



Universal Service and Access Agency of South Africa

Annual Report
2015/2016


USAASA
Universal Service and Access Agency of South Africa

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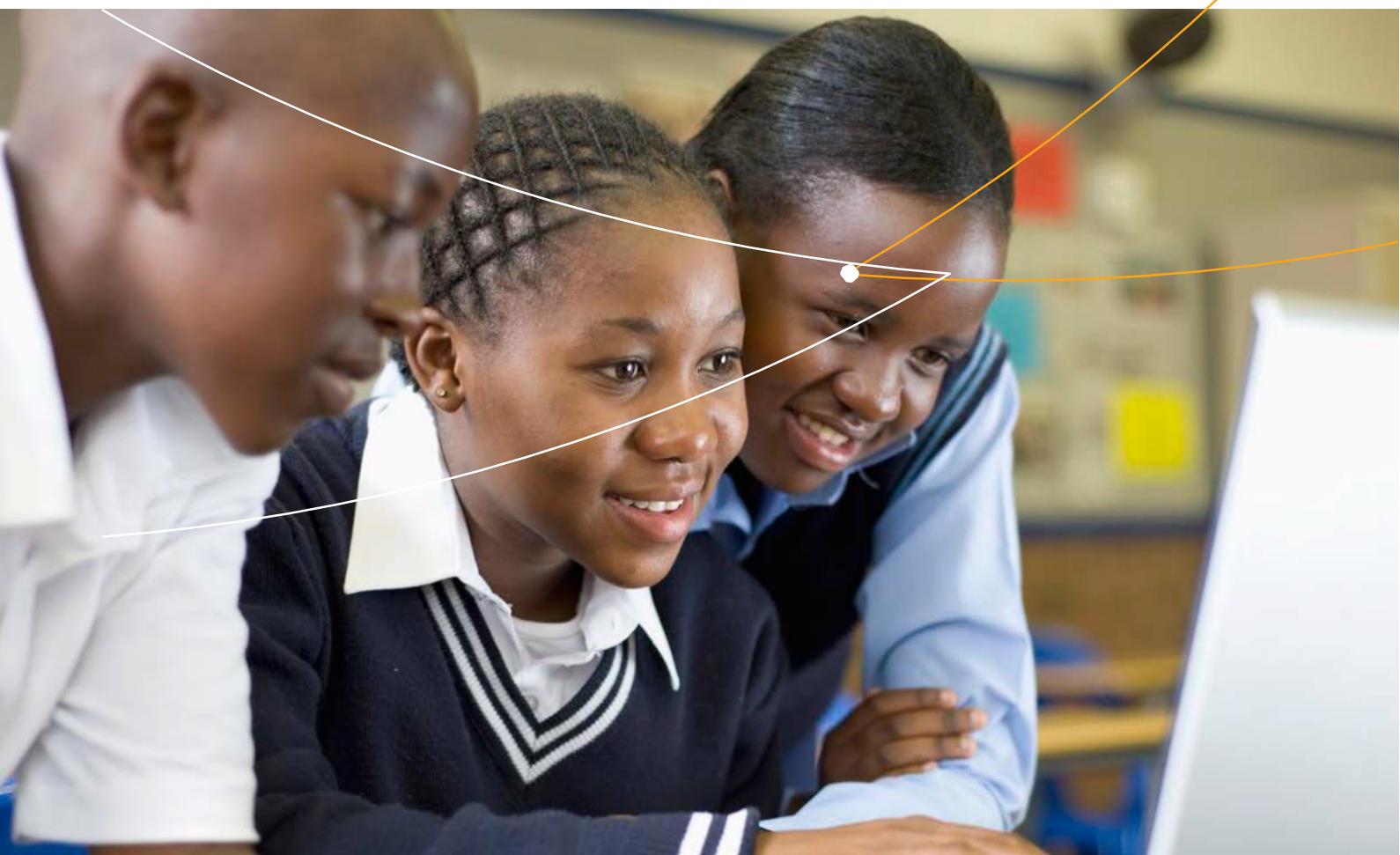
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List of Abbreviations /Acronyms

ADSL	Asymmetric Digital Subscriber Line
AG	Auditor-General
APP	Annual Performance Plan
BARC	Board Audit and Risk Committee
BBBEE	Broad Based Black Economic Empowerment
BDM	Broadcasting Digital Migration
BDS	Business Development Services
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COBIT	Control Objectives for Information and Related Technologies
DoC	Department of Communications
DSLAMs	Digital Subscriber Line Access Multiplexers
DTPS	Department of Telecommunications and Postal Services
DTH	Direct To Home
DTT	Digital Terrestrial Television
EC	Eastern Cape
ECA	Electronic Communications Act, 2005 (Act No. 36 of 2005)
ERP	Enterprise Resource Planning
EXCO	Executive Management Committee
FIFO	First In First Out
FS	Free State
Gbps	Gigabits per second
GIS	Geographic Information System
GITO	Government Information Technology Officers
GRAP	Generally Recognised Accounting Practice
GRC	Governance, Risk and Control
ICASA	Independent Communications Authority of South Africa
ICT	Information Communications Technology
IPC	Institute for Printed Circuits
ISP	Internet Service Provider
ITU	International Telecommunication Union
ITIL	Information Technology Infrastructure Library
KZN	KwaZulu-Natal
LP	Limpopo
LTE	Long-Term Evolution
Mbps	Megabits per second

MEC	Member of the Executive Council
MIOS	Minimum Inter-Operability Standards
MISS	Minimum Information Security Standards
MOU	Memorandum of Understanding
MP	Mpumalanga
MSAN	Multiservice Access Node
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NC	Northern Cape
NGP	New Growth Path
NRI	Network Readiness Sub-Index
NW	North West
OD	Organisational Development
PAA	Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PoPI	Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
PPPFA	Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
PWD	Persons with Disability
RDP	Reconstruction and Development Programme
REMCO	Human Resources and Remuneration Committee
RSA	Republic of South Africa
SA CONNECT	South Africa Connect: Creating Opportunities, Ensuring Inclusion South Africa Broadband Policy (2013)
SANRAL	South African National Roads Agency Limited
SANS	South African National Standards
SAP	Systems, Applications and Products
SAPO	South African Post Office
SCM	Supply Chain Management
SIP 15	Strategic Integrated Project (15) - Expanding Access to Communication Technology
SITA	State Information Technology Agency
SKA	Square Kilometre Array
SOC	State Owned Companies
STBs	Set-top boxes
USAASA	Universal Service and Access Agency of South Africa
USAF	Universal Service and Access Fund
VAT	Value Added Tax
VDSL	Very-high-bit-rate Digital Subscriber Line
VIP	Variable Information Processing

PART A: GENERAL INFORMATION



General Information

REGISTERED NAME	Universal Service and Access Agency of South Africa
REGISTERED NUMBER	Not Applicable
ACTING CHAIRPERSON OF THE BOARD	Mawethu Cawe
CHIEF EXECUTIVE OFFICER	Lumko Mtimde
REGISTERED ADDRESS	Building 1 Thornhill Office Park 94 Bekker Road Vorna Valley Midrand 1686
POSTAL ADDRESS	PO Box 12601 Vorna Valley 1686
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E-MAIL ADDRESS	elsabe@usaasa.org.za
WEBSITE ADDRESS	www.usaasa.org.za
BANKERS	Nedbank South Africa
AUDITORS	Auditor-General: South Africa
COMPANY SECRETARY	Elsabe Marx



Foreword by the Acting Chairperson

Mawethu Cawe

It is a great honour to present the annual report for the 2015/16 financial year outlining performance outcomes against the predetermined strategic objectives for the Universal Service and Access Agency of South Africa (USAASA). This foreword has been prepared in line with functions of the Board in terms of section 81(2)(d) of the Electronic Communications Act, 2005 which enjoins the Board to approve the annual report referred to in section 86 prior to its submission to the Minister.

The year under review was a particularly challenging one as I had to assume the leadership of the USAASA Board of Directors within three months of my appointment as a Board member following the resignation of the Board Chairperson, Mrs Pumla Radebe, towards the end of the third quarter of the financial year. This coincided with the expiry of the Board Audit and Risk Committee's term in the third quarter which was closely followed by the end of the Chief Executive Officer's tenure in office in the final quarter of the year. These developments negatively impacted on the governance and stability of the organisation, and resulted upon the Auditor-General noting instability in the entity's management during the 2015/16 external audit.

The journey for the financial period under review began with the crafting of the Agency's five-year strategic path through the development of a Strategic Plan and an Annual Performance Plan consistent with the plans of the DTPS, and other plans of national government in order to ensure sound governance and compliance with the Public Finance Management Act (PFMA) and the National Treasury Framework for Strategic Plans and Annual Performance Plans. The key focus of the Board and management throughout the financial year has been on

tracking the implementation of these organisational plans, culminating in the development of this annual report reflecting the year-end performance outcomes for 2015/16 against the USAASA Annual Performance Plans and Budgets.

In pursuit of the Agency's vision of Universal Access and Service to Information and Communications Technology (ICT) for All, USAASA, as the administrator of USAF, successfully facilitated the completion of broadband networks in the under-served local municipal areas of Chief Albert Luthuli (Mpumalanga) and Mutale (Limpopo) and the connectivity of three schools for learners with special needs to ICT services amongst a total of six schools connected through USAF.

Such achievements are indeed affirmation that USAASA continues to play a pivotal role in ensuring South African citizens, particularly in under-served rural communities, have access to basic ICT services.

USAASA's key projects for 2015/16 included the re-alignment of Information Technology (IT) systems and business processes through the Enterprise Resource Planning (ERP) project and the re-alignment of the Agency in accordance with its approved Organisational Development structure. The finalisation of these two projects will lead to the automation and integration of USAASA's business processes in order to optimise organisational performance going forward. This will further ensure that the organisational structure enables the Agency to become a dynamic and innovative organisation with a more active role to play in bringing ICT infrastructure and services closer to the under-served communities of South Africa.

USAASA realises that the success of projects to be implemented through USAF in the 2016/17 financial period is primarily dependent on concerted effort by the Board, the entire USAASA team and all other stakeholders with individual roles to fulfil in supporting the project delivery of USAF.

It is recorded that the tenure of the previous USAASA Board of Directors under the leadership of Mrs Pumla Radebe ended on 31 August 2015. I wish to express sincere gratitude to my fellow USAASA Board members who took on the huge responsibility of continuing with the execution of the Agency's mandate and have worked tirelessly since their appointment on 1 September 2015 in providing strategic direction and steering the Agency towards the achievement of the USAASA vision of "Universal Access and Service to ICT for All".

The entire Board extends a warm welcome to the newly appointed USAASA Chief Executive Officer, Mr Lumko Mtimde. We wish him a prosperous tenure at the helm of the Agency and trust that his passion for community development and the ICT sector will lead to the realisation of the Agency's strategic objectives.

On behalf of the USAASA Board I wish to acknowledge the Portfolio Committee on Telecommunications and Postal Services, under the leadership of Chairperson Ms Mmamoloko Kubayi, for their steady persistence in providing oversight to ensure USAASA remains focused on achieving its core mandate of promoting the goal of universal access and universal service.

I wish to thank the Minister of Telecommunications and Postal Services, (DTPS) Honourable Siyabonga Cwele (Dr) for his support in my first year as the Acting Chairperson of the Board. I am also grateful to the Acting Director-General and the entire DTPS team for welcoming and supporting the new Board of Directors. The Board also appreciates the support by the Department of Communications Minister, Honourable Faith Muthambi, during the 2015/16 financial year and wishes to affirm its commitment to providing leadership and guidance to the USAASA management team on the Broadcasting Digital Migration programme.

The Board Audit and Risk Committee under the leadership of Mr Linda Nene, to whom the Board is sincerely indebted, concurs and accepts the conclusion of the Auditor-General of South Africa on the USAASA Annual Financial Statements and is of the opinion that the audited 2015/16 financials be accepted and read with the report of the Auditor-General. This committee will continue to support the Agency in ensuring adherence to relevant policies and procedures applicable to performance information monitoring and reporting, as well as, tracking the implementation of action plans to ensure challenges related to non-performance can be arrested timeously. This will hold members of the executive management team accountable for the non-achievement of targets related to their particular areas of responsibility.

In conclusion, we salute the USAASA management team and employees for their resilience and unwavering commitment to contributing to the reduction of poverty and unemployment in South Africa by facilitating the provision of ICT services in under-served communities.



Mawethu Cawe
Acting Chairperson: USAASA Board of Directors



Overview by the Chief Executive Officer

Lumko Mtimde

The Constitution of the Republic of South Africa, 1996 aims to "... improve the quality of life of all citizens and free the potential of each person" and, in doing so, enables equality in the rights, privileges and benefits of citizenship, including the guarantee of freedom of expression associated with the Bill of Rights in the digital world.

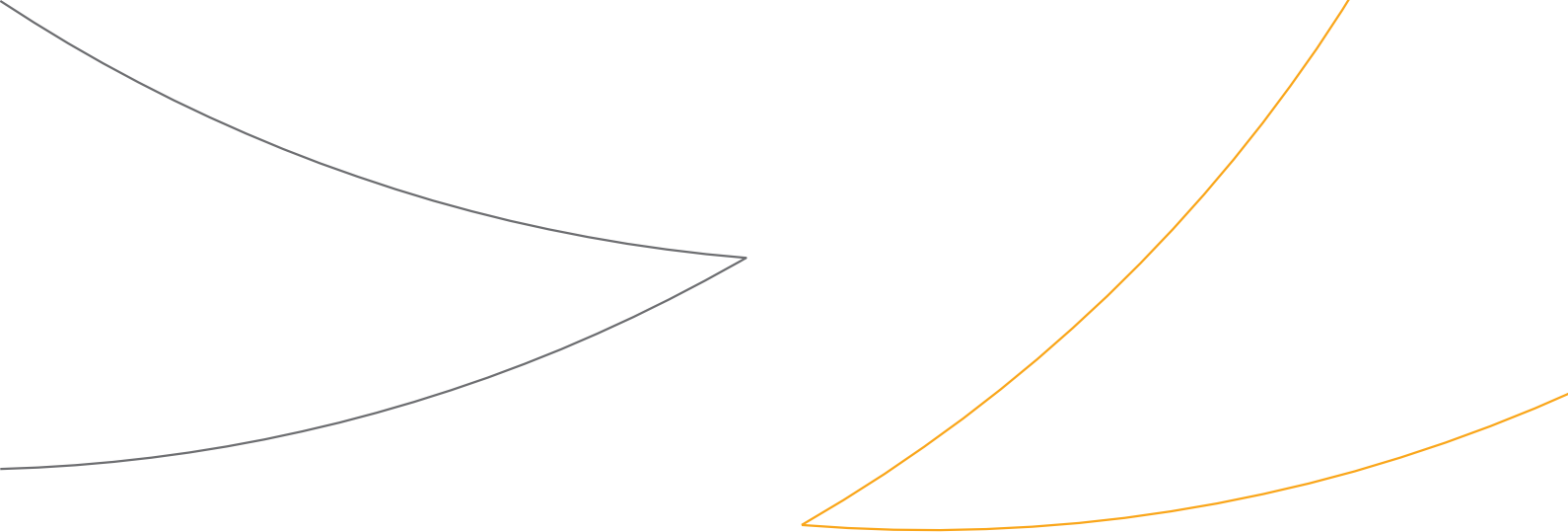
The National Development Plan (NDP) 2030, which underpins the development of a dynamic and connected information society and a vibrant knowledge economy that is more inclusive and prosperous, requires South Africa to sharpen its innovative edge and continue contributing to global scientific and technological advancement. This is also emphasised by the New Growth Path and Nine-Point Plan priorities of Government which seek to promote rapid deployment of ICT infrastructure and broadband rollout aimed at igniting economic growth and a vibrant knowledge society.

These plans are further supported by the National Infrastructure Plan formalised through the Infrastructure Development Act, No. 23 of 2014 which seeks to achieve 100% access to digital ICTs for all South Africans by 2020 as a driver of new economic opportunities and digital equity as part of the Strategic Integrated Project (SIP-15).

All South Africans should be able to acquire and use knowledge effectively, however, the high domestic cost of broadband internet connectivity is a major hindrance. To this end the NDP emphasises that institutional arrangements to manage the ICT environment need to be better structured to ensure that South Africa does not fall victim to a "digital divide". The Agency as an entity mandated through the Electronic Communications Act (ECA) to promote the goal of universal access and universal service thus has a crucial role to play in bringing the NDP objective of closing the digital divide closer to becoming a reality.

The South Africa Connect Policy, 2013 that informs USAASA's operational activities is centred on ensuring connectivity at the Presidential National Health Insurance (NHI) eight (8) Pilot Districts, wherein government institutions are to be provided with connectivity, in line with the specified bandwidths.

In responding to the requirements of SA Connect, USAASA facilitated the deployment of integrated broadband infrastructure and services in the Mutale Local Municipality (Limpopo) and Chief Albert Luthuli Local Municipality (Mpumalanga), through competitive bidding processes utilising USAF grant funding.



This enabled the installation of new Wi-Fi enabled networks and the integration of essential services to poor communities using the anchor tenancy model in order to ensure provision of sustainable broadband services to these impoverished communities.

The second quarter of the year brought the completion of audit processes for the 2014/15 financial period by the Auditor-General; the outcome of which reflected a significant improvement in the Agency's internal control environment. The Agency's robust internal control environment once again earned it an unqualified audit opinion from the AG with no supply chain matters raised for 2014/15.

The 2015/16 external audit by the AG resulted in an unqualified audit opinion with findings of non-compliance for USAASA. Management will ensure action plans are developed in the second quarter of 2016/17 and implemented to address all 2015/16 AG audit findings. Efforts toward the achievement of a clean audit will continue during the 2016/17 financial year.

It must be noted that outcomes of the 2015/16 AG audit necessitated the downward review of the reported USAASA achievements for the year from 62% to 50%. This was due to the addition of four Annual Performance Plan targets that were not tracked during the year as a result of financial constraints.

The Organisational Development process gained momentum in the first three quarters of the year, resulting in the conclusion of the requisite competency assessments focusing on the Operations Division as the Agency's core division. The matching and placement also commenced following consultations with employees in each division, thus paving the way for the final stage of the process.

Migrating employees to the new OD structure was, however, delayed due to labour disputes which necessitated further consultations with USAASA's social partners. The OD project is envisaged to be finalised in the 2016/17 financial period.

The Enterprise Resource Planning (ERP) project, which is intended to automate the Agency's key business processes, was not concluded by the 1st April 2016 targeted project go-live date due to challenges related to the finalisation of the Organisational Development project and the procurement of requisite additional hardware.

The project team focused on the functionality of the system in order to ensure there are minimal delays once these challenges have been resolved and work continues towards the rollout of the system in the 2016/17 financial year.

It must be acknowledged that USAASA employees are the engine behind the successful implementation of all USAF projects as the Fund itself has no employees directly attached to it.

The well-being of USAASA employees is thus important and as such the Agency invested in an Employee Assistance Programme designed to take care of all aspects of employee health and wellness.

This was achieved through the provision of professional advice and information on general health, work, financial and family challenges, as well as, free and confidential on-site health screening and counselling services. It is our strong belief that happy and healthy employees with a strong connection to the USAASA values of Batho Pele, Integrity, Accountability, Innovation, Transparency and Teamwork will remain motivated and committed to realising the Agency's strategic goals.

As part of its efforts for stabilising the management team, the Agency in terms of events after reporting, appointed a new CEO in May 2016 and a Company Secretary in July 2016. The processes for the appointment of a Chief Financial Officer were at an advanced stage at the time of reporting.

To further strengthen the capacity of the Agency management will focus on the following key areas:

- The development of an Employee Engagement Plan;
- Conclusion of the Organisational Development project;
- Conducting impact assessments on USAASA's contribution towards closing access gaps in under-served areas in the previous years;
- Developing strategies for promoting a high-performance culture throughout the organisation;
- The conclusion of the ERP project and improving internal business processes.

In conclusion, a special word of gratitude goes to the USAASA Board of Directors for their unwavering commitment and support.

Acknowledgement goes to my predecessor, the former USAASA Chief Executive Officer – Zami Nkosi, the former Chief Financial Officer – Zane Mheyamwa, as well as, the former Company Secretary – Koekie Mbeki, for their contribution to the achievements of the Agency for 2015/16.



Elsabe Marx
Company Secretary



Zami Nkosi
Former CEO



Zane Mheyamwa
Former CFO



Koekie Mbeki
Former Company Secretary

Appreciation also goes to the Executive Management Committee for recognising and committing to our key role of ensuring the USAASA team remains dedicated and focused on the goal of promoting universal access and universal service. I also wish to extend sincere gratitude to the USAASA team for their individual contributions during the 2015/16 financial year.

I am proud to be part of the committed and hardworking USAASA team – together we now go forward towards our vision of Universal Access and Service to ICT for All.

Lumko Mtimde
Chief Executive Officer

Strategic Overview

VISION

Universal Access and Service to ICT for All.

MISSION

- To facilitate the rollout of adequate Information and Communications Technology infrastructure to enable universal access to under-serviced areas in South Africa.
- To facilitate ICT service to under-serviced areas and thereby contributing to the reduction of poverty and unemployment in South Africa.
- To promote and pursue the goal of Universal Access and Services and contribute to the sharing and preservation of information in order to build South Africa's sustainable knowledge society.

VALUES

The following values essentially capture what the Agency stands for and they guide USAASA's efforts towards achieving the set strategic objectives:

- Batho Pele – We believe in providing excellent, efficient and effective service to all customers and stakeholders.
- Integrity – We uphold high standards of trust; condemn bribery and corruption; and uphold honesty and respect in all interactions with stakeholders.
- 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.

LEGISLATIVE AND OTHER MANDATES

Constitutional Mandates

The Constitution of South Africa (1996) describes the Bill of Rights as a cornerstone of democracy in South Africa and states that: "It enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom". Section 16 of the Bill of Rights is one of the sections unpinning the higher guiding principle of USAASA's mandate to provide access and service that will ensure freedom of expression for the people of South Africa:



Figure 1: Section 16 of the Bill of Rights

The right to free expression has been interpreted as a right to the resources, facilities and equipment to enable free expression. It follows that the right to have access to telecommunication resources, facilities and equipment is a basic right in South Africa. In addition, Section 32 of the Bill of Rights also describes the "Right to information" and if access is limited due to a lack of ICT resources, facilities and access, this right cannot be fulfilled.

Legislative Mandate

The Agency is a public body as confirmed by Schedule 3A of the Public Finance Management Act, 1 of 1999 which was established in terms of an Act of Parliament. The existence, functions, duties and mandate of the Agency are governed by the Electronic Communications Act, 36 of 2005 (the ECA) which came into operation in 2006. The new amendments to the ECA, which have a direct bearing on governance of the Agency, came into operation on 21 May 2014.

The ECA also established the Universal Service and Access Fund (the Fund) which is financed by contributions from electronic

communications service, electronic communications network service and broadcasting service licensees. The money in the Fund must be utilised for specific subsidies to needy persons, under-serviced areas and schools.

In terms of the ECA the Agency must:

- strive to promote the goal of universal access and universal service;
- encourage, facilitate and offer guidance in respect of any scheme to provide universal access, universal services or telecommunication services in terms of the Reconstruction and Development Plan (RDP);
- foster the adoption and use of new methods of attaining universal access and universal service;
- make recommendations to enable the Minister to determine what constitutes universal access, universal service and under-serviced areas;
- conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technology, electronic communications services and electronic communications facilities;
- continually survey and evaluate the extent to which universal access and service have been achieved;
- make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;
- advise the Authority (ICASA) on any matter relating to universal access and universal service;
- continually evaluate the effectiveness of this Act and things done in terms thereof towards the achievement of the goal of universal access and universal service;
- manage the Universal Service and Access Fund (USAF) in accordance with the provisions of the Act;
- submit annual reports in its operations, budget and expenses to the Minister;
- utilise the USAF exclusively for the payment of certain subsidies; and
- provide incentives to network licensees to construct, operate and maintain networks in areas declared under-serviced by ICASA.

In terms of the most recent amendments to the ECA, the distinction between public and independent schools and between public and private colleges has fallen away and the

scope of application for USAF subsidies has been increased to include provision to independent schools, private colleges and primary health care facilities; in addition, USAASA is subjected to the Public Finance Management Act to improve its governance. The amendments also seek to ensure there is consistency in terms of provisions relating to universal access, universal service and needy persons. Finally, the Minister of Telecommunications and Postal Services, acting with the concurrence of the Minister of Finance, may prescribe additional uses of money held in USAF.

The ICT Policy Review Panel submitted its recommendations to the Minister for Postal Services and Telecommunications and these recommendations address proposed changes to the ICT policy environment. The DTPS will produce an ICT White Paper, and make recommendations with respect to new or amended legislation arising from the White paper. The most significant proposal with respect to universal service and access relates to the creation of an ICT Development Fund which would replace USAASA. It would exclude the policy making and regulation making functions currently with the Agency, and the Fund would be responsible in the main for identifying, awarding and managing projects.

POLICY MANDATE

Medium-Term Strategic Framework

The five-year Medium-Term Strategic Framework (MTSF) priorities are:

- Creation of more jobs, decent work and sustainable livelihoods for inclusive growth;
- Rural development, land reform and food security;
- Education;
- Health; and
- Fighting crime and corruption.

These priorities are supported by various strategies and USAASA is directly impacted by the first priority, related to economic growth and job creation through industrialisation and infrastructure expansion.

National Development Plan

The National Development Plan aims to eradicate poverty, increase employment and reduce inequality by 2030.

The NDP goals that have an influence on USAASA's strategy and work include the following:

- Implementation of an integrated e-strategy for the country;
- 100% broadband penetration by 2020 (>2mbs);
- Deployment of a full range of government, educational and informational services by 2030.

New Growth Path strategies

Jobs Driver 3: Seizing the potential of new economies. Technological innovation opens the opportunity for substantial employment creation.

The New Growth Path targets the creation of 100,000 new jobs by 2020 in the knowledge-intensive sectors of ICT, higher education, healthcare, mining-related technologies, pharmaceuticals and biotechnology.

SIP-15: Expanding Access to Communication Technology

AIM: 100% access to digital ICTs to all South Africans by 2020 as a driver of new economic opportunities and digital equity. Interim implementing agencies include: Sentech, Broadband Infraco, Telkom, SANRAL, Eskom, Transnet and the Universal Service and Access Agency of South Africa (USAASA).

South Africa's Broadband Policy: South Africa Connect

In terms of the Electronic Communications Act, 2005 (Act No.36 of 2005), the Department of Communications of South Africa published a policy document "South Africa Connect: Creating Opportunities, Ensuring Inclusion: South Africa's Broadband Policy". This was gazetted on 6 December 2013.

SA Connect guides the ICT sector as a whole, and USAASA in particular, in terms of the approach that must be taken to promote broadband deployment, usage and uptake in the country.

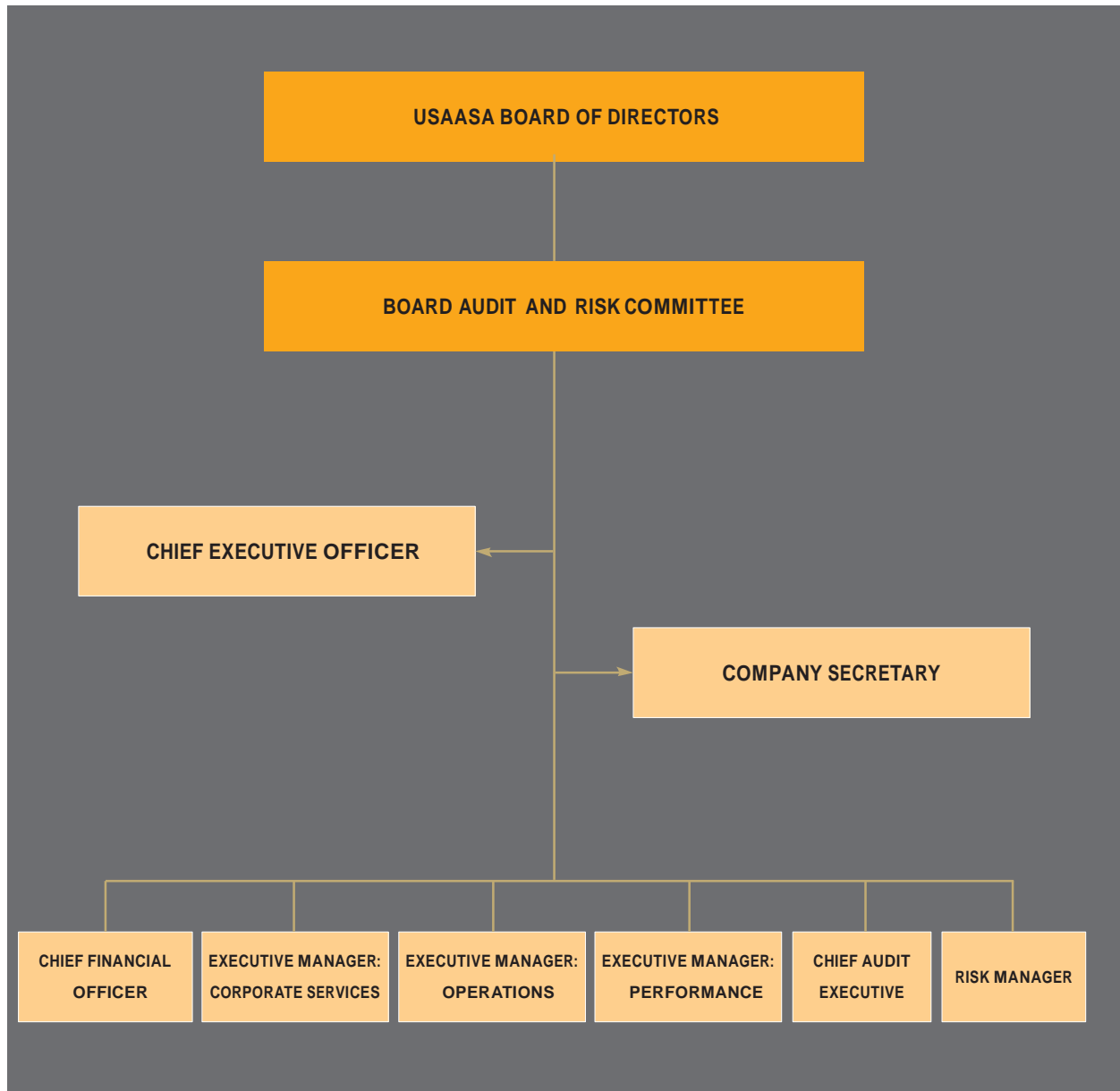
Table 1: SA Connect Targets

TARGET	PENETRATION MEASURE	BASELINE (2013)	BY 2016	BY 2020	BY 2030
Broadband access in Mbps user experience	% of population	33.7% Internet access	50% at 5Mbps	90% at 5Mbps 50% at 100Mbps	100% at 10Mbps 80% at 100Mbps
Schools	% of schools	25% connected	50% at 10 Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
Health facilities	% of health facilities	13% connected	50% at 10Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
Public sector facilities	% of government offices		50% at 5Mbps	100% at 10Mbps	100% at 1Gbps

Source: SA Connect Policy 2013

Organisational Structure

A high-level organisational structure of the Agency for the year under review is depicted below.



UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

BOARD OF DIRECTORS



Mawethu Cawe
Acting Chairperson



Lungelwa Shandu
Board Member



Tshegofatso Maloka
Board Member



Malose Kekana
Board Member



Nqabekaya Nqandela
Board Member

BOARD AUDIT AND RISK COMMITTEE (BARC)



Fortunate Mdanda
BARC Member



Linda Nene
BARC Chairperson



Tshegofatso Maloka
BARC Alternate Member



Thulani Ntuli
BARC Member

EXECUTIVE LEADERSHIP



Lumko Mtimde
Chief Executive Officer



Elsabe Marx
Company Secretary



Mokgobo Sephiri
Acting Chief Financial Officer



Musa Ngidi
Executive: Corporate Services



Makhotso Moiloa
Executive Manager: Operations



Vuyo Ntshoko
Executive Manager: Performance



Jimmy Mashiane
Chief Audit Executive



Lavhe Netshidzivhani
Risk Manager

PART B: PERFORMANCE INFORMATION



Statement of Responsibility for Performance Information

STATEMENT OF RESPONSIBILITY BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (CEO) is responsible for establishing, and implementing systems of internal control designed to provide reasonable assurance as to the integrity and reliability of USAASA's reported financial and performance information.

This Annual Report has been prepared in accordance with the Annual Report Guide for Schedule 3A and 3C Public Entities issued by National Treasury. The Annual Financial Statements outlined in Part E have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) Standards applicable to the Agency and the Fund.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the Strategic and Annual Performance Plans of USAASA for the financial year ended 31 March 2016.



Lumko Mtimde
Chief Executive Officer

STATEMENT OF RESPONSIBILITY BY THE ACTING CHAIRPERSON: USAASA BOARD OF DIRECTORS

The performance information of the Agency and the Fund set out on pages 34 to 43 was reviewed by the Board Audit and Risk Committee (BARC) and approved by the Board.

The Auditor-General of South Africa was engaged to express an independent opinion on the USAASA Annual Financial Statements for the year under review. The USAASA performance information for the year ended 31 March 2016 has also been examined by the AG as the external auditors of the Agency

and their report is represented on page 69.



Mawethu Cawe
Acting Chairperson: USAASA Board of Directors

Situational Analysis

SERVICE DELIVERY ENVIRONMENT

South Africa is a middle income country with a population of approximately 54.96 million inhabitants. Out of the number indicated above, the unemployment rate as of first quarter of 2016 stood at 26,7%. The number of people depending on social grants continues to grow, ranging from 12,7% in 2003 to 30,1% in 2015. Over the same period, the number of households receiving some form of a social grant also continued to grow, ranging from 29,9% in 2003 to 45,5% in 2015 (Statistics South Africa).

The General Household Survey results released by Statistics South Africa in 2015 found that there was high access to telecommunications for households nationally, as only 3,5% of households did not have access to either landlines or cellular phones in 2015. By comparison, 85,5% of households had access to at least one cellular phone, while 10,9% of households had access to both a landline and a cellular phone. Only 0,1% of households had only a landline. The reasons advanced in the Report by ICT Research Africa (2012) for not using a fixed line telephone are that landline telephony is either not available where respondents live, or that accessing it was unaffordable. However access to these means of communication differed by province.

Households in historically rural provinces such as Mpumalanga (94,4%) and Limpopo (94,1%) were very reliant on the more accessible cellular telephones than landlines. By contrast, a combination of both cellular phones and landlines in households were most prevalent in the more affluent provinces, namely Western Cape (26,2%) and Gauteng (14,1%). Half of South African households (53,5%) had at least one member who used the Internet either at home, workplace, place of study, or Internet cafés. More than half of households in Gauteng (65,7%) and Western Cape (63,3%) had access to the Internet while only just over one-third of households in Limpopo (39,3%) had access to the Internet.

The World Economic Forum Network Readiness Index (NRI) of 2015 measures the country's overall potential to exploit the opportunities presented by the ICT sector, and the impact of the sector on the competitiveness of the country against others. In terms of the NRI rankings South Africa has been on a gliding scale from position 70 (out of 144 countries) in 2013 gliding to position 75 (out of 148 countries) in the 2015 NRI report. The Readiness Sub-Index measuring infrastructure, affordability and skills measurement values for South Africa fell below the group average of other similar jurisdictions.

The sub-indexes indicated in figure 2 are part of the Agency's mandate to ensure provision of universal affordable access to ICT,

	RANK (out of 143)	VALUE (1-7)
NETWORK READINESS INDEX 2015	75	4.0
Network Readiness Index 2014 (out of 148)	70	4.0
Network Readiness Index 2013(out of 144)	70	3.9
A. Environment subindex	31	4.8
1 st pillar: Political and regulatory environment	24	5.0
2 nd pillar: Business and innovation environment	55	4.5
B. Readiness subindex	102	4.0
3 rd pillar: Infrastructure	85	3.5
4 th pillar: Affordability	107	4.1
5 th pillar: Skills	95	4.4
C. Usage subindex	67	3.9
6 th pillar: Individual usage	68	4.0
7 th pillar: Business usage	34	4.2
8 th pillar: Government usage	105	3.4
D. Impact subindex	92	3.4
9 th pillar: Economic impacts	58	3.4
10 th pillar: Social impacts	110	3.3

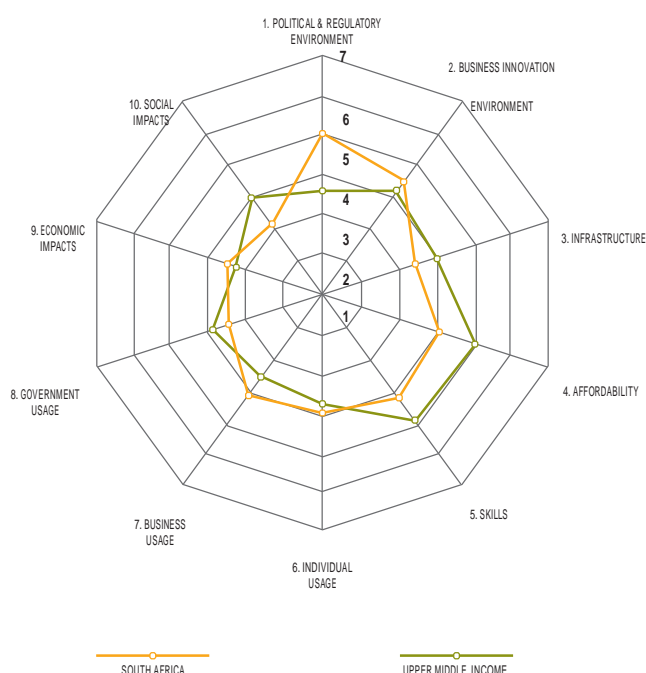


Figure 2: Network Readiness Index

a wide range of online broadband and digital communications services and ensuring that there is uptake and usage of such services through community skills capacity building programmes. In a nutshell, the performance of the Agency in terms of successfully rolling out broadband infrastructure and connectivity has an effect on the competitiveness of the country in terms of world rankings.

In the 2014/15 financial year, the Department of Telecommunications and Postal Services received a report from the ICT Policy Review Panel which was responsible for conducting a National Integrated ICT Policy Review to advise government on the manner in which to regulate the ICT sector going forward, learning from past experiences. In terms of the ICT Policy Review Recommendations, the Agency would cease to exist and be replaced by an ICT Development Fund that will be responsible for ICT infrastructure and demand stimulation, with the policy and regulatory roles currently with the Agency being given to the respective policy – making and regulating institutions such as the Department of Telecommunications and Postal Services, and the Independent Communications Authority of South Africa (ICASA), respectively. The DTPS will produce an ICT White Paper, and make recommendations with respect to new or amended legislation arising from the White Paper.

The implementation of the ICT Policy Review recommendations would effectively result in the establishment of an ICT Development Fund responsible in the main for identifying, awarding and managing projects thus focusing on the main priority of service and access delivery to the nation. The exact impact of the ICT Policy Review recommendations on the institutional arrangements of the USAASA, however, remained uncertain as the policy processes alluded to above were yet to be finalised as at the end of the financial year under review.

In the midst of the ongoing national policy review by DTPS in the 2015/16 financial year, the Agency initiated a policy review process on universal access, universal service, under-served areas and needy persons. The review was in line with the Agency mandate to provide policy and regulatory advice to both the Ministry of Telecommunications and Postal Services and ICASA as the sector regulatory authority in line with the previous review done in 2008 which resulted in Government Gazette No. 8 of February 2010 on Definitions of Universal Access and Universal Service, and also Under-Served Area Regulations by ICASA of September 2012.

A Consultative Document on the policy review of Universal Service, Universal Access, Under-Served Areas and Needy

Persons was developed by the Agency with internal stakeholders and external stakeholders such as ICASA specifically and DTPS having been informed about the process. The research findings on the definitions were also shared with the ICT Policy Review Panel and could not be published due to the national policy review processes which should supersede internal processes of the Agency.

BROADBAND ENVIRONMENT IN SOUTH AFRICA

“Broadband networks offer perhaps the greatest opportunity we have ever had to make rapid and solid advances in global social and economic development across all sectors, including healthcare, education, new job opportunities, transportation, agriculture, trade and government services. In the twenty-first century, broadband networks therefore need to be considered as basic critical infrastructure, like roads, railways, water and power networks,” says Mr Houlin Zhao, ITU Secretary-General.

The Minister of Telecommunications and Postal Services, Dr Siyabonga Cwele, announced the following eight district municipalities as areas of focus over the next three years for the first phase of broadband rollout under the auspices of the South Africa Connect Policy in his budget vote speech for 2014/15.

Table 2: Priority Districts for Broadband Rollout

MUNICIPALITY NAME
Dr Kenneth Kaunda (NW)
Gert Sibande (MP)
OR Tambo (EC)
Pixley ka Seme (NC)
Thabo Mofutsanyane (FS)
Umgungundlovu (KZN)
Umkhanyakazi (KZN)
Vhembe (LP)

In his 2016/17 Budget Vote Speech, delivered on 10 May 2016, the Minister further indicated that Phase 1 of the planned government broadband rollout in the eight districts reflected in Table 2 above is almost ready for implementation after

long planning, consultations and agreeing on coordinating structures with the eight municipalities and relevant provinces. In this financial year, R316 million has been allocated to connect 2 700 government facilities to scalable broadband infrastructure.

The Minister also acknowledged investment in modern Information and Communication Technologies as one of the crosscutting measures to ignite growth, create jobs and cushion the poor, highlighting the importance of access to fast, reliable and affordable internet as an enabler of socio-economic development.

USAASA will thus be planning the activities to be implemented through the Universal Service and Access Fund around these priority municipalities in order to align to the South Africa Connect policy objectives and implementation plans.

INTEGRATED BROADBAND MODEL

The Accounting Authority of USAASA approved the National Strategy for Universal Service and Access in response to the National Development Plan, Strategic Integrated Project (SIP) 15 and South Africa Connect, 2013 as an integrated broadband model. The model which is depicted in Figure 3 is the most cost-effective and sustainable broadband programme as it encourages both public and private sector participation on the rollout of broadband in under-served areas.

The Integrated Broadband Model has been successfully implemented by USAASA utilising USAF funding in Msinga Local Municipality (KwaZulu-Natal); Emalahleni Local Municipality (Eastern Cape), Joe Morolong Municipality (Northern Cape), Ratlou (North West Province), Mutale Local Municipality (Limpopo) and Chief Albert Luthuli Local Municipality (Mpumalanga).

The broadband revolution is to address the digital divide and USAASA continues to have a significant role to play in addressing universal broadband access in under-served areas. In 2015/16 the Agency utilised USAF to incentivise the private sector to expand its service delivery to Mutale Local Municipality (Limpopo) and Chief Albert Luthuli Local Municipality (Mpumalanga) for purposes of bringing accessible broadband and higher ICT penetration closer to the communities in these under-served areas.

In the 2016/17 financial year, USAASA's focus will remain on the eight District Municipalities announced by the Minister of Telecommunications and Postal Services as the first phase of implementing the National Health Insurance Pilot Phase. Broadband infrastructure and services to be rolled out in 2016/17 are to be deployed in the under-served local municipalities of Mhlonto and King Sabata Dalindyebo which form part of the OR Tambo District in the Eastern Cape.

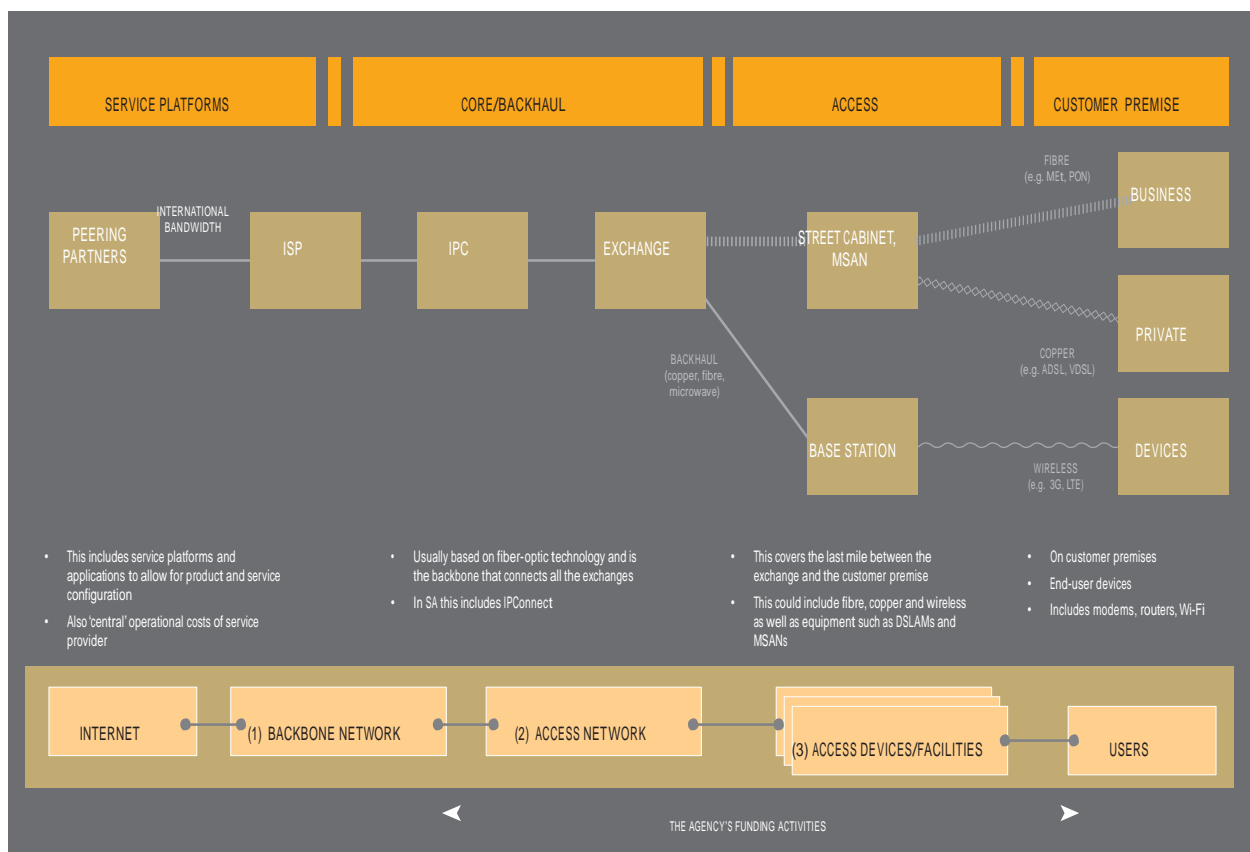


Figure 3: Integrated Broadband Model

Organisational Environment

The Agency continues to play a crucial role in closing the digital divide and the successful deployment of integrated broadband projects in the Mutale Local Municipality (Limpopo) and in the Chief Albert Luthuli Local Municipality (Mpumalanga) through USAF serves to affirm this. In the financial year under review, the Fund was utilised to deploy internet connectivity to 17 Community Health Clinics and an additional 21 clinics in the Mutale and Chief Albert Luthuli Local Municipalities respectively, with these 38 healthcare facilities receiving ICT equipment and devices such as notebooks, tablets and printers.

These healthcare facilities were further enabled as Wi-Fi hotspots with the aim of providing community members with free access to internet connectivity.

Government priorities which include the rapid expansion of access to and use of ICT infrastructure as a catalyst for socio-economic development in alignment to the National Development Plan, however, remain a driving force behind the need for USAASA to achieve universal access and service goals.



Stakeholder Engagements

The Stakeholder Engagement business unit is a key component of the Universal Services and Access Agency of South Africa (USAASA) as it seeks to ensure that the Agency engages its stakeholders in order to determine issues that are important and could have an impact on the performance of the Agency.

The Stakeholder Engagement function has focused on ensuring the relationship management of various stakeholders that affect and/or could be affected by the Agency's activities, services and performance.

The unit endeavours to ensure that the Agency remains relevant in a challenging business environment by ensuring regular interaction with important stakeholders through the different channels and platforms.

STAKEHOLDER ENGAGEMENT ACTIVITIES

Stakeholder engagement activities during the 2015/16 financial year included the following:

- The Agency participated in the 2015 SITA GovTech conference which afforded the Agency an opportunity to exhibit USAASA's services, including a presentation of the report on the National Strategy on Universal Service and Access by the CEO.

- The Agency also participated in the 'Go Digital Mzansi Set-Top Box Commercial Launch' which took place on 17 December 2015 in Keimoes, Northern Cape. The primary purpose of the Agency's involvement was the delivery of the set-top boxes to the first beneficiaries in line with the BDM policy. The launch also afforded the Agency an opportunity to sensitise the community about the USAASA projects through exhibitions and media interviews with the CEO.
- The Agency further participated in the Deputy President Youth Expo, where state owned entities were requested to Exhibit and share information about the services provided by each organisation and engage the youth about possible job opportunities in the sector. The event was attended by the Deputy President, the Premier of Gauteng, MECs and Government Ministers.
- In the year under review, USAASA was requested by the Department of Telecommunications and Postal Services, the Department of Communications and the Presidency to showcase its work on broadband projects, as well as, its role in the implementation of the country's Broadcasting Digital Migration Project through various exhibitions and community engagements.



USAASA Financial Resources

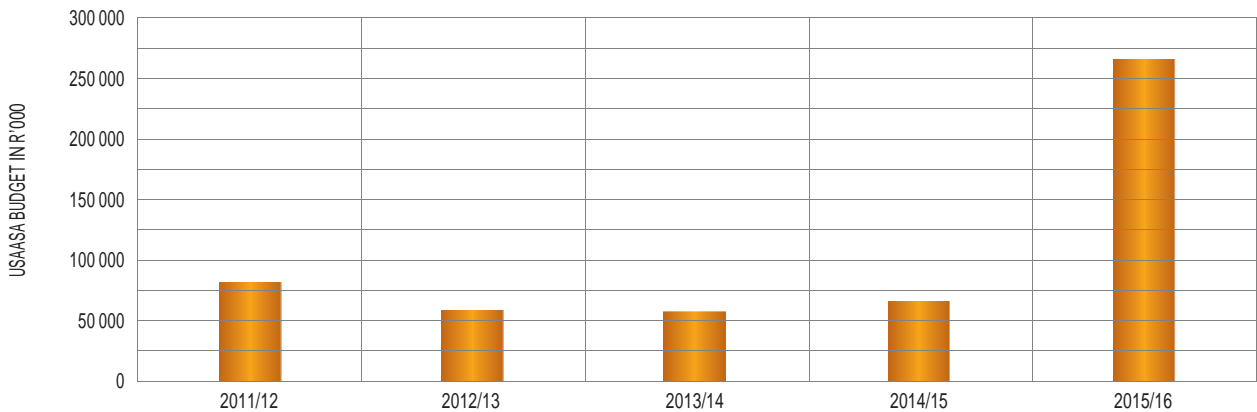


Figure 4: USAASA's Five-Year Budget: 2011/12 to 2015/16

The focus of the Financial Management Services Unit remained on the following key areas during the period under review:

- Implementation of financial policies, processes and controls with the aim of achieving clean audits for the Universal Service and Access Agency (USAASA);
- Efficiency whilst complying with all relevant policies and legislative frameworks.

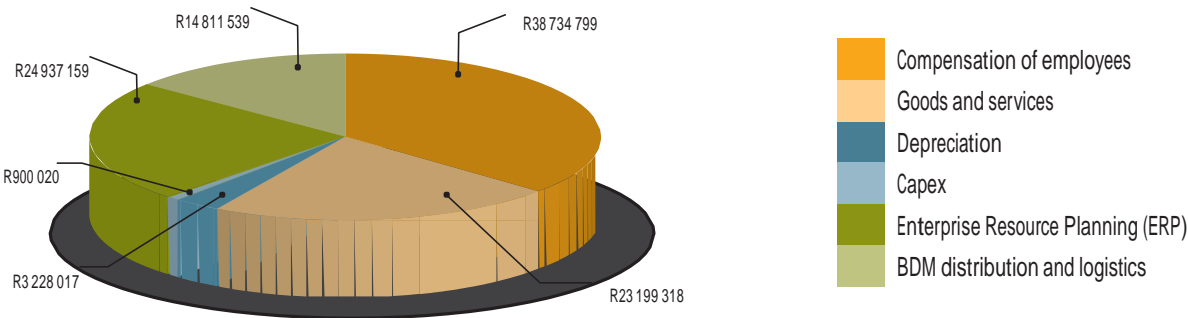
Over the five-year period of 2011/12 to 2015/16, USAASA received funding totalling R531 million which was appropriated by Parliament through the Department of Communications and later, the Department of Telecommunications and Postal Services. The budget allocation was for organisational administrative expenses including employee costs, operational expenditure and capital expenditure. Figure 4 displays the USAASA budget allocations over a period of five years.

The smallest budget of R59.8 million was allocated during the financial year 2012/13, constituting 11% of the total five-year allocation. The 2015/16 budget of R262,4 million was the largest, at 49% of the R531 million. The 2015/16 budget allocation spike from the R65,4 million of 2014/15 was mainly attributable to an additional allocation of R196 million which was to be utilised for the Broadcasting Digital Migration (BDM) project management and distribution costs.

Due to the delays in the launch of the BDM project, USAASA had a surplus of R191 million in the period under review. These funds are committed towards furthering the BDM project management and distribution as well as the completion of the Enterprise Resource Planning (ERP) system.

The expenditure of the Agency in the financial year under review is depicted in Figure 5 with the two main cost drivers being employee compensation and the ERP project respectively.

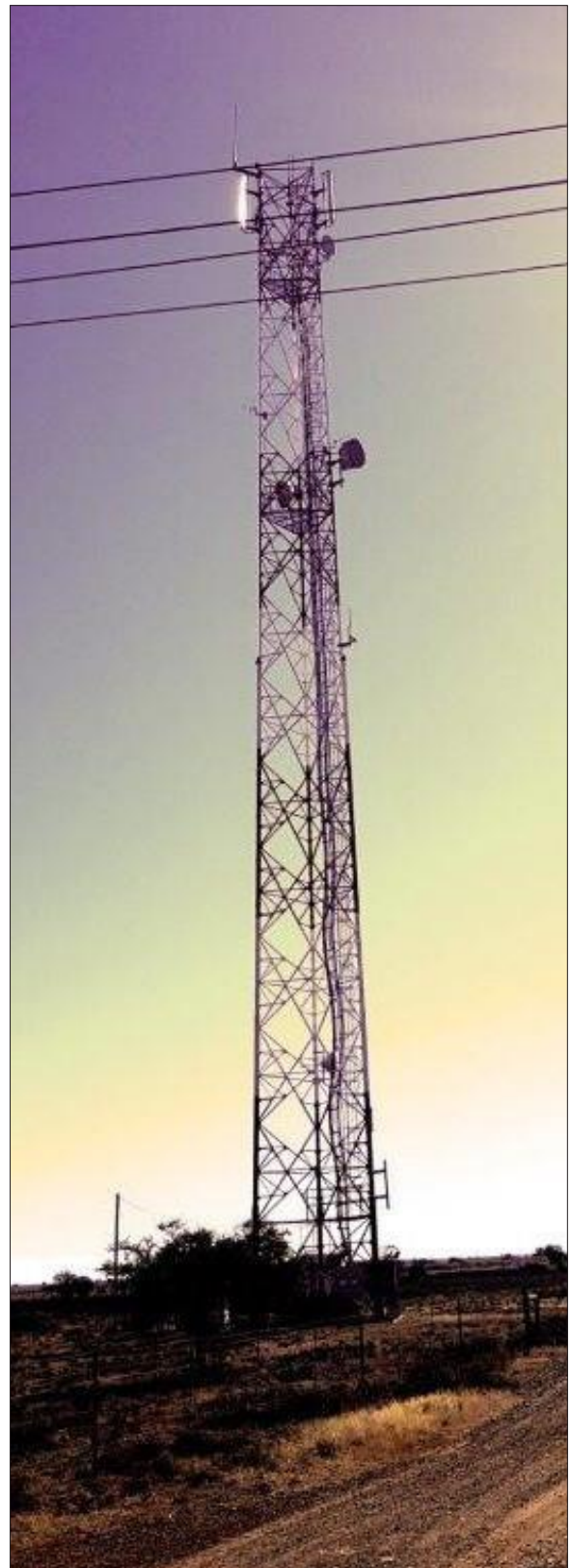
Figure 5: USAASA Expenditure for 2015/16



FINANCIAL MANAGEMENT SERVICES CHALLENGES

- In the 2015/16 financial year there were limited human resources in the Financial Management Services Unit due to a number of key vacancies that included the Chief Financial Officer and Senior Manager: Finance.

Whilst there were challenges relating to capacity constraints, this unit, however, focused its attention on pursuing compliance with the Public Finance Management Act, Treasury Regulations, Preferential Procurement Policy Framework Act (PPPFA), USAASA Policies, Standards of Generally Recognised Accounting Practice (GRAP) and other relevant legislative prescripts.



USAASA Organisational Performance

There were 24 planned targets for the Agency in the 2015/16 financial period and 12 of these planned targets were achieved which translates into a 50% overall achievement against the planned annual targets.

Areas of non-achievement for the financial year under review were as follows:

2015/16 Unmet USAASA Targets	Mitigation Actions
Alignment of USAASA according to approved Organisational Development structure	It is envisaged that the Organisational Development (OD) processes will resume in the first quarter of 2016/2017 and reach finalisation by the closing of the second quarter of the financial year
ERP system rollout and implementation, GIS system upgrade and Network Planning and Monitoring system rollout	The ERP project go-live date is envisaged for the fourth quarter of 2016/17 (dependent on additional server hardware and finalisation of the OD project) GIS system upgrade and network planning are unfunded and will not form part of 2016/17 plans
Procurement of project management services for the set-top boxes rollout subsidy scheme	Not applicable. No external project management services are to be procured for the BDM project
100% stock count of selected procured BDM set-top boxes in warehouses against the issue order number and the distributed set-top boxes	Tracking and reporting of the physical verifications of BDM set-top boxes is to continue in the 2016/17 financial year
At least two Social and Ethics meetings conducted throughout the year	One Social and Ethics committee meeting was scheduled for the first quarter of 2016/2017
Develop partnership with various stakeholders to the value of R200 million in support of USAF projects	Consultation with Operation Phakisa on the funding mechanism on schools' connectivity was underway at year end, and anticipated to be concluded by the end of the second quarter of 2016/17
Twenty-five audits conducted as per approved annual audit plan in order to assist the Agency to achieve a clean audit (23 of the 25 planned audits for the year were achieved)	Draft HR audit report issued to management for comments in the fourth quarter and finalised in the first quarter of 2016/17 Audits to be conducted according to the approved annual audit plan in 2016/17
Public awareness campaigns to promote Brand USAASA and USAF Projects	Stakeholder engagements and public awareness campaigns on USAF projects will continue to be a priority in the 2016/17 financial year
Review and track RSA national policies and regulation impacting universal access and service and make submissions and participate in the formulation process, where applicable	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year
Develop, maintain and implement a focused policy and regulatory framework for people with disabilities	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year
Develop industry consultation and research papers on all universal access and services-related topics covering broadcasting, communications and postal services	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year
Evaluating the Impact of Universal Access Models, Strategies and Policies in ICT on Poor Communities	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year

IT Internal Processes

The 2015/16 USAASA annual performance achievement of 50% reflected a 29% year-on-year performance regression in comparison to the 79% of the 2014/15 financial year and this was partially attributable to a misalignment between the planned 2015/16 targets and available financial resources.

PERFORMANCE CHALLENGES

There were a number of challenges that contributed to the non-achievement of some of the targets that were set by the Agency for the 2015/2016 financial year and these included the following:

- Delays in the finalisation of the Organisational Development project impacted negatively on not only the 2015/2016 annual performance outcomes, but also continues to affect the work and projects of some divisions in the 2016/2017 financial year (e.g. finalisation of the ERP project is dependent on the conclusion of the OD structure)
- Key positions were vacant as at the end of the 2015/16 financial year, as reflected, with acting arrangements having been implemented as an interim solution for the vacant posts, Company Secretary being the exception, for purposes of ensuring continuity in business operations:
 - Chief Executive Officer
 - Chief Financial Officer
 - Senior Manager Finance
 - Company Secretary



IT Internal Processes

The USAASA IT Services is a strategic business unit of the Universal Services and Access Agency of South Africa (USAASA). The purpose of the Unit is to ensure the provision of reliable, consistent and secure ICT systems and services.

The role of IT Services Unit is to provide innovative, convenient, effective and secure ICT systems and services that are adequate, while complying with enterprise-wide and legislative governance standards by minimising technological risks to the business of USAASA.

In order to effectively support the Agency and the Fund, the IT services value chain as depicted in Figure 8 was developed.

In order to enhance IT Governance and reporting within the Agency, the following IT Services Governance Structure (Figure 7) was established, in line with the King III Report on Corporate Governance, the Companies Act, USAASA's IT Governance Charter, and the USAASA IT Strategy:

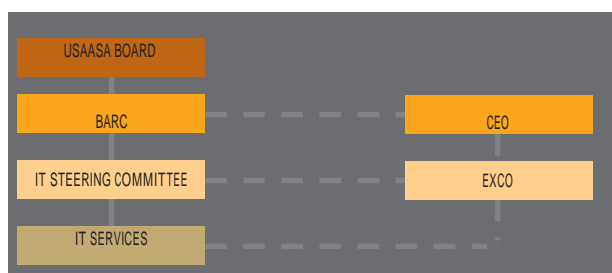


Figure 7: IT Governance Structure

The IT Steering Committee met quarterly to consider the IT Governance report. The IT Steering Committee then made recommendations for the tabled IT Governance reports to be presented at the Board Audit and Risk Committee meetings.

USAASA has various organisational systems including Pastel used by Finance, MS Project for the Operations Division and VIP for Human Resources, however, these systems are not integrated. A key delivery aspect of the organisation is performance reporting and in order to enhance the management of information internally there was a need to implement an institutionalised Enterprise Resource Planning (ERP) solution. The implementation of an ERP system will enhance the efficiency and effectiveness of USAASA business processes to ensure improvement of service delivery and accountability of the Agency and the Fund. The ERP system covers the USAASA value chain by implementing modules in Financial Management, Human Capital Management, and Projects. In order to enforce

Segregation of Duties, the Governance, Risk and Control (GRC) module is being implemented.

As part of the approved Project Governance model of USAASA, a Project Steering Committee for the SAP ERP Project (Project Ubunye) was established. The Project Steering Committee comprised of the members of USAASA Executive and the Project implementation partner executives. The role of the Project Steering Committee is to ensure effective rollout of the Ubunye Project through the decision making processes at both strategic and tactical levels of the project. The committee met regularly to consider progress made with project implementation.

INFORMATION TECHNOLOGY SERVICES ACTIVITIES

Key activities of IT Services Business Unit during the 2015 – 2016 Financial Year included the following:

- Facilitated the Agency's participation in the 2015 SITA GovTech Annual conference which afforded the Agency an opportunity to exhibit the USAASA brand. The Agency's participation included a presentation of the National Strategy on Universal Service and Access by the CEO.
- The development of the SAP ERP system: this project missed its scheduled go-live date of 1 April 2016 due to the finalisation of the Agency's organisational structure and delays in the procurement of additional server capacity to host the system. Despite the 2015/16 project delays, however, implementation of the ERP project remains a priority with the go-live date envisaged for the fourth quarter of 2016/17.
- The Annual target of systems availability (98%) was achieved during the 2015/2016 financial year despite having experience challenges presented by load shedding and the heatwave. The actual achievement for systems availability strategic target was 99,35%. This achievement is a clear indication of IT Services' capability to plan ahead in order to ensure a continuous availability of business systems to the organisation. Furthermore, in order to ensure availability of systems even in the event of disaster striking the Head Office, Disaster Recovery systems have been installed thus replicating the e-mail server, active directory and USAASA website and Intranet.
- To ensure alignment with the Governance ICT Agenda, USAASA continues to participate in the Government Information Technology Officers (GITO) Council.

IT Internal Processes

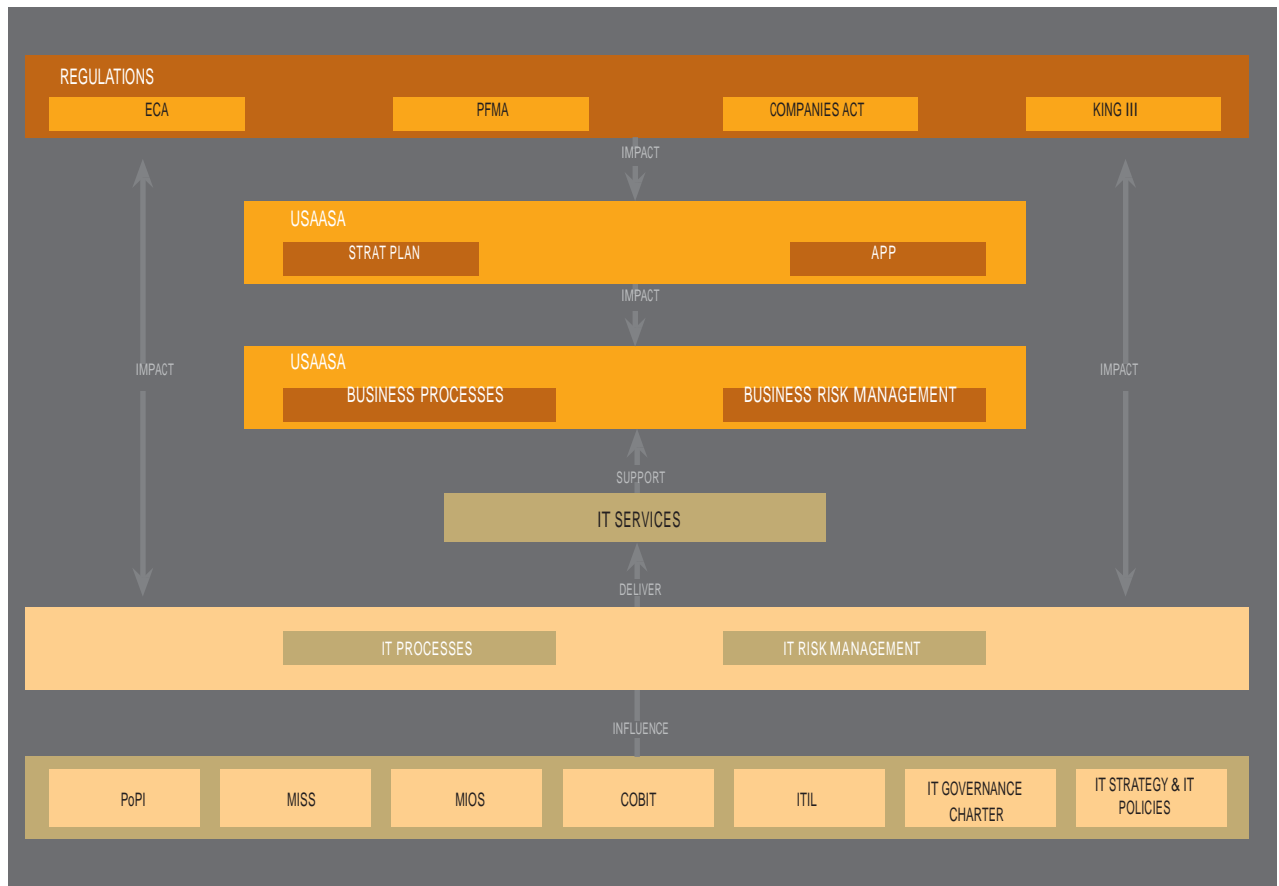


Figure 8: IT Services Value Chain

Strategic Goals

The strategic goals pursued by USAASA during the 2015/16 financial year with the aim of effecting changes for the benefit of the organisation's beneficiaries and key stakeholders are outlined below:

USAASA STRATEGIC GOAL	FRAMEWORK FOR PROJECT DELIVERY
Strategic Objective	USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support
Key Performance Indicators	<ul style="list-style-type: none"> • Implementation of the organisational development • Percentage availability of business systems to support USAASA and USAF business processes and operations • Improvement of business process automation • Percentage of legal advice and resolution strategies in accordance with legislation and policy provided within seven days • Produce accurate financial statements which are GRAP and Treasury regulations compliant by the due dates • Managing the procurement of BDM set-top boxes • Perform stock count and physical verification at warehouses for BDM procured set-top boxes • Number of main board and committee meetings conducted • Number of executive management meetings conducted • Partnerships to the value of R1,5 billion raised in support of USAF • Number of approved Strategic Plans and Annual Performance Plans (APPs) for USAASA & USAF submitted to the Minister of Telecommunications and Postal Services & Parliament • Number of Quarterly Reports and Annual Performance Reports on performance information for USAASA and USAF • Number of audited Annual Performance Reports for USAASA and USAF • Number of audits completed • Three-year rolling strategic plan and annual audit plan • Updated top 10 corporate/strategic risk register • Updated operational risk registers • Improve visibility of brand USAASA and support USAF project in communities

USAASA STRATEGIC GOAL	COMPLIANCE IN FINANCIAL REPORTING; EFFECTIVE SOURCING AND ENTERPRISE EMPOWERMENT
Strategic Objective	USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support
Key Performance Indicators	Percentage of procurement from BBBEE

USAASA STRATEGIC GOAL	CENTRE OF EXCELLENCE ON UNIVERSAL SERVICE AND ACCESS IN SOUTH AFRICA
Strategic Objective	USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise
Key Performance Indicators	<ul style="list-style-type: none"> • Review and track RSA national policies and regulation • Create an inclusive universal service and access framework through promoting ICT Accessibility for ICT for people with disabilities • Initiation of research, policy and strategy monitoring and advice • Develop and maintain a database of all under-serviced areas in terms of ICT coverage

USAASA: Annual Performance Report

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	2015/2016 ANNUAL TARGET	ACTUAL ACHIEVEMENT	MEANS OF VERIFICATION	VARIATION FROM PLANNED TARGET	PLANNED MITIGATION OF NON- PERFORMANCE
1. CORPORATE SERVICES						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Implementation of the organisational development	Alignment of USAASA according to approved Organisational Development structure	Not achieved Employees were not migrated to the new OD structure by the end of the financial year, thus no alignment to the organisational structure in the 2015/2016 financial year	Progress report on alignment of USAASA according to approved Organisational Development organisation structure	As at the end of the financial year, USAASA employees were not migrated to the approved OD structure as the project was put in abeyance by the Board for purposes of reviewing the OD processes	It is envisaged that the Organisational Development (OD) processes will resume in the first quarter of 2016/2017 and reach finalisation by the closing of the second quarter of the financial year
2. INFORMATION TECHNOLOGY						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Percentage availability of business systems to support USAASA and USAF business processes and operations	98% availability of business systems	Achieved There was a 99,35% availability of business systems for 2015/2016 financial year	Business systems uptime reports	None	Not applicable
	Improvement of Business process automation	ERP system rollout and implementation GIS System upgrade Network Planning and Monitoring system rollout	Not achieved Both Phase 1 and Phase 2 Blueprints were implemented to the level of Unit Testing and Integration Testing at the end of the 2015/2016 financial year GIS system upgrade and network planning was not tracked during the year due to financial constraints	Progress reports on ERP system rollout and implementation Approved ERP phase 1 and 2 Blue Prints	The ERP project could not enter the User Acceptance and Stress Testing of the system, Training of all users, and user sign-off due to delays experienced with the finalisation of the organisational structure, thereby missing the implementation deadline GIS system upgrade and network planning was not done during the financial year due to financial constraints	The ERP project go-live date is envisaged for the fourth quarter of 2016/17 GIS system upgrade and network planning are unfunded and do not form part of 2016/17 plans
3. LEGAL SERVICES						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Percentage of legal advice and resolution strategies in accordance with legislation and policy provided within seven days	Capacitate legal services through; <ul style="list-style-type: none">- Internal processes- Knowledge sharing- Contract management	Achieved Legal services capacitated to provide written legal opinions and draft contractual agreements as required by business	Copies of legal opinions Draft and final contractual agreements between USAASA and external parties	None	Not applicable

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	2015/2016 ANNUAL TARGET	ACTUAL ACHIEVEMENT	MEANS OF VERIFICATION	VARIATION FROM PLANNED TARGET	PLANNED MITIGATION OF NON- PERFORMANCE
4. FINANCIAL MANAGEMENT SERVICES						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Produce accurate financial statements which are GRAP and Treasury regulations compliant by the due dates	Produce accurate 2014/15 financial statements with the objective to get an unqualified audit opinion	Achieved 2014/15 financial statements were produced and an unqualified audit opinion was achieved in the 2014/15 financial year	USAASA and USAF 2014/2015 Annual Reports for Auditor-General's opinion on the Fund and the Agency's financial position as at 31 March 2015	None	Not applicable
	Managing the procurement of BDM Set-Top Boxes	Project Management of Set-top boxes rollout subsidy scheme	Not achieved Project management of the USAF Set-Top Box rollout subsidy scheme was handled by internal USAASA human resources due to financial constraints and as such no project management expenditure reporting was required for 2015/16	Not applicable as the target was not pursued in 2015/16	Appointment of service provider for the provision of project management services and expenditure reporting on the project management was not done due to financial constraints	Not applicable. No external project management services are to be procured for the BDM project
	Perform stock count and physical verification at warehouses for BDM procured Set-top boxes	100% stock count of selected procured BDM Set-top boxes in warehouses against the issue order number and the distributed Set-top boxes	Not achieved The planned first quarter appointment of two logistics officers and 20 students per province for stock verification was not achieved due to financial constraints Stock counts from selected warehouses against the issued order and the distributed set-top boxes was conducted as part of 2015/16 year-end inventory verification processes	2015/16 year-end BDM count sheets for stock verifications	Stock counts were not carried out quarterly as the BDM project was delayed and only launched in December 2015	Tracking and reporting of the physical verifications of BDM set-top boxes is to continue in the 2016/17 financial year
	Percentage of procurement from BBBEE	80% of USAASA budget procurement from BBBEE	Achieved The total spending on BBBEE was 91% for the financial year under review	Supply Chain Management BBBEE spending report for 2015/16	None	Not applicable

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	2015/2016 ANNUAL TARGET	ACTUAL ACHIEVEMENT	MEANS OF VERIFICATION	VARIATION FROM PLANNED TARGET	PLANNED MITIGATION OF NON- PERFORMANCE
5. CORPORATE GOVERNANCE						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources and administrative support	Number of main board and committee meetings conducted	At least four USAASA Board, At least four USAF Board , At least six Audit & Risk, At least four BDS Committee, At least four HR & Remuneration, At least two Social & Ethics meetings conducted throughout the year	Not Achieved USAASA and USAF Board, Audit & Risk, BDS (Operations) Committee, HR & Remuneration Committee meetings were held in accordance with the Annual Performance Plan, however, only one Social & Ethics Committee meeting was conducted	Attendance registers for the Board and committee meetings conducted	Only one of the two planned Social & Ethics committee meetings was conducted as at the end of the financial year A process to review structural arrangements of Board Committees (including the Social & Ethics Committee) was initiated in the fourth quarter and is anticipated to be concluded in the first quarter of 2016/17 Considerations by the Board included aligning the structuring of Board Committees with the available capacity at Board level	One Social & Ethics committee meeting was scheduled for the first quarter of 2016/17
	Number of executive management meetings conducted	A minimum of 12 executive management meetings conducted throughout the year	Achieved Twelve EXCO meetings were conducted as planned	Minutes of the EXCO meetings conducted and attendance registers for these meetings	None	Not applicable
	Partnerships to the value of R1,5 billion raised in support of USAF	Develop Partnership with various stakeholders to the value of R200 million in support of USAF projects	Not achieved Implementation and reporting not conducted in the year under review A funding strategy was developed in conjunction with KZN Basic Education Department and Intersite, however, the Memorandum of Understanding for funding was not finalised	Draft MOU and communication e-mails between USAASA and the KZN Provincial Department of Education	Funds in support of USAF projects to the value of R200 million were not secured as at the end of the financial year There were ongoing discussions between the Agency and the KZN Provincial Department of Education at the end of the financial year to assess whether the KZN schools' connectivity initiative had not been overtaken by Operation Phakisa developments	Consultation with Operation Phakisa on the funding mechanism on schools' connectivity was underway at year-end, and anticipated to be concluded by the end of the second quarter in the 2016/17 financial year

6. PERFORMANCE MONITORING AND EVALUATION						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Number of approved Strategic Plans and Annual Performance Plans (APP) for USAASA & USAF submitted to Minister of Telecommunications and Postal Services & Parliament	USAASA and USAF 2016-2021 Strategic Plans and 2016-17 APPs developed according to National Treasury guidelines, approved by the USAASA/USAF Board and submitted to the Minister of DTPS and to Parliament on time	Achieved USAASA and USAF 2016-2021 Strategic Plans and 2016-2017 Annual Performance Plans were developed, approved by the Board and submitted to the DTPS on 29 January 2016 and to Parliament by 1 March 2016	Approved USAASA and USAF 2016-2021 Strategic Plans and 2016-17 Annual Performance Plans Delivery note of the plans to the DTPS and Parliament	None	Not applicable

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	2015/2016 ANNUAL TARGET	ACTUAL ACHIEVEMENT	MEANS OF VERIFICATION	VARIATION FROM PLANNED TARGET	PLANNED MITIGATION OF NON- PERFORMANCE
6. PERFORMANCE MONITORING AND EVALUATION						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Number of Quarterly Reports and Annual Performance Reports on performance information for USAASA and USAF	USAASA and USAF quarterly reports developed by PM&E Unit, approved by the Executive Authority and submitted to the DTPTS within 30 days of the end of the quarter	Achieved USAASA and USAF 2015/16 quarterly performance reports developed, approved by the Board and submitted to the DTPTS within the regulated time frame	Approved USAASA and USAF 2015/16 quarterly performance reports Delivery notes of the quarterly reports to the DTPTS	None	Not applicable
	Number of Quarterly Reports and Annual Performance Reports on performance information for USAASA and USAF	Monthly monitoring of organisational performance and/ against organisational expenditure in order to avoid non-performance and overspending	Achieved Organisational performance was tracked through monthly monitoring reports	USAASA and USAF monthly performance reports and expenditure variance reports	None	Not applicable
	Number of audited Annual Performance Reports for USAASA and USAF	Audited USAASA and USAF Annual Reports submitted to the DTPTS and Parliament within the stipulated time frames	Achieved Audited USAASA and USAF Annual Reports submitted to the DTPTS on 31 August 2015 Reports tabled in Parliament on 23 September 2015	Delivery note for submission of Annual Reports to the DTPTS Tabling letter to Parliament: USAASA & USAF Annual Reports	None	Not applicable

7. INTERNAL AUDIT						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Number of audits completed	Twenty-five audits conducted as per approved annual audit plan in order to assist the Agency to achieve a clean audit	Not achieved Twenty-three audits conducted for the year included: Performance Information (Q1-Q3), Broadband, BDS Schools' Connectivity, Financial Management (Q1 – Q3), SCM Above Threshold – Expenditure (Q1 – Q3), SCM Below Threshold – Expenditure (Q1 – Q3), Human Resources (Q1 & Q2)	Internal audit reports on quarterly audits concluded in the 2015/16 financial year	Human Resources (HR) audit not concluded as planned in the fourth quarter of 2015/16 due to capacity constraints Corporate Governance was not conducted in 2015/16 due to capacity constraints	Draft HR audit report issued to management for comments in the fourth quarter and finalised in the first quarter of 2016/17 Audits to be conducted according to the approved annual audit plan in 2016/17
	Three-year rolling strategic plan and annual audit plan	Approved three-year rolling strategic plan and annual audit plan	Achieved The three-year rolling strategic plan and the annual audit plan were presented to the Board, Audit and Risk Committee (BARC) in the fourth quarter and approved pending inputs which were subsequently effected by Internal Audit	Three-year rolling strategic plan and the annual audit plan BARC resolution on the approval of the plans	None	Not applicable

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	2015/2016 ANNUAL TARGET	ACTUAL ACHIEVEMENT	MEANS OF VERIFICATION	VARIATION FROM PLANNED TARGET	PLANNED MITIGATION OF NON- PERFORMANCE
8. RISK MANAGEMENT						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Updated top 10 corporate/ strategic risk register	Bi-annual risk assessment workshops conducted	Achieved Bi-annual risk workshops conducted as planned, to monitor and update the top 10 corporate risks register	Updated top 10 corporate/strategic risk register for both workshops Attendance register for the workshops conducted	None	Not applicable
	Updated operational risk registers	Quarterly operational risk assessment workshops conducted with all divisions	Achieved Quarterly workshops conducted for all divisions within the Agency	Divisional updated quarterly risk registers Attendance register for the workshops conducted	None	Not applicable

9. STAKEHOLDER ENGAGEMENT						
USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support	Improve visibility of brand USAASA and support USAF project in communities	Public awareness campaigns to promote Brand USAASA and USAF Projects (DTT, Broadband and Schools' Connectivity)	Not achieved USAASA did not initiate public awareness campaigns in accordance with a schedule of activities due to capacity constraints The Brand Communications Specialist appointed in October 2015 prioritised the development of a Stakeholder Engagement Strategy for 2016 – 2019 Public awareness campaigns through stakeholders such as the Department of Telecommunications and Postal Services (DTPS) and the Department of Communications (DoC) included participation in the launch of the digital migration project in Keimoes in the Northern Cape in the third quarter and broadband and Wi-Fi rollout projects in Tlokwe in the fourth quarter where USAASA exhibited its projects	DTPS and DoC invitations and exhibition photographs Board resolution on approval of 2016 – 2019 Stakeholder Engagement Strategy	USAASA and USAF brands were promoted through exhibitions at various events such as: - Broadband and Wi-Fi rollout project, Tlokwe: Feb 2016 - BDM and SAPO registration launches in Keimoes, Northern Cape: Oct & Dec 2015 - SITA GovTech conference: Oct 2015 - ICT Accessibility symposium in Mpumalanga: Feb 2016	Stakeholder engagements and public awareness campaigns on USAF projects will continue to be a priority in the 2016/17 financial year

10. RESEARCH, POLICY AND REGULATORY						
USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise	Review and track RSA national policies and regulation	Review and track RSA national policies and regulation impacting universal access and service and make submissions and participate in the formulation process, where applicable	Not achieved Policy review on universal access, universal service, under-served areas and persons with disabilities conducted in consultation with internal stakeholder and a draft discussion document was developed Meetings were held with external stakeholders (ICASA and DTPS) on the policy review to inform them about the policy review process and also solicit their support and participation into the policy process	Consultation Paper on Review of Universal Access, Universal Service, Under-Served Areas and Needy Persons Policy Review workshop invitations to ICASA and the DTPS	A Consultation Paper on the Review of Universal Access, Universal Service, Under-Served Areas and Needy Persons was developed, however, the formal internal approval process and submission to the DTPS was not concluded	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	2015/2016 ANNUAL TARGET	ACTUAL ACHIEVEMENT	MEANS OF VERIFICATION	VARIATION FROM PLANNED TARGET	PLANNED MITIGATION OF NON- PERFORMANCE
10. RESEARCH, POLICY AND REGULATORY						
USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise	Create an inclusive universal service and access framework through promoting ICT Accessibility for ICT for people with disabilities	Develop, maintain and implement a focused policy and regulatory framework for people with disabilities	Not achieved A discussion document on focused policy and regulatory framework for people with disabilities was developed but not published due to the national review of legislation governing the ICTs by the ICT Policy Review Panel under the auspices of the Ministry for Telecommunications and Postal Services	Discussion document on focused policy and regulatory framework for people with disabilities	The policy and regulatory framework for people with disabilities was not published by the end of the 2015/16 financial year	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year
	Initiation of Research, Policy and strategy monitoring and advice	Develop industry consultation and research papers on all universal access and services-related topics covering broadcasting, communications and postal services	Not achieved -Topical research themes that relate to universal service and access were identified and a report on best practices for Universal Service and Access Funds was generated and the profile of an Under-Serviced Area developed -A Consultative Document on the policy review of Universal Service, Universal Access, Under-Serviced Areas and Needy Persons was developed and finalised internally -Internal USAASA stakeholders as well as external stakeholders such as the Independent Communications Authority of South Africa (ICASA) specifically and the Department (DTPS) were informed about the process -Research findings on the definitions were shared with internal stakeholders within the Agency, the ICT Policy Review Panel and could not be published due to national Policy Review processes which should supersede processes of the Agency	Consultation Paper on universal access and services-related topics	Research findings were not published	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year
	Develop and maintain a database of all under-served areas in terms of ICT coverage	Evaluating the Impact of Universal Access Models, Strategies and Policies in ICT on Poor Communities	Not achieved An assessment and quantification of access gaps were done (i.e. profiling of under-served areas). A framework for definitions of needy persons was developed	Consultative Document on the Policy Review of Universal Service, Universal Access, Under-Serviced Areas and Needy Persons	A database of under-served areas in terms of ICT coverage was developed but not automated using a Geographical Information System	USAASA will be focusing on ICT impact assessments on its USAF funded ICT infrastructural projects during the 2016/17 financial year

Summary of USAASA Performance

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the 2015/16 approved Annual Performance Plan. Twelve of the twenty-four planned targets were achieved being 50% of the total planned 2015/16 performance targets and twelve of the twenty-four planned targets were not achieved being 50% of the planned USAASA targets for the year under review.

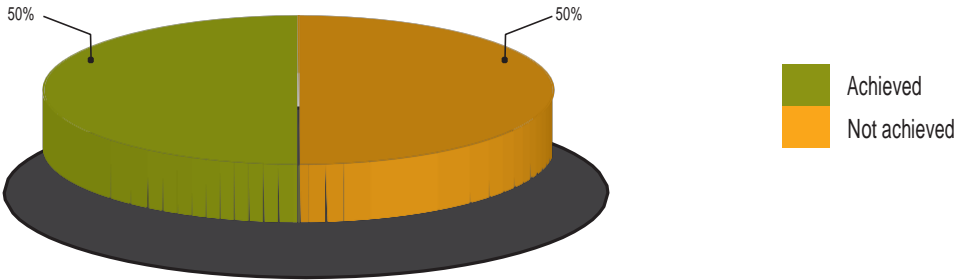


Figure 9: USAASA 2015/16 Annual performance

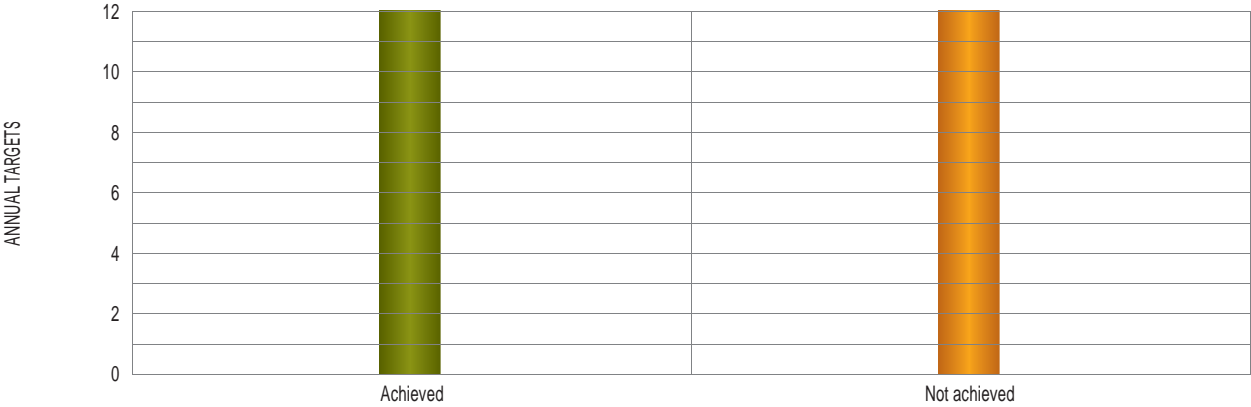


Figure 10: USAASA 2015/16 Annual performance



PART C: GOVERNANCE



Governance

THE BOARD OF DIRECTORS

The Board of USAASA is the Accounting Authority in terms of section 49 of the Public Finance Management Act (PFMA) and as such is required to put the following in place, inter alia:

- Exercise the duty of utmost care to ensure reasonable protection of the assets and records of the USAASA;
- Act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the Agency;
- Prevent any prejudice to the financial interests of the state;
- Maintain effective, efficient and transparent systems of financial and risk management and internal control;
- Maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
- Maintain a system for properly evaluating all major capital projects prior to a final decision on the project;
- Take effective 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; and
- Manage available working capital efficiently and economically.

The Board actively played its role in providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices and also exercised its oversight responsibility over financial and performance management and reporting while ensuring compliance with all relevant legal prescripts and policy imperatives.

All Board Committees and the Board are guided by the principles of the King III Report on Corporate Governance and the Companies Act which are embedded in the approved USAASA Board Charter.

PORTFOLIO COMMITTEES

The Board of the Agency is directly accountable to the Parliamentary Portfolio Committee on Telecommunications and Postal Services and from time to time the Board is required to provide updates on the state of the Agency's financial and non-financial performance to this committee. The Agency, however, has a dual-reporting responsibility to the Portfolio Committee on Communications which plays an oversight role on the rollout of set-top boxes by the Agency.

The nature of USAASA projects has also attracted the attention of the Select Committee on Communications and Public Enterprises, resulting in a number of engagements with this committee wherein the Agency was provided a platform to outline the provincial footprint of the projects implemented through USAF.

Portfolio Committee engagements for the 2015/16 financial year are outlined in the table below:

EXECUTIVE AUTHORITY

The Minister of Telecommunications and Postal Services is the Executive Authority of the Agency which requires the Agency to provide organisational reports on the activities and financial affairs of the USAASA to the Department on a quarterly basis as per the requirements of section 65 of the PFMA. All the USAASA quarterly reports were submitted timeously in accordance with requirements of the National Treasury Framework for Managing Programme Performance Information to the ICT Enterprise Development and SOC Oversight Branch of the Department of Telecommunications and Postal Services.

DATE	MEETING / ACTIVITY
04 August 2015	Briefing to Portfolio Committee on Telecommunications and Postal Services: 1st Quarterly Reports for 2015/16
11 August 2015	Briefing to Joint Sitting of the Portfolio Committee on Telecommunication and Postal Services and the Portfolio Committee on Communications: State of DTT Readiness
02 September 2015	Briefing to Select Committee on Communication and Public Enterprises: Integrated Broadband Programme
15 October 2015	Briefing to Portfolio Committee on Telecommunication and Postal Services: USAASA & USAF Annual Reports 2014/15
03 November 2015	Briefing to Portfolio Committee on Telecommunication and Postal Services : Broadband Rollout
27 January 2016	Briefing to Portfolio Committee on Telecommunication and Postal Services : Broadband Rollout
26 January 2016	Meeting with the Portfolio Committee on Telecommunication and Postal Services: Proposed Over-The-Top Policy and Regulatory options in South Africa
01 March 2016	Briefing to Portfolio Committee on Telecommunication and Postal Services: Schools' Connectivity

The Executive Authority conducted bi-laterals with the Board with the aim of deliberating on the following key issues:

- Technical human capacitation of the Agency;
- Systems capacitation of the Agency (including automation and integration into Departmental reporting systems);
- Cumulative reporting;
- Compliance with internal controls;
- Compliance to PFMA and other regulatory frameworks.

THE BOARD AS THE ACCOUNTING AUTHORITY

The USAASA Board is the Agency's Accounting Authority in terms of the Public Finance Management Act. It is the responsibility of the Board to provide strategic direction, leadership and stability to the Agency, and to ensure good corporate governance.

The Board remains committed to applying the principles of integrity, fairness, transparency and accountability as set out in the King report on Corporate Governance Practices and Conduct Act, 2009 (King III). USAASA is legally bound to comply with all laws, rules and regulations applicable to it. The Board Audit and Risk Committee ensures that USAASA has the necessary checks and balances in place to ensure that there is compliance with pertinent laws and regulations. The Board places strong emphasis on achieving the highest standards of reporting.

The board has organised itself into the following subcommittees which meet every quarter:

- Human Resources and Remuneration Committee (REMCO)
- Operations Committees (formerly known as the Business Development Services Committee)
- Social and Ethics Committee
- Board Audit and Risk Committee (BARC)

Within the powers conferred upon the Board by legislation and in particular as stipulated in the Electronic Communications Act (ECA) and the PFMA, the Board has determined its main functions and responsibilities as adding significant value to the Agency.

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 to the Agency;
- Reviewed, approved and monitored strategic plans for the Agency, monitored fundamental financial business strategies, approved and monitored major actions such as organisational development;
- Appointed the USAASA Chief Executive Officer in concurrence with the Minister and ensured steps were taken to fill all vacant key Executive Management positions;
- Identified and regularly monitored key risk areas and key performance indicators of the Agency;
- Ensured that the Agency communicates with shareholders and the relevant stakeholders transparently and promptly;
- Ensured the Agency complies with relevant laws, regulations and the code of business practice.

The role of the Board requires the respective individual members to maintain the highest standards of ethics, integrity and values, and represent the interest of the Agency and the country. These responsibilities are set out in the approved Board Charter which is reviewed as and when the Board deems fit.

THE USAASA BOARD CHARTER

USAASA's Board Charter has been aligned to the Corporate Governance Protocol for Public Entities accepted by Cabinet in 2003 and King III. The Charter describes the key responsibilities assumed by the Board of USAASA and defines the Board's authority.

The Board Charter outlines the following:

- Composition of the Board;
- Duties, roles and responsibilities of the Board as derived from the Electronic Communications Act;
- The Charter further defines Board procedures and clarifies the establishment of the Board Committees that assist the Board in the execution of its duties;
- The Charter also outlines matters exclusively reserved for the Board such as the remuneration of Board members, conduct during meetings, questions of quorum, Board capacity building and development and Board committee evaluations.

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE APPOINTED	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Mr Mawethu Cawe	Acting Chairperson: Board of Directors	01 September 2015	N/A	<ul style="list-style-type: none"> University of Fort Hare: Bachelor of Arts (BA) in Communications University of The Witwatersrand: Certificate in Industrial Relations (CPIR), University of South Africa (UNISA): Advanced Diploma in Labour Law University of The Witwatersrand: Post Graduate Diploma (Human Resources) University of Witwatersrand: Masters in Management University of The Witwatersrand: Certificate in Executive Coaching and Mentoring, 2009 	<ul style="list-style-type: none"> Human Resources Management Labour relations Leadership Strategy 	Amawethu Farm (Director) Amawethu Investment (Director)	Social & Ethics Committee
Adv. Lungelwa Shandu	Member: Board of Directors	01 September 2015	N/A	<ul style="list-style-type: none"> University of Durban Westville: Post Graduate Qualification - Bachelor of Laws (LLB) Graduate Qualification - Baccalaureus Procuratoris (B Proc) Kettering Foundation, Dayton - Ohio, USA Certificate - Deliberative Democracy Voice Clinic Certificate - Voice training for public speaking CCMA - Certificate- Substantive Law, Conciliation, Jurisdictional Ruling, Managing Dismissals and Arbitration 1&2 	<ul style="list-style-type: none"> Legal Labour Relations Business Alignment with Government Policy & Regulations Contracts Leadership Governance 	Firearms Appeal Board – Ministry of Police	Human Resources & Remuneration Committee Social & Ethics Committee
Mr Malose Kekana	Member: Board of Directors	01 September 2015	N/A	<ul style="list-style-type: none"> University of Witwatersrand: B Com Accounting University of South Africa: B Com Honours (one course outstanding) University of Pennsylvania: Wharton Business School Executive Development Programme (Finance) Morgan State University: Executive Management Programme South African Futures Exchange (SAFEX) Markets Exams – Completed level 1 and 2 of SAFEX Exams on Financial Markets (futures and options trading) Aspen Institute: Colorado, USA - Executive Leadership Programme 	<ul style="list-style-type: none"> Corporate Finance Strategy Leadership Governance 	Ithala (Pty) Ltd (Chairman) Tri-Star through Ba-Akhi Construction (Non-executive Director) Belelani Investment Managers (Director) Belelani Capital (Director) Belelani Group (Director)	Human Resources & Remuneration Committee Social & Ethics Committee (Chairperson)

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE APPOINTED	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Mr Nqabekaya Nqandela	Member: Board of Directors	01 September 2015	N/A	<ul style="list-style-type: none"> Cape Peninsula University: National Diploma: Electrical Engineering Milpark Business School: Master in Business Administration (MBA) University of Witwatersrand: Certificate in Convergence and New Media in the information Society University of Witwatersrand: Certificate in Telecommunication Policy, Regulation and Management University of Pretoria: Programme in Project Management 	<ul style="list-style-type: none"> ICT Policy and Regulation Strategic planning 	North-West University (Member of Council) Eastcape Midlands College (Member of Council) Amazotsho Investment Holding (Executive Chairman) Schloss Consulting (Director) Castillo Consulting	Human Resources & Remuneration Committee (Chairperson)
Ms Tshegofatso Maloka	Member: Board of Directors	01 September 2015	N/A	<ul style="list-style-type: none"> University of Witwatersrand: B Com Accounting University of Natal: B Com Honours CA (SA) 	<ul style="list-style-type: none"> Finance and Accounting Auditing Risk Management Governance 	Bothale 304 Services (Pty) Ltd (Director) Ponagatso ya Bothale (Director) Tshoganyetso (Director)	Board Audit & Risk Committee (Alternate Member)
Ms Pumla Radebe	Chairperson: Board of Directors	01 September 2012	03 December 2015 (resigned)	<ul style="list-style-type: none"> Bachelor of Arts in Social Science – University of Fort Hare (1976) Certificate in Municipal Management – Rand Afrikaans University (1996) UJ-Diploma in Policy Development and Management <ul style="list-style-type: none"> Regenesys School of Public Management (2003) CTO certificate on ICT Regulation: Understanding the Big Picture of ICTs <ul style="list-style-type: none"> Admitted as a Chartered Director (SA) 	<ul style="list-style-type: none"> Corporate Governance 	Bungane Development Consultants Calgro M3 Holdings Khuselo Investments Khuselo Telecoms Institute of Directors of Southern Africa (IoDSA)	
Ms Seadimo Chaba	Member: Board of Directors	01 September 2012	31 August 2015	<ul style="list-style-type: none"> BA degree in Economics and Industrial Psychology – Wits Postgraduate Diploma in Human Resources Management – Wits Senior Executive Programmes at Wits and Harvard Business School Diploma in Diagnostic Radiography from Nairobi Medical College 	<ul style="list-style-type: none"> Human Resources Strategy 	Seadimo Chaba Consulting Hitachi Power Africa (Pty) Ltd Safrican Insurance Pinnacle Technology Holdings Amispan (Pty) Ltd Makotulo Investments (Pty) Ltd Kgosi Neighbourhood Foundation State Information Technology Agency (SITA)	Chairperson: Human Resources & Remunerations Committee Member: Social & Ethics Committee

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE APPOINTED	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Mr Sam Ledwaba	Member: Board of Directors	01 September 2012	31 August 2015	<ul style="list-style-type: none"> B Juris – University of Zululand LLB – University of Zululand (Trade Marks & Domain names on the Internet) 	<ul style="list-style-type: none"> Legal Procurement Compliance 	Ledwaba Sam Attorneys	Chairperson: Business Development Committee Alternate Member: Human Resources & Remunerations Committee
Mr Kenosi Moroka	Member: Board of Directors	01 September 2012	31 August 2015	<ul style="list-style-type: none"> B Juris LLB Degree University of the North (Turfloop) 	<ul style="list-style-type: none"> Labour Law Commercial Law Constitutional Law Forensic Investigation Insurance 	Moroka Attorneys Attorneys Fidelity Fund (AFF) The Law Society of the Free State Free State Social Housing Company Airports Company of South Africa (ACSA)	Chairperson: Social & Ethics Committee Member: Human Resources & Remunerations Committee
Ms Zandile Mdhlahla	Member: Board of Directors	01 September 2012	31 August 2015	<ul style="list-style-type: none"> Bachelor of Arts – University of Zululand Higher Education Diploma (Postgraduate) – University of Pretoria Advanced Diploma in Adult Education University of Natal BA Higher Education Diploma in Adult Education Human Resources Management Certificate Marketing Certificate Financial Management Certificate Organisational Behaviour Certificate CTO certificate on ICT Regulation: Understanding the Big Picture of ICTs 	<ul style="list-style-type: none"> Policy Development and Implementation Human Resources Management Financial Management Logistical Management Internal and External Liaison 	Ikhwezi Lokusa Women's Investment Mawavune Women's Investments Moral Regeneration Movement Independent Development Trust (IDT)	Business Development Committee Social & Ethics Committee Human Resources & Remunerations Committee
Ms Agnes Macdonald	Member	1 May 2013	31 August 2015	<ul style="list-style-type: none"> Professional Customer Relations Skills Certificate Credit Management Certificate Professional Customer Relations Proficio Credit Management Certificate 	<ul style="list-style-type: none"> Events management Fund raising Micro- lending 	Lwati V Trading Mpumalanga Department of Human Settlements Rental Housing Tribunal	Business Development Committee Alternate Member: Social & Ethics Committee

REMUNERATION OF BOARD MEMBERS

NAME	POSITION	COMMENTS	TOTAL REMUNERATION R'000
Mr Mawethu Cawe	Acting Chairperson: Board of Directors	Appointed 01 September 2015	127
Mr Ngabekaya Nqandela	Member: Board of Directors	Appointed 01 September 2015	86
Mr Malose Kekana	Member: Board of Directors	Appointed 01 September 2015	44
Ms Lungelwa Shandu	Member: Board of Directors	Appointed 01 September 2015	72
Ms Tshegofatso Maloka	Member: Board of Directors	Appointed 01 September 2015	81
Ms Pumla Radebe	Chairperson: Board of Directors	Resigned December 2015	317
Ms Seadimo Chaba	Member: Board of Directors	Term ended 31 August 2015	45
Mr Sam Ledwaba	Member: Board of Directors	Term ended 31 August 2015	85
Ms Agnes MacDonald	Member: Board of Directors	Term ended 31 August 2015	98
Ms Zandile Mdhlahla	Member: Board of Directors	Term ended 31 August 2015	108
Mr Kenosi Moroka	Member: Board of Directors	Term ended 31 August 2015	38

MEETING ATTENDANCE BY THE BOARD

BOARD MEMBERS	28/05/15	06/08/15	24/08/15	17/09/15	16/10/15	16/11/15	27/11/15	03/12/15	28/01/16	18/02/16	15/03/16	18/03/16
Mrs P Radebe	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
Ms A MacDonald	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr S Ledwaba	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms S Chaba	✓	✗	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr K Moroka	✓	✗	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms Z Mdhlahla	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr M Cawe	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms L Shandu	N/A	N/A	N/A	✓	✗	✓	✓	✓	✓	✗	✓	✓
Ms T Maloka	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr M Kekana	N/A	N/A	N/A	✓	✓	✗	✗	✓	✓	✓	✓	✓
Mr N Nqandela	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓

USAASA COMMITTEES

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAMES OF MEMBERS
Board Audit & Risk Committee (BARC)	7	4	Mr LC Nene – Chairperson Ms NF Mdanda Mr TD Ntuli Mr MM Mudau* Ms T Maloka (Alternate member)
Human Resources & Remuneration Committee (REMC0)	4	3	Mr N Ngandela Mr M Kekana Ms L Shandu Ms S Chaba*** Ms Z Mdhladhla*** Mr K Moroka***
Social & Ethics Committee	1	3	Mr M Cawe Mr M Kekana Ms L Shandu Mr K Moroka*** Ms S Chaba*** Ms A Macdonald***

*Resigned 20 May 2015

** Resigned 03 December 2015

*** Term ended 31 August 2015

BOARD AUDIT AND RISK COMMITTEE (BARC)

The Board Audit and Risk Committee (BARC) which is chaired by Mr Linda Nene, comprises of three independent non-executive members plus one Board member serving as an alternate member of this committee.

The Chairperson and members of the Board Audit and Risk Committee were appointed on contract for three years and remunerated in accordance with the daily tariffs approved by the Minister of the Department of Telecommunications and Postal Services and the Board. The tenure of the current USAASA Board Audit and Risk Committee came to end in November 2015 and it was subsequently extended by a period of six months with effect from 1 March 2016 while recruitment processes for new BARC members were initiated.

The Board Audit and Risk Committee reviewed and evaluated the manner in which the Agency carried out its responsibilities with regard to the following, inter alia:

- Financial management and reporting practices; internal

audit activity; external audit processes; internal financial controls; management of risks; and compliance with laws, regulations and ethics.

APPROVAL OF POLICIES / STRATEGIES

In the financial year under review, the BARC recommended the following policies and strategies to the Board for approval:

- Delegation of Authority for USAASA: established to define the limits of authority designated to specified positions of responsibility within USAASA and to establish the expenditure thresholds and obligations that may be approved by Executives, the CEO and the Board of Directors.
- Performance Monitoring and Evaluation Framework: which is an essential supporting structure for the effective implementation of the Performance Monitoring and Evaluation Policy that will assist in evaluating the Agency's performance and identifying factors contributing to its quarterly and annual performance outcomes.

- Stakeholder Engagement Strategy: which is vital to enable the Agency to understand and respond to legitimate stakeholder concerns through the promotion of effective information sharing and dissemination, thereby improving organisational reputation.
- The Auditor-General's Audit Strategy for USAASA: established to provide management and those charged with governance with an overview of the planned scope, timing and cost of the 2015/16 external audit.
- The Internal Audit Three-Year Rolling Strategic Plan: established to direct Internal Audit Activity's audit planning, in relation to the risk-based audit methodology applied by the Agency.

PERFORMANCE MANAGEMENT

The Board Audit and Risk Committee reviewed reports from internal audit and the Auditor-General in respect of performance of management and made appropriate recommendations to management and the Board. The Board Audit and Risk Committee activities for the 2015/16 financial included:

- Reviewing the quarterly reports submitted to it by internal audit.
- Reviewing USAASA's performance management systems, focusing on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the Board are concerned.

FRAUD AND CORRUPTION

The Board Audit and Risk Committee reviewed USAASA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The BARC further ensured that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

HUMAN RESOURCES AND REMUNERATION COMMITTEE (REMCO)

The Human Resources and Remuneration Committee which is chaired by Mr Nqabekaya Nqandela, comprises of three independent non-executive members, including the Chairperson. The key roles and responsibilities of this committee include the following:

- Ensuring the human resources division supports the Agency's vision, mission and concomitant activities.
- Ensuring the organisational structure supports activities to be undertaken by the Agency.
- Promoting and guiding human resource activities and policies relevant to USAASA within a framework of best practice and Government.

REMUNERATION OF BOARD AUDIT AND RISK COMMITTEE MEMBERS

The remuneration of BARC members in the 2015/16 financial year is reflected in the table below:

NAME	POSITION	TOTAL REMUNERATION R'000	COMMENTS
Mr Linda Nene	Chairperson	79	Term ended on 30 November 2015 Re-appointed on a six months term with effect from 1 March 2016
Ms Fortunate Mdanda	Member	18	Term ended on 30 November 2015 Re-appointed on a six months term with effect from 1 March 2016
Mr Mulalo M Mudau	Member	14	Resigned on 20 May 2015
Mr Thulani D Ntuli	Member	26	Term ended on 30 November 2015 Re-appointed on a six months term with effect from 1 March 2016

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee which is chaired by Mr Malose Kekana, comprises of a total of three independent non-executive members. The overall responsibility of the Committee is to strategically provide oversight and direction with respect to good corporate ethics matters which include, but are not limited to the following:

- Monitoring the Agency's activities, having regard to any relevant legislation, other legal requirements or prevailing

codes of best practice, with regard to matters relating to social and economic development, including the Agency's standing in terms of :

- good corporate citizenship, including the Agency's promotion of equality;
- contribution to development of the communities in which the Agency's activities are predominantly conducted.





Report of the Board Audit and Risk Committee (BARC)

Linda Nene

We are pleased to present USAASA's Board Audit and Risk Committee Report for the financial year ended 31 March 2016.

AUDIT COMMITTEE RESPONSIBILITY

The Board Audit and Risk Committee has complied with its responsibilities arising from Section 51 (1) (a) (ii) of the Public Finance Management Act 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 BARC has discharged its responsibilities as contained therein.

The Board Audit and Risk Committee monitored the integrity of the USAASA Annual Financial Statements and Performance Information included in this annual report, reviewing significant financial and non-financial reporting issues contained herein.

THE EFFECTIVENESS OF INTERNAL CONTROL

In the financial period under review, the Board Audit and Risk Committee reviewed and evaluated the manner in which the Agency carried out its responsibilities with regard to the following:

- USAASA financial management and reporting practices;
- Internal audit activity;
- External audit processes;
- Internal financial controls and the process for management of risks including fraud;
- Compliance with laws, regulations and ethics; and
- Combined assurance.

APPROVED POLICIES / STRATEGIES

In the financial year under review, the Committee recommended one policy and one framework to the Board for approval to strengthen and improve the internal control environment. These are listed below:

- Amendment to the Delegations of Authority for USAASA;
- Performance Monitoring and Evaluation Framework.

The Committee also recommended two strategies to the Board for approval:

- The Auditor-General's Audit Strategy for USAASA; and
- The Internal Audit Three-Year Rolling Strategic Plan.

MANAGEMENT OF RISKS

The Board Audit and Risk Committee understands the major risk areas of USAASA and has monitored the control processes and the adequacy of systems of internal control in reviewing internal and external audit reports. In the financial year under review the BARC:

- was continually aware of the current areas of greatest financial risk and was ensuring that management was effectively managing the risks and regularly reviewing the fraud prevention plan;
- ensured that effective systems of accounting and internal control were established and maintained to manage financial risks;
- satisfied itself as regards the integrity and prudence of management control systems, including the review of policies and/or practices; and
- ensured that the CEO and the Board were aware of matters that might have a significant impact on the financial state of affairs of the organisation.

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

- SCM Q4 (2014/2015) Expenditure, Q1, Q2 and Q3 Expenditure (2015/16) Below Threshold;
- SCM Q4 (2014/2015) Expenditure, Q1, Q2 and Q3 Expenditure (2015/16) Above Threshold;
- Interim Financial Statements Q1, Q2 and Q3 Expenditure (2015/16);
- Performance Information Q1, Q2 and Q3 Activities (2015/16);
- Corporate Services Q4 (2014/2015) Activities, Q1, Q2 and Q3 Activities (2015/16);
- Financial Management Q4 (2014/2015) Expenditure, Q1, Q2 and Q3 Expenditure (2015/16);
- Broadband Project – Mutale Local Municipality in Limpopo Province; and
- IT Consulting Service on ERP.

Based on the audits listed above, the main areas of concern were:

- Delayed or lack of consequence management for non-performing divisions;
- Key management personnel - delays in the filling of critical finance positions;
- Overstatement of USAASA expenditure - the use of USAASA funds to finance USAF expenses and *vice versa*;
- Non-compliance to Human Resources Policies;
- Absence of controls in the management of branding materials inventory;

- Non-compliance to the PFMA resulting in fruitless and wasteful expenditure;
- Delays in the implementation of SAP/ERP system; and
- Lack of internet connectivity on Broadband projects.

The activities of Internal Audit Activity as stipulated in the Internal Audit Charter, approved by the BARC require that Internal Audit:

- should have unlimited access to the information, records, property and personnel of the Agency;
- should have full and free access to the BARC and the Chairperson of the USAASA Board, through the Chief Audit Executive (CAE);
- should obtain cooperation of personnel from all divisions of the organisation where they perform their duties, as well as other specialised services from within or outside the organisation;
- must have adequate financial, human and technological resources and support of the BARC; and
- must report administratively to the CEO and functionally to the BARC.

In the financial year under review, the Internal Audit Activity had to deliver on two annual targets in accordance with the approved Strategic and Annual Performance Plans of the Agency, namely:

- Completion of 25 internal audit assignments; and
- Development of the Three-Year Rolling Strategic Plan, where the first year serves as the Annual Audit Plan for the current year-end.

Of the 25 planned internal audit assignments, only two were not completed by year-end, namely, the Human Resources (HR) and Corporate Governance audits. The deviations were approved by the BARC. All completed internal audit assignments were presented to the Board Audit and Risk Committee and reported on a quarterly basis to the Agency's Performance Management Unit.

The following were areas of concern:

- Non-achievement of the entire approved audit plan at year-end;
- Term expiry of the BARC members' contracts and delayed pronouncements on the way forward; and
- There was a reduction of Internal Audit human resources by 33% to bolster the Financial Management Services Unit.

FINANCIAL REPORTING

The Board Audit and Risk Committee monitored the integrity of the financial statements of the organisation, including its annual report and any other formal announcement relating to its

financial performance, reviewing significant financial reporting issues and judgements which they contain.

The BARC also reviewed summary financial statements, significant financial returns to regulators and any financial information contained in such documents.

COMPLIANCE WITH LAWS, REGULATIONS AND ETHICS

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 is conducting its affairs ethically, and that it is maintaining effective controls against possible conflicts of interest and fraud. The specific steps involved in carrying out this responsibility include the following:

- Reviewing policy documents incorporating:
 - compliance with laws, regulations and ethics; and
 - policies and rules regarding conflicts of interest.
- Monitoring compliance with laws, regulations and policies;
- Reviewing the 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; and
- Monitoring developments and changes in the various rules, regulations, and laws which relate generally to the organisation's operations and also monitoring and reviewing the extent to which the organisation is complying with such rules, regulations and laws.

The Board Audit and Risk Committee shall continue to review USAASA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The BARC ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

IN-YEAR MANAGEMENT: MONTHLY/QUARTERLY REPORTING

The BARC has consistently reviewed the 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.

INTEGRATED REPORTING

The Committee, in its oversight role, reviewed the Agency's value-add on the mandate of the Agency. The Agency continues to provide Broadband Infrastructure in various under-served communities and ICT equipment to various schools and clinics, however there is still insufficient monitoring of usage thereof.

COMBINED ASSURANCE

King III requires that the Committee should ensure 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 strategy, operational, financial and sustainability issues in the quest to deliver value to the organisation.

Recognising the limited resources available to the internal audit activity and the need for greater assurance required by the Board Audit and Risk Committee and the Board, the Committee initiated the Combined Assurance process, which is now the responsibility of the Risk Manager. The Combined Assurance Model is currently in place and is monitored bi-annually by the Board Audit and Risk Committee.

As at year-end, two progress reports on the Implementation of the Combined Assurance were served before the Committee. These reports indicated assurance coverage and integrated efforts from various assurance providers within the Agency, including Internal Audit Activity and the Auditor-General. In the current financial year, these reports reflect the assurance coverage from the Agency's Shareholder, Performance and Monitoring, and Legal Services.

EXPERTISE AND EXPERIENCE OF THE FINANCE FUNCTION

In the current financial year under review, the Agency experienced a number of resignations at Senior Management level in the Finance division. The Chief Financial Officer and the Senior Manager: Financial Management resigned within months from one another, leaving a huge void at the critical time where the regulatory audit by the Auditor-General was due to commence.

The Board Audit and Risk Committee reviewed the available expertise, competence and experience of the available resources in the Agency after these resignations. Based on the Committee's assessment, a team was set up by the Committee to assist with the regulatory audit and preparation of the Annual Financial Statements. The Committee is pleased to report that by the required date of 31 May 2016, the Annual Financial Statements were prepared and submitted to the Auditor-General.

INFORMATION TECHNOLOGY GOVERNANCE

USAASA has recently engaged the services of a service provider for the implementation of the SAP/ERP system in the Agency. This system will assist the Agency in the rollout of the Digital Migration from Analogue to Digital. The Agency established an IT Steering Committee, which will provide support for the Implementation of this SAP/ERP system. The Internal Audit Activity will continue to provide consulting services for the project, including, but not limited to, reviewing the accuracy of accounting balances from the current system to SAP/ERP.

ETHICS AND COMPLIANCE

Ensuring that a robust ethics and compliance programme is introduced by the Agency to keep abreast of new vulnerabilities to fraud and misconduct, will remain on the radar for the new financial year.

In the period under review, there were no reports of suspected/ alleged unethical conduct by the employees of the Agency from the Department of Telecommunications and Postal Services' hotline and the Public Service hotline, save for the investigation initiated by the DoC.

FRAUD AND FORENSIC

In the period under review, an investigation was conducted by the Special Investigation Unit, as a proclamation by the Honourable President of the Republic of South Africa, prompted by the open letter from one of the political parties. This matter was subsequently withdrawn.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the Annual Financial Statements prepared for USAASA and recommended the same for submission to the Board, Executive Authority, National Treasury and the Auditor-General.

AUDITOR'S REPORT

The Committee is responsible for overseeing the external audit process and confirms that the external auditors are independent of the Agency and conducted its audit without influence from the Agency. The Committee Chairperson met with the external auditors independently of management.

We have reviewed the entity's implementation plan for audit issues raised by the Auditor-General in the prior year and we are satisfied with the progress made by management towards ensuring the AG matters are adequately resolved.

The Board Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General on the 2015/16 Annual Financial Statements and is of the opinion that the audited USAASA financial statements be accepted and read together with the report of the Auditor-General.

CONCLUSION

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the Committee confirms that:

- The internal controls of the Agency were in all material respects effective throughout the year under review;
- These controls safeguarded the Agency's assets;
- Proper accounting records were maintained;
- Resources were utilised efficiently; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable.

Following our review of the financial statements for the year ended 31 March 2016, we are of the opinion that they in all material respects comply with the relevant provisions of the PFMA and the International Reporting Standards, Generally Recognised Accounting Practices and fairly present the results of the operations, cash flow and financial position of the Agency.

The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities, in all material respects.



Linda Nene

Chairperson: Board Audit and Risk Committee

BOARD AUDIT AND RISK COMMITTEE (BARC) MEMBERSHIP

NAME	QUALIFICATIONS	DESIGNATION	APPOINTMENT DATE	TERMINATION DATE
Mr Linda Nene	University of Cape Town: B Commerce (Accounting) Monash University: Post Graduate Diploma in Management (specialising in Corporate Governance) The Institute of Internal Auditors: - CCSA (Certification in Control Self-Assessment) - GIA (SA) (General Internal Auditor-SA) - FIASA (Fellow of the Institute of Internal Auditors SA) - CRMA (Certification in Risk Management Assurance) Compliance Institute of South Africa (CISA): - CCP (Certified Compliance Professional of the Compliance Institute of South Africa) - CPrac (SA)- (Compliance Practitioner) Southern Business School: Risk Management Strategies in the Public Sector Institute for International Research: Management Development Programme	Independent Audit Committee Chairperson	01 December 2012	Term ended 30 November 2015 and was re-appointed on 1 March 2016
Ms Fortunate Mdanda	Bachelor of Accounting Science Honours: Bachelor of Commerce Auditing MBA - UNISA	Independent Audit Committee Member	01 December 2012	Term ended 30 November 2015 and was re-appointed on 1 March 2016
Mr Thulani Ntuli	B Juris Degree: University of North West Financial Management: University of Pretoria Business Continuity Certificate (certified Business Continuity Practitioner) Programme and Project Management Certificate Strategic and Business Planning Certificate Anti-Corruption Certificate	Independent Audit Committee Member	01 December 2012	Term ended 30 November 2015 and was re-appointed on 1 March 2016
Mr Martin Mudau	BCom Accounting BCom Accounting (Honours) CA(SA)	Independent Audit Committee Member	01 February 2014	20 May 2015

BOARD AUDIT AND RISK COMMITTEE MEETING ATTENDANCE

COMMITTEE MEMBERS	17/04/15	15/05/15	27/05/15	24/07/15	31/07/15	18/11/15	11/03/16	29/03/16
Mr L Nene	✗	✓	✓	✓	✓	✓	✓	✓
Mr TN Ntuli	✓	✓	✗	✓	✓	✓	✓	✓
Ms F Mdanda	✓	✓	✗	✓	✓	✗	✓	✗
*Mr MM Mudau	✓	✗	✓	N/A	N/A	N/A	N/A	N/A
**Ms T Maloka	N/A	N/A	N/A	N/A	N/A	✓	✗	✓

* Resigned 20 May 2015

** Appointed 01 September 2015

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

EXECUTIVE MANAGEMENT COMMITTEE (EXCO)

Moloti Nkune
Senior Manager: IT

Sipho Mngqibisa
Manager: Office of the CEO

Willem Olivier
Senior Manager: Legal Services



Vuyo Ntshoko
Executive Manager: Performance

Tshepiso Bokaba
Executive Assistant: Office of the CEO

Lumko Mtimde
Chief Executive Officer

Musa Ngidi
Manager: Corporate Services

Jimmy Mashiane
Chief Audit Executive

Lavhe Netshidzivhani
Risk Manager



Mokgobo Sephiri
Acting Chief Financial

Makhotso Moiloa
Executive Manager: Operations

Keitumetse Hlahatsi
Brand Communications Specialist

ROLE OF THE EXECUTIVE MANAGEMENT COMMITTEE (EXCO)

The USAASA Executive Committee (EXCO), under the leadership of the CEO is responsible for leading the divisions and business units of the Agency in accordance with organisational strategic objectives. Members of this committee support the Board by driving the following key activities, *inter alia*:

- Demonstrating leadership in driving strategy implementation and in being accountable and transparent in respect of coordinating and maintaining clear directives in terms of USAASA's strategic objectives, guidelines, policies and procedures;
- Ensuring commitment across the organisation towards the attainment of USAASA quarterly and annual performance targets as outlined in the approved Annual Performance Plan, monitoring and evaluating progress of deliverables; and
- Ensuring effective human resources management, financial management, risk management and being accountable for implementing recommendations of Internal Audit Activity, the Board Audit and Risk Committee, the Auditor-General, as well as, the Board and its committees in each of their respective areas of responsibility.

EXCO remains accountable to the USAASA Board of Directors and is therefore directly involved in preparing and firming up submissions and recommendations on organisational matters tabled before the Board and its committees.

RISK MANAGEMENT

Risk Management provides a comprehensive view of the Agency's risks both from strategic and operational perspectives and it is a process that supports the reduction of uncertainty and promotes the exploration of opportunity.

In the financial year under review, USAASA underwent a shift from an approach where there was no alignment between risk management and the business model to one where Performance Risk Management is at the core. Risk management within USAASA is gradually moving from the back-benches to the front line so that it can deliver the value it is intended to. This is evidenced by the incorporation of risk management during the planning session of the Agency, thereby accentuating and recognising that strategy, risk, performance and sustainability have become inseparable.

The Agency's risk management activities are guided by the following, amongst others: Public Sector Risk Management

Framework, King III Report on Corporate Governance, International Standards on Risk Management (ISO 31000), and the South African National Standards (SANS) for Risk Management.

The current environment, with specific reference to the Broadcasting Digital Migration project, presents USAASA with unique risks brought about by the involvement of multiple external stakeholders in the project such as the Department of Communications, Sentech and the South African Post Office. This has in some ways led to uncoordinated approaches to the management of project risks by the different roleplayers. However, in the pursuit of prudent and effective risk management, USAASA has consistently held internal risk management workshops on a quarterly basis with a view to ensuring adherence to the risk management framework, enhance performance and drive value creation.

The Agency has invested in the Enterprise resource solution (ERP) which is intended to improve process efficiency through automation. Risk management processes were employed to effectively assess risks across the project and drive ownership, escalating to the project steering committee every issue and risk for resolution, whenever applicable.

USAASA has adopted an approach in terms of which strategic risk workshops are held on a quarterly basis with a view to improving insights to existing and emerging risks that affect and are created by the strategic objectives and management of drivers of volatility which could impact performance and strategic goals.

Formalised operational risk management activities were carried out on a monthly basis in line with the Risk management framework and a process of monitoring and review was undertaken on a regular basis. Both strategic and operational risks are seeing gradual maturity, specifically focusing on ensuring that risk management is embedded onto business processes.

A key challenge in the year ahead will be the funding risk that the Agency is exposed to as the number of school connectivity projects has been declining year on year due to a lack of adequate funding to fund connectivity while undertaking new projects. The Agency has sought to optimise the financial resources while ensuring that the Department of Telecommunications and Postal Services, as well as the National Treasury are aware of this challenge.

The Agency's Board Audit and Risk Committee (BARC) advises the entity on risk management and independently monitors the effectiveness of the USAASA's risk management system through a quarterly risk management review process.

INTERNAL AUDIT

Roles and Objectives of the Internal Audit Activity

Internal Audit is an independent objective assurance and consultation function designed to add value and improve the Agency's operations. It contributes to the Agency's ability to accomplish its pre-determined objectives by providing reasonable assurance on the adequacy, efficiency and effectiveness of internal control systems developed by management to mitigate risk exposures.

Consulting services are defined as facilitation, process design, training and advisory services. These consulting services may fall under one of the following categories:

- Formal consulting engagement;
- Informal consulting engagement;
- Special consulting engagement;
- Emergency consulting engagement;
- Assessment services; and
- Facilitation services.

In the financial year under review, Internal Audit Activity was expected to deliver on the following annual targets:

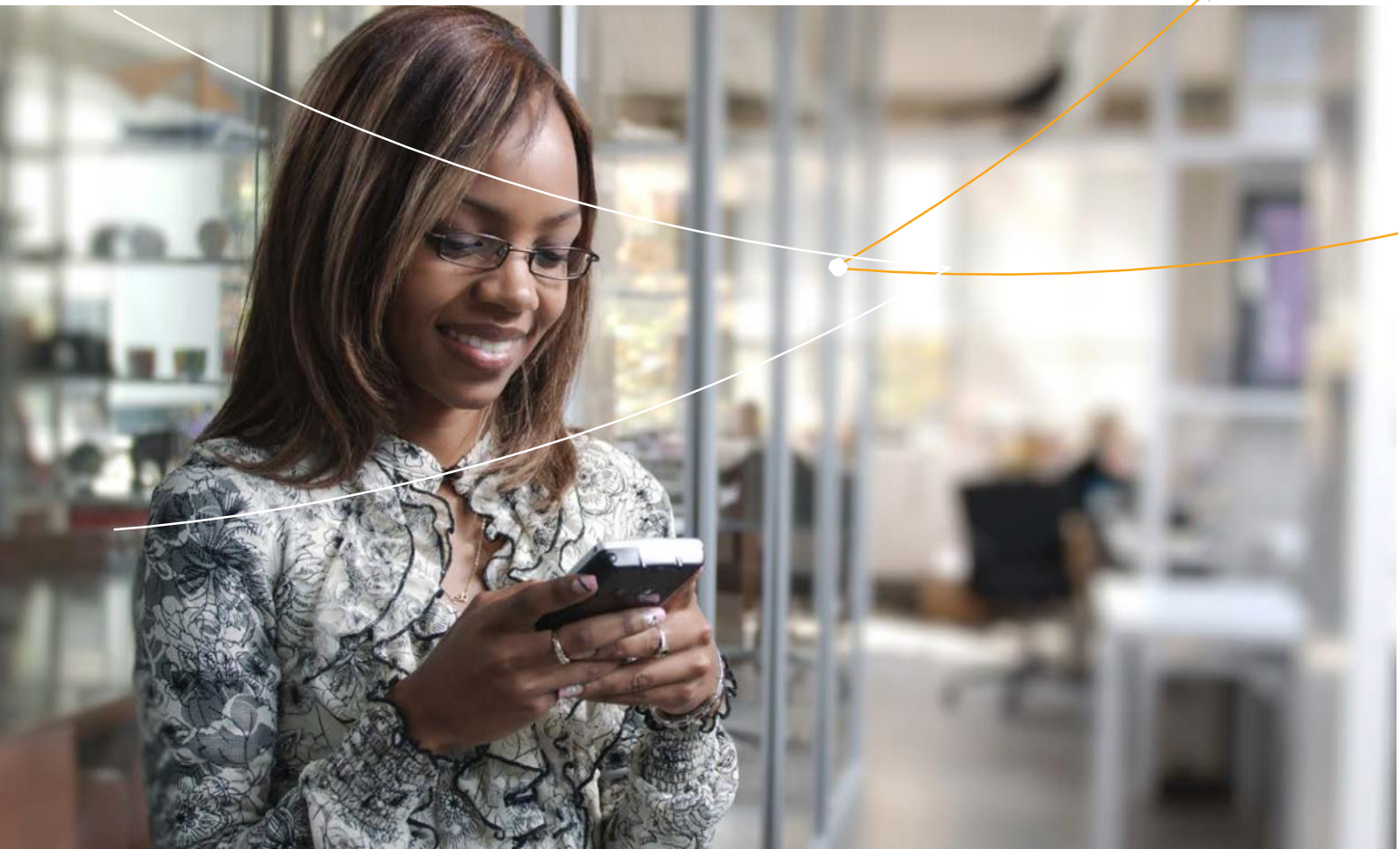
- Twenty-five audits conducted as per approved annual audit plan in order to assist the Agency to achieve a clean audit; and
- Approved three-year rolling strategic plan and annual audit plan.

The first target of conducting 25 audits as per the approved annual audit plan in order to assist the Agency to achieve a clean audit, was not achieved as 23 of the planned audit assignments were completed in 2015/16 due to capacity constraints. All completed audit assignments were presented to the Board Audit and Risk Committee for review by this committee prior to submission to the Board.

The second target relating to the development and approval of the Three-Year Rolling Strategic Plan, where the first year served as the Annual Audit Plan for the financial year under review, was achieved with these plans having been submitted to the BARC for inputs and approval in the final quarter of 2015/2016.

Internal Audit Activity noted improved compliance to prescripts during 2015/16, which mainly related to audits conducted on Supply Chain Management (SCM) below threshold.

PART D: HUMAN RESOURCES MANAGEMENT



Human Capital and Structure

The Human Resources function in particular seeks to attract and retain the best talent in the industry whilst ensuring USAASA employees are developed and capacitated to contribute to the universal access and service mandate of the Agency.

As at the closing of the financial year, USAASA's employee complement comprised of fifty five permanent employees and five interns, while seven positions were vacant. The organisational structure of USAASA has three levels of management, including executive level, senior managers and managers. At a governance level, the CEO reports to the Board, which in turn reports to the Minister of the DTPS. The Board Audit and Risk Committee (BARC) and the Internal Audit Activity also form part of the governance structures in place to ensure the Agency retains adequate levels of internal control.

ORGANISATIONAL DEVELOPMENT

The USAASA Board approved a new Organisational Development (OD) structure at the end of the 2014/15 financial year with the purpose of optimising the Agency's organisational efficiency

and ensuring that USAASA's structure is weighted in favour of the much needed technical resource positions. Pursuant to the conclusion of a number of the OD deliverables by USAASA which included the development of new operational structures, job profiles, skills profiles and matching of individuals to jobs, the next step initiated during the final quarter of the 2015/2016 financial year was the migration of USAASA employees to the approved OD structure. This was done through a process of one-on-one employee engagements and dispatching migration letters.

In view of a number of concerns raised by Organised Labour amongst other stakeholders, however, the Board resolved to place the implementation of the Organisational Development project in abeyance in order to allow the newly appointed Board of Directors sufficient time to review and deliberate on the project and its processes. The Board envisages to complete its OD project review processes and the implementation of this critical project during the 2016/17 financial year.



FILLING OF KEY POSITIONS

The following key USAASA positions became vacant during the financial year under review:

- Chief Executive Officer (CEO) – The employment contract of the USAASA CEO came to an end at 31 March 2016 and recruitment processes commenced during the final quarter of the financial year under review. The Board in consultation with the Minister, finalised these processes and the newly appointed CEO commenced duties during May 2016.

In order to ensure continuity in business operations of the Agency, interim arrangements were effected for the Executive Manager: Operations to act in the capacity of Chief Executive Officer until the conclusion of recruitment processes to fill this position.

- Chief Financial Officer (CFO) – This position became vacant following the resignation of the CFO in October 2015. Recruitment processes for sourcing an incumbent were still underway as at the end of the year.
- Company Secretary – This position became vacant with effect from 14 March 2016 following the resignation of the

USAASA Company Secretary. Recruitment processes had not commenced as at 31st March 2016 and were due to be initiated in the first quarter of 2016/2017.

- Senior Manager: Finance – This position became vacant as from 15 March 2016 following the resignation of the USAASA Senior Manager: Finance who also held the position of Acting Chief Financial Officer at the time of her departure from the Agency. Priority was given to the filling of the vacant CFO position with acting arrangements effected for the Senior Manager: Finance position in order to ensure minimal disruption to financial management operations.

EVENTS AFTER THE REPORTING PERIOD

- Appointment of the Chief Executive Officer in May 2016
- Appointment of the Company Secretary in July 2016

The Board acknowledges the importance of having a fully-capacitated organisational structure if the Agency is to succeed in achieving its pre-determined objectives, hence the priority given to the filling of the above key positions.



Human Resources Oversight Statistics

PERSONNEL COST BY PROGRAMME

DIVISIONS	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXPENDITURE	*NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
All USAASA Divisions	79 973	38 735	48.44%	55	704.27

* Senior Manager: Finance and the Company Secretary included in this figure, but left prior to end of the financial year.

PERFORMANCE REWARDS

EMPLOYMENT LEVELS	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	0	0	0
Senior Management	0	0	0
Professionally Qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
TOTAL	0	0	0

TRAINING COSTS

DIVISIONS	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL EXPENDITURE	NO. OF EMPLOYEES TRAINED	AVG. TRAINING COST PER EMPLOYEE (R'000)
All USAASA Divisions	38 735	305	0.79%	9	33.9

EMPLOYMENT AND VACANCIES

EMPLOYMENT LEVELS	2014/2015 NO. OF EMPLOYEES	2015/2016 FUNDED POSTS	NO. OF EMPLOYEES 2015/16	VACANCIES 2015/16	% OF VACANCIES 2015/16
Top Management (14-16)	3	6	4	2	33.33
Senior Management (13)	11	13	12	1	7.69
Professionally Qualified (11-12)	18	15	13	2	13.33
Skilled (8-10)	24	26	24	2	7.69
Semi-skilled (2)	2	2	2	0	0
Unskilled	0	0	0	0	0
TOTAL	58	*62	**55	7	11.29

* Based on the old structure as employees had not yet been migrated to the new structure at the end of the financial year.

**Figure includes the CEO post which became vacant at 1 April 2016.

EMPLOYMENT CHANGES

EMPLOYMENT LEVELS	EMPLOYMENT AT BEGINNING OF PERIOD	2015/2016 APPOINTMENTS	2015/2016 TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management (14-16)	4	2	2	4
Senior Management (13)	12	1	1	12
Professionally Qualified (11-12)	15	1	3	13
Skilled (8-10)	25	1	2	24
Semi-skilled (2)	2	0	0	2
Unskilled	0	0	0	0
TOTAL	58	5	8	55

REASONS FOR EMPLOYEES LEAVING

REASON	NUMBER OF EMPLOYEES	% OF TOTAL NO. OF EMPLOYEES LEAVING
Death	0	0
Resignation	4	6.90
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	4	6.90
Other	0	0
Total	8	13.80

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissals	0

One disciplinary enquiry related to alleged misrepresentation of qualifications by an employee was pending as at the end of 2015/16.

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

EMPLOYMENT LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	0	0	0	0	0	0	0
Senior Management	9	0	1	0	0	0	1	0
Professionally qualified	8	0	0	0	0	0	1	0
Skilled	4	0	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	22	0	1	0	0	0	2	0

EMPLOYMENT LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	0	0	0	0	0	0	0
Senior Management	0	0	1	0	0	0	0	0
Professionally qualified	5	0	0	0	0	0	0	0
Skilled	20	0	0	0	0	0	0	0
Semi-skilled	2	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	29	0	1	0	0	0	0	0

EMPLOYMENT LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professionally qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	0	0	0	0

PART E: FINANCIAL INFORMATION





Report of the Acting Chief Financial Officer

Mokgobo Sephiri

: “...we are proud to report that USAASA's expenditure for the financial year under review was within budget which demonstrates management's commitment to implementing effective and efficient systems of budgeting and keeping cost containment at the core of procurement activities.”

The Agency is pleased with the continued commitment from the Department of Telecommunications and Postal Services in ensuring USAASA received the total budget allocations of R262,4 million for the 2015/16 financial year, inclusive of the additional R196 million USAASA allocation for the BDM project logistics and distribution costs. This has enabled USAASA to play an active role through USAF in bringing information and communications technology (ICT) services closer to the under-served communities of the Mutale and Chief Albert Luthuli Local Municipalities and enhance the quality of education and health services available to these communities by deploying broadband connectivity to educational institutions and primary health care facilities in these areas.

USAASA remains conscious of its responsibility to ensure that the Agency is able to spend the funding allocations for day-to-day

operations through effective procurement processes that are in compliance with the Public Finance Management Act (PFMA), the Preferential Procurement Policy Framework Act (PPFPA) and other relevant legislative prescripts. To this end we are proud to report that USAASA's expenditure for the financial year under review was within budget which demonstrates management's commitment to implementing effective and efficient systems of budgeting and keeping cost containment at the core of procurement activities.

USAASA had a surplus of R191 million at the closing of the financial period under review and this was mainly attributable to delays in the launching of the Broadcasting Digital Migration (BDM) project as these funds are committed towards furthering the BDM project management and distribution, as well as completion of the Enterprise Resource Planning system which is due to be finalised in the fourth quarter of 2016/17.

Another key area of focus during 2015/16 has been the Agency's positive contribution to driving meaningful economic participation by the majority of South African citizens and creating capacity within the broader economic landscape through preferential procurement to enhance participation by black entrepreneurs in the mainstream of economic activity. This was achieved by promoting the country's Broad-Based Black Economic Empowerment (B-BBEE) strategy through the utilisation of B-BBEE Companies in 91% of the USAASA spending for the year under review against an annual target of 80% as outlined in the Agency's 2015/16 Annual Performance Plan.



Mokgobo Sephiri
Acting Chief Financial Officer

In conclusion, a word of thanks goes to the USAASA Board of Directors and the CEO for their sterling leadership, encouragement and dedication to the success of the Agency. I also wish to extend sincere gratitude to the Agency's Internal Audit team, the Board Audit and Risk Committee (BARC), and to our very capable Financial Management Services team for their determination in obtaining an unqualified AG audit opinions for USAASA for the period under review. I would also like to thank the Auditor-General team which has worked tirelessly with us under extreme pressure and stringent timelines, for their guidance and support towards the successful conclusion of the 2015/16 external audit processes.

We remain committed to ensuring USAASA becomes a centre of excellence on Universal Service and Universal Access in South Africa.

Statement of Responsibility: Annual Financial Statements

The Directors are legally bound to ensure that the Agency keeps full and proper records of its financial affairs and for the preparation and integrity of the annual financial statements. The external auditors are engaged to conduct an audit and express an independent opinion on the financial statements.

The USAASA annual financial statements have been prepared in terms of Generally Recognised Accounting Practice and are in line with the Agency's accounting policies and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the systems of internal financial control and that they place reliance on the Board Audit and Risk Committee to oversee Management's implementation of sound internal control systems, procedures, policies, and approval frameworks to maintain a strong control environment. The Directors are not

aware of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The Directors are of the opinion, based on the information and explanations given by Management and Internal Audit Activity, that the system of the internal control provides reasonable assurance and that the financial records may be relied upon in preparing for the annual financial statements.

The Directors have every reason to believe that the annual financial statements, which were prepared on a going concern basis, fairly present the financial results of the Agency and the Fund and the position at the end of the financial year and that the Agency will be a going concern for the year ahead.

The annual financial statements of USAASA for the year ended 31 March 2016, as set out on pages 72 were approved by the Board of Directors on 28 July 2016 and signed on their behalf by:



Mawethu Cawe
Acting Chairperson of the Board



Lumko Mtimde
Chief Executive Officer

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Universal Service and Access Agency of South Africa set out on pages 76 to 104, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The board of directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) 1 of 1999, 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.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the USAASA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the PFMA.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 19 to the financial statements, the corresponding figures for the year ended 31 March 2015 have been restated as a result of expenditure for the 2015 financial year, which was incorrectly recorded in the current year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the USAASA for the year ended 31 March 2016:

- Objective 1: USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise on pages 38 to 39.

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. The material findings in respect of the selected are as follows:

Objective 1: USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise

Usefulness of reported performance information

14. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 25% indicators were not well defined.

15. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 50% indicators were not verifiable.

16. The FMPPI requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable. A total of 100% targets were not specific and measurable.

Reliability of reported performance information

17. I did not identify any material findings on reliability of the reported performance information for the objective selected as per paragraph 10 above.

Additional matters

18. I draw attention to the following matters

Achievement of planned targets

19. Refer to the annual performance report on pages 33 to 38 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and of the reported performance information in paragraphs 14 to 16 of this report.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of objective 1: USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise objective. As management subsequently corrected the misstatements, I did not identify any material findings on reliability of the reported performance information.

Unaudited supplementary information

21. The supplementary information set out on pages 21 to 32 does not form part of the annual performance report and is presented as additional information. I have not audited this schedule and, accordingly, I do not report on them.

Compliance with legislation

22. I performed procedures to obtain evidence that the USAASA had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

23. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information management were not maintained as required by section 51(1)(a)(i) of the PFMA.

Financial statements, performance and annual reports

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the Public Finance Management Act. Material misstatements of non-current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving unqualified audit opinion.

Expenditure management

25. Effective steps were not taken to prevent irregular expenditure, amounting to R687 000.00 as disclosed in note 22 of the AFS, as required by section 51(1)(b)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

Consequence management

26. Disciplinary steps were not taken against officials who incurred irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the Public Finance Management Act and Treasury Regulation 9.1.3.

Internal control

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies

that resulted in findings on compliance with legislation and predetermined objectives included in this report.

Leadership

28. Management did not uphold and promote compliance with internal policies including laws and regulations.
29. Management did not exercise oversight responsibility to ensure that consequence management is implemented.
30. The oversight role was not exercised by the Accounting Authority as there was instability in management resulting in key management position been vacant for an extended period.

Financial and performance management

31. There were inadequate reviews of financial and performance reports to ensure that they are free from misstatements.
32. Inadequate application of laws and regulations which resulted in non-compliance.

Auditor General

Pretoria
31 July 2016



AUDITOR-GENERAL
SOUTH AFRICA

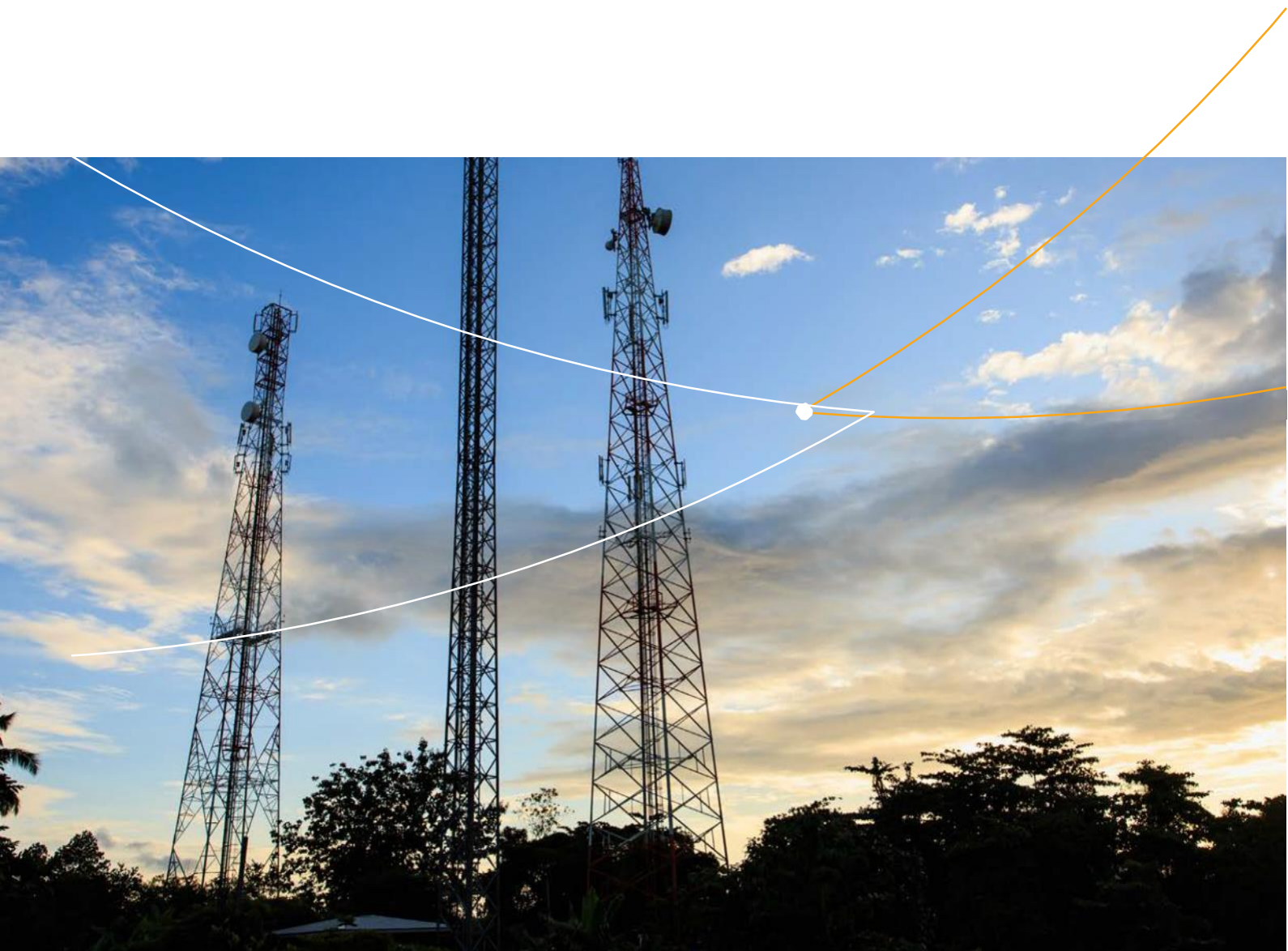
Auditing to build public confidence

AUDITED USAASA

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

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Statement of

FINANCIAL PERFORMANCE

as at 31 March 2016

	NOTE(S)	2016 R'000	2015 R'000
Revenue			
Other income		267	152
Interest received - investments		8 605	730
Government grants and subsidies		262 429	65 376
Total revenue		271 301	66 258
Expenditure			
Employee-related costs	11	(38 735)	(40 035)
Depreciation and amortisation		(3 228)	(3 269)
Finance costs		(84)	(74)
Lease rentals on operating lease		(4 971)	(4 253)
Repairs and maintenance		(201)	(363)
General expenses	12	(32 754)	(17 217)
Total expenditure		(79 973)	(65 211)
Operating surplus	13	191 328	1 047
(Loss) gain on disposal of assets and liabilities		(14)	33
Surplus for the year		191 314	1 080

Statement of

FINANCIAL POSITION

as at 31 March 2016

	NOTE(S)	2016 R'000	2015 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	2	4 236	6 192
Intangible assets	3	25 297	755
		29 533	6 947
Current Assets			
Inventories	4	145	481
Loans and receivables	5	735	906
Cash and cash equivalents	6	208 483	12 778
		209 363	14 165
Total Assets		238 896	21 112
Liabilities			
Non-Current Liabilities			
Finance lease obligation	7	152	14
Current Liabilities			
Finance lease obligation	7	203	117
Trade and other payables	8	16 449	4 172
Provisions	9	18 441	4 473
		35 093	8 762
Total Liabilities		35 245	8 776
Net Assets		203 651	12 336
Net Assets			
Accumulated surplus		203 651	12 336

Statement of

CHANGES IN NET ASSETS

for the year ended 31 March 2016

	NOTE(S)	ACCUMULATED SURPLUS R'000	TOTAL NET ASSETS R'000
Opening balance as previously reported		11 518	11 518
<i>Adjustments</i>			
Prior year adjustments		(261)	(261)
Balance at 01 April 2014 as restated*		11 257	11 257
<i>Changes in net assets</i>			
Surplus for the year		1 090	1 090
Total changes		1 090	1 090
Opening balance as previously reported		12 347	12 347
<i>Adjustments</i>			
Prior year adjustments		(10)	(10)
Balance at 01 April 2015 as restated*		12 337	12 337
<i>Changes in net assets</i>			
Surplus for the year		191 314	191 314
Total changes		191 314	191 314
Balance at 31 March 2016		203 651	203 651
Note(s)			

CASH FLOW STATEMENT

for the year ended 31 March 2016

	NOTE(S)	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash receipts from government		262 429	65 376
Cash paid to suppliers and employees		(49 641)	(61 836)
Cash generated from operations (excl. interest)	14	212 788	3 540
Interest income		8 605	730
Finance costs		(84)	(74)
Net cash from operating activities		221 309	4 196
Cash flows from investing activities			
Acquisition of property, plant and equipment	2	(900)	(3 864)
Loss on scrapping of property, plant and equipment	2	9	92
Purchase of other intangible assets	3	(24 937)	(194)
Net cash from investing activities		(25 828)	(3 966)
Cash flows from financing activities			
Finance lease payments		224	(97)
Net cash from financing activities		224	(97)
Total cash movement for the year		195 705	133
Cash and cash equivalents at the beginning of the year		12 778	12 645
Cash and cash equivalents at the end of the year	6	208 483	12 778

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2016

	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						
Recoveries	-	-	-	267	267	
Interest received - investments	-	-	-	8 605	8 605	
Total revenue from exchange transactions	-	-	-	8 872	8 872	
Revenue from non-exchange transactions						
Transfer revenue						
Transfers and subsidies received	262 429	-	262 429	262 429	-	
Total revenue	262 429	-	262 429	271 301	8 872	
Expenditure						
Personnel	(41 838)	-	(41 838)	(38 735)	3 103	
Depreciation and amortisation	-	-	-	(3 228)	(3 228)	Non-cash-flow item
Finance costs	-	-	-	(84)	(84)	Unanticipated cost
Lease rentals on operating lease	(4 466)	-	(4 466)	(4 971)	(505)	
Repairs and maintenance	(390)	-	(390)	(201)	189	Savings due to improved expenditure controls
General expenses	(215 735)	-	(215 735)	(32 755)	182 980	Significant portion of the savings (85%) is attributable to delayed implementation of the BDM capacity building project
Total expenditure	(262 429)	-	(262 429)	(79 974)	182 455	
Operating surplus	-	-	-	191 327	191 327	
Loss on disposal of assets and liabilities	-	-	-	(14)	(14)	Non-cash-flow item
Surplus before taxation	-	-	-	191 313	191 313	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	191 313	191 313	

USAASA Accounting Policies

1. STATEMENT OF COMPLIANCE

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 the South African Rand.

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

1.1 Significant judgements

In preparing the audited annual financial statements, the executive 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 are 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:

Loans and receivables

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

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

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.

The recoverable amounts, or recoverable service amounts, of individual assets have been determined based on the higher of fair value less cost to sell and value in use. These calculations require the use of estimates and assumptions. Some of the key considerations that were made in arriving at such estimates were the maintenance plans on certain assets, subsequent disbursements, the duration of the lease on property, technological changes in the market, the current conditions of assets, current market values as well as past experience with all asset categories.

It is reasonably possible that assumptions may change which may impact our estimations, however, a material adjustment to the carrying values of tangible assets due to revised assumptions is not foreseen.

Provisions

Provisions were raised and management determined an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

Useful lives of property and residual value, plant and equipment, and intangible assets

The entity's management determines the estimated useful lives, residual value and related depreciation / amortisation charges for property, plant and equipment, and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the entity.

USAASA Accounting Policies (continued)

1.1 Significant judgements (continued)

Effective interest rate

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

Provision for impairment of financial instruments

An impairment loss on debtors 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.

1.2 Revenue from non-exchange transactions

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.

Revenue received via the National Revenue Fund forms part of the Department of Telecommunications and Postal Services budget vote.

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.

1.3 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions 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.

An exchange transactions is defined as 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.

Interest income is recognised, in surplus or deficit, on a time proportion basis, taking into account the principal amount and the effective interest rate over the period to maturity.

Tender levies are recognised as revenue when payment from bidders has been received.

1.4 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Details of fruitless and wasteful expenditure are provided in note 21.

1.5 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is:

“expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

this Act; or

the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

any provincial legislation providing for procurement procedures in that provincial government”

Details of irregular expenditure are provided in note 22.

1.6 Investment policy

Accumulated funds not committed in the short-term are held in interest-bearing instruments.

1.7 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

1.8 Statement of materiality and significance

Materiality over the period under review was based on 5% of the appropriated budget for a given year. Quantitative and qualitative materiality are determined by the “USAASA: Materiality and Significance Framework” which has been prepared in terms of the stipulations of Treasury Regulation 28.3.1.

1.9 Tax

Current tax assets and liabilities

The USAASA is not required to make provision for SA Normal Taxation in the financial statements, since it is exempted in terms of Section 10(1) cA (i) of the Income Tax Act, No 58 of 1962, as amended. The USAASA is defined as a public authority in terms of the VAT Act, No. 89 of 1991, as amended and is not required to register for VAT (Value Added Tax). The USAASA is also exempt from paying Skills Development Levies in terms of Section 4 (d) of the Skills Development Levies Act, No. 74 of 2002.

1.10 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.

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.

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.

Classification

The entity has the following types of financial assets (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
• Loans and receivables	• Financial asset measured at amortised cost
• Universal Service and Access Fund	• Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
• Trade and other payables	• Financial liability measured at amortised cost
• Finance lease obligations	• Financial liability measured at amortised cost
• Universal Service and Access Fund	• Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

USAASA Accounting Policies (continued)

1.10 Financial instruments (continued)

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arms' length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange

transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.11 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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.

Property, plant and equipment are 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.

USAASA Accounting Policies (continued)

1.11 Property, plant and equipment (continued)

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as 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 carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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 are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.11 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fittings	Five years
Motor vehicles	Five years
Office equipment	Five years
Computer equipment	Three years
Leasehold improvements	Five years
Cellphones	Two years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 charge for each period is recognised in surplus or deficit 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 surplus or deficit 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.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.12 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 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.

USAASA Accounting Policies (continued)

1.12 Intangible assets (continued)

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	Useful life
Computer software	Three years

1.13 Provisions

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.

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.

1.14 Contingent liabilities and contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 16.

1.15 Leases

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

Finance leases - lessee

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the 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 interest on the remaining balance of the liability.

Initially finance lease assets are recognised at cost and subsequently carried at the cost less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term.

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.

1.16 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. All other assets that do not meet this description are described as non-cash generating assets.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follows:

Based on the nature of the entity (the Agency receives all of its funding from the Department of Telecommunications and Postal services), all of the Agency's assets are considered to be non-cash-generating assets.

Identification

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated

replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

USAASA Accounting Policies (continued)

1.16 Impairment of non-cash-generating assets (continued)

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.17 Employee benefits

Defined contribution plans

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

Short-term employee benefits

The cost of short-term employee benefits (i.e. those payable within 12 months after the service is rendered, such as paid vacation leave, 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 when the absence occurs (in the case of non-accumulating absences).

1.18 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.

1.18 Inventories (continued)

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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.19 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.20 Budget information

Budget information is disclosed in terms of GRAP 24 - Budget information which requires that entities, in their general purpose financial reporting, provide information on whether resources were obtained and used in accordance with their legally adopted budgets.

The approved budget is prepared on an accruals basis and covers the period from 01/04/2015 to 31/03/2016.

The 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 Amount.

Comparative information is not required.

1.21 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity

- Key management personnel, and close members of the family of key management personnel

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

Where the entity has had related party transactions during the periods covered by the financial statements, disclosure is made of the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments necessary for users to understand the potential effect of the relationship on the financial statements.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management is 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 considered to be those family members who may be expected to influence, or be influenced by that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Related party transactions and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 17 to the financial statements. Remuneration of key management personnel is disclosed in note 18.

1.22 Events after the reporting date

No events after the reporting date were identified that are relevant to the year in review.

Notes to the

Annual Financial Statements

for the year ended 31 March 2016

2. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE		ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	
	R'000	R'000		R'000	R'000	
Computer equipment	7 466	(5 310)	2 156	7 143	(3 925)	3 218
Furniture and fixtures	2 966	(2 525)	441	2 984	(2 298)	686
Motor vehicles	898	(476)	422	898	(296)	602
Office equipment	1 726	(1 259)	467	2 197	(1 519)	678
Leasehold improvements	3 546	(3 151)	395	3 546	(2 669)	877
Cellphones	406	(51)	355	289	(158)	131
Total	17 008	(12 772)	4 236	17 057	(10 865)	6 192

Reconciliation of property, plant and equipment

2016	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	DEPRECIATION R'000	TOTAL R'000
Computer equipment	3 218	400	-	(1 462)	2 156
Furniture and fixtures	686	-	(2)	(243)	441
Motor vehicles	602	-	-	(180)	422
Office equipment	678	94	(7)	(298)	467
Leasehold improvements	877	-	-	(482)	395
Cellphones	130	406	(14)	(167)	355
Total	6 191	900	(23)	(2 832)	4 236

2015	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	TRANSFERS R'000	DEPRECIATION R'000	TOTAL R'000
Computer equipment	987	3 448	(3)	-	(1 214)	3 218
Furniture and fixtures	977	12	(1)	-	(302)	686
Motor vehicles	781	-	-	-	(179)	602
Office equipment	787	332	(38)	-	(403)	678
Leasehold improvements	1 495	-	-	41	(659)	877
Work in progress	41	-	-	(41)	-	-
Cellphones	228	72	(17)	-	(153)	130
Total	5 296	3 864	(59)	-	(2 910)	6 191

Notes to the
Annual Financial Statements (continued)

3. INTANGIBLE ASSETS

	2016			2015		
	COST/VALUATION R'000	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000	COST/VALUATION R'000	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Computer software	1 275	(915)	360	2 759	(2 004)	755
Intangible assets under development	24 937	-	24 937	-	-	-
Total	26 212	(915)	25 297	2 759	(2 004)	755

Reconciliation of intangible assets

	OPENING BALANCE R'000	ADDITIONS R'000	AMORTISATION R'000	TOTAL R'000
2016				
Computer software	755	-	(395)	360
Intangible assets under development	-	24 937	-	24 937
	755	24 937	(395)	25 297
2015				
Computer software	921	194	(360)	755

4. INVENTORIES

	2016 R'000	2015 R'000
Inventories	145	481
Inventories recognised as an expense during the year	505	649

5. LOANS AND RECEIVABLES

Universal Service and Access Fund	-	26
Prepayments and advances		
- Staff loans/Advances	75	87
- Prepayments	425	561
Office rent deposits	243	243
	743	917
Fair value adjustment	(8)	(11)
	735	906

Notes to the
Annual Financial Statements (continued)

6. CASH AND CASH EQUIVALENTS

	2016 R'000	2015 R'000
Cash and cash equivalents consist of:		
Cash on hand	3	4
Bank balances	9	12
Other cash and cash equivalents	208 471	12 762
	208 483	12 778

Cash and cash equivalents are unencumbered.

7. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	203	117
- in second to fifth year inclusive	152	14
Present value of minimum lease payments	355	131
Non-current liabilities	152	14
Current liabilities	203	117
	355	131

8. TRADE AND OTHER PAYABLES

Trade payables	831	458
Operating lease payables	162	176
Accruals	15 321	3 538
Universal Service and Access Fund	135	-
	16 449	4 172

9. PROVISIONS

Reconciliation of provisions

	OPENING BALANCE R'000	ADDITIONS R'000	UTILISED DURING THE YEAR R'000	REVERSED DURING THE YEAR R'000	TOTAL R'000
2016					
Leave	1 561	1 108	(239)	(1 322)	1 108
Workmen's compensation	580	189	-	(580)	189
Bonuses	2 332	-	-	-	2 332
Other provisions	-	14 812	-	-	14 812
	4 473	16 109	(239)	(1 902)	18 441

Notes to the
Annual Financial Statements (continued)

9. PROVISIONS (CONTINUED)

Reconciliation of provisions

2015	OPENING BALANCE R'000	UTILISED DURING THE YEAR R'000	REVERSED DURING THE YEAR R'000	REDUCTION DUE TO RE-MEASUREMENT OR SETTLEMENT WITHOUT COST TO ENTITY R'000	TOTAL R'000
Leave	1 183	(2 596)	-	2 974	1 561
Workmen's compensation	502	-	(75)	153	580
Bonuses	2 300	(2 066)	(234)	2 332	2 332
	3 985	(4 662)	(309)	5 459	4 473

10. REVENUE

	2016 R'000	2015 R'000
Recoveries	267	152
Interest received - Investments	8 605	730
Government grants and subsidies	262 429	65 376
	271 301	66 258

The amount included in revenue arising for exchanges of goods or services transactions are as follows:

Recoveries	267	152
Interest received - Investments	8 605	730
	8 872	882

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Transfer revenue		
Department of Telecommunication and Postal Services	262 429	65 376

11. STAFF COSTS

Wages and salaries		
- Basic salaries	34 610	32 474
- Performance bonus	-	2 098
- Other non-pensionable allowance	1 218	1 362
- Workmen's compensation	189	78
- SDL	-	455
- Leave payments	(453)	378
- Overtime pay	19	-

Notes to the
Annual Financial Statements (continued)

	2016 R'000	2015 R'000
11. STAFF COSTS (CONTINUED)		
Social contributions (Employer's contributions)		
- Medical aid	247	255
- Unemployment insurance fund	101	105
- Provident fund	2 804	2 832
	38 735	40 037
Number of employees	56	58
12. GENERAL EXPENSES		
Advertising	189	74
Auditor's remuneration	1 609	649
Bank charges	47	27
Consulting and professional fees	558	889
Consumables	2	76
Insurance	419	369
Conferences and seminars	102	546
Marketing costs	1 291	843
Postage and courier	199	102
Printing and stationery	755	1 372
Research and development costs	-	245
Licenses	377	112
Security	260	275
Catering, refreshments and domestic services	829	345
Subscription fees	223	447
Information and telecommunication costs	3 011	1 825
Training	305	554
Travel	2 898	2 790
Electricity and municipal services	1 076	1 100
Board and committee fees	1 156	1 101
Employee wellness	210	53
Legal fees	2 108	1 957
BDM Capacity Building	14 812	-
Recruitment costs	113	207
Organisational development	205	1 260
	32 754	17 218

Employee wellness, recruitment costs and organisational development costs were grouped together under organisational development line item previously. The expenses are however classified separately in the current financial year. Comparative figures are corrected accordingly.

Notes to the
Annual Financial Statements (continued)

13. OPERATING SURPLUS/(DEFECIT)

	R'000	R'000
Operating surplus/(deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
- Contractual amounts	4 714	4 003
Plant and equipment		
- Contractual amounts	223	223
Lease rentals on operating lease		
- Contractual amounts	34	27
	4 971	4 253
(Loss) gain on sale of property, plant and equipment	(14)	33
Amortisation on intangible assets	395	360
Depreciation on property, plant and equipment	2 833	2 910
Employee costs	38 735	40 035
Research and development	-	245

14. CASH GENERATED FROM OPERATIONS

Surplus	191 314	1 079
Adjustments for:		
Depreciation and amortisation	3 228	3 269
Loss (gain) on sale of assets	14	(33)
Finance costs	84	74
Movements in provisions	13 968	488
Interest income	(8 605)	(730)
Changes in working capital:		
Inventories	336	106
Loans and receivables	170	(384)
Trade and other payables	12 279	(331)
	212 788	3 538

15. COMMITMENTS

Service contracts

At the reporting date the entity had outstanding commitments under non-cancellable service contracts, which fall due as follows:

- within one year	3 670	3 982
- in second to fifth year inclusive	1 647	3 086
	5 317	7 068

Notes to the Annual Financial Statements (continued)

16. CONTINGENCIES

Liabilities

The organisation has cases which are currently at the labour court with regards to employees who were dismissed from the organisation. No judgment has been made with regard to these cases and the Agency cannot reliably estimate the potential liability which will emanate from these cases. There is also a matter under investigation relating to the salary review and adjustment of some employees of the Agency. The potential liability on this matter cannot be reliably estimated. The organisation also has matters which are being investigated by the SIU. The exposure of potential liability on these matters cannot be reliably estimated.

The Agency has applied for a rollover with the National Treasury to the value R156 million. Approval to retain these funds had not been granted at the date of issue of the financial statements.

Assets

Litigations are in process against two service providers and a former employee. The amount claimed against the service providers is R50 177,12 and the one against the former employee is R138 463,31. Recoverable amounts of these claims cannot be reliably estimated as the cases are still continuing.

17. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships

Department of Telecommunications and Postal Services (Administrative arm of shareholder)

Universal Service and Access Fund (Fund management)

South African Post Office (Entity controlled by the same shareholder)

Name of entity	Transaction type	2016 R'000	2015 R'000
Transactions			
Department of Telecommunications and Postal Services	Revenue appropriation	262 429	65 376
South African Post Office	Project expenses	14 811	-
		277 240	65 376
Balances			
Universal Service and Access Fund	Payable/(Receivable)	(135)	26
South African Post Office	Provision for project expenses	(14 811)	-
		(14 946)	26

Notes to the
Annual Financial Statements (continued)

18. REMUNERATION OF KEY MANAGEMENT

Executive Management - 2016	SALARY R'000	ACTING ALLOWANCE R'000	OTHER ALLOWANCES R'000	TOTAL R'000
Mr Z Nkosi - Chief Executive Officer (Term ended: 31 March 2016)	1 862	-	70	1 932
Mr Z Mheyamwa - Chief Financial Officer (Resigned: Oct 2015)	647	-	69	716
Mr S Mngqibisa - Acting Executive Manager: Performance Management	970	49	62	1 081
Ms KC Mbeki - Company Secretary	1 188	-	55	1 243
Ms L Ngcwembe - Acting Chief Financial Officer	923	42	33	998
Ms MMR Moiloa - Executive Manager: Operations	1 245	-	2	1 247
Ms V Ntshoko - Executive Manager: Performance Management	608	-	5	613
Mr MM Ngidi - Executive Manager: Corporate Services	592	-	1	593
Mr M Nkune - Acting Executive Manager: Corporate Services	899	73	2	974
	8 934	164	299	9 397

Executive Management - 2015	SALARY R'000	PERFORMANCE PAYMENTS R'000	ACTING ALLOWANCE R'000	OTHER ALLOWANCES R'000	TOTAL R'000
Mr Z Nkosi - Chief Executive Officer	1 160	159	-	62	1 381
Mr Z Mheyamwa - Chief Financial Officer	993	66	-	12	1 071
Ms KC Mbeki - Company Secretary	1 000	44	15	2	1 061
Mr S Mngqibisa - Acting Executive Manager: Performance Management	880	113	30	86	1 109
Ms MMR Moiloa - Executive Manager: Operations	1 049	139	-	2	1 190
Mr W Lamani - Acting Executive: Business Development Services	961	127	14	6	1 108
Mr KP Moitse - Executive: Corporate Services	494	-	-	1	495
Mr M Nkune - Acting Executive: Corporate Services	819	63	28	2	912
Ms S Scheepers - Acting Executive: Corporate Services	896	75	37	2	1 010
	8 252	786	124	175	9 337

The disclosure for remuneration of key management of the 2013/14 financial year was corrected in 2014/15.

Notes to the
Annual Financial Statements (continued)

18. REMUNERATION OF KEY MANAGEMENT (CONTINUED)

Non-Executive Directors

Mr M Cawe (Appointed: 1 September 2015)	127	-
Mr N Nqandela (Appointed: 1 September 2015)	86	-
Mr M Kekana (Appointed: 1 September 2015)	44	-
Ms L Shandu (Appointed: 1 September 2015)	72	-
Ms T Maloka (Appointed: 1 September 2015)	74	-
Ms SH Chaba (Term ended: 31 August 2015)	45	127
Ms S Ledwaba (Term ended: 31 August 2015)	85	156
Ms VA MacDonald (Term ended: 31 August 2015)	98	96
Ms ZQ Mdladha (Term ended: 31 August 2015)	108	151
Ms KM Moroka (Term ended: 31 August 2015)	38	57
Ms P Radebe - Chairperson (Resigned: 2 December 2015)	317	359
	1 094	946

Independent Audit Committee

Ms NF Mdanda	18	27
Mr MM Mudau (Resigned: 20 May 2015)	14	40
Ms T Maloka (Appointed: 1 September 2015)	7	-
Mr LC Nene - Chairperson	79	54
Mr TD Ntuli	26	36
	144	157

19. PRIOR PERIOD ERRORS

Expenditure on consultants for the 2015 financial year was not recognised as an accrual at year-end. This error has been adjusted retrospectively in terms of GRAP3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 42.

Statement of financial position

Increase in trade and other payables	-	(10)
Decrease in accumulated surplus	-	10

Statement of financial performance

Increase in general expenses	-	10
Decrease in surplus from operations	-	(10)

Notes to the Annual Financial Statements (continued)

20. RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet a financial commitment. This risk is minimized through the holding of cash balances and sufficient borrowing facilities. In addition, detailed cash flow forecasts are regularly prepared and future commitments and credit balances are reviewed on an ongoing basis.

Interest rate risk

The carrying amount of the Agency's financial assets at balance sheet date that are subject to interest rate risk is disclosed in note 6. The size of the Agency's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilised when placing deposits.

The Agency is sensitive to movements in interest rates which is the primary interest rate to which the Agency is exposed. Management has performed a sensitivity analysis and found that if the interest rate increased or decreased by 50 basis points, the impact on surpluses or deficits would be negligible for both the current and prior financial year.

Credit risk

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 Agency minimises credit risk by depositing cash with major banks with high quality credit standing.

21. FRUITLESS AND WASTEFUL EXPENDITURE

	2016 R'000	2015 R'000
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	7
Fruitless and wasteful expenditure - current year	86	374
Fruitless and wasteful expenditure condoned	-	(381)
	86	-

Notes to the
Annual Financial Statements (continued)

21. FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

2016 R'000	2015 R'000
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Analysis of fruitless and wasteful expenditure

Incident	Disciplinary steps/Comments		
1. SARS conducted an audit of PAYE. They found that incorrect codes had been used on the payroll, leading to an understatement of PAYE. The amount relates to penalties and interest in relation to amounts under-declared.		-	274
2. SARS penalties and interest.	Investigations will be conducted and corrective actions taken.	84	74
3. Penalty charges on late payment to the Compensation Commission.		-	26
4. USAASA incurred interest charges of R1 813,64 on the overdraft bank balance due to challenges of changing bank signatories.	Investigations will be conducted and corrective actions taken.	2	-
		86	374

22. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Opening balance	228	697
Irregular expenditure - current year	459	-
Irregular expenditure condoned	-	(469)
	687	228

Analysis of irregular expenditure

		2016 R'000	2015 R'000
Incident	Disciplinary steps/Comments		
1. Non compliance with SCM procedures	Employee instructed the service provider to provide branding material without following SCM processes. The employee is not with the Agency anymore	355	-
2. Non compliance with SCM procedures	No competitive bids were invited as the service provider was identified as the only one for specific services. Investigations will be conducted and corrective actions taken.	78	-
3. Lowest price quote not selected	Lower quote for catering services not selected. Investigations will be conducted and corrective actions taken.	3	-
4. Non-compliance to SCM procedures	Service provider was verbally instructed to provide services. The employee is not with the Agency anymore	23	-
		459	-

The irregular expenditure of R377 545,80 was discovered in 2015/16 but relates to the 2014/15 financial year.




USASA
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