ANNUAL REPORT 2016 | 2017

usaasa
Universal Service and Access Agency of South Africa

Connecting South Africa

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PART A
GENERAL INFORMATION

GENERAL INFORMATION

Chairperson of the Board	Mawethu Cawe
Chief Executive Officer	Lumko Mtimde
Registered Office Address	Building 1, Thornhill Office Park 94 Bekker Road Vorna Valley Midrand 1686
Postal Address	PO Box 12601 Midrand 1630
Telephone Number	+27 11 564 1600
Fax Number	+27 11 564 1630
Website Address	www.usaasa.org.za
Bankers	Nedbank South Africa
Auditors	Auditor-General South Africa

LIST OF ACRONYMS/ABBREVIATIONS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BARC	Board Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BDM	Broadcasting Digital Migration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGICTPF	Corporate Governance of Information and Communication Technology Policy Framework
COBIT	Control Objectives for Information and Related Technologies
DoC	Department of Communications
DSLAMS	Digital Subscriber Line Access Multiplexers
DDF	Digital Development Fund
DTI	Department of Trade and Industry
DTPS	Department of Telecommunications and Postal Services
DTH	Direct to Home
DTT	Digital Terrestrial Television
EC	Eastern Cape
ECA	Electronic Communications Act
ERP	Enterprise Resource Planning
ESS	Employee Self-Service
EXCO	Executive Management Committee
FS	Free State
GATS	General Agreement on Trade in Services
GBPS	Gigabytes per second
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practice
HRD	Human Resource Development
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IT	Information Technology

ITIL	Information Technology Infrastructure Library
KZN	KwaZulu-Natal
LP	Limpopo
MBPS	Megabytes per Second
MP	Mpumalanga
MSS	Manager Self-Service
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NGN	Next Generation Network
NGP	New Growth Path
NW	North West
OD	Organisational Development
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
POPI	Protection of Personal Information Act
PPPFA	Preferential Procurement Policy Framework Act
RDP	Reconstruction and Development Plan
REMCO	Human Resources and Remuneration Committee
SAP	Systems, Applications and Products
SAPO	South African Post Office
SCM	Supply Chain Management
SIDS	Small Island Developing States
SIP 15	Strategic Integrated Projects 15
SLA	Service Level Agreement
SMART	Specific, Measurable, Attainable, Realistic and Time-bound
UAS	Universal Access Service
USAASA	Universal Service and Access Agency of South Africa
USAF	Universal Service and Access Fund
WSP	Work Skills Plan
WTO	World Trade Organisation

FOREWORD BY
CHAIRPERSON OF THE BOARD

Mawethu Cawe

Honourable Minister, on behalf of the Board and team at the Universal Service and Access Agency of South Africa (USAASA), I am honoured to present to you the USAASA Annual Report for the 2016-2017 financial year. The report outlines the performance outcomes against the predetermined strategic objectives.

USAASA is one of the strategic developmental institutions that have critical input towards the implementation of the National Infrastructure Plan which seeks to expand connectivity to communication technology.

USAASA's main responsibility is to ensure that all South Africans, irrespective of geographic boundaries and economic status, have access to broadband infrastructure and services.

"With the economic downturn and the increased number of indigent households across the country, Cabinet on the back of public consultation by USAASA, resolved to make the beneficiation at 100%."

USAASA mandate, therefore has direct implications on the Constitutional mandate of the right to communicate and the Board supports the calls for broadband to be constitutionally expressed as a human right imperative as it impacts on the ordinary lives of the country's citizens.

The key focus area of the Board under the reported period was to continue to deliver as per its mandate, approved annual targets and indicators in the Annual Performance Plans. Ultimately, USAASA was able to record a 67% overall performance outcomes.

Admittedly, the Board would have been gratified with a much-improved performance and hence the necessary consequence management was applied. Going forward, the Board will continue to strengthen its oversight responsibility, including beefing up the Agency's Board Committees.

This will be coupled with a holistic review of governance philosophy, which includes the Delegation of Authority, the Board Charter and organisational policies.

USAASA, as part of rolling out the broadband infrastructure and services to the impoverished and rural communities, has forged strategic relationships with OR Tambo District Municipality to ensure that full beneficiation of broadband is rolled out in the local municipalities.

"The Board has put a considerable effort into ensuring that corporate governance structures are in place as a way of reassuring our stakeholders that the Agency operates efficiently, effectively and transparently."

The Board welcomes the National Integrated ICT Policy outcomes which introduce a new dimension in a form of the Digital Development Fund that replaces the Universal Service and Access Fund (USAF).

The new Digital Development Fund will focus mainly on the extension of infrastructure, end-user and equipment subsidies, support for digital literacy and skills development, extension of access to digital government services and support for innovative use of ICTs by SMMEs to improve productivity, sustainability and competitiveness.

Notably, the Board convened more meetings than planned on the corporate calendar to deal with the Auditor-General Implementation Action Plan for 2015-2016.

"The key focus area of the Board under the reported period was to continue to deliver as per its mandate, approved annual targets and indicators in the Annual Performance Plans. Ultimately, USAASA was able to record a 67% overall performance outcomes."

Therefore, the Board has put a considerable effort into ensuring that corporate governance structures are in place as a way of reassuring our stakeholders that the Agency operates efficiently, effectively and transparently – always pursuing the goal of Universal Service and Access as being at the core of everything it does. Throughout this time, the Board took comfort on the unwavering support from the Department of Telecommunications and Postal Services.

The Board wishes to acknowledge the sterling contribution of Malose Kekana who resigned from the Board owing to business commitments. The Board also takes cognisance of diverse skills and energy injected by the new board members; Xola Stock, Linda Nene and Jabulile Nkosi.

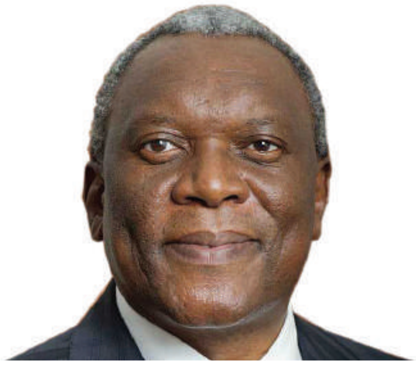
I would like to express my appreciation to Minister Dr Siyabonga Cwele and the newly appointed Deputy Minister Stella Ndabeni-Abrahams for their invaluable support.

The same message goes to the Director-General, Mr Robert Nkuna, and his department. The impactful role that the Parliamentary Portfolio Committee on Telecommunications and Postal Services exercised, initially under the Honourable Kensani Kubayi who was later replaced by the Acting Chair,the Honourable Dikeledi Tsotetsi, in ensuring that USAASA achieves its predetermined objectives, is recognised and highly appriciated.

Lastly, I would like to convey my appreciation to the USAASA management and staff for their commitment to support the Board, even in the face of challenges. It is our values, integrity and service delivery orientation that keeps the organisation as authentic and catalytic as we drive "Inclusive Participation in ICTs".

Mawethu Cawe

Chairperson: USAASA Board of Directors



Minister Dr Siyabonga Cwele

Deputy Minister Stella Ndabeni-Abrahams

Director-General Robert Nkuna

OVERVIEW BY
CHIEF EXECUTIVE OFFICER

Lumko Mtimde

I hereby present the annual performance results for the Universal Service and Access Agency of South Africa (USAASA). The report reflects the Agency's predetermined objectives, key performance indicators and targets for the 2016-2017 performance cycle.

In the year under review, USAASA has financially performed well and managed finances in accordance with the PFMA. This is confirmed in detail by the unqualified AGSA report and the CFO's report under the Annual Financial Statements (AFS).

In general, the Agency's expenditure has been 213% against budget and the spending trends have been in line with the approved budget. The reason for overspend is R74-million for SAPO Warehouse and Logistics as the funds were received in 2015-2016 but with the activities happening in 2016-2017 and, owing to BDM litigation which was not budgeted for, legal fees were overspent by R8.5-million.

The Agency has acknowledged the non-compliance findings and is implementing corrective measures as well as tightening internal controls and enhancing capacity to ensure good governance and compliance with National Treasury (NT) regulations and SCM policies, systems and processes.

In the year under review, USAASA's performance has improved from 50% in 2015-2016 to 67%, which is still not ideal. This is due to a number of factors which include the organisational legacy challenges, the organisational culture and the Annual Performance Plan (APP) not adhering to the SMART principles.

To address these challenges, we developed a turnaround intervention strategy and plan focused on people management, consequence management, improving labour relations, change management, planned as a collective and as a team USAASA, conducted organisational climate survey, and committed to driving a high-performance culture going forward. As a result, the performance has improved, relations with labour are healthy and we have produced an Annual Performance Plan (APP) 2017-2018 adhering to SMART principles. The USAASA predetermined objectives, key performance indicators and targets for the 2017-2018 financial year as outlined in the APP have been prepared in accordance with the Agency's mandate.

"USAASA's performance has improved from 50% in 2015-2016 to 67%, which is still not ideal. This is due to a number of factors which include the organisational legacy challenges".

The Agency has a mandate that is expressed in both the Constitution of South Africa (Section 16 of the Bill of Rights) and in the underpinning legislation, the Electronic Communications Act 36 of 2006, as amended. The legislation enables USAASA to collect all the licensed operator levies due to the Universal Service Fund (USAF) from the Independent Communications Authority of South Africa (ICASA).

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

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

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

USAASA's role in connecting educational institutions, healthcare facilities and government institutions in under-serviced areas thus finds expression in these key policies of government, as well as in the recent Operation Phakisa in Education, which is aimed at addressing the need to train teachers in integrating ICT resources in the teaching and learning environment.

"We remain confident that our shareholder will assist the Agency by ensuring its continued financial stability, thereby enabling it to reach more of the targeted underserviced communities."

All South Africans should be able to acquire and use knowledge effectively. However, the high domestic cost of broadband internet connectivity is a major hindrance. To this end the National Development Plan (NDP) emphasises that institutional arrangements to manage the ICT environment need to be better structured to ensure that South Africa does not fall victim to a "digital divide".

The Universal Service and Access Agency, as an entity mandated through the Electronic Communications Act (ECA) to promote the goal of universal access and universal service, has a crucial role to play in bringing the NDP objective of closing the digital divide closer to becoming a reality.

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

The National Integrated Information and Communication Technologies (ICT) Policy White Paper that was approved by Cabinet on 28 September 2016, makes recommendations with respect to new or amended legislation arising from the White Paper. The most significant proposal with respect to universal service and access relates to the dissolution of USAASA, and the transformation of USAF into the Digital Development Fund (DDF).

The DDF's mandate would exclude the policy-making and regulation-making functions currently with the Agency, and the Fund would be responsible in the main for identifying, awarding and managing projects, providing support for both infrastructure and demand stimulation projects and programmes, including those relating to digital literacy and awareness, and will be funded through private sector levies, donor funding and new incremental state funding.

During the 2016-2017 financial year, the Agency's focus remained on the organisational development review with the focus on ensuring that its human capital and processes are fit-for-purpose, in terms of delivering value-for-money support to the achievement of its objectives. Our aim is to be adequately resourced in terms of technical and other requisite skills, with an experienced and motivated human capital that is supported by cost-effective and efficient processes.

Another key 2016-2017 focus area has been the finalisation of the Enterprise Resource Planning (ERP) system that will provide an integrated approach to all business processes. The ERP system was fully implemented (go-live) in the final quarter of 2016-2017 and will make a significant positive impact on our efficiencies and performance as an Agency. USAASA's capacity to administer USAF has improved significantly.

The 2015-2016 external audit by the AGSA resulted in an unqualified audit opinion with material findings of non-compliance for USAASA. Management has ensured that action plans are developed and implemented to address 2015-16 Auditor-General of SA (AGSA) audit findings and these plans continued to be tracked by the Executive Management Committee (EXCO) and Internal Audit, with progress updates tabled to the Board Audit and Risk Committee (BARC) on a quarterly basis. Efforts continue towards the achievement of a clean audit by the end of the 2017-2018 financial year.

"Our aim is to be adequately resourced in terms of technical and other requisite skills, with an experienced and motivated human capital that is supported by cost-effective and efficient processes."

As part of the implementation of AGSA recommendations, we referred identified companies found to have potentially not complied with the Competition Act to the Competition Commission. We filed and deposed the affidavit accordingly.

We tightly managed the supply and delivery agreements with the manufacturers contracted for the Broadcasting Digital Migration (BDM) project leading to the cancelation of one contract and the suspension of production as part of risk management arising from the Supreme Court of Appeal Judgment (May 2016). Some declared a dispute, leading to arbitration and finalisation of the settlements in early 2017-2018 financial year, as events after reporting date. The rollout of the project is being fast-tracked, subsequent to the certainties arising from the Constitutional Court Judgement (June 2017).

USAASA has however resolved to lodge an application to the High Court, to take on review the decision taken by USAASA (in 2015) to constitute a panel of service providers in respect of four tenders (STB manufacturers) issued by the USAASA and set aside the constitution of the panel, but in terms of the discretion accorded to the Court, in terms of Section 172(1)(b) of the Constitution and Section 8(1) of the PAJA, to suspend the finding of invalidity regarding the constitution of the panel, as well as in respect of the conclusion of certain supply and delivery agreements with the manufacturers and the placing of purchase orders in pursuance thereof.

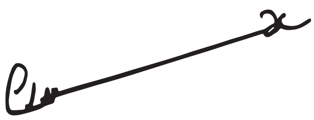
The application is to be lodged in the financial year 2017-2018. In addition, as part of consequence management, some of the employees involved in the supply chain management process, are currently facing disciplinary action. These processes are to be concluded in the financial year 2017-2018. USAASA is incurring huge legal costs as a result of these corrective actions. These costs are unforeseen and unavoidable but necessary to ensure that the R2.5-billion investments for the BDM project through USAASA is protected.

"We developed a turnaround intervention strategy and plan focused on people management, consequence management, improving labour relations, change management, planned as a collective."

The Agency continues to face challenges in terms of operating with limited financial resources. This impacts negatively on its ability to stretch its performance targets far and beyond what it is currently able to achieve, and thus ensure that USAF projects administered through USAASA have a much broader reach in terms of closing universal service and access gaps in the country. We remain confident that our shareholder will assist the Agency by ensuring its continued financial stability, thereby enabling it to reach more of the targeted underserviced communities.

I wish to convey a word of thanks to the USAASA Board for their commitment and dedication in continuously guiding and supporting the management team of the Agency to fulfil the objectives of USAASA.

In conclusion, acknowledgement goes to the entire USAASA team for its resilience and commitment to pursuing the goal of universal service and access to ICTs for all. We thank our partners in pursuit of our mandate.



Lumko Mtimde
Chief Executive Officer

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the Agency.

The accounting authority is responsible for the preparation of the 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 which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully

Lumko Mtimde
Chief Executive Officer

31 July 2017

STRATEGIC OVERVIEW

VISION

Universal Access and Service to ICT for all.

MISSION

To facilitate the rollout of adequate Information and Communication Technology (ICT) infrastructure to enable universal access to underserviced areas in South Africa.

To facilitate ICT service to underserviced areas and thereby contributing to the reduction of poverty and unemployment in South Africa.

To promote and pursue the goal of Universal Access and Services and contribute to the sharing and preservation of information in order to build South Africa's sustainable knowledge society.

VALUES

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

Batho Pele
We believe in providing excellent, efficient and effective service to all customers and stakeholders.

Intergrity
We uphold high standards of trust, condemn bribery and corruption, and uphold honesty and respect in all interactions with stakeholders.

Accountability
We foster employee ownership and responsibility in ensuring quality service.

Innovation
We support employee creativity in delivering all our services.

Transparency
We encourage openness in all our activities.

Teamwork
We strive to create a harmonious work environment, where all employees and contributors are respected.

LEGISLATIVE AND OTHER MANDATES

CONSTITUTIONAL 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 underpinning 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
1. Everyone has the right to freedom of expression, which includes-
a. Freedom of the press and other media;
b. Freedom or receive or impart information or ideas;
c. Freedom of artistic creativity; and
d. Academic freedom and freedom of scientific research.

Figure 1: Freedom of Expression

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

LEGISLATIVE MANDATE

The Agency is the creature of statute as it 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 No.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 No.1 of 1999.

The ECA establishes a Board of the Agency (appointed by the Minister of Telecommunications and Postal Services). The Board appoints a Chief Executive Officer (CEO) in concurrence with the Minister. The CEO, by virtue of his/her position, becomes an ex officio member of the Board. The management and staff of the Agency are appointed by the CEO and their remuneration is determined by the Board with concurrence from the Minister of Telecommunications and Postal Services and the Minister of Finance.

The Agency is under the direction and control of the CEO and it 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 the electronic communications service, electronic communications network service and broadcasting service licensees. The money in the Fund must be utilised for specific subsidies to needy persons, underserviced areas and schools.

In terms of the ECA the Agency must:

- Strive to promote the goal of universal access and universal service;
- Encourage, facilitate and offer guidance in respect of any scheme to provide universal access, universal services or telecommunication services in terms of the Reconstruction and Development Plan (RDP);
- Foster the adoption and use of new methods of attaining universal access and universal service;
- Make recommendations to enable the Minister to determine what constitutes universal access, universal service and underserviced areas;
- Conduct research into and keep abreast of developments in the Republic and elsewhere on information and communication technology, electronic communications services and electronic communications facilities;
- Continually survey and evaluate the extent to which universal access and service have been achieved;
- Make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;
- Advise the Authority (ICASA) on any matter relating to universal access and universal service;
- Continually evaluate the effectiveness of the 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 underserviced by ICASA.

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

The ICT Policy Review Panel, which was established by the Minister of Telecommunications and Postal Services to do a holistic review of the national ICT policies and legislation, made recommendations which impact on the functional activities of the Agency. The published White Paper on Integrated ICT Policy proposes the dissolution of the Universal Service and Access Agency of South Africa and the establishment of the Digital Development Fund which will replace the Universal Service and Access Fund and the proposed Fund would be responsible in the main for identifying, awarding and managing projects.

POLICY IMPERATIVES

Medium-Term Strategic Framework

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

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

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

USAASA directly operates in the ICT space. 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 substatially 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 super-fast broadband capacity by 2020; and
- Support and develop free Wi-Fi areas in cities, towns and rural areas to improve universal access.

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 government's policy agenda. These are:

- **The New Growth Path (NGP),** which focuses on economic development;
- **The National Infrastructure Plan,** which guides the rollout of infrastructure and includes the 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 on USAASA's strategy and work include:

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

New Growth Path Strategies

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

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

SIP-15: Expanding Access to Communication Technology
The aim is to achieve 100% access to digital ICTs to all South Africans by 2020 as a driver of new economic opportunities and digital equity. Interim implementing agencies include Sentech, Broadband Infraco, Telkom, SANRAL, Eskom, Transnet, Universal Service and Access Agency of South Africa (USAASA) and the private sector.

South Africa's Broadband Policy: South Africa Connect
In terms of the Electronic Communications Act (No.36 of 2005), the Department of Communications of South Africa published a policy document South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy.

This was gazetted on 6 December 2013.

South Africa (SA) Connect is a four-pronged strategy, consisting of four "sub-strategies" which will move the country from the current state to achieving its targets over the next 10 years.

The four prongs or "sub-strategies" of SA Connect are:

- Digital readiness
- Digital development
- Digital future
- Digital opportunity

Each of the strategies is depicted in the diagram below:

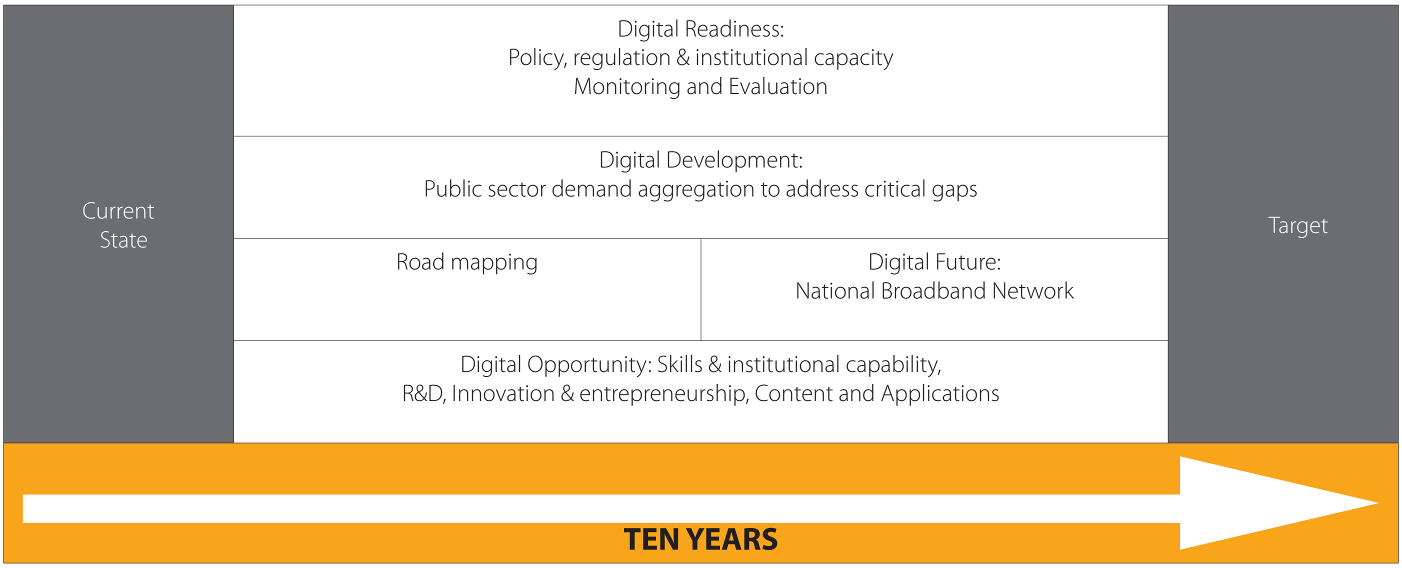


Figure 2: SA Connect Strategies Source: DTPS, 2014

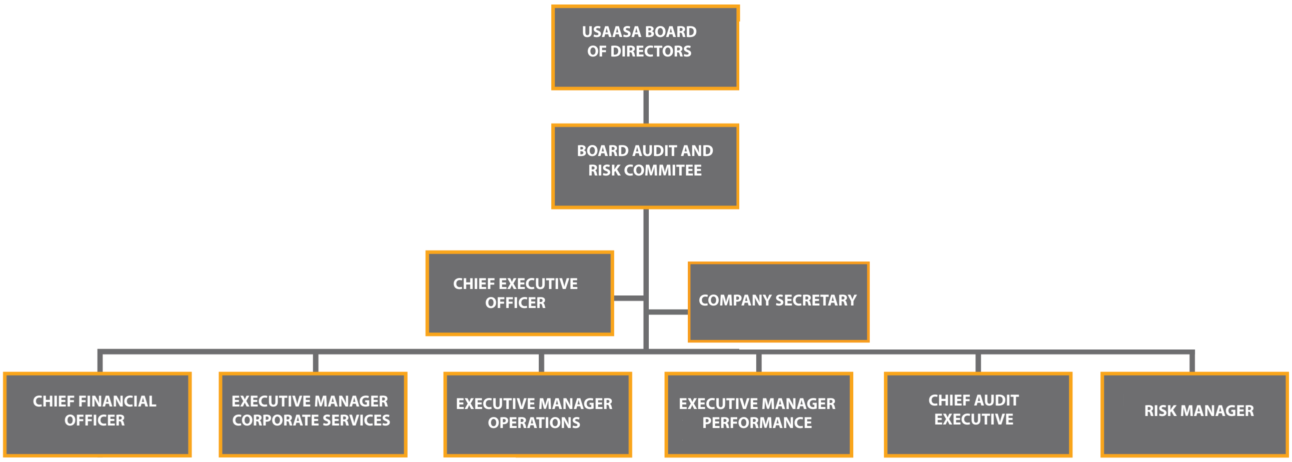
SA Connect guides the ICT sector as a whole, and USAASA in particular, in terms of the approach that must be taken to promote broadband deployment, usage and uptake in the country.

SA connect targets

Target	Penetration Measure	Baseline (2013)	By 2016	By 2020	By 2030
Broadband Access in Mbps user Experience	% of Population	33.7 % Internet Access	50 % At 5Mbps	90% At 5Mbps 50% at 100 Mbps	100% at 10Mbps 80% at 100Mbps
Schools	% of schools	25% connected	50% at 5Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1 Gbps
Target	**Penetration Measure**	**Baseline (2013)**	**By 2016**	**By 2020**	**By 2030**
Health Facilities	% of Health Facilities	13% connected	50% at 10Mbps	100% at 10Mbps 80% at	100% at 1 Gbps
Public Sector Facilities	% of Government Office		50% at 5 Mbps	100% at 10 Mbps	100% at 100 Mbps

Organisational Structure

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



USAASA EXECUTIVE MANAGEMENT COMMITTE

Mahomed Chowan
Chief Financial Officer

Sipho Mngqibisa
Acting Executive: Performance

Lumko Mtimde
Chief Executive Officer

Jimmy Mashiane
Chief Audit Executive

Keitumetse Hlahatsi
Brand Communications Specialist

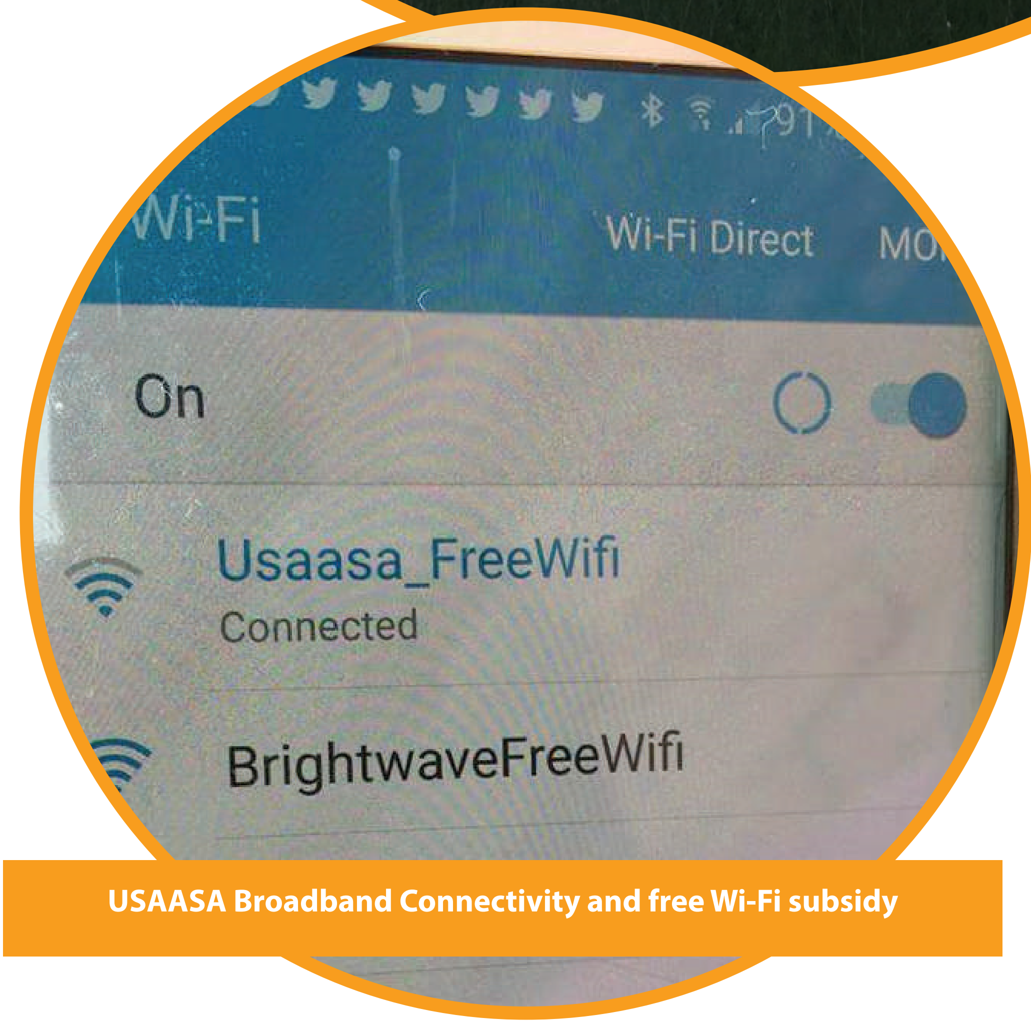
Adv Willem Olivier
Acting Executive: Corporate Services

Moloti Nkune
Acting Executive: Operations

Lavhelesani Netshidzivhani
Risk Manager

Modiehi Rakhatoe
Acting Company Secretary

PART B
PERFORMANCE INFORMATION



USAASA Broadband Connectivity and free Wi-Fi subsidy

Statement of Responsibility
for Performance Information

STATEMENT OF RESPONSIBILITY BY THE CHIEF EXECUTIVE OFFICER

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

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

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the Strategic and Annual Performance Plans of USAASA for the financial year ended 31 March 2017.

Lumko Mtimde
Chief Executive Officer

STATEMENT OF RESPONSIBILITY BY THE CHAIR PERSON: USAASA BOARD OF DIRECTORS

The performance information of the Agency set out on pages 27 to 34 was reviewed by the Board Audit and Risk Committee (BARC) and approved by the Board.

The Auditor-General of South Africa (AGSA) was engaged to express an independent opinion on the USAASA Annual Financial Statements for the year under review.

The USAASA performance information for the year ended 31 March 2017 has also been examined by the AGSA as the external auditors of the Agency and their report is represented on pages 70 to 72.

Mawethu Cawe
Chairperson: USAASA Board of Directors

Situational Analysis
Service delivery environment

NATIONAL CONTEXT

The Medium-Term Strategic Framework (MTSF) is Government's strategic plan for the 2014-2019 electoral term. It reflects commitments made in the electoral period, including the commitment to implement the National Development Plan (NDP). The NDP provides the framework for achieving the radical socio-economic agenda.

It recognises the need for a capable and developmental state, a thriving business sector and strong civil society institutions with shared and complementary responsibilities. It identifies decent work, education and the capacity of the state as particularly important priorities. It also highlights the need to accelerate progress, deepen democracy and build a more inclusive society in which South Africa must translate political emancipation into economic well-being for all.

Of particular importance to USAASA, as the administrator of USAF, is that the 2014-2019 MTSF introduced an additional priority; namely, to expand, modernise and increase the affordability and accessibility of information and communication infrastructure and electronic communication services, including broadband and digital broadcasting.

Information Technology (IT) is an important tool for improving service delivery. It has been researched and well documented that IT can be used to make services more accessible, reduce the cost of accessing services, streamline administrative processes and improve turnaround times, as well as strengthen accountability and responsiveness. It is thus important that IT systems are customised and adapted to specific areas of service delivery.

Government, through the NDP, has decided to make a concerted effort to co-invest in rural and peri-urban areas in order to touch the lives of ordinary South Africans in a meaningful way. Therefore, the private sector should not set the pace of development within the ICT sector as that will impact directly on the nation's developmental goals. Government must assume leadership and direct the course and pace of development.

The NDP's objective for the ICT sector is stated as follows: "… by 2030 ICT is expected to underpin the development of an inclusive dynamic information society and knowledge economy." The same plan stated the medium-term target from 2015-2020 as achieving 100% broadband penetration by 2020, and changed the definition of broadband from 256 kbps to at least 2mbps (NPC, 2011). The short-term target was to develop a comprehensive and integrated e-strategy that reflects the cross-cutting nature of ICTs.

The NDP recognises the economic contribution that broadband has on a country's GDP and as such has cited two key performance indicators:

- Establish a national, regional and municipal fibre optic network to provide the backbone infrastructure for broadband access, driven by private investment, and complemented by public funds required to meet social objectives.
- Facilitate a regulatory environment that will ensure internet broadband capacity improvement, that prices fall significantly, and that access improves.

Key elements of the NDP impacting directly on USAASA's mandate are:

- Integrated e-strategy;
- Intergovernmental coordination and public and private coordination;
- Effective regulation of markets;
- 100% broadband penetration by 2020 (>2mbps);
- 2030 deployment for a full range of government, educational, and informational services; and
- Local Loop Unbundling, high-demand spectrum, and structural separation.

The NDP emphasises the need for access to information and communication. Accessibility, availability and affordability of communication has consistently been a national priority and has been seen as a means of improving socio-economic development, increasing economic productivity and increasing social cohesion, among others.

Although the country has significant infrastructure development and a strong economy, relative to its regional peers, the majority of citizens are still low-income earners and the high cost of electronic communication still remains a concern; national access to radio and television signals and relevant content remains a challenge; and viability of postal services is still a priority.

As the sector develops, and as the nation faces the potential challenge of not just a 'digital divide' but a 'broadband divide', additional issues such as e-literacy, e-skills and "awareness" of the use of and benefits of communication, irrespective of the platform, become key. Despite having the right "building blocks" in place, progress in achieving universality (universal access and service or UAS) has been a mixed bag in South Africa.

The country has been fairly successful in achieving some of the universal access goals, most notably achieved through the efforts by the private sector and in particular the mobile sector, whose achievements are well documented globally. This success is also evident in the postal sector, which has significant coverage and reaches across rural and remote areas of the country. It is also seen, to varying degrees, in the community radio broadcasting sector which is one of the most successful in Africa.

However, a number of developments, including the restatement of goals and redefinition of targets, and the alignment of policy, regulatory and institutional arrangements aimed at UAS, must still take place before the initial UAS policy goals are fully attained, and before the goals set out in the NDP and National Broadband Policy can be realised.

Furthermore, advances in technology such as the development of broadband services, Next Generation Networks (NGN) and convergence, neccessitate that the strategies to achieve universal access in South Africa must be expanded. Specifically, they should include awareness, availability, affordability and accessibility. Also, the strategy approach must take on a more economic outlook and must consider supply and demand side factors. With these developments, strategies to drive demand become critical to the uptake and usage of ICT infrastructure and services. As such a more people-centred approach to UAS is needed.

It is USAASA's intention, over the MTEF period, to strengthen its administrative and research capacity to effectively and efficiently deliver on its core mandate of increasing access to electronic communication and stimulating a demand for these services. This inevitably leads to the need to forge strategic partnerships across sectors in order to ensure that ICT has the desired impact on socio-economic development and on tackling what government has termed the "triple challenge" of unemployment, poverty and inequality.

Despite progress made, growth in South Africa's ICT sector has not been accompanied by a realisation of the primary policy objective of affordable access for all, to the full range of communications services that characterise modern economies.

South Africa has lost its status as a continental leader in internet and voice connectivity, and its place on global ICT indices has been usurped by former comparator countries such as Malaysia, Turkey and South Korea. The high domestic cost of broadband internet connectivity is a major hindrance to ensuring that all South Africans are able to acquire and use knowledge effectively.

To this end, the institutional arrangements to manage the information and communication technology (ICT) environment need to be better structured to ensure that South Africa does not fall victim to the "digital divide". As such South Africa needs to sharpen its innovative edge and continue contributing to global scientific and technological advancement. This requires greater investment in research and development, better use of existing resources, and more agile institutions that facilitate innovation, and enhanced cooperation between public science and technology institutions and the private sector.

INTERNATIONAL CONTEXT

Globally, the Digital Economy is the future and the Fourth Industrial Revolution, driven by the increased use and adaptation of ICT tools in all human activities, is the focus. Technological developments have now made machine-to-machine (M2M) communications, robots and autonomous systems able to operate with or without human interventions in all spheres of human activity. The Fourth Industrial Revolution is a focus of attention as it contains within it possibilities of profoundly disrupting current economic and social structures over the next 20 to 50 years.

South Africa is a signatory to the General Agreement on Trade in Services (GATS), entered into by members of the World Trade Organisation (WTO) and binds the members to the agreed rules and regulations. The jurisdiction of the agreements affects domestic legislation and rules of trade as these should never contravene the WTO commitments and obligations without authorisation. The commitment obligation within the GATS relate to, within the ICT sector, providers of electronic communication services, electronic communication network services and broadcasting services.

The spread of information and communication technologies and global interconnectedness has great potential to accelerate human progress, to bridge the digital divide and to develop knowledge societies, as does scientific and technological innovation across areas as diverse as medicine and energy. Sustainable Development Goal 9 seeks to "Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2020 and 2030"

Text Box 1: Sustainable Development Goals

9(a) Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least-developed countries, landlocked developing countries and Small Island Developing States.

9(b) Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

9(c) Significantly increase access to information and communications technology and strive to provide universal and affordable access to

Source: ITU website

Based on internationally-agreed development goals, including Sustainable Development Goals, which are premised on international cooperation, indicative targets may serve as global references for improving connectivity and access to the use of ICT in promoting the objectives of the World Summit on the Information Society (WSIS) Plan.

The International Telecommunication Union (ITU) Busan Resolution of 2014 reviewed the WSIS Goals targets and came out with Connect 2020 Vision which envisions "an information society, empowered by the interconnected world, where telecommunications/ICT enable and accelerate social, economic and environmentally sustainable growth and development for everyone". A number of goals have been set as outlined below:

Goal 1: Growth - Enable and foster access to and increased use of ICTs

- 55% of households should have access to the internet
- 60% of individuals should be using the internet
- 40% ICTs should be 40% more affordable

Goal 2: Inclusiveness – Bridge the digital divide and provide broadband for all

- 50% of houses should have access to the internet in the developing world;
- 15% in the least developed countries
- 50% of individuals should be using the internet in the developing world;
- 20% in the least developed countries
- 40% affordability gap between developed and developing countries should be reduced by 40%
- 5% broadband services should cost no more than 5% of average monthly income in the developing countries
- 90% of the rural population should be covered by broadband services
- Gender equality among internet users should be reached
- Enabling environments ensuring accessible ICTs for persons with disabilities should be established in all countries

Goal 3: Sustainability – Manage challenges resulting from the ICT development

- 40% improvement in cybersecurity readiness
- 50% reduction in volume of redundant e-waste
- 30% decrease in Green House Gas emissions per device generated by the ICT sector

Goal 4: Innovation & partnership – Lead, improve & adapt to the changing ICT environment

- ICT environment conducive to innovation
- Effective partnerships of stakeholders in the ICT environment

Organisational Environment

A new Board of Directors was appointed during the 2015-2016 financial year and a CEO was appointed in the first quarter of the 2016-2017, following the expiry of the previous CEO's contract at the closing of the 2015-2016 financial year. With the new incumbents a concerted effort was made to ensure an efficient and effective Agency.

The organisational mandate is shaped by the National Broadband Policy (South Africa Connect, 2013) which directly impacts on USAASA's resources, capacity requirements and organisational structure. This policy places universal access and service obligations high on the agenda for building an inclusive and connected South Africa. SA Connect guides the ICT sector as a whole, and USAASA in particular, in terms of the approach taken to promote broadband deployment, usage and uptake.

Delivery against the mandate has been compromised by a limited budget which has hindered the organisation's ability to stretch its performance targets far beyond what it is currently able to achieve and ensure that a much broader reach is achieved through USAF projects in terms of closing universal service and access gaps in the country.

In addition to the above, the Agency has experienced a number of internal constraints that impacted negatively on the Agency's ability deliver effectively and efficiently against this mandate. To address these challenges, the processes outlined below were initiated in the 2016-2017 financial year.

1. The Operations Division provides project delivery and implementation. As a result, the Agency remains focused on ensuring that the technical capacity of the Operations Division is enhanced and current human resources are re-aligned. In order to handle the increased workload that will be created by the requirement for speedy broadband rollout activities, the Financial Management capacity will also be enhanced, with additional resources deployed to focus on the management and administration of USAF.

2. Human Capital Development: The Revised USAASA Human Capital Strategy of 2015 outlines a process that is followed in development of people to support the future growth of the organisation. In relation to this project, the Human Resource Development (HRD) process will also encompass the introduction or improvement of the following aspects:

- Transforming for the future: Leadership development from executive to first line management training.
- Stable delivery platform: Talent management, development and implementation of human resourcing plans.
- Performance management: Determine the most effective skills development methods for addressing the

3. Organisational Development Project: The USAASA Board approved a new Organisational Development (OD) structure at the end of the 2014-2015 financial year with the purpose of optimising the Agency's organisational efficiency and ensuring that USAASA's structure is weighted in favour of the much-needed technical resources.

Pursuant to the conclusion of a number of the OD deliverables by USAASA, which included the development of new operational structures, job profiles, skills profiles and matching of individuals to jobs, the next key step that remained as at the end of final quarter of 2015-2016 was the migration of USAASA employees to the approved OD structure.

While the focus of the Agency in 2016-2017 was on the implementation and finalisation of the OD project, in order to ensure that all identified skills gaps are adequately addressed, there were labour-related challenges which delayed its implementation. This project is premised on the implementation of an organisational design that includes organisational architecture and structure as well as change management designed to improve organisational performance.

Stakeholder Engagements

In the year under review, the Stakeholder Engagement business unit focused on implementing the Stakeholder Engagement Strategy and the development of an Integrated Communications Policy. The Stakeholder Engagement Strategy was developed as a systematic three-year plan of action designed as a guide on how the agency will engage with various stakeholders to assist it in achieving its mandate.

As each stakeholder has unique characteristics and needs, it was the Unit's duty to create a guide for proper communication channels used to communicate the Agency's key messages that were suited to the needs and circumstances of those stakeholders. The lines of communication between the Agency and its stakeholders must promote the values of transparency, openness and accountability.

The Agency depends on a number of key stakeholders that it must interact with in order to accomplish its mandate. These include Ministries of Telecommunications and Postal Services as well as Communications, provincial offices as well as local municipalities where the projects are implemented.

Emanating from the three-year Stakeholder Engagement Strategy, the business unit developed an Integrated Communications Policy that provided guidelines on the types of stakeholder engagements and appropriate communication platforms. The policy assisted the Agency to enhance the Agency's focus on its communication platforms as well as enhancing stakeholder awareness about USAASA and USAF.

Through the implementation of both the Strategy and the Policy, USAASA improved its participation in various stakeholder engagements through speaking opportunities at industry conferences and summits. Improved management of its service delivery projects also led to greater interactions with key stakeholders as evidenced by formalisation of partnerships such as MOUs with Nemisa, SALGA, CSIR and SAFCOL.

The Agency also participated in a number of government-led Public Participation programmes through Imbizos and Conferences, the Branding and Marketing through exhibitions as well as branding and publicising of the Broadband and Broadcasting Digital Migration programmes.

The policy also saw the improvement in internal communications through the creation of new platforms and internal events, in an effort to improve employer/employee relations.

The external engagements yielded remarkable results and resulted in enhanced stakeholder awareness and improved relationships with different levels of Government, particularly with the Deputy President's Office, which subscequently led to Deputy President Ramaphosa launching the OR Tambo Broadband project.

Through remarkable teamwork from the leadership, management and employees, the year under review was filled with both challenges and improved relationships that ultimately resulted in the Agency's achievement of its objective to promote good stakeholder relations for purposes of enhancing the USAASA and USAF brands.

USAASA Organisational Performance

There were nine (9) planned targets for the Agency in the 2016-2017 financial period and six (6) of these planned targets were achieved, translating to a 67% overall achievement against planned annual targets.

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

2016/17 UNMET USAASA TARGETS	MITIGATION ACTIONS
Implement the organisational Work Skills Plan (WSP)	Outstanding training interventions are scheduled for April and May in 2017
Review and implement functional human resources policies	All the delayed policies are anticipated to be approved in the 1st quarter of 2017/18 financial year
ERP system rollout an SAP capacity building (Recruitment of critical SAP skills)	The ERP system went live on 31 March 2017 as planned, however capacitation of IT unit through the Recruitment of critical SAP skills did not happen. This occurred as a result of the 2016/17 APP target which was not SMART, as the post is not in the funded structure. Management is working on a plan for capacitating IT Services. The Plan will be submitted to the Board for consideration during Q1 of the 2017/18 Financial Year.

The 2016-2017 USAASA annual performance achievement of 67% is partially attributable to a misalignment between the planned 2016-2017 targets and available financial resources.

Performance challenges

There were a number of challenges that contributed to the non-achievement of some of the targets that were set by the Agency for the 2016-2017 financial year. Delays in the finalisation of the Organisational Development project impacted negatively on the 2016-2017 annual performance outcomes.

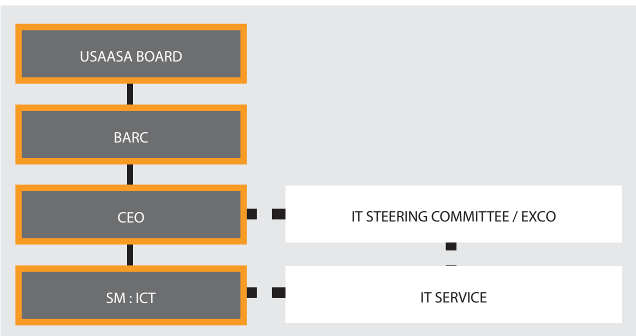
Information technology

USAASA, as an entity of the South African government, is required to implement and adhere to SA government laws which, among others, include the Electronic Communications Act No.36 of 2005 as amended, the Public Finance Management Act (PFMA) Act No.1 of 1999 as amended, the Protection of Personal Information (POPI) Act No.4 of 2013 as amended, and Treasury Regulations as issued and amended from time to time.

As provided for in the USAASA IT Governance Charter and the IT strategy, the Agency has adopted the following:

- King Report on Corporate Governance, particularly relating to technology and information;
- The Public Service Corporate Governance of Information and Communication Technology Policy Framework (CGICTPF) and the Control Objectives for Information and Related Technologies (COBIT) for ICT governance; and
- The Information Technology Infrastructure Library (ITIL) for IT service management.

In order to improve IT Governance and accountability within the Agency, the following IT Governance Structure was established in line with best practice governance models and the IT Governance Charter.

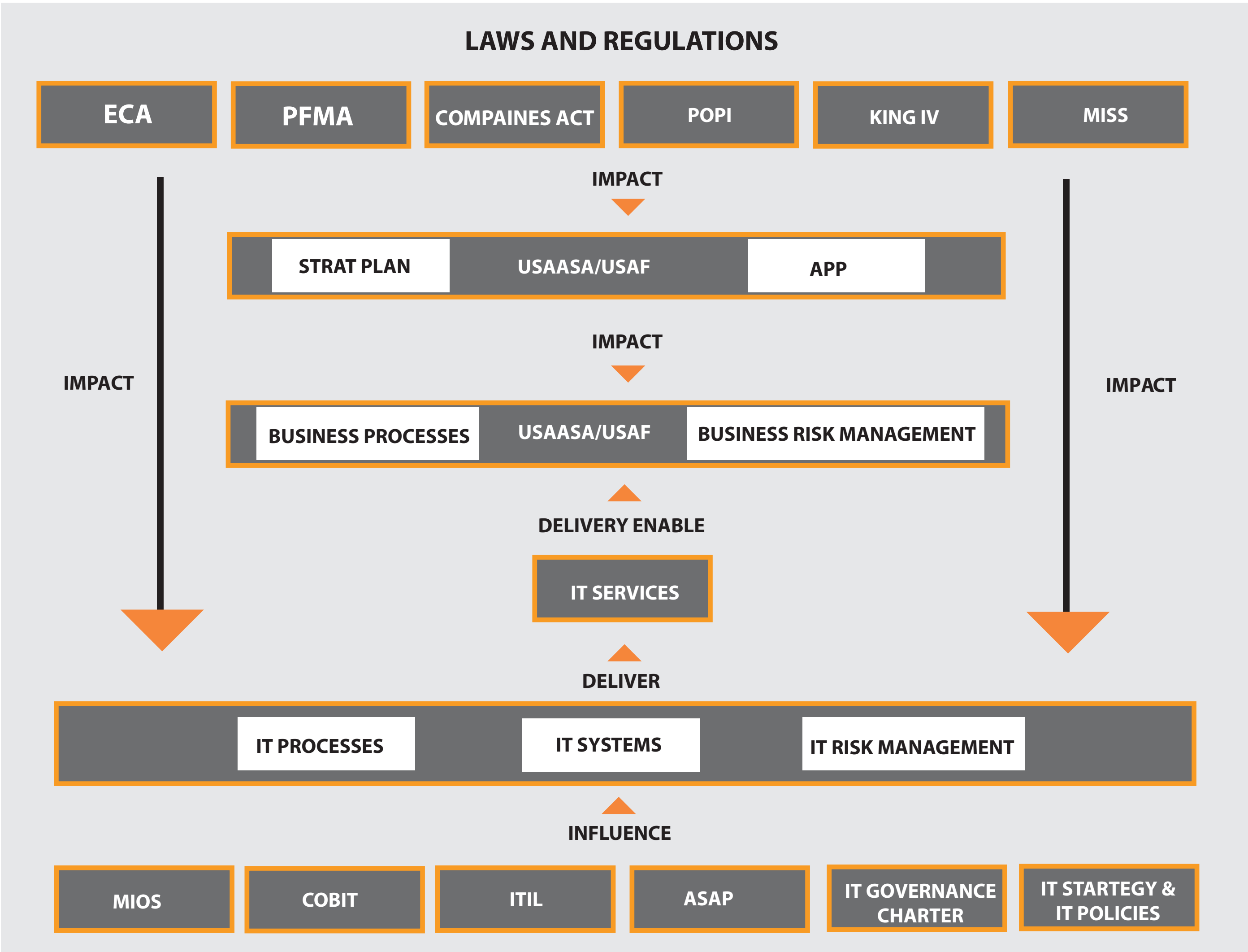


Information technology service activities

The Unit was mandated to deliver on the following key priorities for 2016-2017 financial year as provided for in the USAASA Annual Performance Plan:

- Automated and integrated business processes to enhance organisational efficiency and effectiveness through the implementation of SAP ERP system.
- Achievement of 98.5% availability of business systems in line with the approved Service Level Agreement (SLA).
- Seven (7) key IT policies were reviewed and approved by the Board during the Financial Year under review.
- The IT Services Unit Risk Profile was reviewed, updated and monitored regularly in line with the risk demands of the organisation based on the adopted risk methodology and the Agency's projects. This includes the IT and ERP project risk registers.

The Board Audit and Risk Committee, as delegated by the Board for Governance of ICT, and the Board of Directors met quarterly during the financial year to process and consider the IT Governance and ERP Project Reports, in order to intervene on matters requiring their interventions, as recommended by the IT Steering and Executive Management Committees. This is in line with the IT Governance Charter, IT Strategy, and ITSLA.


LAWS AND REGULATIONS
ECA
PFMA
COMPAINES ACT
POPI
KING IV
MISS
IMPACT
STRAT PLAN
USAASA/USAF
APP
IMPACT
IMPACT
IMPACT
BUSINESS PROCESSES
USAASA/USAF
BUSINESS RISK MANAGEMENT
DELIVERY ENABLE
IT SERVICES
DELIVER
IT PROCESSES
IT SYSTEMS
IT RISK MANAGEMENT
INFLUENCE
MIOS
COBIT
ITIL
ASAP
IT GOVERNANCE CHARTER
IT STARTEGY & IT POLICIES

STRATEGIC OUTCOME ORIENTED GOALS

STRATEGIC GOAL	CENTRE OF EXCELLENCE ON UNIVERSAL SERVICE AND ACCESS IN SOUTH AFRICA
STRATEGIC OBJECTIVE	Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund
KEY PERFORMANCE INDICATORS	o Human capital training and development programmes aligned to organisational strategy o Optimally functional Human Resources policies and systems aligned to organisational strategy

STRATEGIC GOAL	CENTRE OF EXCELLENCE ON UNIVERSAL SERVICE AND ACCESS IN SOUTH AFRICA
STRATEGIC OBJECTIVE	Ensure availability of automated and integrated business processes by 2021 to support the project delivery of the Universal Service and Access Fund
KEY PERFORMANCE INDICATORS	o Automated and integrated business processes o Percentage availability of business systems to support USAASA and USAF business processes and operations

STRATEGIC GOAL	CENTRE OF EXCELLENCE ON UNIVERSAL SERVICE AND ACCESS IN SOUTH AFRICA
STRATEGIC OBJECTIVE	Provide legally sound services to the Agency by 2021 to support the project delivery of the Universal Service and Access Fund
KEY PERFORMANCE INDICATORS	Number of days for providing legal services in accordance with relevant legislation and policy

STRATEGIC GOAL	CENTRE OF EXCELLENCE ON UNIVERSAL SERVICE AND ACCESS IN SOUTH AFRICA
STRATEGIC OBJECTIVE	USAASA established as a centre of excellence for universal access and universal service market information, knowledge and expertise by 2021
KEY PERFORMANCE INDICATORS	Information on provision of universal access and universal service

STRATEGIC GOAL	POSITIONING THE AGENCY AS A FOCAL POINT FOR UNIVERSAL SERVICE AND ACCESS TO ICT
STRATEGIC OBJECTIVE	Promotion of good stakeholder relations for purposes of enhancing the USAASA and USAF brands by 2021
KEY PERFORMANCE INDICATORS	Positive messages about the Agency on media and social platforms

STRATEGIC GOAL	CENTRE OF EXCELLENCE ON UNIVERSAL SERVICE AND ACCESS IN SOUTH AFRICA
STRATEGIC OBJECTIVE	Promotion of legal and regulatory compliance by 2021 to support the project delivery of the Universal Service and Access Fund
KEY PERFORMANCE INDICATORS	Promotion of legal and regulatory compliance by all USAASA's internal stakeholders with the objective to promote accountability and obtain a clean audit opinion by 2021

USAASA's Performance Information

HUMAN RESOURCES UNIT

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET 2016-2017	ACTUAL ACHIEVEMENT 2016-2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016-2017	COMMENTS ON DEVIATIONS
Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund	Human capital training and development programmes aligned to organisational strategy	Implement the organisational Work Skills Plan (WSP)	The planned target was not fully achieved. A WSP was developed and approved by the Board which aimed at addressing the skills gaps at organisational level.	The Agency did not fully implement the training interventions aimed at addressing the skills gaps at organisational level.	The planned training in the WSP was not fully implemented as planned resulting on the target not fully achieved. The unachieved target will be carried forward into the 2017/18 financial year and the respective supervisors and employees will be held accountable during the performance management contracting period. Consequence management is being actioned against the responsible officials.
Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund	Optimally functional Human Resources policies and systems aligned to organisational strategy	Review and implement functional human resources policies	The planned target was not fully achieved. Only the Resource and Deployment Policy out of the 4 planned policies was approved by the Board.	The outstanding 3 policies on Learning and Development, Performance and progress, and Health, Safety and Wellness were not approved by the Board as planned. Consequence management will be applied and the responsible indicator manager will account.	The outstanding 3 policies missed the target dates for Board to process and approve them as initially planned. These policies will be tabled at Board for processing and approval during Quarter 1 of the 2017/18 financial year. Consequence management is being actioned against the responsible officials.
Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund	Optimally functional Human Resources policies and systems aligned to organisational strategy	Develop and implement a Human Resources Service Level Agreement (SLA)	The target was fully achieved. The Human Resources Level Agreement was developed and approved by the Board as planned. The monitoring and reporting on Human Resources SLA took placed as planned.	None	None

INFORMATION TECHNOLOGY

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET 2016-2017	ACTUAL ACHIEVEMENT 2016-2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016-2017	COMMENTS ON DEVIATIONS
Ensure availability of automated and integrated business processes by 2021 to support the project delivery of the Universal Service Fund	Automated and integrated business processes	ERP system rollout and SAP capacity building	The target was not fully achieved. The ERP system went live on 31 March 2017 on the following functional areas: Financial Management, Supply Chain Management, Human Capital Management, Operations Management, Legal Services, Stakeholder Relations and Performance Management. The SAP System was supported for Divisional Quality Assurance (QA) and Production. The recruitment of critical skills did not take place as planned however the capacitation of IT and Human Resources did take place as planned on Mobility, Employee Self-Services (ESS) and Manager Self-Service (MSS) , Solution Manager (SOLMAN), Governance, Risk and Compliance (GRC), Authorisations and Basis.	Recruitment of critical SAP skills did not take place as planned	This was caused by the 2016/17 APP which was not SMART resulting in the target which was not in the structure and with no budget to fund the positions. Management is working on a plan for capacitating IT Services. The Plan will be submitted to the Board for consideration during Q1 of the 2017/18 Financial Year
Ensure availability of responsive IT systems by 2020 to support the project delivery of the Universal Service Fund	Percentage availability of business systems to support USAASA and USAF business processes and operations	98.5% availability of business systems in line with the approved IT Service Level Agreement (SLA)	The target was fully achieved. The Service Level Agreement (SLA) for IT Services was approved by the Board as planned. The IT SLA was implemented and monitored as planned and the actual performance achieved was recorded at 98,17	None	None

LEGAL SERVICES UNIT

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET 2016-2017	ACTUAL ACHIEVEMENT 2016-2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016-2017	COMMENTS ON DEVIATIONS
*Provide legally sound services to the Agency by 2021 to support the project delivery of the Universal Service and Access Fund.	Number of days for providing **legal services in accordance with relevant legislation and policy	Ensure sound legal services are provided to the Agency.	The target was fully achieved. The monitoring of the written legal opinions and/or advice provided within 7 working days and the drafting of contracts with 21 working days did take place as planned.	None	None
USAASA established as a centre of excellence for universal access and universal service market information, knowledge and expertise by 2021.	Information on impact of the provision of universal access and universal service	Monitor and evaluate the impact of universal access and universal service provision on access gaps and disseminate the findings.	The target was fully achieved. A consolidated impact assessment report for six (6) identified local municipal areas was developed and presented to key stakeholders as planned. A project closure report outlining key lessons learnt and recommendations for future USAF projects was developed as planned.	None	None

*Legally sound: within the parameters of the law
** Legal services include the following: providing legal opinions / advice, contracts and litigation

RESEARCH, POLICY AND REGULATORY

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET 2016-2017	ACTUAL ACHIEVEMENT 2016-2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016-2017	COMMENTS ON DEVIATIONS
USAASA established as a centre of excellence for universal access and universal service market information, knowledge and expertise by 2021	Information on impact of the provision of universal access and universal service	Monitor and evaluate the impact of universal access and universal service provision on access gaps and disseminate the findings	The target was fully achieved. A consolidated impact assessment report for six (6) identified local municipal areas was developed and presented to key stakeholders as planned. A project closure report outlining key lessons learnt and recommendations for future USAF projects was developed as planned.	None	None

STAKEHOLDER ENGAGEMENT

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET 2016-2017	ACTUAL ACHIEVEMENT 2016-2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016-2017	COMMENTS ON DEVIATIONS
Promotion of good stakeholder relations for purposes of enhancing the USAASA & USAF brands by 2021	Positive messages about the Agency on media and social platforms	Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy	The target was fully achieved as the role of Stakeholder Engagement unit provided guidelines on engagements and provide communications platforms. The desired performance in terms of the Indicator Profiles is to enhance stakeholder awareness about the Agency and the Fund, and their contribution to the sector. The Integrated Communications Policy was developed and approved by the Board as planned. The Stakeholder Engagement Policy was developed and approved by the Board as planned. The Stakeholder Engagement Policy was aimed at enhancing stakeholder awareness about the Agency and the Fund and the contribution to the ICT sector. The Stakeholder Engagement Strategy assisted in outlining participation in various stakeholder engagement through project meeting, speakingopportunities and summits with the aimed at enhancing stakeholder awareness and improve relationships the Agency and the Fund and the contribution to the ICT sector. The role of Stakeholder Engagement unit provided guidelines on engagements and provide communications platforms. As a result of the approval of the Integrated Communications Policy, the Agency was able to streamline work outlined in the policy, such as Public Participation through Imbizos and Conferences, the Branding and Marketing through exhibitions, branding and publicising of USAF programmes in communications platforms as well as Internal Communications. Brand awareness resulted in the following movements: Facebook (2015/16) 300 – 2016/17 (866 followers, viewers range up to 1400) Twitter (2015/16) 0 – 2016/17 144 followers You Tube (2015/16) 0 – 479 views. This is over and above media coverage radio, TV and online.	None	None related to the target But, we note that the non-availability of broadband connectivity in some primary health facilities and the school at Albert Luthuli Local Municipality, Mpumalanga during the Parliamentary Portfolio Committee on Telecommunications and Postal Services in March 2017, resulted in bad publicity and reputation. The connectivity subsidy contract was not implemented as initially planned due to a contract management issue. Contract management is being enhanced and the APP 2017-2018 to clearly stipulate what the broadband rollout should entail.

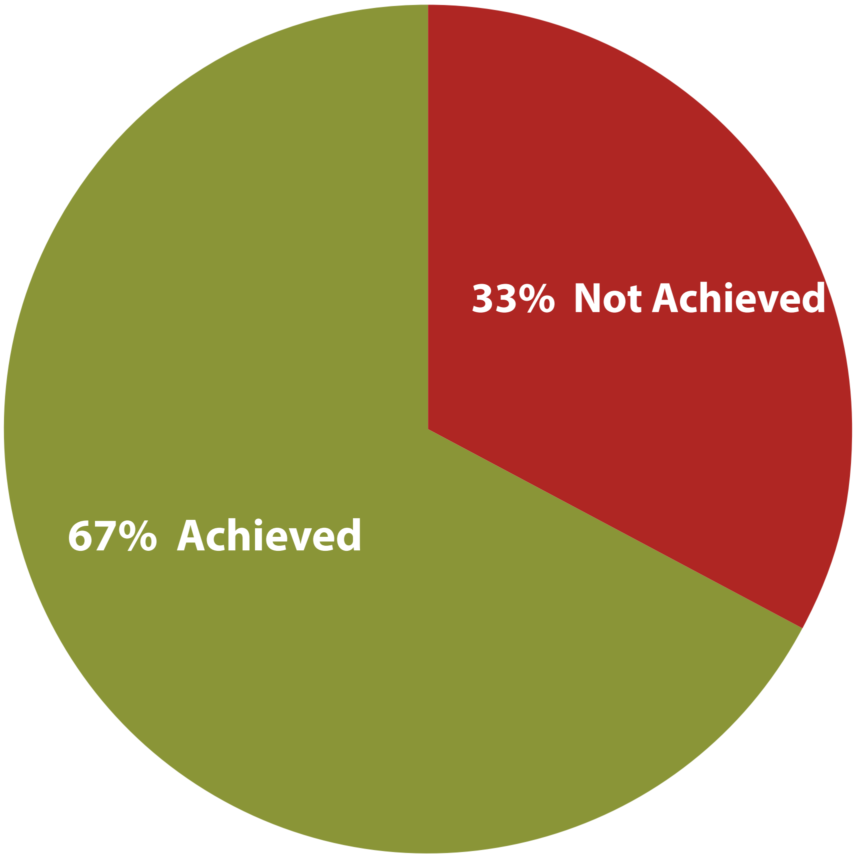
COORPORATE GOVERNANCE

STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET 2016-2017	ACTUAL ACHIEVEMENT 2016-2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016-2017	COMMENTS ON DEVIATIONS
Promotion of legal and regulatory compliance by 2021 to support the project delivery of the Universal Service and Access Fund	Clean administration in compliance with applicable legal and regulatory prescripts	Compliance with the Public Finance Management Act (PFMA) and Treasury Regulations Checklist for Public Entities	The target was fully achieved. The Agency implemented and monitored the National Treasury Checklist for Public Entities and reported on quarterly basis and reported adherence to compliance as planned.	None	None

From left: UDM President Bantu Holomisa, Eastern Cape MEC for Education Mandla Makupula, Deputy Minister of Labour Inkosi Patekile Holomisa, USAASA CEO Lumko Mtimde and Outgoing Principal of Upper Ngqungu Primary School Ms Z Khalimashe

Summary of USAASA's Performance

The graph below depicts the Agency's achieved annual targets against the planned annual targets in the 2016-2017 approved Annual Performance Plan. Six of the nine planned targets were achieved, amounting to 67% of the total planned targets, and three (3) of the nine (9) planned targets were not achieved, resulting to 33% of the total annual planned targets.



USAASA 2016-2017 Annual Perfomance

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1. Press briefing: OR Tambo District with Mayors and USAASA
2. USAASA team on duty
3. USAASA Strategic Planning session with DTPS, BBI CEO Ms Puleng Kwele, and Sentech CEO Mlamli Booi
4. Minister Dr Cwele launching a USAASA project of a Cyber Lab in a Special School

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PART C
GOVERNANCE

THE BOARD OF DIRECTORS

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

- Exercise the duty of utmost care to ensure reasonable protection of the assets and records of the USAASA;
- Act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the Agency;
- Prevent any prejudice to the financial interests of the state;
- Maintain effective, efficient and transparent systems of financial and risk management and internal control;
- Maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
- Maintain a system for properly evaluating all major capital projects prior to a final decision on the project;
- Take effective steps to prevent irregular, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency; and
- Manage available working capital efficiently and economically.

The Board actively played its role in providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices in exercising its mandate.

The Board and all its Committees are guided by the principles of the King IV Report on Corporate Governance and the Companies Act which are embedded in the approved USAASA Board Charter.

PORTFOLIO COMMITTEES

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

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

Portfolio Committee engagements for the 2016-2017 financial year are outlined in the table below:

DATES	MEETING/ACTIVITY
12 April 2016	Briefing to Portfolio Committee on USAASA & USAF Strategic Plans and APP
11 May 2016	Briefing to Select Committee on Communications and Public Enterprises
23 August 2016	Briefing to Portfolio Committee on USAASA and USAF Quarter 1 Performance
18 October 2016	Briefing to Portfolio Committee on USAASA & USAF Annual Report 2015/16
21 February 2017	Briefing to Portfolio Committee on USAASA & USAF Quarter 2 Performance

EXECUTIVE AUTHORITY

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

THE BOARD AS THE ACCOUNTING AUTHORITY

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

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

The Board has organised itself into the following subcommittees, which meet on a quarterly basis:

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

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

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

- Represented the Agency before the Minister and Parliament of the Republic of South Africa;
- Provided strategic direction to the Agency;
- Reviewed, approved and monitored strategic plans of the Agency;
- Monitored fundamental financial business strategies;
- Approved and monitored major actions such as organisational development;
- Identified and regularly monitored key risk areas and key performance indicators of the Agency;
- Ensured that the Agency communicates with shareholders and relevant stakeholders transparently and promptly; and
- Ensured that the Agency complies with relevant laws, regulations and the code of business practice.

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

THE USAASA BOARD CHARTER

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

The Board Charter outlines the following:

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

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE OF APPOINTMENT	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Mawethu Cawe	Chairperson: Board of Directors	01 September 2015	31 August 2018	• University of Fort Hare: Bachelor of Arts (BA) in Communication • University of Witwatersrand: Certificate in Industrial Relations (CPIR), • University of South Africa (UNISA): Advanced Diploma in Labour Law • University of Witwatersrand: Post Graduate Diploma (Human Resources) • University of Witwatersrand: Masters in Management • University of Witwatersrand: Certificate in Executive Coaching and Mentoring, 2009	• Human Resources Management • Labour relations • Leadership • Strategy	Mawethu Farm (Director) Mawethu Investment (Director)	N/A
Adv Lungelwa Shandu	Member: Board of Directors	01 September 2015	31 August 2018	• University of Durban Westville: Post Graduate Qualification-Bachelor of Laws (LLB) Graduate • Qualification-Baccalaureus • Procuration is (B Pros) • Kettering Foundation, • Dayton-Ohio, USA Certificate • Deliberative Democracy • Voice Clinic Certificate-Voice training for public speaking • CCMA-Certificate- Substantive Law, Conciliation, Jurisdictional Ruling, Managing Dismissals and Arbitration1 & 2	• Legal • Labour Relations • Business • Alignment with Government Policy & Regulations • Contracts • Leadership • Governance	Firearms Appeal Board Ministry of Police Firearms Appeal Board Ministry of Police	Operations Committee (Chairperson) Human Resources & Remuneration Committee Social & Ethics Committee

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE OF APPOINTMENT	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Malose Kekana	Member: Board of Directors	01 September 2015	Resigned with effect 01 October 2016	• University of Witwatersrand: BCom Accounting • University of South Africa: BCom Honours (one course outstanding) • University of Pennsylvania: Wharton Business School Executive Development Programme (Finance) • Morgan State University: Executive Management Programme • South African Futures Exchange (SAFEX) Markets Exams – Completed level 1 and 2 of SAFEX Exams on Financial Markets (futures and options trading) • Aspen Institute: Colorado, USA-Executive Leadership	• Corporate Accounting • Auditing • Risk Management • Governance	Ithala (Pty) Ltd (Chairman) Tri-Star through Ba-Akhi Construction (Non-executive Director)	Human Resources & Remuneration Committee
Nqabekaya Nqandela	Member: Board of Directors	01 September 2015	31 August 2018	• Cape Peninsula University: National Diploma: Electrical Engineering • Milpark Business School: Master in Business Administration (MBA) • University of Witwatersrand: Certificate in Convergence and New Media in the information Society • University of Witwatersrand: Certificate in Telecommunication Policy, Regulation and Management • University of Pretoria: Programme in Project Management	• ICT Policy and Regulation • Strategic Planning	North-West University (Member of Council) Eastcape Midlands College (Member of Council) Amasotsho Investment Holding	Human Resources & Remuneration Committee (Chairperson) Operations Committee

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE OF APPOINTMENT	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Tshegofatso Maloka	Member: Board of Directors	01 September 2015	31 August 2018	• University of Witwatersrand: BCom Accounting • University of Natal: BCom Honours • CA (SA)	• Finance and Accounting • Auditing • Risk Management • Governance		Board Audit & Risk Committee HR and Remuneration Committee
Linda Nene	Member: Board of Directors	12 December 2016	11 December 2019	University of Cape Town: BCom (Accounting) Monash University: Post Graduate Diploma in Management (specialising in Corporate Governance) The Institute of Internal Auditors: - CCSA (Certification in Control Self-Assessment) - GIA (SA) (General Internal Auditor-SA) - FIIASA (Fellow of the Institute of Internal Auditors SA) - CRMA (Certificationin Risk Management Assurance) Compliance Institute of South Africa (CISA) - CCP (CertifiedCompliance Professional of the Compliance Institute of South Africa) - CPrac (SA): (Compliance Practitioner) Southern Business School: Risk Management Strategies in the Public Sector: Institute for International Research: Management Diploma	• Finance • Auditing • Risk Management • Governance	Izithenjwa Investments (Director) Onjengaye Investments (Director) Work Dynamics (Pty) Ltd Petro SA SOC Ltd Equitorial Guinea	Board Audit & Risk Committee (Chairperson) Operations Committee

COMPOSITION OF THE USAASA BOARD

NAME	POSITION	DATE OF	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES
Xola Stock	Member: Board of Directors	12 December 2016	11 December 2019	B Com (Accounting and Economics (UCT); PGDA (CTA) M Com International Accounting; MCom from Univ of Johannesburg; CA (SA)	Auditing Finance Organisation Governance Strategy impWlementation HR	Makhulong A Matala Trust (Board member); SAICA (Board member)	Board Audit and Risk Committee HR and Remuneration Committee
Jabulile Nkosi	Member: Board of Directors	12 December 2016	11 December 2019	B Compt (Accountancy) Higher Diploma Computer Auditing Certified Internal Auditor Certified Information Systems Auditor International Internal quality Assessment / validation course	Auditing Accouting Information Technology Corporate Governance Risk Management		Board Audit and Risk Committee Operations Committee
Lumko Mtimde (F.Inst. D)	Member: Board of Directors and Chief Executive Officer	23 May 2016	30 May 2019	BSc Biochemistry and Phisiology (Univ. of Western Cape); Post-Graduate Diploma in Telecommunications and Information Policy (Unisa)	ICT & Broadcasting Policy and Regulation; Corporate Governance; Leadership; Strategic and Executive Management; Strategic Planning and implementation; People management	SENTECH Non-Executive Director; National Student Financial Aid Scheme (NSFAS) Board Member, Media Advertising Information and Communiactions Technology Sector Education & Training Agency (MICT SETA)	Board Audit and Risk Committee Operations Committee HR and Remuneration Committee

REMUNERATION OF BOARD MEMBERS

NAME	POSITION	COMMENTS	TOTAL REMUNERATION R 000
Mawethu Cawe	Chairperson : Board of Directors	Appointed 01 September 2015	451
Nqabekaya Nqandela	Member: Board of Directors	Appointed 01 September 2015	177
Malose Kekana	Member: Board of Directors	Appointed 01 September 2015	52
Adv Lungelwa Shandu	Member: Board of Directors	Appointed 01 September 2015	162
Tshegofatso Maloka	Member: Board of Directors	Appointed 01 September 2015	121
Linda Nene	Member: Board of Directors	Appointed 12 December 2016	31
Xola Stock	Member: Board of Directors	Appointed 12 December 2016	26
Jabulile Nkosi	Member: Board of Directors	Appointed 12 December 2016	34

MEETING ATTENDANCE BY THE BOARD

Board Members	01/04/16	25/04/16	25/05/16	15/06/16	28/07/16	26/08/16	30/09/16	26/10/16	23/11/16	30/01/17	14/03/17
Mawethu Cawe	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Adv Lungelwa Shandu	✔	✖	✖	✔	✔	✔	✔	✔	✔	✔	✔
Tshegofatso Maloka	✔	✔	✖	✔	✔	✔	✔	✔	✖	✖	✖
Malose Kekana	✔	✔	✔	✖	✖	✔	✔	N/A	N/A	N/A	N/A
Nqabekaya Nqandela	N/A	N/A	N/A	✔	✔	✔	✔	✔	✔	✔	✔
Linda Nene	N/A	N/A	N/A	N/A	✔	✔	✔	✔	✔	✔	✔
Jabulile Nkosi	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✔	✔	✔
Xola Stock	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✔	✔	✔

COMPOSITION OF THE USAASA BOARD COMMITTEES

COMMITTEE	NUMBER OF MEETINGS HELD	NUMBER OF MEMBERS	NAMES OF MEMBERS
Board Audit & Risk Committee (BARC)	4	3	Linda Nene (chairperson) Jabulile Nkosi (member) Tshegofatso Maloka (member) Xola Stock (member) Duncan Ntuli (term expired on 31 August 2016) Fortunate Mdanda (term expired on 31 August 2016)
Operations Committee (OPSCO)	5	4	Adv Lungelwa Shandu (chairperson) Linda Nene (member) Jabulile Nkosi (member) Nqaba Nqandela (member)
Human Resources and Remuneration Committee (REMCO)	4	4	Nqaba Nqandela (chairperson) Adv Lungelwa Shandu (member) Tshegofatso Maloka (member) Xola Stock (member) Malose Kekana (resigned in October 2016)

BOARD AUDIT AND RISK COMMIT TEE (BARC)

The BARC, which is chaired by Linda Nene, comprises four members of the USAASA Board.

The Chairperson and members of the BARC, were appointed on contract for three years and remunerated in accordance with the daily tariffs approved by the Minister of the Department of Telecommunications and Postal Services.

HUMAN RESOURCES AND REMUNERATION COMMIT TEE (REMCO)

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

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

OPERATIONS COMMITTEE (OPSCO)

The Operations Committee is chaired by Adv. Lungelwa Shandu and comprises a total of four independent non-executive members.

The overall responsibilities of the Committee include the following:

- Promoting and guiding research activities of the Agency within a framework of best practice and intelligence regarding trends and new developments in universal service and access both within South Africa and internationally.
- Review and management of USAF projects, processes and systems in line with the Agency's vision and mission and the mandate as per the Act as well as the requirements.
- Supporting the implementation of the USAF Fund Manual to effectively manage the Fund.

Accountability: Parliamentary oversight visit

REPORT OF THE BOARD AUDIT AND RISK COMMITTEE

Linda Nene
Chairperson: Board Audit and Risk Committee

We are pleased to present USAASA's Board Audit and Risk Committee Report for the financial year ended 31 March 2017.

Audit Committee Responsibility

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

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

The Effectiveness of Internal Control

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

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

Approved Policies/Strategies

In the financial year under review, the Committee recommended eight (8) policies /plans /procedures / framework to the Board for approval to strengthen and improve the internal control environment. These include:

- Integrated Communications Policy;
- Mobile Policy;
- ICT Equipment Allocation Policy;
- Disaster Recovery Plan;
- Access Control Procedures;
- Backup Procedures;
- ICT Service Level Agreement; and
- Materiality Framework.

The Committee approved two (2) assurance coverage strategies within their mandate and recommended the IT Strategy to the Board for final approval. The strategies included:

- The Auditor General's Audit Strategy for USAASA 2016/17;
- The Internal Audit Three Year Rolling Strategic Plan; and
- The IT Strategy.

Management of Risks

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

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

Internal Audit

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

- SCM Q4 (2015/2016) Expenditure, Q1, Q2 and Q3 Expenditure Below Threshold for 2016/2017;
- SCM Q4 (2015/2016) Expenditure, Q1, Q2 and Q3 Expenditure Above Threshold for 2016/2017;
- Interim Financial Statements for Q1, Q2 and Q3 for 2016/2017;
- Annual Financial Statement for 2016/2017;
- Performance Information for Q1, Q2 and Q3 for 2016/2017;
- Annual Performance Information for 2016/2017;
- Corporate Services Q4 (2015/2016) Activities, Q1, Q2 and Q3 Activities for 2016/2017;
- Financial Management Q4 (2015/2016) Expenditure, Q1, Q2 and Q3 Expenditure for 2016/2017; and
- IT Consulting Services on ERP Implementation.

Based on the audits listed above, the following key control breakdowns were noted:

- Payments to service providers outside the prescribed 30 days;
- Non-compliance with human resources policies in relation to performance assessments, absence of the moderation committee and salary increments;
- Lack of segregation of duties in human resources division in relation to recruitment, data capturing, preparation of the payroll etc.;
- Lack of segregation of duties in finance division as a result of key vacancies in management personnel critical for financial management filled towards the end of the financial year.

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

- should have unlimited access to the information, records, property and personnel of the Agency;
- should have full and free access to Board Audit and Risk Com mittee and the Chairperson of the USAASA Board;
- should obtain cooperation of personnel from all divisions of the organisation where they perform their duties, as well as other specialised services from within oroutside the organisation;
- must have adequate financial, human and technological re sources and support of the Board Audit and Risk Committee; and
- must report administratively to the CEO and functionally to the Board Audit and Risk Committee.

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

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

All planned 25 internal audit assignments were completed. Completed internal audit reports were presented to the Board Audit and Risk Committee on a quarterly basis. Whilst the completion of the IA plan was achieved, it should be noted that internal audit could not review all emerging risks resulting from SAP implementation due to the limited skills set and insufficient IA staff capacity. To augment capacity, a fixed term contract appointment of an Internal Auditor effective February 2017 was insourced.

Financial Reporting

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

Compliance with Laws, Regulations and Ethics

The Board Audit and Risk Committee ensured that the management of USAASA had the necessary checks and balances in place to ensure compliance with pertinent laws and regulations, that it is conducting its affairs ethically, and that it is maintaining effective controls against possible conflicts of interest and fraud. The specific steps involved in carrying out this responsibility include the following:

- Reviewing policy documents incorporating:
  - Compliance with laws, regulations and ethics; and
  - Policies and rules regarding conflicts of interest.
- Monitoring compliance with laws, regulations and policies;
- Reviewing the internal audit's written reports regarding the scope of reviews of compliance, any significant findings and the resolution thereof, and the follow-up on findings and recommendations;
- Monitoring developments and changes in the law relating to the responsibilities and liabilities of management and also monitoring and reviewing the extent to which management is meeting its obligations; and
- Monitoring developments and changes in the various rules, regulations, and laws which relate generally to the organisation's operations and also monitoring and reviewing the extent to which the organisation is complying with such rules, regulations and laws.

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

In-Year Management Monthly/Quarterly Reporting

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

Integrated Reporting

The Board Audit and Risk Committee, in its oversight role, reviewed USAASA's value-add on its mandate. The USAASA continues to provide support to USAF on Broadband Infrastructure in various under serviced communities and ICT equipment to various schools and clinics, however there is still insufficient monitoring of usage thereof and continued access to ICT beyond the initial 24 month connectivity contract.

Combined Assurance

King IV requires that the Committee should ensure a combined assurance model is applied to provide a coordinated approach to all assurance activities. This repositioned risk-based approach to assurance provision is performed to address strategic, operational, financial and sustainability issues in the quest to deliver value to the organisation.

The Combined Assurance Model is currently in place and is monitored bi-annually by the Board Audit and Risk Committee. As at year-end, two progress reports on the Implementation of the Combined Assurance served before the Committee. These reports indicated assurance coverage and integrated efforts from various assurance providers within the Agency, including Internal Audit Activity and the Auditor-General. In the current financial year, these reports reflect the assurance coverage from the Agency's shareholder, Performance and Monitoring, and Legal Services.

Expertise and experience of the finance function

In the current financial year under review, USAASA operated with a number of acting positions on critical vacant finance positions which were occupied towards the end of the financial year including the appointment of a permanent CFO and Senior Manager: Financial Management. Other positions in the Finance Division as at reporting date are undergoing the recruitment process.

Information Technology Governance

USAASA engaged the services of a service provider for the implementation of SAP ERP system. SAP ERP system is intended to assist USAASA in the roll-out of the Digital Migration from Analogue to Digital. The IT Steering Committee continued in the financial year under review to provide support for the Implementation of the SAP ERP system and addressed all teething problems resulting from the implementation phase.

The Board Audit and Risk Committee is aware of the absence of an agreement with the service providers on the SAP system for support and maintenance due to unavailability of funding. Exacerbating matters and the Committee's concern is the absence of internal SAP skills to plough and manage the gap. The Board Audit and Risk Committee will closely monitor these issues in the new financial year.

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. In this regard, the Board Audit and Risk Committee registers the following matters:

- Non-availability of a dedicated Compliance Officer and Champion; and
- Absence of a Regulatory Compliance Universe.

The matters referred to above are receiving the Committee's attention and will be resolved in the second quarter of the new financial year.

In the period under review, there were no reports of suspected/alleged unethical conduct by the employees of the Agency from the Department of Telecommunications and Postal Services hotline and the Public Service hotline, save for the BDM litigations not resolved as at 31 March 2017.

In the period under review an investigation that was conducted by the Special Investigation Unit, as a proclamation by the Honourable President of the Republic of South Africa, prompted by the open letter from one of the political parties, has been concluded.

Fraud and Forensic

In the period under review there was an investigation iniateted by the board and conducted by Makhubela Attorneys. The intetion of which was to recover possible double payment to one of the service providers involved in the procurement of Set Top Boxes. The investigation was still in progress as at 31 March 2017, and the results of which will be shared in the new finacial year.

Evaluation of Financial Statements

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

Auditor's Report

The Committee is responsible for overseeing the external audit process and confirms that the external auditors are independent of USAASA and conducted its audit without influence from USAASA. The Committee Chairperson met with the external auditors independently of management.
We have reviewed the entity's implementation plan for audit issues raised by the Auditor-General of South Africa in the prior year and we are satisfied with the progress made by management towards ensuring that AGSA matters are adequately resolved. The final assessment of the AGSA implementation action plans will be conducted in the second quarter of the new financial year, post receipt of the final AGSA Management and Audit Reports.

The Board Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General of South Africa on the 2016-2017 Annual Financial Statements and is of the opinion that the audited USAASA financial statements be accepted and read together with the report of the Auditor-General.

Conclusion

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

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

Following our review of the financial statements for the year ended 31 March 2017, we are of the opinion that they in all material respects comply with the relevant provisions of the PFMA and the International Reporting Standards, Generally Recognised Accounting Practices and fairly present the results of the operations, cash flow and financial position of the USAASA.

The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities, in all material respects. The Committee will continuously monitor the impact of the SAP Implementation on the completeness, validity and correctness of financial records of USAASA in the new financial year.

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

On behalf of the Board Audit and Risk Committee

Linda Nene
Chairperson: Board Audit and Risk Committee

usaasa

Universal Service and Access Agency of South Africa

BOARD AUDIT AND RISK COMMITTEE

LUMKO MTIMDE
CHIEF EXECUTIVE OFFICER

LINDA NENE
MEMBER: BOARD OF DIRECTORS
CHAIRPERSON: BOARD AUDIT & RISK COMMITTEE

XOLA STOCK
MEMBER : BOARD OF DIRECTORS

Mahomed Chowan
MEMBER : Chief Financial Officer

TSHEGOFATSO MALOKA
MEMBER: BOARD OF DIRECTORS

JABULILE NKOSI
MEMBER: BOARD OF DIRECTORS

BOARD AUDIT AND RISK COMMITTEE (BARC) MEMBERSHIP

NAME	QUALIFICATIONS	DESIGNATION	APPOINTMENT DATE	TERMINATION DATE
Linda Nene	University of Cape Town: BCom (Accounting Monash University: Post Graduate Diploma in Management (specialising in Corporate Governance) The Institute of Internal Auditors: - CCSA (Certification in Control Self-Assessment) - GIA (SA) (General Internal Auditor - SA) - FIIASA (Fellow of the Institute of Internal Auditors SA) - CRMA (Certification in Risk Management Assurance) Compliance Institute of South Africa (CISA): - CCP (Certified Compliance Professional of the Compliance Institute of South Africa) - CPrac (SA) - (Compliance Practitioner) Southern Business School: Risk Management Strategies in the Public Sector Institute for International Research: Management Development Programme	Independent Audit Committee Chairperson (BARC)	1 December 2012	Term ended 30 November 2015 and was re-appointed on 1 March 2016
Fortunate Mdanda	Bachelor of Accounting Science Honours: Bachelor of Commerce Auditing, MBA - UNISA	Independent Audit Committee Member	1 December 2012	Term ended 30 November 2015 and was re-appointed on 1 March 2016

BOARD AUDIT AND RISK COMMITTEE (BARC) MEMBERSHIP

NAME	QUALIFICATIONS	DESIGNATION	APPOINTMENT DATE	TERMINATION DATE
Thulani Ntuli	BJuris Degree: University of North-West; Financial Management: University of Pretoria; Business Continuity Certificate (certified Business Continuity Practitioner); Programme and Project Management Certificate; Strategic and Business Planning Certificate; Anti-Corruption Certificate	Independent Audit Committee Member	1 December 2012	Term ended 30 November 2015 and was re-appointed on 1 March 2016
Tshegofatso Maloka	University of Witwatersrand: BCom Accounting; University of Natal: BCom Honours • CA (SA)	Board Member	1 September 2015	31 August 2018
Xola Stock	B Compt (Accountancy) Higher Diploma Computer Auditing Certified Internal Auditor Certified Information Systems Auditor International Internal quality Assessment /validation course	Board Member	January 2017	11 December 2019
Jabulile Nkosi	B Compt (Accountancy); Higher Diploma Computer Auditing; Certified Internal Auditor; Certified Information Systems Auditor; International Internal Quality Assessment/validation course	Board Member	January 2017	11 December 2019

BOARD AUDIT AND RISK COMMITTEE MEETING ATTENDANCE

COMMITTEE MEMBERS	20/05/16	23/07/16	21/10/16	23/01/17	NOTES
L Nene	✔	✔	✔	✔	
TN Ntuli	✔	✔	N/A	N/A	Term expired on 31 August 2016
F Mdanda	✔	✔	N/A	N/A	Term expired on 31 August 2016
T Maloka	✔	✔	✔	✔	
J Nkosi	Appointed December 2016			✔	
X Stock	Appointed December 2016			N/A	

ROLE OF THE EXECUTIVE MANAGEMENT COMMIT TEE (EXCO)

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

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

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

RISK MANAGEMENT

Risk management is concerned with the coordination of activities to direct and control an organisation with regard to managing risk. The USAASA Board of directors recognises that the achievement of objectives at a strategic, project or operational levels is dependent on a full understanding of risks. The Board has adopted an enterprise risk management process that is aligned to Public Sector Risk Management Framework. Other works of reference include SANS 31000:2009 and King IV Report on Corporate Governance. The features of this process are incorporated in the risk management framework and policy. Oversight for adequacy and effectiveness of risk management is delegated to the Board Audit and Risk Committee.

The risk management process involves formal risk assessment workshops at various levels throughout the Agency. The foundational principles of the process ensure senior management and Board participation ("tone from the top") by undertaking risk workshops at the annual senior management and Board strategic planning sessions. Risks created by and/or affecting the strategic goals and objectives, business operations as well as projects are identified, the potential impact quantified, probability of occurrence assessed, the risk response strategy developed; controls and activities documented; residual risks established; and risk management applied for value creation. The whole process takes into account set risk tolerance limits.

The risk identification and assessment process is performed using top-down and bottom-up approach as the top-down risk identification and assessment is undertaken by Senior Management and the Board. This approach is concerned with risks to strategic and financial goals as well as project goals. The bottom-up risk identification and assessment is undertaken at a divisional level. This approach is concerned with risks to business and /or operational processes as well as project goals.

The risk management process is underpinned by linkage to strategy as well as performance management. Emerging risks are identified and reported at various levels throughout the Agency. Risk reporting to the Risk Management Committee, Executive committee, Board Audit and Risk Committee and the Board is done on a quarterly basis.

The USAASA Board is in the process of reviewing the risk appetite and tolerance framework with a view to ensuring that risk taking is within the set risk appetite and tolerance limits. Furthermore, the Board is reviewing the fraud risk policy with a view to ensuring that fraud risks are effectively identified, quantified and managed.

INTERNAL AUDIT

Roles and Objectives of the Internal Audit Activity

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

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

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

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

- SCM Q4 (2015/2016) Expenditure, Q1, Q2 and Q3 Expenditure Below Threshold for 2016/2017;
- SCM Q4 (2015/2016) Expenditure, Q1, Q2 and Q3 Expenditure Above Threshold for 2016/2017;
- Interim Financial Statements for Q1, Q2 and Q3 for 2016-2017;
- Annual Financial Statements for 2016/2017;

- Performance Information for Q1, Q2 and Q3 for 2016/2017;
- Annual Performance Information for 2016/2017;
- Corporate Services Q4 (2015/2016) Activities, Q1, Q2 and Q3 Activities for 2016/2017;
- Financial Management Q4 (2015/2016) Expenditure, Q1, Q2 and Q3 Expenditure for 2016/2017; and
- IT Consulting Services on ERP Implementation.

Based on the audits listed above, the following key control breakdowns were noted:

- Payments to service providers outside prescribed 30 days;
- Non-compliance to human resources policies in relation to performance assessments, absence of the moderation committee and salary increments;
- Lack of segregation of duties in human resources division in relation to recruitment, data capturing, preparation of the payroll etc.;
- Lack of segregation of duties in finance division as a result of key vacancies in management personnel critical for financial management filled towards the end of the financial year.

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

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

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

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

All planned 25 internal audit assignments were completed. Completed internal audit reports were presented to the Board Audit and Risk Committee on a quarterly basis. Whilst the completion of the IA plan was achieved, it should be noted that internal audit could not review all emerging risks resulting from SAP implementation due to the limited skills set and insufficient IA staff capacity. To augment capacity, a fixed term contract appointment of an Internal Auditor effective February 2017 was insourced.


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COMPOSITION OF THE USAASA BOARD

MAWETHU CAWE
CHAIRPERSON OF THE BOARD

Adv LUNGELWA SHANDU
MEMBER: BOARD OF DIRECTORS
CHAIRPERSON: OPERATIONS COMMITTEE

LINDA NENE
MEMBER: BOARD OF DIRECTORS
CHAIRPERSON: BOARD AUDIT & RISK COMMITTEE

TSHEGOFATSO MALOKA
MEMBER: BOARD OF DIRECTORS

JABULILE NKOSI
MEMBER: BOARD OF DIRECTORS

LUMKO MTIMDE
CHIEF EXECUTIVE OFFICER

NQABEKAYA NQANDELA
MEMBER: BOARD OF DIRECTORS
CHAIRPERSON: REMCO

XOLA STOCK
MEMBER : BOARD OF DIRECTORS

PART D
HUMAN RESOURCE MANAGEMENT

Human Capital and Structure

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

As at the closing of the financial year, USAASA's employee complement comprised of 50 permanent staff members. An internship programme in both Finance and IT comprising of 4 interns was completed during the year. There are 13 funded vacancies in the staff establishment. The organisational structure of USAASA has three levels of management, namely executive level, senior managers and managers. At a governance level, the CEO reports to the Board, which in turn reports to the Minister of the DTPS. The Board Audit and Risk Committee (BARC) and the Internal Audit Activity also form part of the governance structures in place to ensure that the Agency retains adequate levels of internal controls.

Organisational Development

During the year under review, the USAASA Board reached some critical resolutions on the OD subject, such as, that letters that had been issued to staff to implement the matching and migration to new positions be retracted and that a proper consultation, in terms of the Labour Relations Act, be undertaken. As a result, engagements with the national office of the Communication Workers Union (CWU) was initiated. Parties agreed on a schedule of dates for future meetings.

Filling in of key positions

The following key positions were filled during the financial year:

- Chief Executive Officer
- Chief Financial Officer
- Senior Manager: Finance
- Company Secretary

The following key positions became vacant during the financial year:

- Executive: Performance Management.
- Executive: Operations
- Company Secretary

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

Human Resources Oversight Statistics

PERSONNEL COST BY PROGRAMME

DIVISION	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXPENDITURE	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
All USAASA Divisions	147 185	41 818	28.41	51	819

TRAINING COSTS

DIVISION	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXP. AS A % OF TOTAL EXPENDITURE	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
All USAASA Divisions	478	399	83.4	35	11

EMPLOYMENT AND VACANCIES

EMPLOYMENT LEVELS	NO. OF EMPLOYEES 2015-2016	FUNDED POSTS 2016-2017	NO. OF EMPLOYEES 2016-2017	VACANCIES 2016-2017	% OF VACANCIES 2016-2017
Top Management (14-16)	3	5	3	2	40
Senior Management (13)	11	14	12	2	14.28
Professionally Qualified (11-12)	18	15	12	3	20
Skilled (8-10)	24	26	22	4	15.38
Semi-skilled (2)	2	2	2	0	0
Unskilled	0	0	0	0	0
TOTAL	**58**	**62**	**51**	**11**	**17.74**

EMPLOYMENT CHANGES

EMPLOYMENT LEVELS	EMPLOYMENT AT BEGINNING OF PERIOD	2016-2017 APPOINTMENTS	2016-2017 TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management (14-16)	4	2	2	4
Senior Management (13)	12	1	2	12
Professionally Qualified (11-12)	13	0	0	12
Skilled (8-10)	24	0	3	22
Semi-skilled (2)	2	0	0	2
Unskilled	0	0	0	0
TOTAL	**55**	**3**	**7**	**51**

REASONS FOR EMPLOYEES LEAVING

REASON	NUMBER OF EMPLOYEES	% OF TOTAL NO. OF EMPLOYEES LEAVING
Death	0	0
Resignation	5	9.8
Dismissal	0	0
Retirement	1	1.9
Health	0	0
Expiry of contract	0	0
Other	1	1.9
TOTAL	**7**	**13.6**

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	5
Final Written Warning	0
Dismissals	0

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

EMPLOY-MENT LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	0	0	0	1	0	0	0
Senior Management	8	0	1	0	0	0	1	0
Professionally Qualified	7	0	0	0	0	0	1	0
Skilled	4	0	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**21**	**0**	**1**	**0**	**1**	**0**	**2**	**0**

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

EMPLOYMENT LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	1	0	0	0	0	0
Professionally Qualified	5	0	0	0	0	0	0	0
Skilled	18	0	0	0	0	0	0	0
Semi-skilled	2	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**25**	**0**	**1**	**0**	**0**	**0**	**0**	**0**

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

EMPLOYMENT LEVELS	DISABLED STAFF			
	AFRICAN		COLOURED	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professionally Qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0

PART E
FINANCIAL INFORMATION

Report of the Chief Financial Officer

Mahomed Chowan

The Agency is pleased with the continued commitment from the Department of Telecommunications and Postal Services in ensuring that USAASA received the total budget allocations of R69,0 million for the 2016-2017 financial year. In addition, the National Treasury approved the rollover of R195,5-million from the previous financial year. This has enabled USAASA to play an active role through USAF in bringing information and communication technology (ICT) services closer to the under-serviced communities of the Mhlontlo and King Sabata Dalindyebo Local Municipalities and enhance the quality of education and health services available to these communities by deploying broadband connectivity to educational institutions and primary health care facilities in these areas.

USAASA remains conscious of its responsibility to ensure that the Agency is able to spend the funding allocations for day-to-day operations through effective procurement processes that are in compliance with the Public Finance Management Act (PFMA), the Preferential Procurement Policy Framework Act (PPPFA) and other relevant legislative prescripts. USAASA's expenditure for the financial year under review exceeded the budget however. This is mainly due to the funding of R146-million for the BDM project logistics and distribution costs which was received in the previous financial year and for which the related activities took place in the financial year under review and will continue into the next. Management remains committed to implementing effective and efficient systems of budgeting and keeping cost containment at the core of procurement activities.

USAASA recorded a deficit of R67,5-million at the end of the financial period under review and this was mainly attributable to BDM project logistics and distribution costs for which funds where received in the previous financial year and legal fees incurred related to the BDM project. The BDM project is funded in USAF and USAASA has not received a concomitant increase in funding for the administration of the project. If the Agency had not embarked on legal action when required to defend the project, the costs to the fiscus would have been far higher.

USAASA has recorded irregular expenditure of R1,6-million (2016: R459k). R1,2-million is due to a misinterpretation of the cost containment measurement as issued by Treasury. The Agency appointed a panel of travel management companies (TMC) using the competitive bid process and instructed the TMCs to comply with the cost containment measurements which they did. However three quotes were not obtained for each travel request. This was corrected with immediate effect by management. R239k was spent with a supplier that is not registered on the Central Supplier Database.

This was unavoidable as the flight costs were sponsored and the upgrading thereof had to be effected via the sponsor's supplier. R80k is the value of work done by a supplier prior to the issuance of a purchase order. However a contract was signed between the service provider and the Agency prior to the work commencing.

Disciplinary process is underway with the official responsible. R73k was spent with a supplier that is not registered on the Central Supplier Database. This was unavoidable as the Agency was complying with a court order. R12k was spent without sourcing quotations. This was unavoidable as this expenditure related to an assessment to be attended by a candidate from an external agency. The agency utilised a service provider of their choice and were reimbursed by USAASA. R5k more than the original purchase order was spent with a service provider. This was unavoidable as the supplier exercised a clause in the contract that stipulated an annual increase.

A key area of focus during 2016-2017 has been the Agency's positive contribution to driving meaningful economic participation by the majority of South African citizens and creating capacity within the broader economic landscape through preferential procurement to enhance participation by black entrepreneurs in the mainstream of economic activity. This was achieved by promoting the country's Broad-Based Black Economic Empowerment (B-BBEE) strategy through the utilisation of B-BBEE Companies in 96% of the USAASA controllable spending for the year under review against an annual target of 80% as outlined in the Agency's 2016-2017 Annual Performance Plan.

"Management remains committed to implementing effective and efficient systems of budgeting and keeping cost containment at the core of procurement activities."

In conclusion, a word of thanks goes to the USAASA Board of Directors and the CEO for their sterling leadership, encouragement and dedication to the success of the Agency. I also wish to extend sincere gratitude to the Agency's Internal Audit team, the Board Audit and Risk Committee (BARC), and to our very capable Financial Management Services team for their determination in obtaining an unqualified AG audit opinions for USAASA for the period under review. I would also like to thank the Auditor-General team which has worked tirelessly with us under extreme pressure and stringent timelines, for their guidance and support towards the successful conclusion of the 2016-2017 external audit processes.

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

Mahomed Chowan
Chief Financial Officer

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Universal Service and Access Agency of South Africa set out on pages 74 to 97, which comprise the statement of financial position as at 31 March 2017, and the statement of financial cash flow performance, statement of changes in net assets, statementand statement of comparison of budget and actual amount for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Universal Service and Access Agency of South Africa (USAASA) as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA).

Basis for opinion

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

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

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

Emphasis of matters

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

6. As disclosed in note 20 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

Uncertainty relating to the future outcome of litigation

7. With reference to note 17 to the financial statements, the public entity is the defendant in a number of lawsuits. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Other matter

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

Unaudited supplementary schedules

9. The supplementary information set out on pages 20 to 25 does not form part of the financial statements and is presented as additional information. I have not audited this accordingly, I do schedule and, not express an opinion thereon.

Responsibilities of the accounting authority

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

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

Auditor-general's responsibilities for the audit of the separate financial statements

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

13. A further description of our responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. 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 we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance management and reporting framework, as defined in the general notice, for the following selected objectivespresented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives Pages in the annual performance report

Strategic objective 5	pages in the annual report
USAASA established as a centre of excellence for universal access and services market information, knowledge and expertise	26

17. I performed procedures to determine whether the report ed performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and com plete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

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

Other matter

19. I draw attention to the matter below.

Achievement of planned targets

20. Refer to the annual performance report on pages 27 to 34; 31 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation.

    We performed procedures to identify findings but not to gather evidence to express assurance.

22. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements and annual reports

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of irregular expenditure identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the irregular expenditure could not be quantified, as indicated in paragraph 3.

Procurement and contract management

25. Some goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Other information

26. The Universal Service and Access Agency of South Africa accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the chairman's report, the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

27. My opinion the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's

report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Internal control deficiencies

29. I considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, however the objective is not to express any form of assurance thereon.

Leadership

30. The leadership did not establish adequate mechanisms to communicate and hold individuals accountable for non-performance of internal control responsibilities.

Financial and performance management

31. The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

32. Lack of adequate systems and processes are not in place to monitor compliance with applicable laws and regulations.

Other reports

33. I draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the matters reported on the public entity's financial-, performance- and compliance-related matters. The reports noted do not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

34. The USAASA has appointed a legal firm to conduct investigations on allegations relating to financial fraud or improper conduct in supply chain management, the investigations are still ongoing.

Auditor-General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

AUDITED USAASA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2017

Universal Service and Access Agency Agency of South Africa
Audited Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Performance	Note(s)	2017 R'000	2016 R'000
Revenue			
Government grants & subsidies	26	69,045	262,429
Interest received - investment		10,642	8,605
Other income		27	267
Total revenue		**79,714**	**271,301**
Expenditure			
Employee related costs	12	(41,839)	(38,165)
Depreciation and amortisation		(3,100)	(3,227)
Finance costs	27	-	(84)
Lease rentals on operating lease		(4,600)	(4,842)
Repairs and maintenance		(188)	(201)
General Expenses	13	(97,510)	(32,745)
Total expenditure		**(147,237)**	**(79,264)**
Operating (deficit) surplus	14	(67,523)	192,037
Loss on disposal of assets and liabilities	3	(20)	(14)
(Deficit) surplus for the year		**(67,543)**	**192,023**

The comparative figures have been adjusted accordingly to reflect correction of prior period errors.

Universal Service and Access Agency Agency of South Africa
Audited Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017	Note(s)	2017 R'000	2016 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	3	5,112	4,236
Intangible assets	4	39,892	25,297
		45,004	**29,533**
Current Assets			
Inventories	5	28	145
Loans and receivables	6	1,496	735
Cash and cash equivalents	7	104,543	208,483
		106,067	**209,363**
Total Assets		**151,071**	**238,896**
Liabilities			
Non-Current Liabilities			
Finance lease obligation	8	8	152
Current Liabilities			
Finance lease obligation	8	207	203
Trade and other payables	9	12,090	15,740
Provisions	10	1,950	18,441
		14,247	**34,384**
Total Liabilities		**14,255**	**34,536**
Net Assets		**136,816**	**204,360**
Accumulated surplus		136,816	204,360

The comparative figures have been adjusted accordingly to reflect correction of prior period errors.

Universal Service and Access Agency Agency of South Africa
Audited Annual Financial Statements for the year ended 31 March 2017

Statement of Changes in Net Assets	Accumulated Surplus R'000	Total net Assets R'000
Balance at 01 April 2015	**12,337**	**12,337**
Changes in net assets		
Surplus for the year	192,023	192,023
Total Changes	**192,023**	**192,023**
Opening balance as previously reported	203,651	203,651
Adjustments		
Correction of errors	708	708
Balance at 01 April 2016 as restated*	**204,359**	**204,359**
Changes in net assets		
Surplus for the year	(67,543)	(67,543)
Total changes	(67,543)	(67,543)
Balance at 31 March 2017	**136,816**	**136,816**

Note(s)

Universal Service and Access Agency Agency of South Africa
Audited Annual Financial Statements for the year ended 31 March 2017

Statement of Cash Flows	Note(s)	2017 R'000	2016 R'000
Cash flow from operating activities			
Cash receipts from government		69,045	262,429
Cash paid to suppliers and employees		(164,899)	(49,641)
Cash generated from operations (excl. interest)	15	(95,854)	212,788
Interest income		10,642	8,605
Finance costs		-	(84)
Net cash from operating activities		**(85,212)**	**221,309**
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(3,682)	(900)
Proceeds from disposal of property, plant and equipment	3	-	9
Purchase of other intangible assets	4	(14,906)	(24,937)
Net cash from investing activities		**(18,588)**	**(25,828)**
Cash flow from financing activities			
Finance lease payments		(140)	224
Net cash from financing activities		**(140)**	**224**
Total cash movement for the year		**(103,940)**	**195,705**
Cash and cash equivalents at the beginning of the year		208,483	12,778
Cash and cash equivalents at the end of the year	7	**104,543**	**208,483**

Universal Service and Access Agency Agency of South Africa
Audited Annual Financial Statements for the year ended 31 March 2017

Statement of Comparison of Budget and Actual Amounts	Approved Budget R'000	Adjustments R'000	Final budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of financial perfomance **Revenue**						
Revenue from exchange transactions Recoveries Interest received - investment	- -	- -	- -	27 10,642	27 10,642	
Total revenue from exchange transactions	-	-	-	**10,669**	**10,669**	
Revenue from non-exchange transactions **Transfer revenue** Transfers & subsidies received	69,045	**-**	69,045	69,045	-	
Total revenue	**69,045**	**-**	**69,045**	**79,714**	**10,669**	
Expenditure Personnel	(43,713)	-	**(43,713)**	(41,839)	**1,874**	Underspending due to vacancies
Depreciation and amortisation	-	-	**-**	(3,100)	**(3,100)**	Non cash flow item
Lease rentals on operating lease	(4,925)	-	**(4,925)**	(4,600)	**325**	Savings due to improved expenditure controls
Repairs and maintenance	(393)	-	**(393)**	(188)	**205**	Savings due to improved expenditure controls
General Expenses	(20,014)	69,045	**49,031**	(97,510)	**(146,541)**	Significant portion of the overspending is attributable to the implementation of the BDM project which was delayed from the previous year
Total expenditure	**(69,045)**	**69,045**	**-**	**(147,237)**	**(147,237)**	
Operating deficit **Loss on disposal of assets and liabilities**	**-** **-**	**69,045** **-**	**69,045** **-**	**(67,523)** (20)	**(136,568)** **(20)**	**Non cash flow item**
Deficit before taxation	**-**	**69,045**	**69,045**	**(67,543)**	**(136,588)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**69,045**	**69,045**	**(67,543)**	**(136,588)**	

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.

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 10 - 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 recognition

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recogn ised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended tocompensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the useful life of the relevant asset by equal annual instalments. Revenue received via the National Revenue Fund forms part of the Department of Telecommunications and Postal Services budget vote. Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate over the period to maturity.

1.3 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

1.4 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.

1.5 Fruitless and wasteful expenditure

Fruitless expenditure as defined in section 1 of the PFMA "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 22.

1.6 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 23.

1.7 Investment policy

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

1.8 Finance costs

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

1.9 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.

1.10 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.

1.11 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

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 payables	Financial liability measured at amortised cost
Finance lease obligations	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.

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:

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 trans ferred control of the asset to another party and the other party has the practical ability to sell the asset in its entire ty 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

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.12 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.

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	Depreciation method	Average useful life
Furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Leasehold improvements	Straight line	5 years
Cellphones	Straight line	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.

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.

1.13 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 transfer able or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract. An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will low 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

1.14 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.

1.15 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 17.

1.16 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.

1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

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

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-cashgenerating 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 test 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 assets 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

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.

1.22 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 inter mediaries, 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 relatedparties are disclosed in note 18 to the financial statements. Remuneration of key management personnel is disclosed in note 19.

1.23 Events after the reporting date

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

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). Details of the Events after reporting date are provided in note 29.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The Agency has applied and adopted the following standards and interpretations, which have been published and mandatory for the Agency's accounting periods beginning on or after 01 April 2016.

GRAP 17: PROPERTY PLANT AND EQUIPMENT - Revised version

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment (PPE) so that the users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.

The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

The effective date of the standard is for the years beginning on or after 01 April 2016.

The entity has adopted the standard in the 2017 Annual Financial Statements with no material impact.

2.2 Standards and Interpretations early adopted

The Agency has chosen to early adopt the following standards and interpretations:

GRAP 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

The effective date of the standard is for the years beginning on or after 01 April 2017.

The entity has adopted the standard in the 2017 Annual Financial Statements with no material impact.

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Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Computer Equipment	10,683	(6,908)	3,775	7,466	(5,310)	2,156
Furniture and fixtures	2,901	(2,572)	329	2,966	(2,525)	441
Motor vehicles	898	(655)	243	898	(476)	422
Office equipment	1,746	(1,400)	346	1,726	(1,259)	467
Leasehold improvements	3,546	(3,342)	204	3,546	(3,151)	395
Cellphones	515	(300)	215	406	(51)	355
Total	**20,289**	**(15,177)**	**5,112**	**17,008**	**(12,772)**	**4,236**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Computer Equipment	2,156	3,534	(15)	(1,900)	3,775
Furniture and fixtures	441	-	(5)	(107)	329
Motor vehicles	422	-	-	(179)	243
Office equipment	467	39	-	(160)	346
Leasehold improvements	395	-	-	(191)	204
Cellphones	355	109	-	(249)	215
	4,236	**3,682**	**(20)**	**(2,786)**	**5,112**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Computer Equipment	3,218	400	-	(1,462)	2,156
Furniture and fixtures	686	-	(2)	(243)	441
Motor vehicles	602	-	-	(180)	422
Office equipment	678	94	(7)	(298)	467
Leasehold improvements	877	-	-	(482)	395
Cellphones	130	406	(14)	(167)	355
	6,191	**900**	**(23)**	**(2,832)**	**4,236**

4. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Computer software	1,275	(1,226)	49	1,275	(915)	360
Intangible assets under development	39,843	-	39,843	24,937	-	24,937
Total	**41,118**	**(1,226)**	**39,892**	**26,212**	**(915)**	**25,297**

Notes to the Audited Annual Financial Statements			2017 R'000	2016 R'000
4. Intangible assets (continued)				
Reconciliation of intengible assets - 2017				
	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	360	-	(311)	49
Intangible assets under development	24,937	14,906	-	39,843
	25,297	**14,906**	**(311)**	**39,892**
Reconciliation of intengible assets - 2016				
	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	755	-	(395)	360
Intangible assets under development	-	24,937	-	24,937
	755	**24,937**	**(395)**	**25,297**
5. Inventories				
Inventories			28	145
Inventories recognised as an expense during the year			117	505
6. Loans and receivables				
Prepayments and advances				
- Staff Advances			27	75
- Prepayments			1,234	425
Office rent deposits			243	243
			1,504	**743**
Fair value adjustment			(8)	(8)
			1,496	**735**
7.Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand			5	3
Bank balances			417	9
Call Account			104,121	208,471
			104,543	**208,483**
Cash and cash equivalents are unencumbered				

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Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000
8. Finance lease obligation		
Minimum lease payments due		
- within one year	207	203
- in second to fifth year inclusive	8	152
Present value of minimum lease payments	**215**	**355**
Non-current liabilities	8	152
Current liabilities	207	203
	215	**355**
9.Trade and other payables		
Trade payables	694	821
Operating lease payables	4	33
Accruals	11,392	14,751
Universal Service and Access Fund	-	135
	12,090	**15,740**

10. Provisions

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Total
Annual Bonus	-	240	-	240
Leave	1,108	592	(153)	1,547
Workmen's compensation	189	163	(189)	163
Bonus	2,332	-	(2,332)	-
Other provisions	14,812	-	(14,812)	-
	18,441	**995**	**(17,486)**	**1,950**

Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave	1,561	1,108	(239)	(1,322)	1,108
Workmen's compensation	580	189	-	(580)	189
Bonus	2,332	-	-	-	2,332
Other provisions	-	14,812	-	-	14,812
	4,473	**16,109**	**(239)**	**(1,902)**	**18,441**

Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000
11. Revenue		
Government grants & subsidies	69,045	262,429
Interest received - Investment	10,642	8,605
Recoveries	27	267
	79,714	**271,301**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Recoveries	27	267
Interest received - investment	10,642	8,605
	10,669	**8,872**
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Department of Telecommunication and Postal Services	**69,045**	**262,429**
12. Staff costs		
Wages and salaries		
- Basic salaries	36,977	34,040
- Performance bonus	(32)	-
- Other non-pensionable allowance	1,302	1,218
- Workmen's compensation	163	189
- Leave provision adjustment	439	(453)
- Overtime pay	16	19
Social contributions (Employer's contributions)		
- Medical aid	252	247
- Unemployment insurance fund	99	101
- Provident Fund	2,623	2,804
	41,839	**38,165**
Number of employees	**56**	**56**

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Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000
13. General expenses		
Advertising	49	189
Auditors remuneration	621	1,609
Bank charges	29	47
Consulting and professional fees	283	554
Consumables	-	2
Insurance	376	419
Conferences and seminars	162	102
Marketing costs	862	1,291
Postage and courier	86	199
Printing and stationery	378	755
Research and development costs	219	-
Licenses	782	377
Security	322	260
Catering, refreshments & domestic services	232	824
Subscription fees	80	223
Information and telecommunication costs	3,742	3,011
Training	501	305
Travel	3,118	2,898
Electricity and municipal services	1,001	1,076
Board and committee fees	1,157	1,156
Employee Wellness	123	210
Legal fees	9,209	2,108
BDM Project warehousing and logistics	74,398	14,812
Recruitment Costs	50	113
Organisational development	-	205
	97,510	**32,745**

USAASA incurred Legal Fees of R8.079 million in defending matters arising out of the BDM project. The budget for the BDM project resides in USAF however there was no budget allocated for Legal Fees in USAF and the Agency incurs these costs on behalf of USAF.

14.Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	4,334	4,585
Plant and equipment		
• Contractual amounts	223	223
Lease rentals on operating lease		
• Contractual amounts	43	34
	4,600	**4,842**
Loss on sale of property, plant and equipment	(20)	(14)
Amortisation on intangible assets	312	395
Depreciation on property, plant and equipment	2,788	2,832
Employee costs	41,839	38,165
Research and development	219	-

Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000
15. Cash (used in) generated from operations		
(Deficit) surplus	(67,543)	192,023
Adjustments for:		
Depreciation and amortisation	3,100	3,227
Loss (gain) on sale of assets	20	14
Finance costs	-	84
Movements in provisions	(16,491)	13,968
Interest income	(10,642)	(8,605)
Changes in working capital:		
Inventories	117	336
Loans and receivables	(761)	170
Trade and other payables	(3,654)	11,571
	(95,854)	**212,788**
16. Commitments		
Operating lease commitments		
Total future minimum lease payments due		
Operating lease as leasee		
• Within one year	79	958
• In second to fifth year inclusive	24	56
	103	**1,014**
The operating lease commitments relate to the leases of office building for the Head office and regional offices. There are no contingent rent payable. Leases are renewable and there is an escalation of 6% over the 12 month cycle.		
Service Contracts At the reporting date the entity had outstanding commitments due to contracts with suppliers, which fall due as follows:		
• within one year	64,301	2,713
• in second to fifth year inclusive	-	1,590
	64,301	**4,303**
The commitment amounts are future payments of operational non-cancellable contracts.		

Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000

17. Contingencies

Liabilities

The organisation has cases which are currently ongoing with regard to employees who left the organisation. No judgment has been made with regard to these cases. The claim amount is R3 600 000.

There was a Supreme Court of Appeal (SCA) Judgement issued on the 31st May 2016 in the matter between e.tv (PTY) LTD and the Department of Communications (DoC). The Minister of Communications at the time lodged a petition to the Constitution Court and at the close of the financial year, the judgement from the Constitutional Court was awaited. Subsequent to the year-end, the Constitutional Court delivered a judgement in favour of the Minister of Communications. Refer to note 29 for events after reporting date.

USAASA is in arbitration proceedings under the auspices of the Arbitration Foundation of South Africa (AFSA). Two suppliers of DTT devices exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA. The total statement of claim is R451 million. This is being defended by USAASA. Refer to note 29 for events after reporting date.

Assets

Litigations are in process against two service providers and a former employee. The amount claimed against the service provider is R50 177,12 and the one against the former employee is R138 463.31. Recoverable amounts of these claims cannot be reliably estimated as the cases are still continuing.

18. Related party transactions and balances

Relationships
Department of Telecommunications and Postal Services
(Administrative arm of shareholder)
Universal Service and Access Fund (Fund management)
South African Post Office (Entity controlled by the same shareholder)

Transactions

Name of Entity	Transaction Type	2017 R'000	2016 R'000
Department of Telecommunications and Postal Services		69,045	262,429
South African Post Office	Project expenses	74,398	14,811
South African Post Office	Project rentals	33	-
		143,476	**277,240**

Balances

Name of Entity	Transaction Type	2017 R'000	2016 R'000
Universal Service and Access Fund		-	(135)
South African Post Office	Project expenses	(8,071)	(14,811)
		(8,071)	**(14,946)**

Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000

19. Executive management

Remuneration of key management

2017	Salary R'000	Acting allowance R'000	Other allowance R'000	Total R'000
L. Mtimde - CEO (Appointed 23 May 2016)	1,310	-	1	1,311
E. Marx - Secretariat services (Ended 31 January 2017)	587	-	1	588
S. Mngqibisa - Acting Performance Management	-	2	-	2
M. Chowan - CFO (Appointed 17 October 2016)	586	-	1	587
M.M.R. Moiloa - Business Development Service (Acting CEO) (Ended 27 January 2017)	1,057	8	58	1,123
V. Ntshoko (Ended 02 December 2016)	727	-	57	784
M.M. Ngidi - Corporate Services	1,075	-	13	1,088
S.M. Sephiri - Acting CFO	-	145	-	145
W. Lamani - Acting Business Development Service	-	5	-	5
	5,342	**160**	**131**	**5,633**

2016	Salary R'000	Acting allowance R'000	Other allowance R'000	Total R'000
Z. Nkosi - CEO (Ended March 2016)	1,862	-	70	1,932
Z. Mheyamwa - CFO (Ended Oct 2015)	647	-	69	716
Mngqibisa - Acting Performance Management	970	49	62	1,081
K.C. Mbeki - Secretariat Services	1,188	-	55	1,243
L. Ngcwembe - Acting CFO	923	42	33	998
M.M.R. Moiloa - Business Development Services	1,245	-	2	1,247
V. Ntshoko - Performance Management	608	-	5	613
M.M. Ngidi - Corporate Services	592	-	1	593
M. Nkune - Acting Corporate Services	899	73	2	974
	8934	**164**	**299**	**9397**

Non executive directors	2017 R'000	2017 R'000
M. Cawe - Chairperson (Appointed 01 September 2015)	449	127
N. Nqandela (Appointed 01 September 2015)	177	86
M. Kekana (Appointed 01 September 2015)	52	44
L. Shandu (Appointed 01 September 2015)	162	72
T. Maloka (Appointed 01 September 2015)	121	74
S.H. Chaba (Term ended 31 August 2015)	-	45
L.C. Nene (Appointed 12 December 2016)	31	-
S. Ledwaba (Term ended 31 August 2015)	-	85
V.A. MacDonald (Term ended 31 August 2015)	-	98
Z.Q. Mdhladha (Term ended 31 August 2015)	-	108
K.M. Moroka (Term ended 31 August 2015)	-	38
P. Radebe - Chairperson (Term ended 02 December 2015)	-	317
X. Stocks (Appointed 12 December 2016)	23	-
J. Nkosi (Appointed 12 December 2016)	30	-
	1,045	**1,094**

6. Loans and receivables

Prepayments and advances		
- Staff Advances	27	75
- Prepayments	1,234	425
Office rent deposits	243	243

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Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000
Remuneration of key management (continued)		
Board and Audit Risk Committee		
L.C. Nene - Chairperson	54	79
M.M. Mudau (Term ended 31 May 2015)	-	14
J. Nkosi (Appointed 12 December 2016)	4	-
T. Maloka (Appointed 01 September 2015)	12	7
X. Stocks (Appointed 12 December 2016)	4	-
N.F. Mdanda	18	18
T.D. Ntuli	18	26
	110	**144**

20. Prior period errors

Expenditure recognised in 2016 financial year on cleaning services and training amounting to R9 000 was subsequently reversed by service providers. The amortisation of the operating lease amounting to R129 000 which expired in the previous year. Salaries related expenditure amounting to R455 000 on SDL initially accrued was reversed due to correction of SARS registration. Initially accrued salary expenditure of the former employee amounting to R115 000 was reversed. These errors have been adjusted for retrospectively in terms of GRAP3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 42.

	2017 R'000	2016 R'000
Statement of Financial Position		
Decrease in trade and other payables	-	708
Increase in Accumulated surplus	-	(708)
Statement of Financial Performance		
Decrease in staff costs expenses	-	(570)
Decrease in General expenses	-	(138)
Increase in surplus from operations	-	708

Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000

21. 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 7 . 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.

22. Fruitless and wasteful expenditure

	2017 R'000	2016 R'000
Reconciliation of fruitless and wasteful expenditure		
Opening balance	86	-
Fruitless and wasteful expenditure – current year	2	86
	88	**86**

Analysis of fruitless and wasteful expenditure

Incident	Disciplinary steps/Comments	2017 R'000	2016 R'000
1. SARS Penalties and Interest.	Agency incurred penalties and interest charges due to late payment of PAYE in March 2016.	-	84
2. Interest charges on the overdraft bank balance.	USAASA incurred interest charges of R1 813.64 on the overdraft bank balance due challenges of changing bank signatories.	-	2
3. Additional fees on late travel amendments	USAASA incurred additional travel charges of R2,239.51 for late travel amendments. When there are travel amendments under the new requirements, employees are obliged to go through the Travel Agency and this incurs a service fee.	2	-
		2	**86**

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Notes to the Audited Annual Financial Statements		2017 R'000	2016 R'000
23.Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance		687	228
Irregular expenditure - current year		1,614	459
		2,301	**687**
Analysis of irregular expenditure			
Incident	**Disciplinary steps/Comments**		
1. Non compliance with SCM procedures	Employee instructed the service provider to provide branding material without following SCM processes. Employee is not with the Agency anymore. After consideration of pursuing the matter versus the quantum, the Agency decided it would not be cost beneficial.	-	355
2. Non compliance with SCM procedures	No competitive bids were invited as the service provider was initially identified as the only one providing the services. No further action was taken.	-	78
3. Lowest price quote not selected	Lower quote for catering services not selected. The selected quote had met the specifications but no motivation had been provided. In-house training to SCM officials was provided to ensure complete documentation is provided.	-	3
4. Non compliance to SCM procedures	Service provider was verbally instructed to provide the services. The empoyee is not with the Agency anymore. After consideration of pursuing the matter versus the quantum, the Agency decided it would not be cost beneficial.	-	23
5. Non compliance to National Treasury regulations	Service providers not registered on Central Supplier Database - Flight ticket upgrade on the ticket already procured by the sponsor. This was unavoidable.	239	-
6. Non compliance to SCM procedures	Service provider engaged for services prior to issuance of appointment letter and purchase order. Corrective actions have been taken. The official responsible has been placed under suspension pending disciplinary processes which are underway.	80	-
7. Non compliance to National Treasury regulations	Service providers not registered on Central Supplier Database - Payment effected due to Court order. This was unavoidable.	73	-
8. Non compliance to SCM procedures	Services procured without sourcing quotations. This was unavoidable.	12	-
9. Non compliance with SCM procedures	Three quotations not sourced for travelling expenditure. Misinterpretation of the cost containment instruction as related to the use of travel management companies.	1,205	-
10. Non compliance with PFMA	Payment above contract amount due to service provider effecting inflation escalation clause on the remaining 3 months of the contract. Matter under investigation by Board.	5	-
		1,614	**459**

Notes to the Audited Annual Financial Statements	2017 R'000	2016 R'000
23. Irregular expenditure (Continuation)		
Reconciliation of irregular expenditure		
Opening balance	**687**	**228**
Irregular expenditure - current year	1,614	459
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular Expenditure awaiting condonation	**2,301**	**687**
Analysis of expenditure awaiting condonation per age classification		
Current year	1,614	459
Prior years	687	228
Total	**2,301**	**687**

24.Other revenue		
Recoveries	27	267
25. Investment revenue		
Interest revenue-Bank	10,642	8,605
26. Government grants and subsidies		
Operating grants		
Government grant	69,045	262,429
27.Finance costs		
Late payment of tax	-	84
28. Auditors' remuneration		
Fees	621	1,609

29. Events after the reporting date

There was a Constitutional Court judgement issued on the 08th June 2017 in the matter between e.tv (PTY) LTD and the Department of Communications. This judgement resulted in an event after reporting date and ruled that Government did not behave uncostitutionally when it decided that it would implement a policy of unencrypted digital terrestrial television.

USAASA reached a settlement agreement with two of the service providers of DTT STBs and Antennae to continue delivery as provided in the supply and delivery agreement. The claims for damages and variance in exchange rate claimed by one of the service providers was postponed to a date to be determined.


O R TAMBO DISTRICT
MUNICIPALITY
WI-FI PROJECT
O.R. TAMBO
DISTRICT MUNICIPALITY
8954 others
BrightWave
usaasa

Notes

Notes

Notes

Building 1 Thornhill Office Park
94 Bekker Road
Vorna Valley
1686

PO BOX 12601
Vorna Valley
1686

Tel : +27 11 564 1600
Fax : +27 11 564 1629

www.usaasa.org.za

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Universal Service and Access Agency of South Africa

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