1) Disciplinary against Eugene Zwane for signing business plan without sufficient information. (2) Lodge criminal complaint against Mr Nair for failure to declare interest. (3) For fraudulently charging VAT, SIU referred matter to SARS and SAPS.
4	Mr Mathumo Cedric Manaka	Radio Division	IBVE Holdings (Pty) Ltd	7,770	No	Yes	Yes, disciplinary action for failure to declare interest.

ANNEXURE A

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5	Mr Mjikeli Welcome Nzimande	Radio Division	Nazabo Promotions and Marketing CC	3,500	No	No	Yes, disciplinary action against other employees for SCM infringements: Tinus Breed, Felicity Guma, Valerie Dierkse.
6	Mr Amos Mandla Mdletshe	Radio Division	Magnavolt Trading 138 CC	1,639	No	Yes	Yes, disciplinary action for failure to declare interest. Disciplinary action also against other employees for SCM infringements: Tinus Breed, Valerie Knei, Zakes Dube and Kogie Mudaly.
7	Mr Motubatse David Mashabela	Radio Division	Mashabela Creative CC	859,288	No	No	Yes. (1) Disciplinary against Luzinda Breet and Eugene Mametsefor SCM policy non compliance. (2) Lodge criminal complaint against Mr Mashabela for failure to declare interest and influence in procurement process.
8	Mr Benney Lloto Motaung	Radio Division	North West Film Festival (Pty) Ltd	112,139	No	Yes	Yes, disciplinary action for failure to declare interest.

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ANNEXURE B

## DISCIPLINARY CASES AND HEARINGS (1 APRIL 2011 TO 31 MARCH 2012)

NO	POSITION	NATURE OF MISCONDUCT	OUTCOME
1	GENERAL MANAGER: LOGISTICAL SERVICES	16 charges were brought against the employee and includes the following: <ul style="list-style-type: none"> <li>• Contravention of PFMA</li> <li>• Dereliction of duties</li> <li>• Contravention of SABC rules &amp; regulations</li> <li>• Negligence in the execution of duties</li> <li>• Dishonesty</li> <li>• Non-compliance with good corporate governance</li> </ul>	Withdrawn for lack of evidence
2	GENERAL MANAGER: NEWS RESOURCES	Contravention of PFMA alternatively	Found not guilty Contract paid out
3	GRAPHIC DESIGNER	Non compliance with good corporate governance Absence from the workplace and	Services terminated
4	GROUP EMPLOYEE RELATIONS CONSULTANT	Contravention of Rules & Regulations i.e. did not inform the line manager of his whereabouts Insubordination Dishonesty Unpunctuality	Settled
5	SENIOR JOURNALIST	Disrespectful behaviour Insubordination	Progressive Discipline
6	SENIOR HANDYMAN	Disruption of Relations Unauthorised access to SABC property	Not guilty



7	ACCOUNT EXECUTIVE	Negligence	Written Warning
8	NATIONAL SALES MANAGER	Contravention of Rules & Reg(s) Insubordination Insolence Dishonesty Negligence in the execution of duties	Management resolved not to take any action
9	BULLETIN EDITOR		
10	HUMAN RESOURCES CONSULTANT	Non-compliance with the duties of the contract Dereliction of duties	Management resolved not to take any action Services terminated Re-instated
11	ASSISTANT RECORD LIBRARIAN	Failure to comply with a reasonable instruction Absence from the workplace without permission	Management resolved not to take any action
12	SENIOR DRIVER	Threats of violence	Employee resigned
13	ACCOUNT EXECUTIVE	Offensive language Dishonesty	Services terminated
14	DEPUTY POLITICAL EDITOR	Gross Negligence Dereliction of Duties	Final Written Warning
15	SENIOR VIDEO EDITOR	Absence from the workplace without permission	Progressive Discipline
16	SALES COORDINATOR	Negligence in the execution of duties	Written Warning
17	BULLETIN WRITER	Absence without permission	Final Written Warning
18	BULLETIN WRITER	Contravention of Rules & Reg(s) Absence from the workplace without permission	Final Written Warning

19	GROUP EMPLOYEE RELATIONS CONSULTANT	Gross Negligence Non-compliance with duties of contract of employment	Services terminated Re-instated
20	GENERAL MANAGER: BIT	Dishonesty	Services terminated
21	EXECUTIVE PRODUCER	Contravention of SABC Rules & Reg (s) Negligence in the execution of duties	Ongoing
22	SPECIALIST PRODUCER	Negligence in the execution of duties	Management resolved not to take any action
23	DRIVER	Dereliction of duties	Written Warning
24	MAPPP SETA INTERN	Disruptions of Relations Threats of violence	Management resolved not to take any action
25	BULLETIN EDITOR	Negligence in the execution of duties	Management resolved not to take any action
26	LOGISTICS CLERK	Contravention of Rules & Reg(s)	Management resolved not to take any action
27	SENIOR SECRETARY	Dishonesty Absence from the workplace	Written Warning
28	PROGRAMME ACCEPTANCE OFFICER	Bribery	Services terminated
29	CAMERAMAN	Causing damage to SABC property	Progressive Discipline
30	PRODUCER	Absence from the workplace	Written Warning
31	PAYROLL ACCOUNTANT	Disclosure of confidential information Failure to comply with instruction	Services terminated

32	PAYROLL ADMINISTRATOR	Disclosure of confidential information Failure to comply with instruction	Services terminated
33	AFTER HOURS ADMINISTRATOR	Negligence Dereliction of duties Racist behavior	Progressive Discipline
34	PRINCIPAL CONTROLLER	Damaging the image of the SABC Absence from the workplace	Final Written Warning
35	STORES ASSISTANT	Absence from the workplace	Written Warning
36	PROVINCIAL GENERAL MANAGER: MPUMALANGA	Dereliction of Duties Dishonesty	Not guilty Review to Labour Court
37	VIDEO EDITOR	Use of alcohol	Services terminated
38	CAMERAMAN	Causing damage to SABC property	Progressive Discipline
39	FORENSIC AUDITOR	Disclosure of confidential information	Progressive Discipline
40	PRODUCER	Non-compliance with SABC rules & regulations Dishonesty	Final Written Warning
41	SENIOR TECHNICAL PRODUCER	Contravention of SABC Rules & Reg(s)	Final Written Warning
42	RECEPTIONIST	Offensive Behaviour Contravention of SABC Rules & Reg(s)	Final Written Warning
43	SYSTEMS OPERATOR	Unauthorised possession of SABC property Under the influence of alcohol	Employee resigned
44	PRINCIPAL TECHNICIAN	Absence from the workplace	Written Warning



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45	SENIOR VIDEO EDITOR	Absence from the workplace	Management resolved not to take any action
46	REPORTER	Insubordination	Management resolved not to take any action
47	PROJECT MANAGER	Disruption of Relations Dishonesty / Misrepresentation of facts	Services terminated
48	TESTER	Non-compliance with duties of employment contract	Services terminated
49	NEWS OPERATOR	Abusing of sick leave Contravention of Rules and Regulations	Progressive Discipline
50	MANAGER: OPERATIONS	Sexual Harassment	Not guilty
51	MANAGER: PROMOTIONS	Contravention of Rules and Regulations	Progressive Discipline
52	PROJECT MANAGER	Dishonesty / Misrepresentation of facts	Employee resigned
53	MARKETING ASSISTANT	Non-compliance with the duties of the employment contract	Management resolved not to take any action
54	COMMISSIONING EDITOR	Bringing Channel Africa into disrepute Negligence in the execution of duties	Written Warning
55	VIDEO EDITOR	Contravention of SABC rules & Regulations	Progressive Discipline
56	PRODUCTION ASSISTANT	Unauthorised possession of SABC property Absent from work without permission Dereliction of duties	Written Warning
57	GENERAL MANAGER: HUMAN RESOURCES	Dishonesty Non-compliance with rules & regulations Insubordination	Progressive Discipline



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58	PORTFOLIO MANAGER	SALES	Absence from workplace	Services terminated
59	SENIOR SECRETARY		Insubordination Dishonesty	Employee resigned
60	VIDEO EDITOR		Conviction of a common law offence Gross Negligence	Progressive Discipline
61	GENERAL MANAGER: BUSINESS STRATEGY		Dishonesty Dishonesty Contravention of rules & regulations	Services terminated

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## BREAKDOWN OF CRIMINAL AND IRREGULAR EXPENDITURE

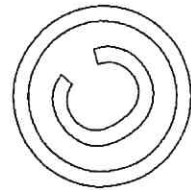
ANNEXURE C

CASE	DESCRIPTION	DIVISION	AMOUNT (R'000)
Case 1	Payment without a contract - South African Press Association	Radio	3 942
Case 2	Broadcast of the CAF under 20 event without a contract and business plan	Sport	2 576
Case 3	SAFA (Bafana vs Burkino Faso) - Broadcast without a signed contract in place before the event	Sport	2 500
Case 4	Sport Five (Bafana vs Egypt away) - Broadcast without a contract and business plan in place	Sport	4 995
Case 5	SuperSport (Tri-nations Inbound broadcast) - Broadcast without a signed contract in place	Sport	5 200
Case 6	SARSA (SA Sports Awards) - Broadcast without a signed contract and deviation from procurement processes	Sport	2 150
Case 7	Cricket South Africa - Broadcast the event before a signed contract was in place	Sport	28 000
Case 8	Payment without a contract for Riverside Software solutions in excess of the original contract price	Technology	6 335
Case 9	Payment without a contract for Datacentrix printers	Technology	6 164
Case 10	Payment without a contract for Internet Solutions	Technology	5 438
Case 11	Payment without a contract for Batres Consulting	Technology	5 010
Case 12	Payment without a contract for Exponent	Technology	3 188



Case 13	Sandton Cab - Contract expired December 2010; Current supplier = poor service, Risk to business, Risk to employees, Deregistered.	Group Services	5 169
Case 14	Financial Review ~ Deloitte Consulting	Group Services	23 228
Case 15	Wesbank/Shell - Only Shell contract in place since 2008. First Auto and Shell are partners	Group Services	10 627
	TOTAL for listed cases		114 522
	Other cases not of material value		22 437
	TOTAL all cases		136 959

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# **BREAKDOWN OF FRUITLESS AND WASTEFUL EXPENDITURE**

CASE	DESCRIPTION	DIVISION	AMOUNT (R'000)
Case 1	International Acquisitions - Foreign licenses content impairments	Television	22 120
Case 2	SABC2 - A legal claim was paid to Trustco for R72m for a contract that was entered into in 2004 and a ruling was made in 2011	Television	72 060
	<b>TOTAL for listed cases</b>		<b>94 180</b>
	<b>Other cases not of material value</b>		<b>10 435</b>
	<b>TOTAL for all cases</b>		<b>104 615</b>

## **PROGRESS ON TV IMPAIRMENTS FOR THE CURRENT FISCAL**

An impairment schedule is distributed to channels whereby they need to verify and confirm the runs that were used for the titles that are expiring in that month. This confirmation was done every three (3) months. The channels confirmed that the titles that were used between April and September in October and this resulted in the impairment adjustments. The confirmation process will now be done monthly to avoid similar adjustments. Year to date amount impaired was R2m.

The SABC has negotiated the terms on which it purchases foreign content from suppliers. Previously, "packages" which included prime and sub-standard material had to be bought. Revised terms were negotiated ensuring that the SABC only purchases prime material. The Amortisation policy was also reviewed to ensure that content is optimised across all channels.

*Buy*



ANNEXURE D

The assessment of internal controls as referred to in the Annual Report for 2011/2012 Financial Year (page 25) was based on the completed audits which were performed in accordance with the approved audit plan. The table below reflects the results of the overall control assessment based on the audit coverage as per approved Annual Audit Plan.

#### Assessment of controls for the period ending 31 March 2012:

Focus Area	Audit Project per Approved Annual Audit Plan for 2011/12	Effective	Partially Effective	Ineffective
Programming	Acquisitions of Sports Rights and Programming			
	Commissioning of Local Television Programmes		X	
	Acquisition of International Content (Follow-up Audit)			X
Platform Management	Programming & Scheduling		X	
Financial Health	ICASA Mandate	X		
	Procurement Processes Audit			X
	Television Licenses		X	
	Financial Control Audit		X	
	Advertising Revenue Audit		X	
	Verification of Commission for Merchandising Department		X	
	Business Development - Trade Exchange Contracts Compliance Review		X	
News and Current Affairs Operations	SABC News Special Projects/Events		X	

Focus Area	Audit Project per Approved Annual Audit Plan for 2011/12	Effective	Partially Effective	Ineffective
People (Human Resources)	Occupational Health and Safety Effectiveness and Compliance Audit			X
	Leave Management Audit			X
	Logistical Services Contracts Management			X
	Bursary Schemes Audit		X	
IT	Long Service Awards - Gold Coins	X		
	SAP Continues Audit - System Monitoring		X	
	Finance & BIT - SAP Terminal Access Control		X	
	Group Sales & Marketing - Teamradio		X	
	Audience Services - TVDP Logical Access Review		X	
	BIT - ScheduAll Application Review		X	
	BIT - IT Operations Review			X
	SAP CCC - SAP Basis Security Settings	X		
	BIT - Physical and Logical Access & Environmental Control Review		X	
	BIT - SAP GRC Review		X	
	IT Disaster Recovery and Business Continuity Plans		X	
	BIT - Mobile Devices			X
	Landmark - General Controls Review			X
	TVBMS - General Controls Review			X
	Dalet - General Controls Review			X
Overall Control Assessment		3 (9.7%)	17 (54.8%)	11 (35.5%)

The following table indicates audit projects which were not executed during the 2011/2012 year but deferred to the 2012/2013 for integration to the Risk Based Audit Plan. The status was communicated to the Audit Committee Meeting on 26 March 2012.

PILLAR	PROJECT NAME	PROJECT DESCRIPTION	Q1	Q2	Q3	Q4	STATUS
INTERNAL AUDIT							
PROGRAMMING	Education TV and Radio Programmes	Achievement of mandate					Deferred to next fiscal
PLATFORM MANAGEMENT	Management of Music Rights	Regulatory Compliance					Deferred to next fiscal
FINANCIAL HEALTH	Cash Management (including Treasury)	Financial and Liquidity Management				X	Included in following year audit plan
	Capex Management	Financial and Liquidity Management				X	Included in following year audit plan
PEOPLE	Remuneration	Remuneration Strategy					Deferred to next fiscal
NEWS	News Operational Audits	Credible News Content					Deferred to next fiscal

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PILLAR	PROJECT NAME	PROJECT DESCRIPTION	Q1	Q2	Q3	Q4	STATUS
GOVERNANCE	Company Secretariat Risk Management	Corporate governance Enterprise-wide Risk Management					Deferred to next fiscal
					X		Included in Governance review for following year audit plan
	PFMA Compliance Review	Compliance			X		Included in Governance review for following year audit plan
STAKEHOLDER MANAGEMENT	Market and Industry Analysis and Intelligence	Marketing below and/or above the line					Deferred to next fiscal

(NOTE: The 2011/2012 Internal Audit Plan was approved in June 2011 hence the delays in execution and finalization of the quarter four audit projects.)