usaasa

Universal Service and Access Agency of South Africa

# ANNUAL REPORT

2022/23

USAASA

Universal Service and Access Agency of South Africa

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# Table of Contents


**PART A: GENERAL INFORMATION ............... 4**

General Information ............ 5
List of Acronyms/Abbreviations ............ 5
Foreword by Interim Chairperson of the Board ............ 6
Foreword by the Acting Chief Executive Officer ............ 9
Statement of Responsibility and Confirmation of the Accuracy of the Annual Report ............ 13
Strategic Overview ............ 14
Vision, Mission, Values ............ 14
Legislative and Other Mandates ............ 15
Policy Mandates ............ 15
Organisational Structure ............ 17

**PART B: PERFORMANCE INFORMATION... 18**

Auditor-General's Report: Predetermined Objectives ............ 19
Institutional Programme Performance Information ............ 22
Summary of USAF Performance ............ 25
Linking Performance with Budgets ............ 26

**PART C: GOVERNANCE ............................... 27**

Introduction ............ 28
Portfolio Committees ............ 28
Executive Authority ............ 28
The Accounting Authority / Board ............ 28
Risk Management ............ 33
Internal Audit Unit ............ 33
Compliance with Laws, Rules, Codes and Standards ............ 37
Audit Committee Report ............ 39
B-BBEE Compliance Performance Information ............ 42

**PART D: HUMAN RESOURCE MANAGEMENT. 43**

Overview of Human Resources ............ 44

**PART E: PFMA COMPLIANCE ...................... 49**

Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses ............ 50

**PART F: FINANCIAL INFORMATION........... 54**

Report of the Auditor-General ............ 55
Annexure to the auditor's report ............ 58
Accounting Authority's Responsibilities and Approval ............ 60
Audit Committee Report ............ 61
Accounting Authority's Report ............ 62
USAF Statement of Financial Position ............ 64
USAF Statement of Financial Performance ............ 65
USAF Statement of Changes In Net Assets ............ 66
USAF Statement of Cash Flows ............ 67
USAF Statement of Comparison of Budget and Actual Amounts .. 68
Notes to the Audited Annual Financial Statements ............ 69


# PART A
## General Information

# 1. General Information

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| | |
|---|---|
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# 2. List of Acronyms/Abbreviations

| | |
|---|---|
| **AGSA** | Auditor-General of South Africa |
| **APP** | Annual Performance Plan |
| **ASO** | Analogue Switch Off |
| **BBI** | Broadband Infraco SOC |
| **BDM** | Broadcasting Digital Migration |
| **DCDT** | Department of Communications and Digital Technologies |
| **D-DF** | Digital Development Fund |
| **DPME** | Department of Planning, Monitoring and Evaluation |
| **DPSA** | Department of Public Service and Administration |
| **DTT** | Digital Terrestrial Television |
| **EC** | Eastern Cape |
| **ECA** | Electronic Communications Act, 2005 as Amended by Act No. 1 of 2014 |
| **ERP** | Enterprise Resource Planning |
| **EXCO** | Executive Committee |
| **FS** | Free State |
| **GP** | Gauteng |
| **GDP** | Gross Domestic Product |
| **ICASA** | Independent Communications Authority of South Africa |
| **ICT** | Information and Communication Technology |
| **IIA** | Institute of Internal Auditors |
| **ITU** | International Telecommunication Union |
| **KZN** | KwaZulu-Natal |
| **MIM** | Managed Integrated Model |
| **MP** | Mpumalanga |
| **MTBPS** | Medium-Term Budget Policy Statement |
| **MTEC** | Medium-Term Expenditure Committee |
| **MTEF** | Medium-Term Expenditure Framework |
| **MTSF** | Medium-Term Strategic Framework |
| **NDP** | National Development Plan |
| **NC** | Northern Cape |
| **NT** | National Treasury |
| **NW** | North West |
| **LP** | Limpopo |
| **PFMA** | Public Finance Management Act |
| **PMDS** | Performance Management and Development System |
| **PPP** | Public-Private Partnerships |
| **PPPFA** | Preferential Procurement Policy Framework Act |
| **SA** | South Africa |
| **SABC** | South African Broadcasting Corporation SOC |
| **SAPO** | South African Post Office SOC |
| **SCM** | Supply Chain Management |
| **SDIC** | State Digital Infrastructure Company |
| **SITA** | State Information Technology Agency |
| **SLA** | Service Level Agreement |
| **SMME** | Small, Medium and Micro Enterprise |
| **SOC** | State-Owned Company |
| **SOE** | State-Owned Enterprise |
| **SONA** | State of the Nation Address |
| **STB(s)** | Set-Top Box(es) |
| **TR** | Treasury Regulations |
| **TV** | Television |
| **USAASA** | Universal Service and Access Agency of South Africa |
| **USAF** | Universal Service and Access Fund |
| **WC** | Western Cape |
| **WSP** | Workplace Skills Plan |

# 3. Foreword by Interim Chairperson

## 3.1 Introduction

USAASA is established in terms of Section 80(1) of the ECA as a public body that is mainly responsible for facilitating the bridging of digital access gaps. These represent a new form of social inequality and are derived from unequal access to new ICTs by gender, territory, social class, and so on. The USAASA Board is established in terms of Section 80(3) of the ECA and is directly accountable to Parliament, through the Department of Communications and Digital Technologies.

The USAASA mandate supports the goals of the NDP, which requires that all people regardless of their social or economic status or their location, to have access to communication services and content, thereby enabling them to participate actively in society and realise the benefits and opportunities of ICTs.

The Agency must contribute toward the revised MTSF 2019-2024 on the following two impact outcomes:

- *Unemployment reduced to 20-24% with 2 million new jobs, especially for youth.*
- *Economic growth of 2-3% and growth in levels of investment to 23% of GDP*[1].

## 3.2 High-Level Overview of the Public Entity's Strategy and the Performance of the Public Entity in its Sector

The rationalisation of the ICT SOEs is defined by the National Integrated ICT Policy White Paper approved by the Cabinet on 28 September 2016. The main objective of the rationalisation process is to move away from the fragmented mode of service delivery into a more consolidated approach.

USAASA is one of the entities identified in the National Integrated ICT Policy White Paper that needed to be disestablished. This process is intended to harmonise and streamline the public entity's capabilities to ensure efficiency in service delivery.

The President announced in 2021 that the completion of digital migration is vital to the country's ability to effectively harness the enormous opportunities presented by rapid technological changes. After several delays, the country has started and is continuing with a phased switch off of analogue TV transmitters, which is being implemented province by province.

The DTT migration process is a global technology enhancement initiative that aims to leapfrog countries into digital domains, targeting improved quality of services and enabling efficient use of spectrum resources. In 2006, SA agreed to the ITU Regional Agreement in Geneva, which required that participating countries must migrate from analogue to digital TV by 17 June 2015.

Following the President's pronouncement regarding BDM, a holistic review of the BDM service delivery model was undertaken to fast-track the completion. This resulted in USAASA's role being limited to managing the Fund in an administrative capacity while USAF's role was limited to subsidising projects and programmes geared towards providing universal access to broadcasting and communication services. These roles are currently being reviewed within the review of the ECA by the Department to align to the new era of social and digital economy.

Another project referred to by the President in the SONA 2021 was SA Connect, a programme intended to roll out broadband to schools, hospitals, police stations, and other government facilities. All these facilities and institutions

[1] *Statistics from Medium Term Strategic Framework 2019-2024 published by DPME.*

must be connected, and individual citizens should have affordable access to information services and a platform for their own voices.

The following interventions affected the Agency's execution of the annual performance plans.

### *3.2.1 Disestablishment of USAASA*

USAASA is being disestablished in accordance with the policy recommendations of the National Integrated ICT Policy White Paper. The uncertainties inherent in the process of disestablishment of the entity affected the implementation of the key performance targets contained in APP for the year under review. The entity was not able to enter into medium- to long-term contracts as a result of the pending disestablishment and the moratorium that was placed on the entity committing to long-term contracts. This was critical to managing exposure to the risks of onerous contracts. As such, USAASA continued to incur irregular expenditure relating to the rental of the offices and the provision of mobile and data connectivity services.

## 3.3 Strategic relations

After the adoption of the MIM on BDM by Cabinet on 30 September 2021, the Agency needed to enter into strategic relations with various entities to support the Revised ASO Plan. With the approval of the deviation procurement strategy by National Treasury, the Agency forged multiple formal strategic relations with DCDT, Sentech, SAPO, and the broadcast media players, such as SABC and others. Strategic relations are essential for ensuring the seamless digital migration of indigent households onto digital broadcasting platforms, and for ensuring that the policy objectives of the universal and geographic reach of digital broadcasting services to all citizens are met. Facilitating the development of the digital economy is aimed at ensuring inclusivity and sustainable universal access.

The President's pronouncements on SA Connect emphasised an expeditious response to the growing need for South Africans to participate in the digital economy, and the need to review the delivery model of SA Connect Phase 2. In order to enable universal access to broadband, the approach taken needed to include the release of the spectrum and other digital technologies. The revised SA Connect Phase 2 Model was adopted by Cabinet on 28 January 2022. As a result, USAASA engaged in strategic relations with BBI to subsidise broadband infrastructure and services, which will contribute to South Africans being able to equally participate in the digital economy.

## 3.4 Challenges faced by Board

USAASA is experiencing a high vacancy rate of 80% at executive management level arising from uncertainties associated with the disestablishment of the entity. In addition, USAASA is unable to attract the desired skills in the labour market as a moratorium was placed  hiring key additional employees on a long-term contractual basis because of the impending disestablishment. Further uncertainties were experienced with regard to the term of the current Board, pending the entity's disestablishment.

The Board suffered a loss of one of its members and Chairperson of the Human Resource and Remuneration Committee (REMCO), Mr Talelani Ramaru.

The board member's passing left the board with a vacuum specifically in his area of expertise, knowledge, and skills in the organization. His absence had an impact on the discussions and decisions related to HR matters as he was passionate about labour issues. The impact was also felt when dealing with issues of an even number of members where there was potential for tie votes on critical decision-making process.

## 3.5 The strategic focus over the medium- to long-term period

The Department is currently busy with the amendment of the ECA, which will determine the future disestablishment of the entity. This process was not yet finalised by 31 March 2023. As such, there are still uncertainties regarding the timing of the completion of the disestablishment. These uncertainties led to USAASA focusing on matters that were possible within the period under review and not committing or contracting beyond this period. The medium- to long-term commitments that are included in the MTSF and USAASA's Strategic Plan were, however, not changed. The Board considered the impact of the uncertainty surrounding the disestablishment on the achievement of the Strategic Plan outcomes to be a concern that requires urgent attention.

## 3.6 Acknowledgements

The Board would like to express its sincere gratitude to Ministers Khumbudzo Ntshavheni and Mondli Gungubele, and Deputy Minister Philly Mapulane for their unwavering support and vision to lead the country into a fully digitalised and connected RSA. We would also like to express our sincere gratitude to the Parliamentary Portfolio Committee on Communications, respective Boards of SOEs reporting to the Ministry, USAASA management, and the beneficiaries at large we strive to serve.

To this end, USAASA management, under the guidance and oversight of the Board, is steadfastly determined to deliver on our mission and vision with a renewed sense of commitment and determination that will continue far into the future. This is demonstrated by improvements in the financial and performance reporting systems, and in audit results for the entity – from an audit opinion that was qualified in the 2021/22 financial year to an audit opinion that is unqualified in the current financial year. Through dedication and teamwork, USAASA management and staff can realise the Agency's strategic goals.

USAASA remains committed to achieving demonstrable and sustainable outcomes that have a considerable positive impact on the lives of the ordinary citizens of the country, particularly those residing in poor, underserved, and underserviced areas in townships and rural areas.

**Ms Daphne Kula-Rantho**
Interim Chairperson of the Board
Universal Service and Access Agency of South Africa

# 4. FOREWORD by the Acting Chief Executive Officer

## 4.1 Overview of the Operations of the Agency

USAASA's key performance indicators are linked to the national key priorities of government, such as:

- Mainstreaming gender inequality, and empowerment of youth and persons with disabilities.
- Public trust, active citizenry, and partnership in society.
- Programmatic approaches to asset management, and elimination of irregular, fruitless and wasteful expenditure

The key focus area for USAASA is to manage the Fund (USAF), which is an administrative role that involves strategy formulation, financial and non-financial performance monitoring, and evaluation, Fund management, human capital management, governance, risk and compliance management. USAASA is structured in a way that supports and will ensure the achievement of USAF's mandate.

After the approval of a deviation procurement strategy that is aligned with the revised BDM model, USAASA forged relations and entered into multiple strategic relations with DCDT, Sentech, SAPO, SITA, and broadcast media players to continue with the migration of beneficiaries from analogue to digital television. Similar relations were forged and processes followed with Broadband Infraco for the rollout of broadband infrastructure, and for the activation and sustainability of service in identified districts. The entities have entered into Tripartite agreements (MSAs) which include the obligations of each entity and other key terms and conditions of the relationships.

## 4.2 General Financial Review of the Public Entity

USAASA is a Schedule 3A public entity that is established in terms of Section 80(1) of ECA to promote universal access and universal service goals in the underserviced areas of SA. The entity is wholly dependent on transfers received from the Department of Communications and Digital Technologies in line with the appropriation of budget through the Estimate of National Expenditure (ENE) Framework of government for the continued funding of its operations.

As a Schedule 3A entity, USAASA is required to prepare its financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board. This standard required financial statements to be prepared in accordance with the accrual basis of accounting.

Included in the Annual Report are the audited Annual Financial Statements that are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent records, reports and other portfolios of evidence, judgements and estimates that are subjected to an independent audit by the AGSA. From the AGSA's opinion for the current financial year, it can be accepted that the system of internal control provides reasonable assurance and that the financial records can be relied on for the preparation of the audited Annual Financial Statements. However, any system of internal financial control provides only reasonable, and not absolute assurance against material errors or misstatement.

### *Going Concern*

Those charged with management, leadership, and oversight of the entity have reviewed the entity's cashflow forecast for the MTEF period, as detailed in the Appropriation Bill. In light of this review and the current financial position of USAASA, they are satisfied that the entity has adequate financial resources to continue operating for the foreseeable future. As such, USAASA's audited Annual Financial Statements are prepared on the basis that the entity is a going concern, with approved ENE budget and Annual Performance Plan. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As at 31 March 2023, the entity had an accumulated surplus of R180 million, and the entity's total assets exceed its liabilities by R180 million. The ability of the entity to continue as a going concern is dependent on several factors. The most significant of these is that the members continue to oversee budget and financial management processes to ensure adequate budget is made available for the entity's operations.

It should be noted that the Department is currently in the process of disestablishing the entity. This process is largely dependent on the finalisation of amendments in the ECA to effect the disestablishment and may take longer to complete. This means we are not certain of the date when the process will be finalised. In accordance with the transfer of function, as outlined in the PFMA, the entity can only be deregistered as a Schedule 3A entity from the date when the ECA amendments are finalised and approved by the relevant authorities/legislature.

### *Accounting policies*

As a Schedule 3A entity, USAASA is required to comply with the PFMA and related regulations and guidelines. The financial management of USAASA is therefore governed by the principles and practices provided in the PFMA, Treasury Regulations, Practice Notes, and circulars. The audited Annual Financial Statements were prepared in accordance with these prescripts and, as prescribed in the Standards of GRAP, issued by the Accounting Standards Board as the framework prescribed by National Treasury.

### *Financial performance*

The Agency received an approved appropriation allocation of R86 million. Interest amounting to R15,6 million was earned throughout the year. Thus, USAASA's total revenue for the year under review amounted to R101 million, representing a decrease of R83,7 million on the previous financial year's total revenue of R185 million. Total expenditure for the current year was R216 million, an increase of R129,2 million compared with the total expenditure in the previous financial year of R86,8 million. This means USAASA had a deficit for the year of R114 million, representing a decrease of R213 million from the surplus of R99 million in the previous financial year.

The main reasons for the costs that were higher than the allocated budget and the deficit were costs incurred for warehousing and distribution costs paid to SAPO for storage and the logistics service of the inventory of STBs, supporting antennas and dish kits, and other accessories required for the rollout of the BDM project. Total costs incurred for the warehousing and distribution in the current year amounted to R121 million. No budget had been allocated for the warehousing and distribution costs, hence the significant deficit. To provide for the deficit, USAASA obtained approval from National Treasury to retain funds that were appropriated in the previous financial years, amounting to R216 million.

Furthermore, USAASA has incurred additional expenditure relating to employee benefits that were not paid in the previous financial years, i.e. before the 2021/22 financial year. USAASA had adopted the DPSA salary structure and policy which meant that certain benefits accrued to USAASA employees including pay progressions, and COVID-19 leave cash payout dispensation for 2019 and 2020 leave cycles. These policy dispensations were not implemented in USAASA in previous financial years, i.e. before 2021/22. Payments of these benefits in the current financial year led to additional financial resources being required to meet these costs. USAASA obtained an approval for the retention of funds specifically for the compensation of employees cost line item emanating from these unpaid benefits. Payment of these and the normal cost of living adjustment of 3% led to a significant increase in the compensation of employees of R7,9 million.

## 4.3 Capacity Constraints and Challenges Facing the Public Entity

USAASA continued to have a high vacancy rate in leadership roles of executive and senior management. USAASA bled capacity in the year under review in almost all units, including vacancies in some critical areas in its core activities that could not be filled due to the pending disestablishment and the moratorium on permanent or medium- to long-term appointments.

The capacity constraints had a negative impact on the effective implementation of operational systems and processes. This meant employees had to carry out duties outside their formal duties to achieve the entity's APP targets and mandate.

To manage the capacity constraints and the related challenges, USAASA appointed some employees to act in senior and executive positions, including the secondment of an employee from the Department to act as the Chief Financial Officer. Most senior and executive positions were therefore filled by employees who were appointed in acting positions or seconded from the Department.

Where necessary, service providers were appointed to bolster the capacity in units that were significantly affected. The outsourcing strategy will be followed in the next financial year to manage the capacity constraints particularly as a result of the exodus or stepping down of several employees in senior management or executive roles whose acting period, fixed-term contracts, or secondment period lapsed at the end of the current financial year.

## 4.4 Discontinued Key Activities

Although the annual B-BBEE targets and the reduction of irregular, fruitless, and wasteful expenditure were not included in the current year's Annual Performance Plan (2022/23 APP), no activities were discontinued. USAASA continued to manage compliance with B-BBEE and the prevention, investigation and addressing of irregular, fruitless, and wasteful expenditure, in line with the operational plans of the entity.

## 4.5 Proposed Key Activities

USAASA did not undertake any new or proposed key activities in the current period under review. It is, however, anticipated that the entity will focus on the impact of all its activities to gauge the level of impact on service delivery, which includes improvements in the management of the Fund to enable the Fund to achieve the planned outcomes and impact of the MTSF.

## 4.6 Requests for Rollover of Funds

USAASA has submitted and obtained approval for retention of funds in USAASA to cover the costs highlighted in the financial performance section, as well as other cost pressures. From the requested retention of funds of R306,5 million, National Treasury approved R299,2 million. USAASA paid back R7,3 million to the National Revenue Fund in accordance with the PFMA.

## 4.7 Supply Chain Management

USAASA updated the SCM Policy in the year under review, in line with the updated PPPFA. There were no unsolicited bid proposals in the year under review in USAASA. The dominant procurement strategy in USAASA was through Requests for Quotations (RFQs) as most procurements were for services that cost less than R1 million in the year under review. As such, there were no tenders issued under USAASA during the year under review.

The SCM Unit kept abreast of changes in the relevant SCM laws and regulations and has followed all relevant SCM procurement prescripts throughout the year, which is evidenced by the reduction in the number of SCM audit finding in the current year audit.

USAASA paid service providers within 30 days; this is a critical socio-economic contributor, particularly for SMMEs. Preference was given to B-BBEE companies when procuring goods and services; which is another socio-economic contributor to achieving NDP and economic transformation targets in the country.

However, the SCM Unit also experienced capacity constraints, which had a negative impact on its performance as it was not able to produce certain best practice reports that are key for proper and informed decision-making.

## 4.8 Audit Report Matters in the Previous Year and how they would be Addressed

Root cause analysis was conducted on all the findings from the previous financial year, followed by the development of a commensurate audit action plan to address the audit findings. Furthermore, an alignment was made between the audit action plan and the risk mitigation and other plans to ensure a consolidated approach is adopted to addressing the previous year's audit findings.

For the current year under review, USAASA implemented 77% of the action plan activities and milestones. Through the robust analysis of the findings and development of the action plan, the entity was able to reduce the number of repeat findings, in the current financial year compared to the previous financial year. Furthermore, USAASA has obtained an improved audit opinion, i.e. an unqualified audit opinion in current financial year compared with the qualified audit opinion of the previous financial year.

## 4.9 Outlook and Plans for the Future to Address Financial Challenges

USAASA will continue engaging with National Treasury to be allowed to reconsider USAASA's cost structure, and to move all project-related costs to USAF, including warehousing and distribution costs. These costs will continue to be incurred until the inventory stored at SAPO is depleted.

Furthermore, USAASA will continue to assess cost pressures each year and take them into account when completing and submitting the MTEF and MTEC budget revisions and estimates. This will enable USAASA to engage with National Treasury and request the retention of funds accumulated from the surpluses gained in the previous financial year over a medium- to long-term period, and use these funds over the MTEF period.

USAASA will embark on a recruitment drive when certainty is provided with regard to the future of the entity in line with the current amendments of the ECA. This certainty will enable the entity to determine whether it will continue with temporary appointments, appointments in acting positions, and secondment strategies in the future, or use fixed-term contracts over the period it will take to finalise the disestablishment of the entity.

The entity will continue to implement effective systems of internal control and endeavour to improve the current control environment, in accordance with Section 51 of the PFMA. When properly implemented, USAASA will continue to manage exposure to irregular expenditure relating to the rental of the Midrand offices that is incurred every month, as well as ensuring that USAASA does not incur any fruitless and wasteful expenditure in future.

The Board and its Committees, assisted by the established and functional management and governance structures, will continue to monitor and oversee the operations of the entity. This is critical to ensuring that the entity's management is held accountable for any weaknesses identified in the control environment and the systems of internal controls implemented within it. This is required by the PFMA and other best practice protocols, such as the King IV Report.

## 4.10 Events after the Reporting Date

No events were identified after the end of the reporting period to the date of issuing of this Annual Report.

## 4.11 Acknowledgements and Appreciation

Let me express my sincere and deepest gratitude to Management, which has steered the ship in this challenging time that has arisen as a result of the uncertainty caused by the impending disestablishment that has engulfed the organisation. Equally, I extend my personal deepest appreciation to the employees of USAASA who remained resolute in executing the mandate of the organisation. It is in this year that you raised your game beyond the call of duty, working tirelessly to ensure successful achievement of the entity's APP targets and enhancement of the systems of internal controls in order to improve the control environment, and to achieve an unqualified audit opinion.

I also like to express my deepest sincere gratitude to the Minister, Deputy Minister, the Board, Director-General, and other leadership in the Department for the unwavering support the organisation has enjoyed.

The Agency has recently suffered a loss of a Board member who was the Chairperson of the Human Resource and Remuneration Committee (REMCO), Mr Talelani Ramaru. Mr. Ramaru was professionally accomplished and was a person of remarkable integrity and warmth. His willingness to listen, support, and connect with the employees transcended the boardroom, leaving a positive influence on everyone he interacted with. We find solace in knowing that Mr. Ramaru left behind a legacy that will continue to guide us. As we navigate the path ahead. We thank him for this contribution to work accomplished during the financial year.

USAASA remains committed to making a meaningful impact on the lives of ordinary citizenry residing in impoverished communities and underserved areas, and effectively managing USAF to ensure achievement of demonstrable and sustainable outcomes.

**Ms Chwayita Wendy Madikizela**
Acting Chief Executive Officer
Universal Service and Access Agency of South Africa

# 5. Statement of Responsibility and Confirmation of the Accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by Auditor-General South Africa.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the GRAP standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the audited Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.
- In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully

**Ms Chwayita Wendy Madikizela**
Acting Chief Executive Officer

**Ms Daphne Zukiswa-Rantho**
Interim Chairperson of the Board

# 6. Strategic Overview

## 6.1 VISION

Effective project implementation towards the goal of universal ICT access and service for all.

## 6.2 MISSION

- Facilitate the rollout of adequate Information and Communication Technology (ICT) infrastructure to enable 4IR readiness and universal access to underserviced areas in South Africa.
- Facilitate ICT service to underserviced areas, thereby contributing to the reduction in poverty and unemployment in South Africa.
- To broaden access to digital broadcasting services by qualifying households.

## 6.3 VALUES

| | |
|---|---|
| **Batho Pele** | We believe in providing excellent, efficient and effective service to all customers and stakeholders. |
| **Integrity** | In all interactions with stakeholders, we uphold high standards of trust, honesty and respect, and we condemn bribery and corruption. |
| **Accountability** | We foster employee ownership and responsibility in ensuring quality service. |
| **Innovation** | We support employee creativity in delivering all our services. |
| **Transparency** | We encourage openness in all our activities. |
| **Teamwork** | We strive to create a harmonious work environment where all employees and contributors are respected. |

## 6.4 IMPACT STATEMENT

Progressive realisation of the goal of universal access and universal service in South Africa.

## 6.5 OUTCOMES

**Outcome 1:** An optimised delivery system to support the achievement of the mandate.

**Outcome 2:** A respected thought leader on universal access and universal service.

**Outcome 3:** A well-governed and high-performance organisation and fund, delivering on its mandate.

In turn, the above strategic framework and the three outcomes inform the alignment to the delivery structure of USAASA, and the development of outputs, performance indicators, quarterly and annual performance metrics, as outlined in the APPs over the period of the Strategic Plan.

Reflected in this Annual Performance Plan are the 2022/2023 planning priorities, outputs, performance indicators, annual targets, and budget allocations for performance against the outcomes of the Strategic Plan.

# 7. Legislative and other Mandates

## 7.1 Updated Legislative Mandates

The Agency was established in terms of Section 80(1) of ECA to promote universal access and universal service goals in the underserviced areas of South Africa.

The Fund is created in terms of Section 87(1) of the ECA to ensure USAASA attains its statutory objectives. Licensees are required to contribute to USAF, which is intended to incentivise and subsidise the rollout of electronic communications networks in underserviced areas.

| Name of the Act | Purpose |
|---|---|
| Electronic Communications Act, 2005 (Act No. 36 of 2005) | To promote convergence in the broadcasting, broadcasting signal distribution, and telecommunications sectors and to provide the legal framework for convergence of these sectors; to make new provision for the regulation of electronic communications services, electronic communications network services and broadcasting services; to provide for the granting of new licences and new social obligations; to provide for the control of the radio frequency spectrum; to provide for the continued existence of the Universal Service Agency and the Universal Service Fund, and to provide for matters incidental thereto. |
| In executing its role, USAASA is also guided by: | |
| The Constitution of the Republic of South Africa,1996 (Act No. 108 of 1996) | The Constitution of South Africa is the supreme law of the Republic of South Africa. It provides the legal foundation for the existence of the Republic. It sets out the rights and duties of its citizens and defines the structure of the government. |
| The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended) | To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the government; and to provide for matters connected therewith. |
| The Preferential Procurement Policy Regulations Act, 2000 (Act No. 5 of 2000) | To regulate the procurement policy and framework of organs of state. Its purpose is to enhance the participation of historically disadvantaged individuals and small, medium and micro enterprises (SMMEs) in the public-sector procurement system. |
| The Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003) as amended by Act 46 of 2013 | B-BBEE is a government policy to advance economic transformation and enhance the economic participation of Black people (African, Coloured and Indian people who are South African citizens) in the South African economy. |
| The Infrastructure Development Act, 2014 (Act No. 14 of 2014) | To provide for the facilitation and coordination of public infrastructure development which is of significant economic and social importance to the Republic; to ensure that infrastructure development in the Republic is given priority in planning, approval and implementation; to ensure that the development goals of the state are promoted through infrastructure development; and to improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations. |

## 7.2 Updated Policy Mandates

Vision 2030, the National Development Plan, is the national framework for broadly developing the South African economy and society. It describes the critical role of innovation, research and development in fostering sustained competitiveness and profitability in the economy in the face of a world economy that is rapidly transforming into a digital economy. Evidence suggests that increasing public investment in innovation, research and development, and related infrastructure and access, will enable South Africa's economic development, competitiveness and sustainable growth.

In turn, the revised MTSF 2019-2024 is a high-level strategic document and is the central organising framework to guide the rolling five-year implementation and monitoring of the NDP, Vision 2030.

## 7.3 Updates to Institutional Policies and Strategies

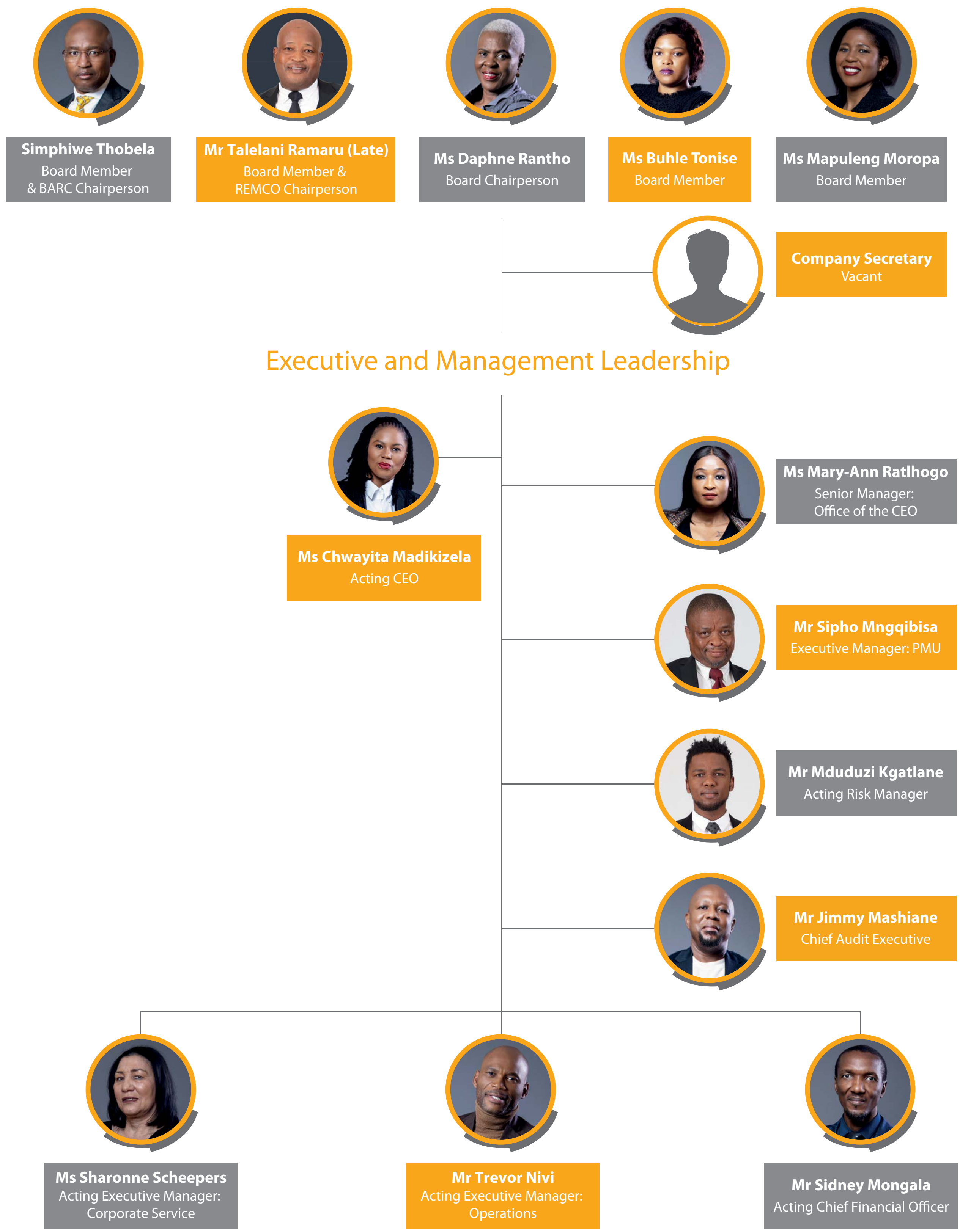
The Agency has a specific established policy through legislation, and its mandate is derived from the following policies:

| Name of the institutional policies and strategies | Purpose |
|---|---|
| South Africa's Broadband Policy: South Africa Connect, 6 December 2013 | In terms of the Electronic Communications Act, 2005 (Act No. 36 of 2005), the Department of Communications and Digital Technologies published a policy document, *South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy*, which was gazetted on 6 December 2013.<br><br>SA Connect consists of four sub-strategies that will move the country from the current state to achieving its targets over the next 10 years.<br><br>SA Connect guides the ICT sector as a whole, and USAASA in particular, with the approach to promote broadband deployment, usage and uptake in the country. |
| The National Integrated ICT Policy White Paper, 28 September 2016 | The National Integrated ICT Policy White Paper that Cabinet approved on 28 September 2016 will affect Universal Service. It proposes the revision of services and access based on the research outcome to support the policy revision. The White Paper further suggests that USAASA should be reformulated into a Digital Development Fund and stipulates contributions by licensees into the Fund. Lastly, the report revises the USAASA institutional framework.<br><br>Establishing a Digital Development Fund will effectively remove USAASA's policymaking and regulatory functions, leaving the organisation to focus on funding and project management. The motivation behind this shift in the framework is to allow USAASA to focus on its main priorities: service and access delivery to the nation. |
| Broadcasting Digital Migration Policy For South Africa, August 2008 | As a matter of policy, the government must consider the means to make STBs affordable and available to the poorest TV-owning households. The government has therefore decided, as mandated by Section 88(1)(a) of the Electronic Communications Act to subsidise poor TV owing households through USAF. This support by the government should be seen as part of its commitment to bridging the digital divide in South Africa. |

# 8. Organisational Structure

Below is a high-level depiction of the organisational structure of USAASA for the year under review. As USAF is a Fund, it does not have human capital component. USAASA is legally and structurally created to manage the operations of the Fund.

## USAASA Board of Directors



# PART B

## Performance information

# 1. Auditor's Report: Predetermined Objectives

The AGSA's office currently undertakes the necessary audit procedures on the performance information to provide Limited assurance in the form of an audit conclusion.

The audit conclusion on the performance against predetermined objectives is included in the report to management, without material findings being reported under the Report on the audit of the annual performance report section in the auditor's report.

Refer to pages 55 to 59 of the Annual Report in the Auditors Report, published as Part E: Financial Information.

# 2. Overview of Performance

## 2.1 Service Delivery Environment

USAASA is executing its statutory public mandate under the regulatory complex administered by the Independent Communications Authority of South Africa (ICASA), which is primarily a regulator. With the outdated regulatory framework introduced by the ECA, 2005, as amended by Act No. 1 of 2014, USAASA's relevance on the South African ICT sector landscape becomes significant. The National Integrated ICT White Paper, 2016 introduced some reforms in the ICT sector and proposed that USAASA be dissolved, that its policy advisory functions were to be transferred to the DCDT, and its regulatory advisory functions transferred to ICASA.

The Agency needed to enter into strategic relations with various entities to support the Revised ASO Plan. After the approved deviation procurement procedure by National Treasury, the Agency has forged multiple formal strategic relations with DCDT, Sentech, SAPO, SITA and broadcast media players, such as the SABC.

The entity has appointed Sentech as its implementing entity to manage the installation of STBs to qualifying households, which has resulted in the analogue transmitters being switched off in five provinces – Free State, Northern Cape, North West, Mpumalanga, and Limpopo. The Analogue Switch Off enables the conclusion to re-arranging spectrum in these provinces, thereby giving way for spectrum to be assigned to future digital services. As at the end of the reporting period, Eastern Cape, Gauteng, KwaZulu-Natal and Western Cape were yet to be switched off.

By the end of the reporting period, the Analogue Switch Off had been extended twice. First by the High Court ruling to the 30 June 2022. This date coincided with the date that ICASA had announced as the end of the transition period for the broadcasting services and signal distributors to vacate the 700MHz – 800MHz band. In order to meet the announced ASO deadline of 30 June 2022, the Agency embarked on door-to-door registration and mass distribution of STBs to intensify registration and installations.

On 28 June 2022, the Constitutional Court ruled that the Minister must provide enough opportunity for beneficiaries to register and consult widely the interested parties and affected organisations before determining the date for the national switch off.

Compared with previous financial years, significant progress has been achieved in the reporting period with the subsidisation of STB installations to poor households earning a total income of not more than R3 500.

Following the approved deviation procurement process by National Treasury, the Agency has forged a strategic relationship with the BBI in the period under review. BBI is rolling out broadband connectivity on behalf of USAASA in OR Tambo District Municipality in the Eastern Cape and Pixley Ka Seme District Municipality in the Northern Cape. In addition, Nyandeni Local Municipality in OR Tambo District Municipality, and Harry Gwala District Municipality in KwaZulu-Natal were identified for the expansion of broadband connectivity in the period under review.

## 2.2 Public entity's overall performance, outlining its key outputs, particularly relating to services rendered directly to the public

| Targets | Key Outputs | Outcomes |
|---|---|---|
| USAASA Strategic Plan (NSP) on gender-based violence implemented. | The annual plan in support of the Strategic Plan on gender-based violence was developed and approved by the Board for implementation during the period under review. | Achieved |
| Stakeholder Strategy and Plan approved by the highest governing structure and implemented. | All activities in the Annual Stakeholder Strategy Plan that had been approved by the highest governing structure were implemented as planned during the period under review. | Achieved |

## 2.2 Public entity's overall performance, outlining its key outputs, particularly relating to services rendered directly to the public contd.

| Targets | Key Outputs | Outcomes |
|---|---|---|
| 60% implementation of the strategic risk treatment plan noted by the highest governing structure. | 91% of the strategic risk treatment plans implemented.<br><br>30 out of 33 strategic risk treatment plans were implemented. | Achieved |
| 100% of valid invoices paid within 30 days from date of receipt. | All 50 valid invoices received during the period under review were paid within 30 days, resulting in 100% payment of valid invoices. | Achieved |
| USAASA disestablishment activity plan developed. | USAASA disestablishment activity plan was developed by the disestablishment committee and approved by the Board during the period under review. All activities within the entity's control were implemented as planned. | Achieved |

## 2.3 Key Policy Developments and Legislative Changes

On 30 September 2021, Cabinet adopted the BDM Managed Integrated Model in line with the President's statement on how vital the completion of digital migration is to build the country's capacity to harness vast opportunities presented by technological advancement. South Africa has started a phased switch off of analogue TV transmitters. The household qualifying subsidy was revised from a monthly income of R3 200 to R3 500 for households eligible for subsidisation. The nationwide BDM implementation programme resulted in five provinces – Free State, Northern Cape, North West, Limpopo, and Mpumalanga – being switched off.

SA Connect Phase 2 was revised on 28 January 2022 and in the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong centres and traditional authority offices will be connected through the licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period. The Cabinet approved the revised SA Phase 2 Model which will be rolled out using SOEs such as BBI, SITA and Sentech, and the industry at large. Government will utilise existing capacity and source additional physical networks from the private sector.

**SA Connect Phase 2**

**44 600**

**government sites will be connected through the licensed telecommunications service operators**

**33 000+**

**community Wi-Fi locations and broadband to households**

## 2.4 Progress towards Achievement of Institutional Impacts and Outcomes

| Outcome | Progress towards achievements |
|---|---|
| 1. An optimised delivery system to support the achievement of the mandate. | The Agency forged strategic relations with BBI, which will execute that broadband mandate on its behalf. The Cabinet-adopted revised SA Connect Phase 2 Model, which aims to centralise broadband expansion under the State Digital Infrastructure Company (SDIC) as proposed in the National Integrated ICT White Paper, the monitoring capability of broadband connectivity in underserviced areas will be executed within the context of SDIC. |
| 2. A respected thought leader on universal access and universal service. | The revised Broadband Model has meant that the function of the Agency has in turn been revised to that of a funder, and therefore it is no longer executing the role of policy and regulatory advisory services. |
| 3. A well-governed and high-performance organisation delivering on it mandate. | USAASA, in the 2022/23 financial year, received an unqualified audit opinion which is an improvement from the 2021/22 qualified audit opinion. This demonstrates an improvement in the control environment. |

# 3. Institutional Programme Performance Information

## 3.1 Business Support

**The purpose of Programme 1: Business Support** is to provide strategic leadership, management and support services to the Agency and the USAF.

## 3.2 Programme Outcomes, Outputs, Output Indicators and Targets

In contributing towards USAASA's desired impact of the **"progressive realisation of the goal of universal access and universal service in South Africa"**, the Business Support Programme delivers against the following outcomes in the Strategic Plan:

| | |
|---|---|
| **Outcome 1:** | A well-governed and high-performance organisation delivering on its mandate |

The 2022/23 performance plan of Programme 1 is reflected in the log frame tables below:

## 3.3 Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets:

| Outcome | Outputs | Output Indicators | Audited Actual Performance | | | Estimated Performance | Medium-Term Targets | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| 1: A well-governed and high-performance organisation, delivering on its mandate | Implement the USAASA response to National Strategic Plan (NSP) on gender-based violence | Approved response to National Strategic Plan (NSP) on gender-based violence | - | - | - | The consolidated report developed on key interventions developed | USAASA Strategic Plan (NSP) on gender-based violence implemented | - | - |
| | Improved stakeholder framework management outcomes | Approved Stakeholder Framework Strategy and Plan by Board | - | - | - | Consolidated stakeholder engagement analysis report developed | Highest governing structure approved Stakeholder Strategy and Plan implemented | - | - |
| | Improved risk management services | Percentage implementation of the strategic risk treatment plan | - | - | - | New indicator | 60% implementation of the strategic risk treatment plan noted by the highest governing | - | - |
| | Suppliers paid timeously for services rendered | Percentage (%) of valid invoices paid within 30 days from date of receipts | New indicator | 100% of valid invoices paid within 30 days from date of receipt | - | 100% of valid invoices paid within 30 days from date of receipt | 100% of valid invoices paid within 30 days from date of receipt | - | - |

## 3.3 Programme 1 contd.

| Outcome | Outputs | Output Indicators | Audited Actual Performance | | | Estimated Performance | Medium-Term Targets | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| 2: Enabling dissolution of USAASA in line with the National Integrated ICT White Paper decisions | Develop USAASA disestablishment activity plan developed | Approved USAASA disestablishment activity plan developed | - | - | - | New indicator | USAASA disestablishment activity plan developed | - | - |

## 3.4 Reporting against the tabled original USAASA Annual Performance Plan 2022/23

### 3.4.1 Board approved integrated plan of action in support of implemented National Strategy Plan on Gender-Based Violence

| Achieved | Not Achieved |
|---|---|

The outputs, performance indicators and the planned targets below were meant to achieve this objective, as stated in the APP.

| | 2022/2023 | 2020/2021 | 2021/2022 | 2022/2023 | | | |
|---|---|---|---|---|---|---|---|
| **Output** | **Output Indicator** | **Actual Performance** | **Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from Planned Target** | **Reasons for Deviations** |
| Outcome | A well-governed and high-performance organisation, delivering on its mandate. | | | | | | |
| Implement the USAASA response to National Strategic Plan (NSP) on gender-based violence | Implemented National Strategic Plan (NSP) on gender-based violence | New indicator | Developed Board approved USAASA integrated plan of action in support of the implementation of National Strategic Plan on Gender – Based Violence and implemented | USAASA Strategic Plan (NSP) on gender-based violence implemented | The annual plan in support of the Strategic Plan on gender-based violence was developed and approved by the Board for implementation during the period under review | Not applicable | Not applicable |

### 3.4.2 Board approved Stakeholder Strategy and Plan implemented

| **Achieved** | **Not Achieved** |
|---|---|

The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.

| | **2022/2023** | **2020/2021** | **2021/2022** | **2022/2023** | | | |
|---|---|---|---|---|---|---|---|
| **Output** | **Output Indicator** | **Actual Performance** | **Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from Planned Target** | **Reasons for Deviations** |
| Outcome | A well-governed and high-performance organisation, delivering on its mandate. | | | | | | |
| Improved stakeholder framework management outcomes | Approved and implemented Stakeholder Strategy and Plan | New indicator | Implemented Board approved Stakeholder Strategy Plan | Highest governing structure approved Stakeholder Strategy and Plan implemented | All activities in the Annual Stakeholder Strategy Plan approved by the highest governing structure were implemented as planned during the period under review | Not applicable | Not applicable |
| Improved risk management services. | Percentage implementation of the strategic risk treatment plan. | New indicator. | New indicator. | 60% implementation of the strategic risk treatment plan noted by the highest governing structure. | 91% of the strategic risk treatment plans implemented. 30 out of 33 strategic risk treatment plans implemented. | Overachievement by 31% of the planned target was as a result of risk owners actively implementing risk action plans promptly. | Not applicable |
| **3.4.3 100% of valid invoices paid within 30 days from date of receipt** | | | | | | | |
| Suppliers paid timeously for services rendered | Percentage (%) of valid invoices paid within 30 days from date of receipts | The percentage end-year outcome for monitoring of valid invoices paid within 30 days is 0,07% for USAASA | 95% of valid invoices paid within 30 days from date of receipt in 2021/22<br>A total number of 221 valid invoices received under reporting period and 211 valid invoices were paid within 30 days | 100% of valid invoices paid within 30 days from date of receipt | All 50 valid invoices received during the period under review were paid within 30 days, resulting in 100% payment of valid invoices | Not applicable | Not applicable |

### 3.4.4 USAASA disestablishment activity plan developed

| Achieved | Not Achieved |
|---|---|

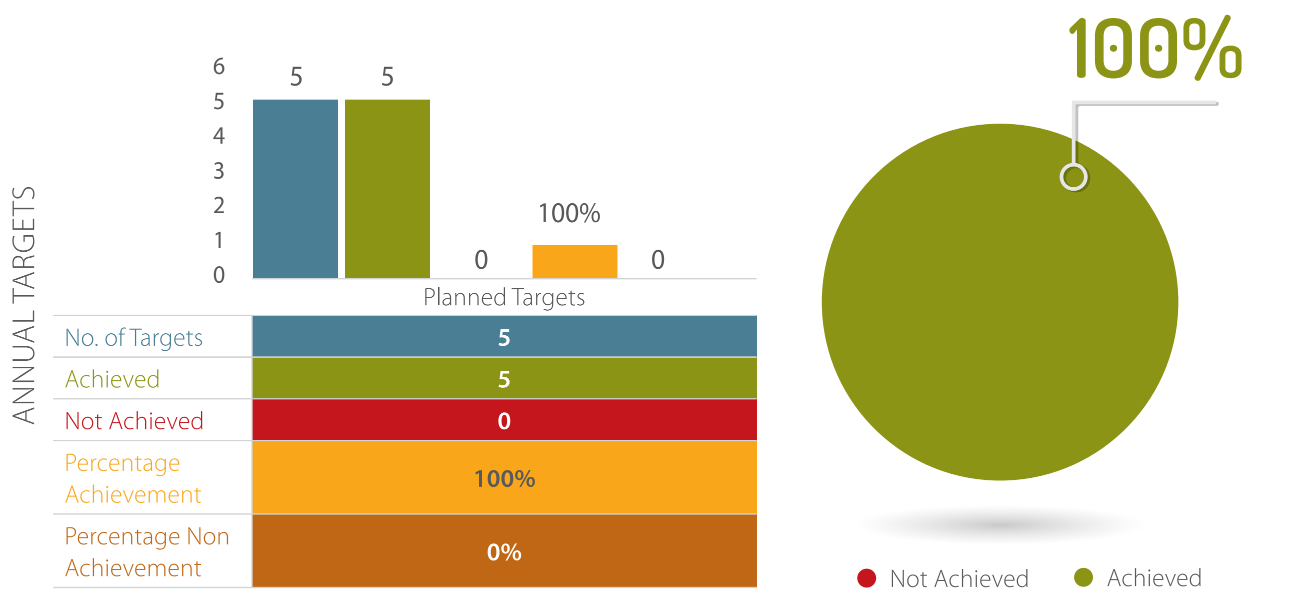
The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.

| | 2022/2023 | 2020/2021 | 2021/2022 | 2022/2023 | | | |
|---|---|---|---|---|---|---|---|
| **Output** | **Output Indicator** | **Actual Performance** | **Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from Planned Target** | **Reasons for Deviations** |
| Outcome | Enabling dissolution of USAASA in line with the National Integrated ICT White Paper decisions | | | | | | |
| Develop USAASA disestablishment activity plan developed | Approved USAASA disestablishment activity plan developed | New indicator. | New indicator. | USAASA disestablishment activity plan developed | USAASA disestablishment activity plan was developed by the disestablishment committee and approved by the Board during the period under review. All activities within the entity's control were implemented as planned | Not applicable | Not applicable |

## 3.5 Summary of USAASA (2022-23) Annual Performance Outcomes

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the USAASA 2022/2023 approved Annual Performance Plan. Five (5) of the five (5) planned annual targets were achieved, representing a hundred percent (100%) of the total planned targets.

USAASA 2022-2023 Annual Performance Outcomes



# Linking Performance with Budgets

The table below depicts expenditure against the budget for the reporting period under review and the previous financial year for the programme and sub-programmes

| | 2022/2023 | | | 2021/2022 | | |
|---|---|---|---|---|---|---|
| **Programme 1: Business Support** | **Budget R'000** | **Actual Expenditure R'000** | **(Over)/ Under Expenditure R'000** | **Budget R'000** | **Actual Expenditure R'000** | **(Over)/ Under Expenditure R'000** |
| Employee-related cost | 65,975 | 67,748 | (1,773) | 62,268 | 59,812 | 2,456 |
| Bad debts written off | - | - | - | - | 36 | (36) |
| Legal fees | 12,856 | 2,167 | 10,689 | 1,186 | 2,806 | (1,620) |
| Depreciation and amortisation | - | 641 | (641) | - | 103 | (103) |
| Finance costs | - | 47 | (47) | - | 7 | (7) |
| Lease/rentals on operating lease | 6,381 | 5,739 | 642 | 6,082 | 5,640 | 442 |
| General expenses | 31,239 | 18,730 | 12,509 | 12,519 | 18,420 | (5,901) |
| Warehousing and distribution costs (SAPO) | 268,819 | 121,016 | 147,803 | 95,000 | - | 95,000 |
| **Total expenses** | **385,270** | **216,088** | **169,182** | **177,055** | **86,824** | **90,231** |

During the year under review, USAASA spent R216 million, which represents 56% of the allocated budget of R385 million. In the previous financial year, the spending was R86,8 million, representing 49% of the allocated budget of R177 million.

Spending in the year under review increased by almost R129 million compared with the previous financial year, representing a 149% year-on-year increase. In the previous financial year, SAPO used a float account managed by DCDT to draw funds for the warehousing and distribution services provided, and as such, no costs were incurred or payments made by USAASA for warehousing and distribution.

The year-on-year increase in compensation of employee's expenditure of R7,9 million (representing 13%) from the previous financial year was due to payments for leave and pay progressions for the previous financial years. The pay progression payments were for three years (2017/18 to 2019/20) that had not been implemented and paid, while the leave payments were for the two previous financial years (2020 and 2021 calendar years) as per the DPSA circular on payment of leave not taken during the COVID-19 lockdown period. Moreover, the implementation of the Cost-of-Living Adjustments (COLA) also contributed to the increase in the compensation of employees expenditure. In the year under review, a 3% COLA increase was implemented for all employees backdated to the 01st of April 2023.

# PART C
## Governance

# 1. Introduction

Corporate governance embodies processes and systems that direct, control, and hold public entities to account. In addition to requirements based on a public entity's enabling legislation and the Companies Act, corporate governance in public entities is applied through the PFMA prescripts, and runs in tandem with the principles contained in the King IV Report on Corporate Governance.

Parliament, the Executive Authority, and the Accounting Authority of the public entity are responsible for corporate governance.

# 2. Portfolio Committees

The Parliament Portfolio Committee on Communications exercises oversight of the Board of Directors of the Agency. From time to time, the Board is required to provide updates on the state of USAASA's financial and non-financial performance to the Committee.

Portfolio Committee engagements for the 2022/2023 financial year are outlined below:

| Date | Purpose |
|---|---|
| 03 May 2022 | Briefing by USAASA/ USAF on its Annual Performance Plan and Budget and the USAASA/USAF 2021/22 Revised Annual Performance Plan. |
| 24 May 2022 | Briefing by the Department on Progress on Implementation of the BDM Policy. |
| 07 June 2022 | Briefing by USAASA/ USAF on the framework and timelines of all current investigations and implementation dates for the consequence management process. |
| 23 August 2022 | Briefing by the DCDT and the Government Communication and Information System (GCIS) and their entities on their 2021/22 third and fourth quarter performance and expenditure reports. |
| 30 August 2022 | Briefing by the DCDT on the adoption of a report on the revised 2021/22 Annual Performance Plan of the Department and USAASA/ USAF, and on the Corporate Plan of SAPO. |
| 11 October 2022 | Briefing by USAASA/ USAF on its 2021/22 Annual Report and Financial Statements. |
| 22 November 2022 | Briefing by SITA and SABC, SAPO and DCDT, USAASA/USAF on material irregularities and action plans to address AG concerns. |
| 21 February 2023 | Portfolio Communications Committee Briefing by the Department and its implementing entities on the progress made towards ASO, all challenges relating to the implementation of the BDM Policy, and the progress report on the adjudication outcomes of the Competition Commission on Sentech and SABC. |
| 28 February 2023 | Briefing by the Department on overhaul of IT Systems at Postbank; Measures in place to address Going Concerns in the Portfolio and Consequence management in the Portfolio. |
| 07 March 2023 | Briefing by the Department on all cases and legal matters relating to the Department and entities reporting to the Committee. |
| 14 March 2023 | Briefing by the Department on mitigating factors to counter financial losses at the SABC; strategies to support local content development; and progress update on filling vacancies in the portfolio and action plans. |

# 3. Executive Authority

The Minister of Communications and Digital Technologies is the Executive Authority of the Agency, and requires the Agency to provide organisational reports on the activities and financial affairs of USAASA to the Department every quarter, as per the requirements of Section 65 of the PFMA.

All the USAASA quarterly and annual reports were submitted timeously per the requirements of the National Treasury Framework for Managing Programme Performance Information, to the ICT Enterprise Development and SOC Oversight Branch of the Department of Communications and Digital Technologies.

# 4. The Accounting Authority / Board

## 4.1 Introduction

The USAASA Board is the Agency's Accounting Authority in terms of the PFMA. The Interim Board was appointed by the Minister with effect from 22 February 2021 for a period of twelve months. This was extended from 22 February 2022 to 21 February 2023. The Board's term was further extended to 30 September 2023.

It is the responsibility of the Board to provide strategic direction, leadership and stability to the Agency and ensure good corporate governance. The role of the Board requires that Board members maintain the highest standards of ethics, integrity and values, and represent the interests of the Agency and the country. These responsibilities are set out in the approved Board Charter and are reviewed annually or as and when necessary.

The Board of USAASA is regarded as the Accounting Authority in terms of Section 49 of the Public Finance Management Act (PFMA), and its duties include:

- Exercising a duty of utmost care to ensure reasonable protection of the assets and records of USAASA and USAF.
- Acting with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the Fund.
- Preventing any prejudice against the financial interests of the State.
- Maintaining effective, efficient and transparent systems of financial and risk management and internal control.
- Maintaining an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive, and cost-effective.
- Maintaining a system for proper evaluation of all major capital projects before a final decision on each.
- Taking practical steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency.
- Managing available working capital efficiently and economically.

All Board Committees and the Board are guided by the principles of the King IV Report on Corporate Governance, PFMA, and the Companies Act, which are contained in the approved charters.

## 4.2 The Role of the Board

- The Board subscribes to the principles contained in the Code of Good Practice and Code of Good Conduct contained in the King Code on Corporate Governance Report (King IV) and is committed to applying the principles of the PFMA and related regulations. The Board places strong emphasis on achieving the highest standards of reporting. To ensure effective oversight over the activities of the organisation, the Board has organised itself into the following subcommittees, which meet every quarter and additionally as necessary:

  - Human Resources and Remuneration Committee.
  - Board Audit & Risk Committee.

With the powers conferred on it by legislation and primarily by the ECA and the PFMA, the Board has determined that its main functions and responsibilities add significant value to the Agency and the Fund.

The Board further accepts that it is ultimately accountable and responsible for the performance and the affairs of the Agency, and to this end it has:

- Represented the Agency before the Minister and Parliament of the Republic of South Africa.
- Provided strategic direction for the Agency.
- Reviewed, approved, and monitored the implementation of strategic plans and budgets for the Agency and Fund, and ensured consequence management was applied for non-performance.
- Played an oversight role in the identification and monitoring of critical risk areas and key performance indicators of the Agency.
- Played an oversight role concerning IT governance.
- Ensured that the Agency communicates with the Executive Authority and stakeholders transparently and promptly.
- Ensured that the Agency complies with relevant laws, regulations and the code of business practice.

## 4.3 Board Charter

USAASA's Board Charter is aligned with the ECA, PFMA and King codes. The Charter describes the key responsibilities of the Board of USAASA and defines the Board's authority. It outlines the following:

- Composition of the Board.
- Duties, roles and responsibilities of the Board contained in the ECA.
- Board procedures and the establishment of Board Committees that assist the Board in the execution of its duties.
- Matters reserved exclusively for the Board, such as the remuneration of Board members, conduct during meetings, quorum, Board capacity building and development, and Board and Committee performance evaluations.

## 4.4 Composition of the Board

| Name | Ms Daphne Zukiswa-Rantho |
|---|---|
| Designation | Chairperson of the Board |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualifications | • Primary Teacher Diploma<br>• Further Education Diploma – University of Pretoria<br>• BED Honours in Education – University of the Free State<br>• Parliamentary Women in Leadership Programme – University of Stellenbosch<br>• Leadership & Governance – University of Witwatersrand<br>• Being a Director Programmes 2 & 3 – Institute of Directors South Africa |
| Areas of Expertise | Leadership and governance |
| Board Directorship (Other) | None |
| Other Committees | None |
| No. of Meetings Attended | 7 out of 7 |

| Name | Ms Mapuleng Moropa |
|---|---|
| Designation | Member of the Board |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualifications | • Masters in Business Administration (MBA)<br>• Programme in Management Development (PMD)<br>• BSc Information Technology |
| Areas of Expertise | • Strategy design and implementation<br>• Business process design and re-engineering<br>• Retail and Commercial Banking<br>• Operations Management<br>• Project Management<br>• Sales Management<br>• Risk management and compliance<br>• Business performance improvement<br>• Entrepreneurship and Business Management<br>• Relationship management<br>• Stakeholder Engagement<br>• Broadband Infrastructure/Network implementation and maintenance<br>• Surveillance and access control technology installation and maintenance |
| Board Directorship (Other) | NED – Sentech (December 2021 to date) |
| Committee Memberships | • HR & Remuneration Committee<br>• Board Audit and Risk Committee |
| No. of Meetings Attended | 7 out of 7 |

| Name | Ms Buhle Tonise |
|---|---|
| Designation | Member of the Board |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualifications | • LLB<br>• Practical Legal Training (Commercial Law) |
| Areas of Expertise | • Contract Management and Commercial Law<br>• Corporate Law<br>• Governance |
| Board Directorships (Other) | NED – ECPACC |
| Committee memberships | • HR & Remuneration Committee<br>• Board Audit and Risk Committee |
| No. of meetings attended | 5 out of 7 |

| Name | Mr Talelani Enos Ramaru (The Late) |
|---|---|
| Designation | Member of the Board |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | 27 April 2023 |
| Qualifications | • B Com Accounting<br>• Post Graduate Diploma Management<br>• Professional Certificate in Public Development Management<br>• Post Graduate Advanced Certificate in Forensic & Investigative Auditing<br>• Post Graduate Strategic Management and Corporate Governance |
| Areas of Expertise | • Financial Management<br>• Accounting<br>• Auditing |
| Board Directorships | • NED NEDLAC<br>• Trustee – COSATU Provident Fund<br>• NED – NALEDI<br>• Trustee – NBC Provident Fund |
| Committee Membership | • HR & Remuneration Committee – Chairperson<br>• Board Audit and Risk Committee |
| No. of Meetings Attended | 7 out of 7 |

| Name | Mr Simphiwe Thobela |
|---|---|
| Designation | Member of the Board |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualifications | • B Com Logistics<br>• Master in Town and Regional Planning<br>• Certificate in Strategic Planning and Change Management<br>• Certificate in Local Economic Development<br>• Certificate in Municipal Supply Chain Management<br>• Post Graduate Diploma in Public Management<br>• Snr Manager Program (NQ7)<br>• Advanced Risk Management |
| Areas of Expertise | • Governance<br>• Strategic Planning |
| Board Directorships | NED – ATNS (Chair)<br>NED - MICT-SETA (Chair)<br>NED – Magwa Tea Estate |
| Other Committees | • Board Audit and Risk Committee – Chairperson<br>• HR & Remuneration Committee |
| No. of Meetings Attended | 7 out of 7 |

*Board Members: From left: Daphne Zukiswa Kula-Rantho, Mapuleng Moropa, Buhle Tonise, Talelani Ramaru and Simphiwe Thobela*

## 4.5 Committees and Number of Meetings held

The committees met as follows during the financial year:

| Committee | No. of Meetings | No. of Members | Name of Members |
|---|---|---|---|
| Board Audit & Risk | 9 | 4 | Mr Simphiwe Thobela – Chairperson<br>Ms Buhle Tonise – Member<br>Mr Talelani Ramaru – Member<br>Ms Mapuleng Moropa – Member |
| HR & Remuneration | 5 | 4 | Mr Talelani Ramaru – Chairperson<br>Ms Mapuleng Moropa – Member<br>Mr Simphiwe Thobela – Member<br>Ms Buhle Tonise – Member |

*** Joint BARC and REMCO in-committee meetings were ad hoc meetings that happened under extraordinary circumstances as there was a matter that needed the urgent attention of both Committees.*

## 4.6 Remuneration of Board Members

| Name | Retainer R'000 | Remuneration (Board / Committees Fees) R'000 | Other Allowance R'000 | Other Reimbursements R'000 | Total R'000 |
|---|---|---|---|---|---|
| Ms DZ Rantho (Board Chairperson) | 22 | 293 | - | 34 | **349** |
| Ms B Tonise | 17 | 187 | - | 7 | **211** |
| Ms M Moropa | 17 | 248 | - | 9 | **274** |
| Mr S Thobela (BARC Chairperson) | 17 | 276 | - | 22 | **315** |
| Mr T Ramaru (REMCO Chairperson) | 17 | 239 | - | 4 | **260** |
| **Total** | **90** | **1,243** | **-** | **76** | **1,409** |

# 5. Risk Management

Risk exists at various levels within the organisation. Key among the objectives of risk management is to ensure that the Agency does not suffer the effects of unmanaged uncertainty, but responds proactively. It is also at the core of risk management to ensure that all risks within the organisation and at any level are managed appropriately and effectively. Considering the above, the Board adopted a risk management process that is aligned with the Public Sector Risk Management Framework, ISO 31000, and the King IV Report on Corporate Governance. The Board Audit and Risk Committee provides oversight on the adequacy and effectiveness of risk management in the Agency.

USAASA's management adopted a risk management system that is risk-focused. The risk management culture fosters the understanding of the potential upside and downside of all factors that can affect the organisation. The aim is to increase the likelihood of success and reduce the probability of uncertainty of achieving the organisation's objectives and ultimately failed service delivery to the organisation's beneficiaries.

USAASA conducted strategic, operational (including fraud risk), and project risk assessments in the year under review. Under the strategic risk assessment, care is given to two categories: business risks and business longevity risks. Business risks are those risks that affect or are created by an organisation's business strategy and strategic objectives, or outcomes or outputs. Business longevity risks are those risks that affect the core purpose of the organisation. This includes risks that threaten the organisation's survival in the long term; the critical consideration is value creation and sustainability.

The Agency recognises the importance of risk-based decision-making. Hence, there exists within the Agency a process of communicating upwards about risks inherent in all decisions so that managers, decision-makers, and the Board have the risk information they need at their level, based on what risks exist and how they are being managed within the Agency.

A risk profile report is compiled every quarter and presented to the Board Audit and Risk Committee. A combined assurance map is embedded into the risk profile reporting template, highlighting assurance from the different assurance providers in line with the King IV Report on Corporate Governance. The aim is to ensure optimal assurance coverage.

The Board Audit and Risk Committee provides ongoing oversight to ensure that it supports USAASA in setting and achieving its strategic, operational, and project objectives. The Board Audit and Risk Committee sets the direction for how USAASA should approach and address risks. It reviews the quarterly risk profile reports covering strategic, operational, fraud, project, dependency, compliance, and emerging risks, and also provides advice to ensure effective and efficient risk management.

For risk management to work within the Agency, these elements must be in place:

- Clearly defined objectives and organisational structure aligned to the defined objectives.
- Clear boundaries between hierarchical levels.
- A risk-aware culture at all levels within the Agency.

# 6. Internal Audit Unit

## 6.1 Key Activities and Objectives of Internal Audit

The Internal Audit Activity's mandate stems from Section 51 (1) (a) (ii) of the PFMA, which states that an Accounting Authority for a public entity must ensure that the public entity has and maintains a system of Internal Audit Activity under the control of the Board Audit and Risk Committee, complying with and operating according to regulations and instructions prescribed in terms of Sections 76 and 77 of the Act.

Sections 27.2.6 and 27.2.27 of the Treasury Regulations states that Internal Audit must be conducted according to the standards set by the Institute of Internal Auditors. Furthermore, Internal Audit must prepare, in consultation with and for approval by the Board Audit and Risk Committee, a rolling three-year strategic internal audit plan based on the risk assessment of critical risks inherent to the institution, having regard for its current operations, those proposed in its Strategic Plan, and its risk management strategy.

The primary objective of the Internal Audit Activity is to provide a comprehensive service to ensure that adequate measures and procedures are in place for sound economic, effective, and efficient management, as required by the PFMA and the King IV Code. Internal Audit Activity will conduct audits to assist management in assuring the effectiveness of the organisation's system of internal controls and performance.

The Internal Audit Activities emanated from the Risk Assessment, which directs Internal Audit's efforts. This Risk Assessment included evaluating whether:

- Risks relating to the achievement of USAASA's strategic objectives are appropriately identified and managed.
- The actions of the entity's officers, directors, employees, and contractors comply with relevant policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programmes are consistent with established goals and objectives.
- Operations or programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact USAASA.
- Information and the means used to identify, measure, analyse, classify, and report such information is reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

Internal Audit reports administratively to the Chief Executive Officer and functionally to the Board Audit and Risk Committee. The functional reporting to the Board Audit and Risk Committee includes:

- The Board Audit and Risk Committee approving the Internal Audit Charter, the rolling three-year strategic and annual operational plans of the Internal Audit function.
- Any amendments to the approved Annual Internal Audit Plan are approved by the Board Audit and Risk Committee and noted by the Chief Executive Office.
- All ad hoc requests outside the approved Annual Internal Audit Plan are approved by the Board Audit and Risk Committee.
- The structure of Internal Audit Activity is approved by the Board Audit and Risk Committee.
- The Board Audit and Risk Committee approves the performance agreement and performance assessment of the Chief Audit Executive.
- Any other matter relating to Internal Audit Activity's approved Annual Internal Audit Plan is the responsibility of the Board Audit and Risk Committee.

Administrative reporting to the Chief Executive Officer involves:

- Provision of budget for the Internal Audit Activity.
- Administrative roles relating to all staff, such as staff discipline and approval of leave and travel.
- Facilitating cooperation with Internal Audit Activity in carrying out its functional responsibilities.
- Consideration on any Internal Audit Activity reports subject to Board attention.

The periodic reporting by the Chief Audit Executvie to senior management and the Board and Audit Risk Committee includes:

- Internal Audit Activity's purpose, authority, and responsibility.
- Internal Audit Activity's plan and performance relative to its plan.
- Internal Audit Activity's conformance with the IIA's Code of Ethics and Standards and action plans addresses any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board and Audit Risk Committee.
- Results of audit engagements or other activities.
- Resource requirements.

- Any response to risk by management that may be unacceptable to USAASA as a public entity.

## 6.2 Combined Assurance

King IV requires that the Board Audit and Risk Committee ensures that a Combined Assurance Model is applied to provide a coordinated approach to all assurance activities. This repositioned risk-based approach to assurance provision is performed to address strategic, operational, financial and sustainability issues in the quest to deliver value to the organisation. The Combined Assurance Model is currently in place and is monitored bi-annually by the Board Audit and Risk Committee. The entity has adopted a three-part combined integrated assurance model. This model defines the roles:

- First line of defence – Management
- Second line of defence – Risk Management and Performance Management
- Third line of defence – Assurance providers – Internal Audit, External Audit, Department, Parliament.

During the period under review, progress reports on the implementation of the Combined Assurance Model were presented to the Committee. These reports indicated assurance coverage and integrated efforts from various assurance providers within the Agency, including Internal Audit Activity, Risk Activity, and the AGSA. These reports reflect the assurance coverage from the Agency's divisions, performance and monitoring in the current financial year.

The scope, roles and authority of Internal Audit Activity, as stipulated in the Charter, approved by the Board Audit and Risk Committee require that Internal Audit:

- Should have unlimited access to the information, records, property and personnel of the Agency.
- Should have full and unrestricted access to Board Audit and Risk Committee and the Chairperson of the Board.
- Should obtain the cooperation of personnel from all divisions of the organisation where they perform their duties.
- Sould undertake objective examinations of evidence to provide independent assessments to the Board and Audit Risk Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for USAF through actions of USAASA.

# 7. Internal Audit and Audit Committees

Internal auditing is an independent and objective assurance and consulting activity that is guided by a value-adding policy to improve the operations of the entity. The role of Internal Audit is to determine whether the organisation's risks management, control and governance processes are adequate and function effectively and efficiently. Internal Audit, in its endeavour to assist management to achieve its objectives, has conducted quarterly audit reviews on the entity's Performance Information and Interim Financial Statements, as mandatory audit reviews.

In addition to these reviews, other audit reviews that were conducted are SCM below and above threshold, Financial Management, IT general and application control reviews, Human Resource reviews, investigation into irregular expenditure, fruitless and wasteful expenditure, among others.

The unit is also responsible for coordinating both internal and external audits, coordinating responses on audit findings, and consolidating audit action plans designed to address internal control weaknesses identified by the AGSA. The audit outcomes implementation plans were submitted to National Treasury.

The Internal Audit unit continuously strives to improve the financial controls and processes to achieve more effective ways to streamline the operations through its contributions in policy reviews, internal control reports on non-compliance, and recommendations.

## 7.1 Board Audit and Risk Committee

The Board and Audit Risk Committee is established as a statutory committee in terms of Section 51(1)(a)(ii) and Section 77 of the PFMA and Treasury Regulations. The Board Audit and Risk Committee performs an oversight and advisory role to National Treasury and is accountable to the Accounting Authority, Executive Authority and the public to properly consider and evaluate all matters as per its terms of reference.

The purpose of the Board Audit and Risk Committee is to assist the Accounting Authority to fulfil its oversight responsibilities and the Chief Executive Officer to fulfil executive duties regarding the financial reporting process, the management of risk, the system of internal control, the audit process, and USAASA's process for monitoring compliance with laws, regulations, and Code of Conduct. The Board Audit and Risk Committee also has a primary responsibility to the public to form an opinion on the effectiveness of the issues within its ambit, and communicate this in the Annual Report in terms of Treasury Regulations.

The Board Audit and Risk Management Committee members were reappointed on 22 February 2023, following the conclusion of one year in office, subject to reappointment by the Shareholder at the Annual General Meeting. The Board Audit and Risk Management Committee has a total of four non-executive management members and a representative of the AGSA as a standing invitee. The Acting Chief Executive Officer, Acting Chief Financial Officer, Chief Audit Executive, and Acting Risk Manager are permanent invitees to the Committee meetings.

The names, qualifications and attendance at the meetings are:

| Name | Mr Simphiwe Thobela |
|---|---|
| Designation | Committee Chairman |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualifications | • B Com Logistics<br>• Master in Town and Regional Planning<br>• Certificate in Strategic Planning and Change Management<br>• Certificate in Local Economic Development<br>• Certificate in Municipal Supply Chain Management<br>• Post Graduate Diploma in Public Management<br>• Snr Manager Program (NQ7)<br>• Advanced Risk Management |
| No. of Meetings Attended | 9 out of 9 |

| Name | Ms Buhle Tonise |
|---|---|
| Designation | Committee Member |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualifications | • Matric<br>• LLB<br>• Practical Legal Training (Commercial Law) |
| No. of Meetings Attended | 5 out of 9 |

| Name | Mr Talelani Enos Ramaru (The Late) |
|---|---|
| Designation | Committee Member |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | Passed away 29 April 2023 |
| Qualifications | • B Com Accounting<br>• Post Graduate Diploma Management<br>• Professional Certificate in Public Development Management<br>• Post Graduate Advanced Certificate in Forensic & Investigative Auditing<br>• Post Graduate Strategic Management and Corporate Governance |
| No. of Meetings Attended | 8 out of 9 |

| Name | Ms Mapuleng Moropa |
|---|---|
| Designation | Committee Member |
| Date Appointed | 22 February 2021 |
| Date Resigned/Termination | N/A |
| Qualification | • Masters in Business Administration (MBA)<br>• Programme in Management Development (PMD)<br>• BSc Information Technology |
| No. of Meetings Attended | 8 out of 9 |

# 8. Compliance with Laws, Rules, Codes and Standards

The Board Audit and Risk Committee ensured that the management of USAASA had the necessary checks and balances in place to ensure compliance with pertinent laws and regulations, that it conducts its affairs ethically, and that it maintains adequate controls against possible conflicts of interest and fraud.

The specific steps involved in carrying out this responsibility include:

- Reviewing policy documents incorporating:
  - Compliance with laws, regulations and ethics
  - Policies and rules regarding conflicts of interest.
- Monitoring compliance with laws, regulations and policies.
- Reviewing Internal Audit's written reports regarding the scope of reviews of compliance, any significant findings and the resolution thereof, and the follow-up on findings and recommendations.
- Monitoring developments and changes in the law relating to the responsibilities and liabilities of management and also monitoring and reviewing the extent to which management is meeting its obligations.
- Monitoring developments and changes in the various rules, regulations, and laws generally related to the organisation's operations and monitoring and reviewing the extent to which the organisation is complying with such rules, regulations, and laws.
- raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, and ensuring that these arrangements allow a proportionate and independent investigation of such matters and appropriate follow-up action.

# 9. Fraud and Corruption

USAASA has a fraud prevention plan in place and has made progress in implementing the Code of Conduct, training and awareness of the Whistle-Blowing and Fraud Prevention Policy, and information security, and has also conducted a corruption risk assessment. The Agency has established mechanisms for reporting fraud and corruption, which are outlined in the Whistle-Blowing and Fraud Prevention Policy.

USAASA also subscribes to the National Anti-Corruption Hotline administered by the Office of the Public Service Commission, to encourage officials to make confidential disclosure through the hotline. To date, the Agency has not had any cases reported on the hotline.

## 10. Minimising Conflict of Interest

To promote a professional, ethical, dynamic, competitive, and customer-focused working environment, the Office of the Company Secretary facilitates the disclosure of financial interests by various categories of employees.

To further assist and enhance the ethical culture in the organisation, all employees are required to obtain approval to perform any remunerative work outside the employment of USAASA and disclose all business interests. The Company Secretary provides appropriate guidance to management and staff on all matters that may involve a conflict of interest.

Furthermore, as standard practice within the Agency, participants are required to disclose their conflicts of interest regarding the issues on the agenda for discussions in the Agency's Committee meetings, and such declarations are recorded.

The Board Audit and Risk Committee ensured that management of USAASA had the necessary checks and balances in place to ensure compliance with pertinent laws and regulations, that it conducts its affairs ethically, and that it maintains adequate controls against possible conflicts of interest and fraud.

## 11. Code of Conduct

All employees sign the Code of Ethics and Conduct as part of their appointment contracts. This code forms part of their appointment contracts. Staff in the Supply Chain Management unit and members of the Bid Adjudication Committee also sign a Code of Conduct. Processes are in place to address any breaches through the Disciplinary Code, the Fraud and Corruption Strategy and Plan, and the Whistle-Blowing and Fraud Prevention Policy.

## 12. Health, Safety and Environmental Issues

Occupational health and safety is of utmost importance to USAASA as an employer and public body. The Agency implemented a healthy and safely programme, including COVID-19 related occupational health and safety matters, to ensure compliance with the Occupational Health and Safety Act 85 of 1993 and other relevant health and safety regulations that apply to all employees, contractors, and visitors.

## 13. Social Responsibility

The Agency does not have a dedicated social responsibility programme as the Agency's programme is intended for the public good and it has an obligation to act for the benefit of society at large.

# 14. AUDIT Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

## 14.1 Legislative Requirements

The Board Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2023, as required by Treasury Regulation 3.1.13 read with Section 77 of the PFMA, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999).

## 14.2 The Audit Committee's Compliance

The Board Audit and Risk Committee has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the PFMA and Treasury Regulation 27.1 and has adopted appropriate formal terms of reference as its Board Audit and Risk Committee Charter. All the Committee's affairs during the financial year under review were regulated in compliance with this Charter and the Board Audit and Risk Committee discharged all the responsibilities contained therein.

The Committee monitored the integrity of USAASA's Annual Financial Statements and Performance Information included in this Annual Report, reviewing significant financial and non-financial reporting issues contained herein.

## 14.3 Risk Management

Risk exists at various levels within an organisation. Key among the objectives of risk management is to ensure that USAASA as a public entity does not suffer the effects of unmanaged uncertainty, reacting to surprises rather than responding proactively to them. It is also at the core of risk management to ensure that hidden risks at all levels within the organisation are managed both appropriately and effectively. In light of this and many other cases that can be made for risk management, the Board has adopted a risk management process that is aligned to the Public Sector Risk Management Framework, SANS 31000:2009 and the King IV Report on Corporate Governance. Oversight for adequacy and effectiveness of risk management is assigned to the Board Audit and Risk Committee.

Through USAASA management, USAF has adopted a risk management system that is a risk-focused culture for identifying and treating risks to attain maximum sustainable value in all the organisation's activities. The risk management culture marshals understanding of the potential upside and downside of all those factors that can affect the organisation. The aim is to increase the likelihood of success and reduce the probability of uncertainty in achieving the organisation's objectives and ultimately failed service delivery to the organisation's beneficiaries.

In identifying strategic risks and opportunities, USAF considers both internal and external sources of risks. Internal sources include Bottom-Up, which includes risks that are identified at every level of USAF, and operational risks that may have an impact-wide effect. USAASA conducted USAF strategic, operational (including fraud risk), and project risk assessments for the year under review.

Under the strategic risk assessment, attention is given to two categories: business risks and business longevity risks. Business risks are those that affect or are created by an organisation's business strategy and strategic objectives or outcomes or outputs. Business longevity risks are those that affect the CORE purpose of the organisation. This includes risks that threaten the organisation's survival in the long term; the critical consideration is sustainable value creation.

Operational objectives underpin operational risk assessment, and so project risks are assessed with regard to uncertainties that could affect project objectives. It is notable that all risks need to be taken within risk appetite. The organisation recognises the importance of risk-based decision-making. Hence, the organisation has implemented a process of communicating upwards about risks inherent in all decisions so that managers, decision-makers, and the Board have the risk information they need at their level, based on the risks that exist and are being managed within the organisation.

The focus of risk management in USAF is on identifying, assessing, managing and monitoring all known forms of risks and opportunities across USAF, a risk profile report is compiled every quarter and presented to the Board Audit and Risk Committee. The report includes quarterly reviews of risks and opportunities, emerging risks, and strategic risks and progress made in relation to the implementation of strategic risk treatment plans to ensure that strategic objectives and targets are achieved. A combined assurance map is embedded in the risk profile reporting that highlights assurance from the different assurance providers in line with the King IV Report. The aim is to ensure optimal assurance coverage.

The Board Audit and Risk Committee provides ongoing oversight to ensure that it supports the organisation in setting and achieving its strategic, operational and project objectives. The Board Audit and Risk Committee sets the direction for how the organisation should approach and address risks. It reviews the quarterly risk profile reports covering strategic, operational, fraud, project, dependency, compliance, and emerging risks, and provides advice to ensure effective and efficient risk management.

For risk management to work appropriately within the organisation, these elements must be in place: clearly defined objectives and organisational structure aligned to the defined objectives, clear boundaries between hierarchical levels, and a risk-aware culture at all levels within the organisation.

## 14.4 Internal Audit

In terms of the PFMA, 1999, the Accounting Authority is obliged to ensure that the entity has a system of Internal Audit under the control and direction of the Board Audit and Risk Committee. The Committee is satisfied that the Internal Audit function has properly discharged its functions and responsibilities during the year under review.

The Board Audit and Risk Committee is satisfied that the Internal Audit function maintains an effective internal quality assurance programme that covers all aspects of the Internal Audit Activity and that, as determined in the external quality assessment review, a general conformance rating can be applied to the Internal Audit work and that the term "Conforms with the International Standards for the Professional Practice of Internal Auditing" may be used by the function. The Committee approved a risk-based, Three-Year Rolling Strategic Internal Audit Plan and an annual audit coverage plan for the period 01 April 2022 to 31 March 2023.

The following internal audit work was completed during the year under review:

| Type of Audit | Audit Project | Period of Testing | Frequency |
|---|---|---|---|
| Mandatory Audits | 1. USAASA Performance Information | Four times - Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| | 2. USAASA Financial Statements | Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| | 3. USAASA AGSA Implementation Action Plan | Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| Regulatory/Compliance Audits | 1. SCM Below Threshold | Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| | 2. SCM Above Threshold | Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| | 3. Financial Management | Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| | 4. Human Resource Management | Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023) | Quarterly |
| | 5. IT General and Application controls | Once | Annually |
| Consulting Assurance | 6. USAASA "SMART" principle review of the APP targets | Once | Annually |

## 14.5 The Effectiveness of Internal Controls

In line with the PFMA, 1999, Internal Audit provides the Board Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their adequacy and efficiency, and by developing recommendations for enhancement or improvement. The Accounting Authority retains responsibility for implementing such recommendations as per Treasury Regulation 3.1.12.

The reports of Internal Audit and AGSA indicated the need to improve the system of internal control in areas pertaining to financial reporting and compliance with laws and regulations. The Committee concludes that the internal control system for the reporting period was not entirely adequate and effective.

## 14.6 In-Year Monthy / Quarterly Report

The Board Audit and Risk Committee has consistently reviewed USAASA financial and non-financial management and reporting practices in the financial year under review and ensured monthly and quarterly reporting has been done in accordance with requirements of the PFMA. The public entity has submitted the quarterly reports to the Executive Authority.

## 14.7 Evaluation of Annual Financial Statements and the Annual Performance Information

The Board Audit and Risk Committee has evaluated the Annual Financial Statements and the Annual Performance Information for the year ended 31 March 2023 and duly recommended them for the Accounting Authority's approval prior to being submitted to the AGSA for audit. Subsequently the material misstatements corrected in the AFS were reviewed when the management report of the AGSA was discussed with the Board Audit and Risk Committee. The Committee has discussed the external audit outcomes in the reporting on predetermined objectives to be included in the Annual Report with the AGSA and the Accounting Authority.

## 14.8 Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- The irregular expenditure pertaining to SAP/EOH procurement, which was subjected to the Forensic Investigation by National Treasury.

The Board Audit and Risk Committee acknowledges management's efforts in the improved audit opinion from a qualified to an unqualified audit opinion.

The Audit Committee concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General South Africa.

**Mr Simphiwe Thobela**
Chairperson of the Audit Committee
Universal Service and Access Agency of South Africa

*From left to right : Simphiwe Thobela, Buhle Tonise, Talelani Ramaru and Mapuleng Moropa*

# 15. B-BBEE Compliance Performance Information

The following table has been completed in compliance with the requirements of the B-BBEE Act 53 of 2003, and as determined by the Department of Trade, Industry and Competition.

| Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following: | | |
|---|---|---|
| **Criteria** | **Response Yes / No** | **Discussion** ***(include a discussion on your response and indicate what measures have been taken to comply)*** |
| Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law? | No | Not Applicable |
| Developing and implementing a preferential procurement policy? | No | Included in the new SCM Policy to be implemented in the 2023/24 financial year |
| Determining qualification criteria for the sale of state-owned enterprises? | No | Not Applicable |
| Developing criteria for entering partnerships with the private sector? | No | Not Applicable |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment? | No | Not Applicable |

# PART D
## Human Resource Management

# 1. Overview of Human Resources

The Corporate Services division, which includes Human Resources Management, is a strategic partner and plays a vital role in the achievement of the Agency's strategic outcomes. HR is an essential service that plays a pivotal role by ensuring a safe working environment and adherence to all government regulations without compromising the Agency's performance and service delivery. Furthermore, organisational support was provided through recruitment and selection, performance management, human resources management, and capacity-building initiatives.

The current organisational structure of the Agency has 102 approved positions, 88 of which are filled and 14 of which were vacant as at 31 March 2023.

The employee attrition rate for the reporting period was 4% and the vacancy rate was 13% for the same period ending 31 March 2023. The number of people living with disabilities for the period under review was 0% and women at senior management was at 38%, which is below the targeted rate of 50% as per the requirements Employment Equity Act.

Because of budget constraints, the implementation of the workplace skills plan (WSP) was delayed and will be rolled over to the next financial year. This resulted in limited training programmes being conducted in the year under review.

No performance bonuses were paid to employees of the entity In the reporting period as the performance threshold of 80% of achievement of the annual target was not attained by the entity in the 2021/2022 financial year.

## 1.2 Human Resource Oversight Statistics

The key information on the human resources component within the entity's employment environment is provided by the entity as follows:

## 1.3 Personnel-related expenditure

The following tables summarise the audited personnel-related expenditure by programme and by salary bands. In particular, it provides an indication of:

- Amount spent on personnel.
- Amount spent on salaries, homeowner allowances, medical aid, and provident fund

### Personnel Cost by Programme

| Programme/Activity/Objective | Total Expenditure (R'000) | Personnel Expenditure (R'000) | Personnel Expenditure as a % of Total Expenditure | Number of Employees | Average Personnel Cost per Employee (R'000) |
|---|---|---|---|---|---|
| CEO Office | 17 689 | 10 664 | 60% | 11 | 969 |
| Finance and SCM | 11 816 | 10 070 | 85% | 12 | 839 |
| Corporate Services | 35 657 | 15 750 | 44% | 15 | 1 050 |
| Operations | 150 926 | 27 525 | 18% | 55 | 500 |
| **Total** | **216 088** | **64 009** | **30%** | **93** | **688** |

** These numbers include employees in the fixed establishment as well as five employees appointed additional to the establishment.*

### Personnel Cost by Salary Band

| Salary band | Personnel expenditure | % of personnel exp. to total personnel cost (%) | No. of employees | Average personnel cost per employee (R'000) |
|---|---|---|---|---|
| Top management | 7 677 | 12% | 5 | 1 535 |
| Senior management | 14 264 | 22% | 11 | 1 297 |
| Professional qualified | 14 537 | 23% | 13 | 1 118 |
| Skilled | 17 772 | 28% | 30 | 592 |
| Unskilled | 433 | 1% | 2 | 217 |
| Semi-skilled | 9 326 | 15% | 32 | 291 |
| **Total** | **64 009** | **100%** | **93** | **688** |

The following items are reported as part of employee-related costs, however, due to their nature, they are recorded outside of the payroll and form part of reconciling items:

| Salary band | Amount R'000 |
|---|---|
| Personnel expenditure | 64 009 |
| Management fee | 694 |
| Workman's compensation | 167 |
| Leave pay | 2 763 |
| Bonus accrual | 115 |
| **Total compensation of employees (CoE)** | **67 748** |

## Performance Rewards

| Level | Performance rewards | Personnel expenditure (R'000) | % of performance rewards to total personnel cost (R'000) |
|---|---|---|---|
| Top management | 0 | 0 | 0% |
| Senior management | 0 | 0 | 0% |
| Professional qualified | 0 | 0 | 0% |
| Skilled | 0 | 0 | 0% |
| Semi-skilled | 0 | 0 | 0% |
| Unskilled | 0 | 0 | 0% |
| **TOTAL** | **0** | **0** | **0%** |

*In line with the policy of USAASA, no performance bonuses were paid in the year as the entity did not achieve the required performance thresholds in the 2022/23 financial year.*

## Training Costs

| Programme/Activity/Objective | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Cost | No. of Employees Trained | Avg. Training Cost Per Employee |
|---|---|---|---|---|---|
| CEO Office | 11 569 | 31 | 0,3% | 7 | 4 |
| Finance and SCM | 9 782 | 104 | 1,1% | 8 | 13 |
| Corporate Services | 15 254 | 74 | 0,5% | 10 | 7 |
| Operations | 31 143 | 40 | 0,1% | 56 | 0,7 |
| **TOTAL** | **67 748** | **249** | **0,4%** | **81** | **3** |

## Employment and Vacancies

| Programme/Activity/Objective | 2021/2022 No. of Employees | 2022/2023 Approved Posts | 2022/2023 Number of employees | 2022/2023 Vacancies | % of Vacancies |
|---|---|---|---|---|---|
| CEO Office | 9 | 13 | 8 | 5 | 38% |
| Finance and SCM | 10 | 11 | 10 | 1 | 9% |
| Corporate Services | 15 | 17 | 15 | 2 | 12% |
| Operations | 58 | 61 | 55 | 6 | 10% |
| **TOTAL** | **92** | **102** | **88** | **14** | **13%** |

| Level | 2021/2022 No. of Employees | 2022/2023 Approved Posts | 2022/2023 No. of Employees | 2022/2023 Vacancies | % of Vacancies |
|---|---|---|---|---|---|
| Top management (14-16) | 3 | 5 | 3 | 2 | 40 |
| Senior management (13) | 13 | 13 | 12 | 1 | 8 |
| Professional qualified (11-12) | 12 | 14 | 12 | 2 | 8 |
| Skilled (5-10) | 26 | 28 | 27 | 1 | 4 |
| Semi-skilled (2) | 36 | 40 | 32 | 8 | 20 |
| Unskilled | 2 | 2 | 2 | 0 | 0 |
| **TOTAL** | **92** | **102** | **88** | **14** | **14** |

** Because of the disestablishment, the Agency cannot fill vacancies.*

## Employment Changes

| Salary Band | Employment at Beginning of Period | Appointments | Terminations | Employment at End of the Period |
|---|---|---|---|---|
| Top management | 3 | 0 | 0 | 3 |
| Senior management | 13 | 0 | 1 | 12 |
| Professional qualified | 12 | 0 | 1 | 11 |
| Skilled | 26 | 0 | 0 | 26 |
| Semi-skilled (DC) | 36 | 0 | 2 | 34 |
| Unskilled | 2 | 0 | 0 | 2 |
| **Total** | **92** | **0** | **4** | **88** |

## Reasons for Staff Leaving

| Reason | Number | % of total no. of staff leaving | Attempts made to replace staff |
|---|---|---|---|
| Death | 0 | 0 | N/A |
| Resignations | 2 | 50 | N/A |
| Dismissal | 1 | 25 | N/A |
| Retirement | 1 | 25 | N/A |
| Ill health | 0 | 0 | N/A |
| Expiry of contract | 0 | 0 | N/A |
| Other | 0 | 0 | N/A |
| **Total** | **4** | **100** | |

** The Agency made use of acting appointments and secondments to capacitate and fill the vacancies in the organisation because of the moratorium and disestablishment.*

## Labour Relations: Misconduct and Disciplinary Action

| Nature of Disciplinary Action | Number |
|---|---|
| Verbal warning | 0 |
| Written warning | 0 |
| Final written warning | 0 |
| Dismissal | 1 |
| Suspensions | 6 |
| **Total** | **7** |

## Equity Target and Employment Equity (Male)

| Levels | Male | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 2 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Senior management | 8 | 6 | 0 | 1 | 0 | 1 | 1 | 1 |
| Professional qualified | 10 | 8 | 0 | 1 | 0 | 1 | 0 | 1 |
| Skilled | 7 | 7 | 0 | 1 | 0 | 1 | 0 | 1 |
| District coordinators | 18 | 21 | 1 | 1 | 0 | 1 | 0 | 1 |
| Unskilled | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **45** | **44** | **1** | **5** | **0** | **4** | **1** | **4** |

## Equity Target and Employment Equity (Female)

| Levels | Female | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 1 | 2 | 0 | 1 | 0 | 0 | 0 | 0 |
| Senior management | 2 | 3 | 1 | 1 | 0 | 1 | 0 | 1 |
| Professional qualified | 2 | 4 | 0 | 1 | 0 | 1 | 0 | 1 |
| Skilled | 19 | 19 | 0 | 1 | 0 | 1 | 0 | 1 |
| District coordinators | 13 | 15 | 1 | 0 | 0 | 1 | 0 | 1 |
| Unskilled | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **39** | **45** | **2** | **4** | **0** | **4** | **0** | **4** |

**The Employment Equity Plan was submitted at Department of Employment and Labour in January 2023*

USAASA has an Employment Equity Plan that was approved by the Board but not submitted to the Department of Labour because the Board resolution and signed document was not returned to HR for submission.

## Equity Target and Employment Equity (People Living with Disabilities)

| Levels | Disabled staff | | | |
|---|---|---|---|---|
| | Male | | Female | |
| | Current | Target | Current | Target |
| Top management | 0 | 0 | 0 | 0 |
| Senior management | 0 | 1 | 0 | 1 |
| Professional qualified | 0 | 4 | 0 | 4 |
| Skilled | 0 | 4 | 0 | 4 |
| District coordinators | 0 | 4 | 0 | 4 |
| Unskilled | 0 | 0 | 0 | 0 |
| **TOTAL** | **0** | **13** | **0** | **13** |

** No progress was made due to the moratorium on the filling of posts, and the disestablishment.*

## Contracts per Division

| Division | Male | Female |
|---|---|---|
| CEO Office | 0 | 3 |
| Finance and SCM | 0 | 3 |
| Corporate Services | 2 | 1 |
| Operations | 19 | 15 |
| **TOTAL** | **21** | **22** |

*These contractors include people in the fixed establishment as well as additional appointments.*

# PART E

## PFMA Compliance

# 1. Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

## 1.1 Irregular Expenditure

**a) Reconciliation of irregular expenditure**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| **Opening balance** | **99 605** | **35 336** |
| Add: Irregular expenditure confirmed | 7 895 | 64 938 |
| Less: Irregular expenditure condoned | - | - |
| Less: Irregular expenditure not condoned and removed | (20 406) | (666) |
| Less: Irregular expenditure recoverable | - | - |
| Less: Irregular expenditure not recovered and written off | - | - |
| **Closing balance** | **87 094** | **99 605** |

Included in the current year irregular expenditure is rental paid for Head Office after the contract had lapsed. Because of uncertainties around the disestablishment, the entity is not able to commit to a medium- to long-term contract and the landlord is not accepting short-term or month-to-month formal contracts.

However, alternative accommodation is considered for rental while options regarding mobile contract (including APN) are discussed at executive level. These service providers do not entertain short-term contracts. USAASA is not able to commit to long-term contracts because of the impending disestablishment.

**Reconciling notes**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| Irregular expenditure that was under assessment in 2021/22 | - | 56 402 |
| Irregular expenditure for the current year | 7 895 | 8 536 |
| **Total** | **7 895** | **64 938** |

**b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| Irregular expenditure under assessment | - | - |
| Irregular expenditure under determination | - | - |
| Irregular expenditure under investigation | 4,449 | 4,449 |
| **Total** | **4,449** | **4,449** |

All matters making up the total disclosed in the table above relate to irregular expenditure incurred in the previous financial years from 2016/17 to 2020/21.

**c) Details of current and previous year irregular expenditure condoned**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| Irregular expenditure condoned | - | - |
| **Total** | **-** | **-** |

The entity has submitted requests for condonement of irregular expenditure amounting to R30,4 million relating to payments made for services received after contracts lapsed. These services relate to rental of offices, provision of network and internet services, as well as the provision of mobile voice and data services that are critical to the operations of the entity. National Treasury did not approve USAASA's request for the condonement. The entity is, however, intending to engage National Treasury to discuss the request noting that Treasury may have missed the context of the submitted motivation.

**d) Details of current and previous year irregular expenditure removed - (not condoned)**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| Irregular expenditure not condoned and removed | (20,406) | (669) |
| **Total** | **(20,406)** | **(666)** |

After careful consideration and analysis of the documents (investigation report by SIU), the Accounting Authority approved the request for the removal of the irregular expenditure as indicated above. No losses were suffered as payments were made for services that were delivered in accordance with the SLAs after proper verifications were conducted and invoices certified.

No disciplinary actions were recommended or taken on the removed irregular expenditure as the individuals who caused these irregular expenditures had already left the employ of USAASA when the reports were issued. Efforts to locate them were not successful.

**e) Details of current and previous year irregular expenditure recovered**
No irregular expenditure was recovered during the current or previous financial year

**f) Details of current and previous year irregular expenditure written off (irrecoverable)**
No irrecoverable irregular expenditure was written off during the current or previous financial year.

**g) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure**

Current irregular expenditures are a result of payments that are necessary and made for operational purposes and to ensure continuous service delivery. As such no employee or other individuals were found guilty of any wrongdoing or of having committed any criminal offence for the irregular expenditure incurred, and no disciplinary actions will be taken. However, as investigations are underway for the remaining irregular expenditure, necessary disciplinary steps will be taken when these investigations are finalised and recommendation made for actions to be taken.

## Fruitless and Wasteful Expenditure

**a) Reconciliation of irregular expenditure**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| **Opening balance** | **3 719** | **1 111** |
| Add: Fruitless and wasteful expenditure confirmed | 114 | 2 608 |
| Less: Fruitless and wasteful expenditure written off | - | - |
| Less: Fruitless and wasteful expenditure recoverable | - | - |
| **Closing balance** | **3 833** | **3 719** |

**Reconciling notes**

| Description | 2022/23<br>R'000 | 2021/22<br>R'000 |
|---|---|---|
| Fruitless and wasteful expenditure that was under assessment in 2021/22 | - | 2 265 |
| Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23 | - | 203 |
| Fruitless and wasteful expenditure for the current year | 114 | 140 |
| **Total** | **114** | **2 608** |

**b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)**

Nothing is currently under assessment, determination or investigation. All items disclosed above have already been confirmed as fruitless and wasteful expenditure.

**c) Details of current and previous year fruitless and wasteful expenditure recovered**

No fruitless and wasteful expenditure was recovered in the current or previous financial year.

**d) Details of current and previous year fruitless and wasteful expenditure not recovered and written off**

No fruitless and wasteful expenditure was written off in the current or previous financial year.

**e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure**

No disciplinary actions were taken in the current or previous financial year.

## Additional Disclosure Relating to Material Losses in terms of PFMA Section 40(3)(b)(i) &(iii))

**a) Details of current and previous year material losses through criminal conduct**

No material losses through criminal conduct were identified in the current or previous financial year.

**b) Details of other material losses**

No other material losses were identified in the current or previous financial year.

# Late and/or Non-Payment of Suppliers

| Description | Number of invoices<br>Value | Consolidated<br>R'000 |
|---|---|---|
| Valid invoices received | 253 | 108 668 |
| Invoices paid within 30 days or agreed period | 253 | 108 668 |
| Invoices paid after 30 days or agreed upon | N/a | |
| *Invoices older than 30 days or agreed upon (unpaid and without dispute)* | N/a | |
| *Invoices older than 30 days or agreed period ( unpaid and in dispute)* | N/a | |

*Include reasons for the late and or non-payment of invoices, including reasons that the invoices are in dispute, where applicable.*

# 2. Supply Chain Management

## 2.1 Procurement by other means

| Project Description | Name of Supplier | Type of Procurement by other means | Contract number | Value of contract |
|---|---|---|---|---|
| Appointment of a service provider to accelerate the implementation of household migration to digital platforms towards the conclusion of BDM | SAPO | Deviation | DDT | R115 392 534.45 |
| Appointment of Attorneys for the cost escalation of legal services | SM Mfingwana Attorneys | Deviation | Legal fees for cosec matter | R1 121 180 |
| Appointment of dimension data for the provision of internet services | Dimesion Data | Deviation | Internet connectivity | R103 557,10 pm |

## Contract Expansion/Variation

| Project Description | Name of Supplier | Contract Modification type(Expansion/ Variation) | Contract No | Original Contract value | Value of previous contract expansion/s or variation/s (if applicable) | Value of current contract expansion/ variation |
|---|---|---|---|---|---|---|
| | | | | R'000 | R'000 | R'000 |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |

# PART F
## Financial Information

# Report of the Auditor-General to Parliament on Universal Services and Access Agency of South Africa

## Report on the Audit of the Financial Statements

### Opinion

1. I have audited the financial statements of the Universal Services and Access Agency of South Africa (USAASA) set out on pages 64 to 91, which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Universal Services and Access Agency of South Africa as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act, (Act 1 of 1999) (PFMA).

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

7. I draw attention to note 23 to the financial statements, which indicates that the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern, describes the events or conditions, along with other matters as set forth in note 23 that may cast significant doubt on the public's ability to continue as a going concern and how the public entity is responding to them. My opinion is not modified in respect of this matter.

### Emphasis of matters

8. I draw attention to the matter below. My opinion is not modified in respect of this matter

#### Restatement of corresponding figures

9. As disclosed in note 21 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2023.

### Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Unaudited irregular expenditure and fruitless and wasteful expenditure

11. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 25 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of USAASA. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

12. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

### Responsibilities of the accounting authority for the financial statements

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA; and for such internal control as the Accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

14. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Responsibilities of the auditor-general for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

18. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

| Programme | Page numbers | Purpose |
|---|---|---|
| Business support | 23 -25 | To provide strategic leadership, management and support services to the agency and the Universal Service and Access Fund. |

19. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance conclusion.

22. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Business support

### Other matters

23. I draw attention to the matters below.

#### Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement.

## Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the

findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements, performance and annual report

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of expenditure, current liabilities and the statement of comparison between budget and actual amounts identified by the auditors in the submitted financial statement were corrected resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

30. Effective steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charged on outstanding invoices and penalty for late payment of PAYE.

### Consequence management

31. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular, fruitless and wasteful expenditure were not performed.

## Other information in the annual report

32. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

33. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

34. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

35. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

36. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

37. Management did not adequately review the financial statements to ensure that material errors were identified and corrected prior to submission for audit.

38. Management did not implement adequate internal controls to prevent fruitless and wasteful expenditure.

39. The accounting authority did not initiate investigations into instances of irregular and fruitless and wasteful expenditure incurred.

## Other reports

40. I draw attention to the following engagement conducted. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

41. The previous board instituted a forensic investigation in January 2020 on the SAP support and maintenance services to ascertain facts on the matters around the SAP support and maintenance provision or the lack thereof. The forensic investigation was concluded in October 2022 and the board is evaluating the recommendations for further implementation.

Auditor - General

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA
*Auditing to build public confidence*

# Annexure to the Auditor's Report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing

## Auditor-General's Responsibility for the Audit

### Professional Judgement and Professional Scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with selected requirements in key legislation.

### Financial Statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with Governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with Legislation – selected Legislative Requirements

The selected legislative requirements are as follows:

| Legislation | Sections or Regulations |
|---|---|
| Public Finance Management Act No.1 of 1999 | Sections 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(a) |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities | Regulations 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); 33.1.1; 33.1.3 |
| Companies Act 71 of 2008 | Sections 30(3)(b)(i); 33(1)(a); 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 72(4)(a); 75(6); 86(1); 86(4); 88(2)(d); 112(2)(a); 129(7) |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section 34(1) |
| Companies Regulations | Regulations 30(2); 43(2)(a) |
| Preferential Procurement Policy Framework Act 5 of 2000 | Sections 1(i); 2.1(a); 2.1(b); 2.1(f) |
| Preferential Procurement Regulations of 2017 | Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2; 12.1; 12.2 |
| Preferential Procurement Regulations of 2022 | Regulations 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4 |
| NT SCM Instruction Note 3 of 2021-22 | Paragraphs 4.1; 4.2; 4.2(b); 4.3; 4.4; 4.4(c); 4.4(d); 4.6; 5.4 |
| NT SCM Instruction Note 4A of 2016-17 | Paragraph 6 |
| NT SCM Instruction Note 3 of 2019-20 | Paragraphs 5.5.1(iv); 5.5.1(x) |
| NT SCM Instruction Note 11 of 2020-21 | Paragraphs 3.1; 3.4(a); 3.4(b); 3.9: 6.1; 6.2; 6.7 |
| PFMA SCM Instruction Note 8 of 2022-23 | Paragraphs 3.2; 4.3.2; 4.3.3 |
| Competition Act 89 of 1998 | Section 4(1)(b)(ii) |
| NT Instruction Note 4 of 2015-16 | Paragraph 3.4 |

# Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the audited annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or misstatements in a cost effective manner. The standards include the approved Delegation of Authority (DoA) within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material errors or misstatement.

The members have reviewed the entity's cash flow forecast for the MTEF period and, in the light of this review and the current financial position, they are satisfied that the entity has adequate financial resources to continue operating for the foreseeable future.

The entity is wholly dependent on transfers emanating from contributions made by the industry for the continued funding of its operations. The audited annual financial statements are prepared on the basis that the entity is a going concern with approved annual (12 months) budget and Annual Performance Plan for the foreseeable future. It should be noted that the Department is currently busy with the process of disestablishing the entity. This process is largely dependant on the finalisation of amendments in the ECA to effect the disestablishment. This process may take longer to complete and as such we are not certain of the date on which the process will be finalised. In accordance with the transfer of function as outlined in the PFMA, the entity can only be deregistered as a Schedule 3A entity from the date when the ECA amendments are finalised and approved by the relevant authorities/legislature.

Although the Accounting Authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's executive management and respective management and governance structures.

The external auditors are responsible for independently reviewing and reporting on the entity's audited annual financial statements.

The audited annual financial statements set out on pages 64 to 91, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2023 and signed as follows:

**Ms Daphne Rantho**
Board Chairperson

# AUDIT Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

## Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet Six (6) times per annum as per its approved terms of reference. During the current year Seven (7) number of meetings were held.

| Name of member | Number of meetings attended |
|---|---|
| Mr Simphiwe Thobela (Chairperson) | 7 |
| Ms Mapuleng Moropa | 7 |
| Ms Buhle Tonise | 5 |
| Mr Talelani Ramaru (Late: April 2023) | 7 |

## Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King VI Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the audited annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of the quarterly reports prepared and issued by the Executive Management of the entity during the year under review.

## Evaluation of audited annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General of South Africa's management report and management'S responses thereto;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the audited annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

## Internal Audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

## Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

The audit committee acknowledges management's efforts in the improved audit opinion from a qualified to unqualified audit opinion.

**Mr Simphiwe Thobela**
Chairperson of the Board Audit and Risk Committee

# Accounting Authority's Report

The members submit their report for the year ended 31 March 2023.

## 1. Going Concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R180 million and that the entity's total assets exceed its liabilities by R180 million.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to oversee budget and financial management processes to ensure adequate budget is made available for the entity's operations.

## 2. Subsequent Events

The members are not aware of any matter or circumstance arising since the end of the financial year.

## 3. Accounting Policies

The audited annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board (ASB) as the prescribed framework by National Treasury.

## 4. Member and Executive Managers' Emoluments

| | Salary Fee R'000 | Acting Allowance R'000 | Expense Allowance/ Reimbursements R'000 | Retainer R'000 | Total package 2023 R'000 | Total package 2022 R'000 |
|---|---|---|---|---|---|---|
| **Economic entity** | | | | | | |
| **Non-executive Members** | | | | | | |
| Ms Daphne Rantho (Board Chairperson) | 293 | - | 34 | 22 | 349 | 331 |
| Mr Simphiwe Thobela (Board Member and BARC Chairperson) | 276 | - | 22 | 17 | 315 | 499 |
| Mr Talelani Ramaru (Late: Board Member and REMCO Chairperson) - 29/04/2023 | 239 | - | 4 | 17 | 260 | 250 |
| Ms Mapuleng Moropa (Board Member) | 248 | - | 9 | 17 | 274 | 348 |
| Ms Buhle Tonise (Board Member) | 187 | - | 7 | 17 | 211 | 330 |
| | **1,243** | **-** | **76** | **90** | **1,409** | **1,758** |
| **Executive Managers (Standing Invitees to Board meetings)** | | | | | | |
| Ms Chwayita Madikizela (Acting Chief Executive Officer) | 1,511 | 228 | 117 | - | 1,856 | 1,690 |
| Mr Sidney Mongala (Acting Chief Financial Officer - Secondment from DCDT until 28 February 2023) | 1,365 | 47 | - | - | 1,412 | 97 |
| Mr Frik Nieman (Interim Chief Financial Officer - Secondment from DCDT until February 2022) | - | - | - | - | - | 918 |
| | **2,876** | **275** | **117** | **-** | **3,268** | **2,705** |

## 4. Member and Executive Managers' Emoluments contd.

| | Salary Fee R'000 | Acting Allowance R'000 | Expense Allowance/ Reimbursements R'000 | Retainer R'000 | Total package 2023 R'000 | Total package 2022 R'000 |
|---|---|---|---|---|---|---|
| **Executive Managers (attend Board meeting per invitation)** | | | | | | |
| Mr Sipho Mngqibisa (Executive Manager: Performance Management) - Contract ended 31 March 2023 | 1,518 | - | 55 | - | 1,573 | 1,496 |
| Ms Sharonne Scheepers (Acting Executive Manager: Corporate Services) - Acting Ended 31 March 2023. | 1,422 | 83 | 22 | - | 1,527 | 1,292 |
| Mr Trevor Nivi (Acting Executive Manager: Operations) - Acting Ended 31 March 2023 | 1,401 | 101 | 22 | - | 1,524 | 1,296 |
| Ms Selloane Motloung (Board Secretary) - Left 31 March 2023 | 1,518 | - | 22 | - | 1,540 | 1,496 |
| | **5,859** | **184** | **121** | **-** | **6,164** | **5,580** |
| | **9,978** | **459** | **314** | **90** | **10,841** | **10,043** |

## 5. Corporate Governance

### General

The Accounting Authority are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the relevant prescripts including the Constitution of the Republic of South Africa, the Public Finance Management Act and related regulations, and the King IV Report on Corporate Governance for South Africa. The Accounting Authority discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code.

The salient features of the entity's adoption of the Code is outlined below:

### Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive members as Board Members, all of whom are independent directors as defined in the Code;
  - executive managers as standing invitees (CEO and CFO);
  - chief audit executive as standing invitees; and
  - other executive managers attending per invitation.
- has not established a Board membership continuity programme due to the pending disestablishment.

### Chairperson and chief executive

The Chairperson is a non-executive and independent member that is not in the employ of USAASA.

The roles of the Chairperson and the Acting Chief Executive Officer are segregated, with responsibilities clearly defined in the approved Delegation of Authority Framework.

### Remuneration

The upper limits of the remuneration of the Acting Chief Executive Officer, and the Acting Chief Financial Officer, are determined by the Board taking into account the adopted DPSA Salary Schedules.

### Board Audit and Risk Committee (BARC)

For the current financial year, BARC was chaired by an independent audit committee member, Mr Simphiwe

Thobela. The committee met Seven (7) times during the financial year to review matters necessary to fulfil its role.

The audited annual financial statements set out on pages 64 to 91, which have been prepared on the going concern basis, were approved by the Accounting Authority on 28 July 2023 and were signed on its behalf by:

**Ms Daphne Rantho**
Board Chairperson

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# Statement of Financial Position

| | Note(s) | 2023 R'000 | 2022 Restated* R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Receivables from exchange transactions | 6 | 5,083 | 4,738 |
| Cash and cash equivalents | 7 | 224,649 | 313,134 |
| | | **229,732** | **317,872** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 2 | 1,272 | 1,157 |
| Intangible assets | 3 | 1 | 1 |
| | | **1,273** | **1,158** |
| **Total Assets** | | **231,005** | **319,030** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Loans from economic entities | 4 | 24,552 | - |
| Payables from exchange transactions | 5 | 26,617 | 17,442 |
| | | **51,169** | **17,442** |
| **Total Liabilities** | | **51,169** | **17,442** |
| **Net Assets** | | **179,836** | **301,588** |
| Accumulated surplus | | 179,836 | 301,588 |
| **Total Net Assets** | | **179,836** | **301,588** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

# Statement of Financial Performance

| | Note(s) | 2023<br>R'000 | 2022<br>Restated*<br>R'000 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Interest received - Investment | | 15,605 | 8,360 |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants & subsidies | | 86,033 | 177,055 |
| **Total Revenue** | 8 | **101,638** | **185,415** |
| **Expenditure** | | | |
| Employee related costs | 11 | (67,748) | (59,812) |
| Legal fees | | (2,167) | (2,806) |
| Depreciation and amortisation | 12 | (641) | (103) |
| Finance costs | 13 | (47) | (7) |
| General Expenses | 14 | (18,730) | (18,420) |
| Warehousing and Distribution Costs (SAPO) | 10 | (121,016) | - |
| Lease rental on operating lease | | (5,739) | (5,640) |
| Bad debts written-off | | - | (36) |
| **Total Expenditure** | | **(216,088)** | **(86,824)** |
| **(Deficit) surplus for the year** | | **(114,450)** | **98,591** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# Statement of Changes in Net Assets

| | Accumulated Surplus / Deficit R'000 | Total Net Assets R'000 |
|---|---|---|
| Opening balance as previously reported | 203,997 | 203,997 |
| Adjustments | | |
| Prior year adjustments 21 | (1,000) | (1,000) |
| **Balance at April 1, 2021 as restated*** | **202,997** | **202,997** |
| Changes in net assets | | |
| Surplus for the year | 98,591 | 98,591 |
| Total changes | 98,591 | 98,591 |
| Opening balance as previously reported | 301,586 | 301,586 |
| Adjustments | | |
| Prior year adjustments 21 | (7,300) | (7,300) |
| **Restated* Balance at April 1, 2022 as restated*** | **294,286** | **294,286** |
| Changes in net assets | | |
| Surplus for the year | (114,450) | (114,450) |
| Total Changes | (114,450) | (114,450) |
| **Balance as at 31, March 2021** | **179,836** | **179,836** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA
**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# Cash Flow Statement

| | Note(s) | 2023<br>R'000 | 2022<br>Restated*<br>R'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Grants | | 86,033 | 177,055 |
| **Payments** | | | |
| Employee costs | | (65,631) | (59,812) |
| Suppliers | | (116,091) | (28,703) |
| Finance costs | | - | (7) |
| | | (181,722) | (88,522) |
| **Net Cash flows from operating activities** | 15 | **(95,689)** | **88,533** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 2 | (829) | (1,002) |
| Interest Income | | 15,332 | 7,976 |
| **Net cash flows from investing activities** | | **14,503** | **6,974** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Surrender of Surplus Funds | | (7,300) | (12,000) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(88,486)** | **83,507** |
| Cash and cash equivalents at the beginning of the year | | 313,134 | 229,627 |
| **Cash and cash equivalents at the end of the year** | 7 | **224,648** | **313,134** |

The accounting policies on pages 69 to 77 and the notes on pages 78 to 91 form an integral part of the audited annual financial statements.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# Statement of Comparison of Budget and Actual Amounts

**Budget on Cash Basis**

| | Approved Budget R'000 | Adjustments R'000 | Final Budget R'000 | Actual Amounts on Comparable Basis R'000 | Difference Between Final Budget and Actual R'000 | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **REVENUE** | | | | | | |
| **REVENUE FROM EXCHANGE TRANSACTIONS** | | | | | | |
| Interest received (trading) | - | - | - | 15,605 | **15,605** | (a) |
| **REVENUE FROM NON-EXCHANGE TRANSACTIONS** | | | | | | |
| **TRANSFER REVENUE** | | | | | | |
| Government grants & subsidies | 86,033 | 299,237 | **385,270** | 86,033 | **(299,237)** | (b) |
| **Total Revenue** | **86,033** | **299,237** | **385,270** | **101,638** | **(283,632)** | |
| **EXPENDITURE** | | | | | | |
| Personnel | (62,696) | (3,279) | **(65,975)** | (67,748) | **(1,773)** | (c) |
| Depreciation and amortisation | - | - | **-** | (641) | **(641)** | (d) |
| Finance costs | - | - | **-** | (47) | **(47)** | |
| Lease rentals on operating lease | (3,750) | (2,631) | **(6,381)** | (5,739) | **642** | (e) |
| General Expenses | (18,793) | (12,446) | **(31,239)** | (18,730) | **12,509** | (f) |
| Legal Fees | (794) | (12,062) | **(12,856)** | (2,167) | **10,689** | (g) |
| Warehousing and Distribution Costs (SAPO) | - | (268,819) | **(268,819)** | (121,016) | **147,803** | (h) |
| **Total expenditure** | **(86,033)** | **(299,237)** | **(385,270)** | **(216,088)** | **169,182** | |
| **Deficit before taxation** | - | - | **-** | **(114,450)** | **(114,450)** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | - | - | **-** | **(114,450)** | **(114,450)** | |

(a) Interest income relate to revenue earned from funds invested in interest yielding short-term investment account. Interest was earned at an average rate of 7.30%.

(b) Included in final budget is the amount approved by National Treasury for the retention of fund. Thus the R299 million represent funds approved for retention. The underspending was due to delays that were experienced by the implementing entities, including but not limited to litigations against BDM project by the public broadcasters and the delays in the approval of high sites by the respective Municipalities.

(c) The expenditure for compensation of employees / personnel costs was slightly above the allocated budget by R409 thousand (0.6%). Included in the expenditure are some non-cash items for leave and bonus accruals. Furthermore, the 3% Cost of Living Adjustment (COLA) which was implemented effective from 01/04/2022 for non- senior employees was above the projected increase. Our projection was based on the norm for non-senior employees' COLA being implemented from 01 July instead of 01 April 2023.

(d) Depreciation (non-cash item) is not included in the budget as the budget is prepared on a cash basis.

(e) The spending is within the final budget after taking into account the retention of funds.

(f) The underspending under general expenses is provided in the list of items making up general expenses included in note 14.

(g) The underspending is due to the significant delays in obtaining invoices from the relevant authority (DoJ).

(h) There was no allocation of budget for the warehousing and distribution costs. The R268,819 million represent funds approved for retention in December 2022. The balance of the amount approved as a retention is due to actual expenditure being less than projected.

# Accounting Policies

## 1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Standards of Generally

Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation Currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 Going Concern Assumption

These audited annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### 1.4. Significant Judgements and Sources of Estimation Uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

**Trade Receivables / Held to Maturity Investments and/or Loans and receivables**

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the provincial entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

**Impairment Testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

**Effective Interest Rate**

The entity used the prime interest rate to discount future cash flows.

### Allowance for Doubtful Debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

## 1.5 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(S) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight-line | 5 |
| Motor vehicles | Straight-line | 5 |
| Office equipment | Straight-line | 5 |
| IT equipment | Straight-line | 3 |
| Cellphones | Straight-line | 2 |
| Leasehold improvements | Straight-line | 5 |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset'S future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised as an expense in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment as an expense in the Statement of Financial Performance and/or notes to the financial statements.

### 1.6 Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management'S best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software, other | Straight-line | 3 |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is recognised as an expense in Statement of Financial Performance when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest inthe net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

## 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Finance Leases - Lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### Operating Leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## 1.10 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for long-term investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less which are available on demand.

## 1.11 Employee Benefits

### Short-term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

## 1.12 Provisions and Contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and

Contingent Assets; and

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

## 1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

## 1.14 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm'S length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

## 1.15 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non- exchange transactions is classified based on the nature of the underlying transaction.

**Transfers**

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

## 1.16 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method. Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

## 1.17 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

## 1.18 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

## 1.19 Irregular Expenditure

Irregular expenditure refers to expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation or regulation or policy of government.

## 1.20 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the MTEF period from 01 April 2023 to 31 March 2026.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

## 1.21 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

## 1.22 Events After Reporting Date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 2. Property and Equipment

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated Depreciation and accumulated Impairment | Carrying Value | Cost / Valuation | Accumulated Depreciation and accumulated Impairment | Carrying Value |
| Furniture and fixtures | 2,635 | (2,634) | 1 | 2,635 | (2,634) | 1 |
| Motor vehicles | 898 | (897) | 1 | 898 | (866) | 32 |
| Office equipment | 951 | (866) | 85 | 951 | (817) | 134 |
| IT equipment | 10,660 | (9,476) | 1,184 | 9,905 | (8,916) | 989 |
| Leasehold improvements | 1,980 | (1,979) | 1 | 1,980 | (1,979) | 1 |
| **Total** | **17,124** | **(15,852)** | **1,272** | **16,369** | **(15,212)** | **1,157** |

| Reconciliation of Property and Equipment - 2023 | Opening balance | Additions | Depreciation | Closing Balance |
|---|---|---|---|---|
| Furniture and fixtures | 1 | - | - | 1 |
| Motor vehicles | 32 | - | (31) | 1 |
| Office equipment | 134 | - | (49) | 85 |
| IT equipment | 989 | 755 | (560) | 1,184 |
| | **1,156** | **755** | **(640)** | **1,271** |

| Reconciliation of Property and Equipment - 2022 | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Furniture and fixtures | 1 | - | - | 1 |
| Motor vehicles | 64 | - | (32) | 32 |
| Office equipment | 110 | 67 | (43) | 134 |
| IT equipment | 27 | 989 | (26) | 989 |
| | **202** | **1,056** | **(101)** | **1,156** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA
**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# 3. Intangible Assets

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated Impairment | Carrying Value | Cost / Valuation | Accumulated amortisation and accumulated Impairment | Carrying Value |
| Computer software, other | 46,293 | (46,292) | 1 | 46,293 | (46,292) | 1 |

| Reconciliation of Intangibile Assets - 2023 | Opening balance | Total |
|---|---|---|
| Computer software, other | 1 | 1 |

| Reconciliation of Intangibile Assets - 2022 | Opening balance | Closing Balance |
|---|---|---|
| Computer software, other | 1 | 1 |

# 4. Loans to (from) Economic Entities

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Fellow controlled entities** | | |
| Inter-Entity Loan (Loan From USAF) | (24,552) | - |

Represents payments that were made in an incorrect entity (USAF instead of USAASA) for warehousing and distribution costs invoiced in March 2023. The amount incurred will be transferred to USAF in the 2023/24 financial year. This is not an interest bearing loan.

# 5. Payables from Exchange Transactions

| | | |
|---|---|---|
| Trade payables | 11,721 | 373 |
| Accrual | 10,631 | 13,798 |
| Other accrued expenses | 1,475 | 530 |
| Accrued leave pay | 2,231 | 2,281 |
| Accrued bonus | 392 | 278 |
| Workmans Compensation | 167 | 182 |
| | **26,617** | **17,442** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 6. Receivables from Exchange Transactions

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Prepayments | 856 | 511 |
| Office Rental Deposits | 256 | 256 |
| Staff Debts and Advances | 2,202 | 2,487 |
| Other receivables | 544 | 531 |
| Accrued Interest Income | 1,225 | 953 |
| | **5,083** | **4,738** |

## 7. Cash and Cash Equivalents

| | | |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Bank balances | 12,984 | 581 |
| Short-term deposits | 211,665 | 312,553 |
| | **224,649** | **313,134** |

## 8. Revenue

| | | |
|---|---|---|
| Investment Income (Interest received) | 15,605 | 8,360 |
| Government grants & subsidies | 86,033 | 177,055 |
| | **101,638** | **185,415** |
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Interest received (Investment) | 15,605 | 8,360 |
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Transfer revenue** | | |
| Government grants & subsidies | 86,033 | 177,055 |

## 9. Surrender of surpluses

| | | |
|---|---|---|
| Surrender of surpluses - relating to prior year(s) | 7,300 | 12,000 |

The entity annually declares all surpluses or deficits to the relevant Treasury from the period 1 August to 30 September of each year, using its audited annual financial statements as the basis for calculation of surpluses or deficits.

The entity submits requests to the relevant Treasury to retain surpluses in terms of section 53(3) of the PFMA, as and when appropriate. Unless exempted by the National Treasury, the entity invests surplus funds with the Corporation for Public Deposits.

The entity surrenders for re-depositing into the relevant Revenue Fund, all surpluses that were realised in a particular financial year –

(a) which were not approved for retention by the relevant Treasury in terms of section 53(3) of the PFMA; or

(b) where no application was made to the relevant Treasury to accumulate the surplus in terms of section 53(3) of the PFMA.

The surpluses are surrendered for re-depositing into the relevant Revenue by no later than 30 November of each year, as prescribed.

Failure by the entity to submit a surplus retention request to the relevant Treasury by 30 September each year will result in the entity having to surrender the surplus to the relevant Revenue Fund by 30 November, unless there has been a delay in the finalisation of the audit.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

In the case of a delay in the finalisation of the audit –

(a) a letter is sent to the relevant Treasury by the 30th September explaining the delay.

(b) a surplus retention request is submitted to the relevant Treasury within 30 days of finalising the audit.

## 10. Warehousing and Distribution Costs

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| BDM/DTT STBs Warehousing and Distributions (SAPO | 121,016 | - |

Represent expenditure incurred for the registration of beneficiaries, warehousing and distribution of inventory (STBs and related accessories) stored at SAPO warehouses and branches throughout the country for access by the installers during the installation processes. During the year under review, USAASA has entered into a Tri-Partite Agreement (Master Service Agreement) with SAPO and DCDT for the warehousing and distribution of remaining inventories stored at SAPO.

Billing and payments are done on a monthly basis based on the various elements that are charged in line with the Master Service Agreement (MSA). SAPO provides certificates of work for each month with the related Portfolio of Evidence (PoE) to support the monthly charges. USAASA and DCDT verify the items charged and match such to the PoE before payments are made.

In the previous financial year, SAPO utilised a float account that was managed by DCDT to draw funds for the warehousing and distribution services provided. As such there were no costs incurred and/or payments made by USAASA in regard to warehousing and distribution costs in the 2021/22 financial year.

## 11. Employee Related Costs

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Basic | 57,783 | 52,937 |
| Medical aid - company contributions | 219 | 217 |
| UIF | 194 | 198 |
| WCA | 167 | 182 |
| Leave pay | 2,763 | 111 |
| Overtime payments | 210 | - |
| Bonus (13th Cheque) | 1,025 | 790 |
| Car allowance | 2,460 | 2,534 |
| Housing benefits and allowances | 393 | 386 |
| Provident Fund | 2,534 | 2,457 |
| | **67,748** | **59,812** |

The increase in compensation of employees expenditure of R6,5 million (representing 11%) from the previous financial year was due to the payments for leave and pay progressions for the previous financial years. For pay progression, the payments were for three years (2017/18 to 2019/20) of pay progressions that were not implemented and paid, while for the leave it was for the two previous financial years (2020 and 2021 calendar years) as per the DPSA circular on payment of leave not taken during the COVID-19 lockdown period.

Moreover the implementation of the Cost of Living Adjustments (COLA) has also contributed to the increase in the compensation of employees expenditure. During the current year under review a 3% COLA increase was implemented for all employees backdated from the 01st of April 2023.

The abovementioned were paid out of retention of surplus funds approved by the National Treasury.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA
**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 12. Depreciation and Amortisation

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Property, plant and equipment | 641 | 101 |
| Intangible assets | - | 2 |
| | **641** | **103** |

## 13. Finance Costs

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Other interest paid | 47 | 7 |

## 14. General Expenses

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Advertising | - | 22 |
| Auditors remuneration | 1,211 | 1,209 |
| Bank charges | 36 | 33 |
| Consumables | 11 | 60 |
| Entertainment | 65 | 12 |
| Fines and penalties | 67 | - |
| Insurance | 113 | 41 |
| Conferences and seminars | 449 | 580 |
| IT expenses | 1,262 | 1,368 |
| Promotional Materials | - | 247 |
| Postage and courier | 11 | 15 |
| Printing and stationery | 257 | 298 |
| Repairs and maintenance | 304 | 176 |
| Computer Software License fees | 355 | 210 |
| Subscriptions and membership fees | 7 | 7 |
| Mobile Voice and Data Services | 1,501 | 1,418 |
| Training and Development | 249 | 449 |
| Travel - local | 6,693 | 8,555 |
| Travel - overseas | 641 | (4) |
| Minor Assets | 120 | - |
| Electricity and Municipal Services | 1,095 | 990 |
| Board and Committee Fees | 1,340 | 1,593 |
| Consultants | 2,265 | 802 |
| Sundries | 353 | 224 |
| Catering - Internal Activities | 325 | 115 |
| | **18,730** | **18,420** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 15. Cash (used in) Generated from Operations

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Deficit) surplus | (114,450) | 98,591 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 641 | 103 |
| Movements in provisions | - | (694) |
| Other non-cash items (leave accrual, bonus accrual, etc) | 301 | (69) |
| Finance Cost | 47 | 7 |
| Interest Income | (15,605) | (8,360) |
| Bad Debts Written-Off | - | 36 |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | (345) | (2,153) |
| Inter-Entity Loan (Loan From USAASA) | 24,552 | - |
| Payables from exchange transactions | 9,170 | 1,072 |
| | **(95,689)** | **88,533** |

## 16. Operating Surplus

Operating surplus for the year is stated after accounting for the following:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Lease/Rental on operating leases | 5,739 | 5,640 |
| Travel costs | 7,258 | 8,552 |
| Legal fees | 2,167 | 2,806 |
| Consultants and Professional Fees | 3,626 | 2,048 |
| Audit fees | 1,211 | 1,209 |
| Amortisation on intangible assets | - | 2 |
| Depreciation on property, plant and equipment | 641 | 101 |
| Employee costs | 67,748 | 59,812 |
| Warehousing and Distribution Costs | 121,016 | - |

## 17. Commitments

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Operating leases - as lessee (expense)** | | |
| **Minimum lease payments due** | | |
| - within one year | 174 | 521 |
| - in second to fifth year inclusive | - | 174 |
| | **174** | **695** |

Operating lease commitments relates to lease of office building in Polokwane. Currently there is no lease contract for the Head Office in Midrand as the contract has lapsed; thus it is impossible to determine commitments as there is no contract value. The operating lease relating to the printers is based on a month to month contract and as such no commitments could be raised without a specific contract amount.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 18. Contingencies

Contingencies disclosed in USAASA relate to the estimate of legal costs expected to be paid/incurred for legal representations in litigations that are currently instituted against the entity and/or USAF. The entity's legal representation (internally and/or externally - including state attorneys) consider the likelihood of the action(s) against the entity being successful and estimate the possible litigation costs that may be incurred based on the balance of probabilities.

Should the action be in favour of the third parties (service providers, civil society, etc), the entity does not have insurance to cover litigation costs and claims. There is no reimbursement from any third parties for potential obligations of the entity. Such costs are defrayed through the ordinary course of business.

Provided below is the status of the matters relating to the entity as at 31 March 2023.

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **LERATADIMA (VARIANCE) V USAASA (RE USAF PROJECTS DTT/BDM)**<br>Leratadima as the manufacturer of the BDM equipment exercised the arbitration clause of the Supply andDelivery Agreement and instituted proceedings against USAASA. | - | (2,250) |
| **CZ ELECTRONICS V USAASA - ON APPEAL (RE USAF PROJECTS - DTT/BDM)**<br>CZ Electronics as the manufacturer of the BDM equipment exercised the arbitration clause of the Supply and DeliveryAgreement and instituted proceedings against USAASA. | - | (2,250) |
| **GROW MAKHOSIKATI (RE USAF PROJECTS - BROADBAND)**<br>Grow was appointed to build broadband infrastructure for the Impendle and Nyandeni for which they were dulyremunerated. It was an express term of the service level agreement that monthly invoices to be submitted togetherwith connectivity reports to be verified by an USAASA Project Manager. Irregularities were identified in the invoicessubmitted for payment. Grow is claiming for non-payment. | (2,000) | (150) |
| **KST TRADING (RE USAF PROJECTS - DTT/BDM)**<br>A summon for the payment of the escalation rate for installation fees paid by USAASA for the 2016/2017, 2017/2018and 2018/2019 financial years, was issued. | (500) | (500) |
| **VBS BANK (RE USAF PROJECTS - DTT/BDM)**<br>USAASA was served with a Notice of Motion alleging USAASA to be in breach of a letter of undertaking signed bythe former CEO of USAASA ,on 16 January 2016, whereby it is alleged that USAASA undertook to pay all invoicessubmitted by Leratadima Marketing Solutions (in liquidation) into a VBS Bank account. It is further alleged that asa result of USAASA breaching this undertaking, VBS Bank (in liquidation) suffered damages and are now claimingcompensation for such. | - | (3,000) |
| **MT Creations and Others v USAASA**<br>Installation Companies previously employed by USAASA for the installation of the set top boxes are claiming an annual escalation rate in terms of their contracts | (1,500) | - |
| **ELLIES ELECTRONICS**<br>USAASA received a filing notice from AFSA dated 22 November 2022. The matter related to the escalation of charges during the term of the contract. | (600) | - |
| **Duramics Trading, Lamec Trading, Samano Trading Projects and Sanctumsa**<br>USAASA received a filing notice from AFSA dated 22 November 2022. The matter is related to the escalation of charges during the term of the contract. | (1,800) | - |
| | **(6,400)** | **(8,150)** |

# UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

## AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 25, civil proceedings will commenced against the employees concerned to recover an amount determined in accordance with the Loss Control Process and/or legal counsel obtained. Equally important is to obtain advice whether it is probable that the proceedings will result in the recovery of the full amount or that recovery is virtually certain. In cases where recovery is remote, no contingent asset will be disclosed.

As USAASA is administrative by nature, contingencies provided in the entity relate to legal costs to be paid after receiving invoices from the Department of Justice or from third parties appointed to represent the entity on various matters relating to USAASA and/or USAF. Provided below is the status of the matters relating to the entity as at the 31st of March 2023:-.

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **LABOUR MATTER**<br>Not effecting salary notches in accordance with the relevant prescripts and circulars. The Union (CWU) wrote to the former CEO on 2 March 2016 requesting that all other employees who did not receive notch increments be similarly awarded such notches benchmarked at the highest notch awarded (notch 12), by not later than 15 March 2016. Subsequent to such request not being granted by the ultimatum date, CWU declared a dispute and made referral to the CCMA. The previous Board solicited an investigative report by Werksmans Attorneys which report confirmed the irregularity hence the resolution to approach the Labour Court. | - | 250 |
| **LABOUR MATTER**<br>Effecting notch progression for employees above their salary notches ceiling. The matter is still under legal consideration to determine recovery, settlement and/or other ways to finalise this matter. A reasonable estimate of possible recovery is the difference between the current salary and the last notch (ceiling). | - | 937 |
| **USAASA V DIATLA TSE BORUTHO (DIATLA)**<br>USAASA is claiming for VAT in the sum of R34 thousand. Legal cost are estimated at R5 thousand. | - | 29 |
| | **-** | **1,216** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# 19. Related Parties

**Relationships**

| | |
|---|---|
| Members | Refer to members' report note 20 |
| Ultimate controlling entity | Department of Communications and Digital Technologies (DCDT) |
| Fellow-controlled entity (within common control) | South African Broadcasting Corporation (SABC) |
| Fellow-controlled entity (within common control) | Sentech |
| Fellow-controlled entity (within common control) | Broadband Infraco (BBI) |
| Fellow-controlled entity (within common control) | South African Post Office (SAPO) |
| Fellow-controlled entity (within common control) | National Media Institute of South Africa (NEMISA) |
| Fellow-controlled entity (within common control) | Film and Publications Board (FPB) |
| Fellow-controlled entity (within common control) | State Information Technology Agency (SITA) |
| Fellow-controlled entity (within common control) | Postbank |
| Fellow-controlled entity (within common control) | Domain Name Authority of South Africa (.ZADNA) |
| Fellow-controlled entity (within common control) | Independent Communications Authority of South Africa (ICASA) |
| Fellow-controlled entity (within common control) | Universal Service and Access Fund (USAF) |

Transactions with related parties in USAASA are minimal as USAASA is administrative by nature. The only entity with which USAASA has contracted during the year under review was SAPO for the warehousing of USAASA inventory as well as for the registration of beneficiaries and distribution of the warehoused STBs. USAASA receives allocated budget / funds from DCDT.

| Related Party Balances | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Loan Accounts - Owing (to) by Related Parties** | | |
| USAF | (24,552) | - |
| Represent warehousing and distribution costs incurred by USAASA and paid in USAF. By 31 March 2023 the balance was not yet settled by USAASA. | | |
| **Amounts included in Trade Receivable (Trade Payable) regarding Related Parties** | | |
| SAPO | (9,550) | - |
| Represent the balance owed to SAPO for warehousing and distribution costs incurred in the year under review. By 31 March 2023, the balance was not yet settled by USAASA. | | |
| **Related Party Transactions** | | |
| **Drawdown Payments from:** | | |
| DCDT | 86,033 | 177,055 |
| **Warehousing and Distribution Costs** | | |
| SAPO | 121,016 | - |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 19. Related Parties *contd.*

| Key Management Information | Description | Number |
|---|---|---|
| Non-executive board members | Represented by independent Board Members appointed by the Minister | 5 |
| Executive managers (standing invitees to the Board) | Only the Chief Executive Officer and The Chief Financial Officer | 2 |
| Executive managers (attend board meetings per invite) | Employees appointed at executive level who forms part of the Executive Committee | 3 |

| Remuneration of Management | Basic Salary R'000 | Acting Allowance R'000 | Other Benefits R'000 | Total R'000 |
|---|---|---|---|---|
| **Management class: Executive management - 2023** | | | | |
| Chwayita Madikizela (ACEO: 08/03/2021 to current) | 1,511 | 228 | 117 | 1,856 |
| Sipho Mngqibisa (Executive: Performance Management | 1,518 | - | 55 | 1,573 |
| Selloane Motloung (Board Secretary) | 1,518 | - | 22 | 1,540 |
| Sharonne Scheepers (Acting Executive: Corporate Services) | 1,422 | 83 | 22 | 1,527 |
| Trevor Nivi (Acting Executive: Operations) | 1,401 | 101 | 22 | 1,524 |
| Sidney Mongala (Acting Chief Financial Officer: 08/03/2022 to current - secondment from DCDT) | 1,365 | 47 | - | 1,412 |
| | **8,735** | **459** | **238** | **9,432** |
| **Management class: Executive Management - 2022** | | | | |
| Chwayita Madikizela (ACEO: 08/03/2021 to current) | 1,473 | 75 | 142 | 1,690 |
| Sipho Mngqibisa (Executive: Performance Management | 1,474 | - | 22 | 1,496 |
| Selloane Motloung (Board Secretary) | 1,474 | - | 22 | 1,496 |
| Sharonne Scheepers (Acting Executive: Corporate Services) | 1,174 | 96 | 22 | 1,292 |
| Trevor Nivi (Acting Executive: Operations) | 1,157 | 117 | 22 | 1,296 |
| Sidney Mongala (Acting Chief Financial Officer: 08/03/2022 to current - secondment from DCDT) | 97 | - | - | 97 |
| Frik Nieman (Interim Chief Financial Officer: 01/05/2020 to 28/02/2022 - Seconded from DCDT) | 918 | - | - | 918 |
| | **7,767** | **288** | **230** | **8,285** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

## 20. Members' and prescribed officers' remuneration and other benefits paid, payable or receivable

| Non-Executive | Retainer R'000 | Board and Committees fees R'000 | Other fees (Reimburse ments for Travel KMs and other claims) R'000 | Total R'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Ms Daphne Rantho | 22 | 294 | 34 | 350 |
| Mr Simphiwe Thobela | 17 | 275 | 22 | 314 |
| Mr Talelani Ramaru (Late) | 17 | 239 | 4 | 260 |
| Ms Buhle Tonise | 17 | 187 | 7 | 211 |
| Ms Mapuleng Moropa | 17 | 248 | 9 | 274 |
| | **90** | **1,243** | **76** | **1,409** |
| **2022** | | | | |
| Ms Daphne Rantho | 22 | 309 | - | 331 |
| Mr Simphiwe Thobela | 17 | 373 | 109 | 499 |
| Mr Talelani Ramaru (Late) | 17 | 232 | 1 | 250 |
| Ms Buhle Tonise | 17 | 311 | 2 | 330 |
| Ms Mapuleng Moropa | 17 | 329 | 3 | 349 |
| | **90** | **1,554** | **115** | **1,759** |

## 21. Prior-Year Adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

| | As Previously Reported R'000 | Correction of Error R'000 | Re-classificatio R'000 | Restated R'000 |
|---|---|---|---|---|
| **Statement of Financial Position - 2022** | | | | |
| Accruals (Reclassification 1) | (10,523) | (3,275) | - | (13,798) |
| Provisions (Reclassification 1) | (2,740) | - | 2,740 | - |
| Staff debts / Advances (Error 2) | 4,026 | (1,539) | - | 2,487 |
| Prepayments (3) | 467 | 43 | - | 510 |
| Other receivables | 1,868 | (1,337) | - | 531 |
| | **(6,902)** | **(6,108)** | **2,740** | **(10,270)** |

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# 21. Prior-Year Adjustments contd.

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

| | As Previously Reported R'000 | Correction of Error R'000 | Restated R'000 |
|---|---|---|---|
| **Statement of financial performance - 2022** | | | |
| Lease/rental on operating lease (Error 3) | 5,683 | (43) | 5,640 |
| Legal fees (Error 1) | 420 | 2,386 | 2,806 |
| General expenditure (4) | 15,654 | 2,766 | 18,420 |
| **Surplus for the year** | **21,757** | **5,109** | **26,866** |
| | | | |
| **Cash flow statement - 2022** | | | |
| **Cash flow from operating activities** | | | |
| Surplus for the year | 103,700 | (5,109) | 98,591 |
| Movement in receivables from exchange transactions | (4,600) | 2,447 | (2,153) |
| Movement in payables from exchange transactions | (1,652) | 2,724 | 1,072 |
| Other non-cash adjustments | - | (69) | (69) |
| | **97,448** | **(7)** | **97,441** |

### Errors

The following prior period errors adjustments occurred:

**Error 1**

Due to correction of accounting period for legal fees from the State Attorney. This is due to invoices that are submitted late (at times one or even two years later) to USAASA for payments. The invoices were submitted after the 2021/22 audit was finalised and report issued.

**Error 2**

Settlement for advances that were paid in the prior period were only submitted and processed in the current financial year after the 2021/22 audit was finalised and closed.

**Error 3**

Rental for Polokwane offices that was omitted in the 2021/22 financial year expenditure (incorrectly recorded in the 2022/23 financial year when the invoice was received in April).

**Error 4**

The increase in general expenses was due to the increases in the following general expenditure line items: (a) S&T expenditure due to the late settlement of advances: R2 871.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

**Reclassifications**

The following reclassifications adjustment occurred:

**Reclassification 1**

Liabilities items reclassified from provisions to accruals: R2 740.

This is due to some items that met the definition and recognition criteria for accruals being incorrectly classified as provisions. The items that were reclassified are as follows:-

(a) Leave liability. USAASA has adopted the leave Policy of Government whereby leave credits will be forfeited if not taken by 30 June each year. As such the leave liability in USAASA meets the GRAP 19 definition of leave accrual instead of leave provision.

(b) Bonus liability. USAASA has employees that have structured their salaries to receive 13th cheque on the date of their birthdays. 13th cheque meets the definition of accruals in accordance wit GRAP 19, hence the reclassification from provisions.

(c) Workmans compensation (COIDA) liability. This amount is determined after 31 March each year for the previous financial year and paid in May of the following year. As such the amount meets the definition and recognition criteria for accruals in accordance with GRAP 19.

# 22. Risk Management

**Liquidity Risk**

Liquidity risk is the risk that the Fund will be unable to meet a financial commitment. This risk is minimized through the holding of cash balances in both the current and call accounts. In addition, detailed cash flow forecast are regularly prepared and future commitments and credit balances are reviewed on an ongoing basis.

Prudent liquidity risk management implies maintaining sufficient cash, and securing the availability of funding through an adequate the ENE process. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow budget forecast (ENE) is prepared in accordance with Schedule 3A regulations and protocols.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, and staff debtors. The entity only deposits cash with one of the RSA's major banks with high quality credit standing and limits exposure to any one bank collapse.

Potential concentrations of credit risk consist primarily of cash deposits and cash equivalents. Credit risk arises from the risk that a counter-party may default or not meet its obligations in sufficient time. The Fund minimizes credit risk by investing unutilised cash in a short-term investment call account.

**Market risk**

**Interest rate risk**

Although the entity has significant interest-bearing asset (call account), the entity's income and operating cash flows are substantially independent of changes in the market interest rates. This is due to the entity receiving significant portion of revenue from grants allocated in accordance with the ENE. The call account investment is sensitive to the movements in interest rates which is the primary interest rate to which the entity is exposed.

The carrying amount of the Fund's financial assets at year end that are subject to interest rate risk is disclosed in the note relating to cash and cash equivalent.

Management performs sensitivity or impact analysis on regular basis to determine the impact of the interest rate fluctuations on the balances invested in the call account (short-term) investment instruments. For the year under review the interest has grown favourably to 7.3% representing an increase of 4% compared to the 3.5% average interest rate.

**Foreign exchange risk**

USAASA is not exposed to foreign exchange or currency risks as the entity does not conduct business or operations in different currencies (exporting or importing).

The entity does not hedge foreign exchange fluctuations.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

# 23. Going Concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R180 million and that the entity's total assets exceed its liabilities by R180 million.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It should be noted that the Department and USAASA have planned to and are currently implementing activities to disestablish USAASA. While USAASA is still in operations, it will be able to deliver on its mandate and meet its legal obligations in the foreseeable future.

# 24. Events after the Reporting Date

USAASA management has not identified any adjusting or non-adjusting event after reporting period date which would result in the financial statements being adjusted, or where such events required disclosure within the financial statements notes.

# 25. Irregular Expenditure and Fruitless and Wasteful Expenditure

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Fruitless and Wasteful Expenditure | 114 | 2,608 |
| Irregular Expenditure | 7,895 | 64,938 |
| | **8,009** | **67,546** |

**Amounts of material losses through criminal conduct**

There were no material losses incurred through criminal conduct on the matters already investigated on irregular and fruitless and wasteful expenditure.

There are some investigations and consideration of investigation reports underway regarding irregular and fruitless and wasteful expenditure. Management will determine after the investigations whether there are material losses through criminal conduct.

**Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure**

No disciplinary steps / criminal proceedings are required for the items of irregular and fruitless and wasteful expenditure already investigated. No one is found guilty / responsible for the investigated items of fruitless expenditure.

There are some investigations and consideration of investigation reports underway regarding irregular and fruitless and wasteful expenditure. Management will take the necessary steps after completing the investigations and/or consideration of the investigation reports.

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# NOTES



**UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA**

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