



Enabling the National Development Plan



Opening Communications

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## **PART A:**

### **General Information**

## Public Entity's General Information

Registered Name	Universal Service & Access Agency of South Africa
Registration Number (if applicable)	Not Applicable
Chairperson of the Board	Mrs. Pumla F. Radebe CD (SA)
Chief Executive Officer	Mr. Zami T. Nkosi
Physical Address	Building 1 Thornhill Office Park   94 Bekker Road Vorna Valley   Midrand   1630
Postal Address	P.O. Box 12601   Midrand   1630
Telephone Number	+27 11 564 1600
Fax Number	+27 11 564 1630
Website Address	<a href="http://www.usaasa.org.za">www.usaasa.org.za</a>
Email Address	<a href="mailto:koekie@usaasa.org.za">koekie@usaasa.org.za</a>
Bankers	Nedbank South Africa
External Auditors	Auditor General of South Africa
Company / Board Secretary	Mrs. Koekie Mbeki

## List of Abbreviations / Acronyms

<b>AGSA</b>	Auditor General of South Africa
<b>BARC</b>	Board Audit and Risk Committee
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>BDM</b>	Broadcasting Digital Migration
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>DTT</b>	Digital Terrestrial Television
<b>ECA</b>	Electronic Communications Act (2005)
<b>EXCO</b>	Executive Council
<b>ICASA</b>	Independent Communications Authority of South Africa
<b>ICT</b>	Information Communications Technology
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NDP</b>	National Development Plan
<b>NGP</b>	New Growth Plan
<b>PFMA</b>	Public Finance Management Act
<b>PICC</b>	Presidential Infrastructure Coordinating Commission
<b>SA Connect</b>	South Africa Connect: Creating Opportunities, Ensuring Inclusion South Africa Broadband Policy (2013)
<b>SCM</b>	Supply Chain Management
<b>SIP 15</b>	Strategic Integrated Project (15) - Expanding Access to Communication Technology
<b>SMME</b>	Small Medium and Micro Enterprises
<b>TR</b>	Treasury Regulations
<b>USAASA</b>	Universal Service and Access Agency of South Africa
<b>USAF</b>	Universal Service and Access Fund
<b>WSIS</b>	World Summit on the Information Society
<b>JC</b>	Junior Certificate
<b>CGI</b>	Clinton Global Initiative
<b>DTH</b>	Direct to Home
<b>ITU</b>	International Telecommunications Union

# Strategic Overview

## USAASA Vision

Universal Access and Service to ICT for All

## USAASA Mission

- To facilitate the roll out of adequate Information and Communication Technology (ICT) 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.

## USAASA Values

- **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; 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.

## Strategic Outcome Orientated Goals

- Innovative ICT offerings that respond to the needs of education, primary health care and government institutions in under serviced areas provided.
- ICT platforms provided to People with Disabilities, SMME's and Co-operatives.
- Current under serviced areas connected through affordable, available, sustainable and qualitative broadband.
- Digital access provided to needy households.
- USAASA established as a centre of universal access and services market information, knowledge and expertise.

## Visiting Mam'Khize

### Dear Diary

Today I was in Mam'Khize's village. It is a geographical area of approximately 3700 square kilometres and is 98% rural according to statistics. It's population size is in the region of 122, 000 and it is now no longer defined as under serviced.

You see, Mam'Khize is a grandmother and foster parent. She is raising her eight grandchildren by her three deceased children. They were mauled down by the virus and she is their remaining blood relative. She lives vicariously through them. She has dreams of seeing them become very big and important people in society...she wanted that for her own kids. She knows the computer is the way to the future, so she encourages them to study hard even though she cannot support them at home because she is just too old; she has a JC (Junior Certificate) which was big then, but not anymore. She has been struggling for a long time to help them with homework and the teachers say that is not their job...except Sister Anna who is very good with the children – bless her heart.

And so today as I am walking her to the clinic, she shows me some masts which she says have helped her a lot. She says they have given her more hope that she will smile beyond the grave. She says Sister Anna tells her that these metal structures are going to help her support her grandkids with homework when they come home from school...and she has already seen them do that! When the children come home from school, they quickly wash and hang their uniform and run to the designated river collection point to get drinkable water for the house. These points are designated for safety reasons because now these metal structures allow for constant monitoring of the water quality to make sure it is safe to drink.

When they come back from collecting the water, they put the water on the electric stove for pap for supper.

Mam'Khize knows when it is month end because an sms to her phone will tell her the electricity is running low. She will just use her airtime to reload it. So the kids make the pap and go under the tree because it is very hot. She watches them as she sits by the door, teaching each other (the older ones are bossy and think they are teachers already!) on what Sister Anna tells her is a computer...it looks more like a plate, but hei! This plate can teach man! It has a woman from Gauteng helping them with maths and science "haaaa!" she says "my children are going be great leaders, I tell you! That woman will teach nomakanjani... whether there is school or no school!"

And so as we walk through the clinic gates, I silently hope they don't turn away this beautiful old creature back for some reason or other. As if she read my mind, she pulls out her small phone and says "look my child, they told me today is my day at the clinic. I must come and get my medicine and I only need to bring myself and my thumb!" I ask "Your thumb, gogo?? What do you mean?" "everything is in my thumb, my child" and she smiles and walks into the waiting hall. Just then it occurs to me that she is referring to biometrics. That through the use of biometrics, the clinic is able to track her health records, her health status and to ensure that there is sufficient medication for her when she comes. How fantabulous is that????!!!!

Diary, today I am flabbergasted. I am excited. I am relieved...that finally, technology has touched the lives of people in ways that matter most to them!

## Walking Through USAASA Corridors

I am walking through the corridors of USAASA.

The walls are lined with frames and digital pictures. The environment is depictive of a technology advocacy workspace.

There is music and the building is buzzing with busy people. This is a different kind of busyness though. It is a directed and determined busyness.

As I look closer at the frames on the wall, I realise they speak to the achievements over the years. The awards the organization has garnered over the years.

The digital frames depict presentations on world stages and in world forae. Wait a minute, there is even one at CGI! I wonder if it was the time we were lobbying for funding support or the time we were advising some countries on how to tackle matters of connectivity.

I walk into a boardroom for a meeting and am immediately greeted by an animated screen saver depicting the lifecycle of a child from birth to adulthood and the presence of connectivity in many of his personal milestones...reminds me of Mam'Khize.

As I prepare to sit down, in comes a hyperactive personality by the name of Andile. Andile is a project manager at USAASA. He has been tasked with monitoring the efficacy of all connectivity projects within. I see him often in magazines talking about the upgrades that are required. I like him most when he talks about the reductions in the poverty of access in rural areas.

Today Andile is presenting a synopsis of the situation in the country. He says he is predicting what the Census will pronounce on later this week. He even says I must measure him on the extent to which he is accurate in his prediction.

I have a serious face, but I must confess, I love the confidence of this Andile person. I love his energy and his bulldozing approach. It is precisely what has brought the mandate to fruition. He is a person who is diligent and confident in his diligence.

He could be anywhere, but he is here serving his country.



## Our Mandates

### Constitutional Mandate

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:

#### 16. Freedom of expression

Everyone has the right to freedom of expression, which includes

- a. freedom of the press and other media;
- b. freedom to receive or impart information or ideas;
- c. freedom of artistic creativity; and
- d. academic freedom and freedom of scientific research.

The right to free expression has been interpreted also 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 human 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 is constrained.

### Legislative Mandate

The Universal Service and Access Agency of South Africa ("the Agency") is established in terms of an Act of Parliament. The existence, functions, duties and mandate of the Agency are governed by sections 80-91 of the Electronic Communications Act 36 of 2005 ("the ECA") which came into operation on 19 July 2006. The new amendments to ECA which have a direct bearing on governance of the Agency came into operation on 21 May 2014.

The Agency is also a public body as confirmed by Schedule 3A of the Public Finance Management Act 1 of 1999.

The ECA provides for a Board of the Agency (to be appointed by the Minister of Telecommunications and Postal Services). The Board, in turn, appoints a Chief Executive Officer (CEO). The Agency is under the direction and control of the CEO. The Agency is funded by money appropriated by parliament. The ECA also established the Universal Service and Access Fund ("the Fund") which is financed by contributions from electronic communications services, 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 and 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;

## Our Mandates continued

- 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.
- The Public Finance Management Act, 1999 (Act 1 of 1999) as amended
  - Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
  - Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
  - Preferential Procurement Policy Framework, 2000 (Act No. 5 of 2000)
  - Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)
  - Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005)
  - The Companies Act, 2008 (Act No. 71 of 2008),
  - The infrastructure Development Act, 2014 (Act No. 23 of 2014)
- The other key legislative prescripts that impact on the work of USAASA includes:

- Independent Communications Authority of South Africa Act (Act No.13 of 2000)

### Other Legislative Mandate

In executing its role, USAASA is also guided, amongst others, by:

- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993)
- Labour Relations Act, 1995 (Act No. 66 of 1995)
- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- Skills Development Act, 1998 (Act No. 97 of 1998)

### New Growth Path Strategies

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

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

### Policy Mandate

- An overview of the principle policies and priorities of Government that impact on the USAASA's strategic priorities and delivery are outlined in figure 1.

Figure1: South Africa's Planning Horizon in the Context of the NPD

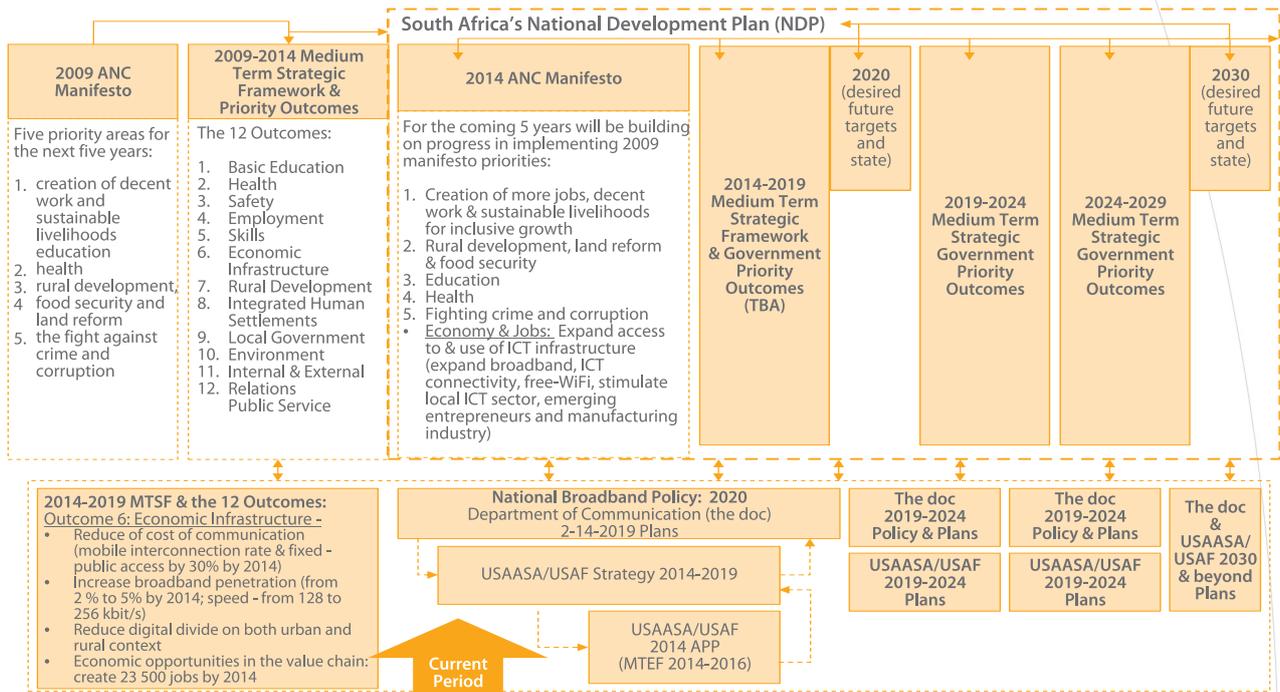


Figure 2 also contextualises the current period from 2014 to 2030, in which the NDP vision is a critical policy instruments that drive South Africa's Government Policy agenda. This type of planning has fundamental effect on how USAASA to plans and aligns itself to the Government Policy agendas as is further described in this section.

### The Medium-Term Strategic Framework

The Medium-Term Strategic Framework (MTSF) expresses the envisaged various strategic priorities to realise the electoral mandate.

The key priority areas are as follows:

- 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. USAASA is directly impacted by the first priority related to economic growth and job creation through industrialisation and infrastructure expansion. The MTSF's strategies indicates that job creation will be a priority of infrastructure programmes and that more than 250 000 jobs will be sustained through the construction, operation and maintenance of infrastructure and manufacture of local components. Focus will be placed on catalytic projects in energy, transport, ICT and water.

## Our Mandates continued

USAASA directly operates in the ICT space, and it is further indicated in the priorities that there is a need to rapidly expand access to and use of ICT infrastructure as follows:

- Invest in a comprehensive plan to expand broadband access throughout the country and substantially reduce the cost of communication;
- Connect all schools, public health and other government facilities through broadband by 2020, and at least 90% of communities should have substantial and superfast broadband capacity by 2020.
- Support and develop free-WiFi areas in cities, towns and rural areas.
- Local electronics sector and emerging entrepreneurs will be stimulated as part of the efforts to support the manufacturing industry.

### The National Development Plan

The National Development Plan (NDP) aims to eradicate poverty, increase employment and reduce inequality by 2030. The NDP encompasses other critical policy instruments, which are also driving governments' policy agenda and these are:

- The New Growth Path, which focus on economic development;
- The National Infrastructure Plan, which guides the roll-out of infrastructure and includes Presidential Infrastructure Coordinating Commission (PICC) launched Strategic Integration Project (SIP-15);
- Industrial Policy Action Plan, which supports the reindustrialisation of the economy.

NDP goals that have an influence to the strategies of USAASA include:

- Implementation of an Integrated e-strategy for the country
- 100% broadband penetration by 2020 (>2mbs)
- By 2030 deployment for full range of government, educational, and informational services

### SIP-15: Expanding Access to Communication Technology

AIM: 100% access to digital ICT's to all South Africans by 2020 as a driver of new economic opportunities and digital equity. And its Interim Implementing Agencies, includes: Sentech, Broadband Infraco, Telkom, SANRAL, Eskom, Transnet, USAASA and private sector.

### South Africa Connect: Creating Opportunities, Ensuring - Broadband Policy 2013

The Department of Telecommunications and Postal Services of South Africa in terms of the ECA, published the policy South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy gazetted by government on the 6th December 2013.

The South Africa's Broadband Policy or National Broadband Policy outlines four key strategies that have a direct impact on the strategies and operations of USAASA and these are:

- Broadband must reach a critical mass of South Africa;
- Access to broadband must be affordable;
- Demand-side skills must be developed so broadband services can be used effectively; and
- Supply-side skills must be developed so that the economic and innovative potential of broadband can be exploited.

# Organisational Structure

Below is a high-level depiction of the Agency's organisational structure for the year under review.

## USAASA Board of Directors



Chairperson  
Pumla Radebe



Zandile Mdhlahla



Kenosi Moroka



Agnes MacDonald



Sam Ledwaba



Seadimo Chaba

## Board Audit & Risk Committee



Linda Nene



Fortunate Mdanda



Thulani Ntuli



Mulalo M. Mudau



Chief Executive Officer &  
Board Member  
Zami Nkosi



Company Secretary  
Koekie Mbeki



Chief Financial Officer  
Zane Mheyamwa



Chief Audit Executive  
Jimmy Mashiane



Executive Manager &  
Performance Manager (acting)  
Siphon Mngqibisa



Executive Manager  
Operations  
Makhotso Moiloa



Executive Manager  
Corporate Services (acting)  
Moloti Nkune



Risk Manager  
Lavhe Netshidzivhani

## Foreword by the Chairperson

“

**Our operations are underpinned by a strong value system that promotes integrity, caring, professionalism, commitment and transparency**

”

**Mrs. Pumla Radebe**

It is with great pleasure that I present the 2014/2015 Annual Report of USAASA on behalf of the USAASA Board. I was appointed the Chairperson of the Board on 1st September 2012. This tenure in office, including that of all the Board of Directors, is coming to an end on the 31st August 2015.

I am pleased to declare a seventy-nine percent (79%) overall performance on pre-determined targets for the year, this despite being severely constrained financially and in skills capacity. The steady performance improvement set by USAASA over the period of 3 years under the guidance of the Board has laid a good foundation for the implementation of the National Development Plan (NDP) and the South Africa Connect Broadband Policy, 2013 of connecting communities, public and social institutions, primary health facilities and public schools to broadband by 2020. In fact USAASA through USAF has begun its delivery on the NDP.

USAASA is a stable and well managed Public Entity of the State that has continuously received unqualified audit reports for the past 3 financial years. Over the three (3) years, it has become known for deploying broadband infrastructure and services in areas declared to be under serviced using an integrated approach of connecting public schools, social institutions, primary healthcare facilities, municipal offices and the citizens at their areas of convenience. This has been done through the guidance of the Board and the dedication of management and staff, within the confines of the existing policy framework.

Further to this, the Board has put considerable effort into ensuring that corporate governance structures are in place as required by the amended founding legislation, Electronic Communications Act, 2005 which puts emphasis on corporate governance. These provide re-assurance to our stakeholders that USAASA operates efficiently and transparently as required by Public Finance Management Act, 1999 – always with the main aim of Universal Service and Access at the core of everything we do.

Our operations are underpinned by a strong value system that promotes integrity, caring, professionalism, commitment and transparency. The three (3) unqualified Audit Reports of USAASA, bear testament to the good leadership and management of the organisation. All the facets which are used by the Auditor General to measure the internal environment namely leadership, financial performance, management and governance all reflected an upward trend. The Board has been working as a collective and provided good guidance and leadership to the management team. USAASA delivered on its mandate for 2014/2015, and the Board has approved the Strategic and Annual Performance Plan 2015 -2020.

All Board Committees are functional and accordingly, the Audit and Risk Committee fulfilled its responsibilities for this and prior financial years.



My earnest appreciation goes to Mr. Linda Nene, the Chairperson of USAASA/USAF Board Audit & Risk Committee who has led with distinction.

USAASA has been stable over the three (3) year period in adhering to the principles of good governance and we pay tribute to the leadership of Board members who have been providing oversight to this strategic Public entity of government.

A particular and exciting challenge facing USAASA in the immediate term, is the broadcasting digital migration. USAASA has been preparing for this and is ready to play a crucial role in the provision of Set-Top-Boxes to qualifying needy households. Our excitement stems not from the project itself, but from the post implementation reality that is certain to propel the country into an era of development like no other. The effects of the broadcasting digital migration stand to stimulate economies and create industries that the whole of government must seize, localise and reap the benefits thereof.

I would like to extend my thanks and appreciation to the Minister of Telecommunications - Honourable Dr Siyabonga Cwele, the Deputy Minister of Telecommunications and Postal Services – Honourable Prof. Hlengiwe Mkhize and Chairperson of the Portfolio on Telecommunications and Postal Services - Honourable Ms. Mmamoloko Kubayi, for the leadership and oversight they have provided during the year.

To my fellow Board members, I wish to appreciate the confidence shown in my leadership and for being the team players that you have been through difficult and easy times. You have shown true leadership.

To the management and the staff of USAASA, under the stewardship of the Chief Executive Officer, Mr. Zami Nkosi, I am extending my thanks to you all for adhering and accepting the leadership that the board through me, has provided. The type of attitude you have displayed has been indicative of your commitment to the success of the Agency.



---

**Mrs Pumla Radebe CD (SA)**  
**Chairperson of the Board of USAASA**  
18 August 2015

## Chief Executive Officer's Overview

“

The Agency during the year under review managed to complete a clean procurement process for the equipment of the Broadcasting Digital Migration programme

”

**Mr. Zami Nkosi**

The Universal Service and Access Agency of South Africa (USAASA) continues to execute on its mandate and drive the social-economic transformation of the country. The Agency's activities are aligned to the major drivers of the country namely the National Development Plan as well as the South Africa connect policy.

In the 2014/15 financial year, the Agency continued its monomaniac focus on the implementation of the roll out of broadband network infrastructure in the Joe Morolong Local Municipality in the Northern Cape Province as well as Ratlou Local Municipality in the North West Province, connection of public schools, primary health care institutions as well as government institutions.

The Agency in the current year also rolled out facilities for people living with disabilities however, the impact of this was only minimal due to the limited financial resources. The Agency has shown by its deployment results that it is capable of rolling out large scale telecommunications infrastructure in the identified under serviced areas and has the necessary internal capacity to plan and execute on wider scale. The Agency during the year under review managed to complete a clean procurement process for the equipment of the Broadcasting Digital Migration programme and anticipates taking delivery of the equipment in the 2015/16 financial year.

This is a major milestone in the process which had lagged for a long period and showed the decisive nature of the leadership in the Agency as well as the drive to execute national priorities. Had the Agency not taken this calculative risk of proceeding with the procurement process of the DTT/DTH Set Top Boxes, Antennas and related accessories, this project would at least in our view, not progressed to where it is today. We are proud of our decisiveness.

The board driven philosophy of good governance is the cornerstone of all the business processes undertaken by the Agency both internally and externally. In the current year the Agency had significant improvement in the governance of the

Agency with the control environment on the upward trajectory. There were no non compliances with regards to supply chain matters and this shows the commitment and the amount of work which has been put in the organisation.

This is also reflected in the management letter of the Auditor General. The leadership stability which has prevailed in the organisation has been instrumental in the improvement shown in the organisation and this will be sustained.

I am grateful to the Board of directors and all its committed sub committees, under the leadership of Mrs Pumla Radebe, who have provided direction and has supported the Agency in all its endeavours.



None of this would be possible without "Team USAASA" which has worked tirelessly on this journey to ensure success. We would also like to express our sincere gratitude to our external stakeholders who have also ensured that we are a success. As they say that "results only exist outside of the organisation" these stakeholders present a dipstick which shows the impact of our work and this has been largely positive. We are grateful to our "customers", our beneficiaries, without them the Agency would not exist and the interdependent relationship we share is critical.

Going forward the Agency is still constrained by the limited financial resources at its disposal and an increase will enable us to fast track the changing of lives of poor South African who still live below the breadlines in the under serviced areas.

South Africa should not rest until a child in Qibing, Nongoma, Thembelihle, Mmantserre, Mutale, Ga-Rakgoata is able to connect and access all ICT services at the comfort of his/her school, a patient in these under serviced areas is able to access primary health care with ease, police dockets are computerised and don't get lost. This is what USAASA is all about.

The journey was hard or made to be hard in the beginning but the corner has been turned. I implore our principals to focus on ensuring that this Agency is supported primarily financially to continue to upgrade and create telecommunications infrastructures with the sole view of eradicating under serviced areas.

It can be done and we know it.



---

**Zami Nkosi (Mr.)**  
**Chief Executive Officer of USAASA**

18 August 2015







## **PART B:**

# **Performance Information**

## Statement of Responsibility for Performance Information

### Statement of Responsibility for Performance Information for the year ended 31 March 2015.

The Chief Executive Officer is responsible for the preparation of the Public Entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the Strategic and Annual

### Performance Plan of the Public Entity for the financial year ended 31 March 2015.

The USAASA performance information for the year ended 31 March 2015 has been examined by the external auditors and their report is represented on page 67.

The performance information of the entity set out on page 33 to page 42 were approved by the Board.



Zami Nkosi (Mr.)  
Chief Executive Officer of USAASA  
18 August 2015

## Auditor-General's Report: Pre-Determined Objectives

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported

under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

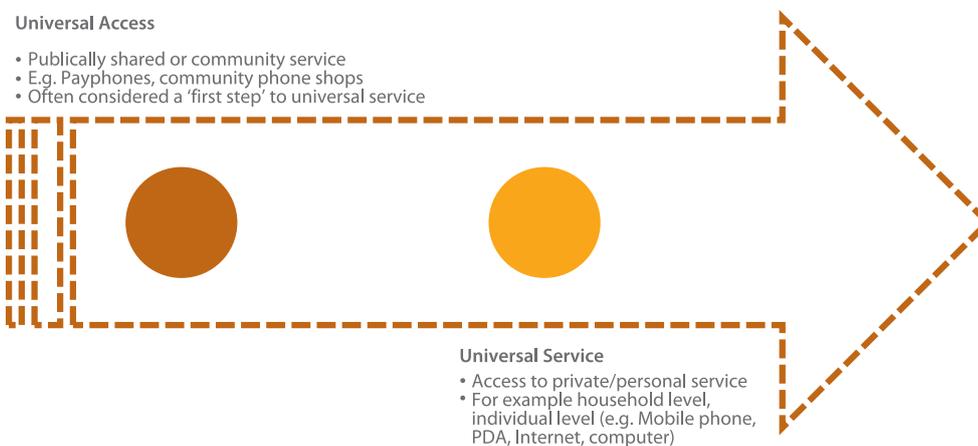
Refer to page 67 of the Report of the Auditors Report, published as Part E: Financial Information.

## Situation Analysis

The Situational Analysis provides an overview of the key factors that have influenced the identification of USAASA strategic priorities and objectives for the period 2014 to 2019. The identification of these key factors has been informed by the legislative mandate of USAASA outlined in previous section,

advent of the concept of universal broadband access and its development in South Africa and institutional framework within which USAASA operates. This framework and a need to accelerate broadband require USAASA to address its internal capacity.

Figure 3: Universal Access and Service



Source: Msimang, 2011

## Performance Environment

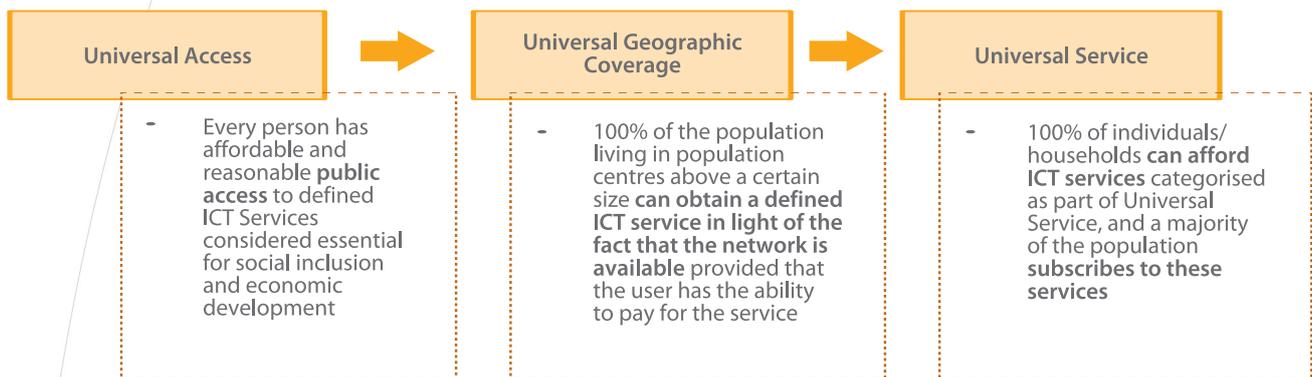
### Universal Service and Access Context

According to ITU (2011), in the last 20 years the extent of ICTs has advanced in technology and market development and convergence in particular. Thus "Universal Service" and "Universal Access" which describe the level of people's ICT or digital inclusion has also been widened. Universal Service means that every household or individual in a country has the opportunity

for telephone service. Universal Access means that everyone in a community can gain access to a publicly available telephone, although not necessarily in their homes, and this includes broadband access. Figure 3 shows the interrelation between universal access and service.

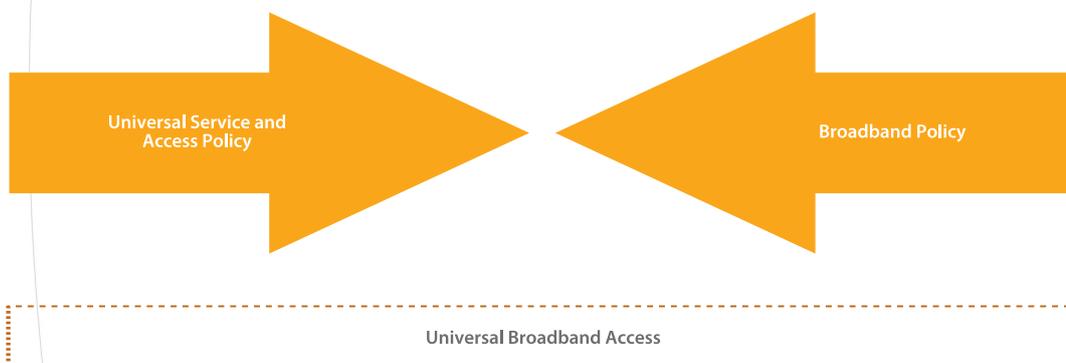
## Situation Analysis continued

Figure 4: Universal Access and Service Approach



Source: Msimang, 2011

Figure 5: demonstrates an approach for implementation of universal access and services and an example of goals and targets.



Source: Msimang, 2011

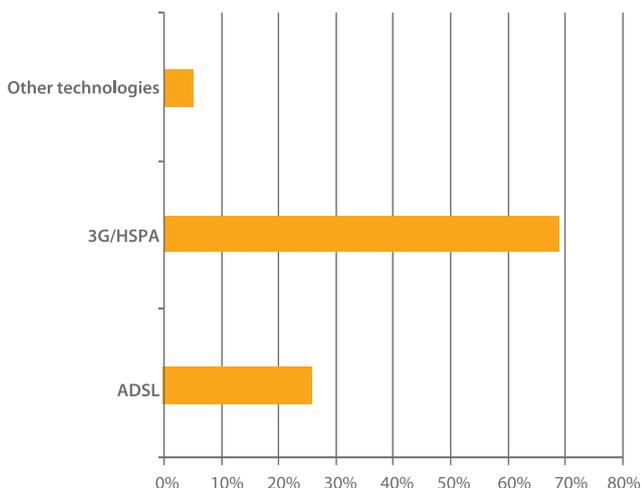
The advancement of the ICT has also impacted universal service and access policy encompassing broadband policy. This change has necessitated for universal access to scope to expand to universal broadband access as shown in figure 5. The broadband

revolution is to address the digital divide. USAASA has now significant role to play in addressing universal broadband access in under serviced areas.

### Broadband Environment in South Africa

The former Department of Communication (now Department of Telecommunications and Postal Services [DPTPS]) Strategic Plan for the period 2013 – 2018 states that broadband is the next stage of development in the ICT sector and as of March 2012, South Africa had almost 3.5 million broadband connections. Figure 6 indicates that this broadband connections majority consists of 3G/HSPA mobile wireless broadband at 69% or 2.5 million connections, ADSL connections constitute 26% (850 000) connections and the other access technologies accounting for a balance of 5%.

Figure 6: Broadband Connections in South Africa, March 2012



Source: the doc, 2013<sup>1</sup>

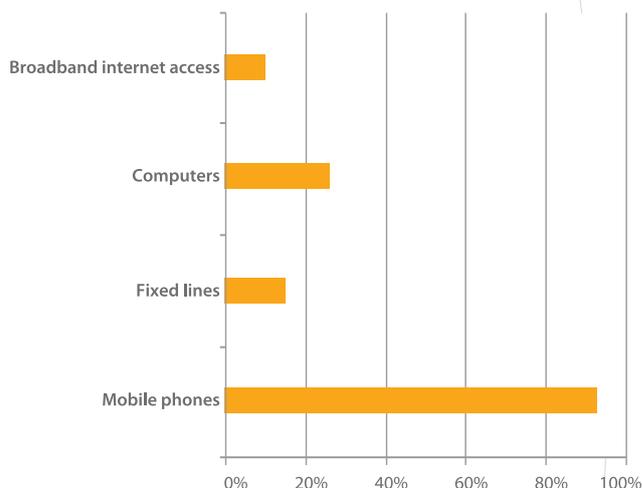
### Institutional Framework

The institutional framework maps out some of key stakeholders that have an influence in the business of USAASA. Figure 8

The DTPS 2011 market research indicates that fixed broadband penetration was 2%, the mobile PC broadband penetration was 4%, and mobile phone broadband penetration was 10%. In 2012, the total number of smart phones in the market exceeded 10 million.

As per this market research, figure 7 shows that 93% of households had mobile phones, while 15% had fixed lines, 26% had a computer and 10% had broadband internet access at home. Clearly there is need to ensure universal access by all and to address the digital divide.

Figure 7: Households ICT Penetration



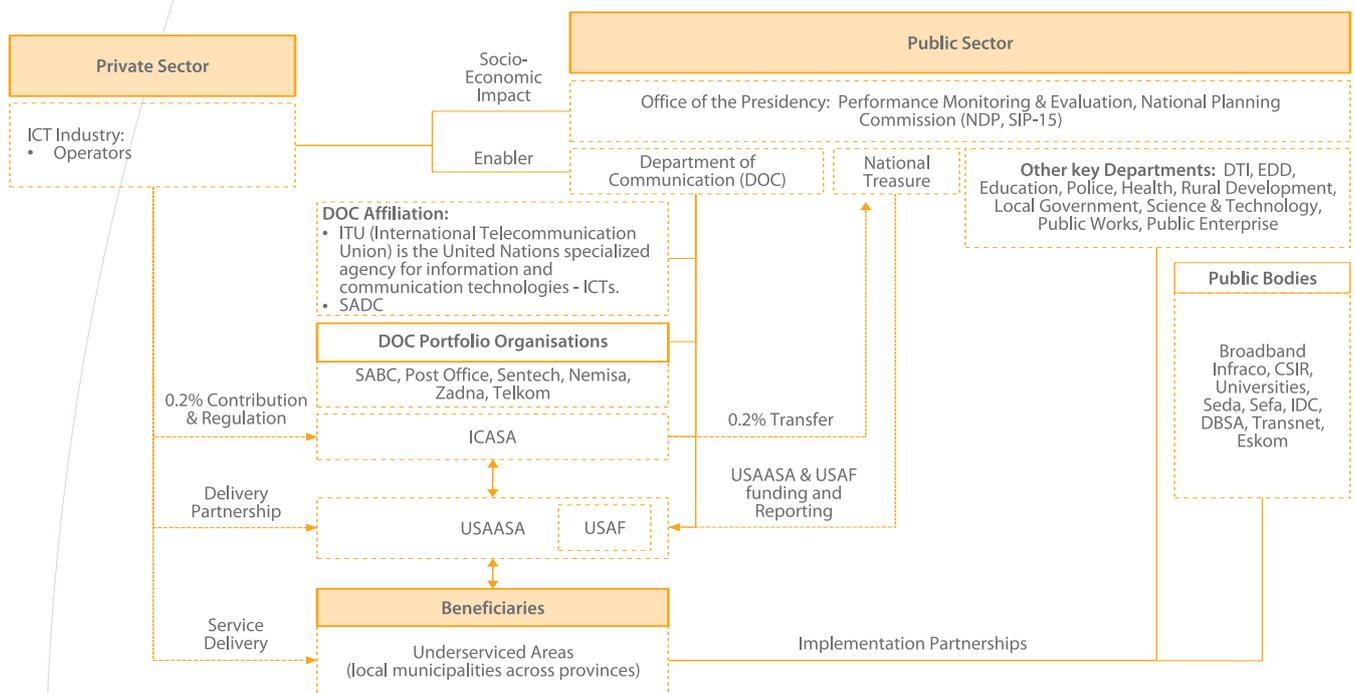
Source: the DTPS, 2013

provides an overview of key stakeholders in the public and private sector that have an influence on the business of USAASA and its beneficiaries.

<sup>1</sup> the DTPS, (2013); Department of Telecommunications and Postal Services : Strategic Plan 2013 – 2018 and Annual Performance Plan 2013 – 2014; Republic of South Africa; [http://www.doc.gov.za/index.php?option=com\\_docman&task=cat\\_view&gid=43&Itemid=104](http://www.doc.gov.za/index.php?option=com_docman&task=cat_view&gid=43&Itemid=104); Accessed on 06 January 2014

# Situation Analysis continued

Figure 8: Institutional Framework



- The office of the President of South Africa has a direct impact on the strategic and operations of USAASA in relation to alignment to government priority outcomes alluded as part of ruling party manifesto in previous section, and NDP which is the responsibility of the National Planning Commission.
- Department of Telecommunications and Postal Services (DPTS) is the government champion for the ICT sector. The DPTS is responsible for a portfolio of organisations responsible for implementation of the ICT policies including USAASA.
- The other Government Departments including Departments of Education (Basic and Higher Education), Health, Police and Rural Development amongst others are key to the implementation of some of USAASAs strategies related to schools, health and government connectivity. These government departments are supported by a range of public bodies such as Broadband Infracore that is responsible for the National Broadband Backbone.
- As per prescripts of the ECA, ICASA is responsible for licence regulations and collection of a levy 0.2% from ICT industry operators as per their annual turnover. This 0.2% forms part of the allocation from National Treasury for USAF to fund universal access and service projects in the country. The USAF budget is appropriated by Parliament through the Department of Telecommunications and Postal Services.
- For the benefit of beneficiaries, USAASA uses USAF to incentivise the private sector to expand its service delivery to under serviced areas for the achievement of accessible broadband and high ICT penetration.

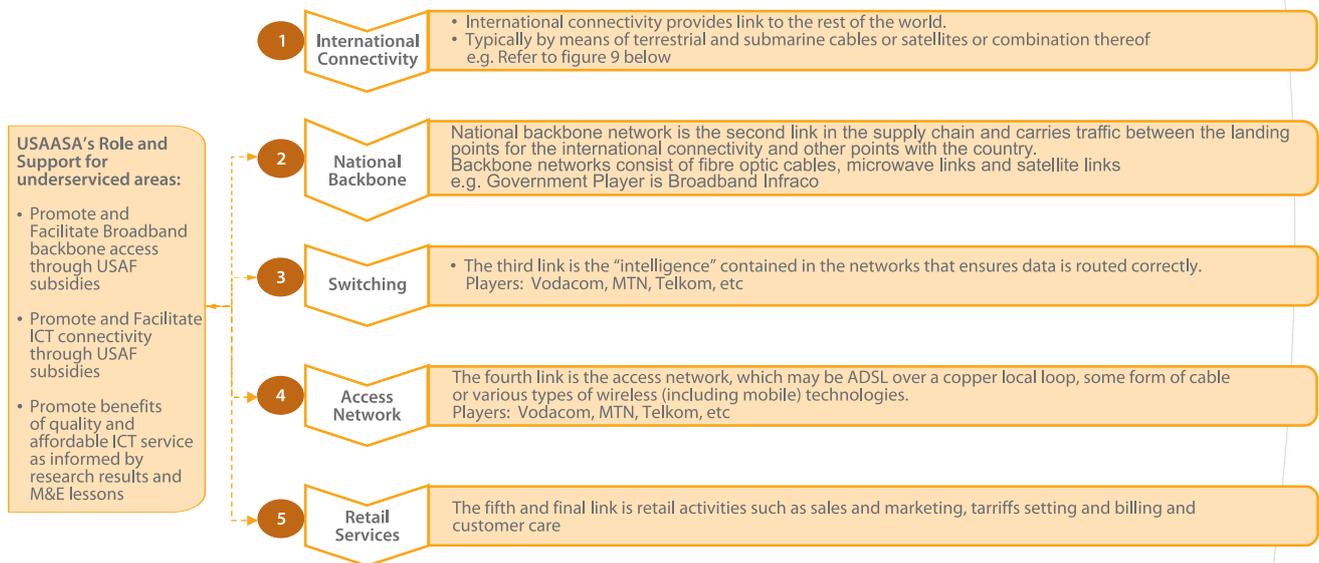
### Broadband Supply Chain

The broadband and broadcast infrastructure is the backbone of the ICT sector and it is capital intensive in its nature and requires huge capital investments for development. The broadband supply chain contextualises infrastructure backbone as the National Backbone which is the second link in the supply chain. The industry players in South Africa’s broadband infrastructure backbone include Telkom, Broadband Infraco (wholly owned by the state), MTN, Neotel and Vodacom (co-building) and Dark fibre Africa. Some of these service providers/network operators are vertically integrated and provide services up to the fifth link as shown in figure 9.

To deliver a combination of these services as indicated in the broadband supply chain to rural and remote areas tends to be expensive. This is mainly due to the perceived limited return on investment that discourages large networks providers to roll-out network connectivity infrastructure in rural areas, thus resulting to the problem of connectivity for the rural areas and lack of broadband and ICT penetration.

Opportunity exists in funding projects that provide affordable broadband access and ICT connectivity across the country. These projects can be subsidised by USAASA through the USAF. However the scaling and mainstreaming of the universal access and service can be threatened by large requirements of capital investments and more effort for buy-in across various stakeholders as depicted in figure 8 institutional frameworks.

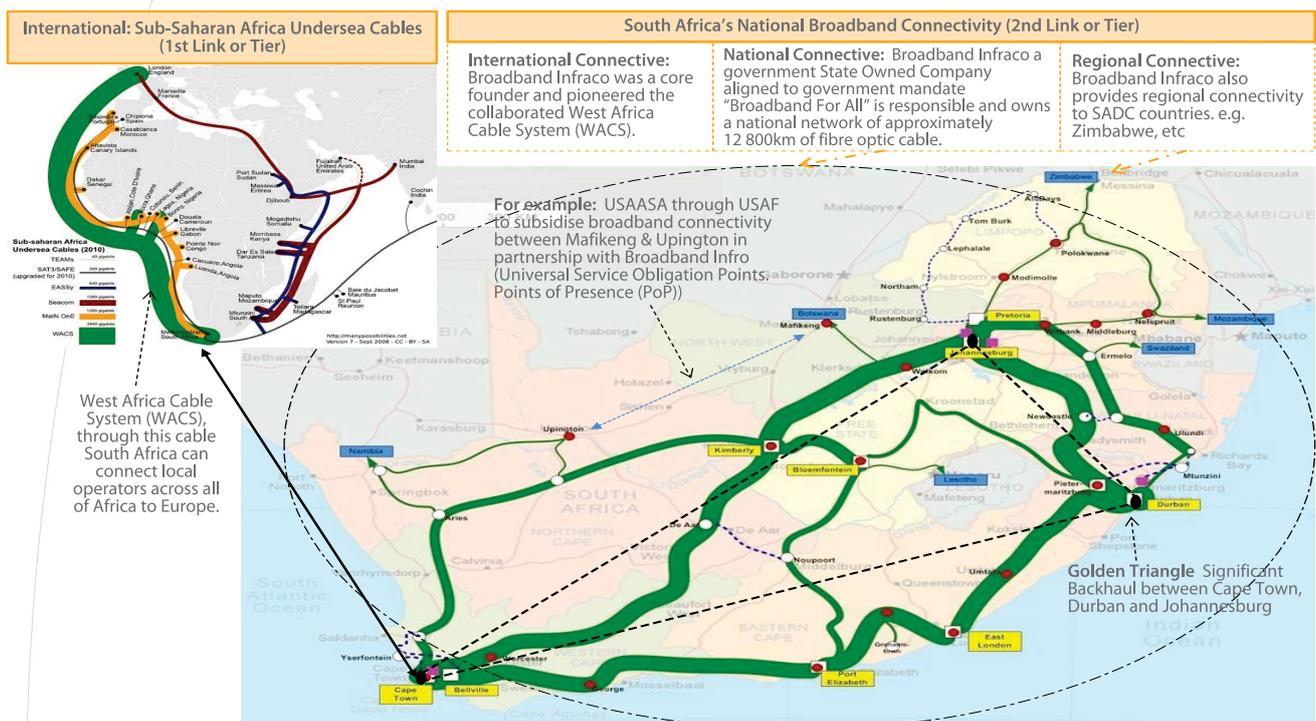
Figure 9: Generic Broadband supply chain



Source: adopted from ITU, April 2012<sup>2</sup>

# Situation Analysis continued

Figure 10: South Africa's National Broadband Connectivity



Source: adopted from Broadband Infraco, 2013<sup>3</sup>

In conclusion the performance environment poses both opportunities and challenges for USAASA. The current technological enhancement in form of broadband technology is an opportunity for the USAASA to focus on broadband access. This is on a backdrop of lower household broadband internet access at their home. However on a positive note, mobile wireless broadband connectivity in the country has grown tremendously as compared to fixed line connectivity.

The players in the broadband arena are numerous and its supply chain can be complex due to the technical nature of the industry. This is both an opportunity and challenge for USAASA, given that USAASA has to upscale its technical skills and some of the needed skills are scarce and can be expensive.

The opportunity would be for USAASA to partner with existing institutions such as Broadband Infraco that has developed extensive expertise in the roll out of broadband infrastructure. Such a partnership will further reinforce the role of USAASA as a subsidy funder/provider for universal access and service through USAF.

The advent of the NDP is encouraging long term planning and alignment across various spheres of Government and Public Bodies. This further compounds the coordination role and working with multiple stakeholders with a shared vision aimed towards universal access and service.

2 ITU, (2012); Regulating Broadband Prices; April 2012; [http://www.itu.int/ITU-D/treg/broadband/ITU-BB-Reports\\_RegulatingPrices.pdf](http://www.itu.int/ITU-D/treg/broadband/ITU-BB-Reports_RegulatingPrices.pdf); Accessed on 06 January 2014

3 Broadband Infraco, 2013; Annual Report 2013; [Broadband%20Infraco%20Annual%20Report%202013.pdf](http://www.broadbandinfraco.co.za/AnnualReport2013.pdf); Accessed on 06 January 2014

The policy changes should be commended in providing better focus towards universal access and service.

However, some the proposed targets are quite high and would require a high degree of collaborations and competencies resident in USAASA.

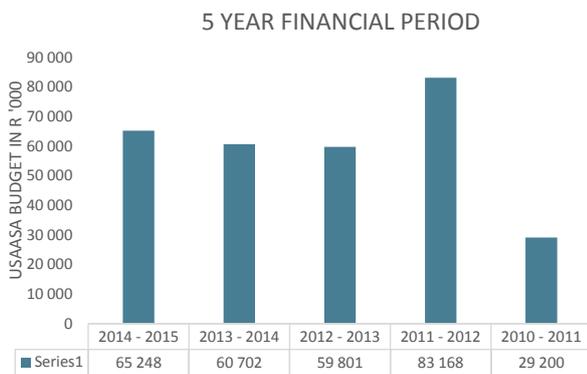
### Organisational Environment and Alignment

The Government priorities including a the rapid expansion of access to and use of ICT infrastructure as a catalyst for socio-economic development and alignment to the NDP and National Broadband Policy creates an enormous pressure for USAASA to achieve universal access and service goals and targets. The internal issues of the organisation relate to aspects of internal processes, human capital, financial resources and performance as addressed below.

### Financial Resources

Over the previous 5-year fiscal years from 2010/11 to 2014/15, USAASA received funding totalling R298 million. This funding is appropriated by Parliament through the DPTS. The budget allocation is for organisational administrative expenses including employee costs, operational expenditure and capital expenditure. Figure 11 provides a 5 year trend indicating how the USAASA budget was allocated. The financial year 2010/11 had the least budget during the entire period constituting 10% of the total funding. For financial 2011/12 budget was the highest at 28% of the R298 million. For 2014/15 the organisation budget is R65 million (22% of the total period budget). A major challenge for USAASA is that this budget limited the organisation's ability to provide adequate support for the deliver universal access and service projects.

Figure 11: USAASA's Five-Year Budget, 2010/11 to 2014/15



Changes in the environment related to the need to accelerate the roll out of broadband and ICT connectivity will require USAASA to scale up its activities. This will require a higher budget than what is approved for the MTEF period 2015/16 to 2017/18.

## Situation Analysis continued

### Human Capital and Structure

USAASA has 58 employees, this encompasses 55 permanent staff members, and 3 contract employees of which one is at a salary level 11 and two at salary level 10, we also have an additional internship employee. USAASA has Provincial presence in Cape Town, Durban, Nelspruit and Polokwane, Port Elizabeth and East London. The organisational structure of USAASA has three levels of the management including executive level, senior managers and managers. At a governance level, the Chief Executive Officer reports to the Board, which in turn reports to the Minister of DTSP. The Internal Audit function also forms part of the governance that ensures that the organisation has adequate control.

A challenge for the organisation is leadership stability given that the positions for Executive Managers for Operations - the operational arm of the organisation, Performance Monitoring and Evaluation - and Corporate Services were vacant for the greater part of the financial year under review. With the roll out of broadband there is a need for the organisation to enhance its technical skills to improve the capacity of operational staff.

### Internal Processes

USAASA has various organisational systems including pastel (including Supply Chain Management) used by Finance, MS Project for BDS and VIP for Human Resource. However these systems are not integrated. A key delivery aspect of the organisation is performance reporting which is a key weakness of the organisation and has resulted to an audit finding by the Auditor General. To enhance the management of information internally there was need to institute an Enterprise Resource Planning (ERP) solution.

### Organisational Performance

The inadequate financial resources and human capital

have negatively impacted on the organisation to achieve its strategic objectives targets. This is an area of major concern given the opportune changes in the environment that have prioritised broadband access and ICT connectivity aligned to definitive targets for 2020. There is a need for USAASA to embark on initiatives aimed at strengthening the organisation in the areas of human resourcing and development, integrated systems development and implementation and securing additional financial resources to deliver on the organisational mandate.

### Key policy developments and legislative changes

During the year under review, both policy and legislative changes were undertaken by the Department of Telecommunications & Postal Services.

The Minister of Telecommunications and Postal services established a 22-member ICT Policy Review panel, who were nominated following a call for public nominations. The NDP recognises that the ongoing development of quality communications infrastructure, services, content and applications, is key to the rapid economic, social and cultural development of the country. Therefore proposed policy framework should ensure universal access to quality communications services, technologies, infrastructure and content is enjoyed by all South Africa.

In March 2014, the ICT Review panel made the following recommendations which have a direct bearing on USAASA legislative mandate:

- The policy maker (currently DTSP) must undertake a regular market gap analysis in consultation with the regulator (Independent Communications Authority of South Africa). The DTSP as a policy maker must ensure that the requisite information is provided to the regulator to enable the regular declaration of under serviced areas.

- The responsibilities for developing all Universal Access and Services related definitions must be consolidated and government as the policy maker take responsibility for this. These definitions should be regularly reviewed by government and policy should determine the periods between such reviews.
- The regulator will be responsible for implementing policy in line with the definitions and will conduct regular reviews to determine which areas/ communities continue to be under serviced.
- Addressing the ongoing historical legacy of the apartheid digital divide, and ensuring universal, affordable access to and effective adoption and utilisation of ICT infrastructure and services, remain central policy and regulatory objectives, requiring specific intervention. The recognition of the possibility of a new information divide is also crucial and the need therefore to mitigate against this.
- Ensure accessibility for all sectors of the population in respect of services, devices and infrastructure, so that all can equally enjoy and benefit from communications.
- The USAF must evolve into an ICT Development Fund (ICT-DF) providing support for both infrastructure and demand stimulation projects in line with proposed extended definitions for Universal Access and Service. It should be funded through levies, donor funding and new incremental state funding.
- USAASA should be dissolved and its current responsibilities reallocated as relevant to the new ICT-DF, ICASA (regulatory functions) and to the DTPS (policy making functions).

Lastly, the Electronic Communications Amendment, 2014 (Act No.1 of 2014) came into force on 21 May 2014.

The objects of the Amendment Act are to provide for the terms of appointment and the duties of the Chief Executive Officer and further to improve the governance provisions of USAASA.

The Amendment Act introduces the following:

- Enable the Minister to issue policy directives to USAASA
- Empower the Minister to access information held by ICASA or USAASA or any other person where this information is required by the Minister for the performance of his or her functions
- Empowers ICASA to designate particular licensees to which universal service and universal access obligations may be imposed and this can only be done after consultation with USAASA
- A provision is made to make clear that USAASA can pay a charge on behalf of a school and will such instance be entitled to the 50% discount.
- The distinction between public and independent schools and between public and private colleges falls away and the scope of application for USAF for USAF subsidies has been increased to include provision to independent schools, private colleges and primary health care facilities.
- USAASA is subjected to Public Finance Management Act and to improve its governance
- Amendments also seek to ensure there is consistency in provisions relating to universal access, universal service and needy person.
- Also 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.

## Strategic Outcome Orientated Goals

The strategic outcomes are the goals pursued by USAASA that aim to effect changes for the benefit for the organisation's beneficiaries and key Stakeholders including government.

1	Strategic Outcome Oriented Goal 1	Instilling, embedding, advocating and creating awareness on good corporate governance principles throughout USAASA and at board level
	Strategic Goal	Effective Board and Organisational decision management
	Strategic Objective	To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance.
	Baseline	Board and executive management meetings minutes resolutions
2	Strategic Outcome Oriented Goal 2	To ensure smooth operation of the Agency
	Strategic Goal	Optimal operation of the Performance Management system
	Strategic Objective	To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance.
	Baseline	8 quarterly reports, 2 annual reports
3	Strategic Outcome Oriented Goal 4	Promote risk culture and manage organisational wide risks
	Strategic Goal	Effective implementation of risk mitigations.
	Strategic Objective	To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance.
	Baseline	Enterprise Risk Management (ERM) Policy and the ERM Framework.
4	Strategic Outcome Oriented Goal 7	Produce compliant and transparent financial management and statements in accordance to the PFMA and regulatory prescripts, and accounting standards
	Strategic Goal	Compliance in financial reporting; effective sourcing and enterprise empowerment
	Strategic Objective	To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance.
	Baseline	Organisational accounting framework and standards

5	Strategic Outcome Oriented Goal 11	Provide and maintain IT systems to ensure that USAASA's business continues to operate irrespective of risks encountered
	Strategic Goal	Reliable, consistent and secure IT systems and service
	Strategic Objective	To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance
	Baseline	Business Continuity Framework and compliant IT strategies and policies
6	Strategic Outcome Oriented Goal 13	To create a well-resourced organisation
	Strategic Goal	Employee satisfaction, relevant and enhanced competencies, and improved employee performance
	Strategic Objective	To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance.
	Baseline	No surveys were conducted previously so the baseline is 0
7	Strategic Outcome Oriented Goal 14	Coordinate and manage the development, implementation and institutionalisation of the organisational development initiatives
	Strategic Goal	Improved Employee Performance
	Strategic Objective	Relevant and enhanced competencies
	Baseline	Organisational structuring and change management framework and recommendations

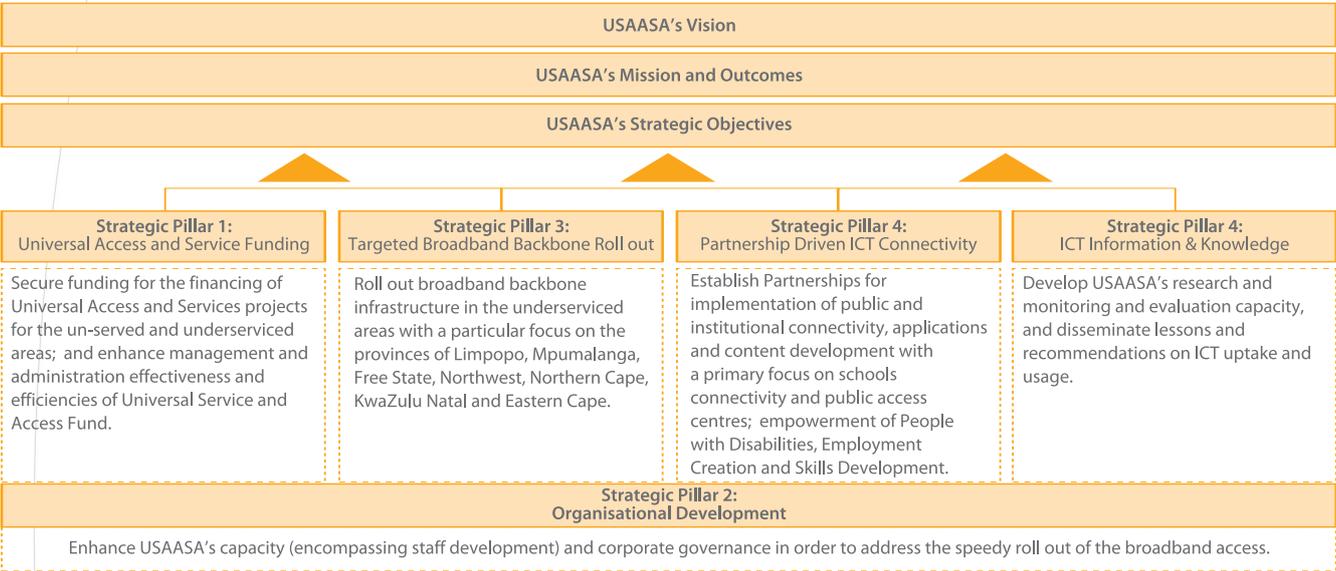
# Strategic Outcome Orientated Goals continued

## Strategic Priorities

In order to ensure that USAASA’s strategic growth objectives are achieved and ensure continuous progress for the future years, USAASA will focus on the following strategic pillars or priorities:

1. Universal access and service funding
2. Organisational Development
3. Targeted Broadband Backbone Roll out
4. Partnership driven ICT Connectivity
5. ICT Information and Knowledge

Figure 12: USAASA’s Strategic Pillars



# Performance Information by Programme

## Strategic Objectives

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/ 2015	Planned Mitigation of Non-Performance
<b>Governance 2014 / 2015 Annual Performance Reports</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of main board and committee meetings conducted	At least 4 USAASA Board, At least 4 USAF Board, At least 6 Audit & Risk, At least 4 BDS Committee, At least 4 HR& Remuneration, 2 Social & Ethics Meetings conducted throughout the year	<b>Achieved</b>	Attendance registers	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of executive management meetings conducted	A minimum of 12 executive management meetings conducted throughout the year	<b>Achieved</b>	Minutes of the meetings	None	Not applicable
<b>Performance Monitoring and Evaluation 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of approved strategic plans and Annual Performance Plans (APP) for USAASA & USAF submitted to Minister of Communications & Parliament	1 USAASA Strategic Plan and 1 USAF Strategic Plan, 1 USAASA APP and 1 USAF APP developed by EXCO members, approved by the USAASA / USAF Board and submitted to the Minister of Telecommunications & Postal and to Parliament	<b>Achieved</b>	Approved USAASA and USAF 2015/16 - 2020/21 Strategic Plans and 2015/16 Annual Performance Plans	None	Not applicable

## Performance Information by Programme continued

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
<b>Performance Monitoring and Evaluation 2014 / 2015 Annual Performance Report (continued)</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of Quarterly Reports and Annual Performance Reports on performance information for USAASA and USAF	4 Approved USAASA quarterly reports and 4 approved USAF quarterly reports submitted to DTSP 30 days after the end of each quarter	<b>Achieved</b>	4 Approved USAASA and 4 approved USAF performance reports and delivery notes	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of Quarterly Reports and Annual Performance Reports on performance information for USAASA and USAF	USAASA and USAF Annual Reports developed and Tabled at Parliament	<b>Achieved</b>	Tabling letter	None	Not applicable
<b>Internal Audit 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	21 audits conducted as per approved annual audit plan in order to strengthen the Agency's internal controls.	Number of audits completed	<b>Achieved</b>	Final audit reports	None	Not applicable
<b>Risk Management 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Updated top 10 corporate risk register	USAASA and USAF top 10 risks identified and monitored	<b>Achieved</b>	Updated risk register	None	Not applicable

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
<b>Stakeholder Engagement 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Improved stakeholder perception of the Agency	Improvement of stakeholder perceptions of USAASA by 80% of the baseline of 38% positive	<b>Achieved</b>	Stakeholder perception tracking reports - systematic	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage Support and awareness of Fund Manual	60% Support and awareness of Fund Manual by the targeted stakeholders	<b>Partially Achieved</b>	Meeting registers	Engagements with Western Cape, Mpumalanga, Gauteng, North West, Northern Cape and Kwa-Zulu Natal on the awareness of the qualifying criteria for Set Top Box ownership support were put on hold	The Agency will continue with engagements with provinces once the litigation of DTT programme is cleared
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage of Stakeholders' support of the ICT National Strategy	60% Stakeholders' support of the ICT National Strategy	<b>Achieved</b>	MOUs between the Agency and Gauteng Provincial Department, INTERSITE Asset investment SOC LTD and Limpopo Educational Department	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Types of project awareness campaigns conducted - below and above the line promotion of projects	Project awareness campaigns conducted - below and above the line e.g. public relations drives and industrial theatre	<b>Achieved</b>	Forums attended by the Agency officials	None	Not applicable

## Performance Information by Programme continued

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
<b>Financial Management 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Produce accurate financial statements which are GRAP and treasury regulations compliant by the due dates	Produce accurate financial statements with the objective to get an unqualified audit opinion	<b>Achieved</b>	USAASA and USAF draft 2014/15 Annual Financial Statements	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage of actual expenditure spent in line with the allocated budget	95% of the actual expenditure spend in line with the allocated budget	<b>Partially Achieved</b>	USAASA and USAF expenditure report for the period under review	The majority of the USAF budget relates to DTT, so there was no spending on the DTT project due to delays in Policy resolution by the Department of Communications hence the huge shortfall on the spending	This target will only be met once the subsidy/ funding of set-top-boxes commences
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of physical verifications performed to ensure that all the assets of the Agency are recorded in our books	100% match between the physical assets and the asset register	<b>Achieved</b>	Updated asset register	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage compliance with the laws and regulations pertaining to treasury, supply chain and the statutory regulations	80% compliance with the laws and regulations pertaining to treasury, supply chain and the statutory regulations	<b>Achieved</b>	Compliance register	None	Not applicable

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage of procurement from BBBEE	80% of USAASA and USAF procurement from BBBEE	<b>Achieved</b>	Procurement register / report	None	Not applicable
<b>Information Technology 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage Compliance to USAASA and USAF adopted ICT Governance imperatives	90% compliance to IT Governance	<b>Achieved</b>	A Compliance report	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage availability of business systems to support USAASA and USAF business processes and operations	95% Availability of Business Systems & Archive Act	<b>Achieved</b>	Systems uptime reports	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Number of Security Breach incidents reported	Maximum 10% security breach incidents reported	<b>Achieved</b>	Firewall report for the financial year under review	None	Not applicable

## Performance Information by Programme continued

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
<b>Legal Services 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage reduction of risks associated with litigations against the Agency	Reduce risks associated with litigations against the Agency by 5%	<b>Partially Achieved</b>	Litigation files, contract management register	The Agency was able to reduce labour litigations below 5% and only the civil litigation pertaining to policies which are beyond the control of the Agency that led to substantial increase in litigation	The indicator will form integral part of the monthly risk mitigation plans and it would be continuously monitored in order to bring down the costs below 5%
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage of legal advice and resolution strategies in accordance with legislation and policy provided within 7 (seven) days	Appointment of legal representative to act on behalf of the Agency during litigations associated with the Agency	<b>Achieved</b>	Appointment letters	None	Not applicable
<b>Administration 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	90% compliance with Occupational Health, Safety and Environment Act	Percentage compliance with Occupational Health, Safety and Environment Act	<b>Achieved</b>	Compliance register; Compliance audits; Training certificate	None	Not applicable
<b>Human Resources 2014 / 2015 Annual Performance Report</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Employee satisfaction	1 Employee wellness programme activity conducted per quarter	<b>Partially Achieved</b>	EAP programme report	Only one employee wellness programme was conducted in the current financial year	USAASA has signed a 24 months contract with NBC holdings to render the EAP programme

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
<b>Human Resources 2014 / 2015 Annual Performance Report (continued)</b>						
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Improved performance	Introduce a leadership training programme for all managers within the Agency	Achieved	Labour relations training attended by the Board and Senior Management	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage of Performance Agreements and assessments submitted on time	Timeous submission of performance agreements & performance assessments by business units	Achieved	Submission reports	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Minimise grievances and disciplinary cases of our staff complement	Ensure that employees' grievances and disciplinary cases handled are less than 5% of our staff complement	Achieved	A report that states that there were no employee grievances for the current financial year	None	Not applicable
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage Implementation of approved Organisational Development Plan	60% Implementation of approved Organisational Development Plan	Partially Achieved	Progress report on the OD process	Competency assessments were initiated in Quarter 4 and will only be completed in April due to unavailability of Facilitators, which was beyond USAASA's control. Deliverables of Costing of operational structure, and matching and placement have commenced and will also be completed after the financial year.	Costing of operational structure, competency assessment, matching and placement will be completed in Q2 of the 2015/16 Financial year

## Performance Information by Programme continued

Strategic Objective	Performance Indicator	Annual Target 2014/2015	Actual Achievement 2014/2015	Means of verification	Variation from planned target 2014/2015	Planned Mitigation of Non-Performance
To promote an effective, efficient and well-resourced organisation that upholds the principles of good corporate governance	Percentage satisfaction of employment relations scoring 3 and above based on a rating scale of 1 (poor) / 3 (good) / 5 (Excellent)	80% satisfactory employment relations based on the survey questionnaire conducted	Partially Achieved	A summation of the employee satisfaction survey that indicates that there was a 77.8% satisfaction on employment relations	The reported score is the overall aggregated satisfaction without considering the fact that some of the comments were not truly objective. E.g. comments like "I am not entirely satisfied because the IT systems are installed to monitor staff". This is so that management consideration looked at all matters without categorization	This will be addressed as part of the OD process and will also be integrated into the EAP Programme

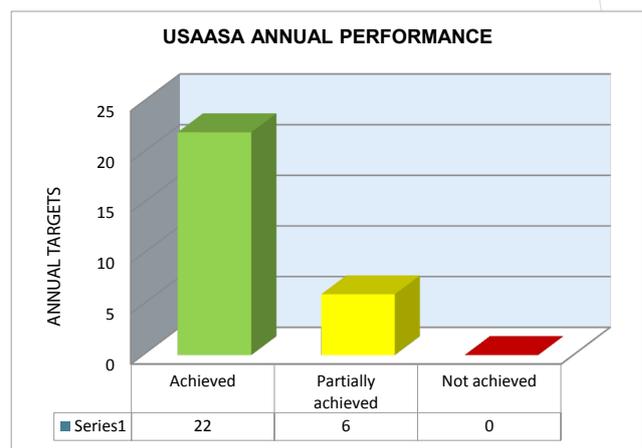
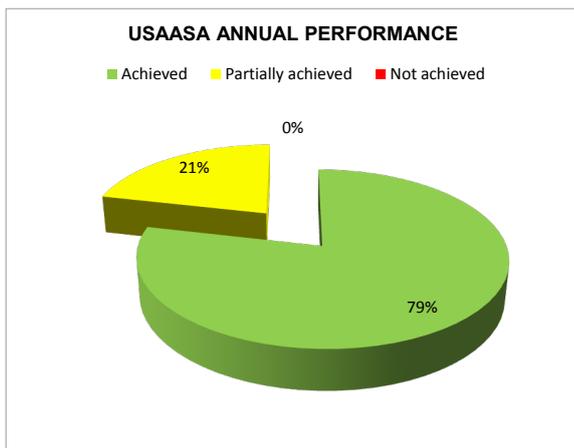
### Strategy to overcome areas of under performance

A major challenge is that this budget allocated for USAASA limited the organisation’s ability to provide adequate support for the delivery of universal access and service projects. The Board of the Agency approved The National Strategy on Universal Service and Access that speaks to the programming requirement of the Universal Service and Access Fund and further goes on to identify the skills, systems and processes required of USAASA operations to ensure delivery on the mandate. During the year under review, USAASA kick started the organisational development process that will see the organisation being technically capacitated to deal with the technical aspects of deploying broadband in areas declared to be under serviced.

Also the organisation has started with the deployment of the Enterprise Resource Planning systems that will ensure the key business process are automated in order to improve the efficiency of the business and turnaround times.

### Summary of USAASA Performance

The below graphs depict the Agency’s achieved annual targets against the planned annual targets in the 2014/15 approved Annual Performance Plan. 22 of the 28 planned targets were achieved being 79% of the total planned target and 6 of the 28 planned targets were partially achieved being 21% of the planned targets.



### Linking Performance with Budgets

Programme Name	2014 / 2015			2013 / 2014		
	Budget	Actual Expenditure	Over/Under Expenditure	Budget	Actual Expenditure	Over/Under Expenditure
	'000	'000	'000	'000	'000	'000
CEO	14 782	14 473	309	12 781	13 396	-615
Corporate Governance	1 828	2 253	-425	1 700	2 525	-825
Business Development	19 146	15 405	3 741	16 705	16 626	79
Finance	14 424	19 597	-5 173	15 413	19 374	-3 961
Human Resources	15 196	17 489	-2 293	11 180	11 105	75

## Performance Information by Programme continued

### 5.5. Summary of Financial Information

#### Revenue Collection

USAASA	2015	2014
Transfer from Government	65 376	60 090
Interest Received from call deposits	730	368
Refunds, recoveries & tender levies	142	244
<b>Total</b>	<b>66 248</b>	<b>60 702</b>

The Agency is a schedule 3A entity, therefore the entity does not generate revenue on its own. Therefore all funding comes from the National Revenue Fund through the Department of Telecommunications and Postal Services. The entity therefore does not have any revenue collection plans save for collection as per Electronic Communications Amendments Act, 2014 (Act No. 1 of 2014) effected in the new financial year. The reflected under collection in USAASA is due to finance income, as a result of interest on call deposits. This cannot be estimated accurately as it depends on funding that could not be utilised during the previous financial year which remains in call deposits.

### 5.6. Capital Investment, Maintenance and Asset Management Plan

USAASA's asset register increased from R5.3m to R6, 2m between the financial years 2015 and 2014. Additional property plant and equipment of approximately R3.8mil was purchased during the year under review, this was mainly IT equipment. The technology capacity of the entity had to be enhanced in order to cater for the emerging technological needs of the Agency as well as to cater for the projects being carried out. Assets with a net book

value of R59 000 were disposed in the year under review. This was mainly due to the assets not being fit for continuous use within the organisation. The Agency performed an assessment of the residual values as well as the useful lives of the assets at the end of the financial year and no adjustments were done as a result of this assessment.

No impairment was recognised in the books of the Agency in the current year. Overall, the Agency possesses the necessary assets which will enable it to execute its mandate.

### Changes to Planned Targets

The entity did not make any changes save for the inclusion of performance indicator descriptors upon the recommendation and assessment of the Auditor-General.



# PART C:

## Governance



## Introduction

The financial year 2014/2015 a very busy year from a strategy development and project implementation points of view. The Board actively played its role in providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices. The Board also exercised its oversight responsibility over financial and performance management and reporting as well as ensuring compliance with all relevant legal prescripts and policy imperatives.

The establishment of policies, governance frameworks, systems and procedures for effective and regular monitoring of organisational performance is a clear indication that the Board has always been on top of issues affecting the Agency. Stakeholder engagement has also been one for the areas of focus of the Board.

The Agency has successfully implemented and concluded various important projects. Among those were the broadband roll-out projects in Ratlou (Northwest Province) and Joe Morolong (Northern Cape Province) Local Municipalities; the schools connectivity projects in various schools across the country.

We have also implemented the organisational design project, although not fully completed as at the end of the financial year but a lot has been achieved in ensuring that there is alignment and skills match between the available resources and skills and those required or relevant to the core mandate of the Agency.

This will assist in ensuring that the Agency is properly capacitated. The Board continued to provide the much needed strategic direction and leadership.

The Board and its Committees together with management worked tirelessly in setting up systems and procedures for the implementation of the Digital Migration Project. The governance function is led by the Board of USAASA, for operational and administrative matters, and USAF for project management and monitoring.

The Agency has been able to set up partnership relationships with various entities in an attempt to profile the role of the Agency and address some of the negative perceptions and/or media coverage of the Agency.

To mention just a few, the Agency partnered with the South African Broadcasting Corporation (SABC) to market the work of the Agency. Other partnerships relate to Provincial Departments of Education and various Local Municipalities.



## Portfolio Committees

The Board appeared before the Parliament Portfolio Committee on Telecommunications and Postal Services to present as per activities listed hereunder:

Date	Meeting / Activity
08 July 2014	USAASA Strategic Plan APPs Presentation
16 July 2014	Minister's Budget Vote Speech
12 September 2014	Portfolio Committee Briefing on Schools Connectivity with Portfolio Committee on Basic Education
19 September 2014	Portfolio Committee Briefing on DTT with Portfolio Committee on Communication
14 November 2014	Portfolio Committee Briefing on Broadband
10 March 2015	Joint Portfolio Committee Briefing on DTT
17 March 2015	Portfolio Committee Quarter 3

## Executive Authority

The Executive Authority that USAASA reports to is the Ministry of Telecommunications and Postal Services. USAASA submits quarterly reports to the Executive Authority as per legislated requirement. During the year under review, all the Agency's quarterly reports were submitted timeously and followed up with presentations to the Shareholder Unit of the Department.

Discussions revolved around the following:

- a) Board level governance frameworks
- b) Technical human capacitation of the Agency
- c) Systems capacitation of the Agency (incl. automation and integration into Departmental reporting systems)
- d) Cumulative reporting
- e) Compliance with internal controls
- f) Compliance to PFMA and other regulatory frame works

# The Board

## Introduction

The USAASA Board is the Accounting Authority of USAASA in terms of the Public Finance Management Act (PFMA). 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 subscribes to the principles contained in the Code of Good practice and Code of Good Conduct contained in the King Code on Corporate Governance Report (King III) and is committed to applying the principles of the PFMA and related regulation. The Board places strong emphasis on achieving the highest standards of reporting.

Within the powers conferred upon the Board by legislation and in particular as stipulated in ECA, PFMA and the Companies Act, 2008 (Act No. 71 of 2008) the, 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, the Board will:

- a) Represent the Agency before the Minister/s and Parliament of the Republic of South Africa.
- b) Provide strategic direction to the Agency.
- c) Review, approve and monitor strategic plans for the Agency, monitor fundamental financial business strategies and approved and monitor major actions such as organisational development.
- d) Appoints the Chief Executive Officer, Executive Management, Company Secretary, Risk Manager and Chief Audit Executive.
- e) Identify and regularly monitor key risk areas and key performance indicators of the Agency.
- f) Ensure that the Agency communicates with the Shareholder and the relevant stakeholders transparently and promptly.
- g) Ensure the Agency complies with relevant laws, regulations and the code of business practice.
- h) Regularly assess the processes and procedures to ensure effectiveness of internal systems and controls and accept responsibility for the entire process of risk management.

- i) Assess the performance of the Board and its committees on an annual basis and the performance of the Chief Executive Officer on a quarterly basis.

The role of the individual Board members requires them to maintain highest standards of ethics, integrity, 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.

## USAASA Board Charter

The USAASA Board Charter is one of the governance practices required by ECA, PFMA and the Companies Act, 2008 (Act No. 71 of 2008) and Corporate Governance Report (King III). The Charter describes the key responsibilities assumed by the Board of USAASA & USAF and defines the Board's authority.

Specifically articulated in the Board Charter are the following:

- Composition of the Board.
- Its Duties, roles and responsibilities as derived from the ECA.
- The Charter further defines Board procedures and clarifies the establishment of the Board Committees that assist the Board in the execution of its duties.
- Further highlighted by the Charter are matters exclusively reserved for the Board (i.e. remuneration of Board Members, conduct during meetings, questions of quorum, Board capacity building and development and Board and its committee evaluation).

Name	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g. Audit committee)	No. of Board Meetings attended
<b>Composition of the USAASA Board</b>								
Pumla Radebe	Board Member & Board Chairperson	01-09-2012	N/A	Bachelor of Arts in Social Science – University of Fort Hare (1976) Certificate in Municipal Management – Rand Afrikaanse University (1996) -UJ Diploma in Policy Development and Management – Regenesys School of Public Management (2003) CTO certificate on ICT Regulation: Understanding the Big Picture of ICTs; Admitted as a Chartered Director (SA)	Corporate Governance	Bungane Development Consultants Calgro M3 Holdings Khuselo Investments Khuselo Telecoms Institute of Directors of Southern Africa (IoDSA)	N/A	6
Seadimo Chaba	Board Member & Chairperson: Human Resources & Remunerations Committee	01-09-2012	N/A	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.	HR & 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)	Human Resources & Remunerations Committee Social & Ethics Committee	4
Sam Ledwaba	Board Member & Chairperson: Business Development Committee	01-09-2012	N/A	B Juris – University of Zululand LLB – University of Zululand (Trade Marks & Domain names on the Internet)	Legal Procurement and Compliance	Ledwaba Sam Attorneys	Business Development Committee, HR & Remuneration Committee (Alternate)	6
Kenosi Moroka	Chairperson: Social & Ethics Committee	01-09-2012	N/A	B Juris LLB Degree University of the North (Turfloor).	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)	Human Resources & Remunerations Committee Social & Ethics Committee	4

## The Board continued

Name	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g. Audit committee)	No. of Board Meetings attended
<b>Composition of the USAASA Board (continued)</b>								
Zandile Mdhladhla	Board Member	01-11-2012	N/A	BA Higher Education Diploma 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 Bachelor of Arts – University of Zululand Higher Education Diploma (Postgraduate) – University of Pretoria Advanced University Diploma in Adult Education – University of Natal CTO Certificate on ICT Regulation - CTO	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	4
Agnes Macdonald	Board Member	01-05-2013	N/A	Professional Customer Relations skills certificate Credit Management Certificate Professional Customer Relations Officer – Proficio Credit Management Certificate – Damelin Management School	Events management, Fund raising Micro-lending	Lwati V Trading Mpumalanga Department of Human Settlements- Rental Housing Tribunal	Business Development Committee Social & Ethics Committee (Alternate)	5

## The Independent Board Audit & Risk Committee: USAASA

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Linda C. Nene	Bachelor of Commerce (Accounting) - University of Cape Town Post Graduate Diploma In Management – Corporate Governance - Monash University Risk Management Strategies in the Public Sector - (NQF Level 5) - Southern Business School Certified Compliance Professional - CCPA (SA) - Compliance Institute of South Africa Fellow of the Institute of Internal Auditors SA – FIIA (SA) - The Institute of Internal Auditors Certification in Risk Management Assurance (CRMA) - The Institute of Internal Auditors Compliance Practitioner – CPrac (SA) - Compliance Institute of South Africa General Internal Auditor – GIA (SA) - The Institute of Internal Auditors Certification in Control Assessment – CCSA (SA) - The Institute of Internal Auditors	External, Independent Chairperson	N/A	01-12-12	N/A	7

The Independent Board Audit & Risk Committee: USAASA (continued)

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Fortunate N. Mdan-da	Bachelor of Accounting Science Honors in Bachelor of Commerce - Auditing MBA - UNISA	External, Independent Member	N/A	01-12-12	N/A	6
Thulani D. Ntuli	B Juris Certificate in Financial Management Certificate of the Business Continuity Institute Certificate in strategic planning and management (NQF Level 8) Certificate in Anti-Corruption (NQF Level 5)	External, Independent Member	N/A	01-12-12	N/A	7
Martin M. Mudau	BComm Accounting BComm Accounting (Honours) CA(SA)	External, Independent Member	N/A	01-02-14	N/A	7

Committees

Committee	No. of meetings held	No. of members	Name of members
Business Development Committee	4	3	Sam Ledwaba Zandile Mdhlahla Agnes Macdonald
Human Resources & Remunerations Committee	4	3	Seadimo Chaba Zandile Mdhlahla Kenosi Moroka Sam Ledwaba (Alternate)
Board Audit & Risk Management Committee	7	4	Linda Nene Fortunate Mdanda Thulani Ntuli Mulalo M. Mudau
Social & Ethics Committee	2	3	Kenosi Moroka Seadimo Chaba Zandile Mdhlahla Agnes Macdonald (Alternate)

## The Board continued

### Remuneration of Board Members

Whilst Board members of USAASA and USAF are the same, the meetings are held concurrently as means to manage the impact on the Board budget.

Name	Remuneration R'000	Other allowance	Comments	Total R'000
Pumla F. Radebe	359	N/A	Appointed 01 September 2012	359
Seadimo H. Chaba	127	N/A	Appointed 01 September 2012	127
Sam Ledwaba	156	N/A	Appointed 01 September 2012	156
Kenosi M. Moroka	57	N/A	Appointed 01 September 2012	57
Zandile Mdhlahla	151	N/A	Appointed 01 November 2012	151
Victoria A. MacDonald	96	N/A	Appointed 01 May 2013	96
Independent Board Audit and Risk Management Committee				
Linda C. Nene	54	N/A	Appointed 01 December 2012	54
Fortunate N. Mdanda	27	N/A	Appointed 01 December 2012	27
Thulani D. Ntuli	36	N/A	Appointed 01 December 2012	36
Martin Mudau	40	N/A	Appointed 01 February 2014	40

## Report of Board Audit and Risk Management Committee

We are pleased to present our report for the financial year ended 31 March 2015. The members of the Board Audit and Risk Management Committee (BARC) were appointed in December 2012 on a three year two terms, subject to reappointment by the Shareholder at the Annual General Meeting. The Committee assumed oversight responsibility of the Public Entity (USAASA) when it confronted critical challenges ranging from IT Governance to regulatory non-compliance to prescripts, policies and procedures. The Committee consists of four independent non-executive directors, elected by the shareholder at each Annual General Meeting (AGM): L Nene (Chairperson), T Ntuli, F Mdanda and M Mudau.

The Board appointed the Chairperson of the Committee, an independent non-executive director.

The Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Risk Manager and External Auditors are permanent invitees to the Committee meetings.

### Audit Committee Responsibility

The Board Audit and Risk Management Committee reports that it has complied with its responsibilities arising from Section 38(1), 76(4) (d) and Section 77 of the Public Finance Management Act and Treasury Regulations 3.1.13.

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

The Committee performed the following duties during the year in accordance with section S94 (7) of the Companies Act 71 of 2008:

- nominated the external auditor for appointment by the shareholder;
- determined the fees to be paid to the auditors and the auditor's terms of engagement;
- determined the nature and extent of any non-audited services;
- pre-approved any proposed agreement with the auditor for the provision of non-audit services to the company;
- prepared a report, to be included in the annual financial statements for the financial year;
- made submissions to the Board on matters concerning the company's accounting policies, financial control, records and reporting; and
- performed other oversight functions determined by the Board.

### **The Effectiveness of Internal Controls**

The Committee is responsible for overseeing the Internal Audit Activity, preserving its independence and ensuring that it has the necessary resources and authority to enable it to fulfil its duties. The Chief Audit Executive reports functionally to the Committee and has quarterly meetings with the Chairperson of the Committee independently of management.

The Committee annually reviews and approves internal audit coverage plan and monitors the performance of the internal audit function on a quarterly basis. The Committee has reviewed the written assessment performed by Internal Audit on the design, implementation and effectiveness of internal financial controls and risk management of the company.

Our review of the findings of the work from Internal Audit Activity, which was based on risk assessments conducted in the public entity revealed certain weaknesses, which were then communicated to the CEO and the Executive Management of the Public Entity. A significant improvement with regards to compliance to prescripts, general internal control environment and governance has been recorded during the period under review. This has also been corroborated by the Auditor General's key controls review conducted over the period.

The following internal audit projects, as approved and contained in the annual internal audit plan, were completed during the year under review:

- Quarterly audits on SCM: Below Threshold;
- Quarterly audits on SCM: Above Threshold;
- Quarterly audits on Financial Management;
- Quarterly Financial Statements;
- Quarterly audits on Performance Information;
- USAF Projects;
- Information Technology;
- Follow-up audits, including matters raised by the Auditor-General in the management letter; and
- A number of ad hoc assignments requested by Management and Board Audit and Risk Committee.

### **Approved Policies / Strategies**

In the financial year under review, the Committee recommended eleven (11) policies to the Board for final approval to strengthen and improve the internal control environment. These included:

- Revenue Policy;
- Supply Chain Management Policy;
- Cash and Bank Policy;
- Materiality Framework;
- Related Party Policy;
- Accounting Policy;
- Assets Policy;
- Delegation of Authority Policy;
- Risk Management Framework;
- Risk Management Strategy; and
- Risk Management Implementation Plan.

## Report of Board Audit and Risk Management Committee Continued

### Compliance to Laws, Rules, Codes and Standards

The non-compliance register aimed at identifying control weaknesses in relation to compliance with laws, regulation and standards remains one of the tools utilized by the Committee to detect areas requiring intervention from an assurance perspective. The register identifies transgressors and ensures that consequence management is applied to perpetual and repetitive transgressors. This detailed non-compliance register is reviewed at every Committee meeting as an agenda item on the finance reports. Since the implementation of the revised, now detailed non-compliance register, non-compliance to prescripts has improved tremendously. An assertion supported by the internal audit reports presented to the Committee on SCM below and above threshold, Financial Management audits and audits on Interim Financial statements.

### In-Year Monthly / Quarterly Reporting

The Committee performed the following duties on reporting:

- Reported formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- Made recommendations to the Board deemed appropriate on any area within its remit where action or improvement is required.
- Compiled reports of its activities which were included in the Agency's annual report.

The Public Entity has submitted monthly and quarterly reports to the Executive Authority as required by legislation. These reports have been reviewed by the Committee during the year.

### 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 serviced communities and ICT equipment to various schools and clinics, however there is insufficient monitoring of usage thereof.

### Risk Management

The development of the top ten (10) Corporate Strategic Risk profile was as a result of the divisional risk assessment workshops held, which produced the individual Divisional Risk profiles for USAASA. In addition to the workshops held, the Risk Management Committee chaired by the CEO made iterations and reviewed same to ensure alignment with the Corporate Strategic Risks, more specifically the top ten (10) risks facing the organisation.

USAASA is committed to pursuing high standards of Corporate Governance and Acceptable Risk Management Knowledge, Concepts and Practices and constantly seeks to apply the Public Sector Risk Management Framework and King III Report on Corporate Governance. Other works of reference include, but are not limited to; International Standards on Risk Management (ISO 31000), South African National Standards (SANS) for Risk Management, etc.

USAASA's operations derived from its mandate and strategy expose it to strategic risks, operational risks, financial risks and regulatory risks. The Board Audit and Risk Committee (BARC) have reviewed and approved the policies for managing each of these risks.

Importantly, a Risk Manager was appointed during the year due to the entity becoming aware of the importance of risk management for the success of both business of the entity and projects.

A summary of the main risk management activities carried out during the year ended 31 March 2015 includes:

- Risk management policies, including the methodology were developed and approved by the Board Audit and Risk Committee and the Board of Directors.
- The risk management plan was developed and approved by the relevant committees.
- Strategic risk assessments were performed bi-annually with the members of the Executive team.
- Operational risk assessments were performed quarterly for each division within USAASA with divisional heads and key personnel.
- Combined assurance map was developed with participation from first, second and third lines of defence.
- Project risk assessments were performed regularly throughout the year.

The risk profile report was compiled on a quarterly basis for presentation to the Risk management committee, Board Audit and Risk Committee and the Board of Directors. In the past year we saw a gradual progress in the risk maturity level, management of risk and strategy and management of performance and risks.

## **Combined Assurance**

King III requires that the audit 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 strategic, operational, and financial and sustainability issues in the quest to deliver value to the organisation.

Recognizing the limited resources available to the internal audit activity and the need for greater assurance required by the BARC and the Board, the Committee initiated a combined assurance process, which is now the responsibility of the newly appointed Risk Manager.

The Combined Assurance Model was presented and approved by the Committee.

As at year-end, two progress reports on the implementation of Combined Assurance served before the Committee. These reports indicated assurance coverage and integration efforts from various assurance providers within USAASA, including Internal Audit and Auditor General. In the next financial year, these reports will reflect the assurance coverage from USAASA's shareholder (DTPS), Performance and Monitoring, Legal Services and others.

## **Evaluation of Financial Statements**

We have reviewed the Annual Financial Statements prepared by the Public Entity as required by the PFMA, National Treasury Regulations and King III report on corporate governance. The internal audit work on the Annual Financial Statements conducted quarterly during the year under review has resulted in improved correctness, completeness and validity of financial reporting.

## Report of Board Audit and Risk Management Committee Continued

### Expertise and experience of the finance function

The Committee has reviewed the expertise, competence and experience of the USAASA Finance function. Based on the self-assessment performed, the Committee is satisfied that the Chief Financial Officer and the finance management team have the appropriate expertise and experience.

### Information Technology Governance

The key threats that the Public Entity had to deal with in the previous financial year, which included the lack of an ERP system, the Disaster Recovery Plan and the off-site backup solution for the Public Entity has all been implemented. The IT control environment has therefore improved from the previous year's assessment and report. Consequently, the IT Governance risk exposures are within tolerable limits. It should however be reported that the current mitigations are not designed to eliminate risks completely however to manage the risk within accepted tolerance levels, therefore Internal Audit will continue to review mitigations introduced by management.

### Ethics and Compliance

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

There were no reports of suspected /alleged unethical conducts by employees of the Agency received from the Department of Telecommunications and Postal Services hotline and the Public Service hotline, except for the other investigation currently dealt by the Special Investigation Unit and the Office of the Public Protector.

### Fraud and Forensics

In the period under review an investigation that is conducted by Special Investigation Unit, as a proclamation by the Honourable President of the Republic of South Africa, prompted by an open letter from one of the political parties, has not yet been concluded.

### External Auditors' 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 Public Entity's implementation plan for audit issues raised in the prior year and are satisfied that the matters have been adequately resolved, except for in the following areas:

- Performance information reporting;
- Subsequent event matters;
- Organization design to address USAASA's mandate;
- Alignment of APP and USAASA Strategy; and Compliance to "SMART" criteria.

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

## **Conclusion**

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

- The internal controls of the Agency were effective in all material aspects 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 2015, we are of the opinion that they comply with the relevant provisions of the PFMA and International Financial Reporting Standards and fairly present the results of the operations, cash flow and financial position of USAASA.

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

We hereby recommend the Annual report to the Board for approval.

On behalf of the Board Audit and Risk Management Committee.



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**Mr. Linda Nene**

**Chairperson of USAASA/USAF Board Audit & Risk Committee**

18 August 2015







# **PART D:** **Human Resource Management**

## Introduction

### Strategic Objective

To create an effective, efficient and well-resourced organization.

### Executive Summary

The success of the USAASA's performance is predicated upon effective and efficient internal corporate services. This means various elements internal to organizational support must operate in a seamless and effective manner. Support services need to consistently deliver solutions that increase productivity, improve effectiveness, account ability and transparency for the organization.

An effective and efficient corporate service capability enhances the level of sustainability of any organization and contributes outwards creating a conducive environment for institutional performance.

In this regard the corporate services and functional expertise to USAASA is responsive to the needs of all its stakeholders, whilst ensuring effective and efficient management of the unit. It provides strategic leadership to USAASA through interpretation of legislation and regulations, formulating organizational policies and rendering operational and procedural support to the organization.

## Human Resource Oversight Statistics

### Personnel Cost by Programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
USAASA	63 265	40 037	63.2%	58	690

### Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	4 768	11.9	4	1 192
Senior Management	13 108	32.7	11	1 191
Professional qualified	12 369	30.9	16	773
Skilled	9 570	23.9	25	383
Semi-skilled	0	0,0	0	0
Unskilled	222	0,6	2	111
TOTAL	40 037		58	

## Human Resource Oversight Statistics continued

### Performance Rewards

Programme	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	364	4 768	7.6%
Senior Management	534	13 108	4.1%
Professional qualified	540	12 369	4.4%
Skilled	604	9 570	6.3%
Semi-skilled	0	0	0.0%
Unskilled	24	222	10.8%
<b>TOTAL</b>	<b>2 066</b>	<b>40 037</b>	

### Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg. training cost per employee (R'000)
CEO's Office	7 172	193	2.7%	16	12
Corporate Services	10 097	162	1.6%	6	27
Business Development	15 868	47	0.3%	5	9
Finance	6 900	139	2%	17	8

### Employment and Vacancies

Programme	2013/2014 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
USAASA	59	73	58	15	21%

Programme	2013/2014 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
Top Management(14-15)	3	5	3	2	40%
Senior Management (13)	12	11	11	0	0
Professional qualified (11-12)	16	21	18	3	14%
Skilled (8-10)	26	34	24	10	29%
Semi-skilled (2)	0	0	0	0	0%
Unskilled	2	2	2	0	0%
<b>TOTAL</b>	<b>59</b>	<b>73</b>	<b>58</b>	<b>15</b>	<b>21%</b>

## Human Resource Oversight Statistics continued

### Employment and Vacancies (continued)

Position / Vacancy	Appropriate internal staff	How long the position was vacant	Reasons for the post being vacant for the period mentioned	Measures taken to successfully attract and retain staff
Executive Manager: Business Development	Position filled following recruitment process	November 2013	Labour dispute not finalised	Recruitment process will be followed
Executive Manager: Corporate Services	Position filled following recruitment process	October 2013	Labour dispute not finalised	Recruitment process will be followed
Company Secretary	The position was advertised	April 2014	Resignation	Position filled following recruitment process
Risk Manager	This position was advertised and offer made to candidate	November 2013	New position	Position filled following recruitment process
All other vacant posts are unfunded				

### Employment Changes

A number of terminations were experienced in the executive and senior management level.

Salary Band	Employment at beginning of Period	Appoint-ments	Terminations	Employment at end of the Period
Top Management (14-15)	3	1	1	3
Senior Management (13)	12	1	2	11
Professional qualified (11-12)	16	2	0	18
Skilled (8-10)	26	2	4	24
Semi-skilled (2)	0	0	0	0
Unskilled	2	-	-	2
<b>TOTAL</b>	<b>59</b>	<b>6</b>	<b>7</b>	<b>58</b>

### Employment Changes

Reason	Number	% of total no. of staff leaving	Attempts made to replace staff
Death	0	-	-
Resignation	3	5%	No attempts made, pending the finalisation of the OD process
Dismissal	0	-	-
Retirement	0	-	-
Ill health	0	-	-
Expiry of contract	1	2%	No attempts made, pending the finalisation of the OD process
Other	3	5%	No attempts made, pending the finalisation of the OD process
<b>TOTAL</b>	<b>7</b>	<b>12%</b>	-

### Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	1
Suspension	1

### Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	
Top Management	2	-	-	-	Top Management	-	-	-
Senior Management	8	-	-	-	Senior Management	-	-	-
Professional qualified	12	-	-	-	Professional qualified	-	-	1
Skilled	3	-	-	-	Skilled	-	-	-
Semi-skilled	-	-	-	-	Semi-skilled	-	-	-
Unskilled	-	-	-	-	Unskilled	-	-	-
<b>TOTAL</b>	<b>25</b>	-	-	-	<b>TOTAL</b>	-	-	<b>1</b>

Levels	FE-MALE							
	Current	Target	Current	Target	Current	Target	Current	
Top Management	1	-	-	-	-	-	-	-
Senior Management	3	-	1	-	-	-	-	-
Professional qualified	4	-	-	-	-	1	-	-
Skilled	23	-	-	-	-	-	-	-
Semi-skilled	-	-	-	-	-	-	-	-
Unskilled	2	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>33</b>	-	<b>1</b>	-	-	<b>1</b>	-	-

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	1
Senior Management	-	-	-	1
Professional qualified	-	-	-	-
Skilled	-	-	-	1
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
<b>TOTAL</b>	-	-	-	<b>3</b>





# **PART E:**

## **Financial Information**

## Statement of Responsibility

The Accounting Authority is responsible for the preparation of the Public Entity's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the Public Entity for the financial year ended 31 March 2015.

The external auditors are engaged to express an independent opinion on the USAASA AFS of the Public Entity.

The USAASA Annual Financial Statements for the year ended 31 March 2015 have been audited by the external auditors and their report is presented on page 67.

The Annual Financial Statements of the Public Entity set out on page 69 to page 101 have been approved.



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**Zami Nkosi (Mr.)**

**Chief Executive Officer**

**USAASA**

18 August 2015



## Report of the Chief Executive Officer

The Universal Service and Access Agency of South Africa (USAASA) continues to execute on its mandate and drive the social-economic transformation of the country. The Agency's activities are aligned to the major drivers of the country namely the National Development Plan as well as the South Africa connect policy.

In the 2014/15 financial year the Agency continued its monomaniac focus on the implementation of the roll out of broadband network infrastructure, connection of public schools, primary health care institutions as well as government institutions. The Agency in the current year also rolled out facilities for people living with disabilities however, the impact of this was only minimal due to the limited financial resources.

The Agency has shown by its deployment results that it is capable of rolling out large scale infrastructure in the under serviced areas and has the necessary internal capacity to perform this on wide scale. The Agency during the year under review managed to complete a clean procurement process for the equipment of the Broadcasting Digital Migration programme and anticipates taking delivery of the equipment in the 2015/16 financial year. This is a major milestone in the process which had dragged for a long period and showed the decisive nature of the leadership in the Agency as well as the drive to execute national priorities.

Our philosophy is that governance is the cornerstone of all the matters which are done by the Agency. In the current year the Agency had significant improvement in the governance of the Agency with the control environment on the upward trajectory. There were no non compliances with regards to supply chain matters and this shows the commitment and the amount of work which has been put in the organisation.

This is also reflected in the management letter of the Auditor General. The leadership stability which has prevailed in the organisation has been instrumental in the improvement shown in the organisation and this will be sustained.

I am grateful to the Board and its Committees, under the leadership of Mrs Pumla Radebe, who have provided direction and has supported the Agency in all its endeavours. None of this will be possible without "Team USAASA" which has worked tirelessly on this journey to ensure success. We would also like to express our sincere gratitude to our external stakeholders who have also ensured that we are a success.

As they say that "results only exist outside of the organisation" these stakeholders present a dipstick which shows the impact of our work and this has been largely positive. We are grateful to our "customers", our beneficiaries, without them the Agency would not exist and the interdependent relationship we share is critical.

Going forward the Agency is still constrained by the limited financial resources at its disposal and an increase will enable us to fast track the changing of lives in the under serviced areas.



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**Zami Nkosi (Mr.)**  
**Chief Executive Officer**  
**USAASA**

18 August 2015

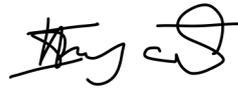
## USAASA CFO's report

The Agency performed well in the current financial year showing a surplus position of R 1.090m up from a deficit of R 2.608m in the prior year. This was a combination of increased discipline on costs control as well as tighter budget management. The Agency managed to combine cost effectiveness with the ability to spend the allocated funds which is an important balance to attain. In line with the cost containment measures the Agency minimised the use of consultants as well as there was a significant drop in the travelling expenditure. This shows the cost consciousness of the organisation. The statement of financial position of the Agency did not increase significantly with the net assets only growing by R1m. This was however against a background of a relatively substantial investment in IT equipment to replace the ageing equipment which was owned by the Agency. The replacement of the IT equipment was an important risk mitigating tool. The Agency managed to maintain its liquid position with a net current asset position of R 5.414m showing a great ability of the Agency to meet its short term commitments.

The Agency has improved significantly with regards to compliance and there were no issues raised by the Auditor General with regards to supply chain matters which is a key performance indicator. This shows that the controls and safeguards which have been built into the organisation are working effectively. All the facets which are used by the Auditor General to measure the internal control environment namely leadership, financial performance and management and governance all showed an upward trend. The Agency will continue to focus on the key drivers of the internal control environment and ensure that compliance continues to be at the façade of all the Agency's activities. The introduction of the combined assurance has resulted in all the stakeholders working together to ensure that the environment yields this kind of improvement.

The Agency has the necessary financial skills to enable and sustain these kind of results and I am confident that the Agency will become a benchmark of compliance and sound financial management in the public sector. It is once again satisfying that the Agency has obtained an unqualified audit report. This opinion

signifies that the financial statements present fairly the financial position of the Agency and is result of the hard work which has been put by the various stakeholders. A special mention to the finance team which worked tirelessly to ensure that the year-end process was a success.



**Mr. Zane Mheyamwa**  
**Chief Financial Officer**  
**USAASA and USAF Public Entities**

18 August 2015



# Report of the External Auditor

## Report of the auditor-general to Parliament on Universal Service and Access Agency of South Africa (USAASA)

### 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 69 to 101, which comprise statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the Generally Recognised Accounting Practice (GRAP) and the requirements of the requirements of the Public Finance Management Act of South Africa, (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-general's responsibility

3. My responsibility is to express an opinion on these 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 Universal Service and Access Agency of South Africa as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the Generally Recognised Accounting Practice (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 matter.

#### Restatement of corresponding figures

8. As disclosed in note 18 and 19 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during year ended 31 March 2015 in the financial statements of the Universal Service and Access Agency of South Africa for the year ended, 31 March 2014.

#### Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for 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 for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2015:
  - Objective 1: Instilling, embedding, advocating and creating awareness on good corporate governance principles throughout USAASA and at board level on pages 33 to 41
  - Objective 2: To ensure smooth operation of the agency on pages 33 to 41
  - Objective 4: Promote risk culture and manage organisational wide risks on pages 33 to 41
  - Objective 7: Produce compliant and transparent financial management and statements in accordance to the PFMA and regulatory prescripts, and accounting standards on pages 33 to 41
  - Objective 11: Provide and maintain IT systems to ensure that USAASA's business continues to operate irrespective of risks encountered on pages 33 to 41
  - Objective 13: To create a well-resourced organisation on pages 33 to 41
  - Objective 14: Coordinate and manage the development, implementation and institutionalisation of the organisational development initiatives on pages 33 to 41
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. 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

## Report of the External Auditor continued

bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
  - Objective 1: Instilling, embedding, advocating and creating awareness on good corporate governance principles throughout USAASA and at board level
  - Objective 2: To ensure smooth operation of the agency
  - Objective 4: Promote risk culture and manage organisational wide risks
  - Objective 7: Produce compliant and transparent financial management and statements in accordance to the PFMA and regulatory prescripts, and accounting standards
  - Objective 11: Provide and maintain IT systems to ensure that USAASA's business continues to operate irrespective of risks encountered
  - Objective 13: To create a well-resourced organisation
  - Objective 14: Coordinate and manage the development, implementation and institutionalisation of the organisational development initiatives

### Additional matters

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

### Achievement of planned targets

16. Refer to the annual performance report on pages 33 to 41 for information on the achievement of the planned targets for the year.

### Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Objective 7: Produce compliant and transparent financial management and statements in accordance to the PFMA and regulatory prescripts, and accounting standards, Objective 13: To create a well-resourced organisation and Objective 14: Coordinate and manage the development, implementation and institutionalisation of the organisational development initiatives. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

### Unaudited supplementary schedules

18. The supplementary information set out on pages 21 to 32 and 41 to 42 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

### Compliance with legislation

19. I performed procedures to obtain evidence that the entity had complied with 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:

### Financial statements, performance and annual reports

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of current liabilities, revenue and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Internal control

21. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

### Financial and performance management

22. Management did not have an adequate system in place to ensure that all financial information is accurate and classified correctly.

### Other reports

### Investigations

23. The investigation by the Special Investigating Unit (SIU) on the open letter written to the President during the prior year was still in progress at year end.

Auditor - General

Pretoria

31 July 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **USAASA Annual Financial Statements**

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## Statement of Financial Performance

	Note(s)	2015 '000	2014 '000
<b>Revenue</b>			
Recoveries		142	244
Interest received - investment		730	368
Government grants & subsidies		65 376	60 090
<b>Total Revenue</b>		<b>66 248</b>	<b>60 702</b>
<b>Expenditure</b>			
Employee related costs	11	(40 035)	(39 419)
Depreciation and amortisation		(3 269)	(2 767)
Impairment loss / Reversal of impairments		10	21
Finance costs		(74)	-
Lease rentals on operating lease		(4 253)	(3 938)
Repairs and maintenance		(363)	(497)
General Expenses	12	(17 207)	(16 628)
<b>Total Expenditure</b>		<b>(65 191)</b>	<b>(63 228)</b>
<b>Operating surplus (deficit)</b>	13	<b>1 057</b>	<b>(2 526)</b>
Gain (loss) on disposal of assets and liabilities		33	(82)
<b>Surplus (deficit) for the year</b>		<b>1 090</b>	<b>(2 608)</b>

## Statement of Financial Position as at 31 March 2015

	Note(s)	2015 '000	2014 '000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	6 192	5 296
Intangible assets	3	755	921
		<b>6 947</b>	<b>6 217</b>
<b>Current Assets</b>			
Inventories	4	481	587
Loans and receivables	5	906	522
Cash and cash equivalents	6	12 778	12 645
		<b>14 165</b>	<b>13 754</b>
<b>Total Assets</b>		<b>21 112</b>	<b>19 971</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligation	7	14	98
<b>Current Liabilities</b>			
Finance lease obligation	7	117	131
Trade and other payables	8	4 161	4 501
Provisions	9	4 473	3 985
<b>Total Liabilities</b>		<b>8 751</b>	<b>8 617</b>
<b>Net Assets</b>		<b>8 765</b>	<b>8 715</b>
<b>NET ASSETS</b>			
Accumulated surplus		12 347	11 256
		12 347	11 256

## Statement of Changes in Net Assets

	Accumulated surplus "000	Total net assets "000
Opening balance as previously reported	13 842	13 842
Adjustments		
Prior year adjustments	22	22
<b>Balance at 01 April 2013 as restated*</b>	<b>13 864</b>	<b>13 864</b>
Changes in net assets		
Surplus for the year	(2 608)	(2 608)
Total changes	(2 608)	(2 608)
Opening balance as previously reported	11 518	11 518
Adjustments		
Prior year adjustments	(261)	(261)
<b>Balance at 01 April 2014 as restated*</b>	<b>11 257</b>	<b>11 257</b>
Changes in net assets		
Surplus for the year	1 090	1 090
Total changes	1 090	1 090
<b>Balance at 31 March 2015</b>	<b>12 347</b>	<b>12 347</b>

## Cash Flow Statement

	Note(s)	2015 R'000	2014 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from government		65 376	60 090
Cash paid to suppliers and employees		(61 838)	(59 966)
Cash generated from operations (excl. interest)	14	3 538	124
Interest income		730	368
Finance costs		(74)	-
<b>Net cash from operating activities</b>		<b>4 194</b>	<b>492</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	2	(3 864)	(2 024)
Loss on scrapping of property, plant and equipment	2	92	79
Purchase of other intangible assets	3	(194)	(775)
Proceeds from sale of other asset		-	48
<b>Net cash from investing activities</b>		<b>(3 966)</b>	<b>(2 672)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(97)	228
<b>Net cash from financing activities</b>		<b>(97)</b>	<b>228</b>
Total cash movement for the year		<b>131</b>	<b>(1 952)</b>
Cash and cash equivalents at the beginning of the year		12 645	14 597
<b>Cash and cash equivalents at the end of the year</b>	6	<b>12 776</b>	<b>12 645</b>

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	'000	'000	'000	'000	'000	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Recoveries	-	-	-	142	142	
Interest received - investment	-	-	-	730	730	
<b>Total revenue from exchange transactions</b>	-	-	-	<b>872</b>	<b>872</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Transfers & subsidies received	65 376	-	65 376	65 376	-	
<b>Total revenue</b>	<b>65 376</b>	-	<b>65 376</b>	<b>66 248</b>	<b>872</b>	
<b>Expenditure</b>						
Personnel	(39 692)	-	(39 692)	(40 035)	(343)	
Depreciation and amortisation	-	-	-	(3 269)	(3 269)	Non cash flow item
Impairment loss/ Reversal of impairments	-	-	-	10	10	Non cash flow item
Finance costs	-	-	-	(74)	(74)	Unanticipated cost
Lease rentals on operating lease	(4 237)	-	(4 237)	(4 253)	(16)	
Repairs and maintenance	(370)	-	(370)	(363)	7	Savings due improved expenditure controls
General Expenses	(21 077)	-	(21 077)	(17 208)	3 869	Savings due to stringent controls to curb unnecessary expenditure
<b>Total expenditure</b>						
<b>Operating surplus</b>	<b>(65 376)</b>	-	<b>(65 376)</b>	<b>(65 192)</b>	<b>184</b>	
Gain on disposal of assets and liabilities	-	-	-	1 056	1 056	
	-	-	-	33	33	
<b>Surplus before taxation</b>				<b>1 089</b>	<b>1 089</b>	
	-	-	-	<b>1 089</b>	<b>1 089</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>				<b>1 089</b>	<b>1 089</b>	

# 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 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.

## Accounting Policies continued

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 8 - 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.

### 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 Communications 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 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale. Borrowing costs are recognised as an expense in the period in which they are incurred.

## Accounting Policies continued

### 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 & USAF: 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 58 of 1962 as amended. The USAASA is defined as a public authority in terms of the VAT Act 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 Levy 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 category) 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
Other receivables from exchange transactions	Financial asset measured at non-amortised cost

The entity has the following types of financial liabilities (classes and category) 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 obligation	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.

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 arm's 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.

## Accounting Policies continued

### Impairment and uncollectibility of financial assets

The entity assess 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.

### 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 :
  - derecognise the asset; and
  - recognise 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 is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction,

its cost is its fair value as at date of acquisition.

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

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

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

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

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

## Accounting Policies continued

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

Property, plant and equipment is 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 is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is 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.

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

Item	Average useful life
Furniture and fittings	5 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years
Cellphones	2 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.

## Accounting Policies continued

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	3 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:
  - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) 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 recognized 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.

## Accounting Policies continued

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.

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 assess 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 occur 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).

## Accounting Policies continued

### 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.

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

### 1.19 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 01/04/2014 to 31/03/2015.

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.

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

Close members of the family of a person are 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 transaction 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.

### 1.21 Events after the reporting date

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

## Notes to the Audited Annual Financial Statements

	2015			2014		
	R'000			R'000		
<b>2. Property, plant and equipment</b>						
	<b>Cost / Valuation</b>	<b>2015 Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>2014 Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>
Plant and machinery	7 143	(3 925)	3 218	4 564	(3 577)	987
Furniture and fixtures	2 984	(2 298)	686	2 978	(2 001)	977
Motor vehicles	898	(296)	602	898	(117)	781
Office equipment	2 197	(1 519)	678	1 954	(1 167)	787
Leasehold improvements	3 546	(2 669)	877	3 505	(2 010)	1 495
Work in Progress	-	-	-	41	-	41
Cellphones	289	(158)	131	261	(33)	228
<b>Total</b>	<b>17 057</b>	<b>(10 865)</b>	<b>6 192</b>	<b>14 201</b>	<b>(8 905)</b>	<b>5 296</b>
<b>Reconciliation of property, plant and equipment - 2015</b>						
	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Total</b>
Plant and machinery	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
	<b>5 296</b>	<b>3 864</b>	<b>(59)</b>	<b>-</b>	<b>(2 910)</b>	<b>6 191</b>
<b>Reconciliation of property, plant and equipment - 2014</b>						
	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Total</b>	
Plant and machinery	1 274	446	(30)	(703)	987	
Furniture and fixtures	1 058	375	(106)	(350)	977	
Motor vehicles	600	314	(17)	(116)	781	
Office equipment	1 110	89	(8)	(404)	787	
Leasehold improvements	1 586	498	-	(589)	1 495	
Work in Progress	-	41	-	-	41	
Cellphones	-	261	-	(33)	228	
	<b>5 628</b>	<b>2 024</b>	<b>(161)</b>	<b>(2 195)</b>	<b>5 296</b>	

## Notes to the Audited Annual Financial Statements

		2015		2014	
		R'000		R'000	
<b>3. Intangible assets</b>					
		2015	Carrying value	2014	Carrying value
	<b>Cost / Valuation</b>	<b>Accumulated amortisation and accumulated impairment</b>		<b>Accumulated amortisation and accumulated impairment</b>	
Computer software	2 759	(2 004)	755	(1 644)	921
<b>Reconciliation of intangible assets - 2015</b>					
			<b>Opening balance</b>	<b>Additions</b>	<b>Amortisation</b>
Computer software			921	194	(360)
					<b>Total</b>
					755
<b>Reconciliation of intangible assets - 2014</b>					
			<b>Opening balance</b>	<b>Additions</b>	<b>Amortisation</b>
Computer software			716	775	(570)
					<b>Total</b>
					921
<b>4. Inventories</b>					
Inventories				481	587
Inventories recognised as an expense during the year				649	197
<b>5. Loans and receivables</b>					
Universal Service and Access Fund				26	-
<b>Prepayments and advances</b>					
- Staff loans/Advances				87	3
- Prepayments				561	305
Other receivables				243	235
				917	543
Fair value adjustment				(11)	(21)
				<b>906</b>	<b>522</b>

## Notes to the Audited Annual Financial Statements

	2015 R'000	2014 R'000
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4	3
Bank balances	12	721
Other cash and cash equivalents	12 762	11 921
	<b>12 778</b>	<b>12 645</b>
Cash and cash equivalents are unencumbered		
<b>7. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	117	131
- in second to fifth year inclusive	14	98
<b>Present value of minimum lease payments</b>	<b>131</b>	<b>229</b>
Non-current liabilities	14	98
Current liabilities	117	131
	<b>131</b>	<b>229</b>
<b>8. Trade and other payables</b>		
Trade payables	456	1 569
Operating lease payables	176	464
Accruals	3 529	2 468
	<b>4 161</b>	<b>4 501</b>

## Notes to the Audited Annual Financial Statements

2015  
R'000

2014  
R'000

The leave provision represents management's best estimate of the Agency's obligation in respect of leave entitlements not taken at statement of financial position date. The amount is accrued annually based on cost to company. The timing, expected remuneration rates and nature of settlement of the obligation is uncertain.

The bonus provision for employees on Grade eleven or lower was created based on management's estimates and judgements at year end, in line with prior year methodology. There was uncertainty with regards to the timing of the actual payment

The workmen's compensation provision was raised as a liability based on the best estimate at the statement of financial position date.

### 9. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Reversed during the year	Made during the year	Total
Leave	1 183	(2 596)	-	2 974	1 561
Workmen's compensation	502	-	(75)	153	580
Bonus	2 300	(2 066)	(234)	2 332	2 332
	<b>3 985</b>	<b>(4 662)</b>	<b>(309)</b>	<b>5 459</b>	<b>4 473</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Made during the year	Total
Leave	1 108	-	(2 423)	2 498	1 183
Workmen's compensation	94	427	(94)	75	502
Bonus	1 669	-	(1 669)	2 300	2 300
	<b>2 871</b>	<b>427</b>	<b>(4 186)</b>	<b>4 873</b>	<b>3 985</b>

### 10. Revenue

Recoveries	142	244
Interest received - investment	730	368
Government grants & subsidies	65 376	60 090
	<b>66 248</b>	<b>60 702</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Recoveries	142	244
Interest received - investment	730	368
	<b>872</b>	<b>612</b>

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

Transfer revenue	
Department of Telecommunication and Postal Services	65 376
	60 090

## Notes to the Audited Annual Financial Statements

	2015 R'000	2014 R'000
<b>11. Staff costs</b>		
<b>Wages and salaries</b>		
- Basic salaries	32 474	31 617
- Performance bonus	2 098	2 455
- Other non-pensionable allowance	1 362	1 735
- Workmen's compensation	78	509
SDL	455	-
- Leave payments	378	-
<b>Social contributions (Employer's contributions)</b>		
- Medical aid	255	247
- Unemployment insurance fund	105	106
- Provident Fund	2 832	2 749
	<b>40 037</b>	<b>39 418</b>
Number of employees	58	59
<b>12. General expenses</b>		
Advertising	74	129
Auditors remuneration	649	1 043
Bank charges	27	32
Consulting and professional fees	879	624
Consumables	76	82
Insurance	369	293
Conferences and seminars	546	444
Marketing costs	843	1 462
Postage and courier	102	98
Printing and stationery	1 372	566
Research and development costs	245	420
Licenses	112	392
Security	275	216
Staff welfare	345	290
Subscription fees	447	443
Information and telecommunication costs	1 825	1 451
Training	554	352
Travel	2 790	3 056
Electricity and municipal services	1 100	932
Board and committee fees	1 101	1 142
Bad debts written-off	-	171
Legal fees	1 957	639
Organisational development	1 520	102
Stabilisation expense	-	2 250
	<b>17 208</b>	<b>16 629</b>

Subscription costs were previously reported under Printing and Stationery line item. The expense is however classified separately in the current financial year. Comparative figures are corrected accordingly.

## Notes to the Audited Annual Financial Statements

	2015 R'000	2014 R'000
<b>13. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	4 003	3 746
Plant and equipment		
• Contractual amounts	223	151
Lease rentals on operating lease		
• Contractual amounts	27	41
	<b>4 253</b>	<b>3 938</b>
Gain (loss) on sale of property, plant and equipment	33	(82)
Amortisation on intangible assets	360	570
Depreciation on property, plant and equipment	2 910	2 197
Employee costs	40 035	39 419
Research and development	245	420
<b>14. Cash generated from operations</b>		
Surplus (deficit) <b>Adjustments for:</b> Depreciation and amortisation	1 090	(2 608)
(Loss) gain on sale of assets	3 269	2 767
Finance costs	(33)	82
Impairment reversals	74	(228)
Movements in provisions	(10)	(21)
Interest income	488	1 114
<b>Changes in working capital:</b>	(730)	-
Inventories	106	(587)
Loans and receivables	(375)	554
Trade and other payables	(341)	(758)
	<b>3 538</b>	<b>315</b>
<b>15. Commitments</b>		
<b>Property rental</b>		
<b>At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:</b>		
- within one year	3 982	3 464
- in second to fifth year inclusive	3 086	947
	<b>7 068</b>	<b>4 411</b>

## Notes to the Audited Annual Financial Statements

	2015 R'000	2014 R'000
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### 16. Contingencies

The organization has cases which are currently at the labour court with regards to employees who were dismissed from the organization. No judgment has been made with regards to these cases and the Agency cannot reliably estimate the potential liability which will emanate from these cases. The organization also has matters which are being investigated by the SIU. The exposure of potential liabilities on these matters cannot be reasonably estimated.

### 17. Related party transactions and balances

#### Relationships

Department of Telecommunications and Postal Services  
(Administrative arm of shareholder)  
Universal Service and Access Fund (Fund management)

#### Transactions

##### Name of Entity

##### Transaction Type

Department of Telecommunications  
and Postal Services

Revenue appropriation

65 376

60 090

#### Balances

##### Name of Entity

##### Transaction Type

Universal Service and Access Fund

Receivable

26

-

## Notes to the Audited Annual Financial Statements

		2015			2014
		R '000			R '000
<b>18. Remuneration of key management</b>					
<b>Executive management</b>					
<b>2015</b>	<b>Salary</b>	<b>Performance payments</b>	<b>Acting allowance</b>	<b>Other allowances</b>	<b>Total</b>
	'000	'000	'000	'000	'000
Mr. Z. Nkosi - CEO	1 160	159	-	62	1 381
Mr. Z. Mheyamwa - CFO	993	66	-	12	1 071
Mr. S. Mngqibisa - Acting Performance Management	880	113	30	86	1 109
Ms. KC Mbeki - Legal Services & Acting Secretariat Services	1 000	44	15	2	1 061
Ms. MMR Moiloa - Business Development Service	1 049	139	-	2	1 190
Mr. W. Lamani - Acting Business Development Services	961	127	14	6	1 108
Mr. KP Moitse - Corporate Services	494	-	-	1	495
Mr. M. Nkune - Acting Corporate Services	819	63	28	2	912
Ms. S. Scheepers - Acting Corporate Services	896	75	37	2	1 010
	<b>8 252</b>	<b>786</b>	<b>124</b>	<b>175</b>	<b>9 337</b>

## Notes to the Audited Annual Financial Statements

				2015	2014
				R'000	R'000
<b>18. Remuneration of key management (continued)</b>					
2014	Salary	Performance payments	Acting allowance	Other allowances	Total
	'000	'000	'000	'000	'000
Mr. Z. Nkosi - CEO	1 077	-	-	62	1 139
Mr. Z. Mheyamwa - CFO	505	-	-	1	506
Ms. MFY Mashilela - Corporate Services	496	-	-	36	532
Mrs. T Mngadi - Performance Management	450	-	-	-	450
Ms L. Ngcwembe - Acting CFO	833	115	61	2	1 010
Ms. MMR Moiloa - Acting Performance Management	944	125	40	2	1 111
Mr. W. Lamani - Acting Business Development Services	881	125	17	30	1 053
Mr. M. Morudu - Business Development Services	705	-	-	1	706
Mr. V Zoko - Acting Corporate Services	79	-	4	1	84
Ms. S. Scheepers - Acting Corporate Services	843	65	56	2	966
	<b>6 813</b>	<b>430</b>	<b>178</b>	<b>137</b>	<b>7 557</b>

The disclosure for Remuneration of key management of 2013/14 Financial year were corrected in 2014/15

## Notes to the Audited Annual Financial Statements

	2015 R'000	2014 R'000
<b>18. Remuneration of key management (continued)</b>		
<b>Non executive directors</b>		
	<b>2015</b>	<b>2014</b>
	'000	'000
Ms SH Chaba	127	111
Mr OR Lalhabadur (Term ended 31October 2013)	-	34
Ms S Ledwaba	156	178
Ms. VA MacDonald	96	106
Ms ZQ Mdhladha	151	151
Mr KM Moroka	57	106
Ms P Radebe - Chairperson	359	293
	<b>946</b>	<b>979</b>
<b>Independent Audit Committee</b>		
	'000	'000
Ms NF Mdanda	27	40
Mr. MM Mudau	40	13
Mr LC Nene - Chairperson	54	72
Mr TD Ntuli	36	40
	<b>157</b>	<b>165</b>

### 19. Prior period errors

Provisions for promotional material, legal fees and training expenses for te 2014 financial year did not sufficiently reflect the amounts that were eventually paid. The COIDA provision for the 2013 financial was also incorrectly determined. These errors have been adjusted for retrospectively in terms of GRAP3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 42.

The correction of these errors resulted in adjustments as follows:

#### Statement of financial position

Decrease in trade and other payables	-	166
Increase in Provisions	-	(427)
Decrease in Accumulated surplus	-	261

#### Statement of Financial Performance

Increase in staff costs expenses	-	427
Decrease in Other operating expenses	-	(166)
Decrease in surplus from operations	-	(261)

## Notes to the Audited Annual Financial Statements

	2015 R'000	2014 R'000
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### 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 forecast 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 utilized 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 minimizes credit risk by depositing cash with major banks with high quality credit standing.

### 21. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	7	2 031
Fruitless and wasteful expenditure – current year	374	7
Fruitless and wasteful expenditure condoned	(381)	(2 031)
	-	7

#### Analysis of fruitless and wasteful expenditure

Incident	Disciplinary steps/Comments		
4. SARS Penalties and Interest.		74	
5. Penalty charges on late payment to the Compensation commission	The employees who were responsible for the payroll at the time are not with the Agency anymore	26	7
6. SARS Penalty on old debt	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	
		374	7

## Notes to the Audited Annual Financial Statements

		2015 R'000	2014 R'000
<b>22. Irregular expenditure</b>			
<b>Reconciliation of irregular expenditure</b>			
Opening balance		697	43 683
Irregular expenditure - current year		-	697
Irregular expenditure condoned		(469)	(43 683)
		<b>228</b>	<b>697</b>
<b>Analysis of irregular expenditure</b>			
<b>Incident</b>	<b>Disciplinary steps/Comments</b>		
1. Deviation from SCM Policy - Two quotations obtained	Amount condoned	-	3
2. Contract expired	Amount condoned	-	16
3. Non Compliance to SCM Policy - No three quotations, IR not attached and Order not issued	Amount condoned	-	33
4. Non compliance to SCM Policy - Charged for additional services	Amount condoned	-	1
5. Non compliance to SCM Policy - Charged additional costs	Amount condoned	-	57
6. Bidding process was not complied with	-	-	587
			-
			<b>697</b>









**USAASA**

Universal Service and Access Agency of South Africa

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